

ETF industry finds growth in fixed income

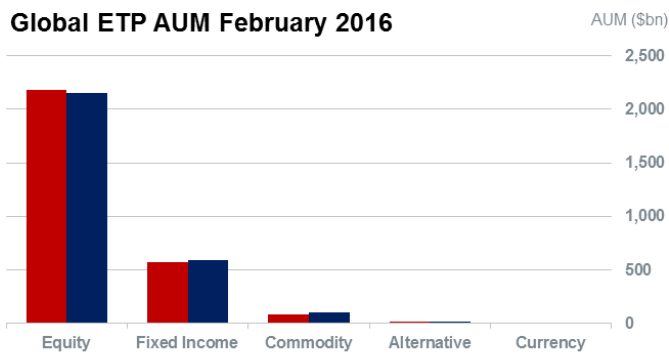
ETF issuers have benefited from timely fixed income listings in 2016 as investors continue to pour billions into the asset class and pull funds from equities.

- Investors have pushed \$30bn of funds into fixed income ETFs ytd as they retreat from equities
- Fixed income ETF AUM swell to an all-time high \$583bn as funds gather pace globally
- Majority of ETFs listed in February are fixed income, adding to over 900 products available

Issuers cater for fixed income appetite

Once again, global ETF AUM is edging closer to the slippery \$3trn mark which was last breached in October 2015. AUM of global ETFs has risen \$130bn ytd. A quarter of this has been driven by \$35bn of inflows with the balance driven by price moves in underlying investments and net asset values.

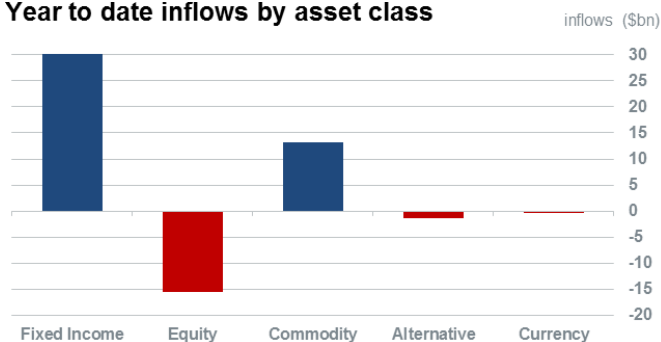
Global ETP AUM February 2016



Source: Markit

This year to date jump in AUM is even more impressive when taking into consideration the fact that equity funds which manage 75% of all assets have seen their AUM shrink since the start of the year due to falling markets and outflows out of the asset class.

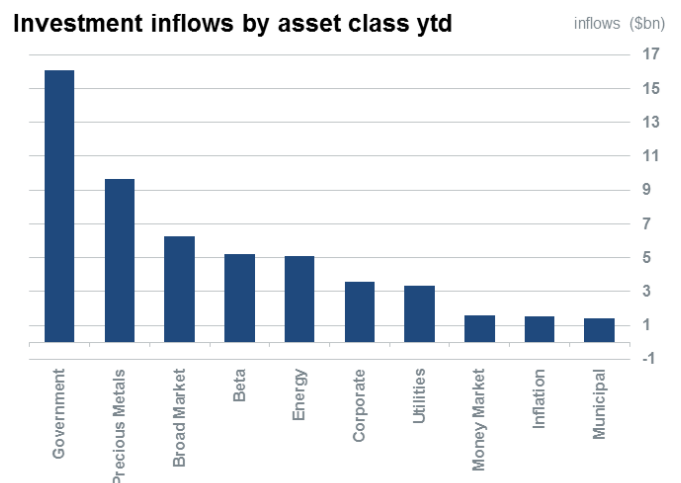
Year to date inflows by asset class



Source: Markit

A further look into inflows shows that investor were most eager to buy government bond funds with the asset class gathering half of all inflows since the start of the year. **Gold and other precious metal ETFs** were the only non-fixed income asset class to break into the top three in terms of year to date inflows.

Investment inflows by asset class ytd



Source: Markit

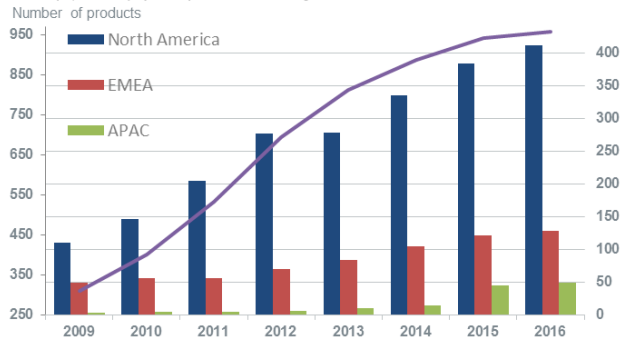
Issuers hone in on fixed income

This strong investor demand for fixed income means that the market share of the asset class has risen by 30% in the past five years. The asset class now manages an all-time high \$585bn of AUM which represents a fifth of all assets managed by the ETF industry. There are a growing number of funds serving this market with 957 products as of latest count.

The affinity towards fixed income ETFs is also proving to be a global phenomenon as European and Asian listed funds gather pace. Apac fixed income AUM has grown nine fold

since 2011 to \$50bn. The strong growth in the region is attributable to Chinese fixed income products attracting large inflows in 2015 which has continued in 2016.

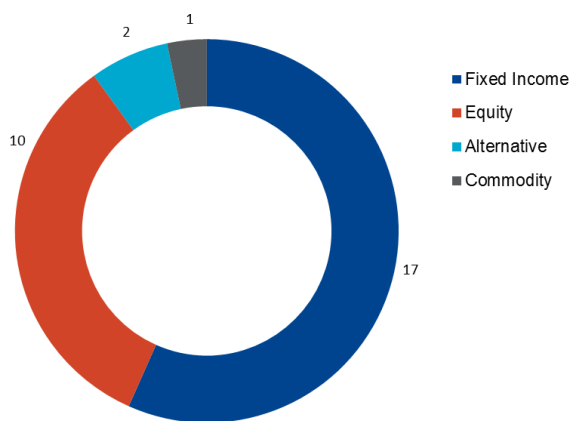
Fixed income ETF AUM



Source: Markit

While there is almost 6,500 different exchange traded products available to investors, fixed income products represent only 15% of these but manage 20% or current assets. ETF issuers have had seemingly **more luck** in fixed income than with equity products which have become more exotic as the market gets crowded. Only five products launched in February are 'general' in nature, following broad market or large cap strategies. The balance is either sector focused, leveraged or has specific styles/strategies in place to improve their differentiation.

Funds launched in February by asset class



Source: Markit

This is in comparison to current listings of fixed income products launched which mostly track vanilla debt instruments. Of the 17 fixed income ETFs which were launched in February, most provide exposure to US and Euro corporate and government bonds. Vanguard and SPDR Barclays are the leading issuers in this wave of issuances.

February ETP launches

	Asset Class
WisdomTree CBOE S&P 500 PutWrite Strategy Fund	Alternative
ProShares Managed Futures Strategy ETF	Alternative
Credit Suisse X-Links WTI Crude Oil Index ETN	Commodity
Source FTSE RAFI US Equity Income Physical UCITS ETF	Equity
db x-trackers Harvest FTSE China A-H 50 INDEX UCITS ETF (DR)	Equity
Eaton Vance Stock NextShares ETMF	Equity
Pacer Global High Dividend ETF	Equity
Source Financial Services S&P US Select Sector UCITS ETF	Equity
Source Real Estate S&P US Select Sector UCITS ETF	Equity
UBS ETRACS 2xMonthly Leveraged S&P MLP Index ETN Series B	Equity
UBS ETRACS 2xMonthly Leveraged Alerian MLP Infrastructure Index ETN Series B	Equity
UBS (Iri) ETF Plc ETF MSCI USA LVOL A GBP NPV	Equity
UBS (Iri) ETF Plc ETF MSCI US PR VAL A GBP NPV	Equity
db x-trackers Barclays USD Corporate Bond UCITS ETF (DR) - EUR	Fixed Income
Vanguard EUR Corporate Bond UCITS ETF	Fixed Income
Vanguard EUR Eurozone Government Bond UCITS ETF	Fixed Income
Vanguard USD Corporate Bond UCITS ETF	Fixed Income
Cambria Sovereign High Yield Bond ETF	Fixed Income
SPDR Barclays 3-10 Year U.S. Corporate Bond UCITS ETF	Fixed Income
SPDR Barclays 3-7 Year Euro Corporate Bond UCITS ETF	Fixed Income
SPDR Barclays 7+ Year Euro Corporate Bond UCITS ETF	Fixed Income
SPDR Barclays 7-10 Year U.S. Treasury Bond UCITS ETF	Fixed Income
SPDR Barclays 5-7 Year U.S. Treasury Bond UCITS ETF	Fixed Income
SPDR Barclays 3-5 Year U.S. Treasury Bond UCITS ETF	Fixed Income
SPDR Barclays 10+ Year U.S. Treasury Bond UCITS ETF	Fixed Income
SPDR Barclays 10+ Year Euro Government Bond UCITS ETF	Fixed Income
SPDR Barclays 5-7 Year Euro Government Bond UCITS ETF	Fixed Income
SPDR Barclays 7-10 Year Euro Government Bond UCITS ETF	Fixed Income
First Trust CDN Short Duration High Yield Bond (Advisor)	Fixed Income
First Trust CDN Short Duration High Yield Bond (CAD-Hedged) ETF	Fixed Income

Source: Markit

*To receive more information on **Securities Finance, Research Signals, Exchange Traded Products, Dividend Forecasting** or our Short Squeeze model please **contact us**

To read this article on our commentary website please click [here](#).

Relte Stephen Schutte

Analyst

Markit

Tel: +44 207 064 6447

Email: relte.schutte@markit.com

For further information, please visit www.markit.com

The intellectual property rights to this report provided herein is owned by Markit Group limited. Any unauthorised use, including but not limited to copying, distributing, transmitting or otherwise of any data appearing is not permitted without Markit's prior consent. Markit shall not have any liability, duty or obligation for or relating to the content or information ("data") contained herein, any errors, inaccuracies, omission or delays in the data, or for any actions taken in reliance thereon. In no event shall Markit be liable for any special, incidental, consequential damages, arising out of the use of the data. Markit is a trademark owned by the Markit group.

This report does not constitute nor shall it be construed as an offer by Markit to buy or sell any particular security, financial instrument or financial service. The analysis provided in this report is of a general and impersonal nature. This report shall not be construed as providing investment advice that is adapted to or appropriate for any particular investment strategy or portfolio. This report does not and shall not be construed as providing any recommendations as to whether it is appropriate for any person or entity to "buy", "sell" or "hold" a particular investment.