

FLOW & TELL



A monthly review of iShares ETF flows, performance, market quality and product ideas.

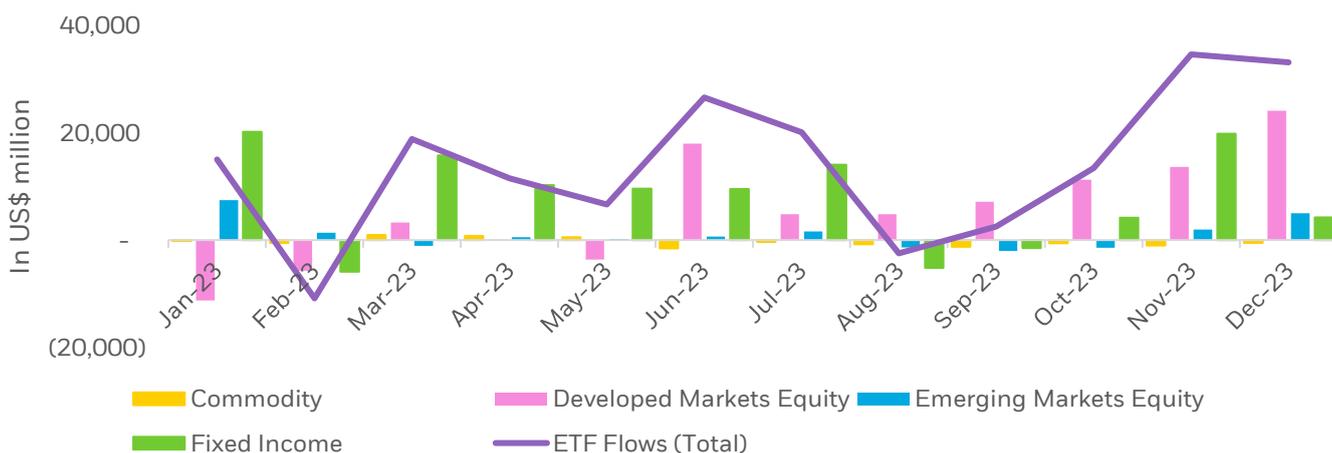
APAC Investment Strategy and Product Solutions

January 2024

2023: A Tale of Two Halves

Total Flows	iShares inflows (+US\$182.4 billion) in 2023 slipped for the second consecutive year in a year punctuated by flip-flopping market narratives, heightened uncertainty and attractive risk-free rates that pushed up cash holdings. Looking deeper, it was a tale of two halves with caution prevailing initially only to give way to risk on towards the end of the year.
Equity	Equity ETFs added (+US\$78 billion) , down some 20% on year with both Developed Market (+US\$64 billion) and Emerging Market (+US\$14 billion) seeing flows drop. However, 97% of the inflows came in the last six months of the year. Standouts were Japan , which logged record inflows, Quality, Tech and India while China saw outflows.
Fixed Income	Fixed Income inflows (+US\$113 billion) , dropped a tenth from the previous year. Under the hood, short-term paper was favoured at the start of the year. But as signs pointed to the end of the fastest rate hike cycle since the 1980s and as yields came off, long end Treasuries and high yield roared back into contention.

Flows by asset class



Source: BlackRock, as of Dec. 31, 2023. Data inclusive of US-listed, UCITS and APAC-domiciled iShares ETPs only.

Looking Ahead:

2023 was an extraordinary year of volatility and flip-flopping market narratives – reflecting heightened uncertainty as investors continue to view today’s economy through the lens of a typical business cycle. Data surprises caused the ten-year Treasury yield to lurch between 3.30% and above 5.00%, before ending the year roughly flat. A handful of mega-cap tech stocks drove S&P 500 gains, with the market cap weighted index outpacing the equal-weighted index by the most since 1998. Elsewhere, China’s stocks were the worst-performing among the major economies amid weak sentiment and property sector woes.

Markets are pricing for a precise combination of a soft landing and central banks coming to the rescue notwithstanding the potential for an unusually wide range of macro-outcomes. We believe a more active approach to managing investment portfolios – leveraging both index and alpha-seeking strategies – may carry greater rewards as a result. We think it’s time to put those skills to work and deploy cash on the sidelines to seize the opportunities

All data source is BlackRock as of Dec. 31, 2023, unless otherwise specified. The opinions expressed are as of date and are subject to change at any time due to changes in market or economic conditions.

2023 Top/Bottom iShares ETF Flows

Equities

	Exposure	2023 Flow (US\$M)	% of AUM
1	Core S&P 500	38,673	10
2	MSCI USA Quality	11,103	31
3	MSCI World UCITS	8,590	14
4	Russell 2000	7,534	11
5	Core MSCI EM	6,282	5

	Exposure	2023 Flow (US\$M)	% of AUM
1	ESG MSCI US	(9,267)	69
2	MSCI EM	(6,003)	34
3	MSCI US Min Vol	(5,445)	20
4	MSCI EM Min Vol	(4,110)	95
5	USA Momentum	(4,033)	45

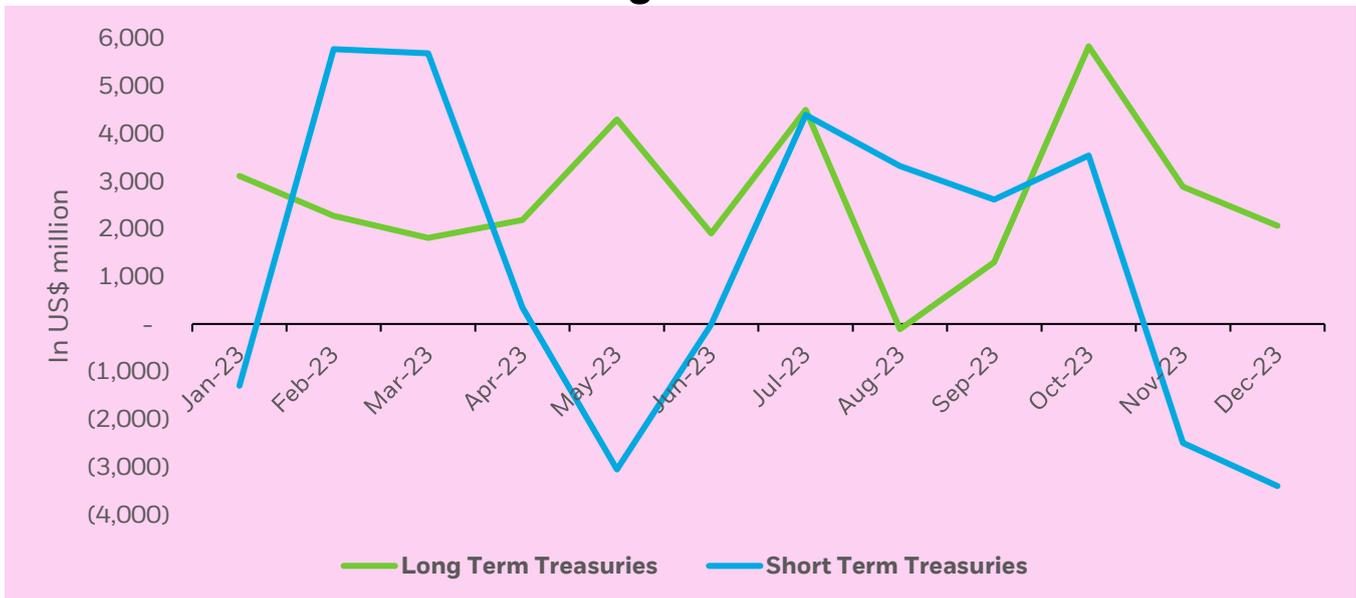
Fixed Income

	Exposure	2023 Flow (US\$M)	% of AUM
1	20+ Year Treasury	24,223	47
2	Core US Agg.	16,703	16
3	0-3 Month T'sry	10,117	58
4	T'sry Floating Rate	6,006	13
5	National Muni	5,131	17

	Exposure	2023 Flow (US\$M)	% of AUM
1	0-5 Yr TIPS	(4,967)	60
2	iBOXX \$IG	(4,631)	15
3	TIPS	(4,388)	24
4	U.1-5 YR IG	(2,252)	11
5	\$ 1-3 YR Treasury	(2,191)	8

Please note that this list is non-exhaustive. % of AUM refers to annual flows as a % of AUM as of the specified date of the month. The figures shown relate to past performance. Past performance is not a reliable indicator of current or future results.; Source: BlackRock, Dec. 31 2023

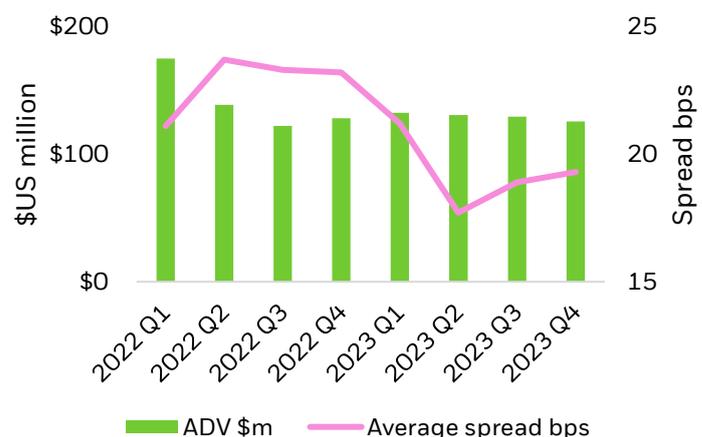
Chart of the Month : Short vs Long



Source: BlackRock, as of Dec, 31, 2023. Data inclusive of US-listed, UCITS and APAC-domiciled iShares ETPs only. The figures shown relate to past performance. Past performance is not a reliable indicator of current or future results. Index returns are for illustrative purposes only.

Focus on iShares APAC ETF secondary market activity

- The average bid-ask spread for iShares APAC ETFs tightened to an average 20bps in 2023 from 23bps in 2022 average.
- Average daily volumes stood at US\$129m and the spread improvements were mainly led by Hong Kong where spreads decreased to 24bps in 2023 from 35bps in the previous year.



Source: Bloomberg, as of Dec. 31, 2023.

Trendly Idea: 2023 Review

Through the year, iShares strategists recommended several exposures that were primed to boost portfolio returns. The suggestions were backed by a combination of historical performance, flows and fundamentals such as earnings potential and valuation. These were then overlaid on the macro themes to arrive at the ‘Trendly Ideas.’

We featured the top recommendation for the month in the “Trendly Idea” column in this report. Below, we take a look at how our recommendations panned out.

Monthly Returns over MSCI All World Index

	Dec. 2022	Jan. 2023	Feb.	Mar.	Apr.	May.	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.
China	MSCI China	MSCI China										
	9.2%	5.0%										
US Tech			Semi Conductor	Semi Conductor		Semi Conductor	Semi Conductor	Tech			IT	IT
			4.3%	5.7%		20.9%	0.8%	1.6%			2.4%	3.83%
US Industrials					Home Cons		Home Cons					
					6.4%		11.1%					
Japan					TOPIX	TOPIX	TOPIX		TOPIX	TOPIX		
					1.2%	5.4%	1.7%		3.2%	4.6%		
Latam			LATAM			LATAM	LATAM				LATAM	LATAM
			-3.6%			13.2%	6.5%				0.1%	3.12%
Europe Financials		Europe Banks	Europe Banks		Europe Banks	Europe Banks		Europe Banks	Europe Banks			
		3.4%	9.0%		2.2%	15.9%		2.4%	0.9%			
India								MSCI India	MSCI India	SENSEX	SENSEX	SENSEX
								-0.7%	0.8%	5.0%	0.1%	-5.89%
Energy									Oil & Gas	Oil & Gas	Oil & Gas	
									4.7%	3.7%	2.1%	

Performance refers to monthly return against ACWI performance right after recommendation. For Japan and Europe, performance is in local currency. Selection based on minimum AUM of US\$250million per ETF. Ranked by two weeks and one-month historical performance; flows in USD divided by AUM. Fundamentals are measured based on recent earnings growth changes and relative valuation. **Semiconductor** refers to NYSE Semiconductor Index, **Tech** refers to S&P North American Expanded Technology Software Index, **IT** refers to S&P 500 Capped 35/20 Information Technology Index, **LATAM** refers to S&P Latin America 40 Index, **Europe Banks** refers to STOXX Europe 600 Banks and **Oil & Gas** refers to S&P Commodity Producers Oil and Gas Exploration & Production Index. The figures shown relate to past performance. Past performance is not a reliable indicator of current or future results. Index returns are for illustrative purposes only. Index performance returns do not reflect any management fees, transaction costs or expenses. Indexes are unmanaged and one cannot invest directly in an index.

To find out more about our Trendly Ideas, contact your iShares representative.

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