Press Release
For immediate release

European ETFs raised $159bn in 2023

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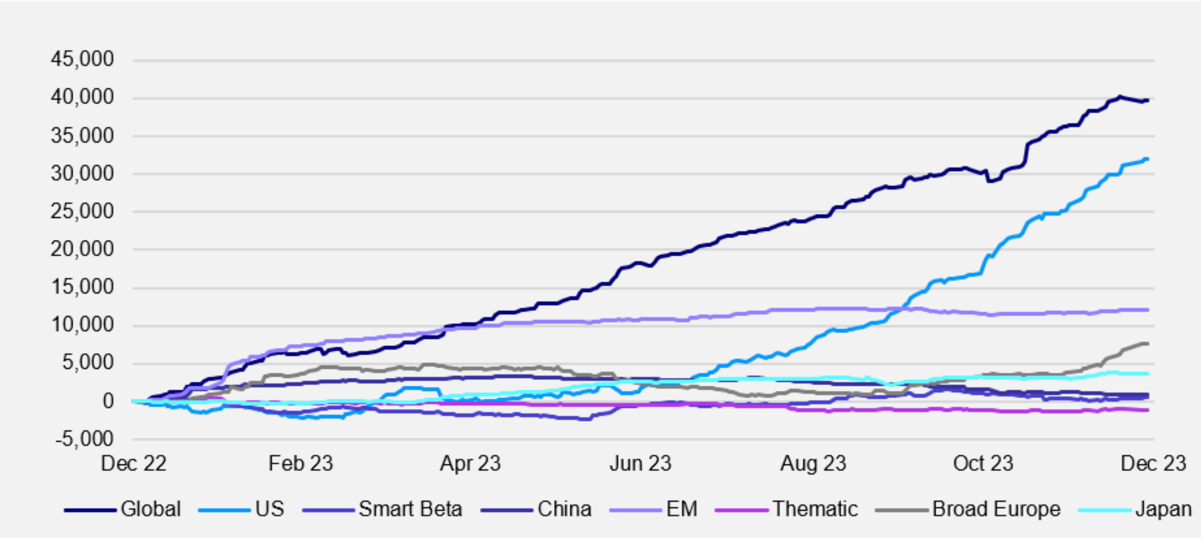
- While equity products led inflows, it was a record year for fixed income net new assets (NNA), with the asset class punching well above its market share.
- Overall AUM hit $1.8 trillion for the first time.
- ESG now represents 20.3% of industry AUM, up from 18.2% at the end of 2022.
- Strong flows look set to continue in first few months of 2024.

London, 11 January 2024 – European ETFs raised $159 billion in 2023, the second highest year of flows ever, according to Invesco's latest **European Demand Monitor**. Overall assets under management (AUM) hit $1.8 trillion for the first time, propelled by strong inflows and market-driven gains of 16.8%.

Equity products led inflows

At $96.2 billion, equity NNA was up by 62% when compared with the $59.6 billion seen in 2022. Combined with a supportive market performance, this brought equity AUM to a record high of $1.25 trillion.

Within the asset class, global equities remained the dominant contributors to inflows in 2023 with $39.7 billion, accounting for 42% of total equity flows. US equities came second, accounting for 33% of inflows, followed by emerging markets on 13%.



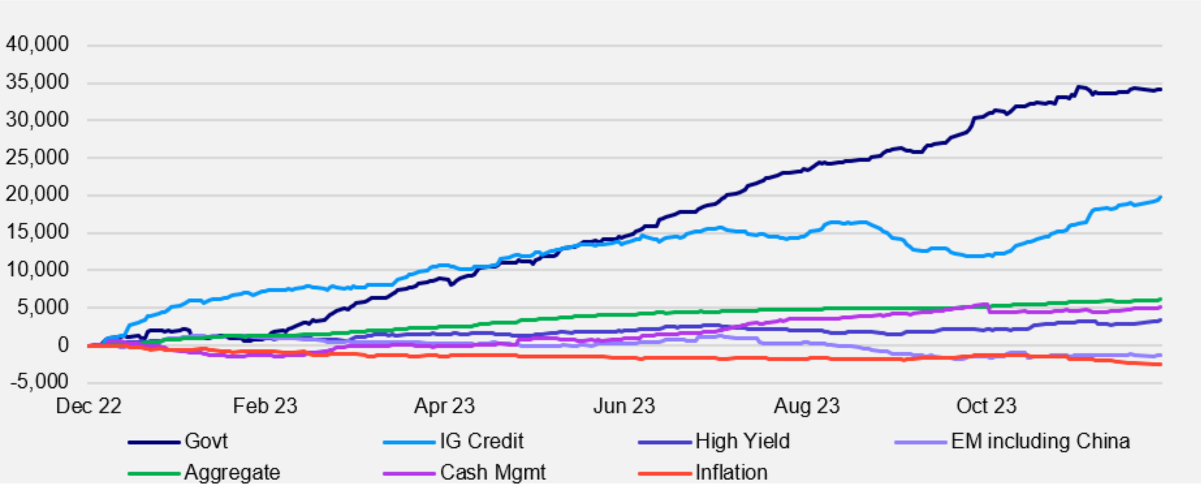
A record year for fixed income

With $68.2 billion NNA, 2023 was a record year for net inflows into fixed income ETFs, comfortably beating the previous record of $62 billion in 2019.

The key theme of the year was that higher quality bonds saw the highest demand; with yields hitting their highest levels for over a decade, there was less need for investors to take on additional credit risk by moving down the rating spectrum, particularly given concerns about the economic outlook and geopolitical tensions.

Developed market government bond ETFs were the strongest category, taking in a net $34.6 billion, over half of total fixed income NNA. Within this sector, inflows were reasonably well balanced between US Treasury ETFs ($15.2 billion) and EUR government bond ETFs ($13.2 billion). Although Gilt ETF NNA lagged in absolute terms with $4.3 billion, that represents a growth rate of almost 70%, more than double that of US Treasuries and EUR governments.

Investment grade credit was the next strongest category, taking in $19.7 billion. EUR-denominated credit saw much greater demand than its USD-denominated counterpart, taking in $13.2 billion NNA versus $4.0 billion.

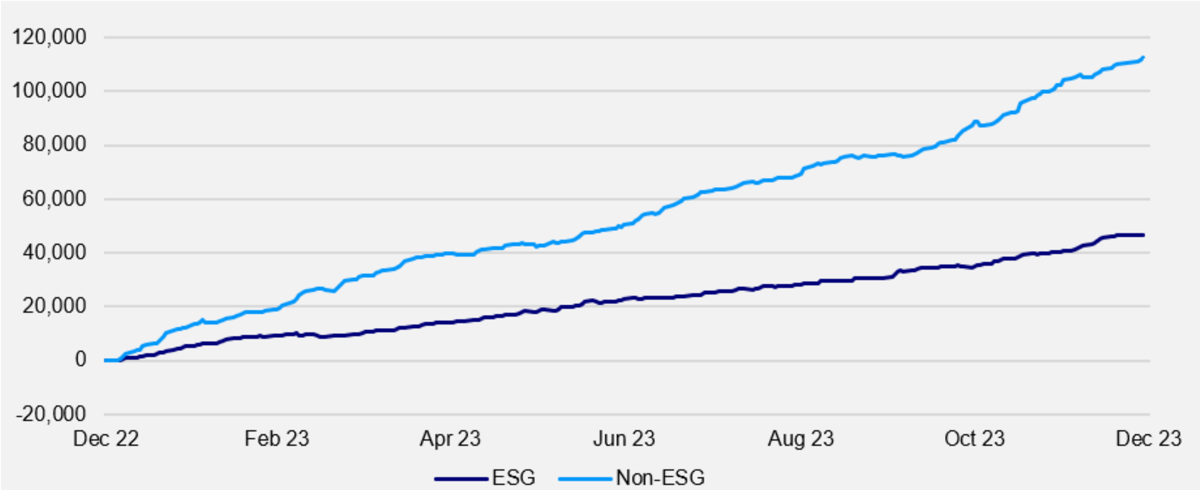


Healthy ESG flows

With inflows of $47 billion, ESG now represents 20.3% of industry AUM, a 2.1% increase in market share over the course of the year. Flow participation for ESG products had accelerated significantly over the previous few years (39% in 2020, 51% in 2021, 61% in 2022) before moderating in 2023 to 29%. However, this year's capture percentage was still significantly ahead of market share and, on an absolute basis, close to the previous year's NNA ($47 billion vs $53 billion).

Despite record flows in 2022, many broad ESG strategies underperformed that year, driven partly by outperformance from the Energy sector, which is likely to have prompted the collapse in flows we saw in 2023 for strict best-in-class strategies, the largest section of the ESG ETF market. These products saw a reduction in flows of 75% from 2022 to 2023.

In 2023, investors in ESG ETFs turned instead to focus on specific ESG issues - for example, funds tracking EU climate benchmarks saw $14.9 billion of NNA through the year - or 'lighter touch' strategies that only incorporate exclusions in their methodology, with such products garnering $13.3 billion.



NNA ($m): ESG vs Non-ESG (Source: Invesco and Bloomberg, 30 Dec 2022)

Outlook for Q1 2024

"We envision a more supportive environment for all asset classes in 2024, as interst rates peak and central banks pivot to more dovish stances", said **Gary Buxton, Head of EMEA ETFs at Invesco.** "As such, we would expect strong demand to continue in the months ahead."

"As conditions improve, we could see more interest in some of the markets that have been overlooked over the past year; for example, thematic exposure to areas such as clean energy, which have long-term structural support from the transition to a low-carbon global economy."

Ends

Notes to editors

All data sourced from Invesco, Bloomberg, as at 29 Dec 2023. All figures in USD.

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Data source Invesco/Bloomberg as at 31 December 2023 unless otherwise stated.

Views and opinions are based on current market conditions and are subject to change.

For further information, please contact:

Invesco
Jane Drew
jane.drew@invesco.com
Telephone +44 20 3370 1104

Lansons
Anthony Cornwell / Tom Straker
anthonyc@lansons.com / toms@lansons.com
Telephone +44 207 294 3606 / +44 20 7566 9705