

# ETF Market Report

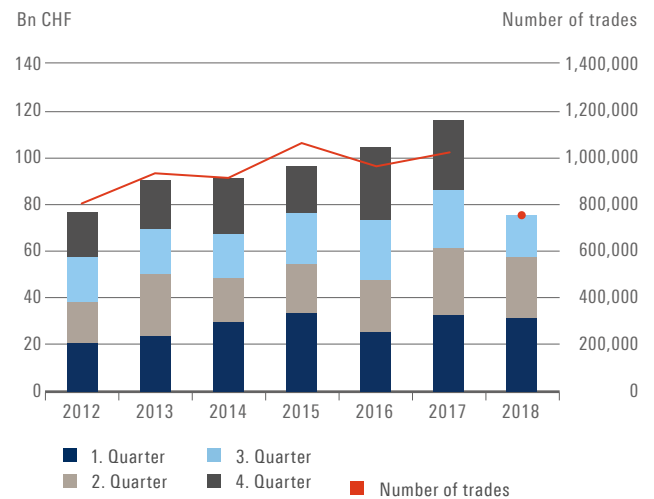
3. Quarter 2018

## Summer Lull

In the third quarter, the majority of western stock exchanges generated a positive performance, in particular the US stock market. However, most stock exchanges in emerging countries faced difficulties and had to post ongoing losses. The festering trade dispute between the US and China negatively impacted demand for Chinese securities, while American stock exchanges were unimpressed. As of the end of September, the Swiss Market Index SMI<sup>©</sup> closed at 9,087.99 points, up 5.56% on the level at the end of June. Despite largely friendly financial market conditions, growth in ETFs slowed. Following the listing of 106 ETFs on SIX Swiss Exchange in the first quarter and 73 units in the second quarter, the number of new entries decreased to 37 in the third quarter.

The downward trend continued in the third quarter. Trading turnover decreased by 29.32% quarter on quarter to CHF 18.0 billion. All asset categories suffered losses. Contrary to the general trend, the equity style / strategy asset class within the equity category saw an increase of 33%. Lower trading turnover also resulted in a lower number of trades. As a result, 224,933 ETF tickets were generated in Q3 2018, representing a decrease of 28,672 compared to the second quarter. Compared to the same period of the previous year, the number of ETFs decreased by 11.31%.

### ETF turnover development



Source: SIX Swiss Exchange

Number of Market Makers

18

Best performance in 3. quarter 2018

13.6%

iShares S&P Health Care

Number of the quarter

224,933

Number of ETF transactions in the 3. quarter 2018 on SIX Swiss Exchange

Number of new listings in the 3. quarter 2018

37

Top turnover single ETF

602.6 mn

Volume in the 3. quarter most traded product iShares S&P 500 UCITS ETF

# Table of contents

## Editorial

<b>1. ETF market SIX Swiss Exchange</b> .....	<b>03</b>
1.1 ETF turnover and number of trades on SIX Swiss Exchange (during the quarter) .....	03
1.2 Top-10 selected changes in the overall market .....	04
1.3 Turnover by product provider .....	05
1.4 Top-5 selected changes per asset class .....	06
1.5 Trading details.....	07
<b>2. ETFs in Switzerland</b> .....	<b>08</b>
2.1 Trading details.....	08
2.2 Number of ETFs on SIX Swiss Exchange by market maker .....	09
2.3 New listings in the quarter 2018.....	10
<b>3. European market</b> .....	<b>12</b>
<b>4. Interview</b> .....	<b>13</b>
<b>5. Disclaimer/Imprint</b> .....	<b>15</b>

# 1. ETF market SIX Swiss Exchange

## 1.1 ETF turnover and number of trades

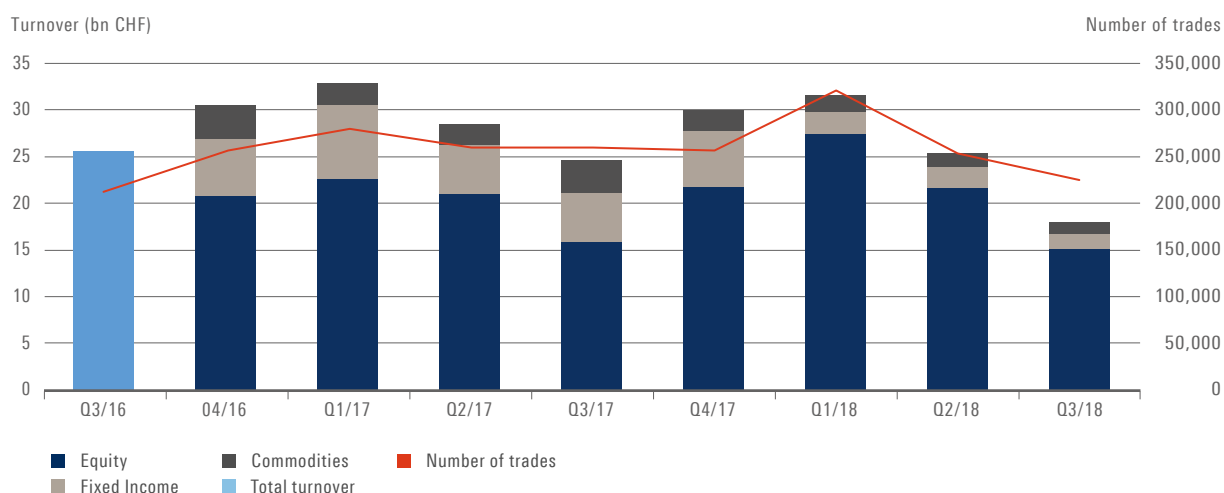
In the third quarter, equity ETFs were most affected by the decline in trading turnover, declining by 30.18%. Bond ETFs which generated around a tenth of equity ETF turnover posted a 28.34% downturn. With a decrease of 19.3%, commodity ETFs have been continuing their downward trend since the first quarter of 2017 due to little volatility. The slightly positive trend in ETFs in the energy sector was offset by significant declines in most other sectors (agricultural, industrial, precious metals).

iShares S&P 500 ETF took pole position ETFs in the third quarter of 2018 on the list of the top 20 most-traded ETFs which consists entirely of equity-based products, followed by two USD and CHF currency-hedged UBS ETFs on the MSCI ACWI index. However, all three recorded lower turnover compared to the previous quarter. The iShares ETF CSSMI on the Swiss Market Index followed in fourth place. Among the seven highest ranked companies, only the iShares ETF CSSMM posted higher turnover in the Swiss Mid Cap Index SMIM. LYXOR ETF World Health Care saw a big jump in turnover, the only industry ETF among the 20 most-traded ETFs in the third quarter.

### Top-20 most traded ETFs

Product	Turnover (mn CHF)	Trend
iSHARES S&P 500 UCITS	602.61	↓
UBSETF ACWI HDG TO USD A-ACC	444.35	↓
UBSETF ACWI HDG TO CHF A-ACC	414.11	↓
iSHARES SMI ETF (CH)	408.85	↓
UBSETF ACWI hdg to EUR A-acc	360.99	↓
iSHARES SMIM ETF (CH)	351.74	↑
INVESCO EQQQ	322.33	↓
iSHARES MSCI EMG UCITS	316.99	↑
iSHARES CORE SPI ETF (CH)	290.27	↑
iSHARES MSCI EM IMI UCITS ETF	266.35	↓
LYX ETF DAX (DR) ACC	243.32	↓
LYX ETF EURO STOXX 50 (DR) DIS	229.46	↓
iSHARES NASDAQ 100 UCITS	212.24	↓
iSHARES STOXX EUROPE 600 (DE)	211.88	↑
UBSETF ACWI HDG TO GBP A-UKDIS	205.43	↑
UBS ETF (CH) - SMI (CHF) A	202.57	↓
LYXOR ETF S&P 500	197.03	↑
iSHARES EURO STOXX 50 UCITS	196.29	↓
LYXOR ETF WORLD HEALTH CARE	181.76	↑
UBS ETF - MSCI EM SF USD A	171.00	↓

Source: SIX Swiss Exchange



Source: SIX Swiss Exchange

## 1.2 Top-10 – selected changes in the overall market

In the third quarter, ETFs focusing on the health sector and ETFs based on palladium dominated the winners of the performance rankings. The iShares S&P Health Care (symbol: IUHC) topped the rankings with an increase of close to 14%. Losses were posted particularly by ETFs based on Turkey and on gold mining shares. ITKY, an iShares ETF on the MSCI Turkey brought up the rear in the last quarter. In Q3, it slumped more than 22%. The

escalation of the financial crisis in Turkey has led rating agencies Standard & Poor's, Moody's and Fitch to lower their credit rating. Based on the number of tickets traded, CSSPX (the ETF of iShares on the S&P 500) also took pole position in the third quarter, followed by the CSSMI and CHSPI ETFs by the same issuer on the SMI and SPI respectively and Invesco's ETF EQQQ on the Nasdaq 100 fell from second place to fourth place.

### Top-10 ETFs best performance

Product	Symbol	Performance	Trend
iSHARES S&P HEALTH CARE	IUHC	+13.64	↑
X MSCI USA HEALTH CARE	XUHC	+13.01	↑
SPDR S&P US HEALTH SELECT	SXLV	+12.94	↑
UBS ETF PALLADIUM	PLUSA	+12.88	↑
INVESCO US HEALTH CARE S&P	XLVS	+12.87	↑
ZKB PALLADIUM ETF AA CHF	ZPAL	+12.32	↑
GAM PHYS PALLADIUM - CHF A	JBPACA	+12.14	↑
LYXOR MSCI WORLD HEALTHCARE	LYHLTW	+11.85	↑
GAM PHYS PALLADIUM - USD AX	JBPAUX	+11.65	↑
iSHARES MSCI POLAND	SPOL	+11.57	↑

Source: Bloomberg

### Top-10 ETFs worst performance

Product	Symbol	Performance	Trend
iSHARES MSCI TURKEY	ITKY	-22.14	↓
LYXOR DJ TURKEY TITANS 20	LYTUR	-21.40	↓
HSBC MSCI TURKEY UCITS ETF	HTRY	-21.22	↓
COMSTAGE ETF GOLD BUGS	CBGOLD	-20.07	↓
COMSTAGE ETF GOLD BUGS	CBGOLDUS	-19.57	↓
MRKT ACES NYSE ARCA GLD BUGS	MAGB	-19.53	↓
VV GOLD MINERS UCITS ETF	GDX	-19.44	↓
LYXOR MSCI ACWI GOLD-C-EUR	GLDU	-18.93	↓
L&G GOLD MINING UCITS ETF	AUCO	-18.84	↓
VANECK VECTORS JUNIOR GOLD M	GDXJ	-18.35	↓

Source: Bloomberg

### Top-10 ETFs number of trades (tickets)

Product	Symbol	No. of trades	Trend
iSHARES S&P 500 UCITS	CSSPX	5'964	↓
iSHARES SMI ETF (CH)	CSSMI	5'019	↓
iSHARES CORE SPI ETF (CH)	CHSPI	4'163	↓
INVESCO EQQQ	EQQQ	3'933	↓
iSHARES NASDAQ 100 UCITS	CSNDX	3'862	↓
UBS ETF MSCI EMU EUR A-acc	EMUAA	3'517	↑
iSHARES SMIM ETF (CH)	CSSMIM	3'266	↓
ZKB GOLD ETF	ZGLD	2'934	↑
X SWITZERLAND	XSMI	2'881	↑
iSHARES CORE CHF CB ETF (CH)	CHCORP	2'871	↓

Source: SIX Swiss Exchange

## 1.3 Turnover by product provider

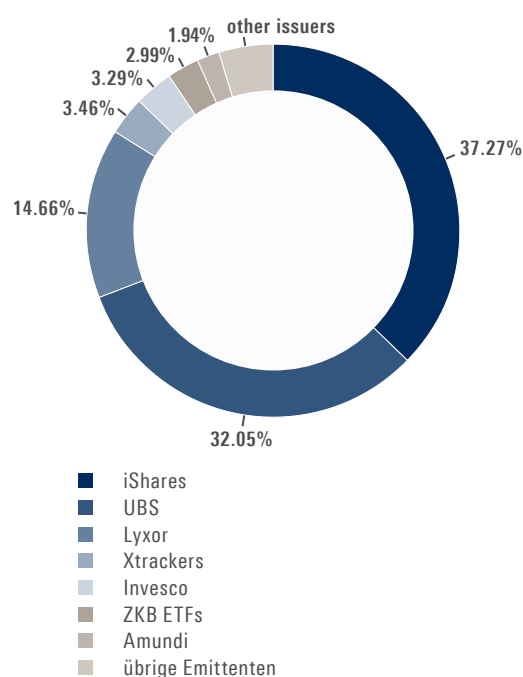
There was a change in position at the top of the turnover ranking. With an increased market share from 32.88% to 37.27%, BlackRock/iShares managed to beat its former frontrunner UBS in the third quarter. The largest Swiss bank lost market share again. Its share decreased from 39.75% in the second quarter

to 32.05% in the third quarter. Lyxor which was ranked in third position increased its market share for the third time in a row, from 11.09% to 13.74% to most recently 14.66%. The remaining 22 providers headed by Xtrackers have significantly lower market shares compared to the three leading issuers.

### ETF turnover by product provider

Issuer	Products	Turnover (mn CHF)	Market share	Trend
iShares	289	6,697.89	37.27%	↑
UBS	307	5,759.25	32.05%	↓
Lyxor	98	2,634.92	14.66%	↑
Xtrackers	89	622.47	3.46%	↑
Invesco	76	592.00	3.29%	↓
ZKB ETFs	14	536.72	2.99%	↑
Amundi	69	348.26	1.94%	↑
SPDR ETFs / State Street Global Advisors	88	163.90	0.91%	↓
Vanguard	24	147.13	0.82%	↑
Julius Bär	32	131.99	0.74%	↑
HSBC	29	87.44	0.49%	↓
ComStage	160	82.51	0.46%	↑
Fidelity	5	44.81	0.25%	↑
Raiffeisen Switzerland Cooperative	5	31.67	0.18%	↑
BNP Paribas Asset Management	25	23.70	0.13%	↓
Legal & General	11	19.03	0.11%	↑
Ossiam Lux	16	12.14	0.07%	↑
China Post Global (UK)	8	9.42	0.05%	↑
JPMorgan	11	8.71	0.05%	↑
WisdomTree Europe	28	7.49	0.04%	↓
VanEck Investments	9	4.20	0.02%	↑
Nomura	4	1.89	0.01%	↓
Structured Invest	2	1.74	0.01%	↓
First Trust	2	0.59	0.00%	↓
Franklin Templeton	8	0.20	0.00%	↑
<b>Total</b>	<b>1,409</b>	<b>17,970.08</b>	<b>100.00%</b>	

Source: SIX Swiss Exchange



## 1.4 Top-5 selected changes per asset class

### Equity Developed Market

Product	Turnover (mn CHF)	Trend
iSHARES S&P 500 UCITS	603	↓
UBSETF ACWI HDG TO USD A-ACC	444	↓
UBSETF ACWI HDG TO CHF A-ACC	414	↓
iSHARES SMI ETF (CH)	409	↓
UBSETF ACWI hdg to EUR A-acc	361	↓

1

### Fixed Income & Money Market

Product	Turnover (mn CHF)	Trend
iSHARES \$ TRSRY BND 7-10 UCITS	167	↓
iSHARES CORE CHF CB ETF (CH)	127	↓
iSHARES JPMORGAN \$ EM BOND	120	↓
iSHARES \$ TREASURY BOND 1-3	82	↑
iSHARES USD GOVT 7-10 UCITS	62	↓

1

### Equity Emerging Market

Product	Turnover (mn CHF)	Trend
iSHARES MSCI EMG UCITS	317	↑
iSHARES MSCI EM IMI UCITS ETF	266	↓
UBS ETF - MSCI EM SF USD A	171	↓
UBS ETF MSCI EM UCITS USD ACC	150	↑
UBS ETF - MSCI Emerging Mkts A	105	↓

1

### Commodities

Product	Turnover (mn CHF)	Trend
ZKB GOLD ETF (USD)	137	↓
ZKB GOLD ETF	130	↓
UBS ETF GOLD HEDGED (CHF) A	114	↓
UBS ETF GOLD (USD) A	95	↓
ZKB GOLD ETF HEDGED (CHF)	85	↓

1

### Equity Style / Strategy / Themes

Product	Turnover (mn CHF)	Trend
iSHARES SMIM ETF (CH)	352	↑
iSHARES STOXX EUROPE 600 (DE)	212	↑
LYXOR ETF WORLD HEALTH CARE	182	↑
LYX STX EUR 600 HEALTHCARE ACC	135	↑
LYX EURO STX 50 DAILY LEV ACC	135	↓

1

### Volatility

Product	Turnover (mn CHF)	Trend
iSHARES MSCI EM MINVOL	21	↑
iSHARES MSCI EURO MINVOL	3	↓
iSHARES S&P 500 MINVOL	3	↑
UBSETF FACTOR LOW VOL USD D	2	↓
UBSETF FACTOR LOW VOL EUR D	2	↑

1

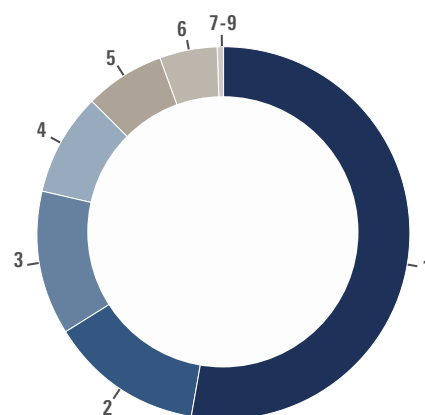
<sup>1</sup> Source: SIX Swiss Exchange

## 1.5 Trading details

### Turnover by asset classes

Asset class	Absolute	Change	Turnover (mn)	Trend
1 Equity Developed Market	52.93%	-35%	9,511.91	↓
2 Equity Style / Strategy	13.43%	+33%	2,414.05	↑
3 Equity Emerging Market	12.49%	-6%	2,245.23	↓
4 Fixed Income	8.72%	-74%	1,566.29	↓
5 Commodities	6.93%	-66%	1,244.53	↓
6 Equity Themes	5.03%	-54%	904.44	↓
7 Funds	0.26%	-34%	47.49	↓
8 Volatility	0.18%	-69%	33.08	↓
9 Money Market	0.02%	-95%	3.06	↓
<b>Total</b>	<b>100.00%</b>		<b>17,970.08</b>	

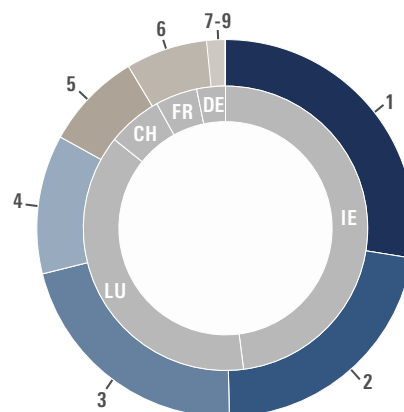
Source: SIX Swiss Exchange



### Number\* of ETFs on SIX Swiss Exchange by asset class

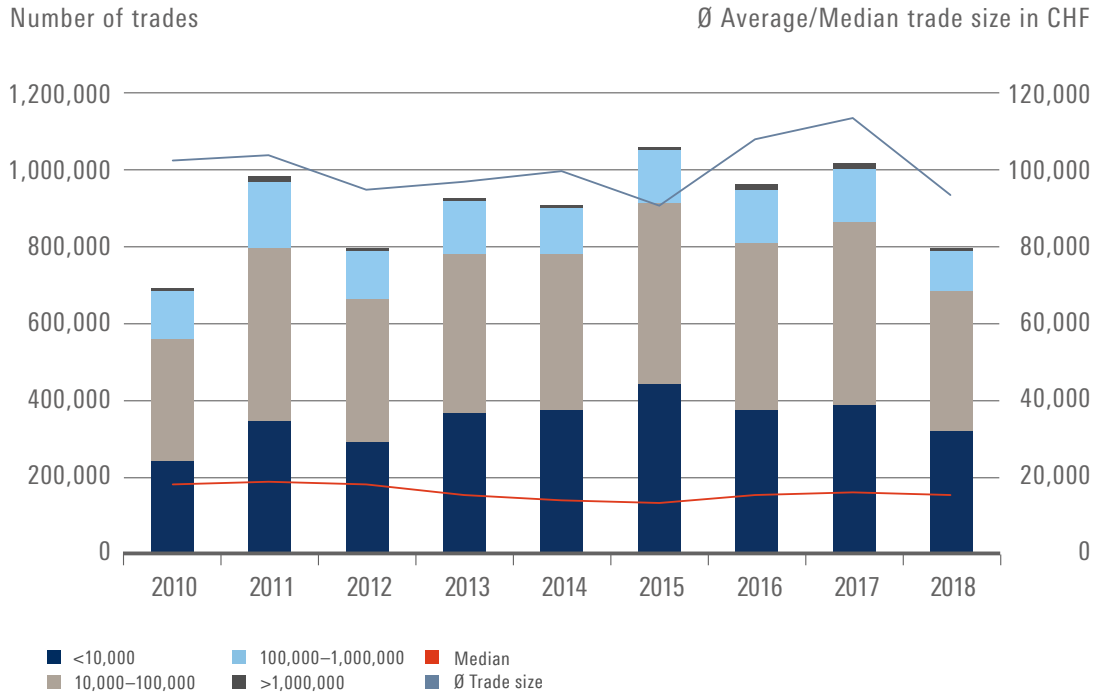
Asset class	Absolute	Change	Number	Trend
1 Equity Developed Market	27.54%	+2%	388	↑
2 Fixed Income	22.14%	+4%	312	↑
3 Equity Style / Strategy	21.43%	+3%	302	↑
4 Equity Themes	11.92%	+0%	168	→
5 Equity Emerging Market	8.38%	+1%	118	↑
6 Commodities	7.03%	0%	99	→
7 Volatility	0.57%	0%	8	→
8 Money Market	0.43%	0%	6	→
9 Funds	0.36%	0%	5	→
<b>Total</b>	<b>100.00%</b>		<b>1'406</b>	

Source: SIX Swiss Exchange



\* Some fungible ETFs (same ISIN) are tradable in multiple currencies. They are accordingly counted more than once.

## 2.1 Trading details (breakdown of respective ticket size)



Source: SIX Swiss Exchange



## 2.2 Number of ETFs on SIX Swiss Exchange by market maker (during the quarter)

Name	ETFs	Name	ETFs	Name	ETFs
Flow Traders B.V.	1'109	Société Générale	166	Morgan Stanley	3
Commerzbank AG	967	Virtu Financial Ireland Ltd	60	J.P. Morgan Securities PLC	2
Susquehanna	415	Deutsche Bank AG London Branch	44		
IMC Trading B.V.	307	Bank Julius Bär & Co. AG	34		
Optiver VOF	269	Credit Suisse AG	20		
Goldenberg Hehmeyer LLP	242	Zürcher Kantonalbank	14		
UBS AG	236	Raiffeisen Switzerland Cooperative	5		
BNP Paribas	190	Finovesta GmbH	3		

Source: SIX Swiss Exchange

### Spread-Monitor (tightest spreads)

Product	Ticker	TER	Ø Bid Ask Spread (%)
iSHARES SMI ETF CH	CSSMI	0.35	0.03
X SWITZERLAND 1D	XSMI	0.30	0.03
X EUR CASH SWAP 1C	XEON	0.10	0.03
iSHARES NASDAQ 100 USD ACC	CSNDX	0.33	0.03
LYXOR EURO CASH	LYCSH	0.10	0.04
INVESCO NASDAQ-100 DIST	EQQQ	0.30	0.04
X MSCI USA SWAP	XMUS	0.30	0.04
iSHARES CORE S&P 500	CSSPX	0.07	0.04
iSHARES S&P 500	IUSA	0.07	0.04
X MSCI USA UCITS ETF	XD9U	0.07	0.04
UBS ETF SMI	SMICHA	0.20	0.04
X SWITZERLAND 1C	XSMC	0.30	0.04
VANGUARD S&P 500 UCITS ETF	VUSA	0.07	0.05
HSBC S&P 500 UCITS ETF	HSPX	0.09	0.05
iSHARES USD TRSRY 1-3Y USD A	IBTA	0.20	0.05
X DAX	XDAX	0.09	0.05
LYXOR DAX DR	LYDAX	0.15	0.06
X MSCI EUROPE 1C	XMEU	0.25	0.06
iSHARES MSCI WORLD	IWRD	0.50	0.06
iSHARES CORE EURO STOXX 50	CSSX5E	0.10	0.06

Source: Bloomberg

## 2.3 New listings in the quarter

First trading day	Product	Symbol	Currency	Management fee	Market Maker
26.09.2018	Franklin Liberty Euro Short Maturity UCITS ETF	FLES	EUR	0.30%	Susquehanna
26.09.2018	Franklin Liberty USD Investment Grade Corp Bond UCITS ETF	FLUC	USD	0.35%	Susquehanna
26.09.2018	Franklin LibertyQ European Equity UCITS ETF	FLEQ	EUR	0.25%	Susquehanna
20.09.2018	Invesco MSCI Saudi Arabia UCITS ETF - Acc	MSAU	USD	0.65%	Flow Traders B.V.
20.09.2018	JPM Equity Long-Short UCITS ETF - EUR Hedged (acc)	JLSE	EUR	0.67%	Commerzbank AG, Goldenberg Hehmeyer LLP
20.09.2018	JPM Equity Long-Short UCITS ETF - GBP Hedged (acc)	JLSP	GBP	0.67%	Commerzbank AG, Goldenberg Hehmeyer LLP
20.09.2018	JPM Managed Futures UCITS ETF - EUR Hedged (acc)	JMFE	EUR	0.57%	Goldenberg Hehmeyer LLP
20.09.2018	JPM Managed Futures UCITS ETF - GBP Hedged (acc)	JMFP	GBP	0.57%	Goldenberg Hehmeyer LLP
20.09.2018	Lyxor EURO STOXX 50 (DR) UCITS ETF - D Hedged to GBP-Acc	MSEG	GBP	0.20%	Société Générale
20.09.2018	Lyxor EURO STOXX 50 (DR) UCITS ETF - D Hedged to USD-Acc	MSEU	USD	0.20%	Société Générale
20.09.2018	Lyxor Japan (TOPIX) (DR) UCITS ETF - D Hedged to EUR-Dist	JPNH	EUR	0.45%	Société Générale
20.09.2018	Lyxor Japan (Topix) (DR) UCITS ETF-Dist-EUR	JPNC	CHF	0.45%	Société Générale
06.09.2018	Lyxor MSCI Emerging Markets UCITS ETF - Acc	LEMC	CHF	0.55%	Société Générale
06.09.2018	Lyxor MSCI World UCITS ETF - Monthly Hedged to EUR Dist	WLDHE	EUR	0.30%	Société Générale
06.09.2018	Lyxor MSCI World UCITS ETF - Monthly Hedged to USD - Dist	WLDHU	USD	0.30%	Société Générale
05.09.2018	Fidelity US Quality Income UCITS ETF Class Accumulation USD	FUSC	USD	0.30%	Commerzbank AG
05.09.2018	Fidelity US Quality Income UCITS ETF Class Accumulation USD	FUSC	CHF	0.30%	Commerzbank AG
05.09.2018	Fidelity US Quality Income UCITS ETF Class Distribution USD	FUSD	USD	0.30%	Commerzbank AG
05.09.2018	Fidelity US Quality Income UCITS ETF Class EUR hedged Acc	FUSU	EUR	0.35%	Commerzbank AG
05.09.2018	Fidelity US Quality Income UCITS ETF Class GBP hedged ACC	FUSP	GBP	0.35%	Commerzbank AG
05.09.2018	UBS ETF JPM EM Multi-Fac Enhanced Loc Curr ETF (USD) A-dis	EMLOC	USD	0.47%	Deutsche Bank AG London Branch
21.08.2018	Lyxor Scientific Beta Developed L/S UCITS ETF - USD-Acc	MFLS	USD	0.55%	Société Générale
10.08.2018	Invesco AT1 Capital Bond UCITS ETF Acc	IAT1	USD	0.39%	Flow Traders B.V.
10.08.2018	Invesco AT1 Capital Bond UCITS ETF EUR Hdg Dist	XAT1	EUR	0.39%	Flow Traders B.V.
10.08.2018	Invesco EUR Floating Rate Note UCITS ETF Dist	EFNT	EUR	0.12%	Commerzbank AG, Flow Traders B.V.
10.08.2018	Invesco USD Floating Rate Note UCITS ETF Dist	UFLT	USD	0.10%	Commerzbank AG, Flow Traders B.V.
10.08.2018	Invesco USD Floating Rate Note UCITS ETF EUR Hdg Dist	UFLE	EUR	0.12%	Commerzbank AG, Flow Traders B.V.
19.07.2018	Vanguard DAX UCITS ETF	VDXX	CHF	0.10%	Commerzbank AG, Flow Traders B.V., Goldenberg Hehmeyer LLP, IMC Trading B.V.
18.07.2018	SPDR FTSE UK All Share UCITS ETF (Dist)	FTAD	CHF	0.20%	Commerzbank AG
18.07.2018	SPDR GLOBAL CONVERTIBLE BOND CHF Hdg UCITS ETF (ACC)	GCVC	CHF	0.55%	Commerzbank AG
18.07.2018	SPDR GLOBAL CONVERTIBLE BOND EUR Hdg UCITS ETF (ACC)	GCVE	EUR	0.55%	Commerzbank AG
10.07.2018	JPM BetaBuilders US Treasury Bd 1-3 yr UCITS ETF USD (dist)	JU13	USD	0.10%	Commerzbank AG, Goldenberg Hehmeyer LLP
10.07.2018	JPM Equity Long-Short UCITS ETF - USD (acc)	JELS	USD	0.67%	Commerzbank AG, Goldenberg Hehmeyer LLP

Source: SIX Swiss Exchange

## 2.3 New listings in the quarter

10.07.2018	JPM EUR Ultra-Short Income UCITS ETF - EUR (dist)	JEST	EUR	0.18%	Commerzbank AG, Goldenberg Hehmeyer LLP
09.07.2018	UBS (Irl) ETF plc - MSCI Wrld Select Factor Mix (USD) A-dis	WOFM	USD	0.46%	Commerzbank AG
05.07.2018	UBS ETF BBG Bar High Quality Liquid Assets 1-5 (EUR) A-dis	HQLA1	EUR	0.18%	Commerzbank AG, Deutsche Bank AG London Branch, Flow Traders B.V.
05.07.2018	UBS ETF MSCI EMU Select Factor Mix UCITS ETF (EUR) A-acc	EUFM	EUR	0.34%	Commerzbank AG, UBS AG

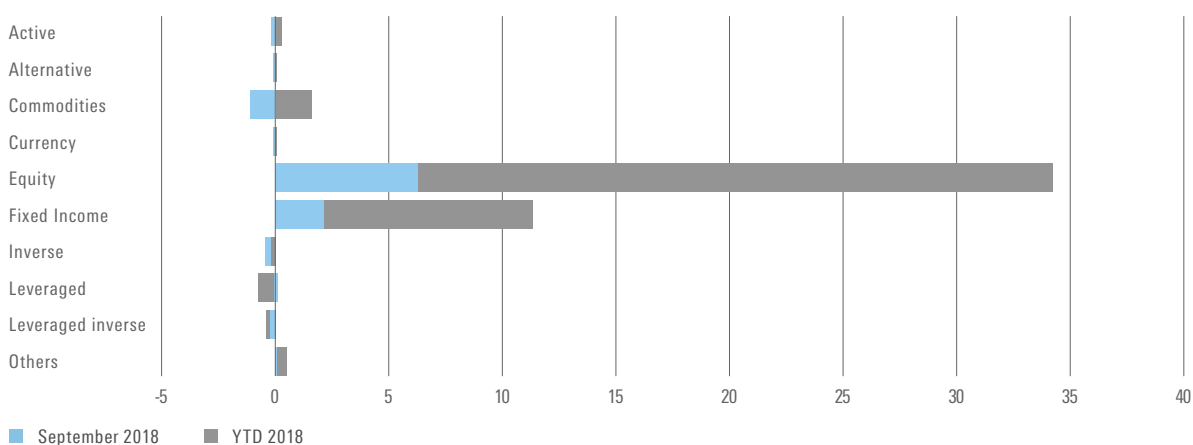
Source: SIX Swiss Exchange

## 3. European market

In the first nine months the largest asset classes equities and bonds saw net inflows across Europe, but significantly lower increases than in the previous year. In the third quarter, the number of ETFs tradable in Europe increased by 12 products to 2,319 and total assets under management by approximately USD 21 billion. In

September, against the trend of recent months, there were significant inflows in the equities, bonds and leveraged products. On the other hand, in addition to active, alternative, inverse and leveraged inverse ETFs, commodities posted losses.

### Net New Assets per asset class (in bn USD)



Source: ETFGI

Asset classes	ETFs/ETPs	AuM Sept. 18 (in mn USD)	Market share	Net New Assets (in mn USD)			
				September 2018	YTD 2018	YTD 2017	2017
Active	31	9,493	1.1%	-185	280	1,460	1,993
Alternative	2	107	0.0%	-12	12	-139	-125
Commodities	368	56,975	6.8%	-1,096	1,536	7,474	8,414
Currency	70	302	0.0%	-7	17	-10	-3
Equity	1,101	571,605	68.7%	6,281	34,164	45,138	71,028
Fixed Income	397	182,200	21.9%	2,091	11,290	22,121	25,004
Inverse	68	3,588	0.4%	-434	-236	740	845
Leveraged	195	3,488	0.4%	84	-764	77	-83
Leveraged inverse	75	3,114	0.4%	-223	-453	1,195	1,000
Other	12	1,218	0.1%	2	464	159	204
<b>Total</b>	<b>2,319</b>	<b>832,090</b>	<b>100.00%</b>	<b>6,501</b>	<b>46,309</b>	<b>78,216</b>	<b>108,276</b>

Source: ETFGI

## «Consolidation can be a good way for new entrants to achieve scale.»

---

**Dorcas Phillips**, joined Fidelity International in April 2016. In her current role she leads ETF capital markets, managing the external relationships required to ensure efficient pricing and liquidity across the range of Fidelity ETFs. Dorcas also supports distribution teams to raise awareness of both Fidelity ETF and Index product ranges.

Dorcas joined Fidelity from Morgan Stanley, where she had held a variety of roles, the last of which was Executive Director within the EMEA Institutional Equity business, with a focus on ETF Advisory and Distribution.

---



Dorcas Phillips, Fidelity International

### What is your specialty?

Fidelity has a strong heritage of active investing. Our clients are increasingly using a combination of active, passive and systematic strategies to build their portfolios so we have been evolving our product range in response to this demand.

Fidelity listed its first ETF on SIX in September. The Fidelity US Quality Income ETF seeks to provide access to high quality dividend paying US-listed stocks. This is achieved by screening the stocks according to their cashflows, profitability and dividend yield. The underlying index has been developed by Fidelity which allows us leverage our experience in active management. Fundamental active insights inform the factor definitions used to identify quality companies. Risk management principles lead to rules that minimise unintended sector, size and country risks.

Assets in the ETF now exceed \$700m.

### What issues are currently shaping developments in the ETF sector?

Over the past couple of years we have seen both new entrants to the ETF market, such as Fidelity, and also consolidation.

New entrants into the ETF market are developing ETF products for two main reasons:

- 1) To diversify their product offering by providing new types of exposures such as passives and smart beta products
- 2) To use the ETF wrapper as a distribution solution. The ETF wrapper is efficient and convenient and potentially opens up access to other distribution channels, possibly reaching new clients.

Consolidation can be a good way for new entrants to achieve scale. This is particularly important for passive products.

**What are your clients focusing on in the current environment?**

Over the last ten years, global equity markets have provided double-digit returns on an annual basis. When returns from beta are so high, it has been easy for investors to overlook alpha. At the same time regulatory change has driven a focus on cost and transparency. These two factors have led to huge growth of passive investing.

Investors potentially face the prospect of lower returns in most asset classes. Volatility is increasing and greater dispersion of returns should provide opportunities for active and systematic strategies.

Our clients are seeking to build efficient, cost-effective portfolios by diversifying not just the asset mix, but also combining active and passive exposures. There are cases where paying for alpha makes sense, and others where clients simply need the most straightforward, low cost way of gaining access to a market.

**What changes do you have planned?**

We will look to expand our offering with new ranges and potentially new asset classes in 2019 as part of our proposition to provide clients with greater choice and value. It is likely these new products will be differentiated to products in the market today.

**Where do you see the ETF market in Switzerland in the near future?**

There are many significant ETF users in Switzerland and therefore I expect the number of listings to continue to grow, particularly as new entrants expand their distribution reach.

**Thank you for the interview!**

## Disclaimer/Imprint

None of the information contained herein constitutes an offer or a recommendation to buy or sell or take any other action regarding financial instruments. SIX Group AG or its direct and indirect subsidiaries (hereafter: SIX) are liable neither for the completeness, accuracy, currentness and continuous availability of the information given, nor for any loss incurred as a result of action taken on the basis of information provided in this or any other SIX publication.

SIX expressly reserves the right to alter prices or composition of products or services at any time.

The information contained herein does not constitute investment advice or recommendation for investments or other decisions. The performance of securities in the past is no guaranty for any future price development of the concerned securities. Individual sale restrictions specific to countries or persons may apply to financial instruments traded on SIX. Investors are themselves responsible for adherence to the corresponding product terms of the issuer.

The entire content of this publication is protected by copyright. Whether in full or in part, the copying, reproduction, modification, transmission (electronically or otherwise), reuse or other use for public or commercial purposes is expressly prohibited without prior written consent.

© SIX Swiss Exchange AG, 2018. All rights reserved.

### **Publisher**

SIX Swiss Exchange AG  
P.O. Box  
CH-8021 Zurich  
[www.six-swiss-exchange.com](http://www.six-swiss-exchange.com)  
[etffinancial@six-swiss-exchange.com](mailto:etffinancial@six-swiss-exchange.com)