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March 2015

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Published by: GFM Ltd, Floor One, Liberation Station, St Helier, Jersey JE2 3AS, Channel Islands
Tel: +44 (0)1534 719780 **Website:** www.globalfundmedia.com

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The winners

Best Commodity ETF Manager
Mitsubishi UFJ Trust and Banking Corporation

Best Fixed Income (All excluding cash) ETF Manager
Amundi

Best Fixed Income – Cash ETF Manager
PIMCO Source

Best North America Equity ETF Manager
Global X

Best Emerging Markets Equity ETF Manager
Source

Best Europe Equity ETF Manager
UBS Global Asset Management

Best Global (ex-US) Equity ETF Manager
Deutsche Asset & Wealth Management

Best APAC Equity ETF Manager
Nikko Asset Management

Best Global Equity ETF Manager
BlackRock iShares

Best Currency ETF Manager
Wisdom Tree

Best Alternative ETF Manager
Index IQ

Most Innovative North American ETF Provider
Renaissance Capital

Most Innovative European ETF Provider
Lyxor

Best Smart Beta ETF Provider
Invesco PowerShares

Most Innovative North American ETP Provider
First Trust Advisors L.P.

Most Innovative European ETP Provider
Boost

Most Innovative North American ETN Provider
UBS ETRACS

Most Innovative European ETN Provider
ETF Securities

Best European ETF Market-maker
Flow Traders

Best North American ETF Market-maker
Jane Street

Best Asia-Pacific ETF Market-maker
Nomura

Best North American Exchange for Listing ETFs
Nasdaq

Best Asian Exchange for Listing ETFs
Japan Exchange Group Inc.

Best European Exchange for Listing ETFs
Deutsche Boerse

Most Innovative Index Provider
STOXX

Best ETF Research Provider
Deutsche Bank

Best North American ETF Fund Administrator
State Street

Best European ETF Fund Administrator
Northern Trust

Investors drive growth rates and embrace new products

By James Williams

The etfexpress Awards 2015 for excellence among managers and service providers of exchange traded funds celebrate the achievements of firms that contributed to another year of significant growth in assets for the sector.

The awards, presented on 26 February in Mayfair, London, were based on nominations from investors and managers as well as other industry professionals at firms including fund administrators, custodians, accountants, law firms, consultants and distributors.

According to the latest figures released by ETFGI, a London-based ETF research consultancy firm, assets invested in ETFs/ETPs reached a record high of USD494.8bn at the end of February 2015. Europe's ETF/ETP industry now has over 2,000 products and 6,420 listings from 50 providers, listed on 26 exchanges, across 21 countries.

These are certainly exciting times for all ETF market participants as the investor community continues to deepen its knowledge and adoption of these flexible fund products.

Christopher Meyers is Head UK & NED Institutional Trading at Flow Traders, a global independent ETP liquidity provider headquartered in Amsterdam and winner of this year's award for best European ETF Market Maker. Flow Trader provides continuous liquidity for ETPs through its membership of more than 90 global stock exchanges and trading venues worldwide.

"Approximately 27 per cent of the US funds industry is passive, of which around 14 per cent is represented by ETFs. In Europe, the figures are 12 per cent and 6 per cent respectively so there is still huge growth potential in Europe. MiFID II will help a lot, so we are excited about the future. We hope to see the market here grow by about 20-25 per cent a year for the next four to five years," says Meyers.

According to Fannie Wurtz, Global Head of ETF & Indexing Sales, Amundi – winner of this year's best Fixed Income (excluding cash) ETF Manager – the aim is to double its total ETF & Indexing assets under management in the next three years to stay ahead of the pace of European market growth.

"We expect the ETF market to grow by 20 to 25 per cent in 2015 and the fixed income ETF market to continue to develop. Therefore, part of Amundi's strategy is to continue to launch innovative new products," confirms Wurtz. "There is still plenty of room for further innovation within the fixed income ETF space. This is what we've been

▸ 13

Amundi

Best Fixed Income (excluding cash) ETF Manager

Amundi is one of Europe's leading ETF providers, with a range of 100 products within equities and fixed income. Through 2014, it had more than USD18bn of ETF assets under management, of which more than USD4bn was in fixed income ETFs.

"Amundi's ETF range is on average about 25 per cent cheaper[1] than the European competition and our fixed income range is particularly competitive in terms of fees[2]. Amundi is a leading asset manager in Europe with around USD1trn assets under management, which gives us good pricing power that we can apply to our investors. Offering well-priced ETFs is an integral part of our offering," comments Fannie Wurtz, Global Head of ETF & Indexing Sales at Amundi.

Innovation is a well-worn adjective within the ETF universe, but it is fully justified at Amundi where the focus is on delivering a complete toolset of fixed income products to help its investors in different market conditions, providing them with opportunities to invest across the yield curve.

This was evidenced last year with the introduction of two new ETFs. Last June a short maturity version of the Amundi ETF Govt Bond Lowest Rated EuroMTS Investment Grade UCITS ETF – Amundi Govt Bond Lowest Rated EuroMTS Investment Grade 1-3 UCITS ETF– was launched.

"We are pleased with the success this ETF has enjoyed since its launch: in the first two months of this year we've seen strong inflows and the fund's asset have reached now close to USD64m," confirms Fannie Wurtz. The flagship product launched in 2010, has now more than USD1.6bn in AUM.

The FTSE MTS Lowest-Rated Eurozone Government Bond IG 1-3Y Index is reviewed on a monthly basis and is composed of government bonds issued by Eurozone member states meeting specific criteria, notably ratings at least two lower than AAA (or equivalent rating from S&P, Moody's, and Fitch) and a maturity of 1-3 years.

Fannie Wurtz, Global Head of ETF & Indexing Sales at Amundi

Last September saw the introduction of the Amundi ETF Floating Rate Euro Corporate 1-3 UCITS ETF, another short duration product but with a focus on corporate, rather than government bonds.

This ETF tracks as closely as possible the performance of the Markit iBoxx EUR FRN IG 1-3 Index, and as Wurtz points out: "We are the first ETF provider in Europe, at launch date, to offer such a product".

"This ETF has a low degree of price sensitivity and a yield which is less negatively impacted by the rise in rates than fixed rate bonds. This can help protect investors against potential rate moves and illustrates how we are trying to position ourselves within the ETF market and demonstrate real innovation," says Wurtz.

"We are delighted to receive this award," Wurtz comments. "Which demonstrates that etfexpress's readership recognises the quality of Amundi's fixed income range. We have a strong commitment at meeting investors' needs by offering cost-effective, innovative products and we keep developing an extended range of both Fixed income and Equity ETFs always maintaining an high quality of replication." ■

1. *Source: Amundi ETF comparing the average asset-weighted Total Expense Ratios (TERs) of all Amundi ETF Funds versus that of all European ETFs (incl. the Funds) as stated in Deutsche Bank's Europe Monthly ETF Market Review of 31/01/2015. Important: some individual Funds may not be cheaper than their European peers or may not have an equivalent European peer group to compare with and vice-versa. The TER corresponds to the ongoing charges disclosed in the key investor information document. Analysis excludes third party commissions/costs incurred directly by investors when trading.*
2. *Transaction costs and commissions may occur when trading ETFs.*

This material is directed at professional clients only for the purposes of the Financial Conduct Authority's Conduct of Business Sourcebook only and must not be relied upon by any other persons.

The full methodology of the construction of the ETF are available on mtsindices.com. and indices.markit.com

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First Trust Advisors

Most Innovative North American ETP Provider

First Trust Advisors L.P. was established as a registered investment advisor in 1991. The Chicago-based firm manages USD104.9bn of assets (as of end-2014), of which some USD33.4bn are held in ETFs. In December 2011, UK-based First Trust Global Portfolios Ltd was established to distribute its ETF product range in Europe within an affiliated Irish domiciled UCITS Company, First Trust Global Funds plc.

"2014 was an extraordinary year," reflects Eric Anderson, senior vice president at First Trust Advisors. "In addition to launching 16 new ETFs around the globe, First Trust realised inflows of USD11.9bn globally."

First Trust uses an enhanced indexing approach to generate above average returns. Rather than replicating traditional index models, enhanced indexing builds on the basic principles of index construction with an emphasis on generating alpha.

The First Trust methodology is referred to as AlphaDEX®. All AlphaDEX® ETFs are designed to track the performance of a group of enhanced indexes, each of which utilises the proprietary, rules-based AlphaDEX fundamental stock selection methodology.

The AlphaDEX® family of funds consists of a diverse range of sector, style, multi cap, and international funds. In total, First Trust offers 40 of these funds in the US, four in Europe and another 13 in Canada.

To summarise, the methodology works as:

- Begin with the constituents of a broad-based index and rank all stocks on growth and value factors to determine a growth and value score
- Based on style designations, determine each stock's selection score. Stocks designated as core or blend receive the better growth or value score.
- Rank all stocks by their final selection score and eliminate the lowest 25%.
- Place the remaining stocks into quintiles based on their selection score rank. The top quintile stocks get a total weight of 5/15ths, the second quintile stocks get a total weight of 4/15ths, etc. Each stock is equally-weighted within its quintile.
- Repeat the process semi-annually, rebalancing and reconstituting the index.

Eric Anderson, senior vice president at First Trust Advisors

"Simply put, we offer ETFs that track enhanced indices; indices that are based on investment merit not size. Our AlphaDEX® indices were designed for investment purposes. Traditional beta or market cap-weighted indices were initially designed for market measurement, and have subsequently become investment indices," comments Anderson.

To illustrate the enhanced performance provided by the AlphaDEX® methodology, the First Trust UK AlphaDEX® Fund, which tracks the Defined UK Index, is up 3.8 per cent YTD compared to 2.9 per cent for the FTSE 100 TR Index.

Last year, Anderson confirms that the most popular products, in terms of net inflows, included the following:

- FV (First Trust Dorsey Wright Focus 5 ETF): USD1.2bn
- FXG (First Trust Consumer Staples AlphaDEX® Fund): USD896m
- FXD (First Trust Consumer Discretionary AlphaDEX® Fund): USD792m
- FEX (First Trust Large Cap Core AlphaDEX® Fund): USD744m.

Innovation is an often-used term in the financial industry but First Trust is entitled to describe its approach to ETF provision in those terms.

"About 10 years ago we started down the path of creating indices that emphasised rules-based fundamental stock selection – we didn't call it smart beta. We first launched such a product in 2007 in the US, long before the 'smart beta' fad of recent times took off," confirms Anderson, adding that several new product launches are in the pipeline. ■

Invesco PowerShares

Best Smart Beta ETF Provider

Invesco PowerShares Capital Management LLC is leading the Intelligent ETF Revolution® through its family of more than 170 domestic and international exchange-traded funds, which seek to outperform traditional benchmark indexes while providing advisors and investors access to an innovative array of focused investment opportunities.

Last November, it expanded its smart beta range with the introduction of PowerShares DB Optimum Yield Diversified Commodity Strategy Portfolio (PDBC) on The Nasdaq Stock Market

"PDBC provides investors the opportunity to receive a 1099-DIV (instead of a Schedule K-1) and access commodities the way many institutions would through an intelligent optimum yield roll process. At a net expense ratio of 0.59%, we believe PDBC offers investors a compelling value proposition that could be a "go-to" diversification solution for investors' broad commodity allocations in the future," explains Dan Draper, Head of Invesco PowerShares.

In total, Invesco PowerShares has 82 smart beta ETFs, the largest range of any ETF provider, and is now the 4th largest ETF provider in the US and globally. Sixty of its smart beta ETFs have track records greater than five years.

Last year, Invesco PowerShares introduced Invesco Strategic Smart Beta Portfolios developed by the Invesco Solutions team with Invesco Advisers, Inc. "These were developed to help financial advisors with ideas for building portfolios with allocations where they can see benefits of how various smart beta strategies can work together in a portfolio," explains Draper.

Of particular import was strong growth in one of Invesco PowerShares' core smart beta offerings: Fundamental Indexing. As Draper confirms, the firm has invested nearly a decade educating financial advisors on the benefits of alternatively weighted methodologies. "We were pleased to see what we believe is the beginning of a breakthrough to much wider adoption of these groundbreaking strategies," adds Draper.

Dan Draper, Head of Invesco PowerShares

One other key development in 2014 was the partnership it established with Russell. This led to the launch of its first product late last year to give investor exposure to the Russell 1000 Equal Weight index. The fund (ticker: EQAL) comes with a gross expense ratio of just 0.20 per cent.

As for which products attracted the most inflows in 2014, the top three were as follows:

- PowerShares FTSE RAFI US 1000 Portfolio (ticker: PRF): USD1.2bn
- PowerShares S&P 500 Low Volatility Portfolio (ticker: SPLV): USD800m
- PowerShares S&P 500 Downside Hedged Portfolio (ticker: PHDG): USD535m.

Invesco PowerShares certainly practices what it preaches as it consolidates its position at the vanguard of smart beta investing. Whilst providing investors access to the widest array of smart beta ETF strategies that span asset classes with some of the longest standing performance track records, Invesco PowerShares is also leading the way in educating financial advisors as they seek to implement smart beta in their investment portfolios.

"In addition to our own educational content, Invesco PowerShares is able to leverage on research and provide access to some of the world's leading index providers including: S&P, NASDAQ, Research Affiliates, & FTSE/Russell," explains Draper.

On winning this year's award, Draper says: "Having introduced the first smart beta vehicles available today, we are truly honoured to be recognised in the investment community for our role as an ETF innovator. We are thrilled to receive this award from the readers of etfexpress that directly speaks to our foundational belief that investors should be provided with what we believe is a smarter way to access the markets." ■

Nikko Asset Management

Best APAC Equity ETF Manager

Nikko Asset Management is positioning itself to be Asia's premier global asset manager, and similar to other leading global players, the Tokyo-based firm excels at meeting sophisticated investors' needs for true alpha-producing active strategies alongside cost-effective beta products.

But what sets Nikko Asset Management apart from its global peers is its positioning in Asia, the world's most dynamic economic region. A commitment to running its business according to the most rigorous global standards means that among non-western firms, Nikko Asset Management stands shoulder-to-shoulder with asset managers who are often considered to be best in class.

"We bring a differentiated investment approach as our vantage point looks from east to west, whereas a lot of our competitors' orientation is grounded in looking west to east," says Geoffrey Post, Head of International Product Development. "Our ETF offering, furthermore, is based on the three 'Es': Experience, Efficiency and Expertise."

Few can boast the same experience and heritage as Nikko Asset Management. The firm has been running retail and institutional money for more than 55 years. It was the first Japanese fund management company to launch a passive mutual fund in the mid-1980s and one of the founders of the Japan ETF industry in 2001.

Nikko's book of indexed strategies has USD30bn in AuM while its ETF book has USD17bn in assets. The firm has a wide range of Japan equity ETFs of which the TOPIX Fund (USD7.5bn) and Nikkei 225 Fund (USD9bn) are the flagship products.

"Our investment team seeks to track the respective indices as closely as possible while minimising frictional costs to ensure efficiency. In Japanese equities we bring deep local market expertise to deliver high quality, low cost products. Those are important considerations when speaking to investors," comments Post.

Geoffrey Post, Head of International Product Development at Nikko Asset Management

The third 'E', expertise, is built on the resources and skills of Nikko Asset Management's index investment team in Tokyo, complemented by a broad range of investment capabilities across Asia.

To grow the business, the company is focusing its efforts on attracting investors across Europe and Asia, helped by the introduction of innovative products such as the JPX Nikkei Index 400 ETF, which launched in January 2014 and already has USD290m in assets.

"This physically invested ETF that trades when the Japanese stock market is open is an example of the benefits of local access for investors. Our deep knowledge of the local market is invaluable in explaining how corporate governance and stewardship reforms are changing the nature of the stock market. People want to ask questions and learn about these developments, and that represents a great opportunity for us," says Post.

The UK team totals 52 people. London is home to the award-winning Fixed Income and Currency team of fund managers and analysts investing in global developed and emerging market strategies, while Edinburgh is home to the Global Equity investment team.

"On one hand we are bringing Asia to Western investors. On the other, our UK based Equity and Fixed Income teams are managing strategies for global clients. That dynamic is critical for a well-balanced global asset management business," comments Alex Shaw, Head of EMEA Business Development.

"Senior management is committed to developing Nikko Asset Management's ETF business as a critical part of our barbell strategy, with ETFs sitting at one end and highly active solutions at the other end," says Post. ■

Gratitude.

The best part of receiving an award is the confirmation that we're doing right by our clients.

Thank you for naming ETRACS the **Most Innovative North American ETN Provider** in ETF Express's 2015 online survey. We are extremely proud to receive this award and equally grateful for your support. This award reaffirms our strategy, which is focused on providing clients access to markets and strategies that otherwise might not be available. And it inspires us to continue to break new ground.

UBS

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UBS ETRACS

Most Innovative North American ETN Provider

Last year was a significant one for UBS ETRACS, the bank's ETN platform. Its assets climbed an impressive 50 per cent to reach USD4.5bn, leading to an increase in market share from 15 per cent to 20 per cent.

UBS surpassed JP Morgan in the league tables as the second largest ETN provider in the US out of a total of 12 firms. It appears that the income-oriented products accounted for the majority of last year's inflows.

Exchange-traded Notes are senior, unsecured, unsubordinated debt securities that provide investors with exposure to the total returns of various market indices, including those linked to stocks, bonds, commodities and/or currencies, less investor fees. ETRACS are innovative investment products offering easy access to markets and strategies that may not be readily available in the existing marketplace.

These products come in two versions: plain vanilla and 2x leveraged for investors with a higher risk tolerance. They track a wide range of high-yielding securities whether they be Master Limited Partnerships, business development companies, high yielding stocks, or closed-ended funds.

The result is that investors can potentially generate product yields close to 20 per cent. Take, for example, the ETRACS Monthly Pay 2x Leveraged Closed-End Fund ETN, which currently yields 18.92 per cent (annualised). This was one of the most popular products with investors in 2014.

One interesting product launch last year was ETRACS Monthly Pay 2xLeveraged Wells Fargo® MLP Ex-Energy ETN (LMLP) and underscores the commitment of the UBS ETRACS team to devising unique products.

Energy MLPs have become popular in the US but this particular product targets non-energy MLPs.

"We are always looking for new, interesting income opportunities and when we have the ability to go into an area like non-energy MLPs which previously had no investment product available, that's a big win for our clients," states Christopher Yeagley, Head of UBS ETRACS.

On winning the award for a second consecutive year, Yeagley comments: "It's extremely rewarding to create high-quality investment products for our clients. We like to think that this award is validation of our focus on clients and thank etfexpress for the recognition of our efforts." ■

Christopher Yeagley picks up the award from GFM's Beverly Chandler

"We are always looking for new, interesting income opportunities and when we have the ability to go into an area like non-energy MLPs which previously had no investment product available, that's a big win for our clients."

Christopher Yeagley, UBS ETRACS

6 ▸ doing with our lowest rated and floating rate products; they offer a clear value proposition to investors. We have plenty more ideas on how to further develop our products in 2015."

One firm that has long been a pioneer of ETFs, in particular smart beta ETFs, is US firm Invesco PowerShares, the 4th largest ETF provider in the US and globally and winner of this year's award for best Smart Beta ETF Provider.

Invesco PowerShares now offers an unprecedented 82 smart beta ETFs, perfectly illustrating the core belief since its inception 13 years ago that all investors should be provided with a smarter way to access the markets – beyond traditional active and passive strategies and across asset classes – be it equity, fixed income, or alternatives.

"The very first ETFs that PowerShares launched were consistent with this belief and the concept of smart beta (which PowerShares originally labelled as 'Intelligent Indexing') imbues much of our product line today," explains Dan Draper, Head of Invesco PowerShares. "In a dynamic marketplace where firms are making claims about their smart beta ETF strategies, we believe the existence of an established track record is very important. The fact that nearly 75 per cent of PowerShares smart beta ETFs have at least a five-year track record provides investors the opportunity to evaluate performance across what we believe could only be described as a full market cycle. ▸ 23

source.

A new way of equity investing

Source Goldman Sachs Equity Factor Index World UCITS ETF

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- First ETF to allocate dynamically between five market factors
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Source

Best Emerging Markets Equity ETF Manager

London-based Source, one of Europe's leading and most innovative independent ETF providers, offers investors a range of Emerging Market ETFs within fixed income and equities. The latter includes broad EM exposure via the Source MSCI Emerging Markets UCITS ETF (MXFS) as well as more targeted exposures to Russia and China. The Source RDX UCITS ETF tracks the performance of the Russian Depository Index, while the CSOP Source FTSE China A50 UCITS ETF was the first ETF in Europe to track China A-shares.

"MXFS saw inflows of EUR70m in 2014, whilst our China A50 ETF recorded inflows of EUR230m," confirms Michael John Lytle, Chief Development Officer at Source.

Transparency is one of the key tenets at Source. It is one of the only providers to disclose swap fees on all of its products. MXFS is described as a physical ETF with a swap overlay, using multiple swap counterparties, and this helps generate smoother, more consistent performance. The swap fees are 0.40 per cent per year.

"The fund has been highly predictable in terms of its performance," Lytle explains. "Its tracking is second to none, whereas other products in the market tend to be more erratic in terms of their tracking error versus the benchmark. We work with a selection of up to six different swap counterparties for equity exposure. This helps generate more predictable performance than using a single swap counterparty or a purely physically replicated product. Using this competitive multi-counterparty model means we can price competitively – all of our fees are disclosed publicly on our website and in fund documentation."

Michael John Lytle, Chief Development Officer at Source

Source partnered with CSOP to gain direct access to China's A-shares market and decided on the FTSE China A50 Index, rather than the CSI 300 Index, which Lytle says is not only highly liquid but well exposed to areas of growth within the Chinese economy:

"The new RQFII quota scheme enabled us, with CSOP, to offer direct access to the China A-shares market to our investors. We launched the Dublin-domiciled China A-shares ETF last January. Investors are able to trade it with tight spreads because the FTSE China A50 Index is a well-functioning market index; it has a deep liquid futures market and this makes it a lot easier for Authorised Participants to create and redeem shares in Europe. You need that futures market because the Asian markets are closed when European investors trade.

"At the end of the year, we outperformed non-A shares China ETFs by around 50% and our closest competitors in this space by more than 13% per cent.

"We have the ability to offer our investors a well-priced suite of products because we have close relationships with a wide variety of APs, including our original founders Goldman Sachs, JP Morgan, Bank of America Merrill Lynch, Morgan Stanley and Nomura. In addition, we continue to partner with best-in-class asset managers with expertise in specific asset classes. We now have relationships with PIMCO and Ashmore, both of which we have worked with to develop a range of EM fixed income ETFs. On the equity side, we are working with the likes of Legal & General, CSOP and Man Group, and the list keeps growing," notes Lytle. ■

Michael John Lytle collects the award from GFM's Beverly Chandler

Northern Trust

Best European ETF Fund Administrator

Whilst its clients continued to record strong inflows and expand their product range in 2014, of particular note was the work that Northern Trust undertook to assist mutual fund houses in their bid to venture into the European ETF space.

"One of these was an exchange traded share class of a mutual fund in Europe, which was the first of its kind. This was exciting for us to be involved in, as well as for the European ETF market in general. We also worked with a mutual fund client to launch a more regular, stand-alone ETF platform," explains Fiona Moore, Northern Trust's Head of ETF Fund Administration, Europe.

These launches helped Northern Trust to garner interest from other global mutual fund houses who are interested in using the exchange traded share class format to structure their own products and marks a potentially significant stage in the evolution of Europe's marketplace. As such, working with these institutions represents an important strategic initiative for Northern Trust in 2015.

Research and education are an integral part of Northern Trust's offering, sharing its ETF knowledge from both a product perspective and operating model perspective says Moore. "We work closely with industry bodies and participate in industry groups with respect to regulatory changes, disseminating to our clients what the impact of changing regulation might have on their products in particular and also on the broader industry. We are also very focused on providing thought leadership and sharing the latest developments and trends from the market with our clients."

Fiona Moore, Northern Trust's Head of ETF Fund Administration, Europe

Northern Trust works closely with clients to design the optimal operating model for their ETF products. It has been working with ETFs in Europe since their infancy in 2000 and as Moore notes, "with that depth of experience we're in a good position to advise and guide our clients on setting up, launching and running a successful ETF platform".

"We have created a specialist ETF platform that provides a fully automated end-to-end solution. It ties together our core processing systems while enabling the monitoring of the entire ETF lifecycle. That infrastructure, combined with the experience of our personnel, ensures that our clients have a service provider that understands and can support their evolving requirements and the development of new ETF products," explains Moore.

As ETF promoters increasingly look to develop more niche-type products – look at how quickly the smart beta concept is growing – the fact that Northern Trust has created a robust operating infrastructure enables it to evolve and tweak the platform in line with this growing level of ETF product sophistication.

"You have to be seen not only to keep pace but stay one step ahead of product evolution. This is especially true of Europe where its ETF industry continues to mature," stresses Moore, who identifies three key trends for 2015: "Smart beta products and more niche players are likely to continue to grow in Europe. Developments in the US recently in relation to non-transparent actively-managed ETFs have been interesting so this may also present growth opportunities in Europe as this area evolves. And as referred to earlier, mutual funds establishing exchange traded share classes has the potential to be another growth area." ■

Fiona Moore collects the award from GFM's Beverly Chandler

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UBS Global Asset Management

Best Europe Equity ETF Manager

UBS Global Asset Management's ETF business has grown in recent years to become Europe's 4th largest ETF provider. Its ETF business has doubled over the last two years, climbing from GBP7.4bn at the start of 2013.

"Over the last year, we have seen our AuM in Europe grow from GBP10.6bn to GBP14.7bn," confirms Andrew Walsh, Head of UBS ETF Sales, UK. "In January alone our ETFs attracted GBP1.46bn in inflows."

UBS's currency hedged ETFs continue to be successful. It offers an extensive range of products tracking MSCI indices such as EMU, Switzerland, UK, Japan and others. Hedged share classes are available across key currencies including GBP, CHF, USD and EUR. For each currency-hedged ETF UBS offers a plain vanilla (un-hedged) ETF.

Strong inflows have not been restricted to these hedged ETFs. UBS's key plain vanilla ETFs have also had strong inflows. "Our UBS MSCI EMU ETF now has EUR1.2bn in assets, while the GBP-hedged EMU product has GBP291m and the USD-hedged EMU product has grown to GBP583m," confirms Walsh.

The ability for investors to build exposure to the eurozone, whilst at the same time leverage on a strengthening greenback, is something that sets UBS apart from other ETF providers. Walsh notes that whilst some investors believe in the underlying European equity market, they also recognise that the US economy is on a faster track to recovery.

Andrew Walsh, Head of UBS ETF Sales, UK

"In many cases, investors are taking a positive view on Eurozone equities but simultaneously taking a view that the dollar will strengthen against the euro. Buying the EMU USD-hedged ETF effectively enables investors to play these two calls in a single product," says Walsh.

The UBS MSCI UK ETF has grown from GBP444m at the end of 2014 to GBP712m in a little over six weeks. The product is available hedged to Swiss francs, the euro and the USD. Factor in that UBS also offers the UBS MSCI Switzerland ETF – again with the ability to hedge against sterling, euro and US dollar – and what UBS has done is create an entire suite of products for investors to customise their exposure to Europe with currency hedging.

"For our UBS MSCI EMU ETF hedged to USD, we were at GBP358m at the end of 2014. AUM is now GBP583m. Similarly, the sterling hedged EMU product has seen its AUM grow from GBP136m at year-end to GBP291m," notes Walsh.

UBS has a passive investing track record that stretches back more than 30 years. "We are proud of that history, as we are of the quality of our passive fund management and the tight tracking difference delivered in our ETFs," adds Walsh.

Investors need confidence that the ETF they buy does what it says on the tin. If the benchmark is up 10 per cent, so should the ETF (less the TER).

"We're confident in the ability of our fund managers to efficiently manage our range of ETFs. Ultimately your tracking difference represents your true total cost of ownership. If you're accessing esoteric exposure to areas such as emerging markets, it's important to look at the track record of that product and see how successful it has been in tracking its benchmark," says Walsh. ■

Floran Cisana picks up the award from GFM's Beverly Chandler

We're proud to accept the award for the Best North American ETF Fund Administrator

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State Street

Best North American ETF Fund Administrator

State Street is the largest global administrator of ETFs, servicing close to 1,000 ETFs that represent over USD600bn in AuM. State Street delivers distinctive value to its ETF clients across four dimensions: experience, capability, insight, and commitment. The firm's best-in-class ETF servicing capability, TotalETFSM, leverages state-of-the-art technology, State Street's global scale, and deep organisational expertise to provide individually customised solutions from the most sophisticated institutions through to ETF start-ups.

Experience: State Street's history as the industry's leading third-party ETF service provider dates back to 1993, when it developed the operational model to support the first ETF. As well as being the largest provider of ETF services globally, State Street is also the largest provider of actively-managed ETFs. In addition, it is the only ETF provider servicing each major ETF market with local ETF servicing expertise within Australia, Canada, France, Hong Kong, Ireland, Singapore, and the US.

Capability: The State Street Global ETF Platform is the firm's ETF servicing solution that drives full automation throughout the lifecycle of an ETF from basket creation through to trade processing and settlement. "The Global Platform is integrated to 15 core State Street applications to create straight through processing and the most precise trading baskets in the industry. This provides authorised participants accurate basket reporting, making it easier for them to provide secondary market pricing," explains Phillip Nanof, Vice President, State Street Global Services.

The platform leverages private cloud technology and provides total integration to core applications, including State Street's robust accounting/custody platform and Fund Connect, its online ETF order management system. The platform also allows for full client transparency through a near real-time ETF dashboard on my.statestreet.com.

Major enhancements to the platform during 2014 included:

Phillip Nanof, Vice President, State Street Global Services

- State Street can now produce PCFs inclusive of trade-date derivatives (forwards, futures, swaps, options, swaptions)
- Fully automated dealing date +1 processing, allowing APs to lock-in basket constituents and quantities on trade date -1
- Developed systematic solutions for multi-class, multi-currency hedged ETFs to meet the needs of European clients
- Significantly improved supplemental PCF reporting allowing APs to more effectively hedge and make quality markets in State Street clients' ETF products.

Insight: State Street deploys a team of ETF experts and dedicated project managers to support the launch of new asset managers as they enter the ETF market. Offering consultative services ranging from general ETF education, operational flow analysis, and the preparation of regulatory, oversight, and exchange listing documents, State Street's team of servicing professionals ensures successful fund launches and delivers ongoing operational guidance. Additionally, the team provides clients with market and regulatory updates, statistics, trends, and news via a monthly ETF newsletter and a quarterly perspective report.

Commitment: State Street's ETF servicing team was integral to a significant accomplishment in 2014: namely, successfully converting WisdomTree from one of State Street's competitors in April 2014; the largest ever ETF conversion.

WisdomTree wanted to expand products in the US and launch ETFs in Europe, but needed a partner with superior technology, service model, and experience, says Nanof, who adds: "The client saw the State Street service model and technology as a clear differentiator in the marketplace. The conversion was completed on time, without interruption to WisdomTree's existing clients or growth plans. It also enabled WisdomTree to grow their products in the European market using the same technology, service model and automation." ■

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PIMCO Source

Best Fixed Income – Cash ETF Manager

The partnership that Source has developed with PIMCO since 2011 has been highly successful. Over that period, the 10 fixed income ETFs they have created have attracted over EUR4bn in assets. Of these, six are actively managed, including the three Fixed Income cash ETFs, which have approximately EUR2.5bn in assets.

"It didn't make sense to go passive when we could leverage the active management skills of PIMCO, and use their edge to deliver alpha to investors," says Fabrizio Palmucci, Fixed Income Specialist at Source. "The approach we took with PIMCO was to build something that made sense for cash allocations. We saw the interest rate environment falling and concluded that few passive strategies would likely be used by investors."

The result is a series of ETFs, in sterling, US dollars and euros. They include:

- PIMCO Euro Short Maturity Source UCITS ETF
- PIMCO Sterling Short Maturity Source UCITS ETF
- PIMCO US Dollar Short Maturity Source UCITS ETF.

Howard Chan is PIMCO's ETF product manager in EMEA. He notes that the three cash management ETFs were launched in response to investor demand as they looked for a better way to generate returns on cash as policy makers continued to lower interest rates to near zero levels.

"These funds are becoming even more compelling in regions like Europe where rates have actually become negative. It's a bit of a dilemma for investors; they've never faced such a situation. The traditional ways to invest cash were through either deposits or money market funds," says Chan. "This approach involved taking little to no risk, but that paradigm has now changed. Today, if investors want to avoid capital erosion, they have to take some risk.

Fabrizio Palmucci, Fixed Income Specialist at Source

"Consequently, we've seen larger institutions start amending their guidelines to allow for ETFs because they realise that, with their existing conservative guidelines, they're going to have capital erosion in their portfolios."

These three cash ETFs provide a new way to take measured risk and generate positive yield on cash investments.

Over a cycle, the funds are designed, depending on the currency, to outperform cash by 50 to 75 basis points. Over the last three years, EONIA has returned about 13 basis points. "Through our active management and ability to identify opportunities within Europe, we've been able to return 105 basis points after fees. That's an attractive boost to return over typical cash rates," confirms Chan.

Only investment grade bonds are bought in the three ETFs. PIMCO looks to generate alpha by taking advantage of market dislocations.

"Over the last five years, traditional cash investors have bought money market funds and this has pushed money market yields down to near zero, creating a yield distortion between money market eligible securities and those with slightly longer maturity. That's where active management can really help because if you have good security selection, you can pick up additional yield and deliver a better return on cash," comments Chan.

On a daily basis, the team constantly evaluates new short-term investment opportunities and where opportunities arise, performs switch trades, buying cheap securities that have a good yield while harvesting gains on those that have reached its return expectations. "This makes sure the portfolio not only benefits from good yield but also capital appreciation," adds Chan. ■

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"We believe smart beta will continue to grow rapidly in the coming years as investors gain an understanding of how these strategies can be implemented in a portfolio."

A recent report written by SEI's Investment Manager Services division entitled *ETF 2.0 – Six Trends Shaping the Next Generation*, identified Active ETFs – of which smart beta funds are a sub-set – as a key trend, in addition to ongoing convergence of mutual funds and ETFs.

On this last point, Northern Trust – winner of this year's best European ETF Fund Administrator – has, over the last 12 months, started to help mutual fund houses bring ETF products to market, one of which was the establishment of an exchange traded share class; the first of its kind in Europe.

According to Fiona Moore, Northern Trust's Head of ETF Fund Administration, Europe, this move by mutual fund houses into the ETF space represents a potentially significant stage in the evolution of Europe's marketplace. It is, says Moore, an important strategic initiative for Northern Trust in 2015.

What is critical, however, is that any such product offering helps rather than hinders these mutual fund houses.

"The term 'complementary' is key. They already have a specific distribution channel and investor base so if they are adding ETFs to their existing product range they have to ensure it is done so in a complementary way. That's something that is critical to get right and where we can work with them to help advise them appropriately. It shouldn't be seen as a negative to launch an ETF in the eyes of their existing mutual fund investors," says Moore.

As ETFs become more widespread and sophisticated, it is imperative that administrators deliver timely, accurate data to authorised participants involved in the creation and redemption process. At Northern Trust, this has always been an integral part of its technology infrastructure.

"Since the early days of servicing ETFs, we have had a dedicated AP servicing team that works with the APs, ensuring they have a seamless day-to-day process from trade booking to settlement. It really is an integral part of our service and operating model. If APs are receiving what they need from an information perspective in a timely and accurate way, it ensures that the ETF sponsor can focus on distribution and make the product as successful as possible," notes Moore.

Another firm that is bringing greater efficiency and automation to ETF providers and APs is State Street – winner of this year's award for best North American ETF Fund Administrator. State Street is the largest global administrator of ETFs, servicing close to 1,000 ETFs that represent over USD600bn in AuM.

The State Street Global ETF Platform provides real-time transparency to State

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Nomura Prime Finance

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Nomura Prime Finance

Best Asia Pacific ETF Market Maker

Nomura has been an active player in the global ETF market since the early 2000s, following its debut ETF launch on the Tokyo Stock Exchange in 2001. From that point, its business has to a large extent been underpinned by delivering Asia Pacific products to its global client base.

"Our platform provides additional liquidity and better pricing to our clients. More broadly, Nomura's strength lies in the level of service, market access and coordination with the execution platform," comments Stephane Redon, Head of Index and ETF Trading, Delta One, EMEA at Nomura.

Although Asia's ETF market has not grown to the same extent as that of the US or Europe, there are nevertheless encouraging signs that activity is picking up. Last year, in Asia ex-Japan, China dominated ETF activity for both fixed income and equity products according to Laurent Poirot, Managing Director and Head of Prime Finance Trading, AEJ, Nomura.

"The implementation of reforms remains a key theme in the market. A good example of the reform efforts was the successful launch of China Shanghai-Hong Kong Stock Connect scheme in the last quarter of 2014. This is a structural change that should contribute significantly to the growth to the ETF market in the coming years and reduce the cost of accessing Chinese securities. We can also expect broader diversification of proposed indexes and themes covered by asset managers," explains Poirot.

Stephane Redon collects the award from GFM's Beverly Chandler

Stephane Redon, Head of Index and ETF Trading, Delta One, EMEA at Nomura

This increased level of activity in China, buoyed by the launch of the Stock Connect scheme, led to greater year-on-year trade volumes for Nomura thanks to the two-way flow of trading between China and Hong Kong.

In Poirot's opinion, ETFs have been, and will continue to be, an efficient tool to increase exposure to the market and suggests that India is also a market to watch closely.

"Looking beyond a number of new launches last year, ETFs will be a good way for investors to get exposure to India as the financial system continues to modernise. China's financial reforms and India will be a key driver of activity in the coming years across equities and fixed income," says Poirot.

Indeed, India already has already seen five new ETFs filed for registration with the regulator this year, the most recent being the SBI ETF 10-year Gilt on 9 March 2015, as reported by Business Standard on 10 March 2015. This shows the progress being made in India's ETF market, all of which is good news for a leading market maker like Nomura.

Susumu Nishibu, Head of Delta One Trading, Japan, notes that the leveraged ETF market was strong last year, with good growth in assets under management.

"Our Nikkei leveraged ETF managed by Nomura Asset Management has been particularly successful and ranks in the global top 10 by daily turnover. We've also seen several smart beta ETFs and a variety of exchange traded notes listed, which are providing the market with new and exciting investing opportunities," says Nishibu.

Redon says the strategic aim for Nomura in 2015 is to continue to be an active player as the evolution and growth of the ETF market continues, across both equities and fixed income. "Our strategy is focused around bringing together our global expertise to facilitate further growth, as well as designing the right investment tools for our clients," states Redon. ■

STOXX

Most Innovative Index Provider

STOXX Ltd is a global index provider, currently calculating a global index family of over 7,000 rules-based and transparent indices. STOXX indices are licensed to more than 500 companies globally. Three of Europe's top ETFs and 30 per cent of all European ETF AUM are based on STOXX indices.

Last year there were myriad developments as STOXX Ltd continues to cement its place as one of the world's foremost pioneers in index creation. On the licensing front there were numerous announcements in support of ETF providers in the US and Asia.

Last October, for example, STOXX announced that the STOXX Europe 600 Index had been licensed to ALPS, a leading US Investment Manager, to serve as the basis for a new ETF – the ALPS STOXX Europe 600 ETF. This was the first time that the STOXX Europe 600 had been licensed to underlie an ETF in the United States. Currently, 10 ETPs are available on the index globally.

Last June, STOXX further developed its footprint in Asia by announcing the licensing of two STOXX Minimum Variance indices to Resona Bank to be used in passive funds by Japanese pension funds. The indices use Harry M Markowitz's Nobel Prize-winning Modern Portfolio Theory to create a hypothetical, risk-optimised portfolio based on a variety of STOXX indices.

The objective of the indices is to provide access to the respective markets by varying the weights of the stocks of the underlying broad indices in such a way that the overall portfolio of the minimum variance index has the lowest possible volatility.

Also last year, EURO STOXX 50 Hedged JPY Index was licensed to Nomura Asset Management and EURO STOXX Small Index was licensed to State Street Global Advisors.

To illustrate the extent of innovation when it comes to index creation, last September the firm rolled out the STOXX Global 3D Printing Tradable Daily Short Index. The index was licensed to HypoVereinsbank onemarkets (UniCredit Bank AG) to serve as the basis of an index certificate. This Index replicates a short investment strategy that is inversely linked to the daily performance of the STOXX Global 3D Printing Tradable Index: i.e. a negative performance of the underlying index result in a positive performance of the Index.

Hartmut Graf, CEO of STOXX

The underlying STOXX Global 3D Printing Tradable Index comprises companies out of the STOXX Global Total Market Index that generate more than one per cent of their revenues from the 3D printing sector.

"The STOXX Global 3D Printing index family is a recent and appropriate example that showcases our innovation," says Hartmut Graf, CEO of STOXX. "The short index allows sophisticated market participants to make tactical investments during bearish markets. And the long index offers market participants an innovative and strictly rules-based tool to participate from the performance of this booming sector."

This year has been a positive start at STOXX Ltd. In February, an important addition to its smart beta offering was announced with the arrival of the STOXX Sharpe Ratio indices; a first-in-kind family of indices. The indices include stocks from the respective benchmarks that have the highest Sharpe ratios, excluding those with low dividend yields and low liquidity.

JP Morgan has licensed the STOXX Europe Sharpe Ratio 50 Index, based on the STOXX Europe 600 Index whereby those 50 companies with the highest one-year Sharpe ratios are included in the index, for a structured product. ■

Roberto Lazzarotto picks up the award from GFM's Beverly Chandler

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Flow Traders

Best European ETF Market Maker

Flow Traders is a global independent ETP liquidity provider. Founded in 2004 in Amsterdam, Flow Traders today has trading operations in Europe, Asia-Pacific and the US. With a team of around 220 professionals, including over 60 traders and 10 sales traders, Flow Traders provides continuous liquidity for ETPs through its membership of more than 90 global stock exchanges and trading venues worldwide.

Flow Traders continuously provides liquidity to all major global markets, quoting competitive bid-ask prices on multiple exchanges to institutional counterparties upon request.

"We'll continue this year to push out our low-touch and high-touch automated quoting capabilities and make sure we can trade any request that crosses our desk as effectively and as tight as possible. We want all our counterparts to trade with us at the most transparent and best possible prices at any given time," states Christopher Meyers, Head UK & NED Institutional Trading at Flow Traders.

Last year, one of the biggest internal developments at Flow Traders was that it further grew the number of institutional traders. From a market perspective, the biggest development, says Meyers, was the rise in Request for Quote (RFQ) tools; e.g. TradeWeb, RFQ-hub and Bloomberg's RFQE.

This allows buy-side institutions to find their way directly into liquidity providers like Flow Traders and at the same time allows them to be compliant with applicable regulations.

"Asset managers are taking ETF trading out of their cash equity pools, and becoming more aware that they can achieve best results by integrating an RFQ tool that allows them quick and easy audit when needed. Another catalyst for growth is MiFID II regulation, due to take effect from 3 January 2017. More counterparties are looking at RFQ tools to get better prepared when it comes to improving their execution, reducing costs and implementing an order trail audit. We are very well-positioned to trade with institutional counterparties in this constellation." says Meyers.

Christopher Meyers, Head UK & NED Institutional Trading at Flow Traders

Awareness of trading off-exchange with liquidity providers is certainly growing among investors. Part of this is down to a younger generation of buy-side traders, who are keen to use new and efficient tools to fire off requests and getting the sharpest prices back.

"As the market gets more technical, institutional investors need to up their games." says Meyers. "Using a traditional broker/dealer, is putting someone in the middle who doesn't necessarily need to be there as via an RFQ tool or chat you can trade with us directly."

Currently, more than 350 buy-side institutions trade with Flow Traders. Using the RFQ tool, an institutional trader indicates that they want to buy, for example, EUR5mn of a particular ETF. That quote request is then made visible to Flow Traders, who quote bid-ask prices which the institutional trader can accept or decline.

"There are two ways this can happen; either manually (high-touch) or automatically (low-touch). The institutional trader gets a streaming price back while the RFQ tool ranks the quotes. If they decide to buy then the trade is executed. It's a straightforward set-up," says Meyers, who, on winning the award, comments: "We are of course very happy to receive industry recognition through winning this award. We remain keenly focused on staying ahead of the competition and for us, winning this award tops off what has been an excellent 12 months. We appreciate the vote of confidence from etfexpress's readership." ■

23 ▶ Street's clients, giving them the opportunity to view and approve the ETF basket online. The Global Platform provides alerts and notifications to State Street's ETF operations enabling them to monitor the workflow electronically. In addition, its Fund Connect platform automates the AP creation / redemption process when orders are placed.

"Our technology is one aspect of our superior service offering compared to our competitors. Two other important aspects are our institutional knowledge and thought leadership. We have been servicing ETFs since the first product ever and continue to assist our clients innovating in the space. We also provide newsletters and market perspectives reporting as an added-value service to our ETF clients," states Phillip Nanof, Vice President, State Street Global Services.

Part of the growing attraction of ETFs is their low cost and the ability for investors to gain access to flexible strategies that are capable of bringing enhanced returns to their portfolios. This has perhaps never been more important today than in the fixed income space, where central bank activity has driven rates to near zero; far from ideal for investors holding cash.

To tackle this problem head-on PIMCO – winner of this year's award for best Fixed Income (Cash) ETF Manager – in partnership with Source, a leading ETF provider, has developed a series of short maturity actively managed ETFs to generate enhanced returns:

- PIMCO Euro Short Maturity Source UCITS ETF
- PIMCO Sterling Short Maturity Source UCITS ETF
- PIMCO US Dollar Short Maturity Source UCITS ETF

Given the situation in Europe, it's little surprise that PIMCO has seen good inflows into its euro cash product as investors look to retain capital preservation.

"We also see demand on the dollar side as base rate in the US still remains low. PIMCO's global presence allows us to look for opportunities in US dollar paper issued by companies globally. As of February month-end, the US dollar short maturity ETF offers a yield of 1.43% versus a US base rate of 25 basis points," says Howard Chan, PIMCO's ETF product manager in EMEA. Right now, Chan says that they are more defensive on core duration risk in euro-based strategies and are more focused on credit spreads.

"We see many opportunities in Europe. For example, in 2014 a good contributor to performance was short-dated peripheral covered bonds. This is a fairly low-risk asset class, with collateral backing the securities and offers a yield premium relative to their sovereign equivalents. ECB's purchase programme provided price support for the asset class. Investors are able to benefit from higher relative yield, plus price appreciation, on these bonds; and that's how we are able to generate above benchmark returns," concludes Chan. ■