Asset MANAGEMENT ETF A broad range of ETFs to capture the potential of European equities

Improving macroeconomic indicators & attractive valuations: all signs seem to point toward the European equity market picking up in 2017. Amundi provides investors with a simple and cost-effective way of capturing this potential.

Lower political uncertainty supports positive indicators

Last year, political uncertainty led to significantly increased volatility in European equity markets. In 2017, the outlook is gradually improving following the reassuring results of French elections and it is expected to improve further in the short term. The European Central Bank is maintaining its accommodative policy and European fundamentals are solid, with signs of improvement in employment and consumption. Given this context, European equity valuations are extremely low. For example, the P/E ratio⁽¹⁾ of the MSCI EMU Index is lower than it was 3 years ago, compared to a 20% increase for the P/E ratio of the MSCI USA Index over the same period⁽²⁾. In our view, the gap between the two would likely shrink in the coming months.



EVOLUTION OF P/E RATIO

Source: Bloomberg, at end April 2017. Past performance cannot be regarded as a reliable indicator for future results, or can they guarantee future returns.

This positive trend is already reflected in YTD flows. While January-November 2016 saw a sharp drop in European equity inflows,

with redemptions totalling -€11.5 billion for ETFs exposed to European equities, this trend reversed at the end of the year and net inflows of over €8 billion have been recorded by the end of April 2017⁽³⁾.

EUROPEAN EQUITY ETFs CUMULATIVE FLOWS (€ BILLION)



JAN-16 MAR-16 MAY-16 JUL-16 SEP-16 NOV-16 JAN-17 APR-17

Source: Bloomberg, Amundi ETF, Indexing & Smart Beta as of April 2017. Net flows calculations presented in this Material are based on European primary market data, over a year to date period at end April 2017. Amundi ETF Internal Database of 2050 European ETFs.

As Europe's leading asset manager⁽⁴⁾, Amundi offers a wide range of ETFs offering exposure to European equities. Amundi's ETF on the MSCI Europe index, for example, is the most competitive on the market in terms of costs, with more than \in 1 billion in AuM⁽²⁾. With ongoing charges of 0.15%⁽⁵⁾ and a high quality of replication, the fund posted the top risk- and cost-adjusted performance compared to all equivalent exposures in Europe over 2016.

Approaching European Equities through Factors

Investors may also gain exposure to European equities by taking a more specific approach concentrating on high dividend, low volatility or mid-cap stocks, with the objective of capturing the associated risk premia. Right now, the European equity market is relatively inexpensive, providing investors with good "value" opportunities. Portfolio managers have been steering away from financial and energy companies and, as a result these sectors have a fair number of undervalued stocks.

Amundi's ETF exposed to the MSCI Europe Value factor index provides a cost effective option for investors looking to take advantage of the undervaluation of European equities. With close to 6650 million in AuM, it is currently one of the largest ETFs offering exposure to the value factor⁽²⁾.

In a nutshell

Overall, the shift back to European equities should be sustained by different converging factors: improved macroeconomic environment, low valuation, underweighted portfolios, and a wide offering of low cost and effective products, like ETFs, to capture the potential of the region.

Amundi ETF offers a wide selection of products to enable investors to gain exposure to this trend, from plain vanilla to factor investing, with a constant cost efficient approach.

(1) P/E: Price-to-Earnings - (2) Source: Bloomberg/Amundi ETF, Indexing & Smart Beta, April 2017 - (3) Source: Bloomberg, Amundi ETF, Indexing & Smart Beta as of April 2017. Net flows calculations based on European primary market data. Amundi ETF Internal Database of 2050 European ETF. - (4) Amundi scope - No.1 European asset manager based on global assets under management (AUM) and the main headquarters being based in Continental Europe - Source IPE "Top 400 asset managers" published in June 2016 and based on AUM as at December 2015. - (5) At 31/03/2017, recurring fees of 0.15%, the lowest on the market. Source: Amundi ETF/Bloomberg - comparison to the average recurring fees charged by ETFs strictly tracking the same index, not including fees charged directly to investors by financial intermediaries. The comparison excludes any ETFs that track different European indexes. The ongoing fees indicated in the Key Investor Information Document represent the charges deducted from the fund over the course of one year. They are based on the data from the preceding year (or on estimates, in the case of funds which have yet to close their first annual accounts) and are subject to change.

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