



Estimated ofYTD Fund Flows mn\$

Objective	Asset Class	Flow USD mn
LATIN AMERICAN REGION	Fixed Income	15619.24
EMERGING MARKETS	Equity	15448.05
MID-CAP	Equity	11082.25
INFLATION PROTECTED	Fixed Income	9783.23
CHINA	Equity	3422.57
BRAZIL	Equity	652.74
LONG SHORT	Alternative	599.74
INDUSTRIAL SECTOR	Equity	520.71
AGRICULTURE	Commodity	421.14
AUSTRALIA	Equity	321.55
TURKEY	Equity	239.56
ENERGY SECTOR	Equity	215.50
RUSSIA	Fixed Income	148.11
GCC	Fixed Income	84.36
BRIC	Fixed Income	83.72
GCC	Mixed Allocation	23.45
SOUTH AFRICA	Equity	3.75
GOVERNMENT BOND	Mixed Allocation	3.37
AUSTRALIA	Mixed Allocation	0.79
AGRICULTURE	Equity	0.00
EGYPT	Equity	-1.32
ENERGY SECTOR	Mixed Allocation	-4.21
AFRICAN REGION	Equity	-4.25
JAPAN	Mixed Allocation	-7.33
MULTIPLE SECTOR	Equity	-12.42
EMEA	Equity	-15.63
MENA	Equity	-18.54
POLAND	Equity	-27.23
MIDDLE EAST REGION	Fixed Income	-27.83
ISRAEL	Equity	-32.95
LONG SHORT	Mixed Allocation	-33.01
MIDDLE EAST REGION	Equity	-34.82
GCC	Equity	-49.14
MENA	Fixed Income	-51.96
LONG SHORT	Fixed Income	-59.96
INDUSTRIAL METALS	Commodity	-72.99
MID-CAP	Commodity	-90.99
EMEA	Fixed Income	-101.63
INDIA	Fixed Income	-134.31
AUSTRALIA	Fixed Income	-141.77
EASTERN EUROPEAN REGION	Equity	-148.35
EASTERN EUROPEAN REGION	Fixed Income	-175.59

Source: Midlincoln

ML Funds Strategy – No Shelter for ESG Friendly Funds This year.

- Private persons and institutions possessing capital and concerned with capital preservation and capital growth use fund management industry services, brokers or they use banks. Private wealth could have been inherited or it could have been generated via employment, service or a business. Not all of the private wealth reaches capital markets and banks; some of it is spent on real estate, capital goods, education and sometimes on luxury goods and not all of the inherited wealth reaches capital markets either. Chunks of it are spent on filling out the budget halls, education and etc... There is also another part of the wealth such as pensions and insurance savings. It is collected in the form of monthly/quarterly/annual installments and channeled to institutional money managers. These accrued pools of money are the key parts of institutional assets under management.
- These pools of money are all chasing some yield and income. They are also not immune to losses. The tool that they have developed over time to maximize the income and minimize the losses is diversification.
- Through diversification and new inflows these pools of money generally grow over time even despite redemptions and market swings.
- We are interested in how these pools of money grow and we are also interested how the investment management industry grows.
- For example one of the largest global asset managers Blackrock has 8.4 trln USD in AUM as of Q2 2022. This figure declined 11% y-o-y since the end of the second quarter of 2021 or by 1 trln USD in money terms. The firm recorded 89bn\$ inflows in Q2 22 and said inflows continued at healthy rate which if annualized would yield 356 bn\$ of inflows during the last 12 months from the end of Q2 22. So the rest of the AUM decline is via loss on assets. Because of annualised Q2 numbers these are just hypothetical figures but still the performance is quite bad -14% for the 12 months mentioned or decline in asset prices of 1.3 trln \$ reflecting sell off in bonds and equities.
- AUM of investment managers grow with GDP. They also grow in the environment when bank do not offer good rates on deposits. Government policy initiatives sometimes stimulate investment savings growth. On the other hand when economy contracts savings are depleted AUM of investment managers decline from the outflows and asset losses or when credit rates are high some AUM of investment managers goes to bank

Estimates of YTD Fund Outflows USD mn

EASTERN EUROPEAN REGION	Fixed Income	-175.59
BRAZIL	Fixed Income	-225.71
JAPAN	Fixed Income	-464.26
RUSSIA	Equity	-552.58
SPAIN	Equity	-651.77
NORTH AMERICAN REGION	Fixed Income	-688.23
LATIN AMERICAN REGION	Equity	-734.01
EUROPEAN REGION	Mixed Allocation	-1021.14
NATURAL RESOURCES SECTOR	Equity	-1049.49
ASIAN PACIFIC REGION	Fixed Income	-1083.12
BRIC	Equity	-1086.52
ASIAN PACIFIC REGION	Mixed Allocation	-1301.20
FINANCIAL SECTOR	Equity	-1342.30
CHINA	Fixed Income	-1546.16
LONG SHORT	Equity	-1686.60
SMALL-CAP	Equity	-1994.14
KOREA	Equity	-2019.65
UNITED KINGDOM	Equity	-2070.92
PRECIOUS METALS	Mixed Allocation	-2416.68
PRECIOUS METAL SECTOR	Equity	-2842.52
CONSUMER DISCRETIONARY	Equity	-2869.95
TAIWAN	Equity	-2887.81
NORDIC REGION	Equity	-3839.96
PRECIOUS METALS	Commodity	-3871.33
INDIA	Equity	-4148.32
BASIC MATERIALS SECTOR	Equity	-5004.42
NORTH AMERICAN REGION	Equity	-5007.95
ASIAN PACIFIC REGION EX JAPAN	Fixed Income	-5053.17
COMMUNICATIONS SECTOR	Equity	-5087.04
ASIAN PACIFIC REGION EX JAPAN	Mixed Allocation	-5092.56
UTILITIES SECTOR	Equity	-5347.97
GOVERNMENT BOND	Fixed Income	-5760.58
REAL ESTATE SECTOR	Equity	-7680.06
HEALTH CARE	Equity	-9184.72

deposits.

- Recent development of investment manager industry increased pressure on banks. Banks used to be the sole owner of savings. But in the past 40 years with the development of robust investment manager sector banks lost some of that advantage. The pressure on banks is twofold: from lower rates and from competition from asset managers.
- Moreover investment managers had started offering products similar to banks via money market funds or private credit funds, ABS or SME loan funds.
- Thus fund management industry reached out in banking space to grab market share from legacy banks. And the fund management industry becomes another important creditor of industry substituting legacy banks. This process exacerbated before 2008 crisis when ABS instruments gathered lots of popularity and became widespread.
- Legacy banks were perhaps sarcastic when fund management industry and investment banking industry took a huge blow in 2008 crisis.
- Private persons, SMEs and industrial players that compete for this capital need to be efficient enterprises otherwise they are punished by higher rates. State funding fills in the gaps providing cheap credits to industry substituting capital of fund management industry.
- Fund managers however do not create money in the same sense as banks do. Banks can create money when they receive their banking license as long their capital adequacy is met. They can issue new money in the form of credits to customers. Fund managers do not create money in this manner. Fund managers rely on deposit or client's assets and once they got clients money they could invest it in accordance with their strategy. They are not obliged to make positive return, their strategies are not always market neutral.
- Fund managers most of the time can offer benchmark outperformance. When fund managers try to create money in the manner that banks do, they are quickly enter the territories of Ponzi schemes like Berni Madoff.
- More and more bank like services are provided by fund managers, peer to peer lenders and other fintech. Emergence of crypto currencies questions the need for central banks, fiat currencies and rates policies that are so important for legacy banks and far less important for fund management industry. Fund management industry will be able to provide their service of capital preservation and capital growth to its customers even if fiat currencies are gone, central banks vanish. Fund management industry and fintechs will also be able to provide credit to industry and individuals.
- Ponzi schemes in fund management industry occur once in a while but any bank operates in the Ponzi scheme like conditions almost from the start and almost any bank will fail in case of the bank run even if bank managers are prudent diligent and are not creative with their capital.
- Dividend paying equities is another source somewhat predictable albeit

<u>SECTOR</u>		
<u>JAPAN</u>	Equity	-9611.99
<u>ASIAN PACIFIC REGION EX JAPAN</u>	Equity	-11177.52
<u>DEVELOPED MARKETS</u>	Equity	-12269.76
<u>TECHNOLOGY SECTOR</u>	Equity	-14468.49
<u>CONSUMER STAPLES</u>	Equity	-15715.33
<u>EUROPEAN REGION</u>	Fixed Income	-19099.82
<u>ASIAN PACIFIC REGION</u>	Equity	-24037.95
<u>EUROPEAN REGION</u>	Equity	-25300.76
<u>LARGE-CAP</u>	Equity	-63364.43

Source MSCI, Bloomberg, Midlincoln

more volatile tool of fund managers. Growth equities is a most favourable tool of fund managers and is the one that requires a lot of information processing, modeling and other investment research. More tools are available in commodities space including gold. And some tools fund managers find in real estate. Finally money markets provide tools for managing the most liquid part of clients' portfolios. A more defensive approach in fund management is via diversification. And instead of asset picking fund managers invest into indexes or index tracking ETFs.

- One might notice that in the current state of fund management industry it might be called over diversified. This may generate pools of management fees and compensation for fund managers, but it is not clear if this state of the industry is good for clients. Ah, and the title of this piece refers to fund performance below.

Indicative YTD Inflows By Fund Type USD mn

type	ytdflow
CLOSED-END FUND	-3334.7
ETF	-53692.7
FUND OF FUNDS	-33744.9
OPEN-END FUND	-211386.4

Indicative YTD Inflows By Style USD mn

Style	ytdflow
Region	-107219.7
Size	-54367.3
Industry	-50854.5
Country	-20445.9
Sector	-18164.1
Commodities	-16514.6
Segment	933.9
Risk	3820.5

Indicative YTD Inflows By Asset Class USD mn

Ast. class	ytdflow
Equity	-226318.0
Mixed Allocation	-62249.0
Fixed Income	-10394.0
Commodity	-3797.4
Alternative	599.7

Source: Midlincoln

Some of the 10 Best Select Equity ETFs By Performance in 2022

name	ytd
SPDR S&P OIL & GAS EXPLORATION & PRODUCTION ETF (XOP)	38.29
VANGUARD ENERGY ETF (VDE)	37.08
ENERGY SELECT SECTOR SPDR FUND (XLE*)	36.81
ISHARES GLOBAL ENERGY ETF (ISQQ)	28.31
MARKET VECTORS OIL SERVICE ETF (OIH)	25.45
JPMORGAN ALERIAN MLP INDEX ETN (AMJ)	23.28
ALERIAN MLP ETF (AMLP)	23.26
ISHARES MSCI CHILE CAPPED ETF (ECH)	16.13
ISHARES MSCI MEXICO CAPPED ETF (EWW)	12.33
FIRST TRUST NORTH AMERICAN ENERGY INFRASTRUCTURE FUND (EMLP)	12.08

Some of the 10 Best Select Fixed Income ETFs By Performance in 2022

name	ytd
EGSHARES TCW EM SHORT TERM INVESTMENT GRADE BOND ETF (SEMF)	
Finex Russian Rub Bonds Etf	
VANGUARD SHORT-TERM INFLATION-PROTECTED SECURITIES ETF (VTIP)	-0.34
ISHARES 0-5 YEAR TIPS BOND ETF (STIP)	-0.35
PIMCO 1-5 YEAR U.S. TIPS INDEX EXCHANGE-TRADED FUND (STPZ)	-1.15
ITI Funds Russian Eurobonds ETF	-3.38
FLEXSHARES IBOXX 5 YEAR TARGET DURATION TIPS INDEX FUND (TDTF)	-3.56
Finex Russian Eurobonds ETF	-5.66
DB X-TRACKERS II IBOXX GLOBAL INFLATION-LINKED TOTAL RETURN INDEX HEDGED ETF-USD (XG7U)	-7.79
DB X-TRACKERS II IBOXX GLOBAL INFLATION-LINKED TOTAL RETURN INDEX HEDGED ETF-USD (XG7U)	-7.95

Some of the 10 Best Select Equity Active Funds By Performance in 2022

name	ytd
BLACKROCK GLOBAL FUNDS - WORLD ENERGY FUND - GBPA4RF (MWENADS)	28.01
RS GLOBAL NATURAL RESOURCES FUND - C (RGNCX)	26.33
OPPENHEIMER STEELPATH MLP ALPHA FUND - I (OSPAX)	23.85
OPPENHEIMER STEELPATH MLP ALPHA FUND - A (MLPAX)	23.62
FIDELITY SELECT NATURAL RESOURCES PORTFOLIO (FNARX)	19.36
GOLDMAN SACHS MLP ENERGY INFRASTRUCTURE FUND - INSTITUTIONAL (GMLPX)	19.17
GOLDMAN SACHS MLP ENERGY INFRASTRUCTURE FUND - A (GLPAX)	18.91
OPPENHEIMER STEELPATH MLP INCOME FUND - Y (MLPZX)	18.09
ALAHLI GCC TRADING EQUITY FUND (ALGCCTE)	17.54
OPPENHEIMER STEELPATH MLP SELECT 40 FUND - I (OSPSX)	16.59

Some of the 10 Best Select Fixed Income Active Funds By Performance in 2022

name	ytd
SANTANDER FUNDO DE INVESTIMENTO RECIFE RENDA FUNDO DE FIXA (SANTFDI)	17.45
BRASILPREV TOP TP FI RENDA FIXA (BBPREVT)	14.02
FI TESOUREIRO RENDA FIXA (NSCXTES)	13.38
HSBC GLOBAL INVESTMENT FUNDS - ASIA EX JAPAN EQUITY SMALLER COMPANIES - IC USD (HSBASIC)	13.11
HSBC GLOBAL INVESTMENT FUNDS - ASIA EX JAPAN EQUITY SMALLER COMPANIES - IC USD (HSBASIC)	13.11
FI CAIXA BRASIL SOBERANO RENDA FIXA (FCAIXBR)	12.81
SANTANDER FIC FI RENDA FIXA I CREDITO PRIVADO (SANBRFI)	12.28
SANTANDER FIC FI RENDA FIXA I CREDITO PRIVADO (SANBRFI)	12.28
SANTANDER FIC FI RENDA FIXA I CREDITO PRIVADO (SANBRFI)	12.28
SANTANDER FIC FI RENDA FIXA I CREDITO PRIVADO (SANBRFI)	12.28

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