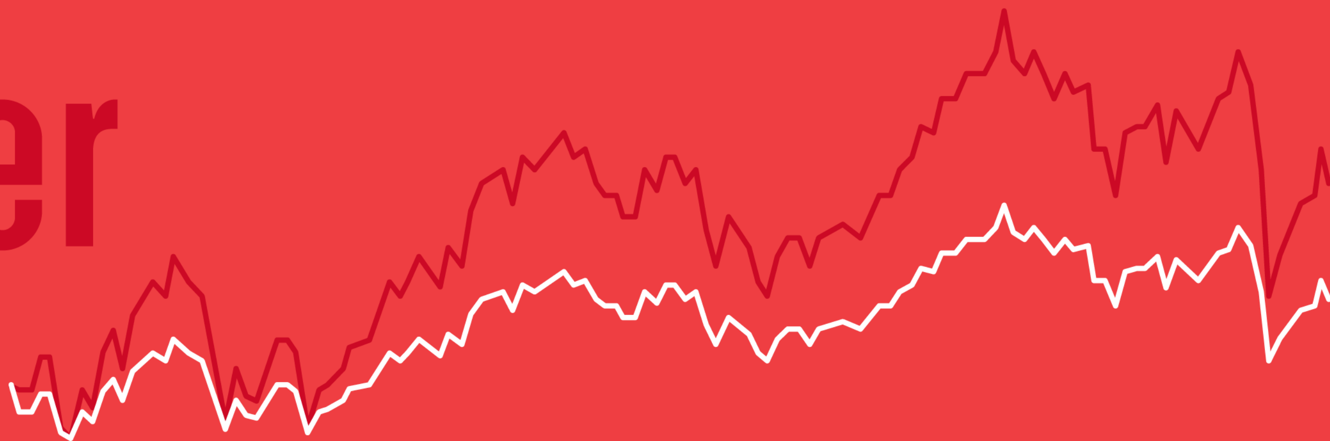
MORNINGSTAR



Asia-Pacific ETF Flows
Q2 2026 Review

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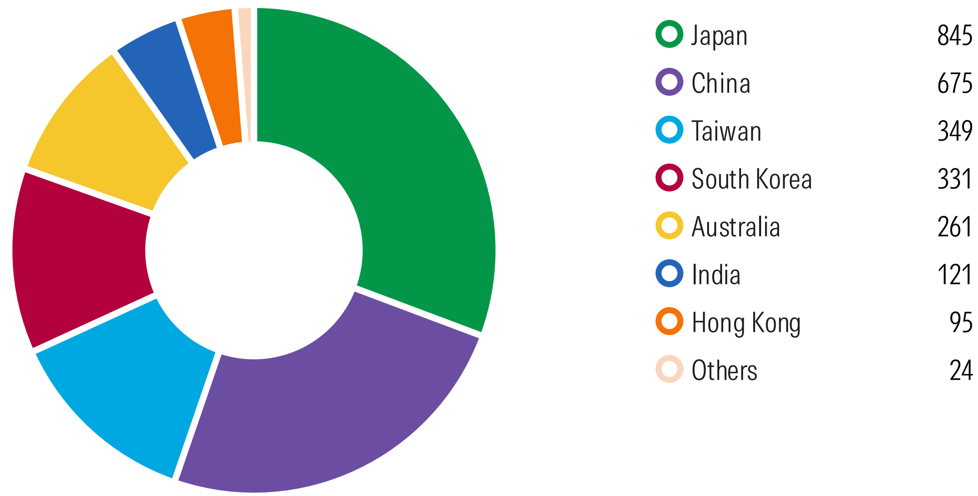
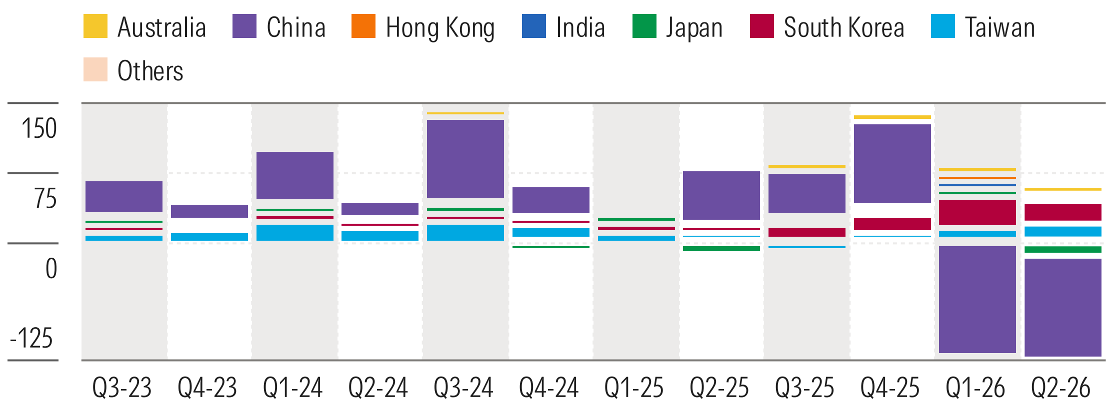
Key Takeaways

- Most exchange-traded fund markets across Asia-Pacific reached record asset levels in the second quarter, supported by some local equity markets hitting new highs, with China being the notable exception. Overall, regional ETF assets rose 14% from the first quarter to a record USD 2.7 trillion.
- Despite record-high asset levels, Asia-Pacific ETFs witnessed a second consecutive quarter of net outflows, totaling USD 63 billion, compared with USD 36 billion in the first quarter. The outflows in the region were driven primarily by continued redemptions from China-domiciled ETFs, as Central Huijin conducted another quarter of large-scale withdrawals from broad-based equity ETFs. Japan also recorded net outflows, reversing the net inflows seen in the first quarter, while the other markets covered in this report mostly recorded net inflows.
- Real assets ETF flows reversed at the regional level, posting USD 3 billion of net outflows in the second quarter. Flows either turned negative or moderated across most markets as gold prices corrected during the quarter.
- ETFs in the "other" asset class, consisting primarily of leverage and inverse products, attracted USD 11 billion in net inflows, exceeding the previous quarter. Hong Kong- and Korea-domiciled single-stock leveraged ETFs referencing chipmakers SK Hynix and Samsung Electronics were key contributors. The sharp rally in both stocks through late June caught investors' attention and boosted assets in these leveraged products as of the end of June before the subsequent crash in the share prices of the two underlying stocks in July.
- Active ETF adoption across Asia-Pacific remains uneven and market-specific. Australia saw the listing of its first actively managed private debt ETF in the second quarter, while Taiwan's active ETFs attracted USD 15 billion in net inflows, representing the majority of the region's active ETF flows. More than one-third of these inflows in Taiwan came from a newly launched Taiwan equity active ETF.

Q2 2026 Asia-Pacific ETF Market by Total Asset Size (USD Billion)



Flows by ETF Market in Asia-Pacific (USD Billion)

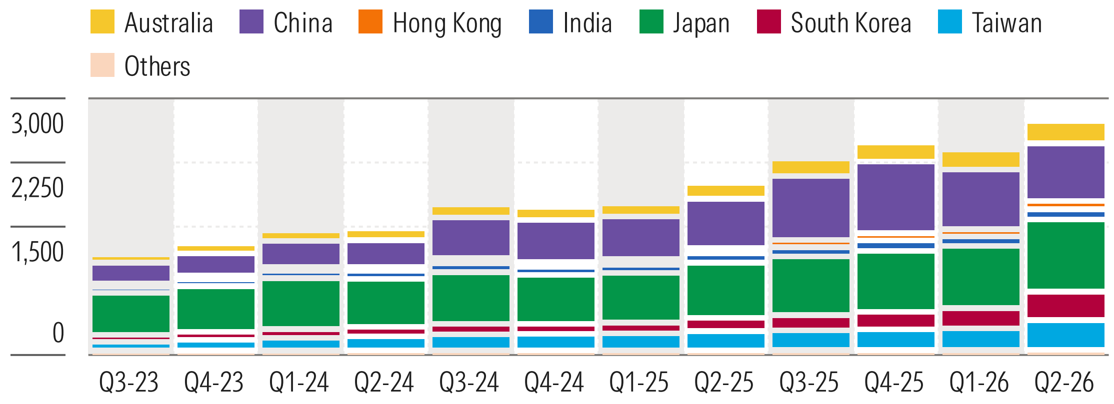


Source: Morningstar Direct, ASX website, iFinD. Data as of June 30, 2026. Figures may differ from previous reports owing to updated data availability. Throughout the report, markets are defined by ETF domicile, and flows are based on monthly estimates.

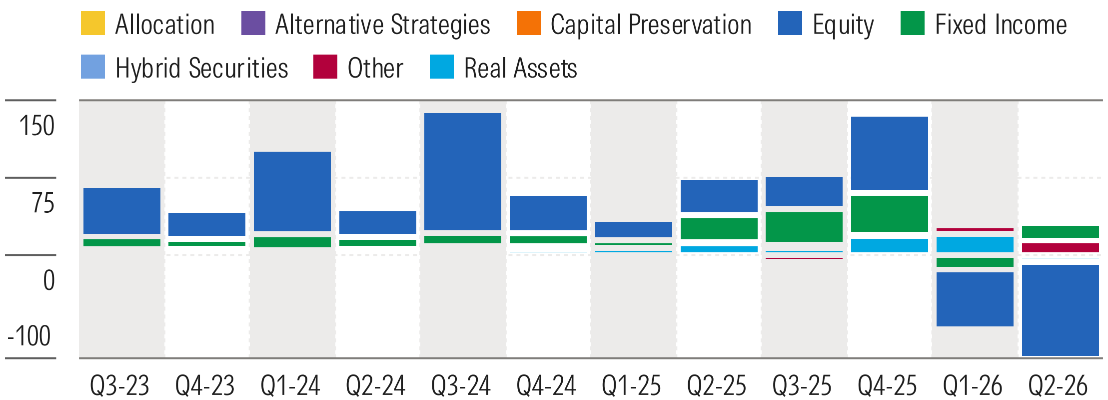
Key Takeaways

- Fixed-income ETFs returned to net inflows after the outflows recorded in the first quarter. China and Australia led demand, supported by defensive positioning amid equity market volatility in China and continued appetite for diversification and income-oriented exposures in Australia.
- Japan's ETF market continued to exhibit pronounced swings in flows, reflecting the short-term nature of local investors. Net outflows reached USD 10 billion following USD 9 billion of net inflows in the first quarter, with broad-based equity ETFs and Nikkei 225-linked leveraged ETFs accounting for most of the reversal, likely reflecting profit-taking and reduced risk appetite as local equity markets reached record highs.
- India ETF assets reached a record USD 121 billion despite inflows moderating from first-quarter highs. Equity ETFs regained leadership in flows as demand for precious metals normalized, with large-cap ETFs accounting for most equity ETF inflows.

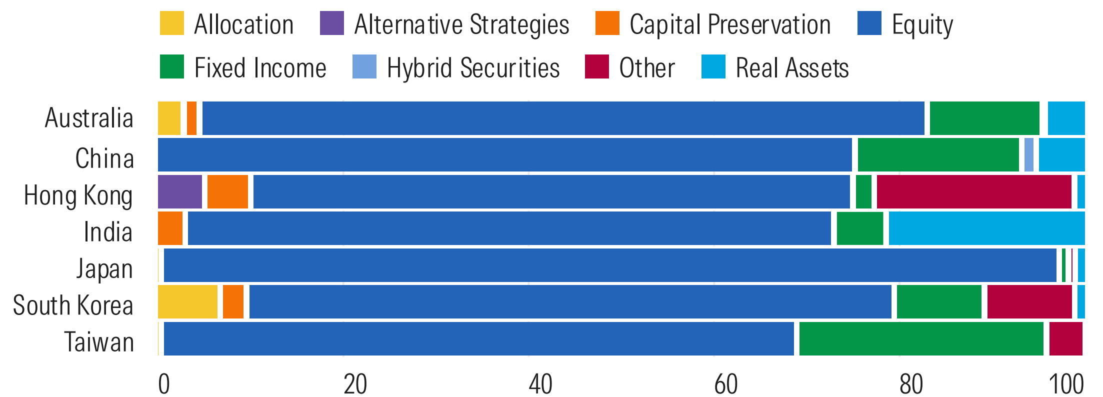
Assets by ETF Market in Asia-Pacific (USD Billion)



Flows by Broad Asset Class in Asia-Pacific (USD Billion)



Q2 2026 Broad Asset Class Composition by ETF Market in Asia-Pacific (%)



Source: Morningstar Direct, ASX website, iFinD. Data as of June 30, 2026. Figures may differ from previous reports owing to updated data availability.

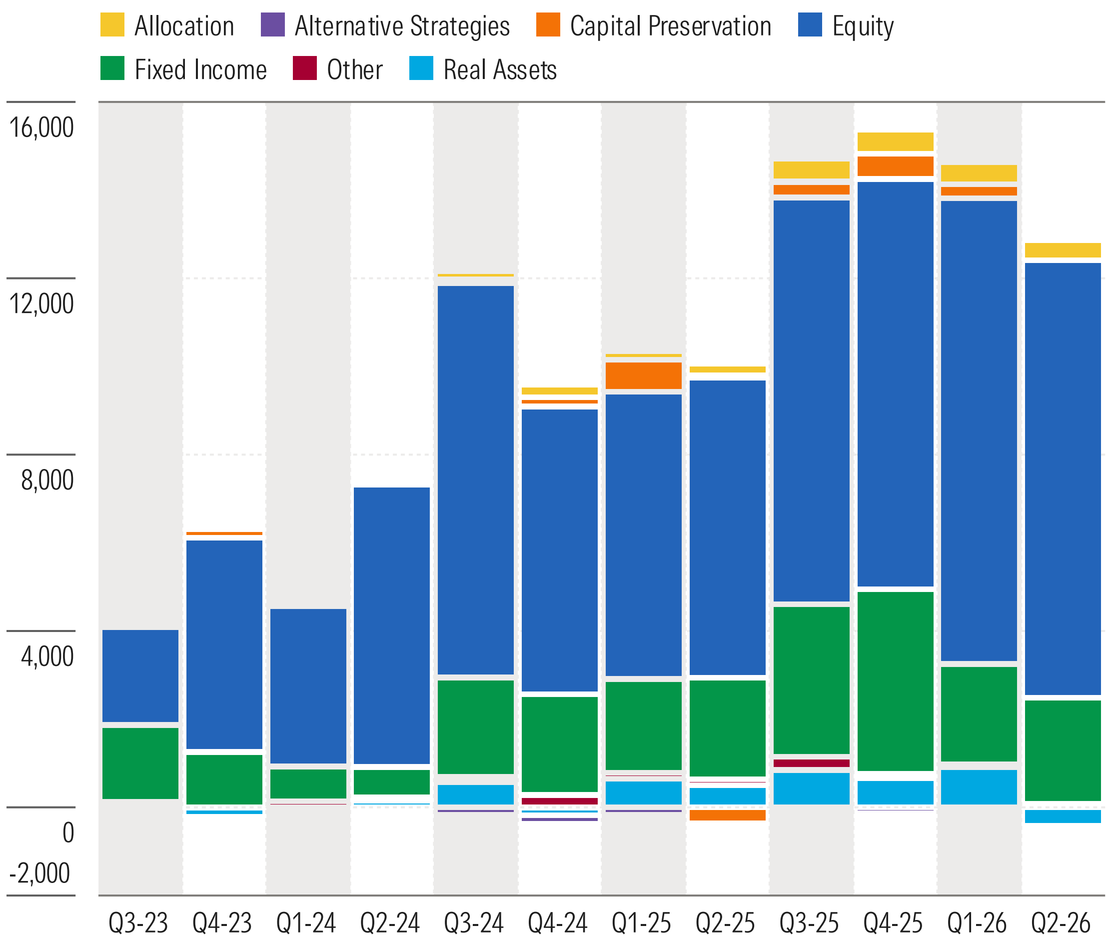
Australia ETF Market

Sustained Demand Supports Another Strong Quarter for ETFs

Persistent Investor Demand Underpins Ongoing ETF Market Momentum

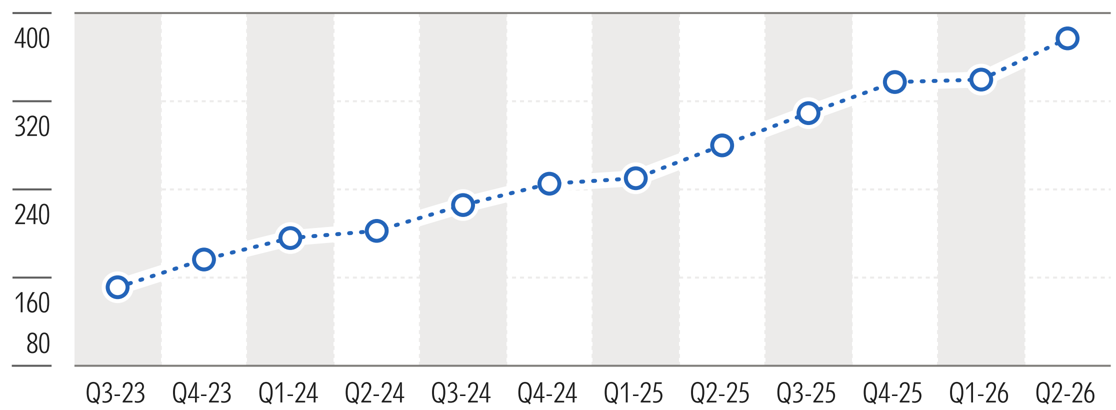
Flows by Broad Asset Class for Australia ETF Market

AUD Million



- Australian exchange-traded funds recorded AUD 12.8 billion in net inflows in the second quarter of 2026, demonstrating resilience amid lingering global market volatility and geopolitical uncertainty.
- Equity ETFs remained the primary destination for flows, attracting AUD 10.4 billion during the quarter, while fixed-income ETFs also recorded strong inflows of AUD 2.4 billion, reflecting continued demand for diversification and income-oriented exposure.
- Flows across other asset classes were mixed. Allocation ETFs continued to gather new assets, whereas real assets ETFs experienced net outflows during the quarter. Meanwhile, investor activity in other ETF categories remained relatively subdued.
- Overall, assets under management in Australian ETFs expanded markedly, reaching AUD 377.0 billion at the end of the second quarter, supported by continued net inflows and positive market appreciation.

Australia ETF Market—Assets Under Management (AUD Billion)



Renewed Interest in US Equities Accompanies a Shift Away From Cash

The Australia large-blend, North America, and Australia equity income Morningstar Categories led equity ETF flows during the second quarter, with inflows of AUD 3.0 billion, 1.9 billion, and 0.7 billion, respectively. Strong flows into Australia-domiciled North America ETFs reflected renewed interest in US equities, while Australia equity income attracted AUD 738 million, highlighting demand for income-oriented strategies.

Equity ETF Quarterly Net Flows by Morningstar Category
AUD Million

Top 5	Q2 2026	Bottom 5	Q2 2026
Australia Large Blend	2,977.6	Global Real Estate	-23.7
North America	1,891.0	Global Infrastructure	-25.9
Australia Equity Income	738.5	Europe	-27.2
World Large Blend	662.9	Australia Real Estate	-44.2
World - Currency Hedged	646.6	World Large Growth	-52.1

Diversified credit remained the largest recipient of fixed-income flows in the second quarter. Demand for Australian and global bonds was also strong, with both categories attracting substantial inflows. Investors favored unconstrained and inflation-linked strategies, reflecting a preference for diversified sources of income and duration exposure. In contrast, demand for cash and short-term defensive exposures weakened.

Fixed-Income ETF Quarterly Net Flows by Morningstar Category
AUD Million

Top 5	Q2 2026	Bottom 5	Q2 2026
Diversified Credit	694.9	Non Investment Grade Debt	60.2
Bonds - Australia	693.4	Bonds - Global / Australia	2.0
Bonds - Global	584.0	Alternative - Private Debt	1.7
Unconstrained Fixed Income	183.2	Bonds - Emerging Market Debt	-11.4
Bonds - Inflation-linked	108.1	Australian Cash	-72.5

Source: Morningstar Direct, ASX website. Data as of June 30, 2026.

Leading Issuers Retain Their Edge in a Highly Competitive ETF Landscape

Top Australia ETF Providers
Ranked by AUM (AUD Millions)

Provider	1Y Flow - Q2 2025	1Y Flow - Q2 2026	AUM - Q2 2025	AUM - Q2 2026	Mkt Share - Q2 2025	Mkt Share - Q2 2026
Vanguard	12,874.7	16,673.5	77,031.5	102,486.2	27.5%	27.2%
Betashares	10,198.5	14,768.9	52,315.6	73,309.0	18.7%	19.4%
BlackRock	6,928.0	8,713.9	47,267.5	62,856.3	16.9%	16.7%
VanEck	5,680.9	5,210.9	26,520.8	34,464.3	9.5%	9.1%
Global X	1,647.8	3,506.8	15,420.8	22,149.0	5.5%	5.9%
Dimensional	629.1	1,100.1	15,841.1	19,930.7	5.7%	5.3%
State Street	336.4	1,220.0	10,331.1	12,176.0	3.7%	3.2%
Magellan Group	916.7	-2,349.2	9,536.8	6,562.3	3.4%	1.7%
Franklin Templeton	62.2	127.6	4,542.3	5,479.1	1.6%	1.5%
Hyperion	-62.8	177.1	3,555.2	3,633.8	1.3%	1.0%

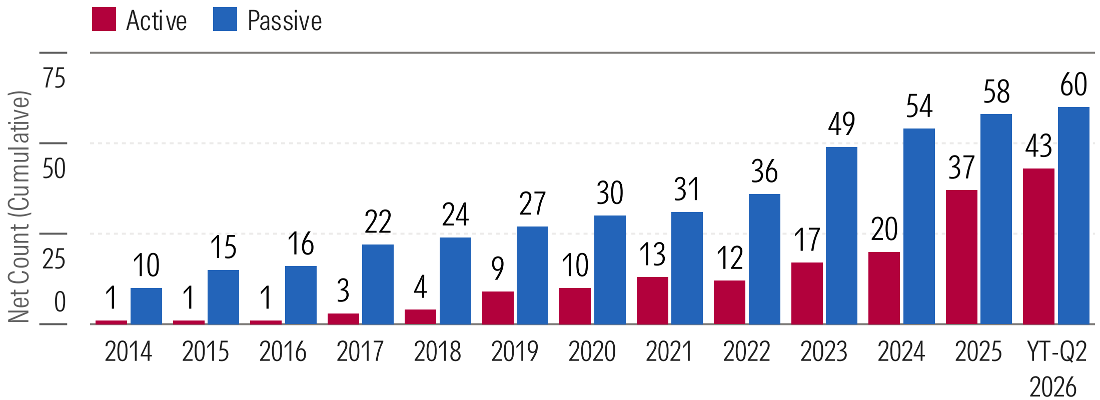
Source: Morningstar Direct, ASX website. Data as of June 30, 2026. Figures may differ from previous reports owing to updated data availability.

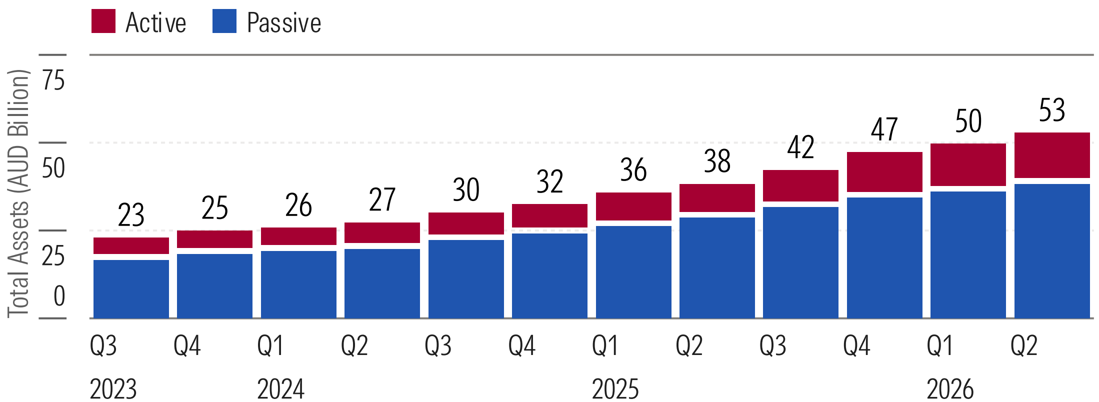
The Evolution of Fixed-Income ETFs in Australia

Australia's fixed-income ETF market continues to evolve, with both product availability and assets growing strongly. Passive strategies remain the dominant segment, with assets rising to AUD 38 billion by the second quarter of 2026, while active fixed-income ETF assets also expanded to AUD 14.5 billion. Total assets in fixed-income ETFs have more than doubled over the past three years and quadrupled since 2021.

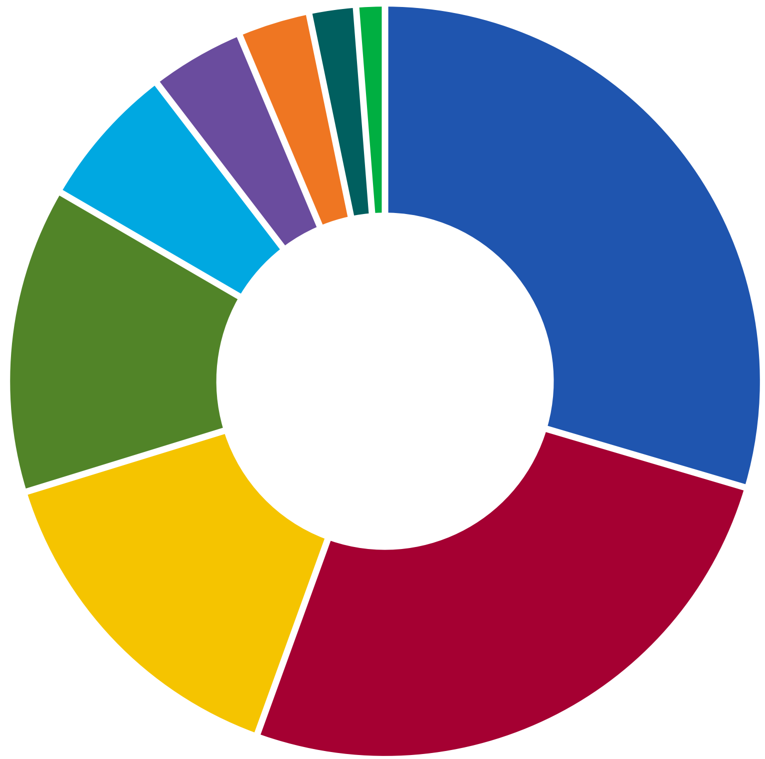
Australian bonds remain the largest fixed-income category by assets, followed by diversified credit and global bonds. Product development continues, with 2026 seeing the launch of Australia's first actively managed private debt ETF. This follows a surge in issuance activity in 2025, when 17 active fixed-income ETFs came to market, further expanding investors' choices within the asset class.

Fixed-Income ETF Product Expansion and Asset Growth in Australia





Share of Assets by Fixed-Income Category (Q2 2026)



Bonds - Australia	30.0%
Diversified Credit	26.3%
Bonds - Global	14.8%
Australian Cash	13.2%
Non Investment Grade Debt	6.1%
Unconstrained Fixed Income	3.9%
Bonds - Inflation-linked	2.9%
Australian Short Term Fixed Interest	1.8%
Others	1.0%

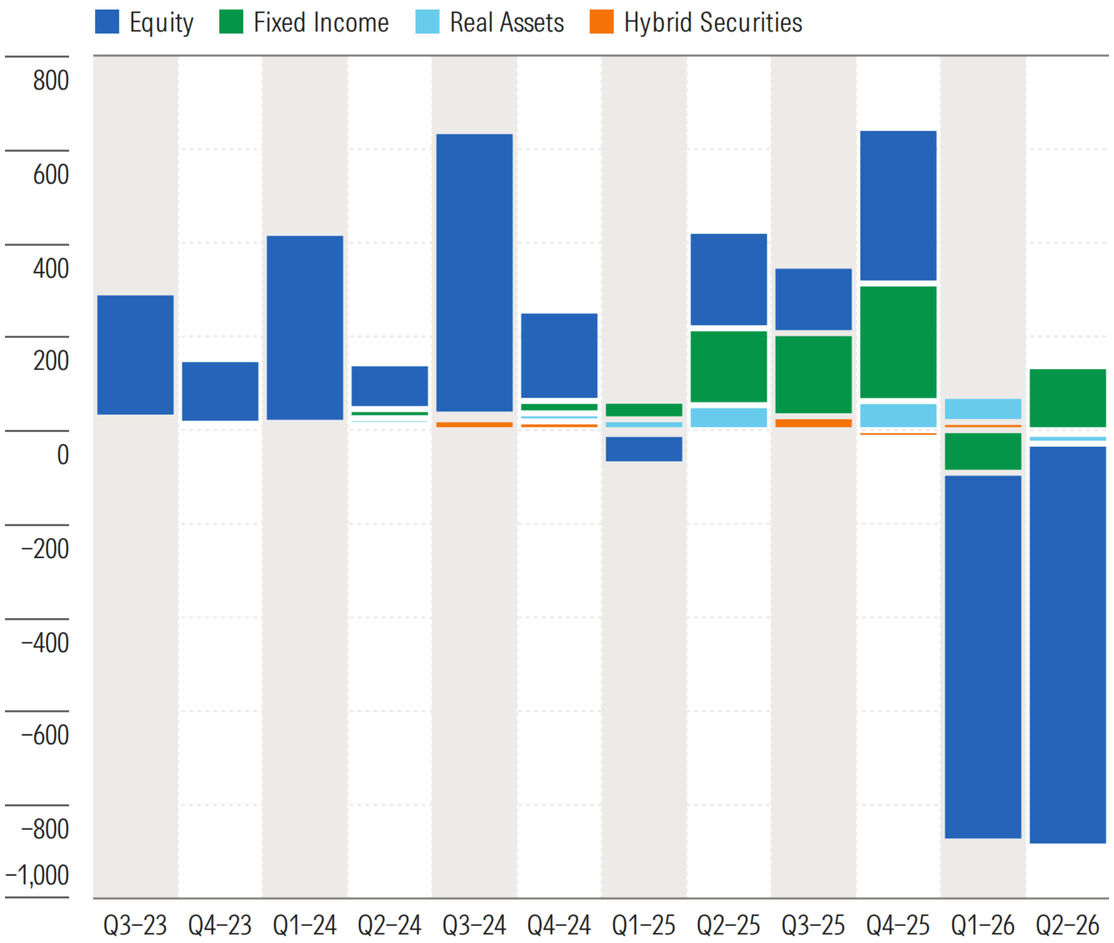
Source: Morningstar Direct, ASX website. Data as of June 30, 2026.

China ETF Market

New Launches Hit a Record Amid Redemptions from Broad-Based ETFs

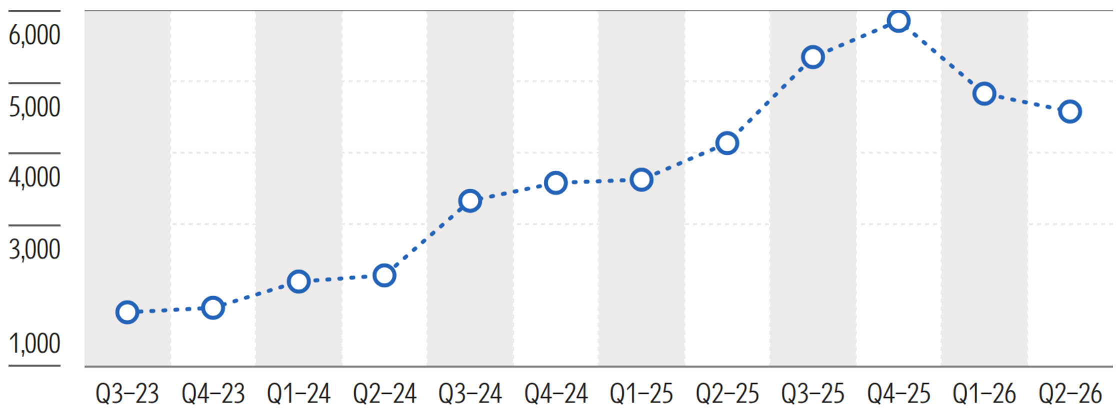
Sustained Heavy Net Outflows Lead to Further Modest AUM Contraction

Flows by Broad Asset Class for China ETF Market
RMB Billion



- After recording RMB 805.3 billion of outflows last quarter, China ETFs continued to suffer substantial outflows of RMB 752.4 billion in the second quarter.
- Net outflows from equity ETFs expanded further to reach a record RMB 860.4 billion in the second quarter, with massive redemptions from broad-based ETFs by Central Huijin serving as the main driver.
- Fixed-income ETFs swung back to inflows of RMB 130.2 billion, marking the only asset class to register net inflows in the second quarter.
- Commodity ETFs flipped to net outflows of RMB 20.8 billion in the second quarter, mainly owing to the pullback in gold prices from record highs.
- Assets in China ETFs shrank moderately to RMB 4.58 trillion by the end of the second quarter from RMB 4.83 trillion at the end of March 2026, a 22% decline from its peak recorded at the end of 2025.

China ETF Market—Assets Under Management (RMB Billion)



Massive Outflows from Broad-Based ETFs; Corporate and Government Bond ETFs Register Sizable Inflows

Equity ETF Quarterly Net Flows by Category

Ranked by Q2 Net Flows (RMB Billion)

Morningstar Category	Flow Q2 2026	AUM Jun 2026
Large Value Equity	37.7	209.8
Sector Equity Health	9.1	169.6
Shanghai-Hong Kong-Shenzhen Equity	−0.8	2.1
Sector Equity Financial and Real Estate	−1.9	187.6
Sector Equity Consumer	−2.1	67.4
Mid Growth Equity	−11.5	47.9
Sector Equity Other	−53.9	346.9
Large Growth Equity	−66.7	218.6
Hong Kong Equity	−68.6	204.5
Mid Blend Equity	−89.8	137.3
Sector Equity Technology and Communications	−111.6	793.6
Large Blend Equity	−484.7	520.9

- The large value equity category, in which nearly half its funds adopt high-dividend strategies, gathered the largest inflows among all equity ETF categories. Amid low domestic interest rates and heightened volatility across equity segments, high-dividend strategies drew defensive inflows on the back of their attractive dividend yields.
- The large blend equity category posted substantial outflows of RMB 484.7 billion, primarily driven by redemptions from the CSI 300 and SSE 50 ETFs by Central Huijin.
- Although technology subsectors such as communications and semiconductors attracted strong inflows, ETFs tracking the STAR 50 Index recorded total outflows of RMB 89 billion in the second quarter, resulting in sizable outflows from the sector equity technology and communications category.

Fixed-Income ETF Quarterly Net Flows by Category

Ranked by Q2 Net Flows (RMB Billion)

Morningstar Category	Flow Q2 2026	AUM Jun 2026
Corporate Bond	86.9	555.2
Government and Policy Bank Bond	53.6	177.9
Short-Term Bond	−10.2	91.4

Amid accommodative liquidity conditions, downward-trending 10-year government bond yields, and elevated volatility across equity sectors, corporate and government bond ETFs absorbed substantial inflows driven by defensive and strategic allocation demand. Ranking second among all ETFs by flows, the HFT SSE Urban Construction Investment Bond Index ETF sustained first-quarter inflows of over RMB 10.0 billion and attracted RMB 14.4 billion of second-quarter inflows, benefiting from falling yields of local government financing vehicle bonds and debt-resolution policies that bolstered credit quality.

QDII ETF Quarterly Net Flows by Category

Ranked by Q2 Net Flows (RMB Billion)

Morningstar Category	Flow Q2 2026	AUM Jun 2026
QDII US Equity	6.2	172.8
QDII Global Equity	1.4	18.7
QDII Greater China Equity	−2.0	20.6
QDII Sector Equity	−21.0	304.1

QDII ETFs swung to total outflows of RMB 15.7 billion in the second quarter. 13 ETFs tracking the Hang Seng Tech Index under the QDII sector equity category posted outflows over RMB 20 billion, marking the largest drag on overall flows. The Hang Seng Tech Index endured months of declines from its recent October 2025 peak; some investors opted to redeem their holdings, driving a shift to net outflows from prior net inflows.

Source: Morningstar Direct, iFinD. Data as of June 30, 2026.

Largest Annual Net Inflows Drawn by Sector Equity ETFs Propel Guotai AMC Past Huatai-PineBridge Into the Top 3

Top China ETF Providers

Ranked by AUM (RMB Billion)

Provider	1Y Flow - Q2 2025	1Y Flow - Q2 2026	AUM - Q2 2025	AUM - Q2 2026	Mkt Share - Q2 2025	Mkt Share - Q2 2026
China Asset Management	152.4	−385.8	751.5	597.6	18.2%	13.1%
E Fund Management	195.0	−283.5	665.5	581.5	16.1%	12.7%
Guotai AMC	31.9	124.9	176.0	371.8	4.3%	8.1%
Huatai-PineBridge	173.9	−294.0	499.4	300.6	12.1%	6.6%
GF Fund Management	56.9	29.9	189.6	260.4	4.6%	5.7%
China Southern Fund Management	105.7	−132.7	286.6	245.7	6.9%	5.4%
Bosera	51.0	40.9	162.5	230.0	3.9%	5.0%
Harvest Fund	91.5	−152.4	263.5	225.6	6.4%	4.9%
Fullgoal	85.5	34.4	180.5	198.4	4.4%	4.3%
HuaAn	34.3	8.3	138.8	185.4	3.4%	4.1%
HFT	52.5	77.6	95.8	174.5	2.3%	3.8%
China Universal Asset Management	24.0	57.0	72.6	128.6	1.8%	2.8%
Tianhong Asset Management	23.1	31.3	79.5	128.1	1.9%	2.8%
Hwabao	12.7	37.9	89.2	125.3	2.2%	2.7%
Penghua Fund	15.4	43.3	58.2	121.6	1.4%	2.7%

Source: Morningstar Direct, iFinD. Data as of June 30, 2026.

Flagship ETFs Recorded Notable AUM Shrinkage While Sector Equity ETF Launches Hit a Record High

Massive outflows over two consecutive quarters triggered sharp declines in AUM among flagship ETFs. By the end of the quarter, all eight ETFs that previously held RMB 100 billion in AUM fell below that mark. Sector equity ETFs occupied four of the top 10 spots, with only two broad-based ETFs remaining. Guotai CSI All Share Communications ETF drew inflows of RMB 34.7 billion, ranking first by inflows marketwide.

120 equity ETFs were launched in the second quarter, surpassing the prior third-quarter 2025 peak of 117. Launches featured strong issuance activity despite smaller launch sizes. Average initial assets raised for equity ETFs reached RMB 295 million, notably lower than the average of RMB 536 million for those launched in the third quarter of 2025. Sector equity ETFs dominated new launches at 86 products, hitting a record high.

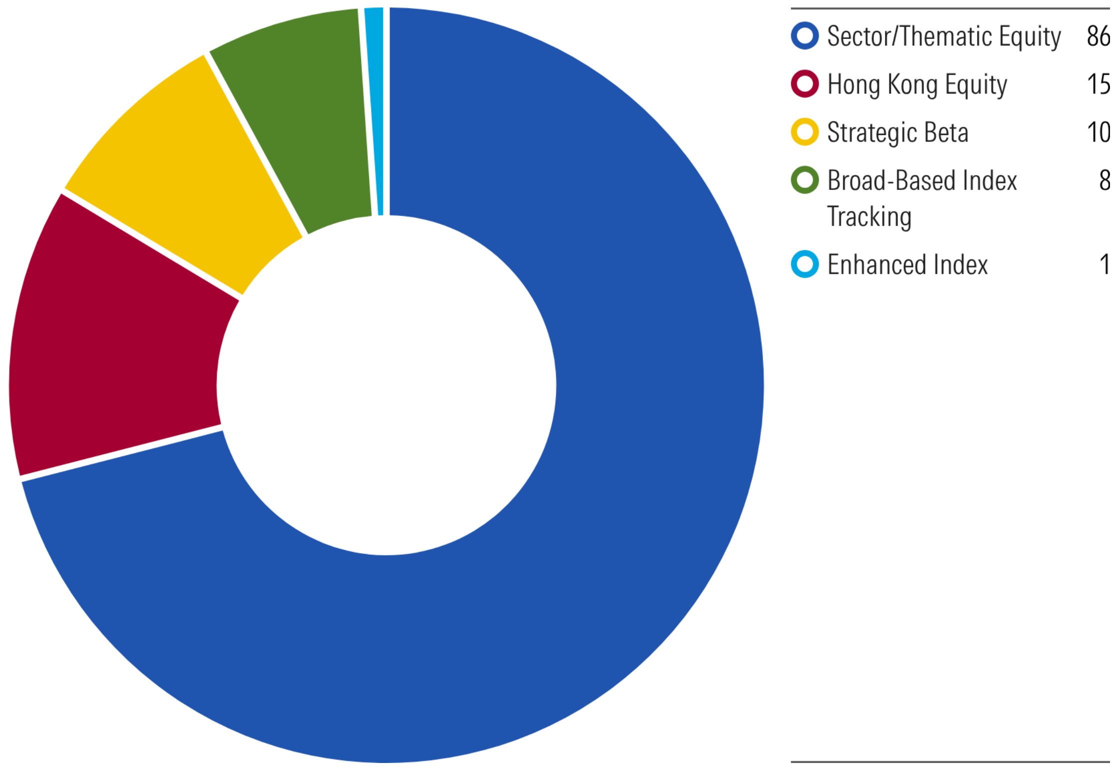
Top 10 ETFs

Ranked by AUM (RMB Billion) as of the end of June 2026

Name	Morningstar Category	AUM	Flow - Q2	Flow - 1 Year
Huatai-PB CSI 300 ETF	Large Blend Equity	94.9	−130.0	−356.8
Huaan Gold ETF Fund	Commodities - Precious Metals	86.2	−11.8	21.8
HFT CSI Short Term Note ETF	Short-Term Bond	80.7	−10.6	30.7
ChinaAMC SSE STAR 50 ETF	Sector Equity Technology and Communications	69.4	−51.1	−94.1
Harvest SSE STAR Chip Index ETF	Sector Equity Technology and Communications	64.3	−18.4	−21.4
Bosera CSI Convert&Exch Bd ETF	Convertible Bond	60.4	−1.2	18.0
Guotai CSI Security Agency ETF	Sector Equity Financial and Real Estate	59.3	2.9	32.2
Guotai CSI All Share Communications ETF	Sector Equity Technology and Communications	59.0	34.7	41.9
E Fund Seeded CSI 300 ETF	Large Blend Equity	56.7	−98.0	−263.5
HFT SSE Urban Cttn Ivst Bd Idx ETF	Corporate Bond	54.8	14.4	33.3

Composition of New ETF Launches in Q2 2026

Fund Count

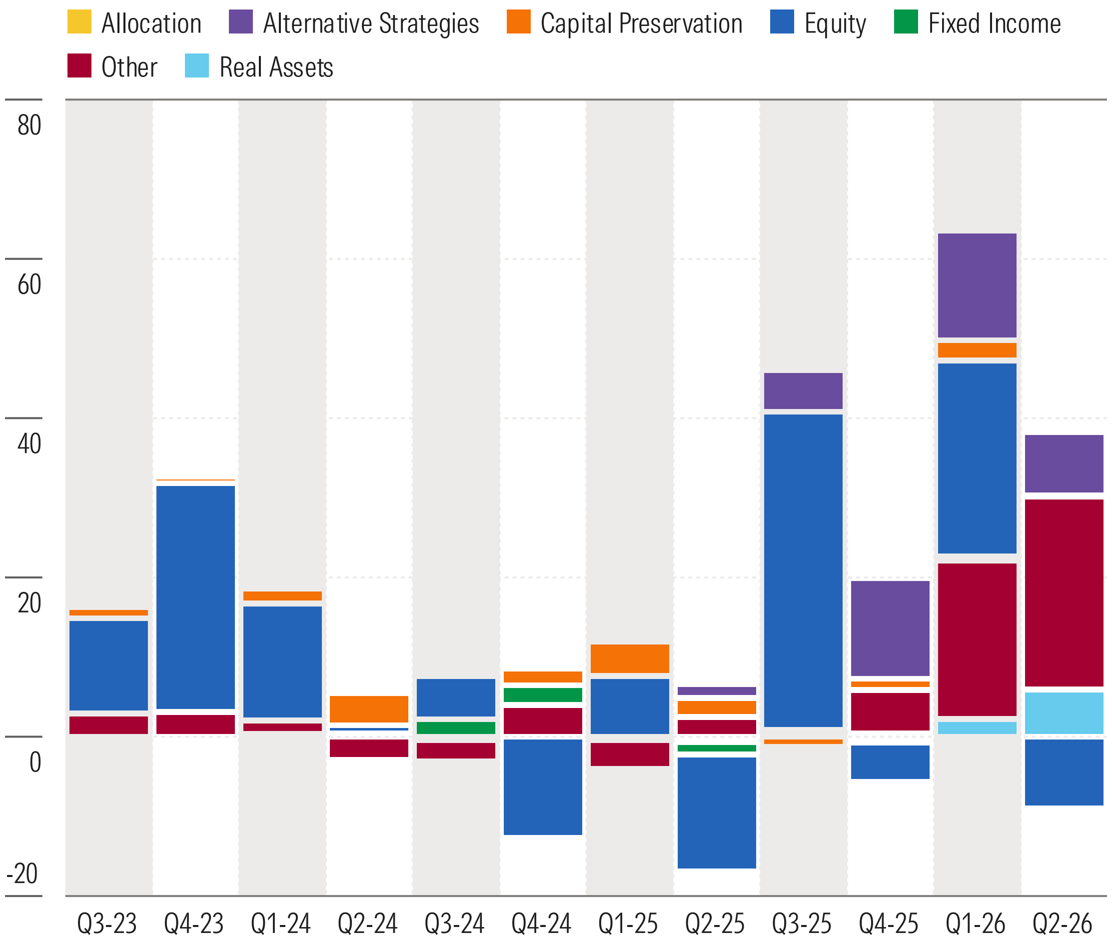


Hong Kong ETF Market

Concentrated Inflows Drive ETF Assets to New Peak

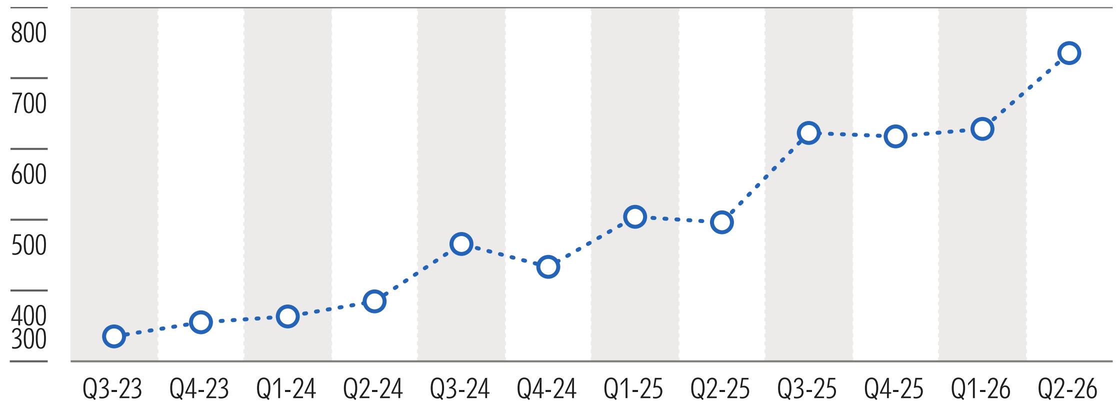
Continued Inflows Mainly From Nontraditional ETFs Drive Hong Kong ETF Market to New High

Flows by Broad Asset Class for Hong Kong ETF Market
HKD Billion



- Hong Kong ETFs maintained positive momentum in the second quarter of 2026, attracting HKD 28.6 billion, though less than half the first quarter's net inflows.
- ETFs classified as "other" saw the largest inflows at HKD 24.2 billion due to continued interest in single-stock leveraged and inverse products.
- Alternative-strategy and real asset ETFs gathered the second and third largest inflows at HKD 8.0 and 5.6 billion, respectively, as investors favored covered-call ETFs and a newly launched gold ETF.
- Equity ETF flows reversed to HKD 8.7 billion in outflows from HKD 24.6 billion in inflows in the first quarter, their largest decline since the second quarter of 2025.
- The Hong Kong ETF market ended the quarter at a new high of HKD 735 billion in assets, up 17% from the first quarter and 48% year over year.

Hong Kong ETF Market—Assets Under Management (HKD Billion)



Single-Stock Leveraged Products Attract Bulk of Inflows; Tech Sector Equity ETFs Bleed Money

Trading—leveraged/inverse equity ETFs led inflows and were concentrated in CSOP's 2x Daily, Samsung Electronics Daily, and SK Hynix Daily leveraged products, with the latter briefly surpassing Tracker Fund of Hong Kong as the largest Hong Kong-listed ETF in June. Options trading and Hong Kong equity ETFs rounded out the top three categories by flows, while CSOP Gold ETF, launched in April 2026, captured most of the inflows into commodities—precious metals ETFs. In addition to redemptions from China equity ETFs, sector equity technology ETFs saw a sharp reversal from first-quarter inflows of HKD 28 billion, primarily owing to HKD 14 billion in outflows from CSOP Hang Seng Tech Index ETF.

ETF Quarterly Net Flows by Category

HKD Billion

Top 5	Q2 2026
EAA Fund Trading - Leveraged/Inverse Equity	24.6
EAA Fund Options Trading	8.0
EAA Fund Hong Kong Equity	6.7
EAA Fund Commodities - Precious Metals	6.0
EAA Fund Asia ex-Japan Equity	4.2

Bottom 5	Q2 2026
EAA Fund Commodities - Energy	-0.4
EAA Fund USD Money Market - Short Term	-0.8
EAA Fund China Equity - A Shares	-6.0
EAA Fund China Equity	-8.7
EAA Fund Sector Equity Technology	-10.1

ETF Quarterly Net Flows by Fund

HKD Billion

Top 5	Q2 2026
CSOP Samsung Electronics Daily (2x) Leveraged Product	14.2
CSOP SK Hynix Daily (2x) Leveraged Product	10.4
CSOP Gold ETF	5.6
iShares Core MSCI Asia ex Japan ETF	3.7
Hang Seng High Dividend 30 Index ETF	3.7

Bottom 5	Q2 2026
iShares Core MSCI China ETF	-1.5
ChinaAMC CSI 300 Index ETF	-1.6
ChinaAMC MSCI China A 50 Connect ETF	-2.0
Hang Seng China Enterprises Index ETF	-6.6
CSOP Hang Seng TECH Index ETF	-13.8

Source: Morningstar Direct. Data as of June 30, 2026. Based on fund-level assets, including unlisted share classes, where applicable. Flows are based on monthly estimates.

CSOP Leads Over Others From Inflows in Single-Stock Leveraged and Inverse, Gold, and Covered-Call Offerings

Top Hong Kong ETF Providers

Ranked by AUM (HKD Billion)

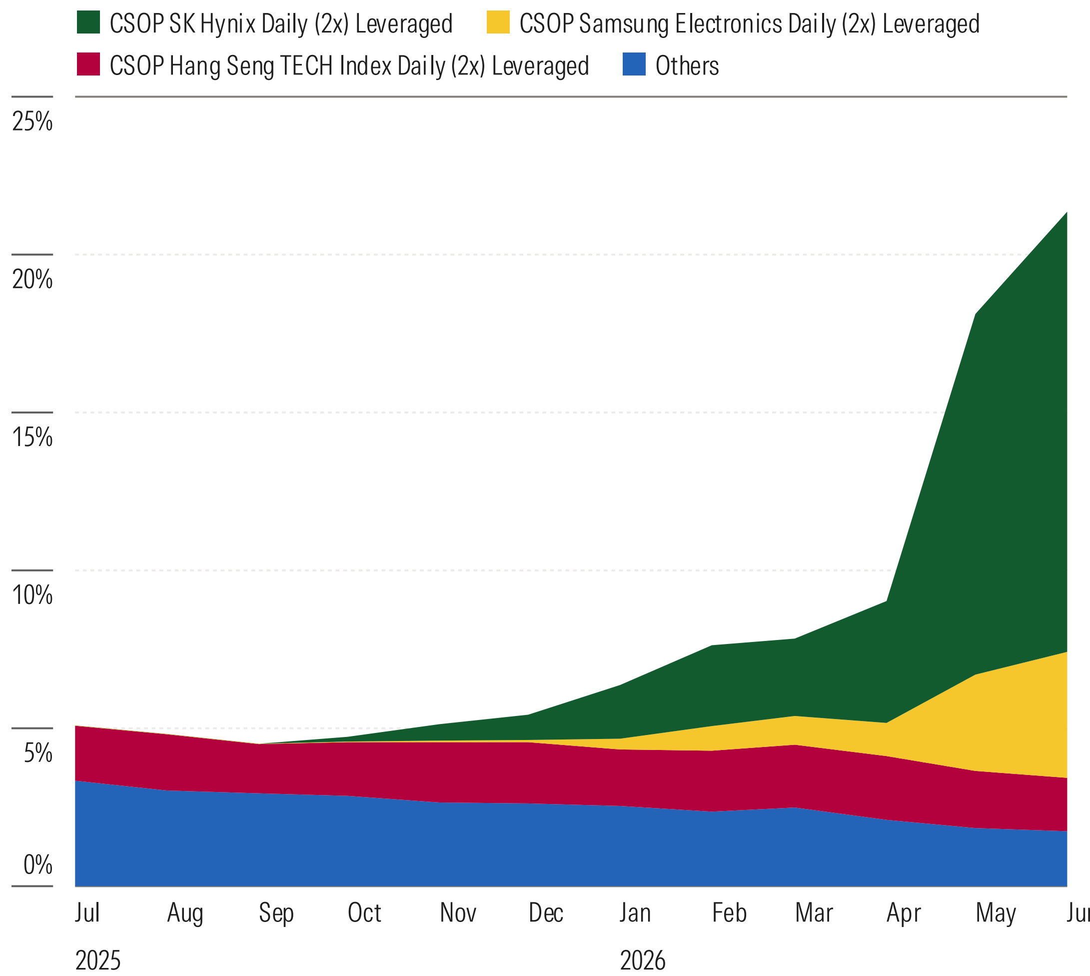
Provider	1Y Flow - Q2 2025	1Y Flow - Q2 2026	AUM - Q2 2025	AUM - Q2 2026	Mkt Share - Q2 2025	Mkt Share - Q2 2026
CSOP	19.4	116.8	130.3	311.0	26.3%	42.3%
Hang Seng	−21.0	−11.9	193.4	174.3	39.0%	23.7%
iShares	1.3	−4.9	96.1	107.3	19.4%	14.6%
China Asset Management	2.4	6.4	39.7	58.0	8.0%	7.9%
Mirae Asset	−6.1	38.1	15.6	51.3	3.2%	7.0%
Value Partners	−0.4	3.3	3.0	6.8	0.6%	0.9%
Premia Partners	−0.2	1.3	2.9	5.6	0.6%	0.8%
CICC HKAM	−0.4	−1.1	5.6	4.7	1.1%	0.6%
BOCI-Prudential	−0.0	−0.0	3.2	3.4	0.7%	0.5%
HSBC	0.1	0.2	2.5	2.7	0.5%	0.4%

Source: Morningstar Direct. Data as of June 30, 2026. Based on fund-level assets, including unlisted share classes, where applicable. Flows are based on monthly estimates.

The Explosive Growth of Leveraged and Inverse Offerings—A Tale of Two Products

- With the accelerating popularity of leveraged and inverse products, their share of Hong Kong ETF assets rapidly increased to 21% by the end of the second quarter of 2026 from just 8% in the previous quarter. Their collective AUM more than doubled over the period and climbed by nearly sixfold over the past year.
- While there are nearly 30 such products listed in Hong Kong, just two have driven the recent advance—CSOP Samsung Electronics Daily (2x) Leveraged Product and CSOP SK Hynix Daily (2x) Leveraged Product, both launched in 2025. Together, they captured 86% of all Hong Kong ETFs' net inflows in the second quarter. The strong interest in these products came amid a rally in the share prices of their underlying stocks, chipmakers SK Hynix and Samsung Electronics, which surged 228% and 100% in KRW terms, respectively, during the quarter, fueled by the AI frenzy. That said, the stocks fell by 35% and 21%, respectively, in July as sentiment cooled. This triggered the products to crash by 81% and 68% in net asset value/unit in HKD, respectively, during the same period, highlighting the amplified downside risk that comes with leverage.
- For most investors, single-stock leveraged products are generally not appropriate as buy-and-hold investments. They are instead better-suited to active traders who understand how they work and use them for short-term trading or hedging. Their risks and complexities include concentration risk, leverage risk, volatility drag, high fees, and trading costs.
- Looking ahead, the Hong Kong Securities and Futures Commission is broadening the scope of these products to reference highly liquid Hong Kong-listed mega-cap stocks from previously only allowing overseas-listed stocks. As more of these products are expected to come to market, investors should exercise caution and develop a thorough understanding of them before purchasing.

Hong Kong ETF Market Share of Leveraged and Inverse Products



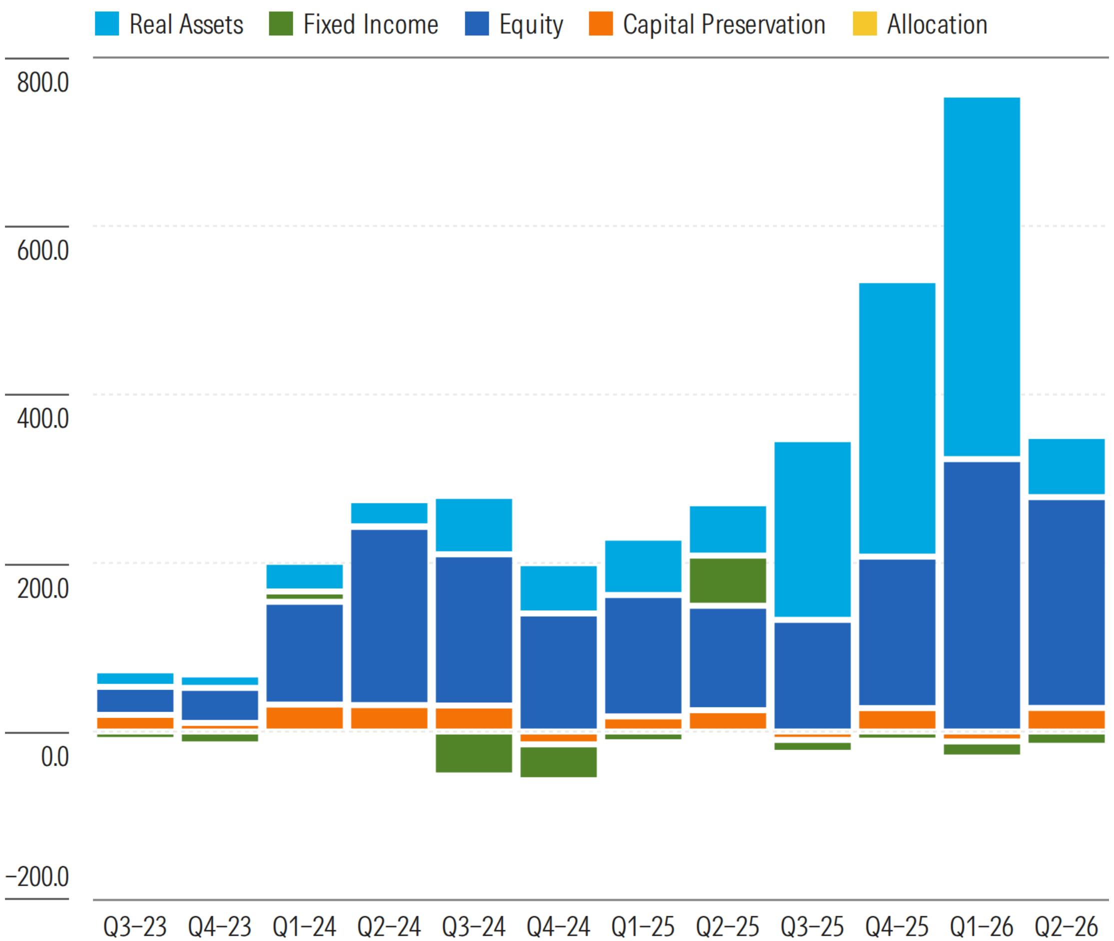
Source: Morningstar Direct. Data as of June 30, 2026. For more details on the risks of single-stock leveraged and inverse products behind their headline appeal, see Morningstar's recent research: Record Demand, Recurring Pitfalls: The Truth About Single-Stock Leveraged and Inverse Products.

India ETF Market

ETF Flows Moderate as Demand for Precious Metals Normalizes

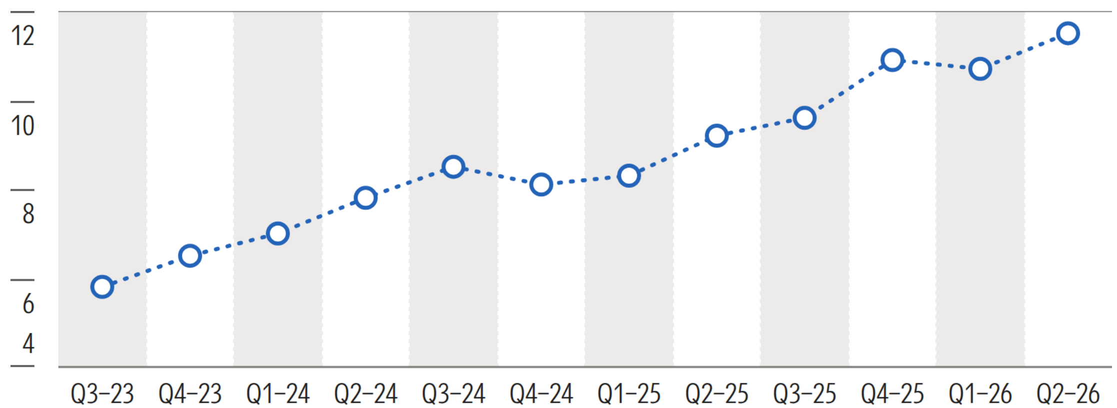
India ETF Flows Cool From a Record First Quarter, but Assets Climb to a New High

Flows by Broad Asset Class for India ETF Market
INR Billion



- India ETF flows moderated to INR 333.8 billion in the second quarter of 2026 from the record INR 725.2 billion recorded in the first quarter.
- Equity ETFs attracted INR 250.2 billion in inflows, remaining the largest contributor despite lower flows relative to the previous quarter.
- Real asset ETF inflows declined sharply to INR 72.6 billion from INR 432.8 billion in the first quarter as demand for precious metals normalized.
- Fixed-income ETFs recorded outflows of INR 13.4 billion, while capital preservation strategies rebounded with inflows of INR 24.4 billion from outflows of INR 8.2 billion in the previous quarter.
- Despite slower flows, ETF assets under management increased to a record INR 11.5 trillion, driven by positive market performance and continued investor allocations.

India ETF Market—Assets Under Management (INR Trillion)



Large-Cap ETFs Extend Their Lead, While Government-Bond ETF Outflows Persist

Large-cap ETFs attracted INR 222.6 billion, making them the highest-flowing category during the quarter. Continued allocations to broad-market index products, along with a wider range of large-cap ETFs and limited options in mid- and small-cap ETFs, likely contributed to the concentration of flows. SBI Nifty 50 ETF received the largest flows among funds, drawing INR 39.8 billion. Precious-metals ETFs attracted INR 72.6 billion, although flows dropped sharply from the previous quarter, reflecting weaker demand for precious metals as prices corrected. Flows within the financial-services sector were highly polarized, with strong inflows into private bank and -sector undertaking bank ETFs offsetting outflows from several broader banking ETFs. Meanwhile, government-bond ETFs recorded the largest category outflows, and Kotak Nifty Bank ETF saw the largest fund-level redemptions.

ETF Quarterly Net Flows by Morningstar Category

INR Billion

Top 5	Q2 2026
India Fund Large-Cap	222.6
India Fund Sector - Precious Metals	72.6
India Fund Overnight	26.4
India Fund Sector - Financial Services	6.1
India Fund Mid-Cap	5.6

Bottom 5	Q2 2026
India Fund Equity - Infrastructure	−0.1
India Fund Liquid	−2.0
India Fund Long Duration	−3.0
India Fund Medium to Long Duration	−4.4
India Fund Government Bond	−5.9

ETF Quarterly Net Flows by Fund

INR Billion

Top 5	Q2 2026
SBI Nifty 50 ETF	39.8
Nippon India ETF Nifty 50 BeES	35.2
ICICI Prudential BSE Sensex ETF	25.0
ICICI Pru Nifty 50 ETF	24.8
UTI Nifty 50 ETF	21.8

Bottom 5	Q2 2026
HDFC Nifty Bank ETF - Growth	−3.9
LIC MF Nifty 8–13 yr G-SEC ETF	−4.1
SBI BSE PSU Bank ETF	−5.7
UTI Nifty Bank ETF	−6.4
Kotak Nifty Bank ETF	−6.9

Source: Morningstar Direct. Data as of June 30, 2026. Market is defined by ETF domicile throughout this report. Figures may differ from previous reports owing to updated data availability.

SBI Retains ETF Market Leadership, but the Gap Is Narrowing

Top India ETF Providers
Ranked by AUM (INR Billion)

Provider	1Y Flow - Q2 2025	1Y Flow - Q2 2026	AUM - Q2 2025	AUM - Q2 2026	Mkt Share - Q2 2025	Mkt Share - Q2 2026
SBI Funds	−46.8	387.1	3,473.4	3,709.0	37.6%	32.4%
Nippon	300.4	429.3	1,816.0	2,398.9	19.6%	21.0%
ICICI Prudential	270.8	314.9	1,059.1	1,460.1	11.5%	12.8%
UTI	80.6	200.3	1,228.3	1,369.6	13.3%	12.0%
Edelweiss	−10.6	−10.3	564.5	591.1	6.1%	5.2%
HDFC	55.0	138.3	214.8	417.6	2.3%	3.7%
Kotak	49.9	43.7	233.6	328.3	2.5%	2.9%
Mirae Asset	46.6	64.3	157.2	241.7	1.7%	2.1%
Motilal Oswal	14.4	44.7	121.1	217.5	1.3%	1.9%
Zerodha	35.7	76.6	53.4	137.1	0.6%	1.2%

Source: Morningstar Direct. Data as of June 30, 2026. Market is defined by ETF domicile throughout this report. Figures may differ from previous reports owing to updated data availability.

Large-Cap ETF Flows Overtake Precious Metals as Gold Rally Cools

- Large-cap ETFs attracted INR 222.6 billion in net inflows during the second quarter, the highest flows among ETF categories. This surpassed the precious-metals category, which had dominated flows in the previous three quarters.

- Large-cap ETFs have remained one of the most consistent flow categories over the past two years, accounting for a significant share of equity ETF inflows across different market environments.

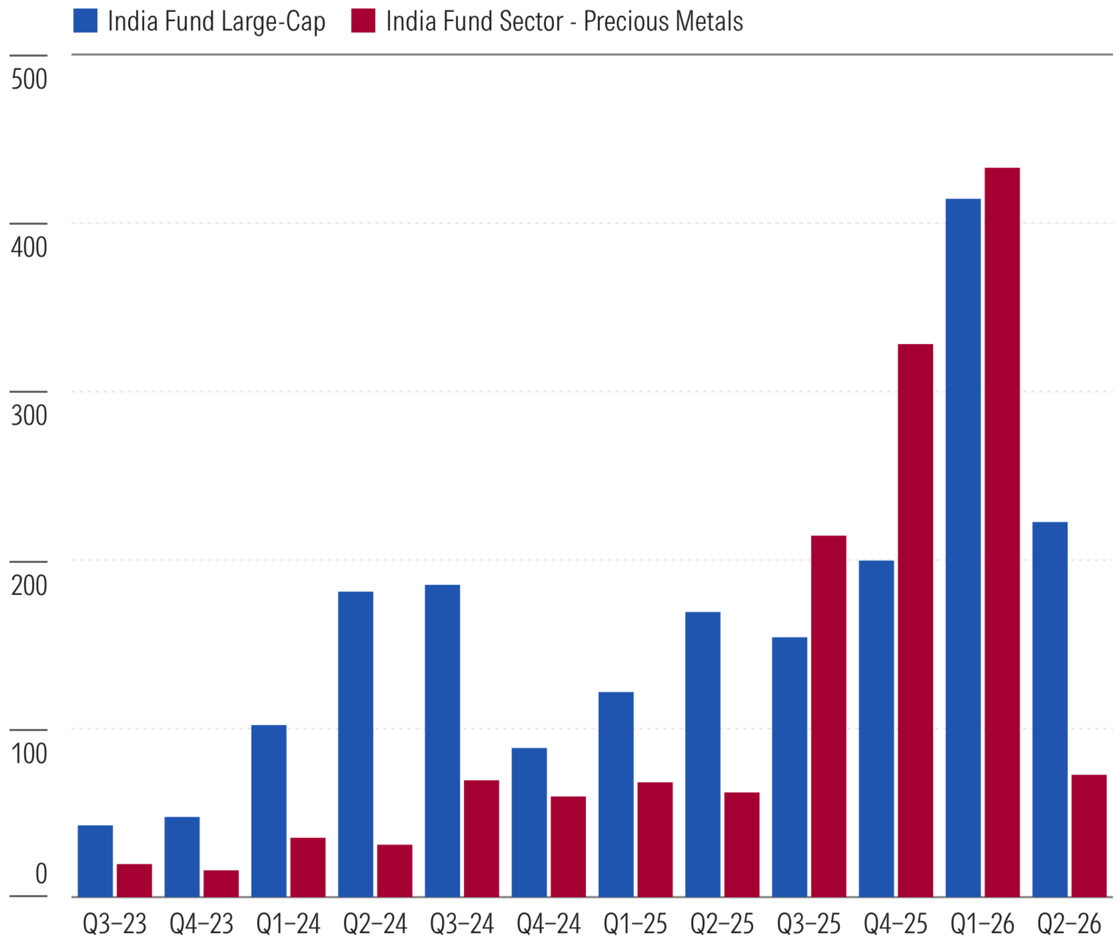
- The category's dominance may partly reflect the structure of India's ETF market, where product offerings remain concentrated in the large-cap segment relative to mid- and small-cap ETFs.

- The strength in flows also suggests that investors continue to use large-cap ETFs as liquid and cost-efficient vehicles for deploying capital, particularly during periods of market volatility.

- Flows within large-cap ETFs were concentrated among a handful of products. The five ETFs with the highest inflows accounted for roughly two-thirds of total large-cap inflows in the second quarter.

ETF Quarterly Net Flows in the Large-Cap and Precious-Metals Categories

INR Billion



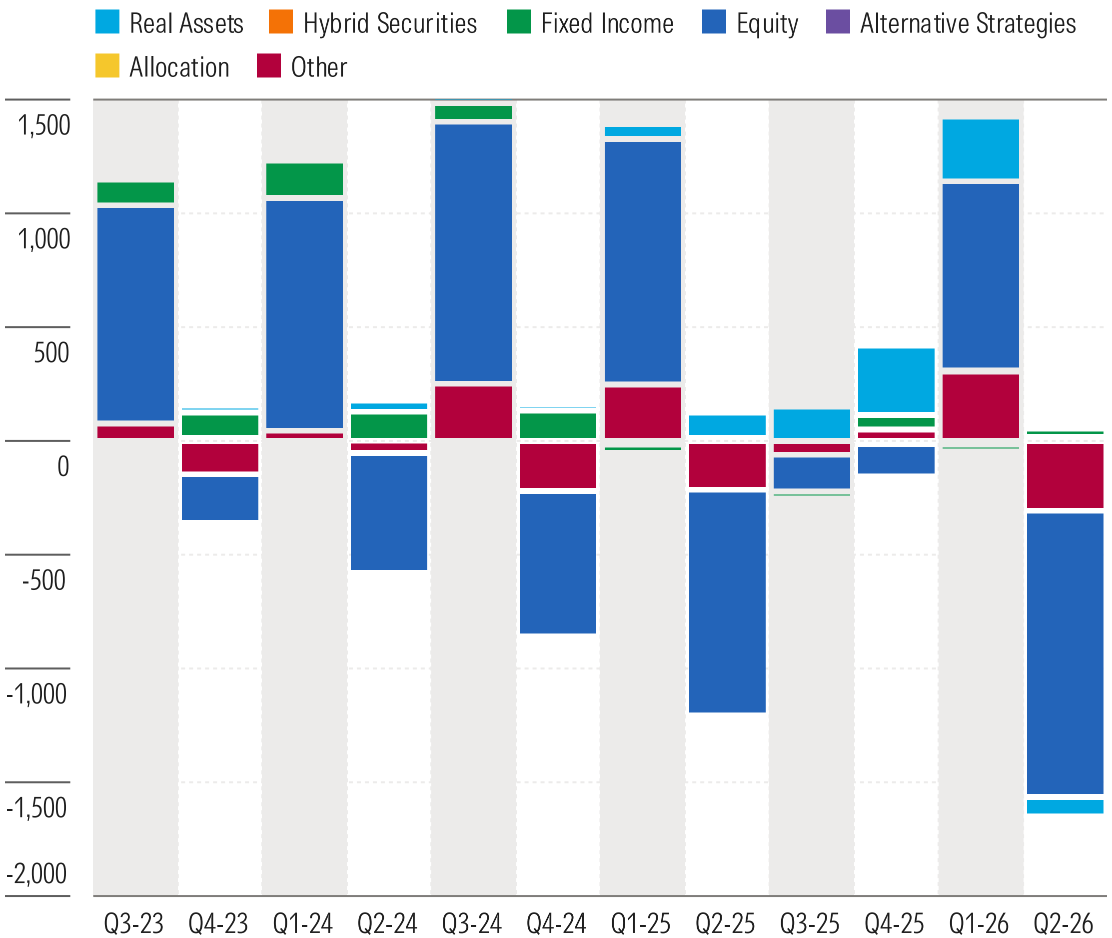
Source: Morningstar Direct. Data as of June 30, 2026. Market is defined by ETF domicile throughout this report. Figures may differ from previous reports owing to updated data availability.

Japan ETF Market

Rising Markets Lift AUM to a Record Despite Broad Equity Outflows

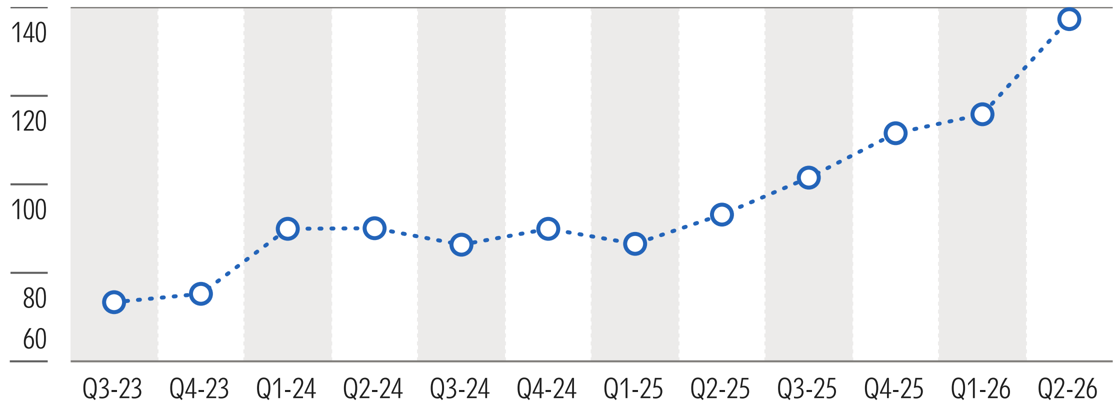
Japan ETF Flows Turn Negative in Q2 2026 Despite Record AUM

Flows by Broad Asset Class for Japan ETF Market
JPY Billion



- Equity and "other" flows reversed sharply from the strong first-quarter inflows, likely reflecting profit-taking and reduced risk exposure on broad equity ETFs and Nikkei 225-linked leveraged ETFs amid Japanese equities rallying. Inverse ETFs drew inflows earlier in the quarter, likely reflecting tactical positioning for a potential market pullback. Such swings partly reflect the short-term nature of investor activity in Japan's ETF market, particularly around the fiscal year-end.
- Real asset ETFs saw outflows, mainly from gold-related products, as US rate concerns and a pullback in gold prices prompted profit-taking and weighed on demand for the ETFs.
- Japanese ETFs AUM reached a record high of JPY 137 trillion in the second quarter, lifted by market appreciation despite weaker flow momentum.

Japan ETF Market—Assets Under Management (JPY trillion)



Source: Morningstar Direct. Data as of June 30, 2026.

Broad Equity Outflows Contrast with Selective Inflows Into Semiconductor and Bond ETFs

Second-quarter ETF flows revealed a sharp contrast in investor positioning across the Japan-listed ETF market. Outflows were concentrated in large-cap equity ETFs, led by NEXT FUNDS TOPIX ETF, reflecting profit-taking after the first quarter's strong rally. Nikkei 225-linked leveraged ETFs, which ranked among the top inflow products in the first quarter, also reversed into outflows. In contrast, sector equity technology stood out, supported by strong demand for Japan's semiconductor exposure, with NEXT FUNDS Nikkei Semiconductor Stock Index ETF ranking as the top inflow recipient. Bond ETFs also ranked among the top inflows, with Global X Ultra Short-Term T-Bill ETF drawing demand for elevated US short-term yields and NEXT FUNDS International Bond FTSE World Government Bond Index ex Japan H ETF suggesting demand for currency-hedged foreign bond exposure as a defensive allocation.

ETF Quarterly Net Flows by Category

JPY Billion

Top 5	Q2 2026
Japan Fund Sector Equity Technology	149.8
Japan Fund Japan REIT	119.1
Japan Fund US Equity	50.3
Japan Fund Other Equity	39.5
Japan Fund World ex-Japan Bond - JPY Hedged	37.9

Bottom 5	Q2 2026
Japan Fund Commodity	-85.3
Japan Fund Japan Specialty Equity	-126.5
Japan Fund Trading - Leveraged/Inverse	-293.5
Japan Fund Japan Large-Cap Growth Equity	-582.2
Japan Fund Japan Large-Cap Blend Equity	-911.7

ETF Quarterly Net Flows by Fund

JPY Billion

Top 5	Q2 2026
NEXT FUNDS Nikkei Semicon St Idx ETF	70.70
Global X Ultra Short-Term T-Bill ETF	38.20
NEXT FUNDS Intl Bd FTSE WGBI exJP H ETF	37.90
SMDAM NIKKEI225 ETF	32.90
GlobalX Nasdaq 100 Daily CoveredCall ETF	30.30

Bottom 5	Q2 2026
NEXT FUNDS Nikkei 225 ETF	-164.1
iFreeETF Nikkei225 (YearlyDividendType)	-174.5
Amova Exchange Traded Index Fund TOPIX	-203.3
NEXT FUNDS Nikkei 225 Leveraged Idx ETF	-254.3
NEXT FUNDS TOPIX ETF	-506.8

Source: Morningstar Direct. Data as of June 30, 2026.

Top Three Providers Maintain Market Leadership in Japan's ETF Market

Top Japan ETF Providers

Ranked by AUM (JPY Billion)

Provider	1Y Flow - Q2 2025	1Y Flow - Q2 2026	AUM - Q2 2025	AUM - Q2 2026	Mkt Share - Q2 2025	Mkt Share - Q2 2026
Nomura	287.8	-369.7	40,266.7	59,343.3	43.2%	43.2%
Amova	39.3	-443.2	18,277.6	26,784.0	19.6%	19.5%
Daiwa	23.6	-27.9	17,309.7	25,695.3	18.6%	18.7%
MUFG	178.3	487.8	8,358.3	12,845.3	9.0%	9.4%
iShares	257.8	-83.7	5,335.9	7,324.7	5.7%	5.3%
AM One	0.4	-123.4	1,678.7	2,267.0	1.8%	1.7%
Global X Japan	127.2	402.6	497.7	1,143.8	0.5%	0.8%
NZAM	51.2	23.1	759.8	1,027.1	0.8%	0.8%
Sumitomo Mitsui FG	61.8	18.1	378.6	539.2	0.4%	0.4%
Simplex	6.5	14.0	242.7	257.4	0.3%	0.2%

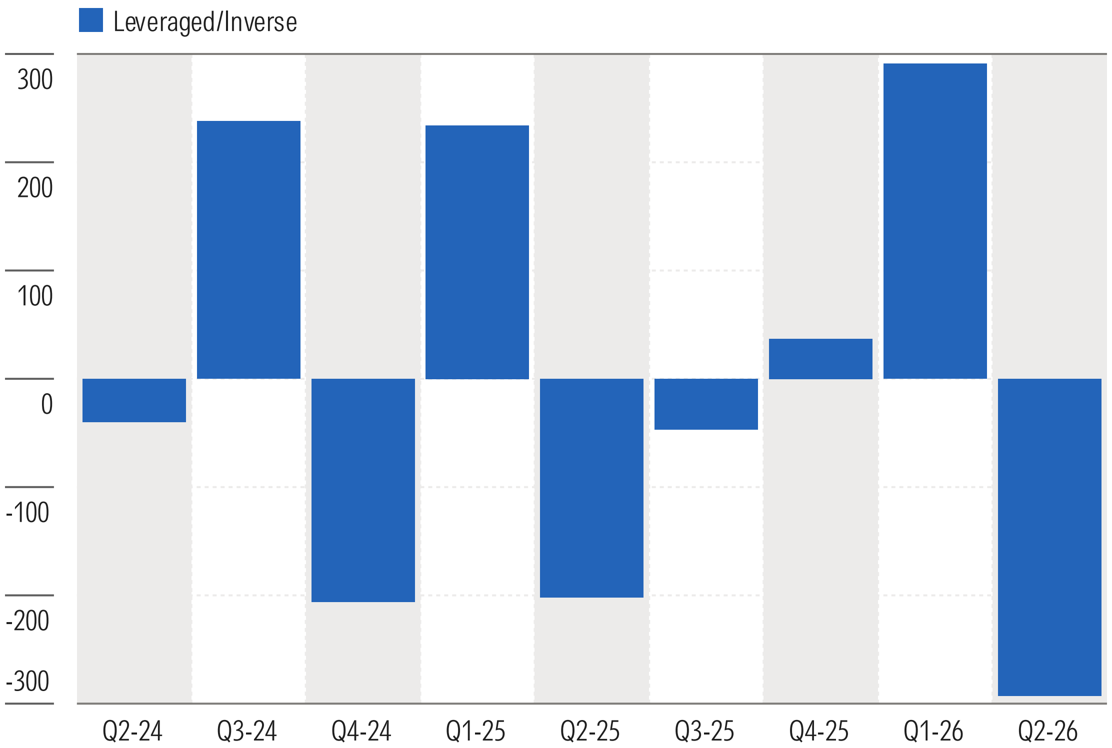
Source: Morningstar Direct. Data as of June 30, 2026.

Leveraged and Inverse ETFs: Tactical Tools Amid Rising Concentration

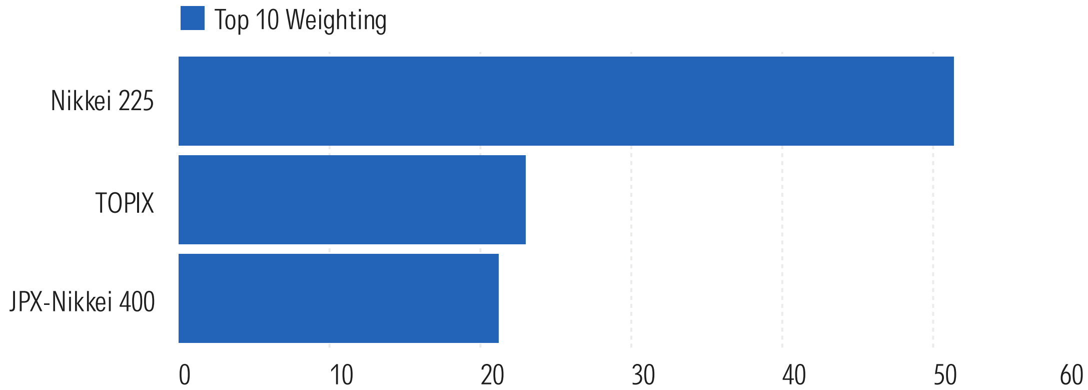
Leveraged and inverse ETFs in Japan are typically used for short-term tactical positioning. Despite the total AUM of leveraged and inverse ETFs accounting for less than 1% of the total ETF market in Japan, flows in and out of these products have been notable at around 20% of total flows in the first and second quarters of 2026. Among the leveraged and inverse ETFs, around 90% of AUM, or over 85% of the quarter's flows, were from ETFs referencing the Nikkei 225. The index's concentration is notable, with the top 10 constituents accounting for over half the total weighting—more than double the level seen in TOPIX or the JPX-Nikkei 400. Japan's regulations have not yet permitted single-stock leveraged and inverse products, so all such ETFs remain index-based. Combined with higher costs and their short-term structure, concentration and complexities of the products are key points investors should be aware of.

Japan Fund Trading—Leveraged/Inverse ETF Quarterly Net Flows

JPY billion



Top 10 Stocks Account for Over Half of the Nikkei 225 Index



Nikkei 225 Index Top 3 Constituents

Name	Portfolio Weighting %
Advantest	11.1
Tokyo Electron	11.0
Fast Retailing	9.5
Total	**31.5**

Source: Morningstar Direct. Data as of June 30, 2026.

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