

STOXX

MONTHLY INDEX NEWS

May 2018

INDEX

RESEARCH

GLOBAL

INSIGHT

MARKETS

STOXX Benchmark Indices

Key points

The STOXX® Global 1800 Index rose 0.4% in May, although the headline return masks a diverse performance by different regions. Returns were augmented to 4% for euro-based investors, the largest monthly gain since February 2017, following a 3.4% drop in the euro against the US dollar.

The index is now 6.2% below its January high as measured in dollars.

Eurozone stocks dropped as the formation of a euroskeptic Italian government initially raised concerns of another populist wave in the region, and as concerns re-emerged about the capital strength of some banks. The EURO STOXX 50® Index fell 2.5% in the month when measured in euros and is now 5.4% below its January high. The STOXX® Europe 600 Index, which includes companies in non-euro nations such as the UK and Switzerland, performed significantly better at a 0.1% gain.

Elsewhere, the STOXX® North America 600 Index advanced 2.2% and the STOXX® Asia/Pacific 600 Index dropped 0.5%.

Risk and return characteristics

	Return (%)						Annualized volatility (%)						P/B
	EUR			USD			EUR			USD			
	1M	YTD	1Y	1M	YTD	1Y	1M	YTD	1Y	1M	YTD	1Y	
1. Euro STOXX 50	-2.5	-0.8	-1.5	-5.8	-3.5	2.2	10.0	13.6	11.5	12.9	14.0	11.5	1.7
2. STOXX Europe 600	0.1	0.3	1.0	-3.3	-2.5	4.8	8.9	12.5	10.4	11.6	12.9	10.3	1.8
3. STOXX North America 600	5.8	4.4	9.5	2.2	1.5	13.7	10.8	17.4	13.7	10.3	16.7	11.8	2.9
4. STOXX Asia/Pacific 600	2.9	3.2	9.8	-0.5	0.3	14.0	7.8	13.4	11.0	8.2	13.2	10.7	1.2
5. STOXX Global 1800	4.0	3.2	7.4	0.4	0.3	11.5	7.3	12.9	10.5	7.8	12.4	9.0	2.1

Risk and return performance figures for STOXX benchmark indices, Net Return. Data as of May 31, 2018.
Source: STOXX Limited.

Price and volatility performance

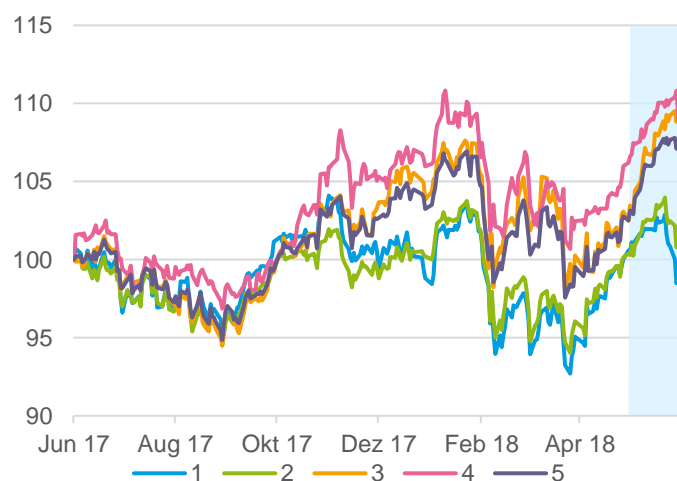


Figure 1: Annual price performance, EUR Net Return. Jun. 2017 – May 2018. Shaded area: May 2018.
Source: STOXX Limited.

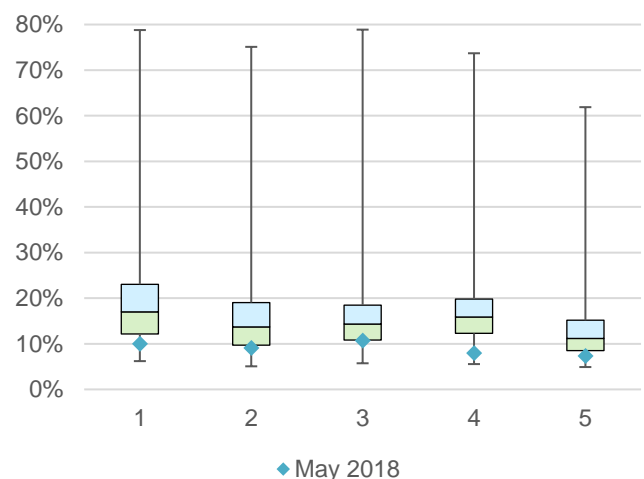


Figure 2: Monthly annualized volatility analysis, EUR Net Return. Jan. 2004 – May 2018.
Source: STOXX Limited.

Europe Factor Indices

Key points

Pure factor investing showed mixed results over the month. Four of the seven iSTOXX® Europe Factor Market Neutral Indices, which neutralize systematic risk by holding a short position in futures on the STOXX Europe 600, posted a gain.

The iSTOXX® Europe Value Market Neutral Index showed a particularly poor performance as investors snubbed value stocks over the month. This was evident with bank stocks, one of the cheapest sectors in the STOXX Europe 600. With a 7.9% decline, the STOXX® Europe 600 Banks Index posted its worst monthly performance since June 2016.

Value is the only factor to post a negative return in euros in the past year when isolating the market's performance, with the rest of the iSTOXX market neutral factor indices producing positive returns.

Risk and return characteristics

	Return (%)						Annualized volatility (%)					
	EUR			USD			EUR			USD		
	1M	YTD	1Y	1M	YTD	1Y	1M	YTD	1Y	1M	YTD	1Y
1. iSTOXX Europe Carry Factor Market Neutral	0.9	2.3	4.1	-2.5	-0.6	8.1	3.3	3.5	3.4	7.2	8.0	8.2
2. iSTOXX Europe Low Risk Factor Market Neutral	0.3	2.8	3.7	-3.1	-0.1	7.6	3.4	3.4	2.7	6.4	7.7	7.6
3. iSTOXX Europe Momentum Factor Market Neutral	0.3	0.1	3.7	-3.1	-2.7	7.6	3.6	3.4	3.2	7.6	8.1	8.2
4. iSTOXX Europe Quality Factor Market Neutral	0.9	-0.2	2.5	-2.5	-3.0	6.4	3.7	3.0	3.0	7.0	7.6	7.8
5. iSTOXX Europe Size Factor Market Neutral	-0.4	1.4	2.0	-3.8	-1.5	5.8	4.5	4.8	4.4	8.1	9.1	8.9
6. iSTOXX Europe Value Factor Market Neutral	-2.4	-2.4	-0.5	-5.7	-5.1	3.3	4.1	4.4	3.8	7.9	8.7	8.4
7. iSTOXX Europe Multi-Factor Market Neutral	-0.9	-0.6	0.2	-4.2	-3.4	4.0	4.0	3.9	3.7	7.6	8.7	8.6

Risk and return performance figures for iSTOXX Europe Market Neutral Factor Indices, Net Return. Data as of May 31, 2018.
Source: STOXX Limited.

Price and volatility performance

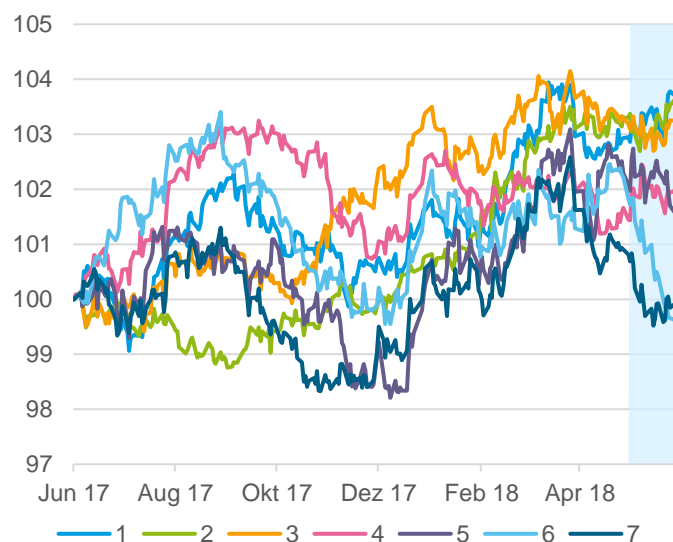


Figure 3: Annual price performance, EUR Net Return. Jun. 2017 – May 2018. Shaded area: May 2018. Source: STOXX Limited.

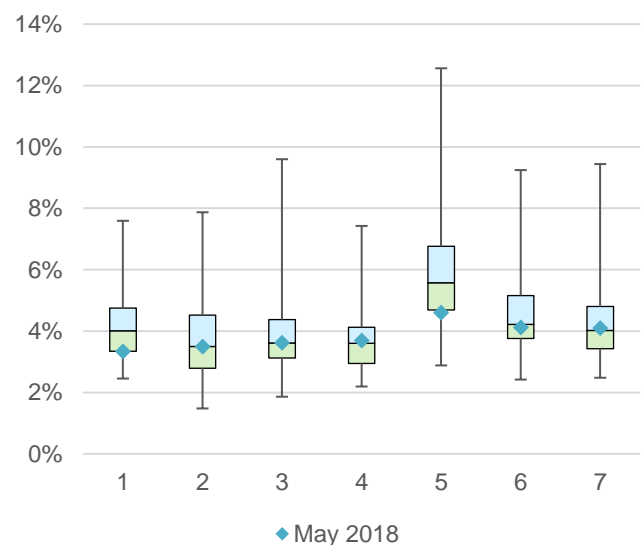


Figure 4: Monthly annualized volatility analysis, EUR Net Return. Aug. 2010 – May 2018. Source: STOXX Limited.

STOXX Thematic Indices

Key points

Most of the STOXX thematic indices outperformed in May, extending their edge over broad-market benchmarks in the past year.

The STOXX® Global Artificial Intelligence Index returned 400 basis points more than the Global 1800 Index during the month (as measured in dollars). The iSTOXX® FactSet Ageing Population Index was the exception among STOXX thematic indices, underperforming the Global 1800 Index.

The STOXX thematic indices are composed of companies with the highest revenue exposure to respective global megatrends, compiled using FactSet’s Revere industry classification. The exception is the STOXX® AI Global Artificial Intelligence Index, which uses an innovative AI algorithm to pick companies investing in the development and adoption of AI-related intellectual property.

All of the thematic indices have posted double-digit gains in dollar terms in the past year as investors appraise the potential of those businesses leveraged to megatrends changing the modern world. They have beaten the 11.5% return in the period for the Global 1800 Index.

Risk and return characteristics

	Return (%)						Annualized volatility (%)						P/B
	EUR			USD			EUR			USD			
	1M	YTD	1Y	1M	YTD	1Y	1M	YTD	1Y	1M	YTD	1Y	
1. STOXX AI Global Artificial Intelligence	4.4	8.3	14.6	0.8	5.3	18.9	6.8	12.7	10.9	6.3	11.9	9.2	2.6
2. STOXX Global Artificial Intelligence	8.1	14.3	26.2	4.4	11.2	31.0	12.0	22.1	18.9	11.1	21.3	17.5	5.2
3. iSTOXX FactSet Digitalisation	5.4	13.4	18.1	1.8	10.3	22.6	7.7	12.6	11.1	7.3	12.3	9.8	6.2
4. iSTOXX FactSet Automation & Robotics	5.8	6.3	21.4	2.2	3.3	26.0	6.3	14.8	12.8	6.5	14.5	12.0	3.9
5. iSTOXX FactSet Ageing Population	3.1	3.9	8.4	-0.4	1.0	12.5	6.2	10.5	9.3	7.4	10.2	8.1	1.9
6. iSTOXX FactSet Breakthrough Healthcare	5.8	13.0	24.8	2.3	9.9	29.6	10.4	15.5	13.4	10.7	15.6	12.5	5.4

Risk and return performance figures for STOXX Thematic Indices, Net Return. Data as of May 31, 2018.
Source: STOXX Limited.

Price and volatility performance



Figure 5: Annual price performance, EUR Net Return. Jun. 2017 – May 2018. Shaded area May 2018. Source: STOXX Limited.

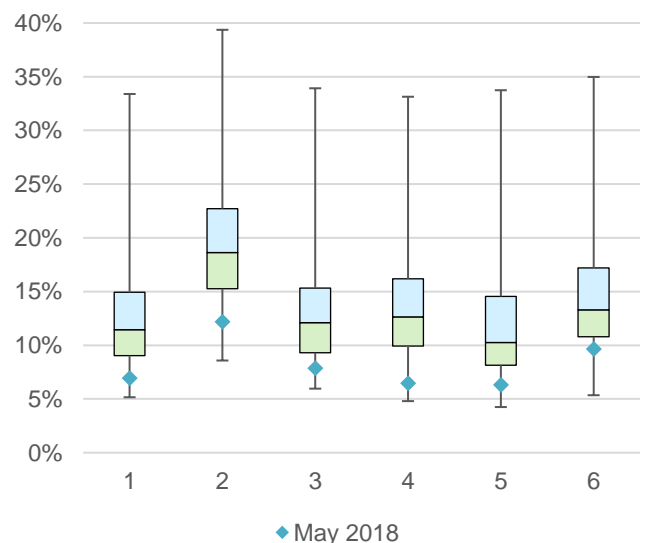


Figure 6: Monthly annualized volatility analysis, EUR Net Return. Apr. 2013 – May 2018. Source: STOXX Limited.

ESG & Sustainable Investing Indices

Key points

Environmental, social and governance (ESG) strategies performed broadly in line with benchmarks in May. On a global basis, STOXX's sustainable investing indices have posted better returns than the Global 1800 Index in the past year.

Risk and return characteristics

	Return (%)						Annualized volatility (%)						P/B
	EUR			USD			EUR			USD			
	1M	YTD	1Y	1M	YTD	1Y	1M	YTD	1Y	1M	YTD	1Y	
1. STOXX Europe Industry Neutral ESG	-0.1	0.0	0.1	-3.5	-2.8	3.9	8.9	12.4	10.4	11.5	12.8	10.3	1.8
2. STOXX USA ESG Impact	5.7	4.5	9.3	2.1	1.6	13.5	11.3	17.8	14.2	11.0	17.2	12.3	3.0
3. STOXX Global ESG Impact	4.0	3.3	7.9	0.5	0.5	12.0	7.6	13.0	10.7	8.3	12.6	9.3	2.2
4. STOXX Europe 600 Low Carbon	0.0	0.3	0.8	-3.4	-2.5	4.7	8.9	12.6	10.4	11.6	12.9	10.3	1.8
5. STOXX USA Low Carbon	5.8	5.8	10.8	2.2	2.8	15.1	11.1	17.9	14.1	10.4	17.2	12.2	3.0
6. STOXX Global 1800 Low Carbon	3.9	3.9	8.1	0.4	1.0	12.2	7.2	12.8	10.5	7.7	12.3	9.0	2.1

Risk and return performance figures for STOXX ESG and Sustainable Investing Indices, Net Return. Data as of May 31, 2018.
Source: STOXX Limited.

Price and volatility performance

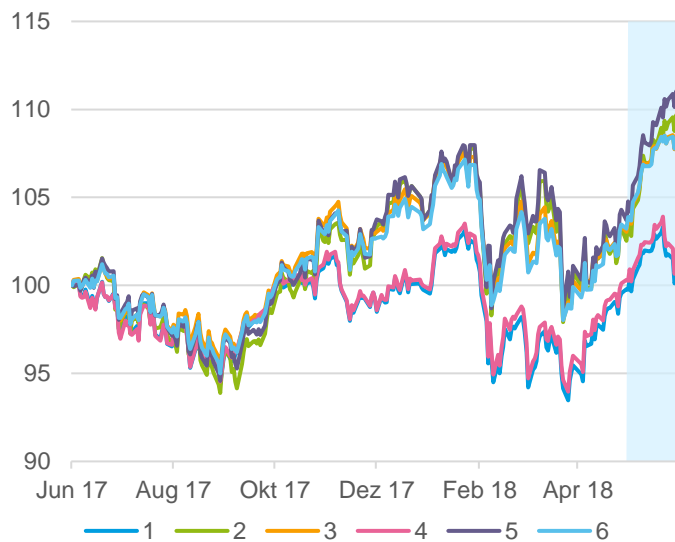


Figure 7: Annual price performance, EUR Net Return. Jun. 2017 – May 2018. Shaded area: May 2018. Source: STOXX Limited.

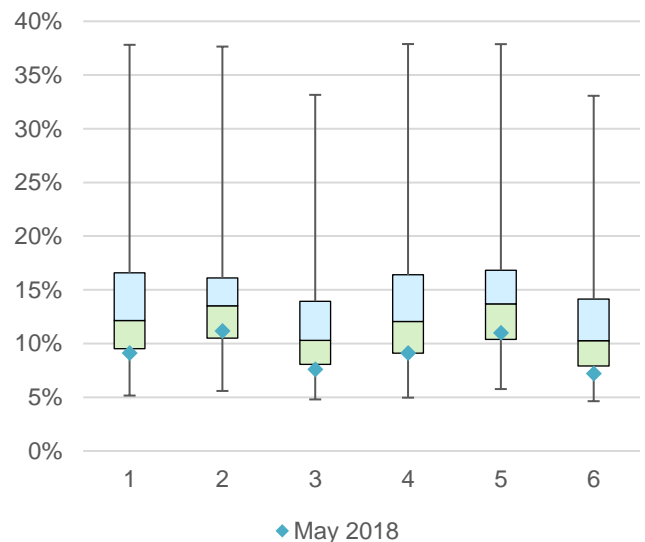


Figure 8: Monthly annualized volatility analysis, EUR Net Return. Oct. 2012 – May 2018. Source: STOXX Limited.

Minimum Variance Indices

Key points

Minimum variance strategies proved their edge in May, outperforming in markets hit by broader sell-offs but underperforming in regions where investors appeared more bullish.

The STOXX® Global 1800 Minimum Variance Index fell 0.5% and its unconstrained version retreated 0.7%. That compares with the 0.4% gain for the benchmark STOXX Global 1800.

In Europe, however, the inverse relationship was true. The STOXX® Europe 600 Minimum Variance Index rose 1% and the unconstrained version of the index added 1.8%. That compares with the 0.1% gain for the STOXX Europe 600.

The STOXX Minimum Variance Indices come in two versions: constrained and unconstrained. The former indices have a similar exposure to a market-cap index but with lower risk. The unconstrained version, on the other hand, has more freedom to fulfill its minimum variance mandate within the same universe of stocks.

Risk and return characteristics

	Return (%)						Annualized volatility (%)						P/B
	EUR			USD			EUR			USD			
	1M	YTD	1Y	1M	YTD	1Y	1M	YTD	1Y	1M	YTD	1Y	
1. STOXX Europe 600 MV	1.0	-0.2	-0.2	-2.4	-3.0	3.6	6.2	10.8	9.5	9.4	11.5	9.7	2.2
2. STOXX Europe 600 MV Unconstrained	1.8	1.0	2.6	-1.7	-1.8	6.5	6.1	10.8	9.6	9.1	11.4	9.9	2.2
3. STOXX USA 900 MV	3.9	1.8	3.6	0.3	-1.0	7.5	9.9	14.4	11.8	9.3	13.6	9.8	2.9
4. STOXX USA 900 MV Unconstrained	3.7	2.8	1.7	0.2	-0.1	5.6	8.5	13.0	10.9	7.9	12.2	8.9	2.9
5. STOXX Global 1800 MV	3.0	2.0	2.0	-0.5	-0.9	5.8	6.8	10.2	8.8	6.1	9.5	7.1	2.1
6. STOXX Global 1800 MV Unconstrained	2.8	1.6	0.9	-0.7	-1.2	4.7	5.3	9.7	8.7	5.4	8.9	6.9	1.8

Risk and return performance figures for STOXX Minimum Variance Indices, Net Return. Data as of May 31, 2018. Source: STOXX Limited.

Price and volatility performance

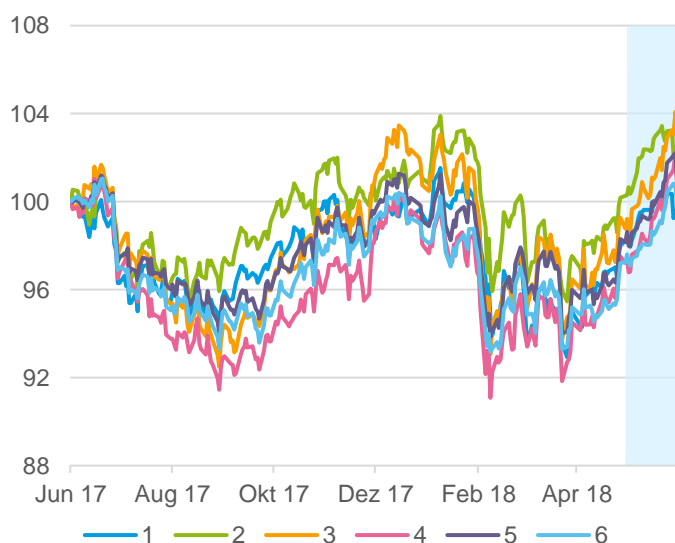


Figure 9: Annual price performance, EUR Net Return. Jun. 2017 – May 2018. Shaded area: May 2018. Source: STOXX Limited.

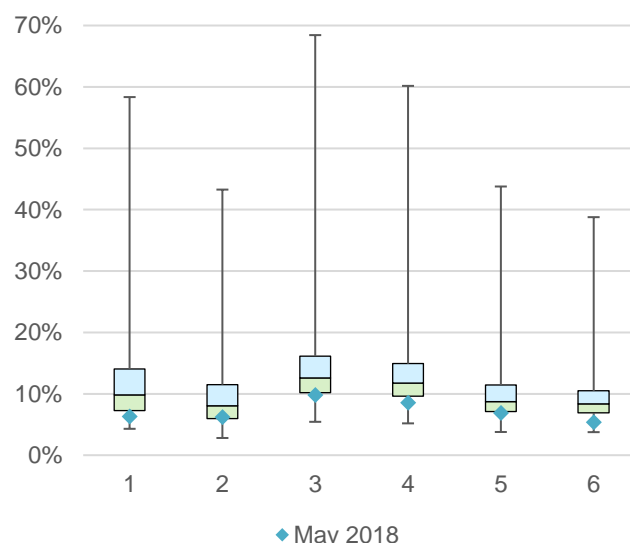


Figure 10: Monthly annualized volatility analysis, EUR Net Return Jan. 2004 – May 2018. Source: STOXX Limited.

Dividend Indices

Key points

After recording one of their strongest months in years in April, dividend strategies underperformed strongly in May.

The STOXX® Global Maximum Dividend 40 Index, STOXX® Global Select Dividend 100 Index and STOXX® Global Select 100 EUR Index are all derived from the Global 1800 Index and track different income approaches.

The STOXX Global Maximum Dividend 40, which invests in stocks with the highest dividend yields, was particularly weak – echoing the poor performance of value stocks, a group with which it shares the characteristic of ‘cheapness.’

Dividend strategies have struggled in the past year as the US Federal Reserve raises interest rates, increasing the appeal of bond payments relative to dividends.

Risk and return characteristics

	Return (%)						Annualized volatility (%)						P/B
	EUR			USD			EUR			USD			
	1M	YTD	1Y	1M	YTD	1Y	1M	YTD	1Y	1M	YTD	1Y	
1. STOXX Global Maximum Dividend 40	-3.7	-5.3	-4.1	-7.0	-7.9	-0.4	10.2	11.3	9.9	12.8	12.2	10.0	1.1
2. STOXX Global Select Dividend 100	0.5	0.0	1.3	-2.9	-2.8	5.1	4.7	9.1	8.3	7.7	9.0	7.3	1.7
3. STOXX Global Select 100 EUR	-0.4	-0.8	-1.3	-3.7	-3.6	2.4	4.9	9.3	7.7	8.3	9.7	7.5	1.4

Risk and return performance figures for STOXX Dividend Indices, Net Return. Data as of May 31, 2018.
Source: STOXX Limited.

Price and volatility performance

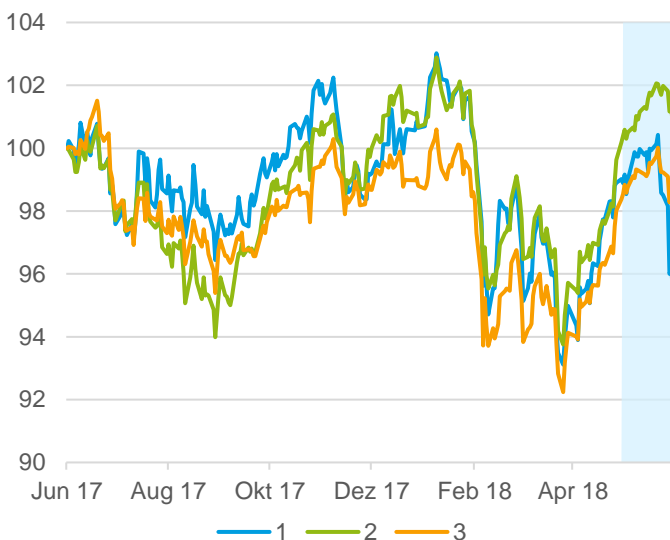


Figure 11: Annual price performance, EUR Net Return. Jun. 2017 – May 2018. Shaded area: May 2018.
Source: STOXX Limited.

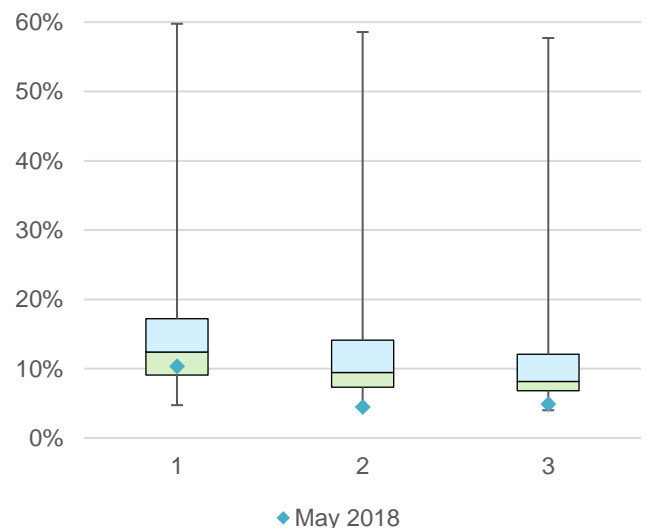


Figure 12: Monthly annualized volatility analysis, EUR Net Return. Jul. 2004 – May 2018.
Source: STOXX Limited.

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