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BOOM OF EMERGING MARKETS OFFERS MANY OPPORTUNITIES

STOXX

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On the investment map of yield-conscious investors, emerging markets in Asia and Latin America have captured a solid standing. Growth rates of more than 10 percent in India and China, as the International Monetary Fund (IMF) for 2010 shows, or of 7.5 percent in Brazil speak for these markets. However, within broad global stock portfolios and indices, which are weighted mainly according to market capitalization of individual companies, the strongly capitalized markets – primarily the USA and the UK – set the tone, now as in the past. For example, these two countries account for around 60 percent ETFs on the MSCI World Index. Therefore, investors are advised to mix and match precise items from the emerging markets into their portfolio.

However, the various indices differ enormously on the emerging markets in terms of their concepts. The most well-known products are based on broad market indices, which can contain more than 100 individual titles for single countries alone. Due to their low liquidity and the less-developed market structures, additional costs ensue for the tracking of index products, such as index certificates or Exchange Traded Funds (ETFs). Since this spring, the index provider STOXX has offered an alternative to this. It has transferred the concept for the well-known EURO STOXX 50 Index to the most important, worldwide investment regions. That means, for example, that investors now find selective indices for Latin America, the strongly growing BRIC countries – Brazil, Russia, India and China – as well as an index for the Asian market, which, in addition to Japan, also heavily weighs the strongly growing emerging markets of China and India. The indices choose 50 or 100, respectively, large companies in the region and weigh these according to their market capitalization. In the process, each index earmarks a ceiling for the shares of individual companies in order to safeguard broad diversification. Thus, the indices capture around 60 percent of their total market respectively. By selecting the titles with the highest market capitalization, the liquidity of individual index components increase, which eases the tracking.

Additionally, investors can invest in select investment topics concentrated on emerging markets by leveraging indices. For example, by using the DAXglobal China Urbanization Index, investors can profit from the high global investments in infrastructure, which the Organization for Economic Cooperation and Development (OECD) estimates to be around 40 trillion US dollars by 2030 worldwide. The index chooses the 20 most-liquid Chinese companies from the sectors that profit the most from the development of cities in the country and, as a result, has achieved a growth of around 40 percent within the past three years. With the DAXglobal Export Strategy Index, however, investors can indirectly leverage the economic growth of emerging markets. When using this index, investors are putting their money in the ten strongest export companies on the DAX and MDAX; and thus, in companies that benefit the most from increasing demand in foreign countries. Last year, the index grew by more than 7 percent, while the DAX shrunk by around 10 percent during the same period. Thus, investors do not always have to make a direct investment in the strongly growing emerging markets to partake in the dynamic developments of the global economy.

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About STOXX
STOXX Ltd. is a global index provider, currently calculating a global, comprehensive index family of over 3,700 strictly rules-based and transparent indices. Best known for the leading European equity indices EURO STOXX 50, STOXX Europe 50 and STOXX Europe 600, STOXX Ltd. maintains and calculates the STOXX Global Index family which consists of total market, broad and blue-chip indices for the regions Americas, Europe, Asia, and Pacific, the sub-regions Latin America and BRIC (Brazil, Russia, India and China), as well as global markets. STOXX indices are classified into four categories to provide market participants with optimal transparency: "STOXX", "STOXX+", "iSTOXX" and "STOXX Customized". STOXX's standard indices are branded "STOXX", all indices that replicate investment strategies and themes, but still follow STOXX's strict rules-based methodologies, are categorized as "STOXX+". The "iSTOXX" brand comprises less standardized index concepts that take into account individual customer and market requirements but are still completely rules-based. "STOXX Customized" covers indices that are specifically developed for clients and are not STOXX branded.

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