STOXX

MONTHLY INDEX NEWS

October 2015

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Performance: Top 5 STOXX Indices – China, commodities and Volkswagen triggers turmoil

1-Mth Performance (Sep. 2015)	
STOXX INDIA TOTAL MARKET USD – TOTAL RETURN INDEX	1.30 %
EURO STOXX TMI REAL ESTATE INVESTMENT & SERVICES USD – PRICE INDEX	0.04 %
STOXX USA 900 MINIMUM VARIANCE USD – TOTAL RETURN INDEX	-0.07 %
EURO STOXX TOTAL MARKET REITs USD – PRICE INDEX	-0.10 %
STOXX CHINA B-SHARES TOTAL MARKET USD – TOTAL RETURN INDEX	-0.32 %

Source: STOXX Limited

1-Yr Performance (YTD Sep. 30, 2015)	
STOXX CHINA A-SHARES TOTAL MARKET USD – TOTAL RETURN INDEX	23.43 %
STOXX EUROPE 600 MINIMUM VARIANCE UNCONSTRAINED – TOTAL RETURN INDEX	15.72 %
STOXX EUROPE 600 MINIMUM VARIANCE – TOTAL RETURN INDEX	15.06 %
STOXX EUROPE SMALL 200 – TOTAL RETURN INDEX	11.89 %
STOXX EUROPE STRONG BALANCE SHEET – TOTAL RETURN INDEX	11.73 %

Source: STOXX Limited

(Top 5 STOXX indices, performance as of Sep. 31, 2015; all performance figures are in USD whenever specified in the index name and in Euro in the remaining cases)

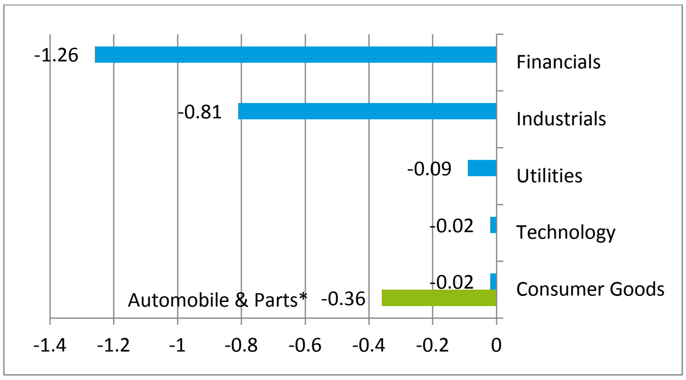
- A China and commodity-driven domino effect agitated global markets in September. Global economic and financial developments hindered the start of an interest rate-tightening cycle by the US Fed.
- The Volkswagen emissions scandal took centre stage in the second half of the month as the German automaker admitted it had rigged the emission tests of diesel cars in the US. The US Environmental Protection Agency said that Volkswagen could face penalties of up to USD18 billion.
- The current and expected market scenarios continue to favour allocations to minimum-variance portfolios with a view to the longer-term investment horizon. In September, both the constrained and the unconstrained versions of the STOXX Europe 600 Minimum Variance Index outperformed the STOXX Europe 600 benchmark by 298 bps and 305 bps, respectively. Similarly, both versions of the STOXX USA 900 Minimum Variance Index outperformed their benchmark, the STOXX USA 900 Index.

Comment by Aureliano Gentilini, Head of Research, STOXX Ltd.

"Volatility patterns are expected to continue to agitate global markets in the short term as worries about global economic growth mount. Historically, October has a track record of market dislocation. Information flows and macro variables are expected to continue triggering risk-on/risk-off and flight-to-quality drivers. All those factors will continue weighing on portfolio allocation decisions in the near term."

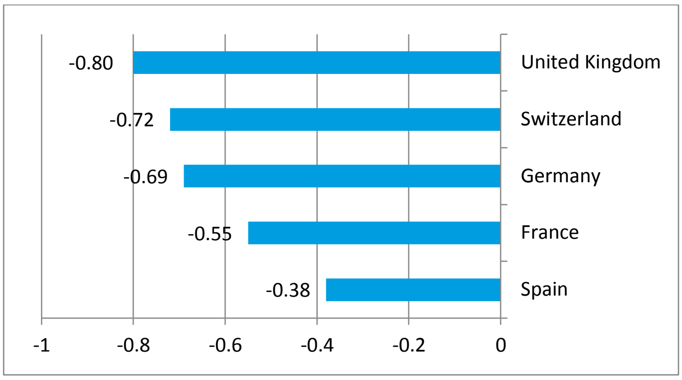
"China is poised to record its slowest annual growth rate in six years as China's fixed-asset investment came in at the weaker-than-expected 10.9% growth for the first eight months of 2015. The pace of growth was its lowest in almost 15 years.
Similarly, China's factory output rose 6.1% for August year on year instead of the expected 6.4%.
Both readings pointed to a further slowdown in the world's second largest economy."

STOXX Europe 600 Index: Domicile Country/Industry Sector Contribution



* The contribution of Automobile & Parts as a supersector is included in the index contribution of the index sector Consumer Goods.

Source: STOXX Limited



Source: STOXX Limited

(Domicile country and industry sector contribution to STOXX EUROPE 600 index in September; all performance figures in EUR)

- In the "bancocracy" era, Europe appears to be losing momentum, since it does not factor in full depreciation of the Euro. The increased money supply resulting from the massive ECB asset purchase continues to be locked within the financial sector and appears not to be flowing through to the real economy. Transmission mechanisms remain sticky.
- The STOXX Europe 600 Index dropped -4.05% in September. As of Sep. 30 market close the index was 16.01% below the all-time high of 414.06 it reached on Apr. 15.
- Despite erosion from May's reading, the wide European benchmark returned a healthy +4.13% total return for the year to date as of the Sep. 30 close.
- In performance attribution terms, negative return of the STOXX Europe 600 Index for September was mostly attributable to Financials and Industrials. Although, detracting from the monthly return of the index, Technology and Consumer Goods were the top performing industry sectors.
- At country level, the UK detracted most from the performance contribution league table of the index with Switzerland ranking as the second largest relative detractor from monthly performance.

Investment Outlook – 5 Key Developments to Consider, by Aureliano Gentilini, Head of Research, STOXX Ltd.

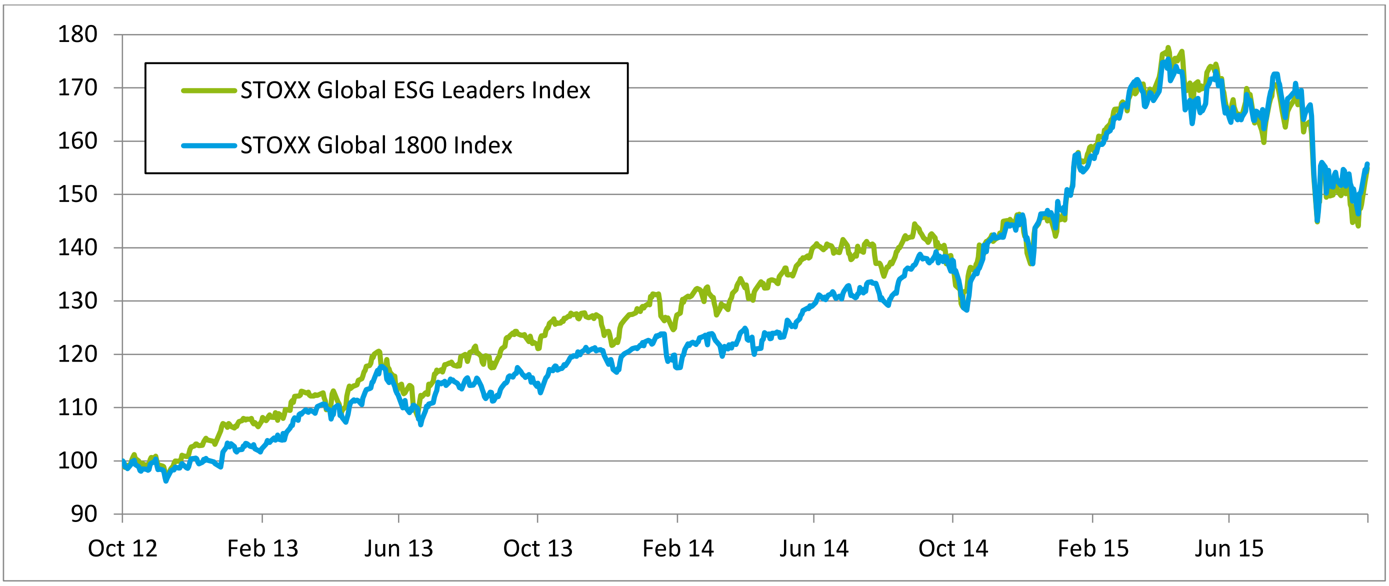
1. "The third quarter earnings season, which will start in mid-October, will be a critical test to assess the strength of corporate America and, potentially, ignite investor confidence in sustainable economic growth."
2. "The outlook for global inflation appears to be muted, depressed by plunging commodity prices and weakening demand from China. Inflation expectations on both sides of the Atlantic remain fragile and anchored well below respective central banks' targets."
3. "The outlook for the greenback remains strictly anchored to US macro data, which in turn will drive expectations about the Fed's monetary policy decisions. US Commerce Department data showing the largest increase in the US trade deficit in five months in August added to weak readings of the US jobs report at the beginning of October. Both fuelled expectations that the Fed would delay the start of a tightening cycle until next year."
4. "The ultra-loose monetary policy of central banks continues to create distortions in the fixed income market. In the current interest rate scenario, institutional investors' level of risk aversion and traditional risk management models appear to factor in a false perception of risk."
5. "Market evidence points to pension funds returning to ABS investing (Asset-Backed Security) in the hunt for yield, alongside support for the asset-backed securities segment provided by the ECB."

Fact of the Month:

Munich Re – The most sustainable DAX company

According to a new research report “Global ESG Leaders (?) Nachhaltigkeit im DAX” (Sustainability of the DAX companies) by Sustainalytics and STOXX, Munich Re has been rewarded with the “STOXX / Sustainalytics German ESG Award 2015”. The report evaluates companies that are part of the German blue-chip index DAX from a sustainability perspective. The reinsurer was praised in particular for the way it fully incorporated sustainability and ESG criteria into their core business areas, from primary insurance and reinsurance to their investment arm.

Index of the Month – STOXX Global ESG Leaders Index



Source: STOXX Limited

(3-year performance of STOXX Global ESG Leaders Index and STOXX Global 1800 Index as of Oct. 8, 2015; performance figures are in EUR)

- The STOXX Global ESG Leaders Index is fully transparent with component selection driven by a comprehensive set of sustainability ratings. Based on data provided by Sustainalytics, this index model allows investors to fully understand which factors determine a company’s ESG rating and their respective importance. The model, which has been mapped to the “KPIs for ESG 3.0” standard defined by Deutsche Vereinigung für Finanzanalyse und Asset Management (DVFA) and The European Federation of Financial Analysts Societies (EFFAS), has been fully approved by both organizations.
- The universe consists of all stocks in the STOXX Global 1800 Index. Companies involved in controversial weapons, or those that do not comply with the UN Global Compact Compliance Principles, are excluded. Companies passing the initial selection criteria are ranked by STOXX according to a transparent evaluation system consisting of 134 relevant KPIs.
- The STOXX Global ESG Leaders shows – compared to the STOXX Global 1800 – similar figures regarding risk and return over the past. The annualized return over the last three years is at 15.7% while the broad market achieved 15.8%. The volatility remains at the same level at 12.1% as well as the price/earnings ratio at 16.2. These figures prove, how investors interested in sustainable companies, can have nearly the same risk and return compared to the broad market. And, it increases the dividend yield from 2.7% to 3.0% for the last 12 month as of Aug. 31.2015.

Further information: https://www.stoxx.com/research

Meet us

- Global Investment Strategy Forum, Singapore, Oct. 19-20
- Awards for Excellence, London, UK, Oct. 21
- Institute Fund Summit Europe, Amsterdam, Netherlands, Oct. 26-27

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