

EMERGING MARKETS: What's in your Benchmark?



- > Not all emerging markets are created equal. Numerous factors, including country and regional combinations, can create vast differences in performance and return patterns. If you're looking to boost returns through exposure to international markets, you may want to dig deeper and consider looking beyond traditional broad-based benchmarks to truly assess the value of an allocation to any of the world's emerging economies.

The Allure of Emerging Markets

Over the years, emerging market equities have become a stable part of the portfolio building process and the open door policy of most emerging countries has only added to their allure. As a distinct investment category and a source of investment opportunities, the attractiveness of emerging markets can also be attributed to:

1 ECONOMIC GROWTH

Emerging markets have become the world's growth engine and have outperformed the U.S. and other developed markets by a wide margin. According to International Monetary Fund forecasts, emerging economies will represent about 70% of global GDP growth as early as 2014 and their share of total global GDP may exceed 50% in the near-term.

2 ENHANCED LIQUIDITY

Emerging market equities are becoming a much larger portion of the investment opportunity set as these markets have witnessed exponential growth in market capitalization. Since 1985, emerging markets' share of total global capitalization has increased from 4% to 25%.

3 DIVERSIFICATION

Emerging market equities serve as a source of diversification as their returns retain relatively low correlations to the U.S. and other developed equity markets.

To properly navigate these waters, having the right set of tools plays an important role in honing in on the value-add of non-broad based benchmarks.

Recognizing the Value-add of a Non-Traditional Approach to Emerging Markets

Selecting the right benchmark is a critical step to reliably assessing emerging market portfolios. Lack of awareness about the differences in index methodologies can mean the difference between hitting a home run or missing the mark. Why? Country selection or tilts in regional exposure in a benchmark can strongly influence performance over time, and that matters for the long-term.

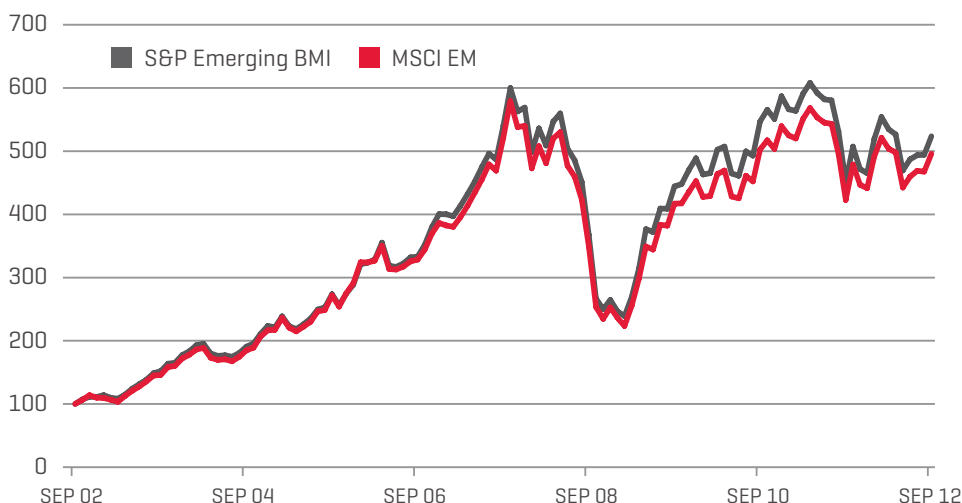
A clear understanding of a benchmark's methodology can be a major tool for mapping out emerging market portfolios. Some key components to look at include:

Country Inclusion

Country classification is both an art and a science. Therefore, a combination of quantitative and qualitative analysis is an important component of the classification process used to evaluate global markets. The graph below illustrates the strong impact country weightings can have on performance.

Sector Weightings

Sector weights vary widely across emerging markets. For example, the Asia-Pacific region has significant exposure to information technology, a sector that has virtually no representation in other emerging regions. On the other hand, Latin America and Emerging Europe have much higher weightings to energy and materials as these regions are home to natural resource rich countries such as Russia and Brazil.



For the trailing 10-year period indicated, the S&P Emerging BMI outperformed the MSCI Emerging Markets Index because of:

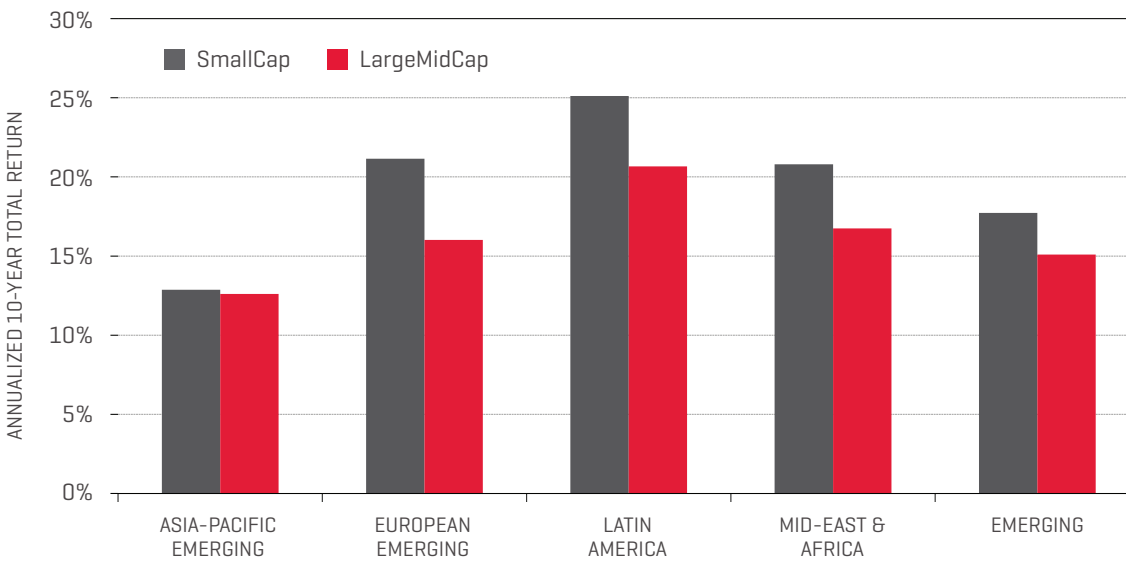
- **Country selection** – South Korea has been ineligible for inclusion in the S&P Emerging BMI but made up 15% of the MSCI Emerging Markets Index
- **Broader coverage** – small cap stocks are important components of the S&P Emerging BMI but are not included in the MSCI Emerging Markets Index

The Big Bang of Small Caps

Emerging market small caps have clearly shown their agility. Over the past 10 years, the S&P Emerging SmallCap Index returned an annualized 20.2%, outpacing the 17.6% CAGR (Compound Annual Growth Rate) of the S&P Emerging LargeMidCap Index at a modestly higher level of volatility (10-year annualized standard deviation of 26% vs. 24%).

Regional Combinations

Based on geography within emerging markets, high variations in performance indicate a strong potential for significant alpha generation when implementing a tactical asset allocation approach. This is particularly significant when dynamically evaluating a combination of emerging markets.



Emerging market small caps have performed well over the long-term across major global regions

Source: S&P Dow Jones Indices. Data as of September 30, 2012. Charts are provided for illustrative purposes. Past performance is no guarantee of future results.

Why Select our Emerging Market Indices?

As a premier provider of independently calculated and robust emerging market tools, we offer a diverse set of indices to better navigate the sea of index-based choices that are so prevalent in the emerging markets space.

We continue to be an innovative force for developing indices that measure different segments of emerging markets to achieve more targeted exposures:

- > We have several indices on our platform that measure specific regional or country groupings, including the S&P BRIC 40, S&P SMIT 40, S&P CIVETS 60 and S&P Next Emerging 40.
- > We also offer alternatively weighted indices such as S&P BMI Emerging Markets Low Volatility, S&P GIVI Emerging and S&P Emerging Markets Core.
- > We also have indices designed to generate high dividend income for those seeking “better beta” as well as indices designed to generate high dividend income to provide exposure to high yielding common stocks such as the S&P Emerging Dividend Opportunities and Dow Jones Emerging Markets Select Dividend.



Our Emerging Market Index Offerings

No two emerging markets in any region are alike, so we offer a broad array of equity indices designed with investability in mind for efficient portfolio management or to support structured products and ETFs.

INDEX NAME	CURRENCY	BLOOMBERG TICKERS	EXCHANGE TRADED PRODUCT NAME	ETF TICKERS
S&P Emerging BMI	USD	SCRTEM	SPDR S&P Emerging Markets ETF	GMM
S&P Emerging Markets Core Index	USD	SPEMC	EGShares Emerging Markets Core ETF	EMCR
S&P Asia Pacific Emerging BMI	USD	SCR TAE	SPDR S&P Emerging Asia Pacific ETF	GMF
S&P European Emerging BMI Capped	USD	SCRTCQEE	SPDR S&P Emerging Europe ETF	GUR
S&P Latin America BMI	USD	SCR TLA	SPDR S&P Emerging Latin America ETF	GML
S&P Mid-East and Africa BMI	USD	SCR TME	SPDR S&P Emerging Middle East & Africa ETF	GAF
S&P China BMI	USD	SCR TCN	SPDR S&P China ETF	GXC
S&P Russia BMI Capped	USD	SPCQXRUP	SPDR S&P Russia ETF	RBL
S&P Emerging Under USD ² Billion	USD	SPBMKSUP	SPDR S&P Emerging Markets Small Cap ETF	EWX
S&P Asia Pacific Emerging Under USD ² Billion	USD	SPAE2BUP	Small Cap Emerging Asia Pacific ETF	GMFS
S&P BMI Emerging Markets Low Volatility Index	USD	SPEMLVUP	PowerShares S&P Emerging Markets Low Volatility Portfolio	EELV
S&P Emerging Markets Dividend Opportunities Index	USD	SPGTEDUP	SPDR S&P Emerging Markets Dividend ETF	EDIV
	JPY	SPGTEDJP		
	EUR	SPGTEDEP		
Dow Jones Emerging Markets Select Dividend Index	USD	DJEMDIVR	iShares Dow Jones Emerging Markets Select Dividend ETF iShares Emerging Markets Dividend Index Fund	SEDY DVEE
Dow Jones Emerging Markets Basic Materials Titans 30 Index	USD	DJEBMT	EGShares Basic Materials GEMS ETF	LGEM
Dow Jones Emerging Markets Consumer Goods Titans 30 Index	USD	DJECGT	EGShares Consumer Goods GEMS ETF	GGEM
Dow Jones Emerging Markets Consumer Services Titans 30 Index	USD	DJECNT	EGShares Consumer Services GEMS ETF	VGEM
Dow Jones Emerging Markets Consumer Titans 30 Index	USD	DJECONT	Emerging Global Shares Dow Jones Emerging Markets Consumer Titans ETF	ECON
Dow Jones Emerging Markets Financials Titans 30 Index	USD	DJEFNT	EGShares Financials GEMS ETF	FGEM
Dow Jones Emerging Markets Health Care Titans 30 Index	USD	DJEHKT	EGShares Health Care GEMS ETF	HGEM
Dow Jones Emerging Markets Metals & Mining Titans 30 Index	USD	DJEMTT	Emerging Global Shares DJ Emerging Markets Metals & Mining Titans Index Fund	EMT
Dow Jones Emerging Markets Oil & Gas Titans 30 Index	USD	DJEEOT	EGShares Energy GEMS ETF	OGEM
Dow Jones Emerging Markets Sector Titans Composite 100 Index	USD	DJEEGT	EGShares GEMS Composite ETF	AGEM
Dow Jones Emerging Markets Technology Titans 30 Index	USD	DJETXT	EGShares Technology GEMS ETF	QGEM
Dow Jones Emerging Markets Telecommunications Titans 30 Index	USD	DJETST	EGShares Telecom GEMS ETF	TGEM
Dow Jones Emerging Markets Utilities Titans 30 Index	USD	DJEUTT	EGShares Utilities GEMS ETF	UGEM

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