

STOXX

MONTHLY INDEX NEWS

September 2018

INDEX

RESEARCH

GLOBAL

INSIGHT

MARKETS

STOXX Benchmark Indices

Key points

The STOXX® Global 1800 Index rose 0.5% in September when measured in dollars, its third straight monthly advance. The benchmark is now up 5.1% in 2018, and less than 2 percentage points below this year's high in January. Gains in US stocks account for most of the global benchmark's 2018 returns.

European stocks posted only mild rebounds from August's heavy losses, as concerns about trade disruptions, Brexit and the Italian budget linger. Both the EURO STOXX 50® Index and the STOXX® Europe 600 Index rose 0.3% during the month, in euros, compared with respective declines of 3.7% and 2.1% a month earlier.

The STOXX® North America 600 Index advanced 0.4% in dollars, its sixth consecutive monthly advance.

The STOXX® Asia/Pacific 600 Index was the best-performing regional index in the month, adding 1.8%, the result of a strong showing for Japanese stocks. The STOXX® Japan 600 Index rose 5.3% in the month when measured in yen, its best month since October last 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. EURO STOXX 50	0.3	-0.6	-2.9	0.1	-3.9	-4.6	11.3	12.9	12.0	14.0	14.4	13.3	1.8
2. STOXX Europe 600	0.3	0.9	1.5	0.2	-2.4	-0.3	8.4	11.4	10.6	10.9	12.8	11.6	1.8
3. STOXX North America 600	0.5	13.1	18.4	0.4	9.4	16.3	7.1	14.3	13.3	5.4	13.4	11.9	3.0
4. STOXX Asia/Pacific 600	2.0	3.4	10.1	1.8	0.1	8.2	12.4	12.3	11.7	10.9	12.1	11.3	1.2
5. STOXX Global 1800	0.7	8.6	12.9	0.5	5.1	10.9	6.3	10.8	10.2	5.7	10.4	9.3	2.1

Risk and return performance figures for STOXX benchmark indices, Net Return. Data as of Sep. 30, 2018.
Source: STOXX Limited.

Price and volatility performance

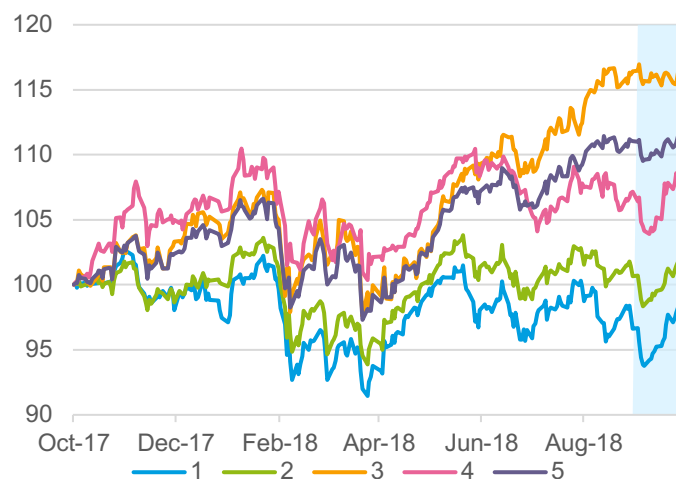


Figure 1: Annual price performance, EUR Net Return. Oct. 2017 – Sep. 2018. Shaded area: Sep. 2018. Source: STOXX Limited.

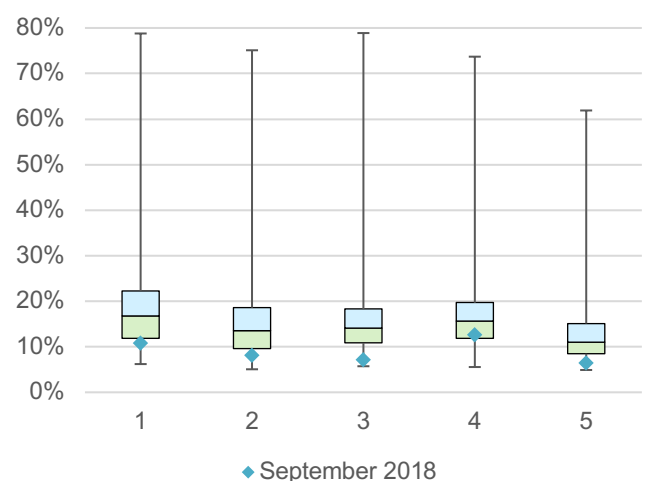


Figure 2: Monthly annualized volatility analysis, EUR Net Return. Jan. 2004 – Sep. 2018. Source: STOXX Limited.

Europe Factor Indices

Key points

It was a difficult month for pure factor strategies in Europe. Five 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 loss while one was unchanged.

The iSTOXX® Europe Multi-Factor Market Neutral Index showed the weakest performance in euros, shedding 0.7%. The iSTOXX® Europe Value Market Neutral Index, the worst performer in the past year, was September's winning strategy. The index rose 0.4% as investors seem to have moved allocations to a style group that has been out of favor for some time.

Two of the Factor Market Neutral Indices recorded their lowest volatility in years over September (Figure 4). All of them display low single-digit levels of volatility as the strategies isolate the market's systematic risk. By comparison, the STOXX Europe 600 Index has had an annualized volatility of 11.4% this year.

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	-0.2	2.3	2.6	-0.4	-1.0	0.8	2.0	3.3	3.3	5.7	7.5	7.7
2. iSTOXX Europe Low Risk Factor Market Neutral	0.0	2.4	3.8	-0.2	-1.0	2.0	2.0	3.1	2.9	6.0	7.1	7.1
3. iSTOXX Europe Momentum Factor Market Neutral	-0.6	-1.2	1.8	-0.8	-4.5	0.0	1.9	3.2	3.2	6.0	7.6	7.6
4. iSTOXX Europe Quality Factor Market Neutral	-0.5	-1.1	-1.6	-0.7	-4.4	-3.3	2.0	3.0	3.0	5.8	7.3	7.3
5. iSTOXX Europe Size Factor Market Neutral	-0.5	-0.8	-1.6	-0.6	-4.0	-3.3	3.1	4.2	4.2	7.1	8.3	8.3
6. iSTOXX Europe Value Factor Market Neutral	0.4	-5.0	-5.1	0.2	-8.1	-6.8	3.5	4.3	4.1	7.5	8.3	8.2
7. iSTOXX Europe Multi-Factor Market Neutral	-0.7	-3.2	-2.3	-0.9	-6.4	-4.0	2.8	3.7	3.6	6.2	8.0	8.0

Risk and return performance figures for iSTOXX Europe Market Neutral Factor Indices, Net Return. Data as of Sep. 30, 2018. Source: STOXX Limited.

Price and volatility performance

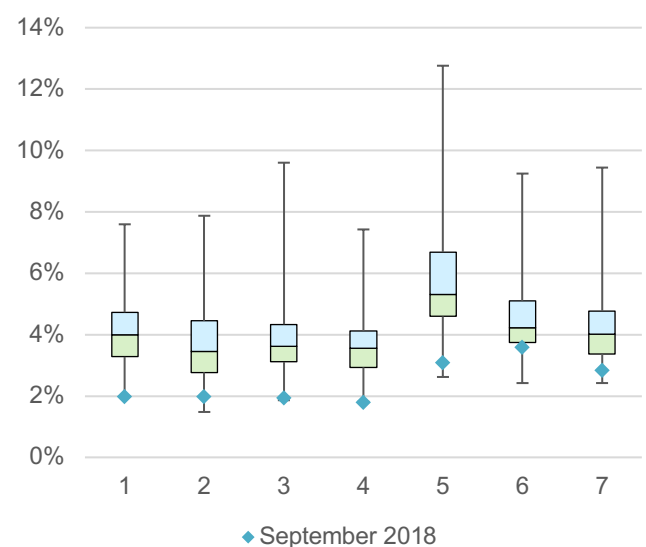
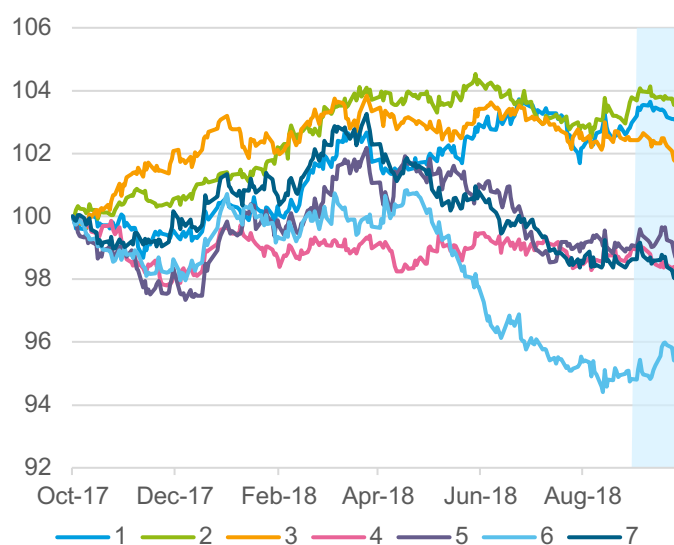


Figure 3: Annual price performance, EUR Net Return. Oct. 2017 – Sep. 2018. Shaded area: Sep. 2018. Source: STOXX Limited.

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

STOXX Thematic Indices

Key points

Four out of six selected STOXX thematic indices underperformed in September.

The STOXX® Global Artificial Intelligence Index was the biggest laggard after falling 4.9% in dollar terms. On the other hand, the iSTOXX® FactSet Breakthrough Healthcare Index rose 2.3% to a record high.

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 in the table below 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 but two of the indices – the iSTOXX® FactSet Automation & Robotics Index and the iSTOXX® FactSet Ageing Population Index – have outperformed the STOXX Global 1800 Index this 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 AI Global Artificial Intelligence	-0.1	12.4	18.8	-0.3	8.7	16.8	8.6	11.2	10.7	6.3	10.5	9.7	2.7
2. STOXX Global Artificial Intelligence	-4.7	10.6	21.4	-4.9	6.9	19.3	13.5	20.4	19.3	11.5	19.3	18.0	4.7
3. iSTOXX FactSet Digitalisation	-1.9	18.8	24.0	-2.0	15.0	21.9	11.2	12.2	11.5	9.8	11.5	10.6	5.2
4. iSTOXX FactSet Automation & Robotics	-3.6	3.2	11.6	-3.8	-0.2	9.6	11.9	13.7	13.2	10.2	13.5	12.8	5.0
5. iSTOXX FactSet Ageing Population	1.0	4.9	8.1	0.8	1.5	6.2	7.2	9.2	8.9	6.6	9.3	8.6	2.0
6. iSTOXX FactSet Breakthrough Healthcare	2.5	22.0	31.0	2.3	18.0	28.7	11.6	14.1	13.6	10.6	14.2	13.3	5.7

Risk and return performance figures for STOXX thematic indices, Net Return. Data as of Sep. 30, 2018.
Source: STOXX Limited.

Price and volatility performance

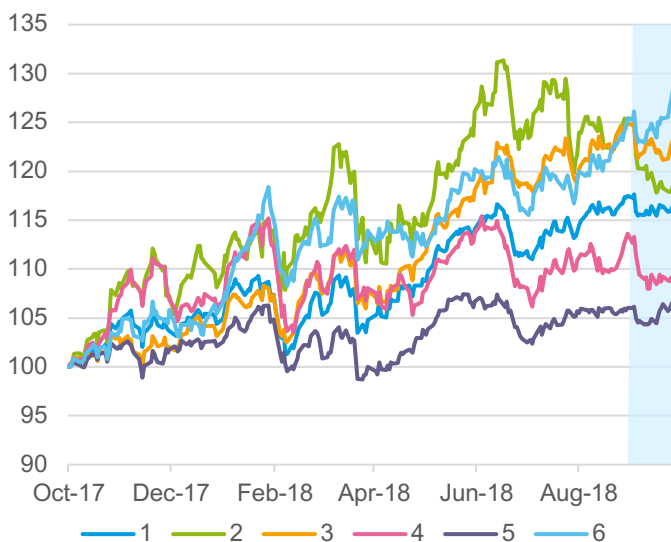


Figure 5: Annual price performance, EUR Net Return. Oct. 2017 – Sep. 2018. Shaded area Sep. 2018. Source: STOXX Limited.

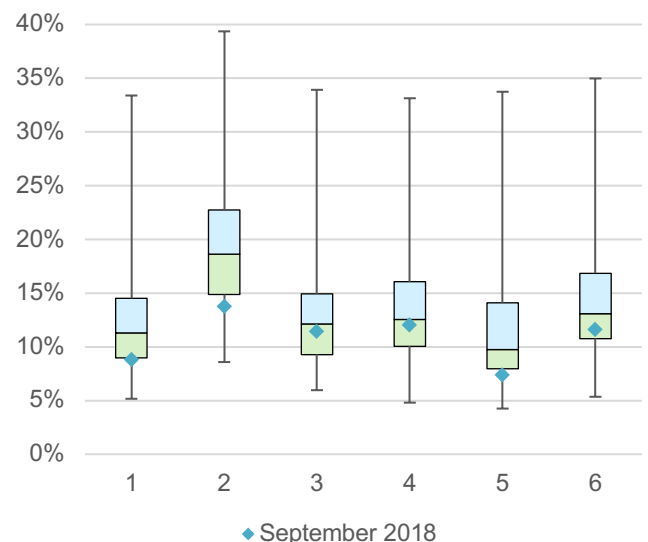


Figure 6: Monthly annualized volatility analysis, EUR Net Return. Apr. 2013 – Sep. 2018. Source: STOXX Limited.

ESG & Sustainable Investing Indices

Key points

Environmental, social and governance (ESG) and sustainable investing strategies performed marginally better than benchmarks in September.

On a global basis, the STOXX® Global ESG Impact Index and the STOXX® Global 1800 Low Carbon Index have posted better returns than the Global 1800 Index in 2018 and 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	0.5	0.8	1.0	0.3	-2.5	-0.8	8.6	11.3	10.5	11.1	12.7	11.6	1.8
2. STOXX USA ESG Impact	0.7	13.9	20.0	0.6	10.2	17.9	7.6	14.8	13.8	6.1	13.9	12.5	3.2
3. STOXX Global ESG Impact	0.7	9.7	14.3	0.5	6.2	12.3	7.1	11.1	10.5	6.6	10.8	9.7	2.3
4. STOXX Europe 600 Low Carbon	0.4	1.4	1.7	0.3	-1.9	-0.1	8.4	11.4	10.6	10.9	12.8	11.6	1.8
5. STOXX USA Low Carbon	0.5	14.7	20.2	0.4	10.9	18.1	7.5	14.8	13.7	5.7	13.9	12.4	3.1
6. STOXX Global 1800 Low Carbon	0.8	9.6	13.7	0.7	6.0	11.7	6.5	10.8	10.1	6.0	10.4	9.3	2.1

Risk and return performance figures for STOXX ESG and Sustainable Investing Indices, Net Return. Data as of Sep. 30, 2018.
Source: STOXX Limited.

Price and volatility performance

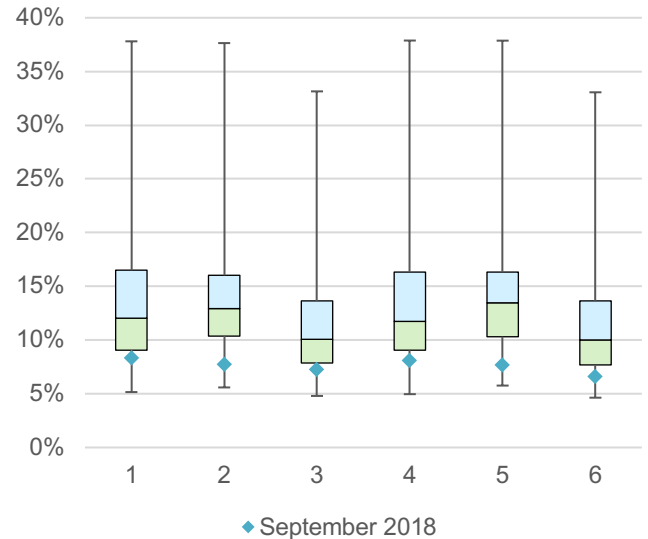
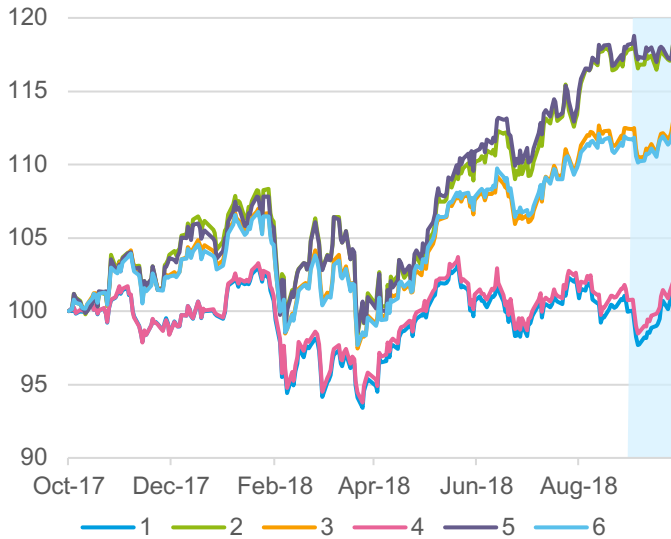


Figure 7: Annual price performance, EUR Net Return. Oct. 2017 – Sep. 2018. Shaded area: Sep. 2018. Source: STOXX Limited.

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

Minimum Variance Indices

Key points

A minimum variance strategy outperformed strongly on a global basis in September. The STOXX® Global 1800 Minimum Variance Index gained 1.3% and its unconstrained version advanced 0.9% (both in dollars). That compares with the 0.5% gain for the benchmark STOXX Global 1800.

In Europe, however, the inverse relationship was true. The STOXX® Europe 600 Minimum Variance Index retreated 0.3% and the unconstrained version of the index fell 0.6% (in euro terms). That compares with the 0.3% gain for the STOXX Europe 600.

The STOXX Minimum Variance Indices come in two versions: constrained and unconstrained. The former has a similar exposure to a market-capitalization 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.

The STOXX Global 1800 Minimum Variance Unconstrained Index has had annualized volatility of 6.9% in the past year, while the STOXX Global 1800 Index's has been 9.3%.

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	-0.3	1.9	4.0	-0.4	-1.5	2.1	6.4	9.4	9.0	8.7	10.9	10.1	2.1
2. STOXX Europe 600 MV Unconstrained	-0.6	3.9	5.9	-0.7	0.5	4.1	6.4	9.3	9.0	8.6	10.9	10.2	2.2
3. STOXX USA 900 MV	1.4	11.8	17.4	1.2	8.1	15.3	6.9	12.1	11.4	5.6	10.8	9.8	3.2
4. STOXX USA 900 MV Unconstrained	0.8	10.3	15.5	0.6	6.7	13.5	6.6	11.2	10.6	5.0	9.8	9.0	3.0
5. STOXX Global 1800 MV	1.5	7.2	10.6	1.3	3.7	8.7	5.9	8.9	8.6	4.3	7.7	7.1	2.3
6. STOXX Global 1800 MV Unconstrained	1.1	6.8	10.8	0.9	3.3	8.8	6.9	8.5	8.3	4.6	7.4	6.9	1.7

Risk and return performance figures for STOXX Minimum Variance Indices, Net Return. Data as of Sep. 30, 2018.
Source: STOXX Limited.

Price and volatility performance

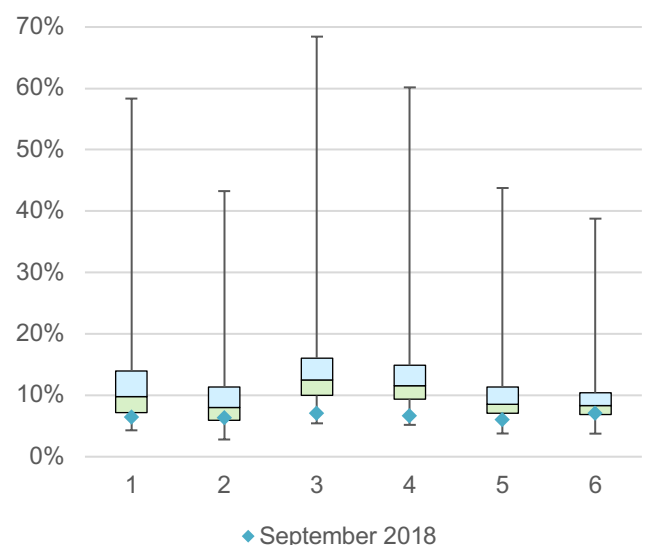
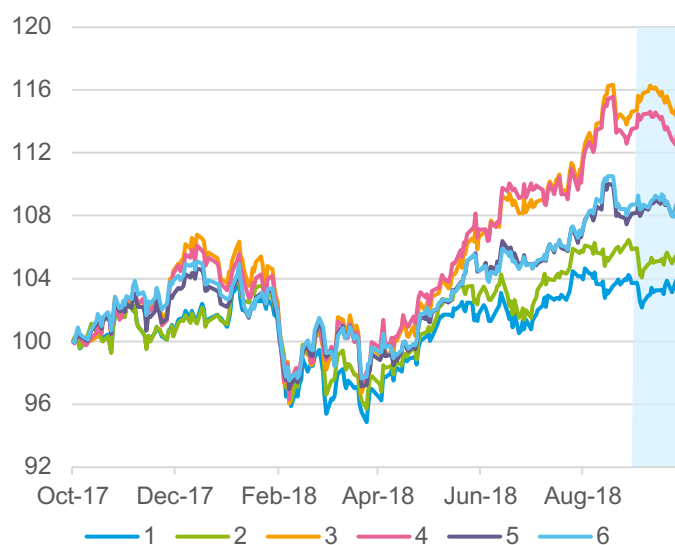


Figure 9: Annual price performance, EUR Net Return. Oct. 2017 – Sep. 2018. Shaded area: Sep. 2018. Source: STOXX Limited.

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

Dividend Indices

Key points

The STOXX® Global Maximum Dividend 40 Index, which only seeks high dividend-yielding stocks, rebounded 1.9% in September from August's 1.8% retreat. The advance came even as the key ten-year US Treasury yield rose back above 300 basis points over the month.

The STOXX® Global Select Dividend 100 Index, which tracks companies with sizeable dividends but also applies a quality filter such as a history of stable payments, and the STOXX® Global Select 100 EUR Index, which blends increasing dividend yields with low stock price volatility, both underperformed benchmarks. The former rose 0.2% and the latter – which is measured in euros – fell 0.3%.

Income equity strategies have underperformed 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	2.1	-3.3	-1.7	1.9	-6.4	-3.5	7.1	10.2	9.7	7.3	11.5	10.6	1.2
2. STOXX Global Select Dividend 100	0.4	0.4	3.2	0.2	-2.9	1.4	5.0	7.8	7.6	5.5	8.2	7.5	1.7
3. STOXX Global Select 100 EUR	-0.3	0.7	1.9	-0.5	-2.6	0.1	4.3	7.8	7.3	6.5	9.0	8.2	1.3

Risk and return performance figures for STOXX Dividend Indices, Net Return. Data as of Sep. 30, 2018.
Source: STOXX Limited.

Price and volatility performance

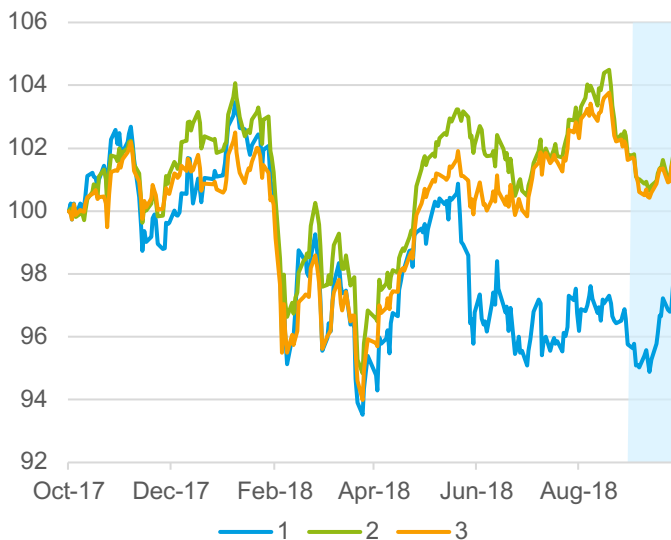


Figure 11: Annual price performance, EUR Net Return. Oct. 2017 – Sep. 2018. Shaded area: Sep. 2018. Source: STOXX Limited.

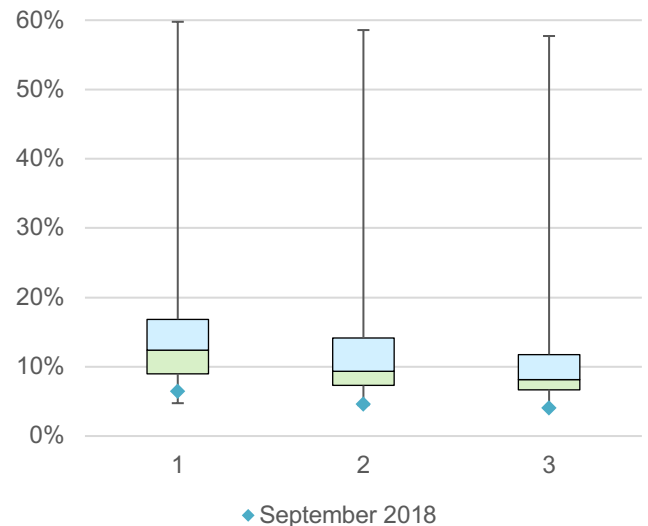


Figure 12: Monthly annualized volatility analysis, EUR Net Return. Jul. 2004 – Sep. 2018. Source: STOXX Limited.

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