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A CLOSER LOOK

THE NASDAQ GLOBAL INDEX (NQGI) IS A FLOAT ADJUSTED MARKET CAPITALIZATION-WEIGHTED INDEX DESIGNED TO TRACK THE PERFORMANCE OF GLOBAL EQUITIES.

With more than 9,000 stocks from 45 countries, NQGI covers over 98% of the entire listed market capitalization of the global equity space. NQGI forms the base universe for the NASDAQ Global Index Family, consisting of more than 39,000 indexes broken down by market segment, region, country, size and sector. In this research piece we will examine the historical breakdown of NQGI along with some of its major attributes.

MARKET SEGMENT

DEVELOPED VS EMERGING

NASDAQ classifies each of the 45 countries as Developed or Emerging based on specific market metrics and assessments. (The classification methodology can be found here: https://indexes.nasdaqomx.com/docs/NQGIFamilyMethodology.pdf).

Currently, the 24 Developed countries have 6600, or 73%, of the stocks and 89% of the weight. For the 21 Emerging countries, the figures are 2409, or 27%, of the stocks and 11% of the weight.

Of course, these figures have varied over time. Since 2001, when the number of stocks in NQGI was just 5636, the proportion of stocks, as well as their weight, has steadily shifted in favor of Emerging relative to Developed. Back then, the 24 Developed countries had 4919, or 87%, of the stocks and 97% of the weight and the 21 Emerging countries had 717, or 13%, of the stocks and 3% of the weight.

FIGURE 1: PROPORTION OF STOCKS BY SEGMENT

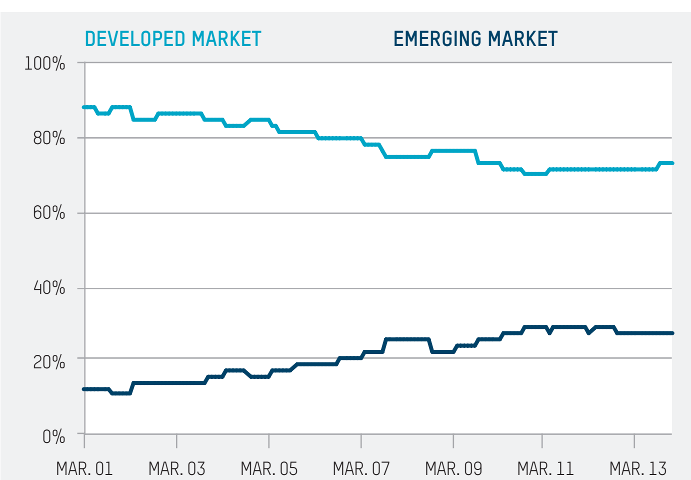
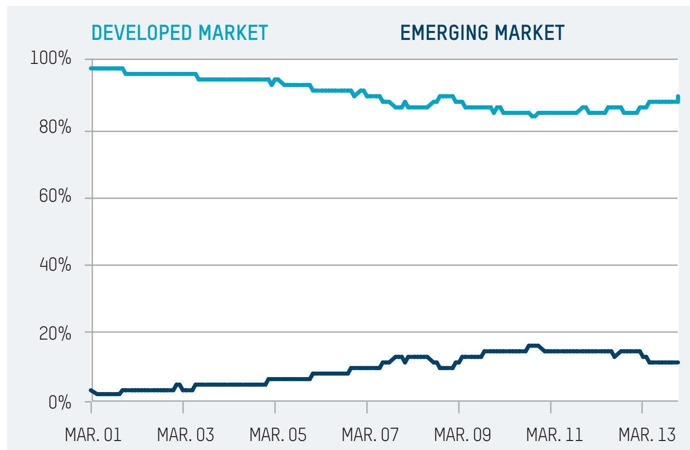


FIGURE 2: PROPORTION OF WEIGHT BY SEGMENT



COUNTRY ALLOCATION

U.S. VS THE WORLD

A significant portion of the NQGI universe is made up of US stocks. Currently, the US has 2772, or 31%, of the stocks and 48% of the weight. The other NQGI countries have 6237, or 69%, of the stocks and 52% of the weight. After the US, Japan and the UK are the next largest countries with 8.2% and 8.1% of the weight respectively.

Since 2001, the proportion of stocks, as well as their weight, has shifted in favor of non-US relative to US stocks. In 2001, the US had 2630, or 47%, of the stocks and 61% of the weight while the rest of the NQGI countries had 3006, or 53%, of the stocks and 39% of the weight.

An interesting data point can be seen during the financial crisis. In 2008 and early 2009, non-US stocks dropped out of NQGI at a much higher rate than their US counterparts. This can be seen in a jump in the US weight. The non-US stocks rebounded almost as quickly as they dropped, and by late 2009 had recovered to the level prior to their fall.

Since that time, US stocks have made a slow climb back towards weight equality with non-US stocks.

FIGURE 3: PROPORTION OF STOCKS BY COUNTRY

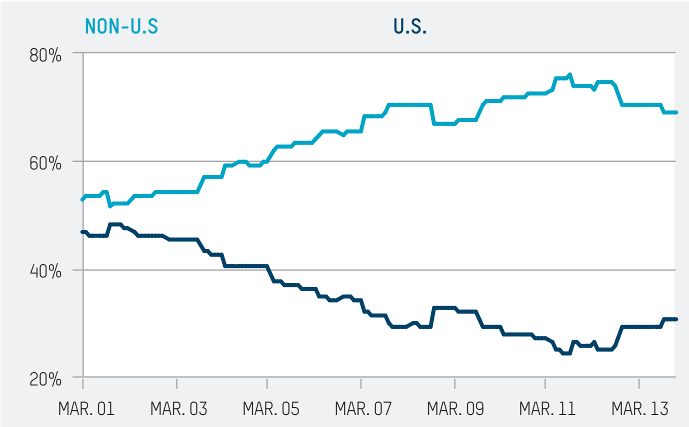
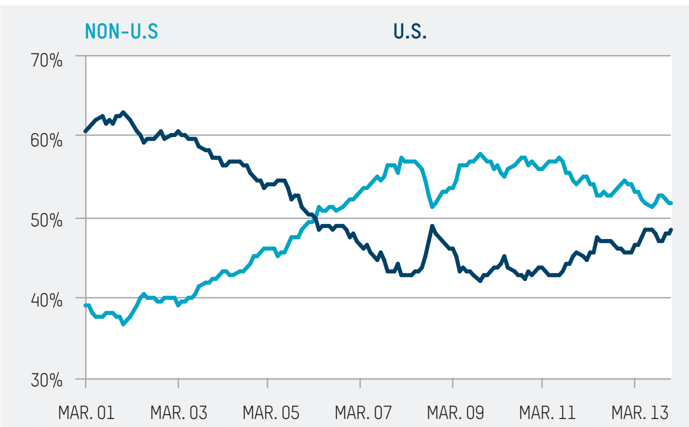


FIGURE 4: PROPORTION OF WEIGHT BY COUNTRY



REGION ALLOCATION

Each country in the NQGI universe is a member of one of the five regions: North America, Europe, Latin America, Asia Pacific or Middle East/Africa. Currently, North America, Europe, and Asia Pacific account for 8500, or 94%, of the stocks and 97% of the weight. Latin America and Middle East/Africa account for 509, or 6%, of the stocks and 3% of the weight.

FIGURE 5: PROPORTION OF STOCKS BY REGION

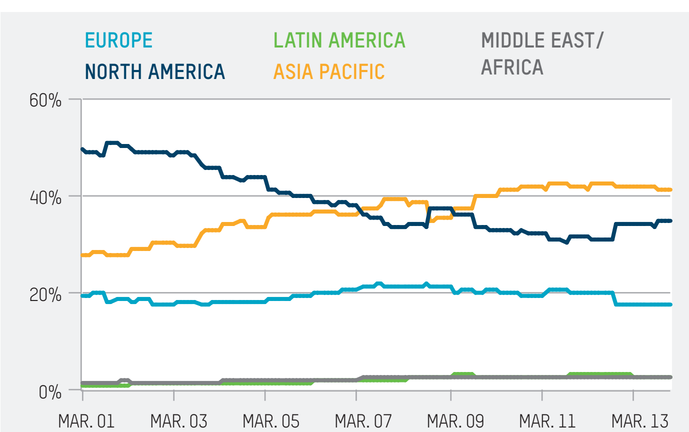
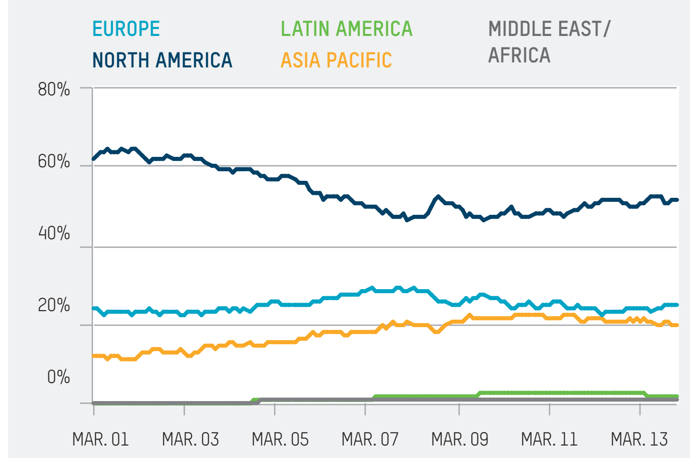
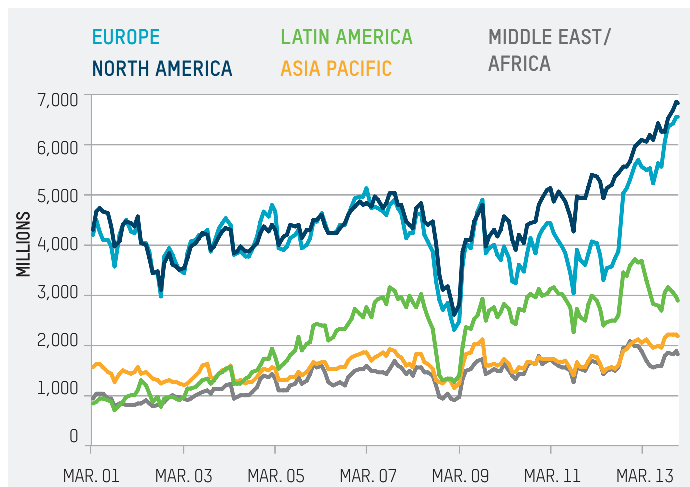


FIGURE 6: PROPORTION OF WEIGHT BY REGION



In addition to comparing the aggregate statistics associated with different attributes in NQGI we can also examine statistics that characterize the individual stocks within these different attributes. With several thousand component stocks comprising NQGI, we must rely on these statistics to characterize the index at any given point in time. NQGI weights are determined by a stock's float adjusted market capitalization. If we want to know what an average stock in the index looks like we might track the average float adjusted market capitalization. Using this measure, we see that North America and Europe track each other closely, as do the Asia Pacific and Middle East/Africa regions.

FIGURE 7: AVERAGE FLOAT-ADJUSTED MARKET CAPITALIZATION BY REGION



Average float adjusted market capitalization is a useful measure of size but can be sensitive to outliers. The median is less sensitive to outliers and is another useful measure of centrality. Our initial expectation from the average measure might be that a comparison of median regional float adjusted market capitalization would show North America, with its outsized US securities, to be the leader. However, the European region currently has the highest median in the NQGI universe. The Latin American region currently accounts for only 3% of the components and 2% of the weight in the NQGI universe but historically has vied with North America and Europe for the largest median float adjusted market capitalization.

FIGURE 8: MEDIAN FLOAT-ADJUSTED MARKET CAPITALIZATION BY REGION

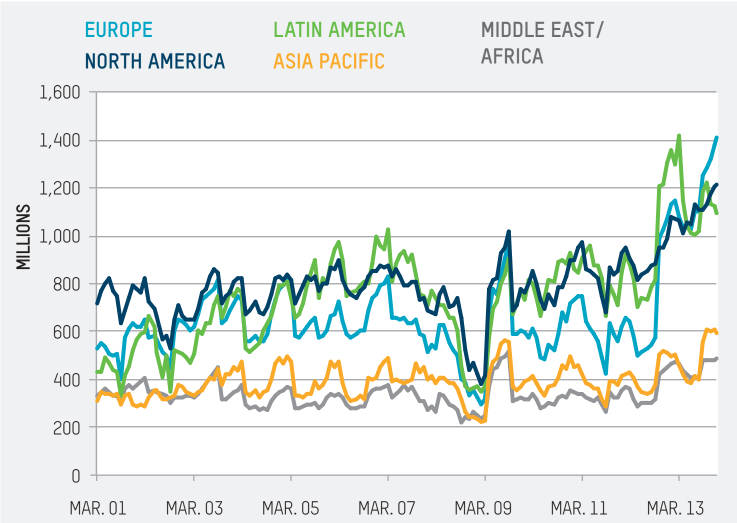
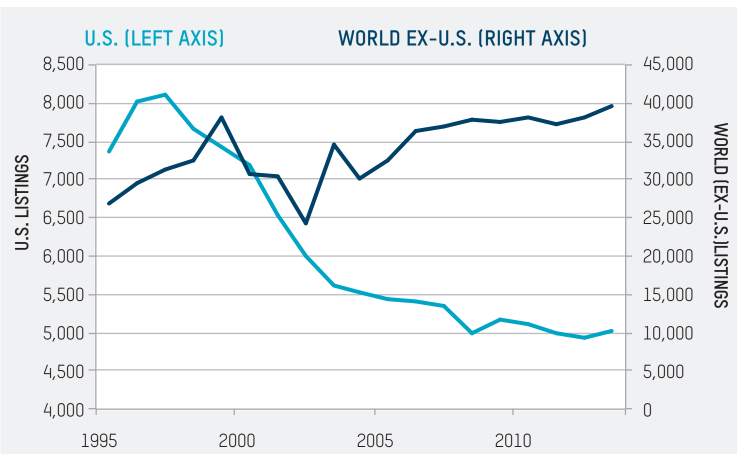


FIGURE 9: NUMBER OF LISTED COMPANIES



* Source: NASDAQ Global Indexes Research. Bloomberg. FactSet. WFE.

U.S. LISTINGS DECLINE

One factor driving the diversification of the NQGI universe away from the US is the steady decline in the number of US-listed companies. The number peaked at 8113 in 1997 before beginning a decade-long decline. The pace of the decline slowed in 2003 but didn't reach its low of 4916 until 2012. The rise in popularity of mergers and acquisitions, as well as stricter requirements to file for a public offering, led to a decline in the number of IPOs. This, coupled with an increased number of de-listings largely due to industry consolidation, resulted in a declining listings environment.

In 2013, the US experienced only its second year-over-year increase in number of listings since its peak in 1997. The other increase was in 2009, during the early stages of recovery from the financial crisis, so 2013 was the first increase driven by continuous economic growth. In 2013, the US had the most IPOs since 2007, the year before the financial crisis. Despite these recent positive developments in US listings, the growth trends of world listings will still have the most meaningful impact on the NQGI universe.

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