

# S&P/ASX Emerging Companies Index



AUSTRALIAN SECURITIES EXCHANGE

The S&P/ASX Emerging Companies Index (XEC) is an investable benchmark consisting of 200 Australian microcap companies ranked between 350 to 600 by capitalisation at the time of their index inclusion, that have met reasonable liquidity tests.

The S&P/ASX Emerging Companies Index complements existing larger capitalisation indices in the S&P/ASX index suite by providing an investable performance benchmark for companies that generally rank outside the S&P/ASX 300 by total capitalisation. The S&P/ASX Emerging Companies Index provides an opportunity-set of companies characterised as being smaller, often less liquid and under-researched when compared with companies traded on ASX with larger capitalisations.

The methodology developed by S&P and ASX for this Index has been designed to be representative of companies typically found in the small and microcap sector and resulting portfolios. The methodology:

- Selects companies that generally reside outside the S&P/ASX 300. Companies ranked between 350 and 600 by total capitalisation are eligible for inclusion with the maximum number of constituents capped at 200
- Rebalances semi-annually rather than quarterly to reduce index turnover and associated transaction costs

- Allows high performing companies to be held until they migrate into the S&P/ASX 300. Companies are excluded at rebalance when they rank above 300 or below 650 by total capitalisation
- Accounts for the low liquidity often found in this sector while still ensuring that the benchmark portfolio represents a viable opportunity-set for fund managers.

The S&P/ASX Emerging Companies Index delivers:

- Insight into the performance of the microcap sector of the Australian equity market
- Investability, with all companies required to meet liquidity criteria appropriate to this segment
- Benchmarking for performance measurement of Australian microcap portfolios
- An opportunity-set of companies for fund managers wishing to create an index tracking microcap portfolio.

## S&P/ASX Emerging Companies Index Performance and Correlation

For the period from 30 June 2004 to 30 June 2009 the S&P/ASX Emerging Companies Index had the following performance and correlation statistics when compared to the S&P/ASX Small Ordinaries and the S&P/ASX 200.

	S&P/ASX EMERGING COMPANIES	S&P/ASX SMALL ORDINARIES	S&P/ASX 200
<b>Return (annualised)</b>			
1 Year	-35.15%	-28.58%	-20.14%
3 Year	1.16%	-6.38%	-3.82%
5 Year	9.17%	5.58%	6.86%
<b>Standard Deviation</b>			
1 Year	65.51%	37.73%	22.07%
3 Year	44.38%	26.21%	16.87%
5 Year	36.58%	22.02%	14.84%
Min Annual Return	-68%	-53%	-38%
Max Annual Return	52%	34%	24%
<b>Correlation</b>			
S&P/ASX Emerging Companies	100%	89%	78%

## About ASX

As one of the world's top-10 listed exchange groups, measured by its market capitalisation, the ASX Group was created through the merger of the Australian Stock Exchange and the Sydney Futures Exchange. The ASX Group operates under the brand Australian Securities Exchange.

The Australian Securities Exchange spans the markets for corporate control, capital formation and price discovery and functions as an operator, supervisor, central counterparty clearer and payments system facilitator.

The diverse domestic and international customer base of the Australian Securities Exchange includes issuers of a variety of listed securities, corporates, investment banks, trading banks, fund managers, hedge funds, commodity trading advisers and proprietary and retail traders.

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## About Standard & Poor's Index Services

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## The suite of S&P/ASX indices covers a range of market capitalisation segments of the Australian market:

INDEX	ASX CODE
S&P/ASX 20	XTL
S&P/ASX 50	XFL
S&P/ASX MidCap 50	XMD
S&P/ASX 100	XTO
S&P/ASX Small Ordinaries	XSO
S&P/ASX 200	XJO
S&P/ASX 300	XKO
S&P/ASX Emerging Companies	XEC
S&P/ASX All Australian 50	XAF
S&P/ASX All Australian 200	XAT
All Ordinaries	XAO

## Further information

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