



Growth and Innovation in European ETFs

3rd Annual Capital Link Closed-End Fund and
Global ETF Conference - June 9, 2004

Walter Kerschbaum - Euronext US



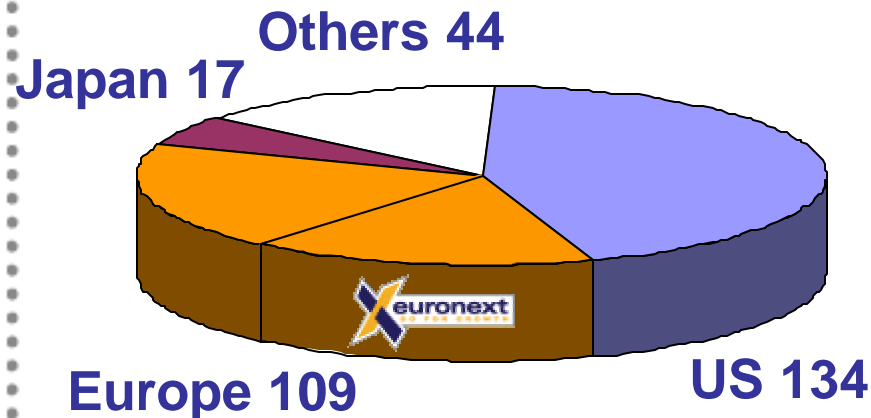
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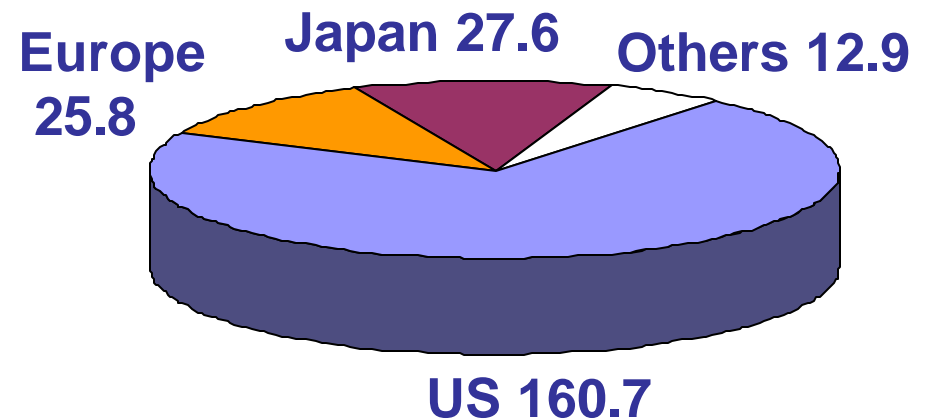
ETF Markets Worldwide

- 304 ETFs with US\$ 227 Billion AUM Worldwide.
- 11 Exchanges in Europe have listed ETFs

Number of ETFs



AUM (B \$)



Source: Morgan Stanley, April 2003





Euronext is the leader in the consolidation of European Exchanges :

- **Cash Markets :**
Belgium, France, Netherlands,
Portugal – NSC trading platform
- **Derivatives Markets :**
Belgium, France, Netherlands,
Portugal, UK – Liffe.connect



••● Euronext Trackers Segment

- NextTrack
 - Euronext segment dedicated to trackers begun in January 2001
 - Trades on the all-electronic NSC platform with Block trading and after-hour facilities
- Features
 - Liquidity providers (two or more for each)
 - Diversified range of products
 - Support by Euronext Marketing teams
 - Straight through processing via LCH.Clearnet and Euroclear

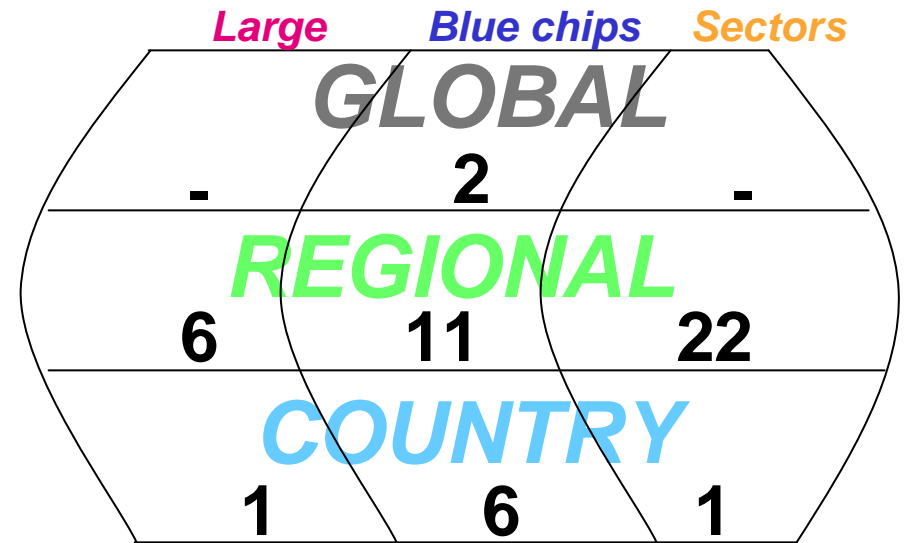
••● Biggest ETFs on NextTrack

• Top 5 Trackers

	Average Volume per day (Number of Shares)	AUM (in thousand Euro)
DJ EURO STOXX 50 MU	672,067	2,057,518
CAC 40 MU	544,430	1,907,391
ISHARES EURO STOXX 50	84,155	2,188,208
STREET TRACKS AEX	39,157	149,831
ISHARES STOXX 50	40,210	489,170

●●● Euronext Trackers' Range

- 40 underlying indices
- 49 Trackers
- 10 Index providers:
 - Dow Jones
 - DJ STOXX
 - Euronext
 - FTSE
 - FTSEurofirst
 - S&P
 - MTSNext
 - MSCI
 - AMEX
 - ARESE



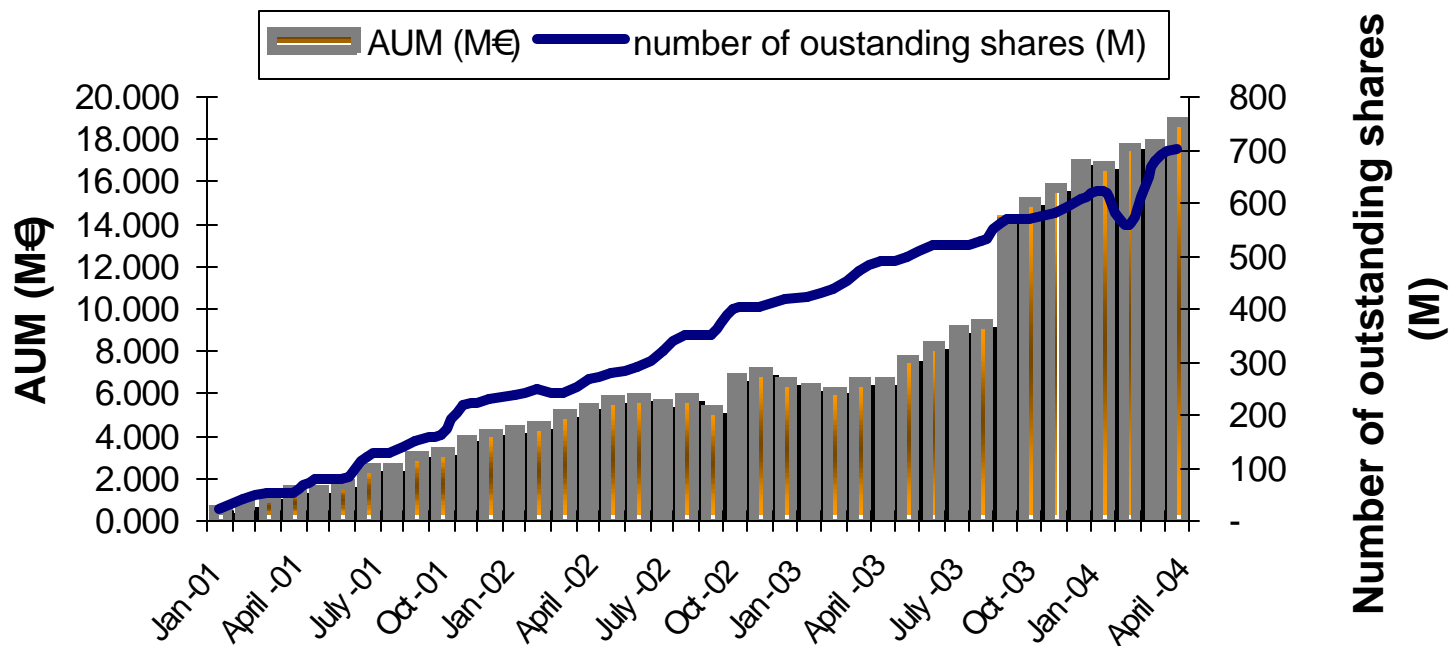
••● NextTrack ETF Issuers

- 9 Issuers

- AMEX – PDR Services LLC
- Axa Investment Managers
- Barclays Global Investors
- Credit Lyonnais Asset Management
- Dexia Asset Management
- Indexchange Investment AG
- Lyxor Asset Management
- State Street Global Advisors
- UBS AG

●●● Evolution of NextTrack

- 422,580 transactions in 2003 (+16.5%)
- Market capitalisation rose by 12.5% in the first four months of 2004 to €18.9 billion*



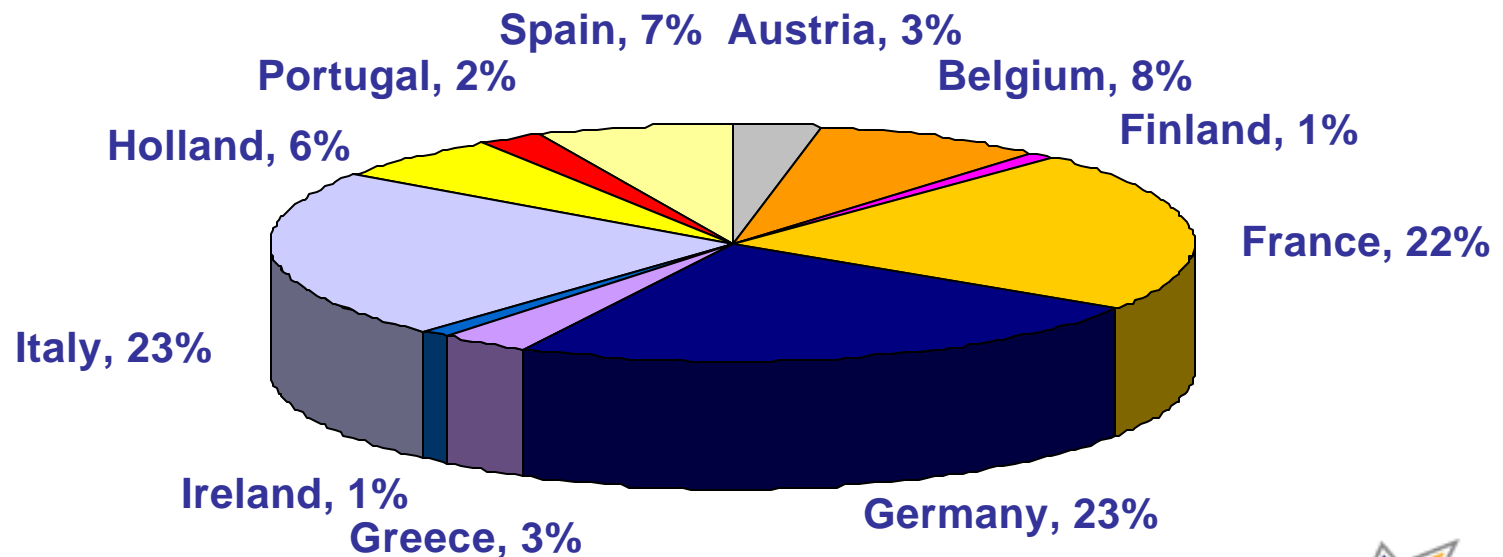
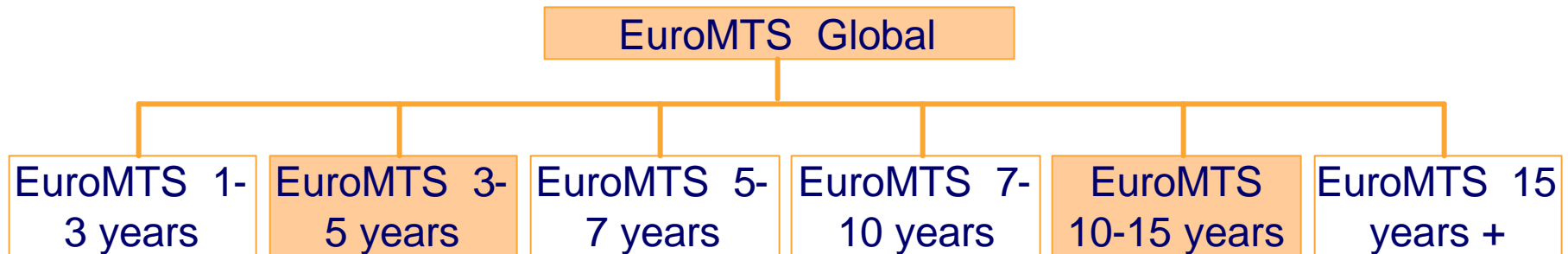
Source: Euronext / * As at 30/04/2004



Current Innovations: EuroMTS Trackers



- A Benchmark for the Eurozone Government Bond Market



••• Current Innovations: EuroMTS Trackers

The first ETFs on Eurozone government bond market

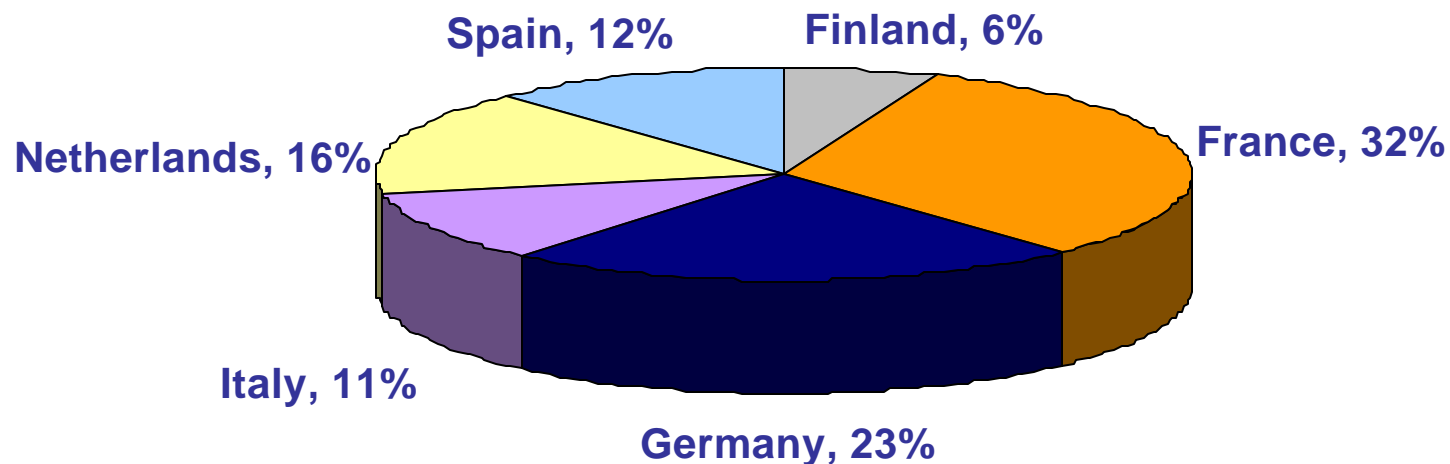
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index

- MTX – (MTS Global Master Unit)
- MTS – (MTS 3-5Y Master Unit)
- MTE – (MTS 10-15Y Master Unit)

●●● Current Innovations: FTSEurofirst Tracker



- FTSEurofirst 80 Index
 - Creation of FTSEurofirst
 - Definition of the FTSEurofirst 80 Index
- FTSEurofirst 80 Master Unit – MFE
 - Definition of the tracker
 - Features and Benefits of the tracker



Coming Innovations: Real Estate Tracker

- **EPRA: European Public Real Estate Association**
 - Mission : to promote, develop and represent the European Public Real Estate sector.
 - Objectives : establish the conditions for the expansion of the sector, unite the public real estate sector, improve information to investors, promote common and workable standards of best practice
 - 133 members as of Feb 2004
- **EPRA / NAREIT Global Real Estate Indices**
 - Leading independent global benchmark, developed and run by professionals
 - Global, regional and country based indices

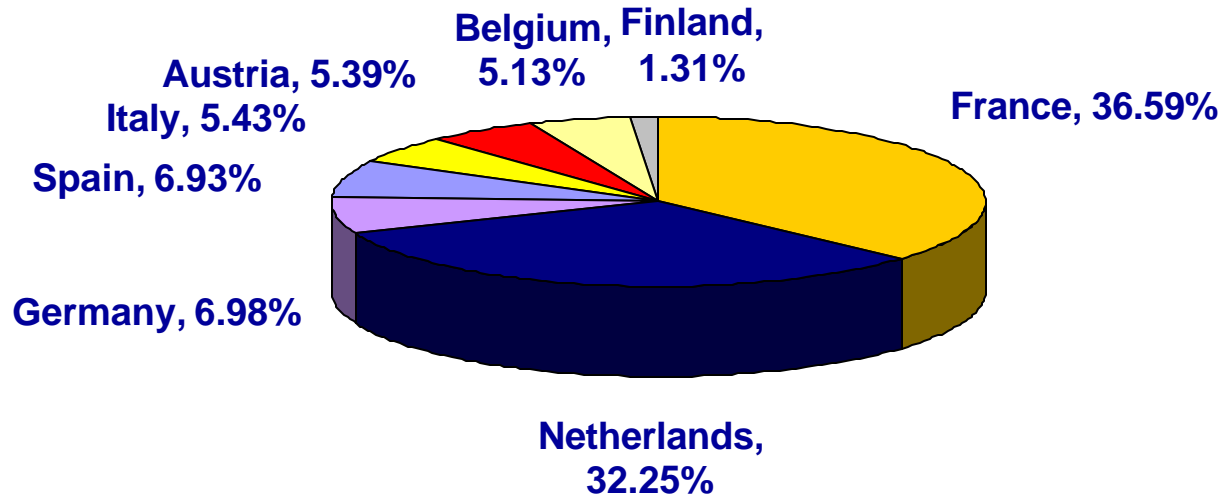


Source: AXA Investment Manager

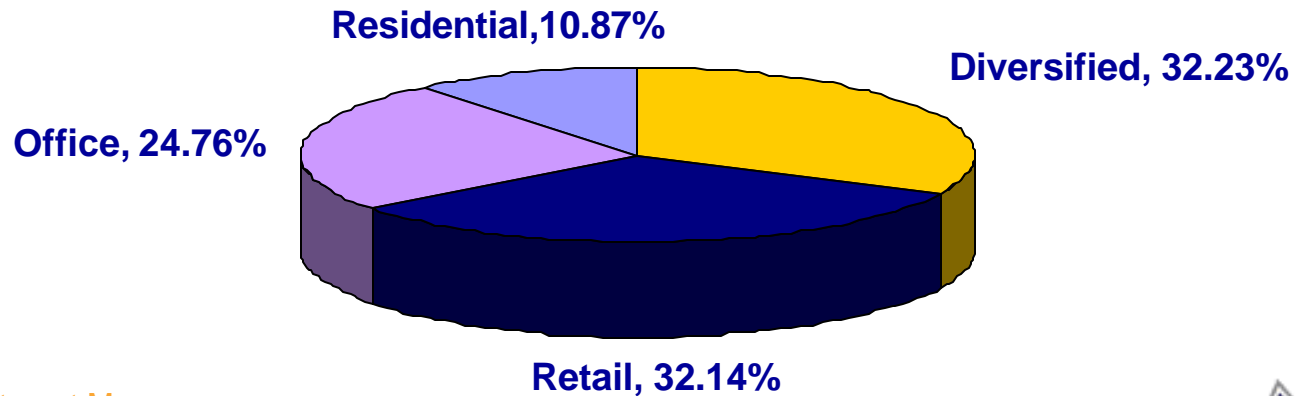


Coming Innovations: Real Estate Tracker

- Country Breakdown



- Real Estate Type



Source: AXA Investment Manager



••● Coming Innovations: Real Estate Tracker

- **Top 5 holdings (out of 26 total) – as of March 8**

Company	Country	Type	%
UNIBAIL	FR	Diversified	15,02%
Rodamco Europe	NL	Retail	12,71%
CORIO	NL	Retail	9,13%
GECINA	FR	Residential	7,00%
Wereldhave	NL	Office	5,35%

Source: AXA Investment Manager



●●● Coming Innovations: Real Estate Tracker

- **Risk Management :**
 - Cash Equalization : get quick exposure to the market
 - Hedging Purposes : short position initiated on the ETF in order to immunize a portfolio

- **Active Management :**
 - Asset allocation : get a low cost exposure to the Real Estate market
 - Long/short themes : get an asset class allocation through ETF
 - Core/Satellite strategies : ETF can be used both ways

Source: AXA Investment Manager



●●● Coming Innovations

- New Small and Mid Caps Indices:
Reform of the Cash listing on Euronext Paris
and Creation of new indices
 - ITCAC 20
 - MIDCAP 100
 - SMALLCAP 90
- Other Debt Indices:
 - Inflation linked bond index ETFs



Keep informed on Trackers with NextTrack News

April 2004

NextTrack News

Issue 36

NextTrack update

The benefits of bond trackers for institutional investors

On 24 March 2004, Euronext, in co-operation with the Edhec Business School and Lyxor Asset Management organized an event at the Palais Brongniart in Paris to present the results of a study made by the Edhec Business School on "The benefits of bond ETFs for institutional investors – the natural vehicle for a core-satellite approach".

The study, sponsored by Euronext, shows that bond trackers can be used to implement almost the full range of existing investment strategies. In terms of costs, the survey conducted by the Edhec with financial institutions shows the management costs of trackers are lower on average than those relating to the direct management of individual bonds. A summary of the study is presented in the spotlight section of this issue.

Since 24 March, three bond trackers issued by Lyxor Asset Management and listed on Euronext are available that cover the short, medium and long parts of the interest rates curve, allowing you to implement investment strategies in a cost efficient way.

For more information go to:
www.euronext.com/en and click on Trading > Equities > Trackers

Statistics (March 2004)

At the end of March, NextTrack had:

- 49 trackers from 9 issuers
- €91 million daily average turnover (+77.26% compared to February)
- €17.915 million in assets under management

Monthly volumes in the past year

Date	Daily av. turnover (€ million)	Daily av. number of trades (double counted)
04/03	~100	~1000
05/03	~80	~1000
06/03	~60	~1000
07/03	~50	~1000
08/03	~40	~1000
09/03	~30	~1000
10/03	~40	~1000
11/03	~50	~1000
12/03	~60	~1000
01/04	~70	~1000
02/04	~80	~1000
03/04	~90	~1000

- Subscribe to the NextTrack Newsletter:
trackers@euronext-us.com
- NextTrack online:
www.euronext.com
Trading > Equities > Trackers





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