

# Role of Asia Index Pvt. Ltd. and S&P Dow Jones Indices in Changing Market Dynamics, New Environment, and Business



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The investment landscape is constantly shifting, and one of the prominent changes we have witnessed over the past few years has been the growth of passive investing.

Global markets had a head start, but the Indian passive investing space seems to have grown faster than expected. A recent catalyst for this change has been the support provided by government initiatives, such as the CPSE ETF and the EPFO's decision to invest in ETFs. Global ETF markets have displayed ascending growth in terms of assets and number of ETFs, with a record high of over USD 3,445 billion in assets under management and over 6,605 ETPs across the globe. Indian ETF assets under management grew to USD 3 billion with 66 products at the end of November 2016. Confirming its accelerated growth in this segment, India outperformed the global market's ETF growth with a CAGR of 44% YTD in comparison with the global ETF market's CAGR of 15% YTD at the end of November 2016.

S&P Dow Jones Indices works with product providers and local exchanges in various key financial markets across the globe to provide indices that aid issuers in delivering the investment options that are

most suitable for the market. Asia Index brings this global expertise and experience to the Indian market. That coupled with the local exchange partnership provided by BSE Ltd. enables us to deliver a strong suite of indices to the local market participants that desire suitable and relevant solutions to a ripening passive market.

As markets are warming up to the passive play, the need for multiple options is growing. Market participants are looking beyond market-linked returns to options that offer returns based on factor filters. The global markets and investor inclination to such products are resulting in their growing demand and popularity. While one would think that it would take a while for such concepts to gain traction in India, many local product providers are looking at factor-based investment options—confirming that India is playing catch-up with global trends.

In spite of this, if we look at the growing Indian passive market overall, it is still in its infancy and there is need for development in terms of product infrastructure and ETF literacy. Investor awareness and education programs are needed to build deeper understanding of these concepts, and Asia Index, BSE, and S&P Dow Jones Indices are active in this space via various channels, including thought leadership events, educational blogs, webinars, and microsites.

## **New themes for 2017**

As an index provider, it is important for us to provide solutions that are relevant and suitable for the market, sector, segment, theme, or strategy they represent. The relevance and suitability is driven by product issuers and market demand. The popularity of smart beta or factor-based indices is on the rise. Smart beta products are based on rules and factors that blend active strategies in a passive portfolio, thereby providing the benefit of transparency along with cost reduction. This provides alternative returns as compared with traditional market beta products.

In continuation of this interest, 2017 should see growth in these products locally and globally. Another major development in India this year is the upcoming launch of the CPSE 2 ETF. This should further boost this passive space and aid the market growth.

As the optimism around the passive market grows, there could be a shift from traditional market-based ETFs based on indices like the [S&P BSE SENSEX](#) to factor-based ones like the [S&P BSE Low Volatility Index](#). The only thing that remains constant is change, and we look forward to monitoring and participating in the developments of the ETF market and the growth of index-based products in India.

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