

2010 Domestic market segmentation survey

November 2011

- This survey was conducted for the first time in 2007; this one is the fourth one.
- The domestic market capitalization was broken down in **four segments** according to thresholds. The **same threshold levels were kept** for the 4 surveys for consistency reasons. The segments were thus defined as follows:

Large market cap segment

domestic companies with a **market cap > USD 1.3 bn**

Mid market cap segment

USD 1.3 bn > market cap > USD 200 m

Small market cap segment

USD 200 m > market cap > USD 65 m

Micro market cap segment

market cap < USD 65 m

- Exchanges were asked to distribute their **domestic market cap, number of domestic listed companies, EOB trading value** and **EOB number of trades** into these 4 segments
- Since 2008, an important change in the methodology has been introduced: **only EOB** trading is now considered while total trading was used for the first survey
- **Companies delisted** during the year were **excluded**
- In market capitalization, number of companies, EOB trading value and number of trades: **Main board + SMEs/Alternative markets** data are consolidated

- **Turnover velocities** for each segment were calculated by using the WFE traditional formula

$$\frac{\text{domestic EOB share trading value of segment X}}{\text{domestic market cap of segment X}}$$

Objectives of the survey

- Determine **the weight of each of the four tiers** in each single exchange in terms of market capitalization, number of listed companies, share trading value and number of trades
- Identify the **segments which contribute the most to exchange business and revenues**
- Analyze the **liquidity of each segment**, using the turnover velocity ratios

Study is based on **49 answers** received from the following members
(3 exchanges did not responded : ASX, Malta SE, NASDAQ OMX Nordic)

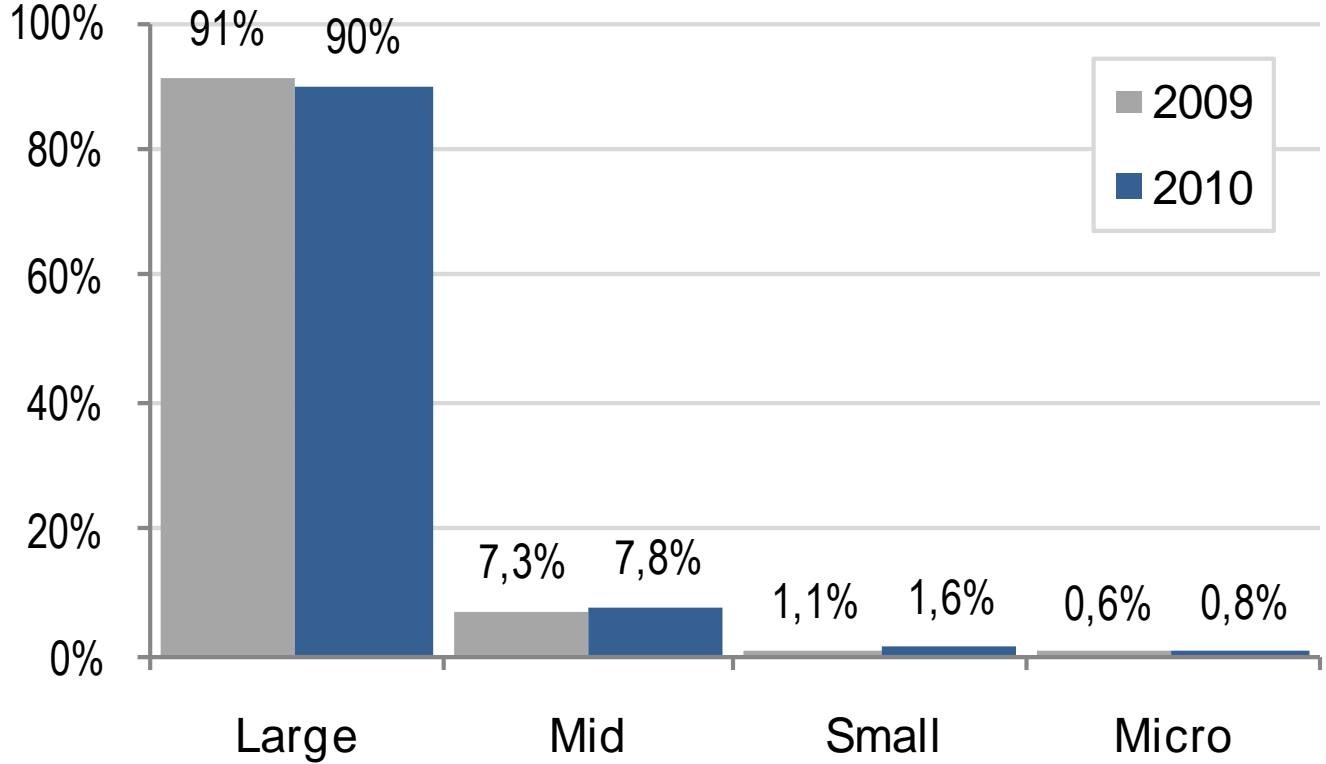
Americas (10)	Asia – Pacific (15)	EMEA (24)
<ul style="list-style-type: none"> • Bermuda SE • BM&FBOVESPA • Buenos Aires SE (3) • Colombia SE (1) • Lima SE • Mexican Exchange • NASDAQ OMX • NYSE Euronext US • Santiago SE • TMX Group (4) 	<ul style="list-style-type: none"> • Bombay SE (1) • Bursa Malaysia • Colombo SE • Hong Kong Exchanges • Indonesia Exchange • Korea Exchange • NSE of India (1) • Osaka SE + Jasdaq (2) • Philippine SE • Shanghai SE • Shenzhen SE (1) • Singapore Exchange (3) • Taiwan SE Corp. • Thailand SE • Tokyo SE (3) 	<ul style="list-style-type: none"> • Amman SE • Athens SE • BME • Budapest SE • Casablanca SE (1) • Cyprus SE • Deutsche Börse • Egyptian Exchange • Irish SE • Istanbul SE • Johannesburg SE • Ljubljana SE • London SE Group • Luxembourg SE • Mauritius SE • MICEX • NYSE Euronext Europe • Oslo Bors • Saudi Stock Market • SIX Swiss Exchange • Tehran SE • Tel Aviv SE • Warsaw SE • Wiener Börse

(1) Data not available in 2009 – The exchange is excluded for 2010/2009 comparisons
 (2) Jasdaq is not included in 2009 – Osaka SE + Jasdaq are excluded for 2010/2009 comparisons
 (3) Number of trades not available in 2009 and 2010
 (4) Number of trades and value of share trading non available in 2009 and 2010 – The Exchange is included in 2010/2009 comparisons for the number of companies and the market capitalization but not for the value of share trading and number of trades.

Distribution of domestic market cap at WFE level by segment

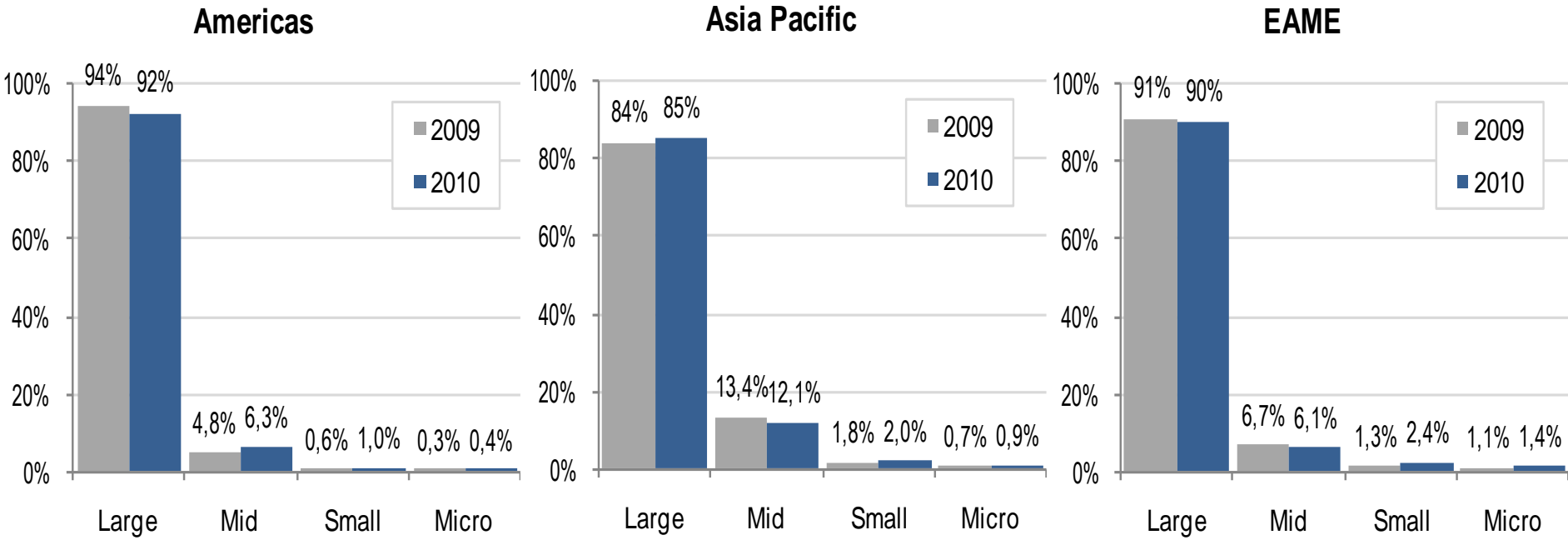
- Large cap segment by far dominates in term of market cap
- In 2010, there was a slight decrease of large cap segment compared to 2009 as this segment registered a slower growth rate (22%) than the 3 other segments (ex: 67% & 53% for small & micro caps respectively)

Total WFE



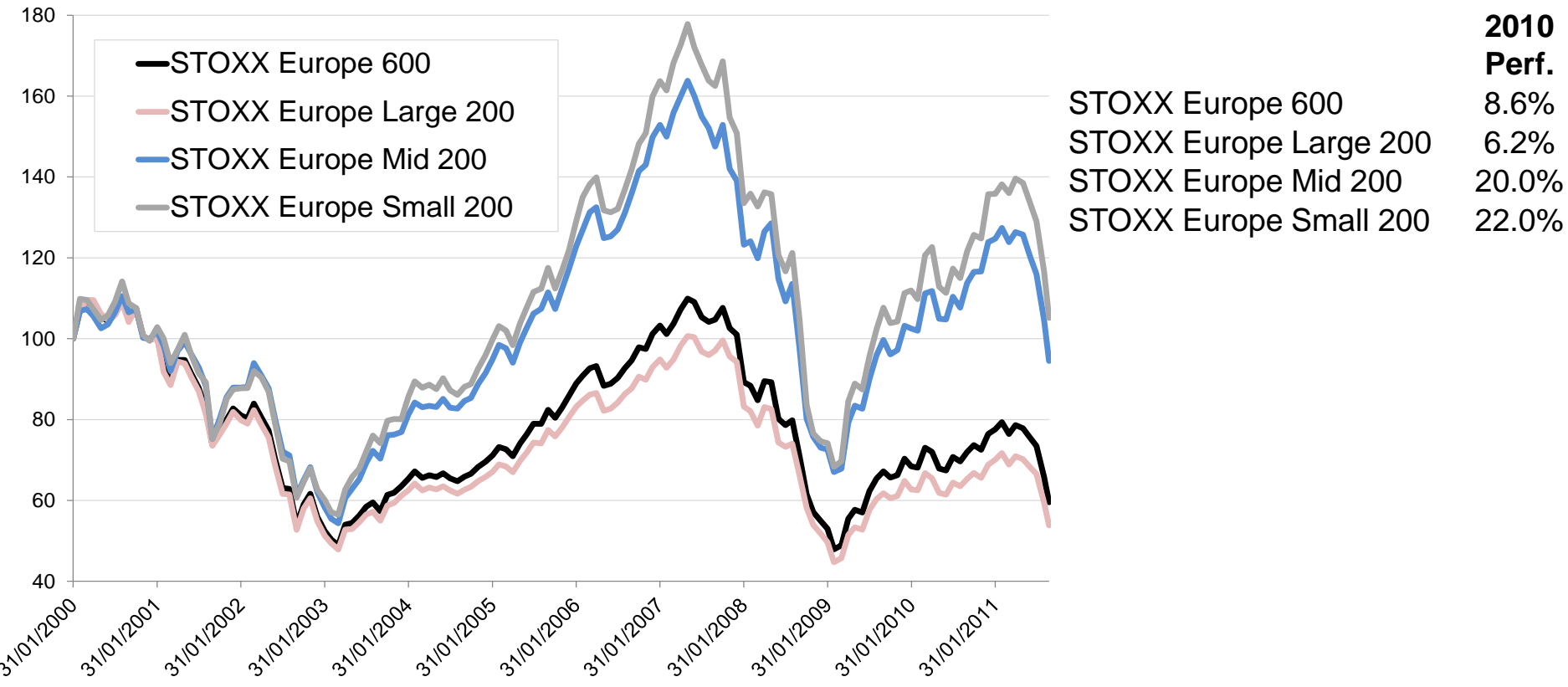
Breakdown by region

- **Americas** has the highest part of large cap companies among the 3 regions. Large cap market value increased by 17% while small cap, for example, surged by 28% in 2010 v. 2009
- **Asia Pacific** has the highest share of mid cap companies in total market cap among the 3 regions – the segment value surged by 10% in 2010. Although the biggest segment, large cap companies have a smaller weight in total market cap than in the other regions; however, the growth of its market cap value was 20%
- In **EMEA**, market cap of large cap represents by far the highest part of total market cap. It increased slowly by only 3.3% compared to higher growth rates of small cap (+94%) and micro cap (+42%) while mid cap market cap decreased by -5%,



Example of different indices performance in Europe

- As noted in slide 7, the gaps in the performance of market capitalization between mid, small and micros caps segments and the large cap one can be important, the three smallest segments having performed much better in 2010 than the large cap companies segment.
- The graph below illustrates these divergent evolutions in 2010 taking the STOXX index series as example :

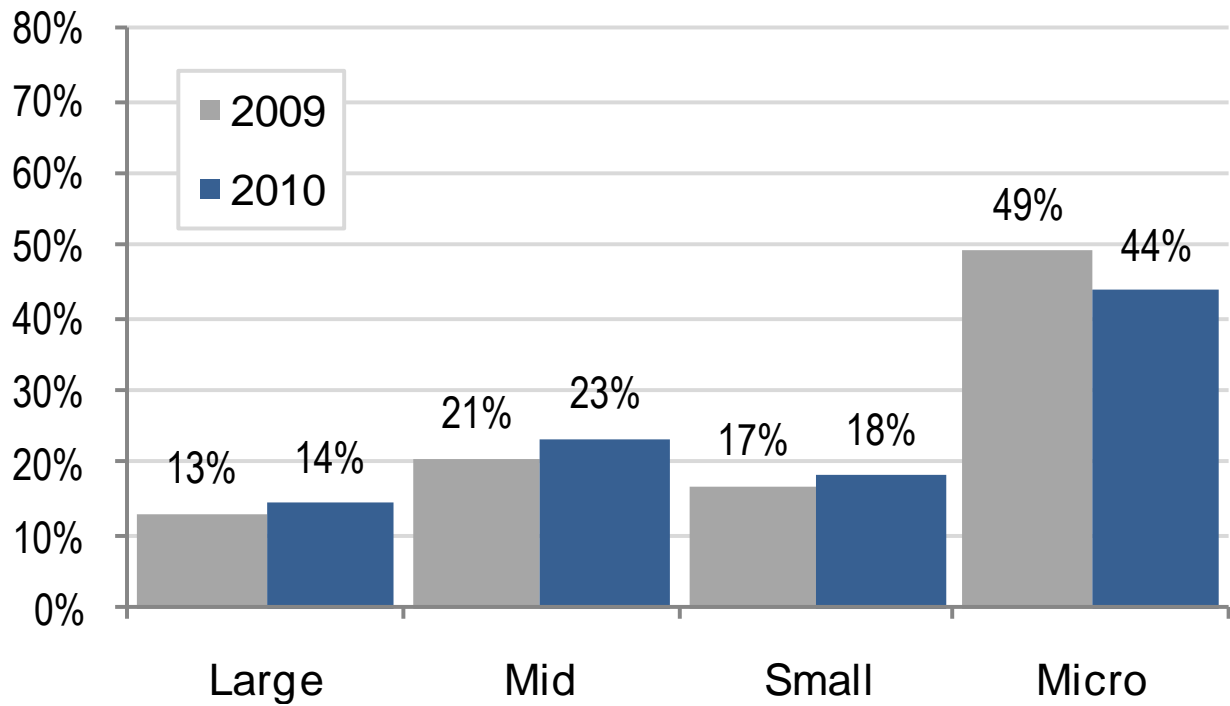


Distribution of number of domestic listed companies at WFE level by segment



- At WFE global level, the number of micro cap companies makes the largest part of domestic listed companies
- 44% of listed companies made less than 1% of market cap in 2010
- Distribution among the segments registered only a negligible change between both years

Total WFE



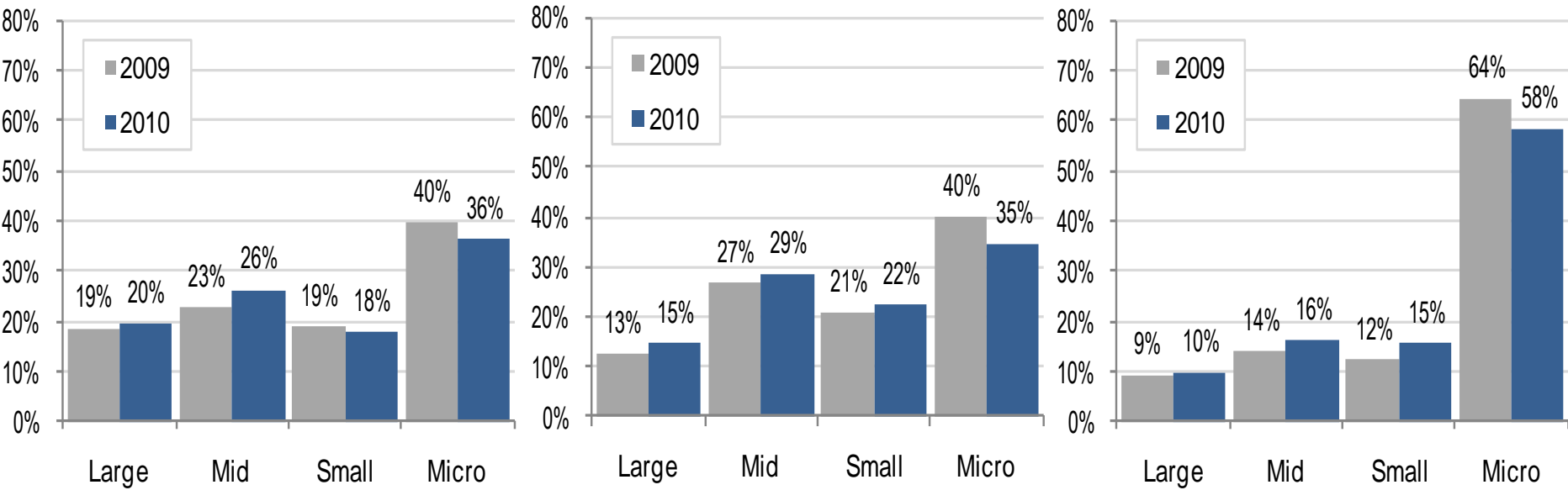
Breakdown by region

- **Americas** has the highest number of large cap companies among the 3 regions while micro cap companies, although representing the majority, is the lowest among the 3 regions
- In **Asia Pacific**, micro, mid and small cap companies represent by far the bulk of listings. However, there was a significant surge in the number of large cap companies listed : +22% in 2010
- In **EMEA**, huge share of micro caps (almost 60%), small & mid caps in listings while large cap listings (10%) has a relative small share. This is likely linked to the high number of small bourses in this region

Americas

Asia Pacific

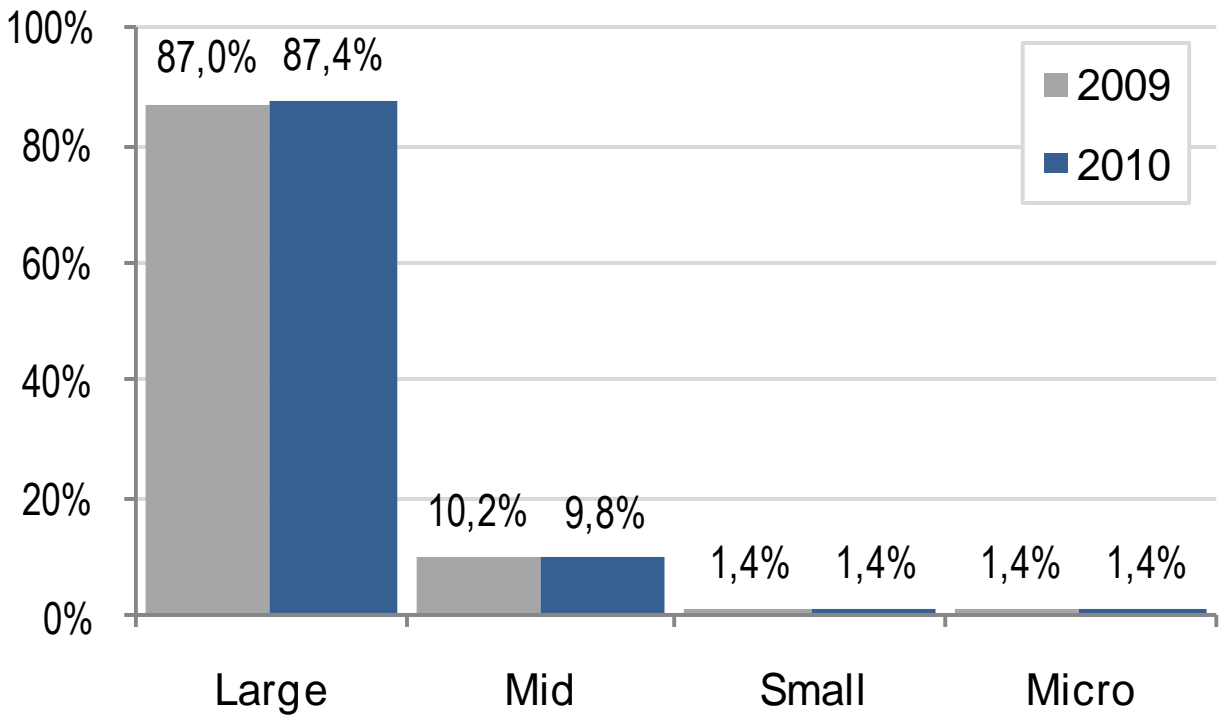
EAME



Distribution of domestic share trading (EOB) at WFE level by segment

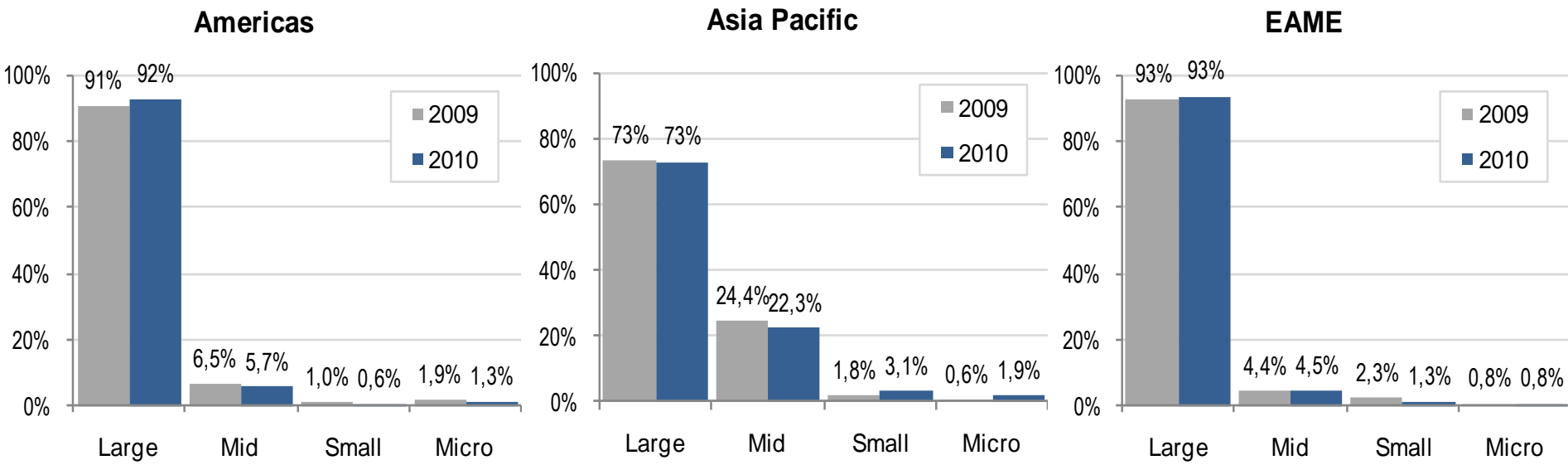
- EOB trading value of large cap companies continued to dominate in 2010 despite a slight decrease in the total value
- Despite a rise in mid cap companies trading value traded by 41%, its relative share in total EOB trading slightly decreased to 9.8%
- Small & micro caps share in trading experienced no change, combined with a tiny change in traded value: - 3% & 1.1% respectively

Total WFE



Breakdown by region

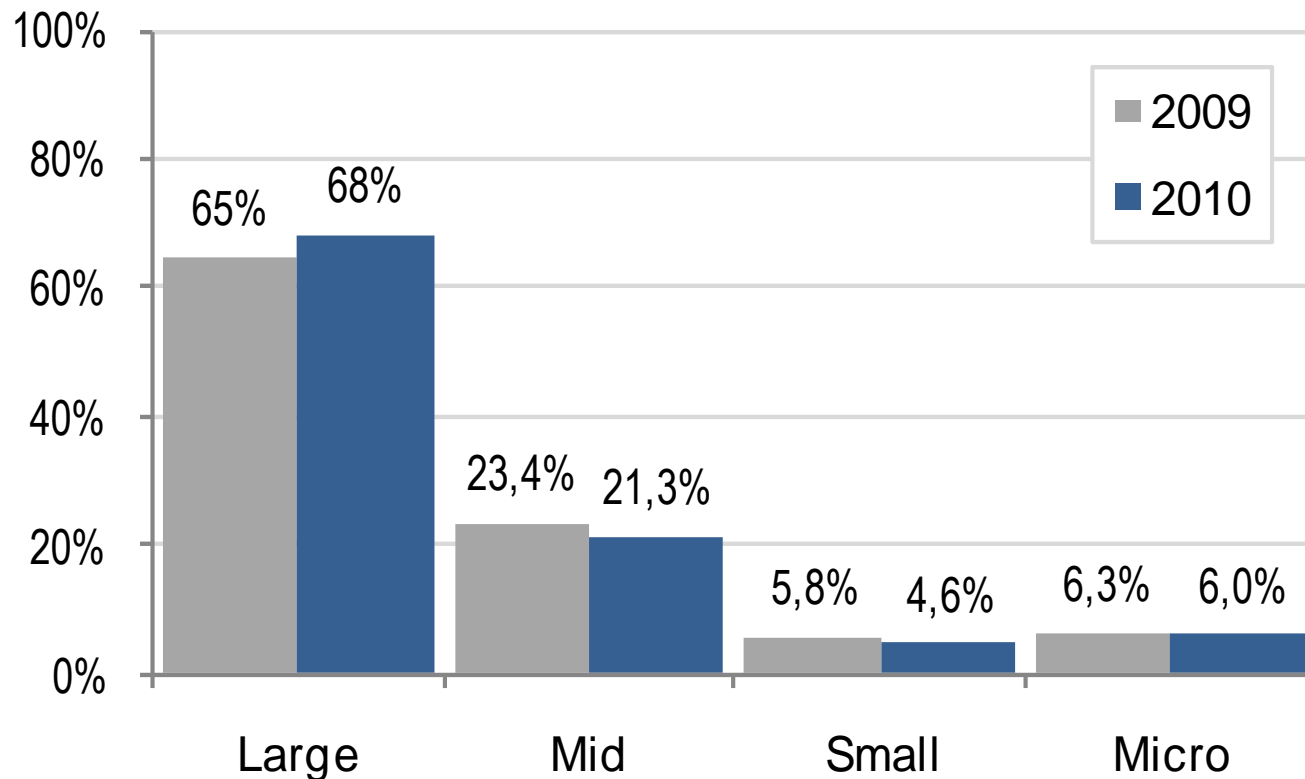
- In **Americas**, in a general context of decreasing value traded for all segments, large cap companies trading dominated by far and even gained some ground in 2010 v. 2009. Percentage changes in large cap value traded (-2.3%) was smaller than in other segments (-36% for micro, for example)
- In **Asia Pacific**, EOB share trading value in mid cap, small & micro caps is higher than in other regions. Small & micro cps trading value surged by 91% and 221% respectively. The part of large cap companies in EOB domestic trading smallest compared to other regions
- In **EMEA**, EOB trading value of large cap company shares represents by far the largest part, as in Americas. Small cap trading value share in total trading declined v. 2009, reflecting its decrease in trading value (-44%)



Distribution of the number of trades of domestic shares (EOB) at WFE level by segment

- EOB number of trades picture is significantly different from the trading one
- Importance of number of trades generated by the trading of mid, small & micro companies v. their size in EOB total trading value

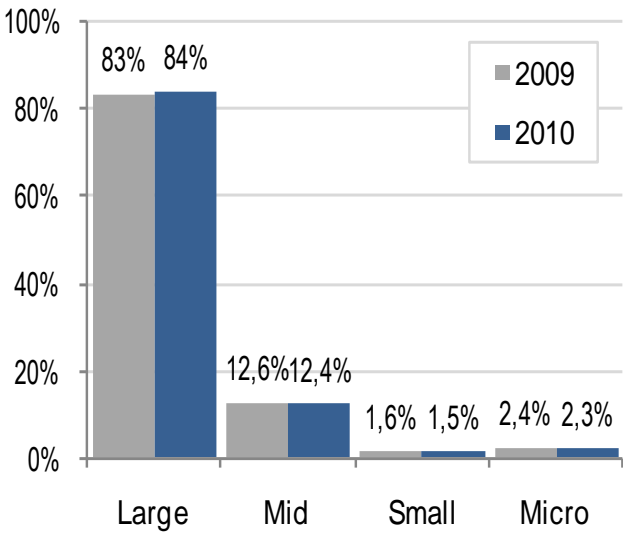
Total WFE



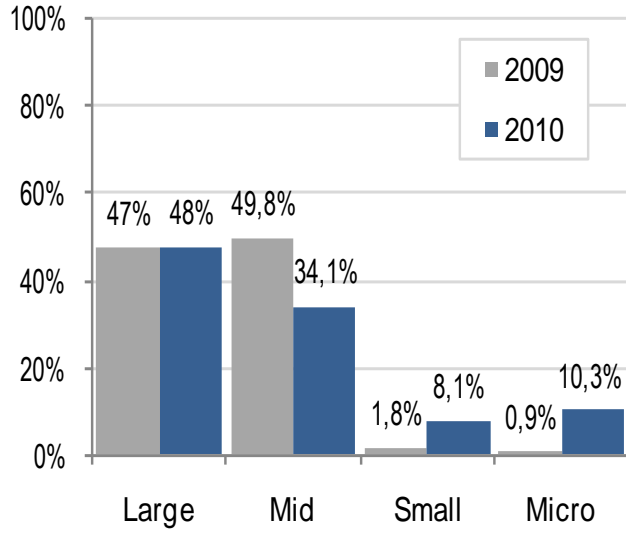
Breakdown by region

- **Americas** has the highest proportion of equity trades from large cap trading. Despite the decrease in number of trades in all segments by an average of 30%, their share in total remained mostly unchanged
- In **Asia Pacific**, the weight of mid, small & micro caps in trading appears even more clearly when looking at number of trades. Relatively small share of number of trades generated by large caps (>50%)
- In **EMEA**, despite a relative stability in the share of each segment in trading, evolutions in number of shares are diverging : strong surge in large caps trades (+11%), significant decrease in other segments : -10% for mid cap trades, -44% for small cap trades, -24% for micro cap trades

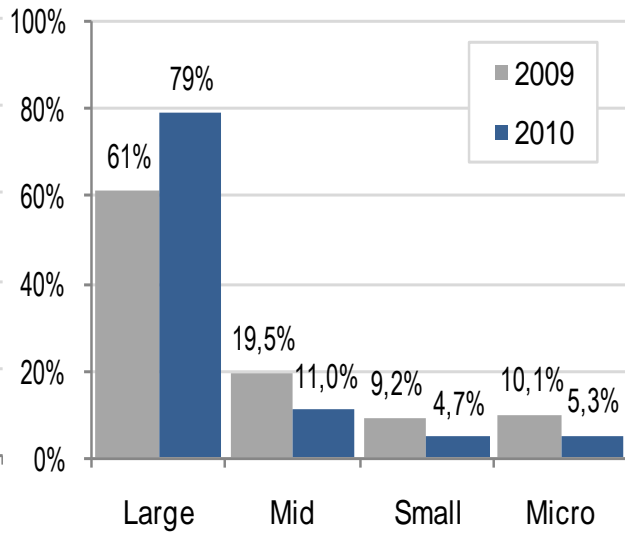
Americas



Asia Pacific



EAME

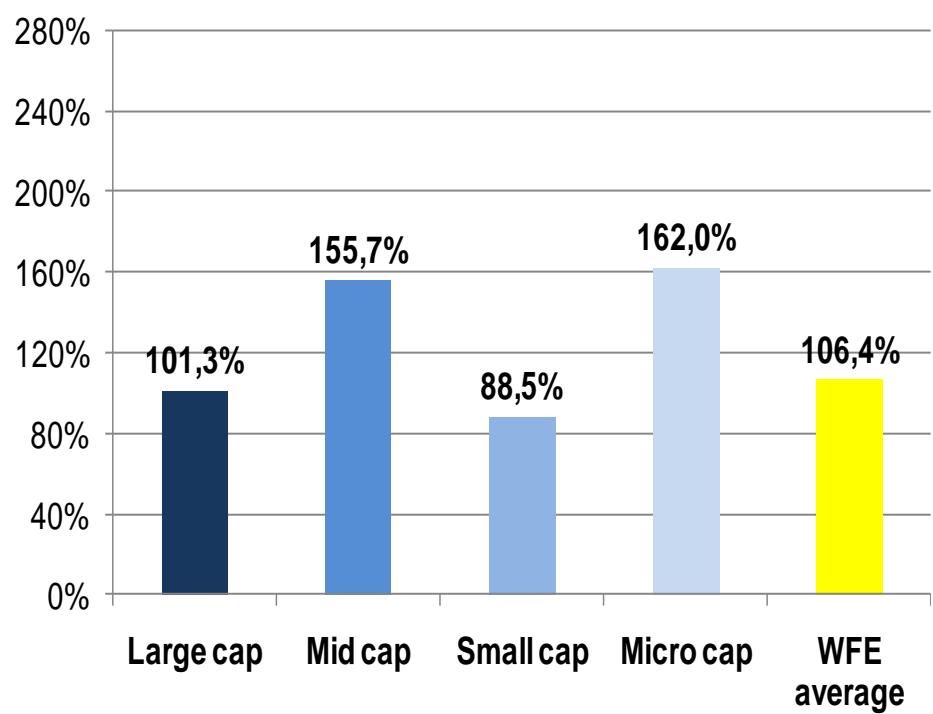


Average turnover velocity by market segment at WFE level

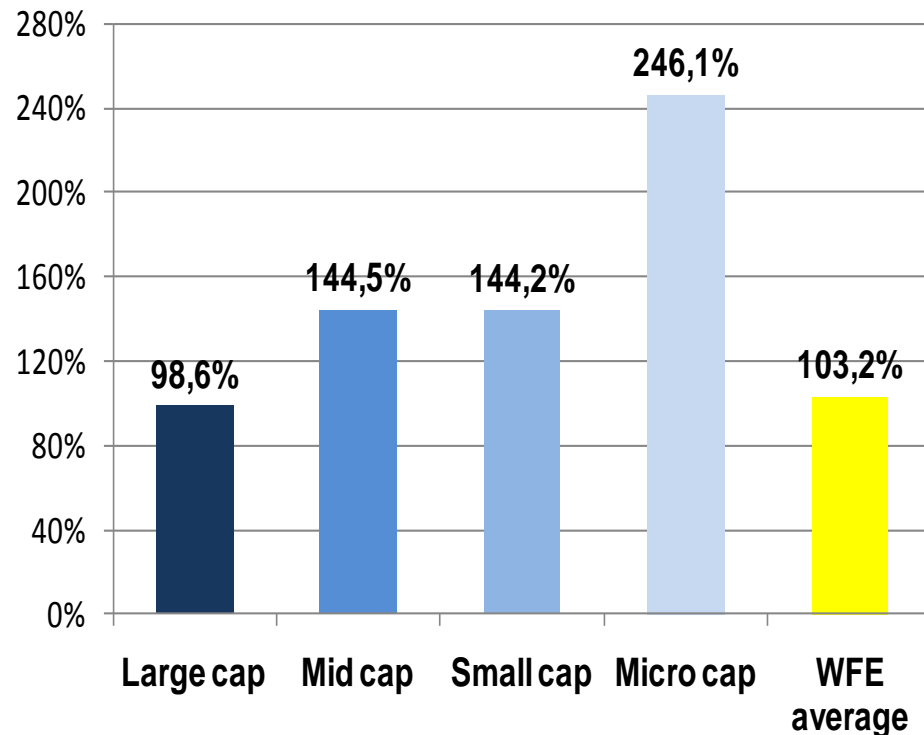


- Turnover velocities of large cap companies and WFE average are very close and are quite stable
- Turnover velocities of the other segments are more volatile and tended to decrease, except the mid cap compartment

In 2010



In 2009



- Predominance of large cap segment in
 - ⇒ Domestic market capitalization
 - ⇒ Domestic share trading value EOB
 - ⇒ Number of trades EOB

- Core listings of WFE members is made of **micro cap companies** (44%) while large cap companies have the smallest share in total listings

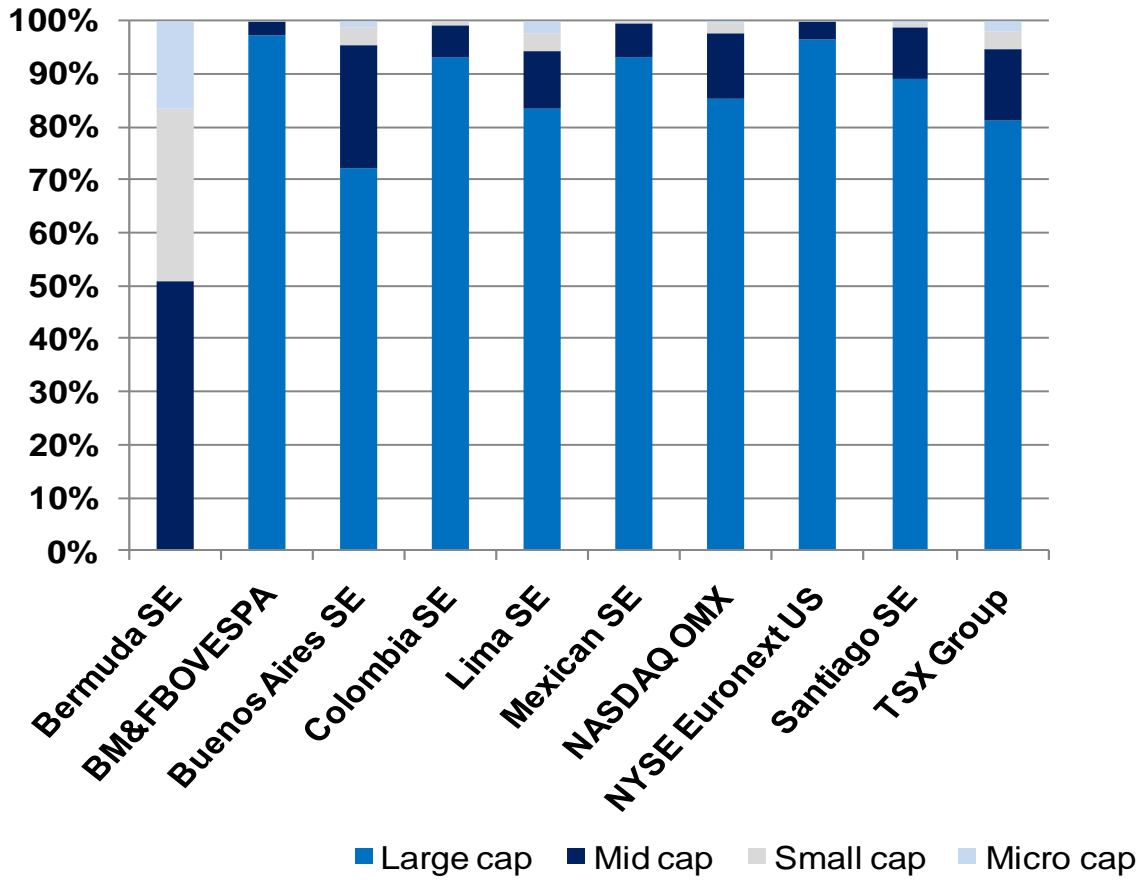
- In 2010, at WFE level, the mid, small and micro cap segments registered higher market performances in terms of market capitalization and turnover than the large cap segment

- Regional main characteristics:
 - ⇒ Americas: highest share of large company segment in domestic market capitalization, turnover and number of trades among the three regions
 - ⇒ Asia-Pacific: the mid cap company segment is relatively important compared to the other regions while the large cap segment, although dominating, has a smaller share in market capitalization and turnover
 - ⇒ EMEA has the highest share of micro cap companies in total domestic listings (60%)

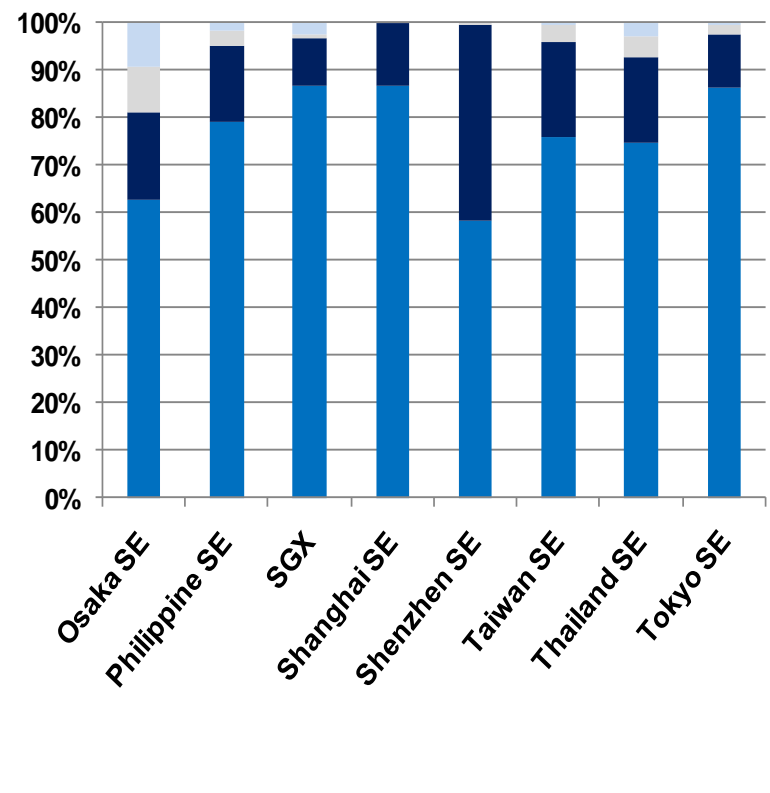
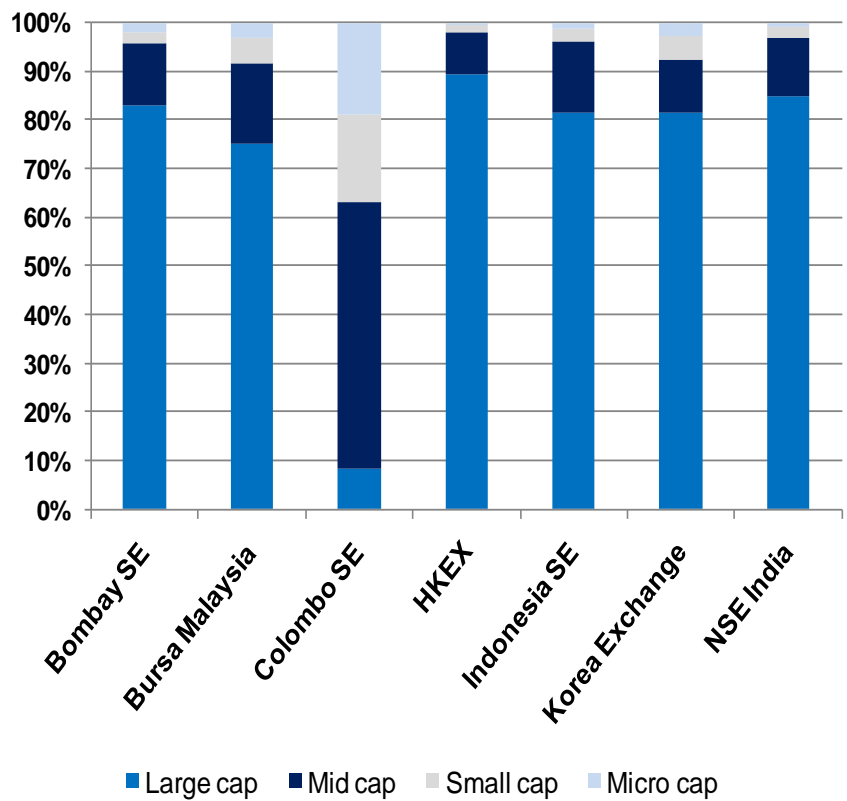
- In terms of market cap, small exchanges tend to have a more diverse distribution among the four segments while in greater exchanges market cap of large companies dominates
- On the contrary, in terms of listings, large exchanges tend to have a more balanced distribution across segments than smaller exchanges
- Trading is mainly dominated by large cap companies but in terms of number of trades mid, small & micro caps generate a significant number of trades compared to their relative small part in total trading value
- Large cap turnover velocity ratio tended to be relatively stable in the past 2 years while turnover velocities of the 3 other segments were quite volatile
- There is a strong link between turnover velocity of large cap segment and the region' / exchange's average ratio when the large cap segment by far dominates both trading value and market cap, as in Americas and EMEA
- On the contrary, turnover velocity ratios of large cap segment tend to diverge from the average when the large segment is less important in both trading value and market cap, as in Asia Pacific

Annexes

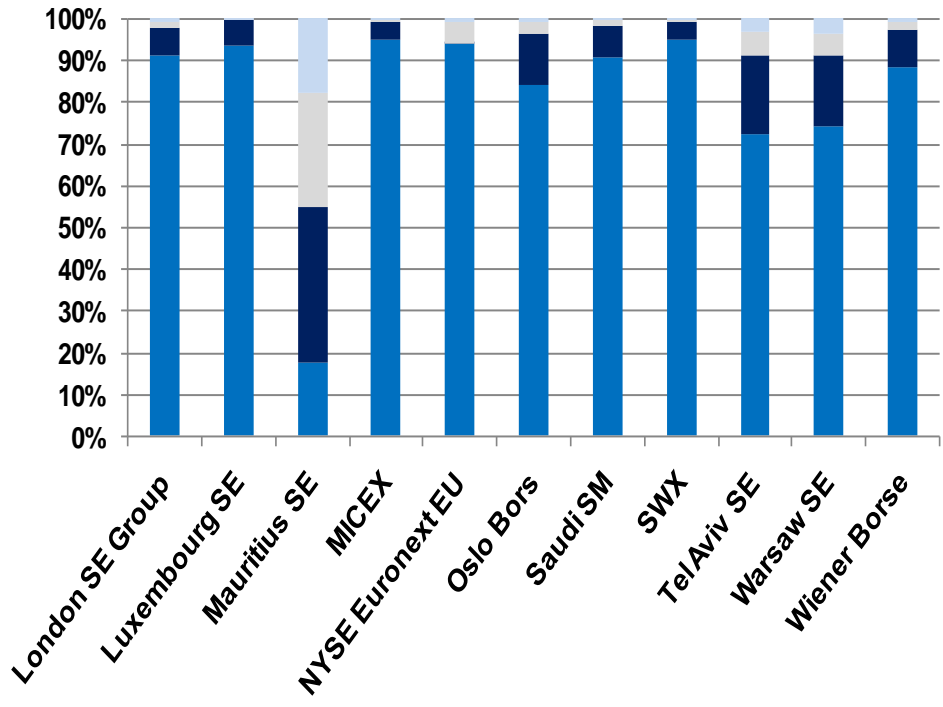
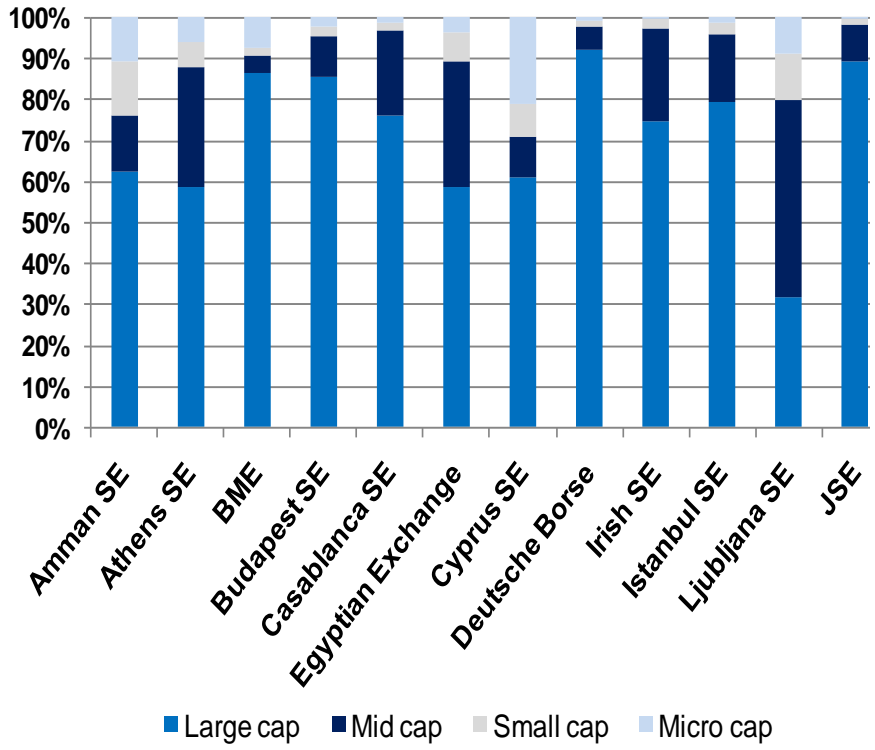
Compared distribution of domestic market cap by segments across exchanges in Americas in 2010



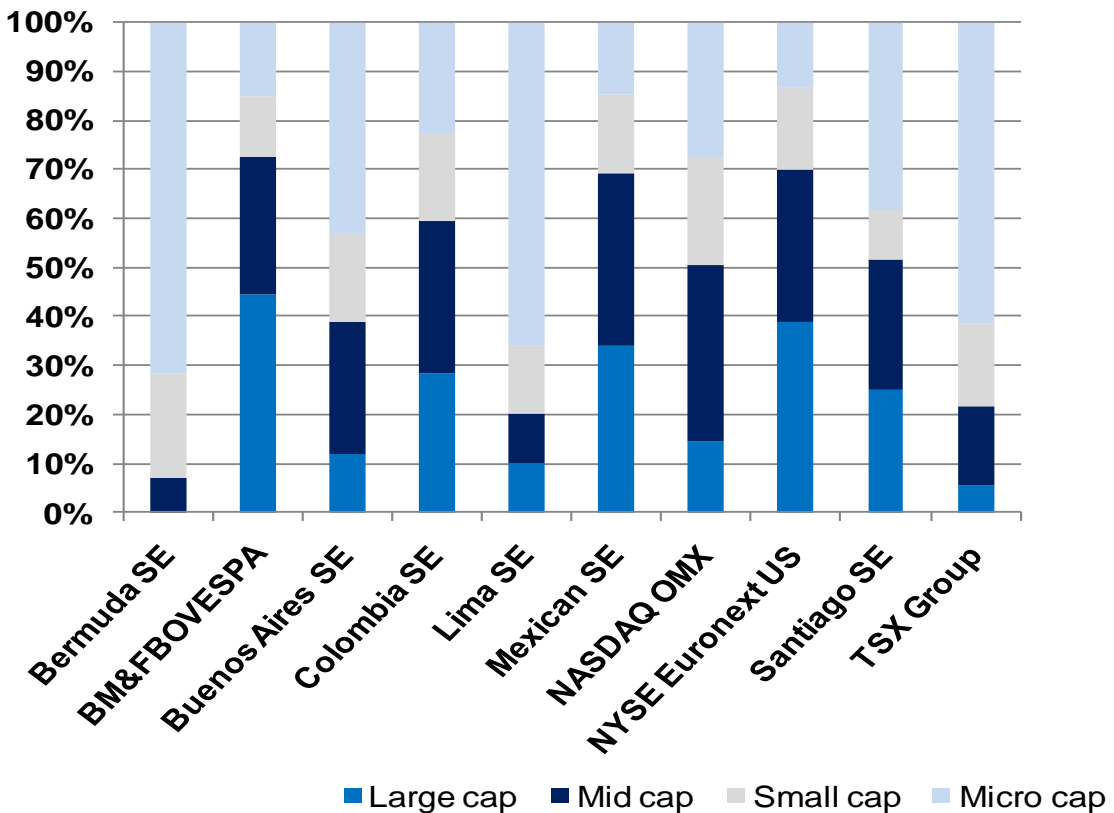
Compared distribution of domestic market cap by segments across exchanges in Asia Pacific in 2010



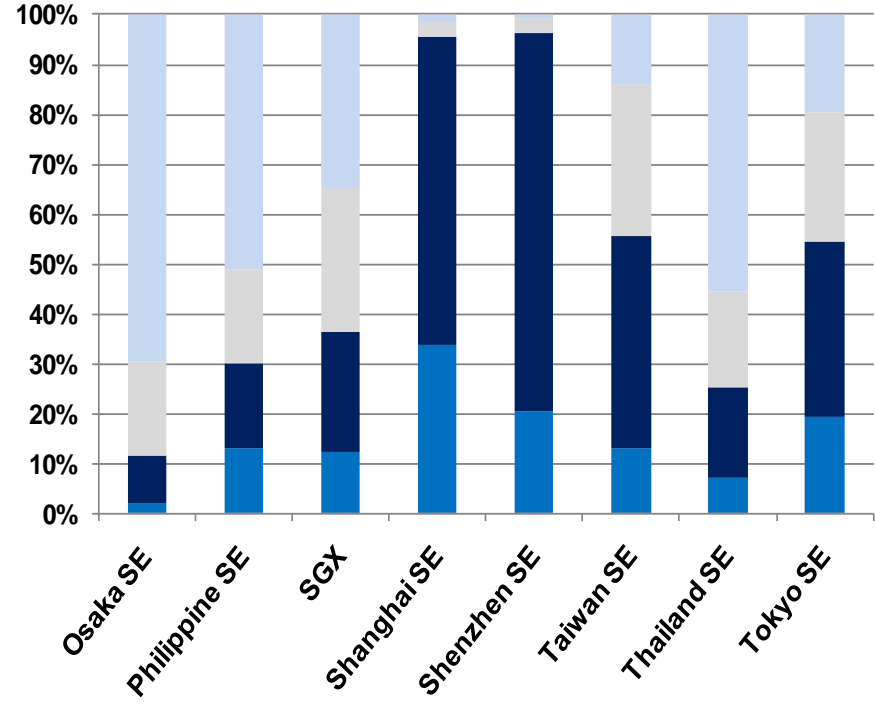
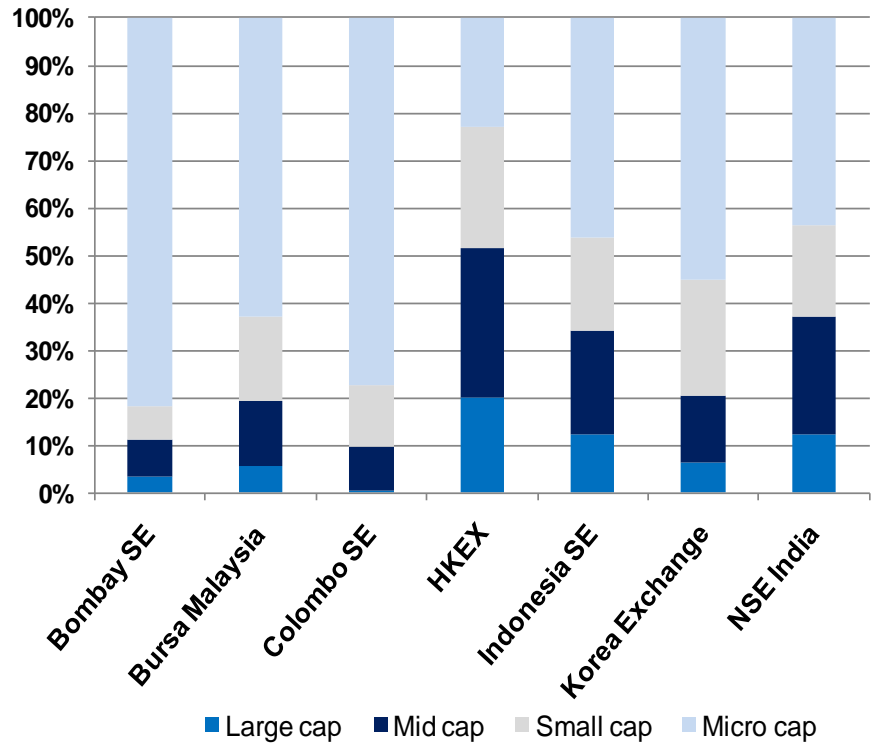
Compared distribution of domestic market cap by segments across exchanges in EMEA in 2010



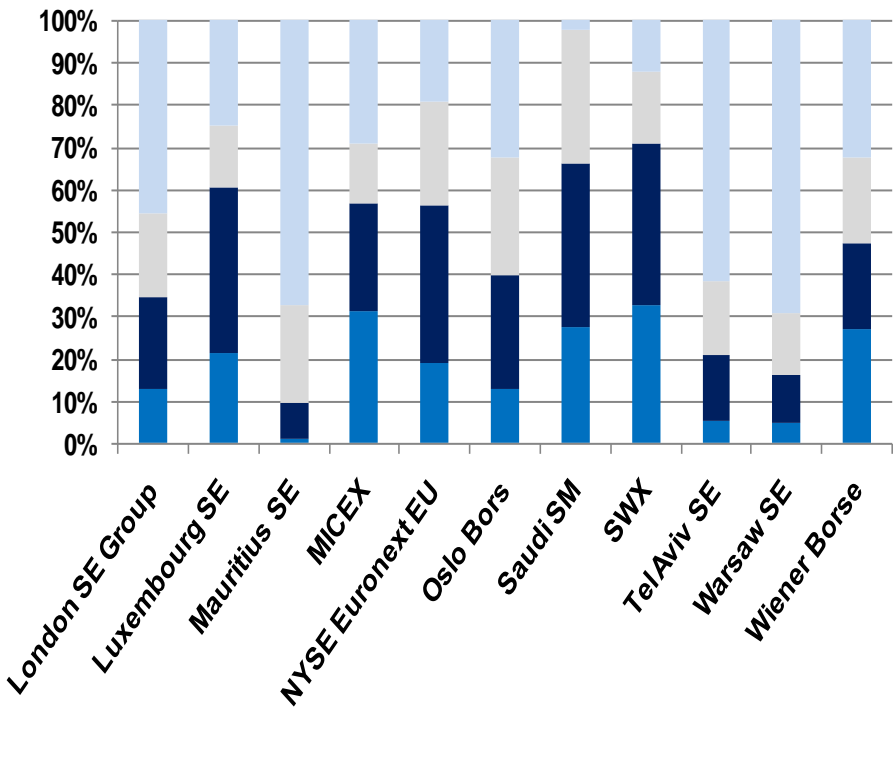
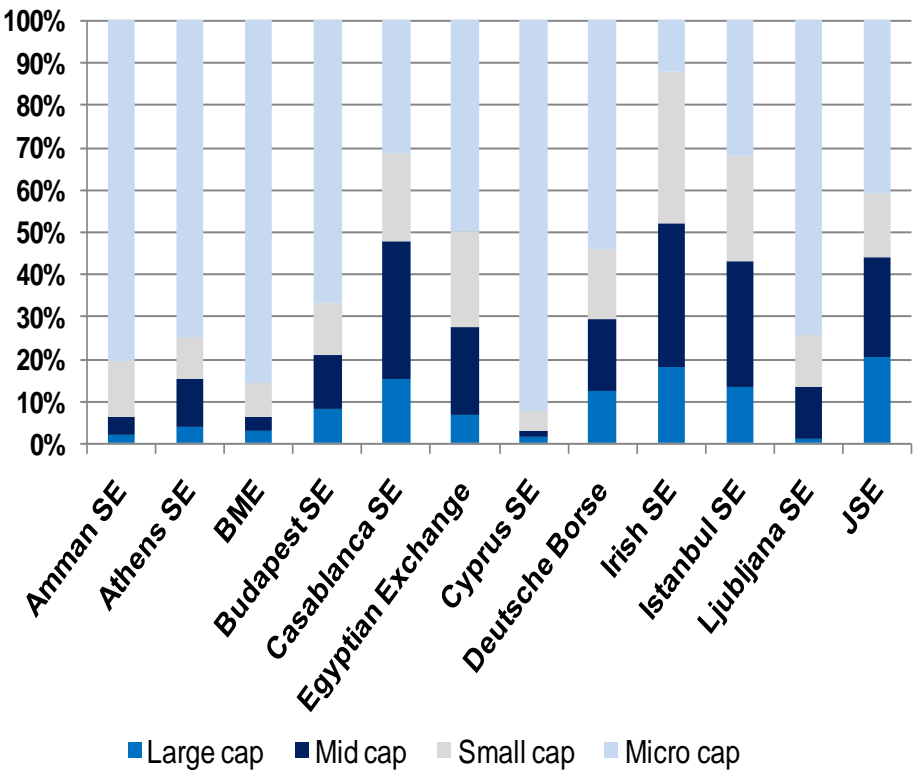
Compared distribution of domestic listed companies by segments across exchanges in Americas in 2010



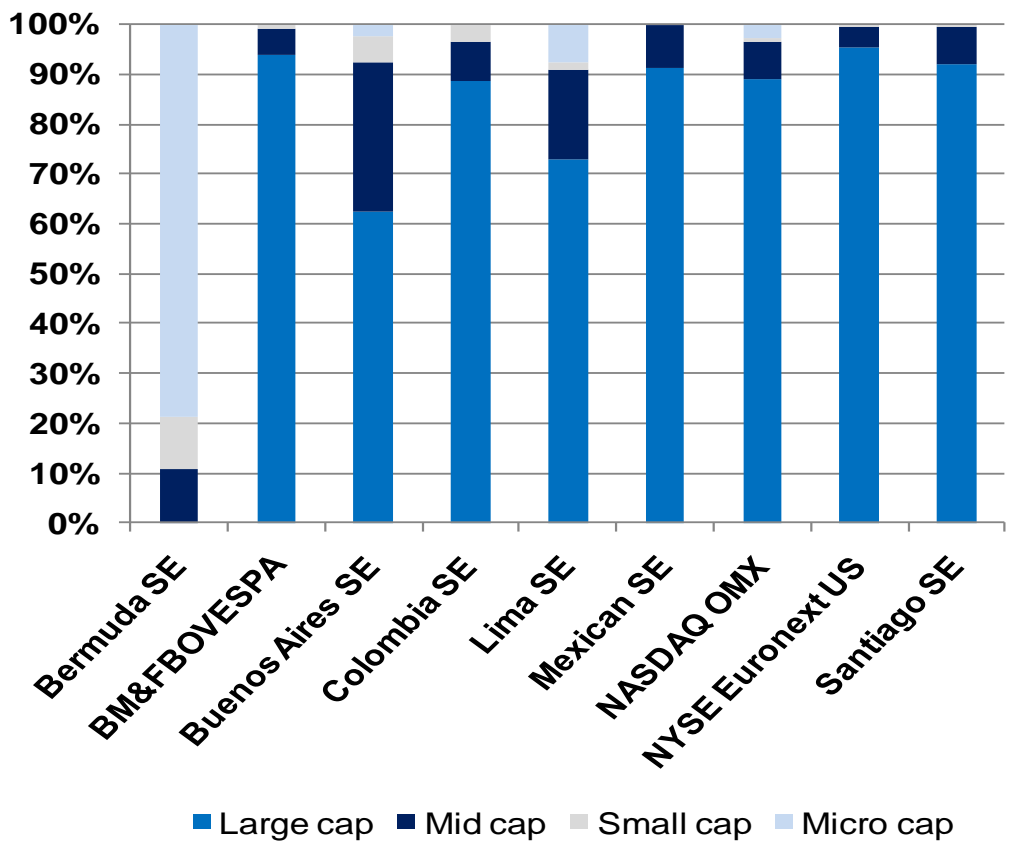
Compared distribution of domestic listed companies by segments across exchanges in Asia Pacific in 2010



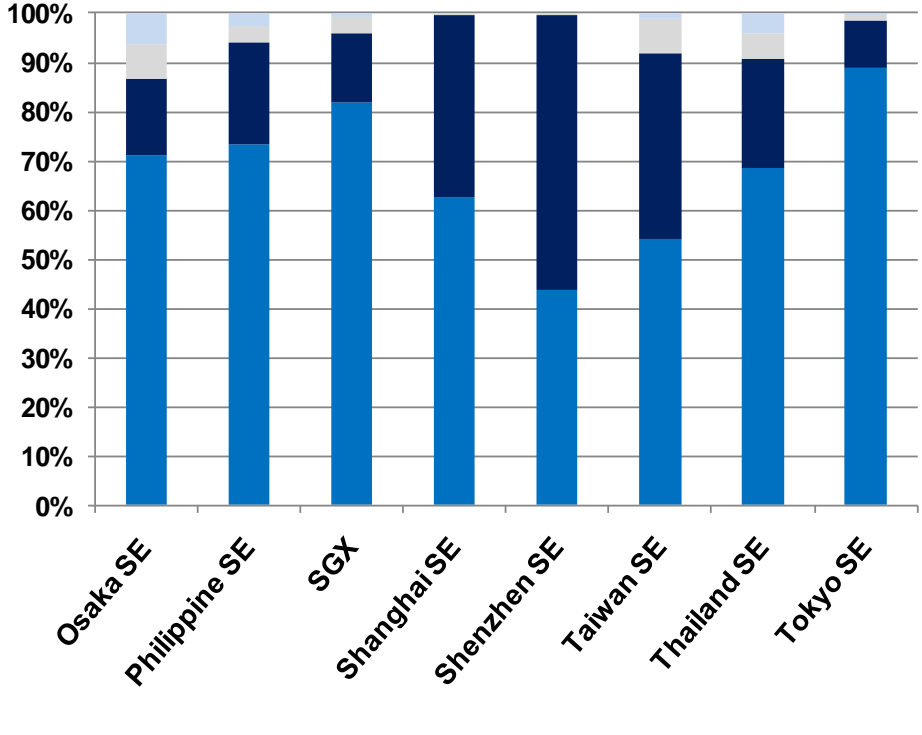
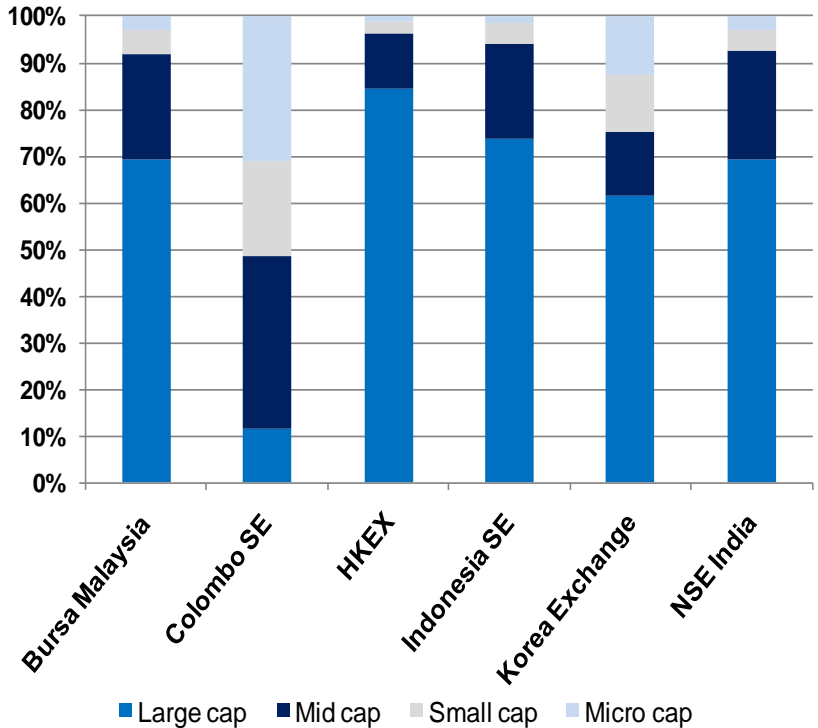
Compared distribution of domestic listed companies by segments across exchanges in EMEA in 2010



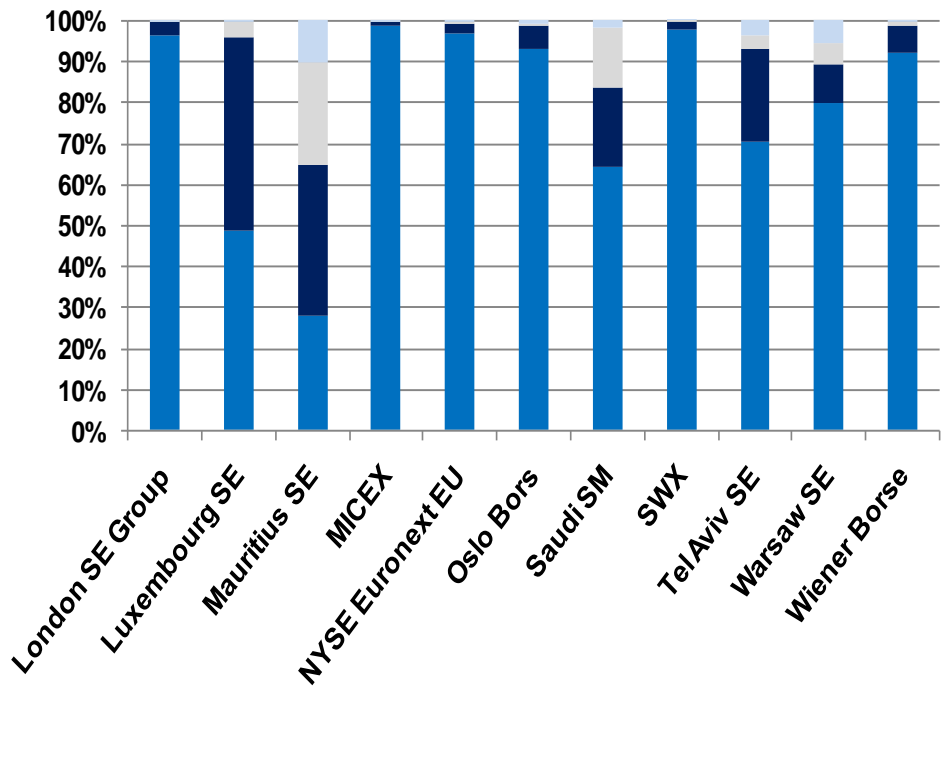
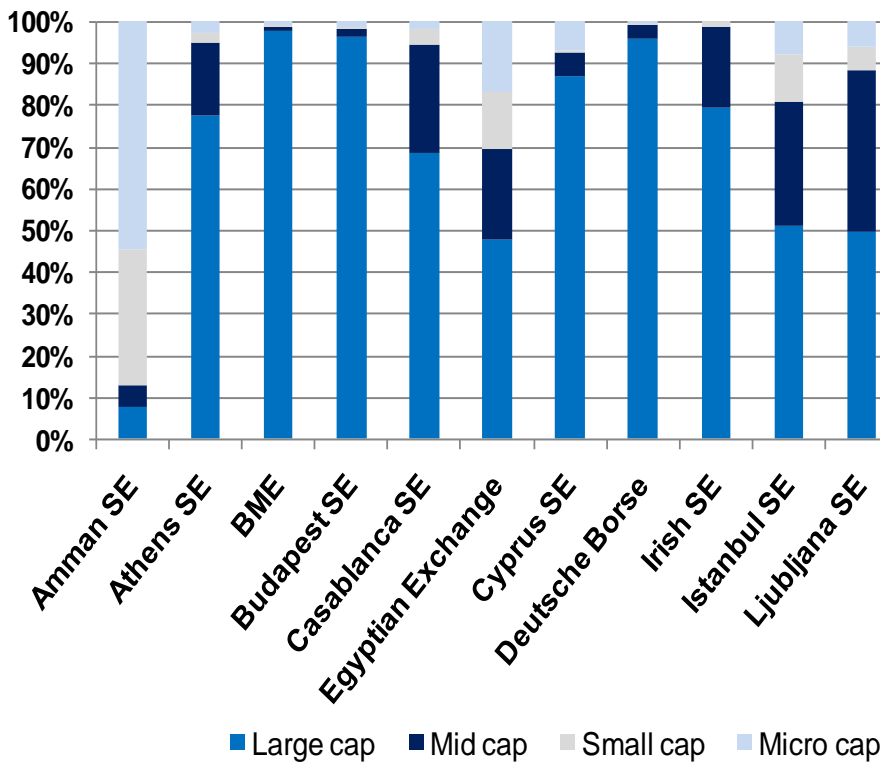
Compared distribution of domestic share trading (EOB) by segments across exchanges in Americas in 2010



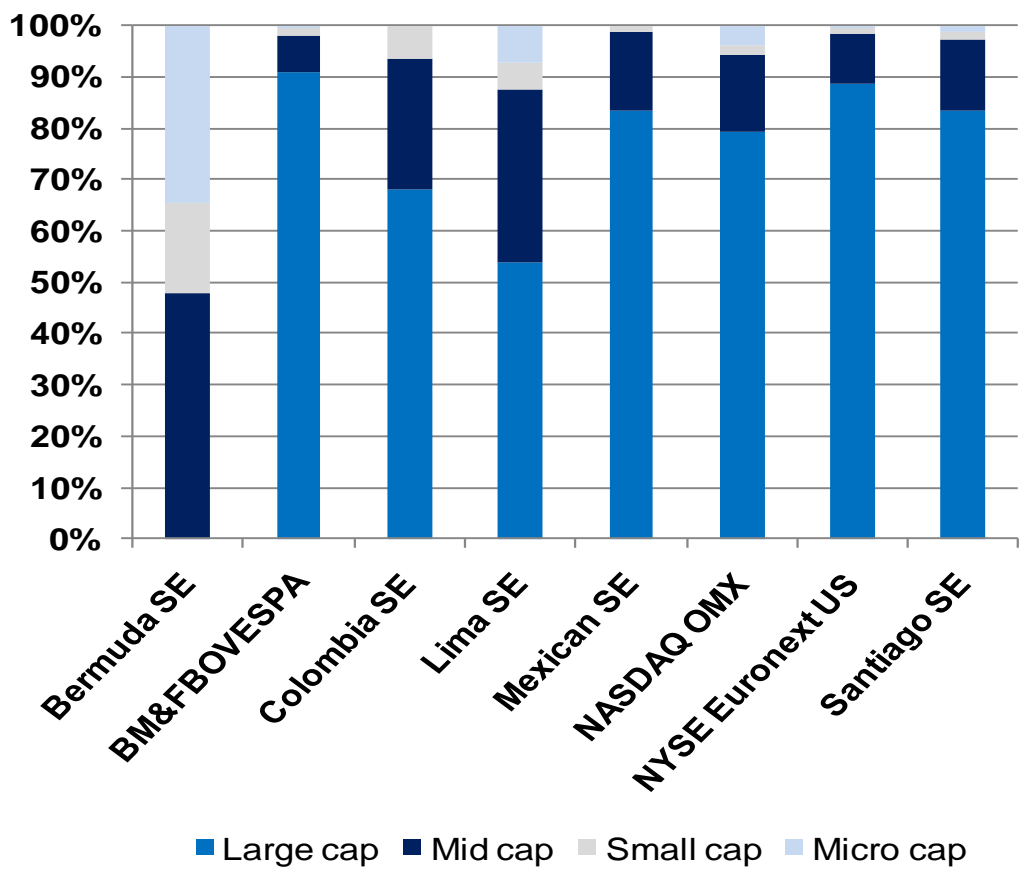
Compared distribution of domestic share trading (EOB) by segments across exchanges in Asia Pacific in 2010



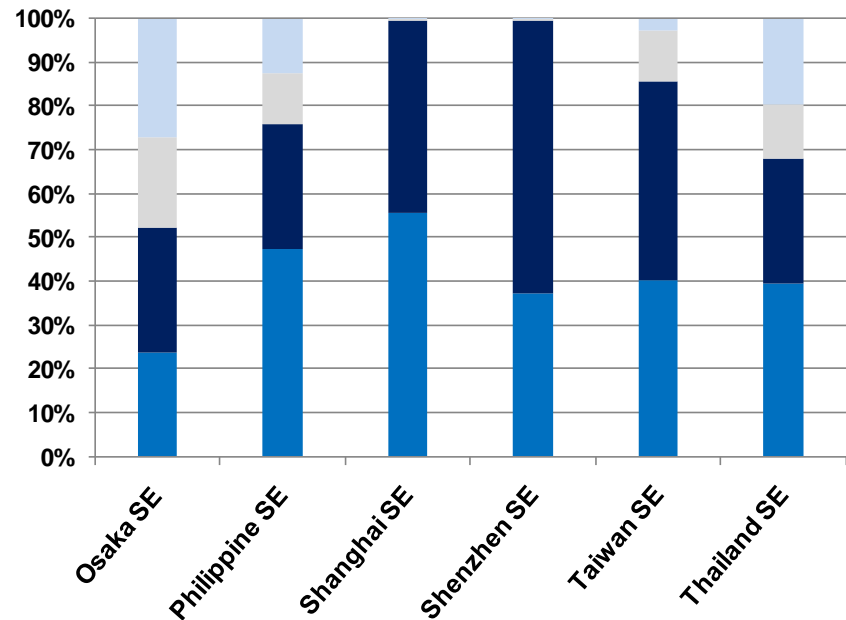
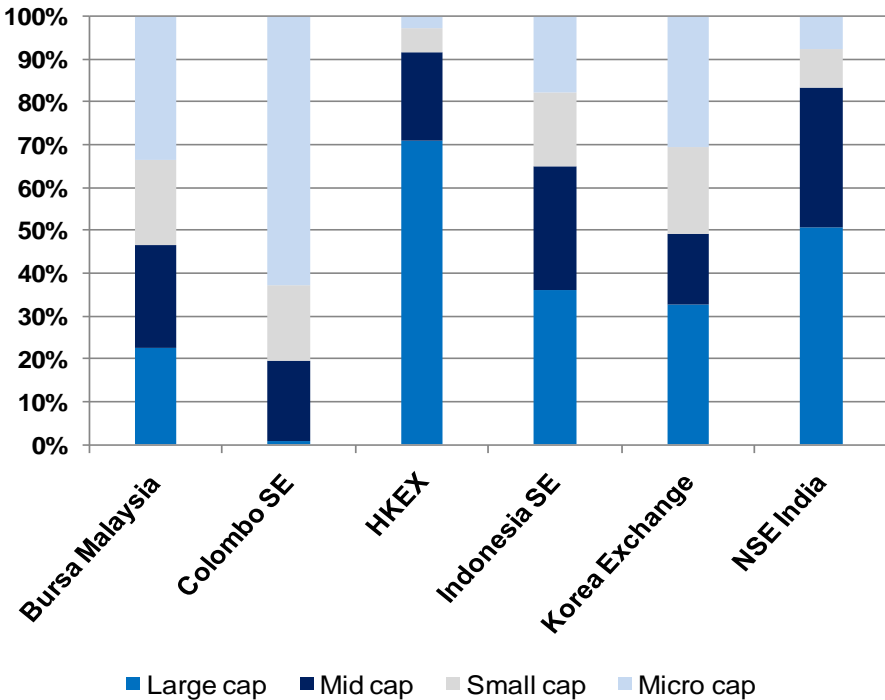
Compared distribution of domestic share trading (EOB) by segments across exchanges in EMEA in 2010



Compared distribution of domestic share number of trades (EOB) by segments across exchanges in Americas in 2010



Compared distribution of domestic share number of trades (EOB) by segments across exchanges in Asia Pacific in 2010



Compared distribution of domestic share number of trades (EOB) by segments across exchanges in EMEA in 2010

