

FMQQ

THE NEXT FRONTIER INTERNET INDEX

Understanding FMQQ

FMQQ provides broad exposure to the Internet and e-commerce sectors of **Emerging Markets, excluding China**. While the growth of the U.S. and China internet sectors represented the first and second waves of the global digital revolution, we believe that the countries within the FMQQ index represent a third wave. FMQQ aims to capture this consumer story by providing investors with a simple, cost-effective way to gain exposure to the digitization of Emerging Markets (EM) ex-China.

5 Reasons to Invest in EM Tech ex-China



1. **Massive Population:** 4x the population of China
2. **Unique Tech Landscape:** Consumers are skipping computers and going straight to smartphones
3. **Swelling** middle-class rapidly adopting digital consumption
4. **Soaring** Internet adoption, first-time access via smartphones
5. **Exposure** to innovative, lesser-known global companies

FMQQ = THE NEXT WAVE OF GROWTH



A Demographic Advantage & Middle-Class Consumer Wave

There are over 5.5 billion people living in FMQQ countries, most of which are under the age of thirty. This new middle class consumer wave is increasingly connected and driving entire economies to digitize.



Rapid Digitization & Untapped Smartphone Adoption

Smartphone adoption has hardly scratched the surface in FMQQ countries, with ~1.7 billion people still living in a pre-smartphone world. As cost barriers continue to fall, adoption rates are accelerating.



Highest E-commerce Growth Rates

Nine of the top 10 countries for e-commerce growth in 2023 are in Emerging Markets. As all consumption verticals continue to digitize, we believe FMQQ companies are uniquely positioned to capitalize on this confluence of macro trends.

The Problems with Other EM ex-China Strategies



After years of geopolitical tensions, many investors are seeking strategies that exclude China. Indeed, Emerging Markets ex-China ETFs have led EM investment flows in recent years. Yet, these EM ex-China strategies often suffer from the same problems as traditional EM approaches.

Most EM ex-China indices have:

- Higher SOE (state-owned enterprise) exposure
- Fail to include internet leaders, low overlap with FMQQ
- Lower growth rates

FMQQ Company Spotlights



MERCADO LIBRE

The Amazon of Latin America, MELI is a massive online commerce and payments company.



PAYTM

The Paypal of India, PAYTM is a fintech company, focused on digital payments & financial services.



SEA LTD.

The Amazon of Southeast Asia, SE is a leading global consumer internet company.



NUBANK

The Chime of Brazil, NU is one of the world's largest digital banking platforms.

EMQQ Global Index Methodology

RULES-BASED INDEX

- **All companies with >50% of revenue** from internet and/or ecommerce in respective geographies
- **Minimum \$1B** market capitalization
- **Liquidity screen** \$1.0mm average daily turnover
- **Rebalanced semi-annually** in June & December
- **Fast-track IPO inclusion** after 3 trading days if market cap >\$10 billion
- **Index Committee** discretion (vote for special inclusions or exclusions)
- **Market Cap weighted** with 8% max weight per security at rebalance

Top Weighted Countries in FMQQ



INDIA (41.8%)

BRAZIL (20.3%)

INDONESIA (15.8%)

SOUTH KOREA (9.1%)

POLAND (7.7%)

KAZAKHSTAN (4.3%)

SOUTH AFRICA (1%)

ARGENTINA (0.6%)

Eligible countries in FMQQ: All Emerging & Frontier Markets ex China