

# TalkingPoints:

## The S&P Pan Asia ex-JANZ Health Care 50



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The [S&P Pan Asia ex-JANZ Health Care 50](#) seeks to track the 50 largest companies in the health care sector from developed and emerging countries in the Asia-Pacific region, excluding Japan, Australia, and New Zealand (JANZ).

### 1. Why is S&P DJI introducing this index now?

Interest in the health care sector has been strong of late, particularly in Asia. In recent years, health care has been one of the fastest-growing sectors both globally and in Asia. Between June 30, 2011, and June 30, 2016, health care increased from just over 8.5% to represent nearly 12% of the [S&P Global BMI](#). Health care represents a much smaller portion of the Asia ex-Japan<sup>1</sup> equity markets, but it has increased from just 1.5% in 2011 to 3.7% as of June 2016 (see Exhibit 1). It was also the top-performing sector of the [S&P Global BMI](#) over this period, posting a cumulative total return of 95.5% (see Exhibit 2). The sector provides a unique combination of highly innovative industries, such as pharmaceutical and biotechnology, while also possessing strong defensive qualities, because demand for necessities such as health care tends to be relatively inelastic. The secular growth driven by aging populations has also led to increased interest in the sector.

### 2. How does the index work?

The [S&P Pan Asia ex-JANZ Health Care 50](#) seeks to measure the performance of 50 of the largest companies from the GICS<sup>®</sup> health care sector that are domiciled in developed and emerging Asia-Pacific markets, excluding Japan, Australia, and New Zealand. In order to reduce concentration, the index employs what is known as the 5/10/40 rule, which means the maximum weight of a single stock is capped at 10% and the sum of all companies with weights greater than 5% cannot exceed 40%. These capping rules are applied at each annual rebalancing in September.

### 3. What types of companies does the GICS health care sector include?

The health care sector consists of two main industry groups. The first includes companies that produce healthcare equipment and supplies or provide healthcare-related services, including distributors of healthcare products, providers of healthcare services, and owners and operators of healthcare facilities, such as hospitals. The second includes companies involved in the research, development, production, and marketing of pharmaceuticals and biotechnology products.

<sup>1</sup> The S&P Pan Asia ex-JANZ BMI measures the Asia ex-Japan market and, as a result, we use the terms Asia ex-Japan and Pan Asia ex-JANZ interchangeably.

**4. What does the composition of the health care sector in Asia ex-Japan look like and how does that compare with what it looks like globally?**

Approximately three-quarters of the weight of the [S&P Pan Asia ex-JANZ Health Care 50](#) is allocated to the pharmaceuticals, biotechnology, & life sciences industry group, with the remaining 25% allocated to health care equipment & services. Interestingly, this is similar to the composition of the global health care sector; the [S&P Global BMI Health Care](#) has 69% and 31% weights, respectively, in the two industry groups.<sup>2</sup>

**5. What are the key benefits of the S&P Pan Asia ex-JANZ Health Care 50?**

**PRECISION**

The index seeks to track the health care sector in Asia ex-Japan markets, including companies from both developed and emerging markets.

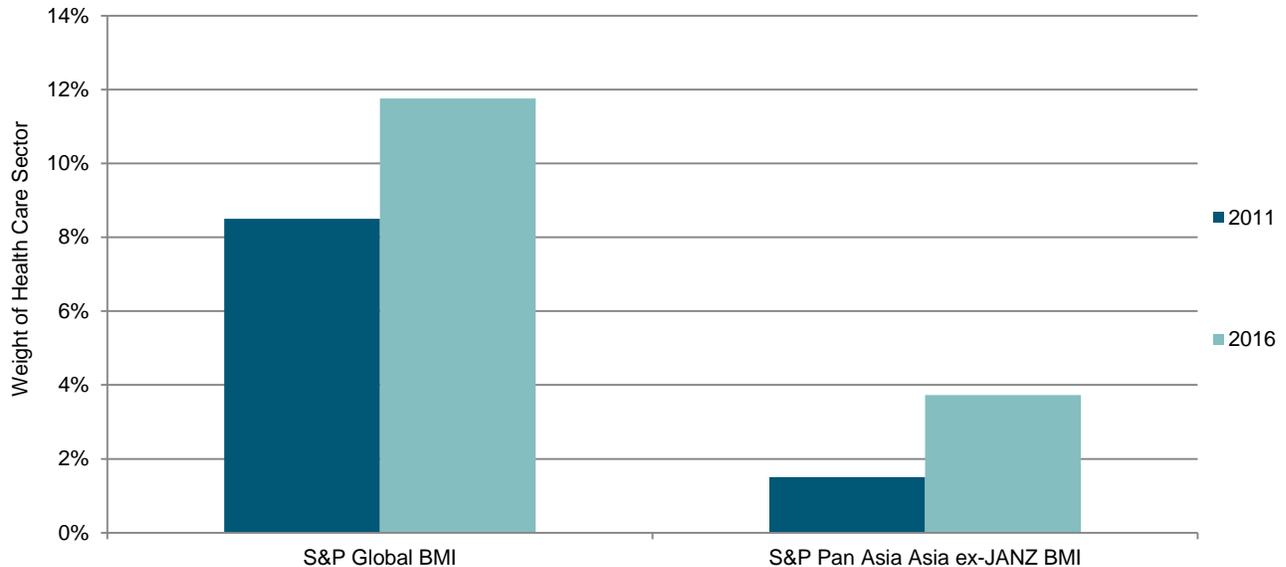
**LIMITED CONCENTRATION**

The 5/10/40 capping scheme enhances diversification by limiting single-stock concentration.

**BROAD COVERAGE**

Limiting the number of components to a fixed count of 50 helps to improve the liquidity and capacity of the index, while still allowing it to be representative of the broad market.

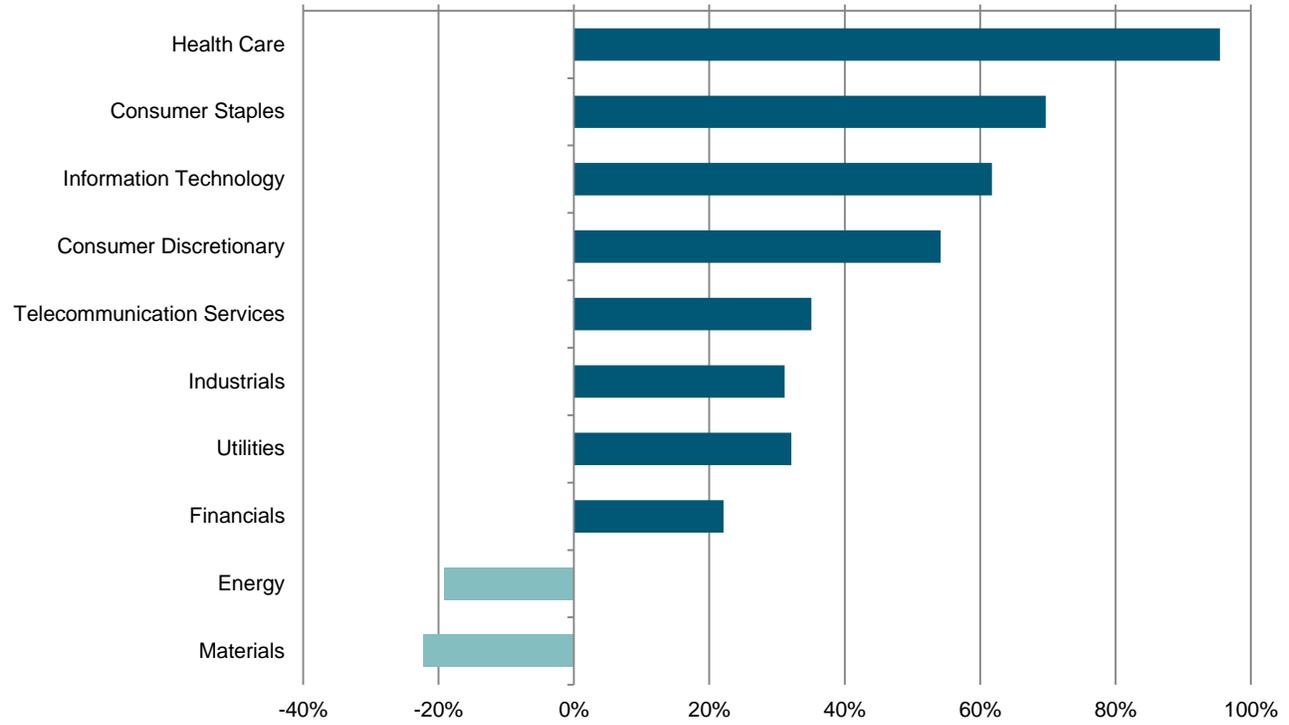
**Exhibit 1: Growing Importance of the Health Care Sector in Global and Asia ex-JANZ Markets**



Source: S&P Dow Jones Indices LLC. Data as of June 30, 2011, and June 30, 2016. Chart is provided for illustrative purposes.

<sup>2</sup> Source: S&P Dow Jones Indices LLC. Data as of June 30, 2016.

**Exhibit 2: S&P Global BMI Sectors (Five-Year Cumulative Total Returns)**



Source: S&P Dow Jones Indices LLC. Data as of June 30, 2016. Past performance is no guarantee of future results. Chart is provided for illustrative purposes.

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