Expert's View
Amundi ETF
September 2024
Amundi Investment Solutions
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Trust must be earned

Go Global: the strategic case for combining USA and World ex-USA

Don't put all your eggs in one basket – just make sure the baskets aren't too small!

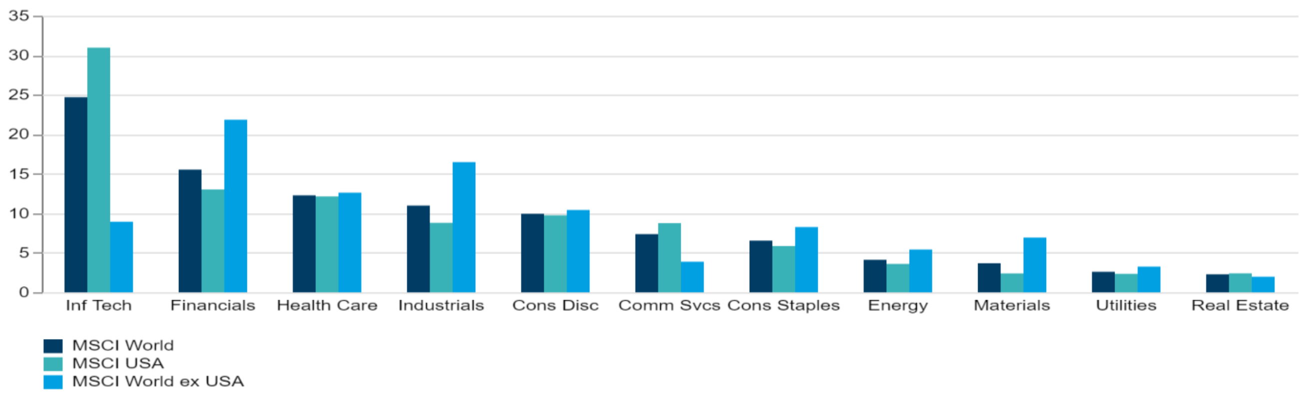
A key toolbox for investors

- The primary aim of this document is to provide a comprehensive rationale for dividing a global portfolio between the USA and World ex-USA.
- In this report, we assess why such allocation makes sense from several angles, including GDP repartition, risk attribution, diversification, earnings split, and more.

Building sensible and resilient portfolios

- **Diversify smartly:** A USA vs. World ex-USA portfolio split is an effective way to capture a balanced mix of geography, earnings, and global GDP.
- **A sensible approach:** Splitting a portfolio allocation on global equities between the USA and World ex-USA, allows for an alignment with global GDP distribution, the capture of a wide range of earnings streams, and a more a geographically balanced exposure.

MSCI USA and MSCI World Ex-USA: sheding some sector light on region and country allocation
GICS Sectors Weights (in %)



Source: Bloomberg, MSCI, Amundi. Data as at 30/08/2024. Past performance is not a reliable indicator of future performance.

Amundi ETF Market Strategy

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Summary

Introduction:
Focus on what matters most

"The art of being wise is the art of knowing what to overlook"

William James

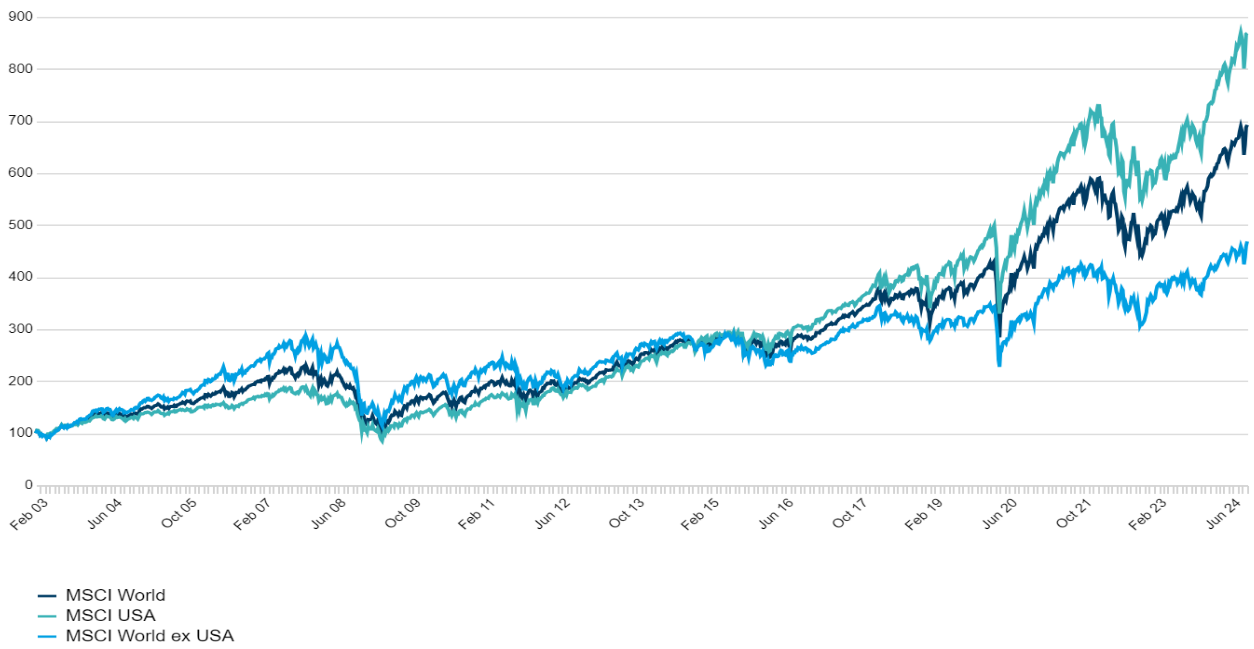
The availability of a comprehensive toolbox for developed market equities allocation with MSCI USA and MSCI World ex-USA is an opportunity to revisit key considerations in portfolio construction. From individual stocks to mutual funds, active to passive strategies, and regional to sector-focused approaches, equity investors have an impressive array of options to generate robust and resilient returns.

With the abundance of ETFs now available, investors can take an active approach to passive allocation, leveraging their expertise in sector rotation, macroeconomic insights for country selection, or thematic convictions. Alternatively, investors can adopt a "**set-and-maintain**" strategy using **MSCI World** or **MSCI ACWI** indices, thus capturing the equity risk premium over the long term.

The toolbox comprising **MSCI World ex-USA** and **MSCI USA** delves deeper than the MSCI World and acknowledges the unique role the USA plays in both global growth and portfolio construction. By adjusting a global equity allocation with a combined approach comprising an USA and an ex-USA exposure, investors can address a significant portion of their asset allocation risk using two transparent, liquid, and cost-efficient building blocks. In this report, we delve into the reasons why this can be a sensible approach. We also look on how to best leverage the diversification benefits of such approach.

Long Term Returns: vast outperformance of MSCI USA

Index Value, basis 100 in February 2023 (Net Total Return Indices in $)

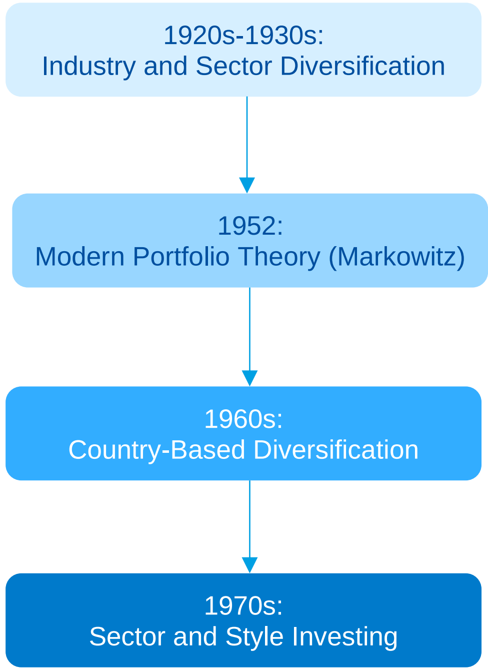


Source: Bloomberg, MSCI, Amundi. Data as at 30/08/2024. Past performance is not a reliable indicator of future performance.

Portfolio construction: Consistency through innovations

Over the past century, portfolio construction has become more complex and nuanced, with investors using increasingly sophisticated strategies. From sector diversification to factor investing and ESG-focused portfolios, the toolbox available to today's investors is vast. However, despite the flood of innovations, certain global macroeconomic drivers have consistently played an outsized role in shaping portfolio performance. While newer technologies and strategies have undoubtedly refined how portfolios are constructed, much of the returns can still be attributed to these key building blocks.

100 years of Portfolio Construction: 1/2



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1920s-1930s: Industry and Sector Diversification

In the early 20th century, diversification was primarily focused on industries. Investors spread their capital across sectors like utilities, transportation, and manufacturing to mitigate risks tied to individual industries. While this provided some level of protection, the success of portfolios remained closely tied to broader national and global economic trends. This early attempt at diversification highlighted the enduring role of overarching economic drivers in shaping returns.

1952: Modern Portfolio Theory (Markowitz)

Harry Markowitz's introduction of *Modern Portfolio Theory* in 1952 was a significant advancement. His concept of mean-variance optimisation allowed investors to build portfolios that balanced risk and return more efficiently. Despite this theoretical leap forward, portfolio success still largely depended on exposure to key global economic forces. The newfound precision in portfolio construction didn't change the fact that economic powerhouses continued to drive most returns.

1960s: Country-Based Diversification

The 1960s brought international markets into focus as investors sought to diversify their portfolios across borders. Allocating capital across different countries helped mitigate local risks and gave portfolios a more global dimension. Yet, it became increasingly clear that only a few key economies truly drove global growth. Regardless of the finer details of country allocations, it was the exposure to these leading markets that had the greatest impact on overall returns.

1970s: Sector and Style Investing

In the 1970s, the financial world embraced sector-specific funds and style investing, providing investors with the ability to fine-tune their portfolios around growth, value, or specific industries. This granularity added another layer of sophistication to portfolio construction. But even with these options, returns still tended to be driven by macroeconomic forces in the world's largest markets. No matter how granular portfolios became, their performance remained anchored by these global economic engines.

Early 1990s: Country and Regional ETFs

The rise of Exchange-Traded Funds (ETFs) in the early 1990s, and particularly country-specific and regional ETFs, gave investors a convenient way to diversify internationally. These structures enabled investors to quickly gain exposure to entire markets. Yet, the bulk of portfolio performance still correlated with exposure to key global economies. The development of ETFs did not change the underlying reality that certain markets acted as the driving forces behind global returns.

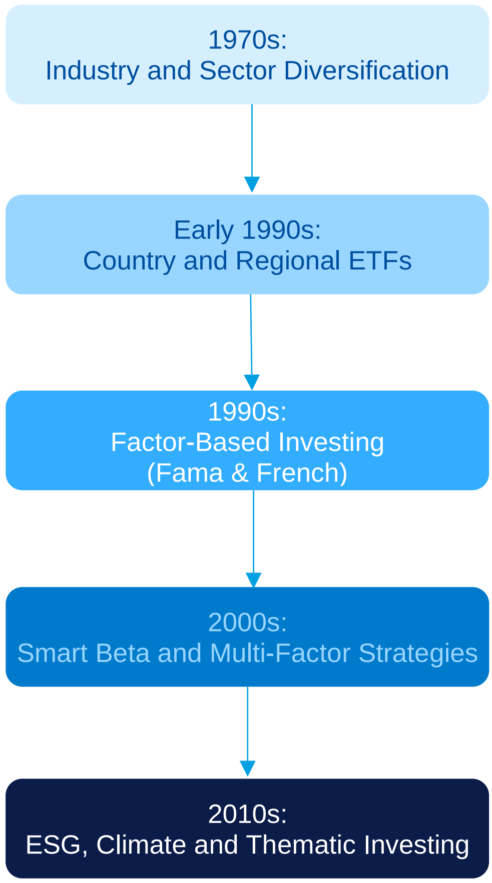
Late 1990s: Factor-Based Investing (Fama & French)

In the 1990s, the introduction of factor-based investing added new dimensions to portfolio construction. Investors could now build portfolios with specific tilts towards size, value, and market risk. While this brought more nuance to portfolio design, global macro drivers continued to dominate. Whether portfolios tilted towards small-cap or value stocks, returns were still largely shaped by these overarching economic dynamics.

2000s: Smart Beta and Multi-Factor Strategies

The early 2000s saw the rise of smart beta strategies and multi-factor investing, providing investors with the ability to target specific fundamentals, such as earnings, dividends, and volatility. These strategies offered more refined control, but at their core, they were still tethered to the performance of key economic regions. Despite the precision of smart beta, the returns were still heavily swayed by exposure to the world's largest and most influential markets.

100 years of Portfolio Construction: 2/2



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Late 2010s and: ESG considerations and Thematic investing

The 2010s witnessed the rise of ESG and thematic investing, where investors sought to align their portfolios with values and trends such as clean energy and technology. These new approaches catered to a growing demand for socially responsible investing, but again, their performance has been strongly linked to macroeconomic factors in key regions. Whether driven by technological advancements or green initiatives, the success of these portfolios remained closely tied to the economic health of the world's leading markets.

Global Macroeconomics: The Constant in an Evolving Investment Landscape

Despite the many advancements in portfolio construction — from sector investing and factor tilts to ESG and thematic approaches — one thing remains constant: global macroeconomic drivers continue to play the dominant role in shaping portfolio returns. While new strategies and tools offer more precision and flexibility, they cannot escape the influence of the key markets that drive global growth. Understanding these forces is essential for building a successful, well-diversified portfolio in today's complex financial world.

These are often best captured through allocations to major markets like the USA and other global indices. Thus, the MSCI USA and MSCI World ex USA remain a strong starting point to build well diversified portfolios, as they consistently reflect the performance of these key economic regions. While innovations in portfolio construction continue to evolve, these benchmarks remain the foundation for driving long-term investment success.

MSCI USA's crucial role in global allocation

In the assessment of the relative importance of allocating between MSCI USA and MSCI World ex-USA we instigate MSCI USA's unique role. Here the assessment of the performance drivers on MSCI World and MSCI All Country indices becomes particularly relevant.

Global Portfolios: A Tale of U.S. Dominance and Diverse Markets

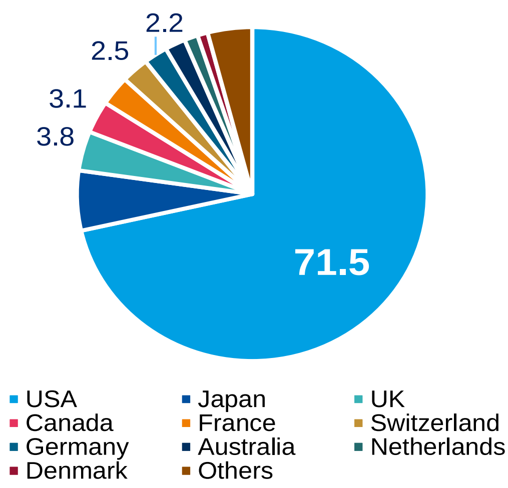
The MSCI World index is heavily dominated by the U.S.A. that makes up over 71% of the index's weight. The rest is distributed among developed markets such as Japan, the UK, France, and Canada. The MSCI ACWI adds emerging markets but still follows the same general structure, with the U.S. also playing a central role.

This underlines how country allocation, especially between the U.S. and non-U.S. (developed or emerging) markets, can be a primary driver of returns in global portfolios.

MSCI World ex-USA, as the name suggests, excludes the US entirely and has a more balanced distribution among other developed markets. Japan has the largest weight in MSCI World ex-USA at 20.36% followed by the UK at 13.41% and Canada at 10.71%. Here, Europe's share in the index is significant and accounts for approximately 50.76% of the total index. This demonstrates Europe's substantial representation in developed markets outside the United States.

MSCI World: Country Allocation

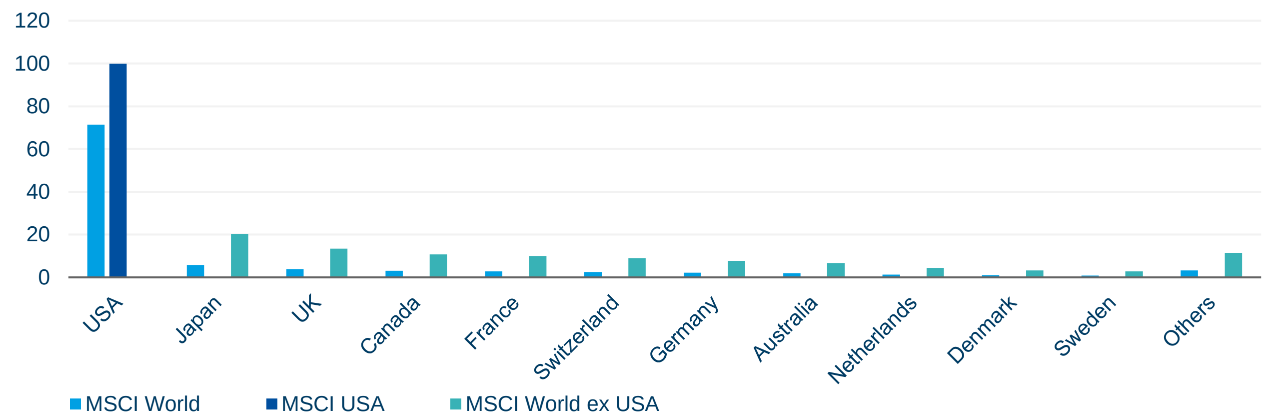
Total weight by country(in %)



Source: Bloomberg, MSCI, Amundi. Data as at 30/08/2024. Past performance is not a reliable indicator of future performance.

MSCI World, MSCI World ex-USA, MSCI USA: Country Allocation

Total weight by country (in %)



Source: Bloomberg, MSCI, Amundi. Data as at 30/08/2024. Past performance is not a reliable indicator of future performance.

Country Allocation: is USA dominance justified?

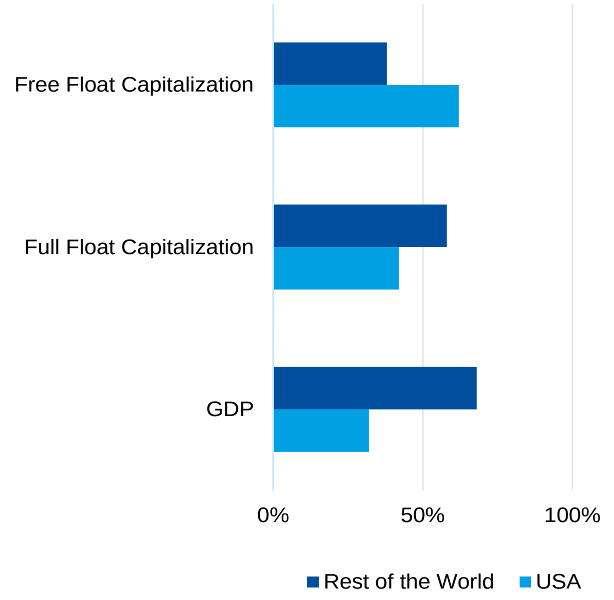
The United States' impressive economic prowess is vividly reflected in its free float market capitalisation, which stands at a remarkable 62% of the global total. This figure significantly outpaces its share of global GDP, which stands at 32%.

This disparity underscores the extraordinary success of the U.S. stock market, particularly driven by its booming tech sector. The country has experienced a phenomenal rally, with innovative companies. This outsized market performance relative to GDP highlights the efficiency and dynamism of U.S. capital markets.

However, it is worth noting that the rest of the world, representing 68% of global GDP, also offers substantial growth potential. Diversifying into these markets could provide investors with exposure to emerging opportunities and the chance to capitalise on future economic expansions in diverse regions, potentially balancing portfolios and tapping into the next wave of global growth stories.

USA vs Rest of the World: From GDP to Free Float Market Capitalisation

Relative important of USA vs Rest of the World (in %)



Source: MSCI, Amundi, “Rest of the World” stands for MSCI ACWI IMI (including Large, Mid and Small Caps). Data as at 30/08/2024. Past performance is not a reliable indicator of future performance.

U.S. Sectors: the Economic Giants Overshadowing Nations

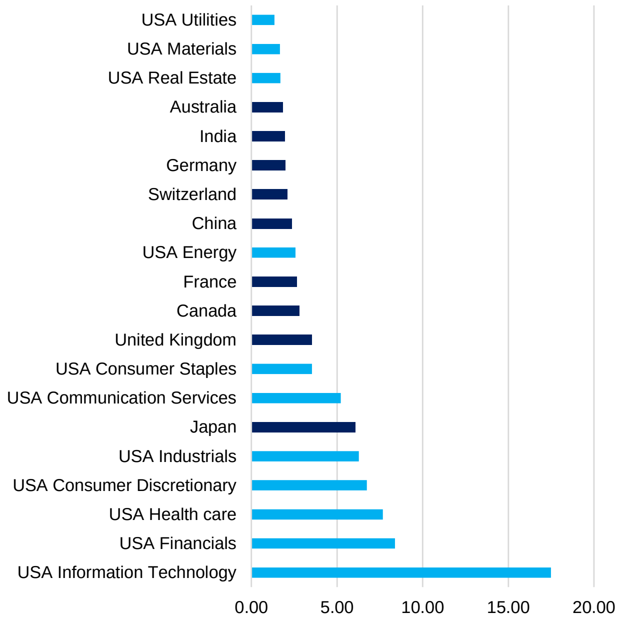
As of today, each of the top five U.S. sectors is larger than any of the countries across the developed and emerging markets. In other words, sector allocation decisions within the U.S. can be as or more important than global country allocation decisions.

The data underscores the striking economic dominance of the United States, particularly in key sectors that dwarf entire developed countries:

- The USA Information Technology sector alone accounts for 17.49% of the MSCI ACWI IMI. It surpasses the combined weights of Japan (6.07%), the United Kingdom (3.52%), and Canada (2.80%).
- The top five US sectors (Information Technology, Financials, Health Care, Consumer Discretionary, and Industrials) collectively represent 46.56% of the index. This is more than the combined weight of the next seven largest non-US countries included in the index (Japan, UK, Canada, France, China, Switzerland, and Germany, totalling 21.48%) .
- Even smaller US sectors such as Energy (2.57%) and Real Estate (1.69%) have weights comparable to or greater than significant economies such as Germany (1.97%) and Australia (1.83%).

USA Sectors compared to Countries

Weights within ACWI IMI (in %)



Source: MSCI, Amundi, based on MSCI ACWI IMI (including Large, Mid and Small Caps). Data as at 30/08/2024. Past performance is not a reliable indicator of future performance.

Sector Breakdown: Tech Titans vs. Global Balance

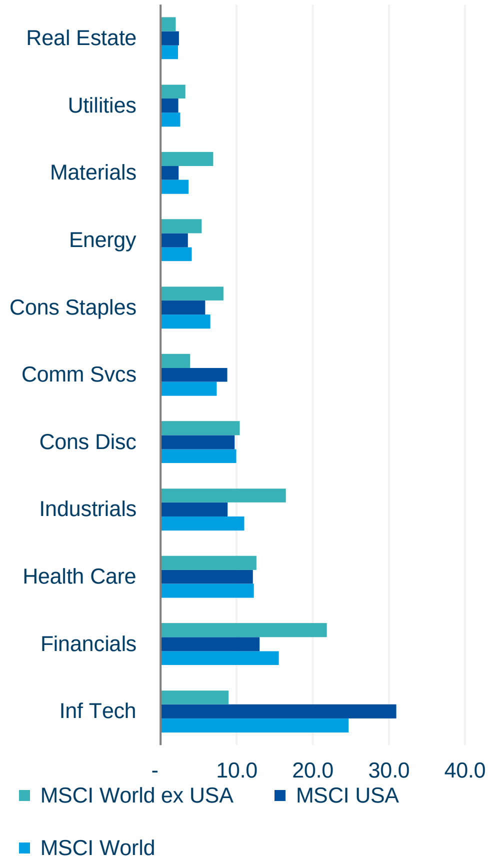
When comparing the sector weights of the **MSCI USA Index**, **MSCI World ex USA Index**, and **MSCI World Index**, clear differences emerge in how these indices are diversified across industries.

The **MSCI USA Index** is heavily dominated by **Information Technology**, which constitutes 30.97% of the index. This stresses out the US market's strong focus on tech giants such as Apple, Microsoft, and NVIDIA. In contrast, the **MSCI World ex USA Index** offers a more diversified sectoral breakdown, with **Financials** being the largest sector at 21.85%, followed by **Industrials** at 16.48%. Information Technology represents only 8.93% of this index, indicating a much smaller influence of tech stocks in non-US developed markets.

The **MSCI World Index**, which includes both the USA and ex-USA components, reflects a blend of these weights. While **Information Technology** remains the largest sector at 24.7%, the presence of **Financials** (15.53%) and **Industrials** (10.98%) from non-US markets provides a more balanced exposure. This sector diversification highlights the complementary nature of combining the US and non-US markets in global portfolios, with the **MSCI World ex USA Index** adding exposure to sectors less represented in the US market, such as financials and industrials.

Sector Weights Compared

Sum of weights in %



Source: MSCI, Amundi. Data as at 30/08/2024. Past performance is not a reliable indicator of future performance.

Navigating Currency Risk in Global Portfolios

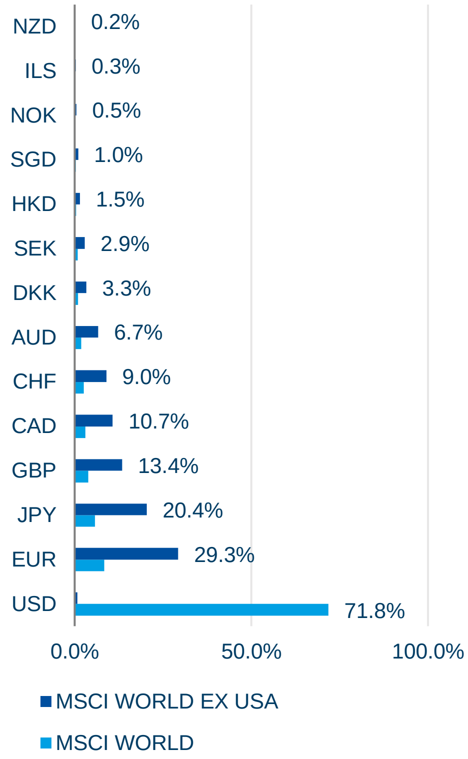
Currency fluctuations also play a major role in determining the returns for global investors. From a US-dollar based investment perspective, investing in non-U.S. equities, particularly in developed markets, exposes portfolios to currency risk. However, the bulk of currency exposure comes from the U.S. dollar's dominance in the MSCI World and MSCI ACWI. Therefore, managing currency exposure is more about balancing U.S. vs. non-U.S. exposure rather than granular country-level adjustments.

Given this, focusing on broad allocation decisions between MSCI USA and MSCI World ex-USA captures the majority of country, sector, and currency risks, while more granular approaches (such as differentiating between sectors or smaller countries) may offer diminishing marginal benefits for performance improvement. This strategic allocation reduces complexity and allows portfolio managers to capture the essential market exposures more efficiently.

This perspective aligns with the research findings that emphasise the dominant contribution of U.S. equities and global diversification over sector-specific or country-specific allocations for long-term performance improvement.

Currency Exposures Compared

Sum of weights in %



Source: MSCI, Amundi. Data as at 30/08/2024. Past performance is not a reliable indicator of future performance.

Combining USA and World Ex-USA: A strategic toolbox for European investors

A look at US investors, and their appetite toward USA & World ex-USA

Introduction to home bias

Home bias, the tendency of investors to allocate a disproportionate amount of their portfolio to domestic assets, is a well-documented phenomenon in finance. While often viewed as suboptimal from a diversification perspective, home bias can offer certain advantages to investors. Familiarity with local markets, reduced currency risk, and potential tax benefits are among the reasons investors may prefer domestic assets. Academic research has shed light on the prevalence and implications of home bias. For instance, a study by French and Poterba (1991) found that investors in the U.S., Japan, and the UK held respectively 94%, 98%, and 82% of their equity wealth in domestic stocks.

US domiciled-ETFs: massive appetite for USA and then World ex-USA

The data presented in the chart below offers a compelling narrative of the evolving landscape in large-cap equity investments, highlighting the contrasting trajectories of US and non-US markets over the past decade. This analysis is particularly relevant for US investors who have historically shown a strong preference for their domestic market.

From 2012 to mid-2024, we observe a significant growth in both US and non-US large-cap equity assets. The US market, represented by "Large Cap Equity: USA," has grown significantly, increasing from $362.7 billion in 2012 to an impressive $4,108.0 billion by June 2024. This remarkable expansion underscores the dominance and attractiveness of the US equity market, driven by factors such as technological innovation, strong corporate performance, and a robust economic environment. Simultaneously, the "Large Cap Equity: World ex-USA" category has also shown substantial growth, albeit at a more modest pace. Starting from $71.6 billion in 2012, it reached $708.6 billion by June 2024.

The disparity in growth rates between US and non-US equities aligns with the performance differences noted earlier in the MSCI indices. The MSCI USA Index's superior five-year annualised return of 15.29% compared to the MSCI World ex USA Index's 8.71% explains the more rapid asset accumulation in US large-cap equities.

Despite its medium term underperformance, US investors have increasingly diversified into MSCI World ex-USA

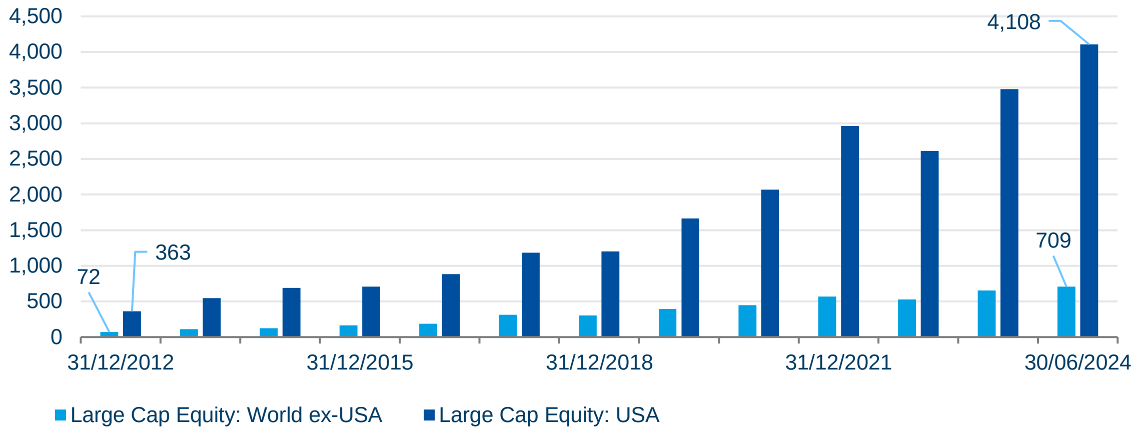
However, the consistent growth in World ex-USA assets underscores a crucial point: despite the allure of high returns from the US market, investors recognize the need for a true diversifying building block in their portfolios. This trend reflects a growing understanding of the benefits of international diversification, including:

- Risk mitigation through exposure to different economic cycles and market dynamics
- Access to growth opportunities in other developed markets
- Reduced vulnerability to US-specific market risks

The data also shows that while US investors maintain a strong home bias, there's a clear trend towards increased global diversification. The ratio of US to non-US assets has remained relatively stable over the years, indicating a sustained commitment to maintaining international exposure despite the outperformance of US equities.

US-domiciled ETF: vast increase of Asset Under Management for US and World ex-US Equities

Cumulative Assets Under Management in $ Billion



Source: Morningstar, Amundi. Data as at 30/08/2024. Past performance is not a reliable indicator of future performance.

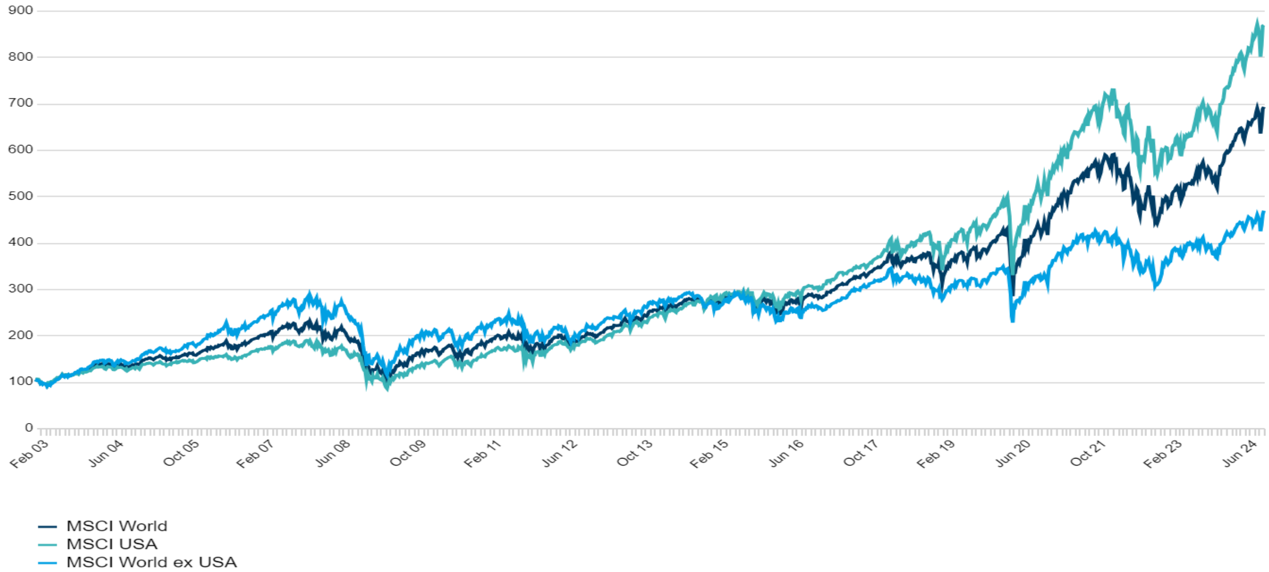
Global Equity Performance: the US edge and the power of diversification

When assessing long-term returns, the **MSCI USA Index** has vastly outperformed its non-US counterpart, and delivered an impressive annualised return of 15.29% in the past five years. It significantly outpaced the **MSCI World ex USA Index**, which returned 8.71% per annum. This reflects the sustained dominance of the US equity market, particularly driven by its high allocation to high-growth technology companies. Still, the **MSCI World ex USA Index** has provided strong returns over the long term, albeit lower to those of the US. Here, sectors such as financials and healthcare contributed to a more diversified risk profile.

As we will see below, the **MSCI World ex USA Index** serves as an important diversification building block. It adds value to a global portfolio by mitigating overexposure to US markets and providing returns from other developed economies. Overall, the combined performance of these indices within the **MSCI World Index** offers investors the benefits of both high US market growth and the potentially more stable, income-driven returns from non-US markets.

Long Term Returns: vast outperformance of MSCI USA

Index Value, basis 100 in February 2023 (Net Total Return Indices in $)



Source: Bloomberg, MSCI, Amundi. Data as at 30/08/2024. Past performance is not a reliable indicator of future performance.

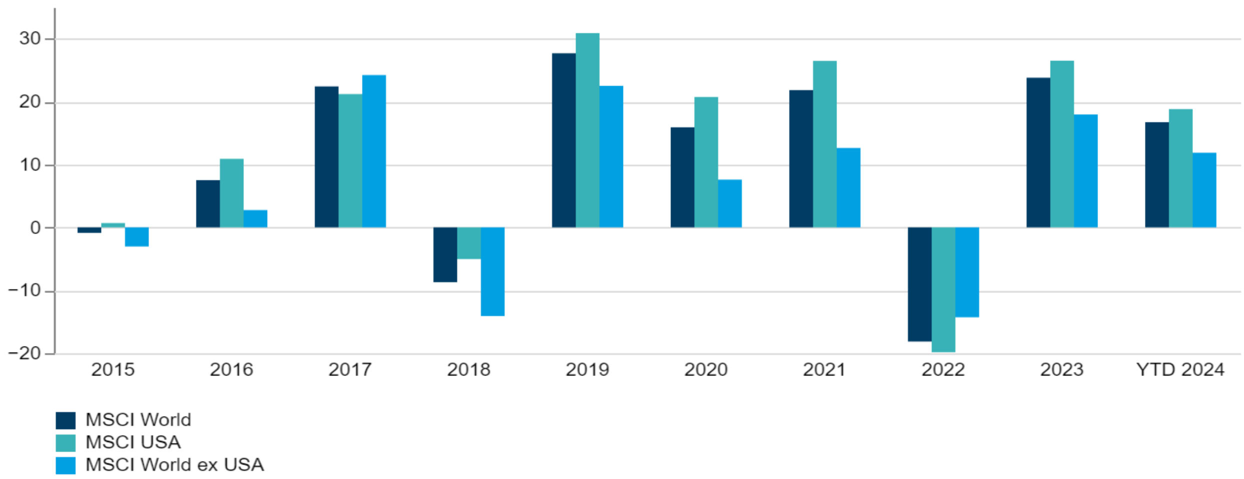
The Balancing Act: The Art of Tactical Allocation in a Two-Index World

The significant differences between MSCI USA and MSCI World ex-USA calendar returns emphasise the strong diversification benefits of combining these two indices. From 2015 to 2024 YTD, we can observe distinct performance patterns between the two. For instance, in 2015, while the MSCI USA had a positive return of 0.69%, the MSCI World ex-USA experienced a decline of -3.04%. This outperformance kept going most of the following years, with the notable exception of 2017 where MSCI World ex-USA outperformed. These divergences underscore the potential for risk reduction through geographic diversification.

The varying performance of these indices presents opportunities for active managers to generate alpha through tactical allocation. By adjusting exposure between US and non-US developed markets based on economic cycles, valuation disparities, or other factors, one can potentially capitalise on regional outperformance. For example, recognising the strong US market momentum in 2019-2021 could have led to an overweight in MSCI USA, while identifying relative value in non-US markets in 2017 might have favoured MSCI World ex-USA. However, it is crucial to note that consistently timing these shifts accurately is challenging. This emphasises the importance of a well-reasoned, disciplined approach to tactical allocation.

Calendar Returns: strong diversification benefits brought by USA and World ex-USA

Year on Year Returns (Net Total Return Indices in $)



Source: Bloomberg, MSCI, Amundi. Data as at 30/08/2024. Past performance is not a reliable indicator of future performance.

MSCI USA vs World ex USA: A Tale of Two Indices

The tracking error[1] between the MSCI USA and MSCI World ex USA indices highlights the distinct characteristics and performance profiles of these two building blocks. Hence their highly valuation combination in a diversified portfolio. As of August 30, 2024, the one-year tracking error between the two indices stands at 6.42%. This reflects the significant differences in sector exposures, geographical coverage, and market dynamics between the two indices.

The US market, dominated by technology and growth-oriented sectors, behaves very differently from non-US developed markets, which have higher weightings in financials, industrials, and value-oriented sectors. This also means that when used together, the MSCI USA and MSCI World ex USA indices can reduce overall portfolio volatility and provide more consistent returns across different market cycles.

The relatively high tracking error also underscores how these indices move independently, offering true diversification benefits rather than simply overlapping exposures. By balancing the growth potential of the US market with the value and income opportunities in non-US developed markets, investors can achieve a more stable and resilient portfolio over the long term.

Tracking-Errors indicate a strong differentiation between USA and World ex-USA

52-week annualised standard deviation of weekly returns (Net Total Return Indices in $)

	MSCI World	MSCI USA	MSCI World ex USA
MSCI World	-	2.68	6.42
MSCI USA		-	9.1
MSCI World ex USA			-

Source: Bloomberg, MSCI, Amundi. Data as at 30/08/2024. Past performance is not a reliable indicator of future performance.

[1] Market practitioners generally calculate the tracking-error as an annualised standard deviation of the difference of returns between 2 different assets.

USA vs World Ex-USA: Allocation considerations

Equity selection across regions and countries can be simplified into three main styles: momentum, value, and fundamental analysis. Momentum focuses on regions or countries with strong recent performance, aiming to capture upward trends. Value investing targets regions or countries that appear undervalued relative to their economic potential, offering opportunities for price correction. Fundamental analysis evaluates the economic health and growth prospects of specific regions or countries based on factors like GDP growth and corporate earnings. These methods provide a structured approach to selecting equity buckets within global portfolios.

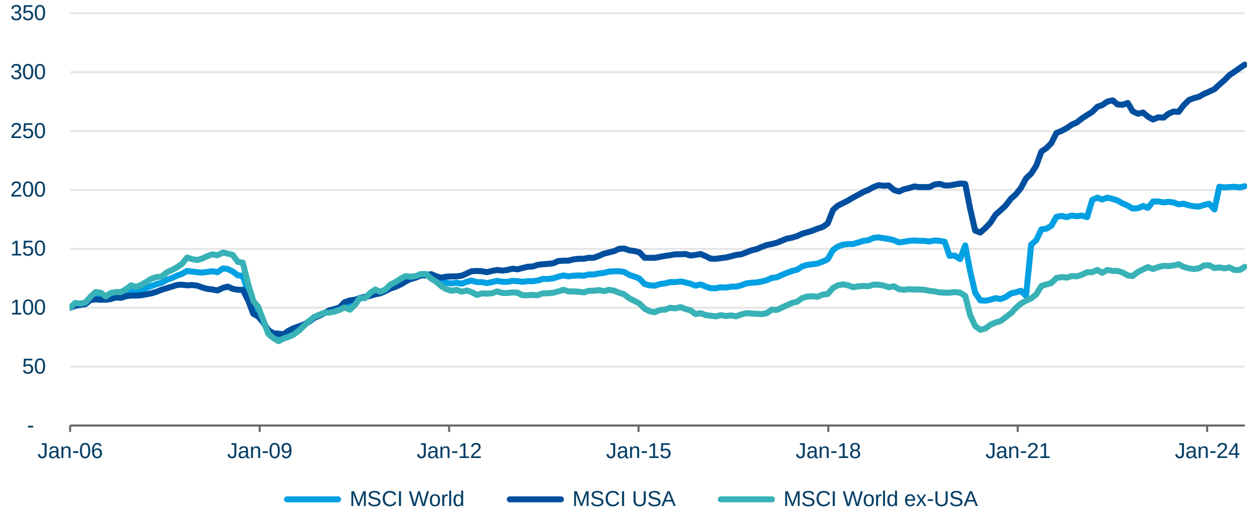
Increasing Earnings: a key driver of US Performances

The data shows a divergence in earnings performance between MSCI USA and MSCI World ex-USA since 2006. MSCI USA's earnings have grown significantly, reaching 311 by November 2024 from a base of 100 in January 2006. In contrast, MSCI World ex-USA's earnings growth has been more modest, reaching 136 by November 2024. MSCI World, being a combination of these two, shows intermediate performance, ending at 203.

This reflects the strong performance of US companies, particularly in the technology sector, which has driven the outperformance of MSCI USA relative to other markets

Earnings Growth: MSCI USA as the clear leader

Normalised Forward Earnings Per Share (basis 100 in 2006)

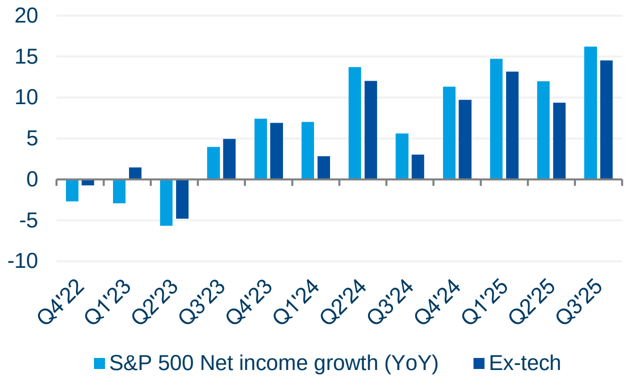


Source: Bloomberg, Amundi. Past performance is not a reliable indicator of future performance. BEst consensus estimates as at 05/09/2024

Looking ahead, technology heavyweights' contribution to the S&P 500's earnings growth could level off further in the period ahead. The S&P 500 is becoming less dependent on the earnings trends of Nvidia and the rest of the tech sector, which likely means earnings surprises from the sector should have less effect in the upcoming quarters. Even with the earnings beats seen in the tech sector during Q2, the sector's share of growth seems to have peaked in Q1. According to Bloomberg data, technology's earnings growth was reported at 20.5% in Q2 from a peak of 25% in Q1.

US tech's sector income growth gap may have peaked this year

Net income growth, S&P 500 (YoY, in USD, Bloomberg Estimate)



Source: Bloomberg, Amundi. Past performance is not a reliable indicator of future performance. BEst consensus estimates as at 05/09/2024

Valuation and Dividend Yield

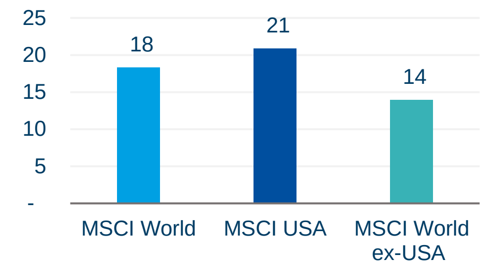
The MSCI World ex USA Index presents a compelling investment case, particularly when considering its lower valuation metrics and higher dividend yield compared to the MSCI USA Index. As of August 30, 2024, the MSCI World ex USA Index has a trailing price-to-earnings (P/E) ratio of 18.45 and a forward P/E ratio of 14.92, significantly lower than the MSCI USA Index, which has a trailing P/E ratio of 29.55 and a forward P/E ratio of 23.83. This notable valuation gap suggests that non-US developed markets are currently trading at a discount compared to the US market, offering attractive entry points for value-oriented investors.

Additionally, the MSCI World ex USA Index boasts a substantially higher dividend yield, with a trailing yield of 2.91% and a forward yield of 3.12%, compared to the MSCI USA Index, which offers a trailing dividend yield of 1.25% and a forward yield of 1.32%. This makes the MSCI World ex USA Index particularly attractive for income-seeking investors, providing not only the potential for capital appreciation but also a reliable stream of income.

For investors looking to diversify their sources of return beyond the capital gains-driven US market, the MSCI World ex USA Index offers both a lower valuation entry point and a higher income yield, making it a valuable component of a diversified global portfolio.

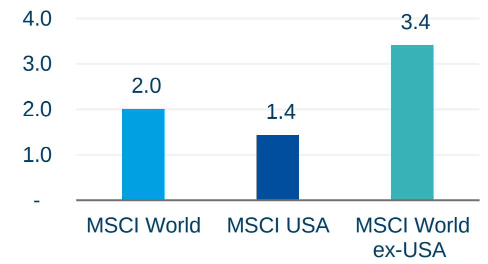
Valuations: MSCI World ex-USA comes at a considerable discount

Forward P/E (12 Month)



Income: MSCI World ex-USA Dividend Yield Is 2% higher than MSCI USA

Forward Dividend Yield (12 Month)



Source: Bloomberg, Amundi. Past performance is not a reliable indicator of future performance. BEst consensus estimates as at 05/09/2024

MSCI USA and World ex-USA: precision tools for global investors

MSCI USA and MSCI World ex-USA indices offer investors powerful tools for building and steering their portfolios with precision. These indices provide the optimal level of granularity, allowing clients to fine-tune their exposure based on their forecasts and considerations. By leveraging these two transparent and liquid building blocks, investors can address a significant portion of their asset allocation risk efficiently.

The MSCI USA index captures the remarkable economic strength and outsized market capitalisation of the United States. It reflects its dominance in global markets, particularly in the technology sector. In contrast, the MSCI World ex-USA index presents compelling opportunities with lower valuation metrics and higher dividend yields. It offers attractive entry points for value-oriented and income-seeking investors.

For US investors, such an approach has become critical to balance home bias considerations with the benefits of international diversification. By adjusting their portfolio's USA exposure and complementing it directly with the World ex-USA index, US investors can create tailored strategies that align with their unique investment goals, risk tolerance, and market outlook. This level of customisation empowers investors to navigate global markets with greater control and flexibility.

While the USA is not inherently a home bias choice for European investors, it remains the largest component of the MSCI World index, making it a critical consideration in global portfolio construction. European investors can use this approach to balance their exposure to the USA's economic strength and market dominance with the diversification benefits and potentially attractive valuations of other developed markets. This toolbox empowers European investors to create tailored strategies that align with their unique investment goals, risk tolerance, and market outlook, enabling them to navigate global markets with precision and adaptability.

Related indices

Index name	Bloomberg tickers	Asset class	Amundi ETF replication
MSCI USA Net Total Return	NDDUUS	Equities	Full
MSCI World ex-USA Net Total Return	M1WOU	Equities	Full
MSCI World Net Total Return	NDDUWI	Equities	Full / Physical

Source: Amundi

Please contact your Amundi ETF sales representative if you'd like more information.

Knowing your risk

It is important for potential investors to evaluate the risks described below and in the fund's Key Investor Document ("KID") and prospectus available on our website www.amundietf.com.

CAPITAL AT RISK

ETFs are tracking instruments. Their risk profile is similar to a direct investment in the underlying index. Investors' capital is fully at risk and investors may not get back the amount originally invested.

UNDERLYING RISK

The underlying index of an ETF may be complex and volatile. For example, ETFs exposed to Emerging Markets carry a greater risk of potential loss than investment in Developed Markets as they are exposed to a wide range of unpredictable Emerging Market risks.

REPLICATION RISK

The fund's objectives might not be reached due to unexpected events on the underlying markets which will impact the index calculation and the efficient fund replication.

COUNTERPARTY RISK

Investors are exposed to risks resulting from the use of an OTC swap (over-the-counter) or securities lending with the respective counterparty(-ies). Counterparty(-ies) are credit institution(s) whose name(s) can be found on the fund's website amundietf.com. In line with the UCITS guidelines, the exposure to the counterparty cannot exceed 10% of the total assets of the fund.

CURRENCY RISK

An ETF may be exposed to currency risk if the ETF is denominated in a currency different to that of the underlying index securities it is tracking. This means that exchange rate fluctuations could have a negative or positive effect on returns.

LIQUIDITY RISK

There is a risk associated with the markets to which the ETF is exposed. The price and the value of investments are linked to the liquidity risk of the underlying index components. Investments can go up or down. In addition, on the secondary market liquidity is provided by registered market makers on the respective stock exchange where the ETF is listed. On exchange, liquidity may be limited as a result of a suspension in the underlying market represented by the underlying index tracked by the ETF; a failure in the systems of one of the relevant stock exchanges, or other market-maker systems; or an abnormal trading situation or event.

VOLATILITY RISK

The ETF is exposed to changes in the volatility patterns of the underlying index relevant markets. The ETF value can change rapidly and unpredictably, and potentially move in a large magnitude, up or down.

CONCENTRATION RISK

Thematic ETFs select stocks or bonds for their portfolio from the original benchmark index. Where selection rules are extensive, it can lead to a more concentrated portfolio where risk is spread over fewer stocks than the original benchmark.

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For Lyxor ETF:

- Multi Units France, French SICAV, RCS 441 298 163, located 91-93, boulevard Pasteur, 75015 Paris, France, managed by Amundi Asset Management
- Multi Units Luxembourg, RCS B115129 and Lyxor Index Fund, RCS B117500, both Luxembourg SICAV located 9, rue de Bitbourg, L-1273 Luxembourg, and managed by Amundi Asset Management
- Lyxor SICAV, Luxembourg SICAV, RCS B140772, located 5, Allée Scheffer, L-2520 Luxembourg, managed by Amundi Luxembourg S.A.

Before any subscriptions, the potential investor must read the offering documents (KID and prospectus) of the Funds. The prospectus in French for French UCITS ETFs, and in English for Luxembourg UCITS ETFs and Irish UCITS ETFs, and the KID in the local languages of the Marketing Countries are available free of charge on www.amundi.com, www.amundi.ie or www.amundietf.com. They are also available from the headquarters of Amundi Luxembourg S.A. (as the management company of Amundi Index Solutions and Lyxor SICAV), or the headquarters of Amundi Asset Management (as the management company of Amundi ETF French FCPs, Multi Units Luxembourg, Multi Units France and Lyxor Index Fund), or at the headquarters of Amundi Ireland Limited (as the management company of Amundi ETF ICAV). For more information related to the stocks exchanges where the ETF is listed please refer to the fund’s webpage on amundietf.com.

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