MSCI® World Futures

A Strategic Choice for Australian Investors

Architects of trusted markets EUREX

Contents

About Eurex

Eurex stands for the leading European derivatives exchange and – with Eurex Clearing – one of the leading central counterparties globally. We are the architect of market liquidity, efficiency and integrity by providing our customers with innovative solutions to seamlessly manage risk.

On the trading side, we mastermind the most efficient derivatives landscape by pioneering ingenious products and infrastructures as well as by building 'smart' into technology – offering a broad range of international benchmark products, operating the most liquid fixed income markets in the world and featuring open and low-cost electronic access.

As central counterparty, Eurex Clearing builds trusted relationships with and amongst market participants, paving their way for efficient risk management via unique clearing models.

Why MSCI World Futures at Eurex are the strategic choice for Australian investors

The Australian perspective on global exposure

Australian superannuation funds are rapidly expanding their global equity allocations as the $4.1 trillion industry outgrows the domestic market. This shift is necessitated by the limited size of the Australian equity market, which represents less than 2% of global market capitalization despite the superannuation system being one of the world's largest pension pools.

Many Australian institutional investors still gain global equity exposure through complex baskets of individual national indices or OTC swaps. This approach creates unnecessary costs, operational complexity, and inefficiency, especially for superannuation funds managing billions in assets amid increasing regulatory scrutiny.

"The old way of replicating the MSCI World via other indices (such as the S&P500, STOXX, FTSE, SMI and Nikkei) always meant executing five or more trades instead of one and posting margin to multiple clearing houses, without any offsets," noted in Eurex's 2024 reflection piece on MSCI derivatives, "A Decade of MSCI Derivatives". This creates tracking error during volatile periods, a risk that Australian institutional investors can ill afford in today's uncertain market environment.

Eurex MSCI World Futures offer a compelling solution – a single trade that captures the entire developed market equity exposure your portfolio needs.

What exactly is the MSCI World Index?

The MSCI World Index captures approximately 1,500 large and mid-cap companies across 23 developed markets, representing about 85% of the free float-adjusted market capitalization in each country. Since its creation, it has become the leading benchmark for global developed equity markets, with around $15 trillion of assets benchmarked against MSCI indices globally, a significant portion against MSCI World.

Rather than juggling multiple positions across S&P 500, FTSE 100, Nikkei 225, EURO STOXX 50, and ASX 200 futures, MSCI World futures provide comprehensive coverage through a single, capital-efficient instrument.

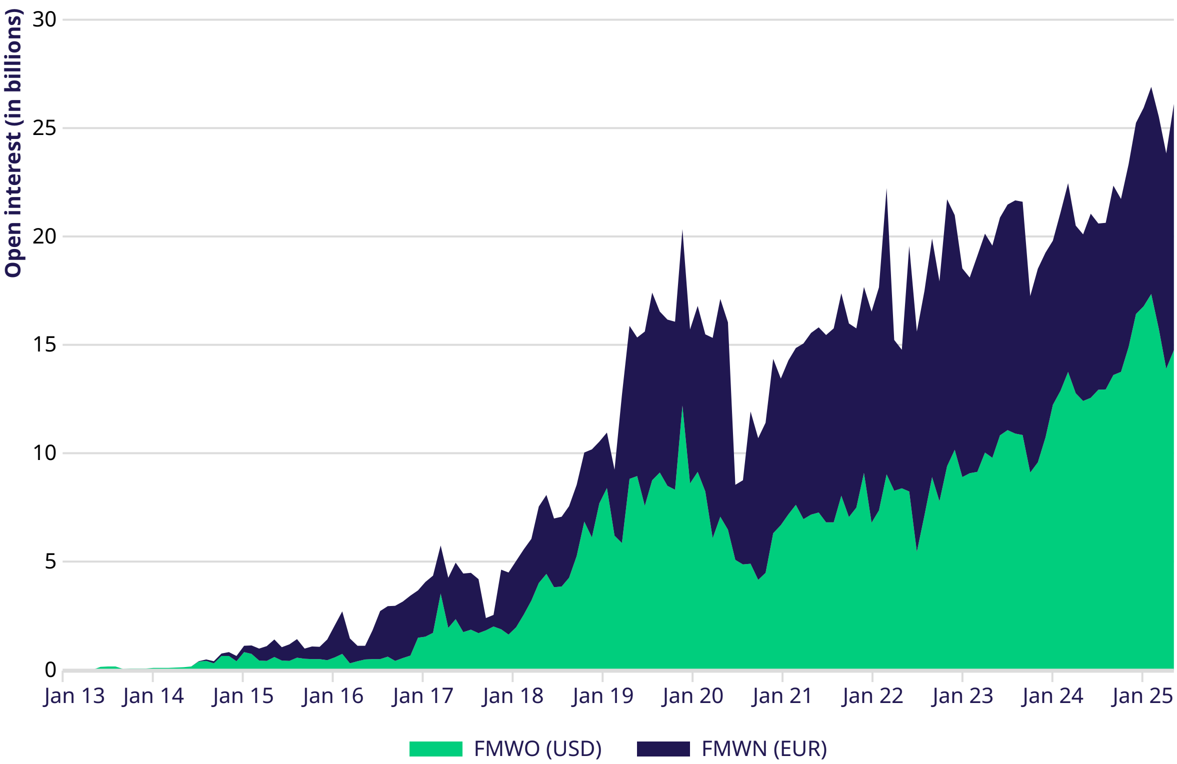
The evolution of MSCI World trading

Eurex created the foundations of its MSCI regional indices offering on March 11, 2013, with the listing of dollar-denominated MSCI World Futures (FMWO). What began as primarily a benchmark for performance measurement has transformed into a liquid trading instrument over the past decade.

The growth has been remarkable – trading volumes in MSCI World Futures at Eurex grew from zero to €25 billion, with another €10 billion traded in MSCI World Options. Meanwhile, assets in Xetra-listed ETFs replicating the MSCI World index have surged from €9 billion to almost €100 billion during the same period.

For Australian investors looking to efficiently manage global exposure, this growth in liquidity and market depth presents a compelling opportunity.

Open interest growth of MSCI World Futures in USD (FMWO) and in EUR (FMWN) from 2013–2025



Five key advantages for Australian investors

1. Capture the MSCI Index Close

For Australian investors managing US-heavy portfolios, timing matters. Eurex's MSCI World Futures now offer trading hours that support execution closer to the MSCI index close, with block trades accepted until 22:35 CET. This aligns with the live MSCI index print, around 22:20 CET, giving Australian portfolio managers the ability to trade with greater precision.

This improved timing helps reduce operational mismatches and supports more accurate execution for benchmark-relative strategies, a key advantage for superannuation funds and asset managers trading within Australian business hours.

2. Unmatched capital efficiency through PRISMA

Eurex's portfolio-based margining methodology (PRISMA) delivers outstanding capital efficiency for institutional investors. The system can reduce margins by up to 77% compared to individual single-product margins across different exchanges.

This margin efficiency is particularly valuable for Australian investors who maintain positions across multiple Eurex products. The cross-margining capability means you can offset your MSCI World futures against other equity derivatives positions.

For Australian superannuation funds focused on optimizing capital deployment, these margin efficiencies can translate to substantial cost savings and improved returns for members.

3. Asian trading hours liquidity

Eurex's extended trading hours (01:00–22:00 CET/ 9:00–6:00 AEST) provide Australian investors with the ability to execute during their local business hours. With significant trading volumes during Asian trading hours, Australian institutions can trade when their markets are open rather than staying late to catch European or US hours.

According to Eurex data, trading during Asian hours has shown steady growth, with increased volumes in both MSCI EM and MSCI World products. This Asian time zone advantage is relevant for Australian superannuation funds and asset managers who need to execute significant positions during their normal working day.

The ELM (Eurex Liquidity Measure) for MSCI World products has generally improved since 2021, with market impact for a €1 million order declining from around 6-8 basis points in 2021 to approximately 4 basis points in the beginning of 2024. This trend reflects deeper liquidity and more efficient execution, especially during Australian trading hours.

However, a temporary spike in early 2025, visible in both EUR- and USD-denominated contracts, coincides with renewed global uncertainty and tariff-related market disruptions. While short-term volatility affected liquidity conditions during this period, the broader trend continues to support improved execution for institutional investors.

4. Cost advantage

Eurex offers a competitive fee structure for MSCI Futures, with exchanges fees set at 0.60 in the order book and 0.90 for block trades, quoted in contract's currency. Combined with reduced operational costs from trading a single instrument rather than multiple country indices, the savings for high-volume institutional traders are substantial.

For Australian superannuation funds operating under increasing fee pressure and scrutiny, these cost efficiencies can make a meaningful difference to net returns, a critical advantage for those managing passive or enhanced index strategies at scale.

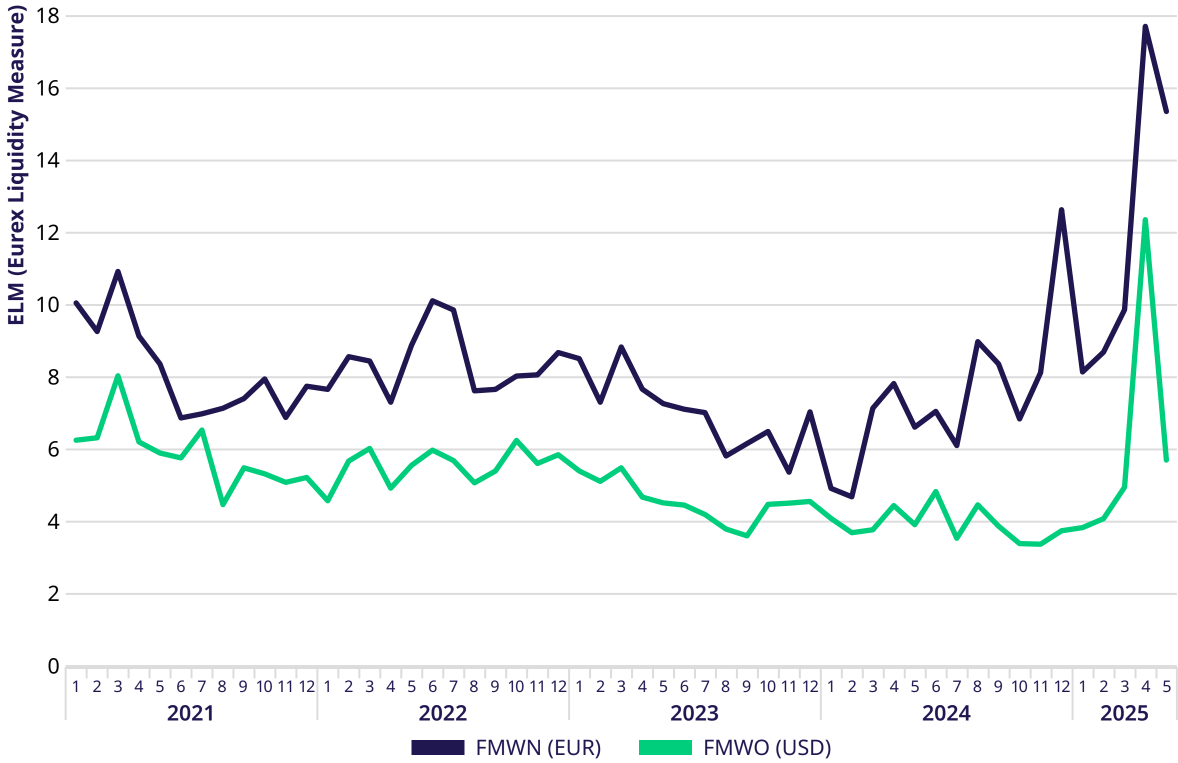
5. Total return futures: Moving beyond traditional futures

For investors seeking longer-term exposure, Eurex's MSCI Total Return Futures (TRFs) provide compelling advantages over both traditional futures and OTC Total Return Swaps:

- No quarterly roll costs, allowing positions from 3 months up to 10 years
- Reduced balance sheet costs under Uncleared Margin Rules
- Full transparency and central clearing vs. bilateral OTC arrangements
- Trade at Close (TAC) functionality for precise benchmark tracking

Launched in the first quarter of 2024, these TRFs represent Eurex's latest innovation in the ongoing migration from OTC products to exchange-traded instruments. With structures similar to Total Return Swaps, these contracts enable long-term exposure to an index without quarterly roll requirements, an ideal solution for Australian superannuation funds with long-term investment horizons.

ELM (Eurex Liquidity Measure) of MSCI World in USD and EUR for a 1mn EUR order from 2021–2025



MSCI World ex-Australia: A tailored solution for superannuation funds

For Australian superannuation funds concerned about home country concentration risk, Eurex offers MSCI World ex-Australia futures – a product specifically designed for the Australian market. This specialized instrument allows for precise management of global exposure without doubling up on existing Australian market positions.

This structured approach to international diversification lets portfolio managers maintain their desired allocation to Australian equities while gaining global exposure in a controlled, transparent manner.

In an environment where Australian superannuation funds are increasingly seeking to diversify globally – a trend highlighted by recent research showing increasing allocation to global and Magnificent 7 stocks – having access to specifically tailored instruments like MSCI World ex-Australia futures enables more precise portfolio construction.

The broader MSCI ecosystem at Eurex

Eurex now offers a comprehensive suite of 150 MSCI Futures and 23 MSCI Options, covering both emerging and developed markets across all time zones. This includes:

- **Currency options:** Futures denominated in USD, EUR, and GBP to match portfolio base currencies
- **Sector exposure:** Futures on 11 MSCI World sectors for targeted industry exposures
- **Factor strategies:** MSCI World Factor Futures capturing momentum, quality, and enhanced value

This extensive product range allows Australian investors to fine-tune their global equity exposures with precision, whether implementing strategic asset allocation decisions or tactical views on specific sectors or factors.

Execution efficiency: Trade at Index Close

Trade at Index Close (TAC) functionalities, with T+1 settlement, provide Australian institutions with tools to execute trades in line with the official benchmark closing levels, helping to minimize tracking error. These execution methods are well suited for index-tracking portfolios. For Australian superannuation funds and asset managers running benchmark-relative strategies, these mechanisms offer practical solutions for reducing both tracking error and operational risk.

Regulatory drivers supporting exchange-traded solutions

The growth in futures volume has a strong regulatory impetus. The Uncleared Margin Rules (UMR) that were designed to push OTC derivatives positions onto exchanges and clearing houses began impacting major investment banks in 2016, with progressive implementation across the broader market through 2022.

For banks, UMR triggered an intense focus on balance sheet optimization, primarily through creating margin offsets wherever possible. As a key hub for facilitating these offsets with its diverse equity and equity index products, Eurex has been at the forefront of this regulatory-driven transition.

Australian institutions, especially those with global operations or counterparties, are similarly affected by these regulatory trends. The shift toward exchange-traded and centrally cleared instruments aligns with global regulatory direction and prudent risk management practices.

Australian market trends driving increased MSCI usage

Several trends specific to the Australian market are driving increased adoption of global equity index futures:

1. **Superannuation consolidation:** As funds merge and grow, they need more scalable, efficient trading solutions for their expanding global allocations.
2. **Home bias reduction:** Australian institutional portfolios are gradually reducing their historical overweight to domestic equities, creating demand for efficient global equity instruments.
3. **Fee pressure:** Increasing scrutiny on fees is pushing funds toward more cost-effective implementation strategies, favoring exchange-traded futures over more expensive alternatives.
4. **Risk management focus:** Recent market volatility has heightened focus on tracking error and implementation risk, emphasizing the need for precise benchmark exposure tools.
5. **ESG integration:** : Growing ESG mandates create demand for the specialized ESG-focused MSCI derivatives that Eurex offers.

Time to reconsider your global exposure approach

As Australian institutions continue to grow their global allocations, the operational and capital efficiency of MSCI World futures at Eurex presents a compelling alternative to the traditional multi-basket approach.

With enhanced liquidity, extended trading hours aligned with the Australian business day, competitive fees, and precise execution tools, Eurex MSCI World futures should be at the center of any conversation about optimizing global equity exposure.

The market for these products has matured significantly over the past decade. As Eurex notes in their recent analysis: "The more liquid the benchmark itself gets through instruments like MSCI World Futures, the less clients are willing to accept tracking error." This trend is likely to continue, with MSCI World Futures potentially gaining further market share from national and regional benchmarks in the coming years.

For Australian superannuation funds and asset managers navigating an increasingly complex global investment landscape, the efficiency, precision, and liquidity of MSCI World futures at Eurex offer a compelling strategic solution.

Contact us at Eurex to discuss how MSCI World futures can transform your global equity execution strategy.

Contact us

DERIVATIVES PRODUCTS AND MARKETS

Ralf Huesmann
ralf.huesmann@eurex.com

Floris Florquin
floris.florquin@deutsche-boerse.com

SALES APAC

Robert Lee
robert.lee@eurex.com

Kris Hopkins
kris.hopkins@eurex.com

Published by
Eurex Frankfurt AG
Mergenthalerallee 61
65760 Eschborn
Germany

www.eurex.com

ARBN Number
Eurex Frankfurt AG ARBN 100 999 764

Find out more online at
eurex.com/msci