

# News Release



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## **BNY Mellon Classic ADR Index<sup>SM</sup> 18% Return in 2012 Beats S&P 500, Led by Europe**

*Strong country performance in Europe, Australia, China drive DR index gains, according to BNY Mellon's 2012 DR market update; other milestones set in volatile year*

NEW YORK, January 30, 2013 — The BNY Mellon Classic ADR Index posted an 18% return last year, beating the 16% gain by the Standard & Poor's 500 Index of U.S. shares, and reversing a 2011 loss even as overall depositary receipt trading shrank, according to BNY Mellon's year-end report on the DR market.<sup>(1)</sup>

"The outperformance of the Classic ADR Index is significant, given that overall DR trading value dropped in 2012 and U.S. stocks performed well during a year of political wrangling," said Christopher M. Kearns, deputy CEO of BNY Mellon's Depositary Receipts business. "International portfolio diversification through DRs has offered a viable option to many investors, even as geopolitics led to periods of unsettled markets and made companies cautious about committing capital."

As the only real-time index to track all ADRs, New York shares and global registered shares traded on the NYSE, NYSE MKT, NASDAQ and over-the-counter, the BNY Mellon Classic ADR Index has become a widely followed international benchmark. Last year, the index gained 18%, reversing a 13% loss in 2011.

More broadly, a total 157 billion DRs were traded on the world's markets and exchanges, 10% less than 2011, but higher than the previous two years, while the value of DRs traded shrank 26% to \$2.79 trillion.

### **Index Gains**

The BNY Mellon Classic ADR Index returns for Europe were up more than 20% last year. Overall, the best-performing country indices were those for Germany, which gained 33%, Australia, which gained more than 25%, followed by China with a 25% rise, France returning 24%, and Switzerland with 22%.

According to the year-end report, Oil & Gas sector issuers led all industries in terms of volume with 27 billion DRs traded, 44% more than 2011. In contrast, trading in the Semiconductor and Pharmaceutical sectors were down the most, 41% and 27%, respectively. In terms of trading value, Beverage sector companies outperformed all others with an 18% increase to \$80 billion, while the Oil & Gas industry saw a slight increase of slightly more than 1% to \$575 billion.

According to the Classic ADR Index, the two sectors with the largest percentage returns last year were Financials and Consumer Goods, up 35% and 24%, respectively. The two lowest-performing sectors were Telecommunications and Oil & Gas, gaining less than 3% and less than 1%, respectively.

### **Global Factors**

While 2012 was characterized by a mixture of volatility, depressed equity prices and low interest rates, China's GDP rebounded in the fourth quarter and BNY Mellon's forecast is for a slightly faster growth rate globally in 2013, said Kearns.<sup>(2)</sup>

"In this environment companies increasingly look beyond domestic markets and traditional financing centers for funding, and they have continued to tap international capital markets in a considerable way," Kearns added.

There were 31 capital-raising programs in 2012, including Russia's Sberbank, one of the largest DR offerings ever, as well as sizable and innovative programs for Russia's MegaFon and Brazil's BTG Pactual.

"Our recent investor relations survey shows that half of large cap companies from developed markets that are considering additional listings are interested in doing so in emerging markets," he said.

#### **2012 Highlights include:**

- The **BNY Mellon Classic ADR Index<sup>SM</sup>** was up 18% for the year ending Dec. 31, 2012. The top performing DR country indices were Germany with 33%, Australia with more than 25%, followed by China (+25%), France (+24%), and Switzerland (+22%)
- The most actively traded U.S.-listed DRs by value included China's **Baidu**, Brazil's **Vale** and **Petrobras**, and the U.K.'s **BP** and **Vodafone**
- Russian issuers continued to dominate the most actively traded DRs on the International Order Book (IOB), with **Gazprom**, **Lukoil**, **Sberbank**, **Rosneft** and **Norilsk Nickel**, the top five
- The most active OTC-traded DR issues included Switzerland's **Nestle** and **Roche**, Russia's **Gazprom**, and **BASF**
- 157 billion DRs worth \$2.79 trillion traded, representing declines of 10% and 26%, respectively compared with 2011
- 84 new **sponsored DR programs** were created
- Almost \$13 billion in capital was raised through 31 DR transactions, declines of 15% and 39%, respectively, over 2011

#### **Regional Highlights**

##### **Western Europe**

The value of DRs traded fell to \$953 billion in 2012, compared with \$1.34 trillion in 2011, a fall of 29%. Even with a slightly lower DR trading volume of 49 billion, the region is still the largest DR market in the world by value and volume. High-performance materials maker **Luxfer**, became the first U.K. firm to list an ADR under the U.S. JOBS Act, which simplified certain aspects of securities registration and disclosure requirements in the U.S.

##### **Eastern Europe**

Russia continued to attract the DR industry's largest share of investors in initial and follow-on offerings despite shaky global markets. The country's biggest bank, **Sberbank**, listed on the London Stock Exchange, raising \$3.5 billion from institutional and sovereign wealth investors via DRs as part of its ongoing privatization. BNY Mellon also helped Russian mobile phone operator **MegaFon** with its \$1.8 billion IPO in London and Moscow. The value of DRs traded in the region slipped 5% to \$480 billion even as volume rose 18% to almost 40 billion.

##### **Asia-Pacific**

While lower DR capital raising activity from Asia-Pacific reflected the wider decline in IPOs globally, companies still managed to complete DR offerings to raise capital in an otherwise difficult environment. From Taiwan, new GDR capital raisings by **Parade Technologies**, **WIN Semiconductors**, **TPK** and **Chailase**, as well as a follow-on GDR offering from **Wintek**, collectively raised over \$750 million. DRs traded for companies from the region shrank 31% to 27 billion as their value fell 38% to \$602 billion. BNY Mellon also won switches from other depository banks from **KB Financial Group** of Korea and **Himax Technologies** of Taiwan.

##### **Latin America**

The region experienced mixed development in 2012, with Mexico showing signs of robust growth, while Brazil, after a decade of economic expansion, experienced a period of lower equity capital markets activity. Issuers from the region traded about 37 billion DRs, a slight decrease from 2011, versus a 21%

decline in their value to \$667 billion. Chilean retailer **Cencosud** made a case for U.S. listings as a means for issuers to overcome challenging home market conditions. BNY Mellon won significant programs from Brazilian companies, including Petrobras' common and preferred programs via a successorship, as well as a complex listing in Sao Paulo and Amsterdam for independent investment bank **BTG Pactual**.

### **Middle East and Africa**

The Middle East is trying to recover and redefine itself after the Arab Spring. BNY Mellon launched its second Regional DR in Sub-Saharan Africa, this time in Namibia. Eight new programs were established for issuers in the region, with five of them originating from South Africa. **Orascom Telecom** completed its de-merger and spin-off of Orascom Telecom Media and Technology in January 2012. Overall, the value of DRs traded in the region fell 40% to \$90 billion as volume shrank 29% to 4.4 billion.

### **BNY Mellon Indices**

BNY Mellon's DR Index team provides more than 140 indices, and there are 17 ETFs trading in the U.S., Canada and Korea using BNY Mellon indices as their primary benchmarks. Last year, in partnership with OTC Markets Group Inc., BNY Mellon created the OTCM ADR Index to provide breadth and depth for American Depositary Receipts traded on the OTCQX, OTCQB and OTC Pink marketplaces. The OTCM ADR Index is comprised of 657 large-cap international companies, including such names as Nestle, Roche, Bayer, Lukoil and Banco do Brasil.

To learn more about BNY Mellon's DR Indices, visit [www.bnymellondrindex.com](http://www.bnymellondrindex.com)

### **BNY Mellon's Depositary Receipt Leadership**

In 2012, BNY Mellon acted as depositary for two-thirds of all new sponsored DR programs and 61% of DR capital-raising transactions. There were 31 capital-raising programs in 2012, including Russia's Sberbank, one of the largest DR offerings ever, as well as sizable and innovative programs for Russia's MegaFon and Brazil's BTG Pactual. In addition, BNY Mellon won the biggest switch worldwide when Petrobras of Brazil chose it as depositary.

BNY Mellon acts as depositary for more than 2,500 American and global depositary receipt programs, acting in partnership with leading companies from 68 countries. BNY Mellon is committed to helping securities issuers access the world's rapidly evolving financial markets and delivers a comprehensive suite of depositary receipt services. Learn more at [www.bnymellon.com/dr](http://www.bnymellon.com/dr)

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(1) Statistics are as of Dec 31, 2012, unless otherwise noted.

(2) BNY Mellon December 2012 Economic Update, Chief Economist Richard Hoey.

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