

THE ZAWA100 Story
“Economic Premise and Investor Rationale”

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 Positioning Story**

Chapter 1: THE ECONOMIC PREMISE

The fundamental nature of economic activity in developed economies have changed from an old brick and mortar traditional economic model to a new technology intensive-service based economic model. Resultantly, the U.S economy is approximately 80% service driven. The measured volume of goods and services produced is increasingly the sum of information intensity products or what we define as “Digital Gross National Product – dGNP™”. Increasing unmet demands for highly qualified technology talent compounded by rising wages, and shareholder demands for better profits reflected in share price performance, are driving global corporations to seek lower cost countries and their IT talent to boost performance and increase share prices.

Emerging market countries in Asia, Europe and Latin America are vigorously responding to developed economies service needs, by producing a large supply of IT labor at discounted costs. Local governments area also strengthening their local infrastructure and laws to accommodate international and local companies. This service globalization dynamic between developed and emerging economies is facilitating new value creation among small, medium and large publicly traded IT/BPO firms. This value is reflected in increased share prices and expanding market capitalization.

This trend is expected to extend well into the next decade. Furthermore: regulatory, legislative, political, sovereign, Headline (news), market and Election cycle risks associated with the global outsourcing sector have greater market volatility effects than most sectors. This offers an opportunistic trading edge for a ProShares ZAWA100 ETF.

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Chapter 2: THE INVESTOR RATIONALE

These seven factors underscore the investor demand opportunity:

1. Vehicle: The ZAWA100 is the first investable benchmark on the global outsourcing sector. Investors now have a tool to benefit from the growth and volatility in the sector. The index is calculated by Standard & Poor’s (S&P).

2. Performance: ZAWA100 5-year (01-06) result yielded 33.19 on an annualized basis. Comparatively, the S&P Global 1200 and 500 yielded 8.27% and 4.38% respectively and the Morgan Stanley Emerging Market index (MSCIE) yielded 30.9% for the same 5-year period.

3. Sustainable: service globalization outsourcing represents a fundamental shift in the supply-demand sourcing equation. The dis-inflationary effects of the manufacturing side of globalization exemplified by Wall Mart is huge. Service globalization will be bigger by many factors.

4. Investments: Accelerated investor participation through M&A and private equity (PE) firms’ involvement in the sector is growing. Seven ZAWA100 M&A transactions have occurred since the June 07 index launch.

5. Specialists: Zagada Markets and Waagstein Research are sector specialist analysts firms with complimentary IT/BPO capabilities covering Asia, Europe and the Americas.

6. Projections: The global outsourcing sector is growing in excess of 30% annually. India has initially lead company listings growth among Brazil, Russia, India and China (BRIC) markets. Legislative and market driven demand changes will accelerate new ZAWA100 listing from BRC countries – particularly China.

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7. Growth: Trans-continental and trans-regional growth will continue driving global outsourcing company growth between developed and emerging markets. However, equally important is the increasing internal growth within BRIC and other emerging markets. This growth is generated by the new expanding middle class. Expanding local and international demand represent an impressive supply-demand equation that will affect corporate share price and ZAWA100 performance.