ETF SPECIAL

Made in Germany: Drivers of Europe’s rebound

Why the German DAX is at the centre of Europe’s stock rally

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Head of Global Benchmarks DAX
STOXX

DAX ETFs capture the leaders of Europe’s comeback

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Introduction

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Welcome to this ETF Stream special report on DAX ETFs – a product set capturing the leading players in Europe's equity resurgence in 2025. Despite a decade of subdued performance and mixed economic sentiment in Germany, the country's equity market has re-emerged as a focal point for investors seeking value, diversification and exposure to Europe's industrial renaissance.

DAX ETFs, which track Germany's flagship equity benchmark, have seen record inflows this year as investors rotate from stretched US stocks into Europe's largest economy. So far in 2025, they have attracted around $3bn, while combined assets across DAX and MDAX ETFs – the latter covering mid-cap equities – have climbed to nearly $33bn combined, underscoring the renewed appetite for German equities.

Supported by an ambitious €500bn infrastructure plan, increased defence spending and the promise of a more flexible fiscal framework, Germany's equity market has entered a new phase. The DAX family of indices – now including 15%, 20% and uncapped iterations as well as composite and mid-cap variants – offers investors a broader toolkit to express views across Europe's growth and diversification aspects.

In this report, we examine how DAX ETFs are capturing this momentum, the policy and structural forces driving investor demand, and how index innovation is shaping the next chapter of Germany's market leadership in Europe.

Why the German DAX is at the centre of Europe's stock rally

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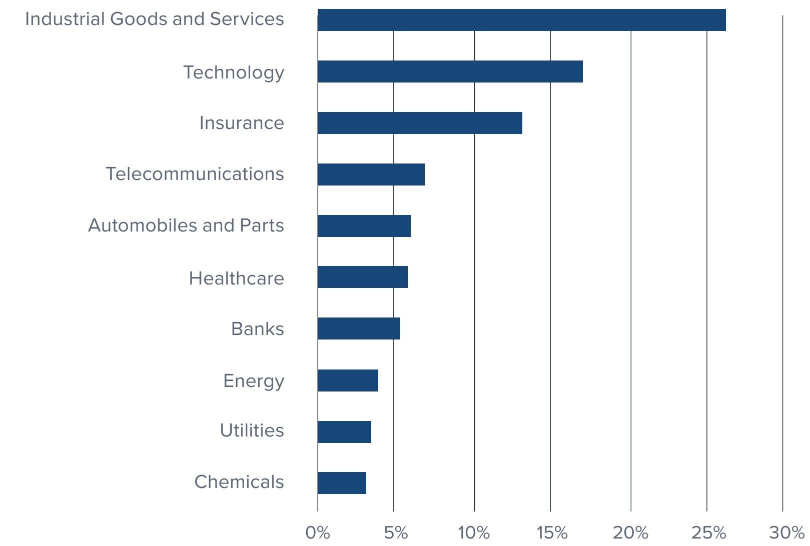
Head of Global Benchmarks DAX, STOXX

Germany's DAX index is having a banner year. In the first half of 2025, the 17 ETFs tracking the equity benchmark and its mid-cap counterpart, the MDAX, attracted nearly €6bn net inflows.[1]

Strong flows and rising share prices have pushed total assets invested in DAX and MDAX ETFs to €28.1bn. The DAX has climbed to new highs, outperforming the Eurozone's EURO STOXX 50® by 9.3 percentage points in the first half of 2025. If this trend continues in the second half, the German index will log the widest annual outperformance since 2012.

To discuss what all this means for the DAX, ETF Stream spoke with Veronika Kylburg, head of global benchmarks DAX at STOXX Ltd., the index company that oversees DAX.

DAX industry allocation



Source: STOXX. Data as at July 31, 2025.

What is driving the performance of DAX this year?

From a macroeconomic perspective, the global upswing that began after the pandemic has held up well, which bodes positively for the DAX. Because of its components — large, well-known exporters whose brands are consumed worldwide — and its industry exposure, the DAX is an index geared to global trade and growth. Around 80% of DAX revenues is estimated to be derived overseas.[2]

This year, however, domestic factors are also propelling the index. The government's € 500bn special fund for infrastructure, plus increased spending on defence, looser fiscal policy and an announced cut to corporation tax, are all factors that have lifted expectations that the German economy may finally break out of years of sluggish growth and recessionary headwinds.

The private sector has also stepped up to the task. Sixty-one of Germany's largest companies, among them 29 DAX constituents, have pledged to invest a combined €631bn by 2028 to help kickstart Europe's largest economy as part of the 'Made for Germany' initiative.

Finally, many investors have looked to diversify away from tech-heavy US indices due to concerns about overconcentration and stretched valuations. With its more balanced industry composition, the DAX index has served as an efficient vehicle for that diversification.

What were the main goals of the DAX benchmark methodology changes since 2018?

The changes we implemented in the past seven years were the result of thorough analysis and took into account client feedback. They sought to make the DAX current and suitable in its role of market benchmark amid a fast-evolving investment landscape.

Perhaps the most noticeable

[1]All data is through July 2025. [2]Deutsche Bank, Chief Investment Office, 'DAX & MDAX – German equities in focus,' Aug. 7, 2025.

change was the expansion of the DAX from 30 to 40 constituents, devised to make the index even more representative of its market and to increase diversification.

From the treatment of corporate actions to the adjustment of capping factors and review period timings, we have continuously improved the operational processes around the index. More importantly for trackers, we have ensured the index can be efficiently replicated and traded — key considerations for one of the most popular underlyings for ETFs and structured products.

We listened to the market as well in terms of the quality of index components and introduced profitability requirements and reporting rules. As index provider, we took control of reacting to any breach in company obligations, something that previously was relegated to the stock exchange via the Prime Standards listing requirements.

All in all, we have reinforced the index's standing with the various end users in mind.

The decision to raise the DAX's single-stock cap to 15% was based on the preference of most respondents in a market consultation. The increase offers a better balance between different

DAX selection indices' key methodology changes since 2018

Month/Year	Change	Objective
Sept. 2018	Elimination of classic and tech sector separation within securities.	Tech companies allowed in MDAX and SDAX, apart of TecDAX. DAX technology companies allowed in TecDAX. Changes improve the representativeness of Indices.
Dec. 2020	DAX eligible companies must have positive EBITDA in the two most recent financial years.	Bolster the quality of DAX components.
March 2021	DAX Selection indices companies must timely publish audited annual financial reports and quarterly statements, and appoint an independent audit committee.	Bolster the quality of index components.
March 2021	Requirement for DAX constituents to be listed on the Frankfurt Stock Exchange's Prime Standard is dropped in favor of a Regulated Market listing (Prime and General Standard).	Index management wins autonomy to enforce new requirements to publish financial statements and have an Independent audit committee, meaning it can react quickly to breaches.
March 2021	DAX's composition review moved to twice a year (March and September) from annually.	Match the frequency currently followed by the MDAX,SDAX and TecDAX Indices.
Sept. 2021	Flagship DAX enlarged to 40 stocks from 30; MDAX reduced to 50 components from 60.	Foster diversification in DAX components' industries and weights, and make the index more representative of the underlying economy.
Sept. 2021	Selection criterion of trading turnover is replaced by a minimum liquidity requirement, with market capitalization remaining the key metric as is customary internationally.	Simplify the methodology while upholding investability; bring rules in line with global standards.
Sept. 2022 to March 2024	Factor fixing period during review process expanded; treatment of corporate actions and of changes in the number of index constituents' shares is reformed; DAX Indices' calculation and data distribution is migrated to STOXX framework.	Simplify index replication, make the index more predictable and minimize trading risk for index trackers. Modernize the DAX calculation methodology and facilitate operational synergies with STOXX users.
March 2024	DAX single-stock cap raised to 15% from 10%.	Increase representativeness of underlying market, cater to broader investor base.

Source: STOXX

regulations for actively (10% cap) and passively (20% cap) managed funds and reflects the growing importance of the passive investment industry. On top of that, a higher cap limit enables better representation of the German stock market.

Following this, we introduced alternative versions of the DAX with varying single-stock caps: no cap, 10% and 20% limits. This allows us to serve a broad range of index users and strategies, including global investors not restricted by UCITS or other regulations who now have the option of full market exposure.

What makes the MDAX and SDAX stand out and why have they been in focus this year?

MDAX includes the 50 companies that follow on from the DAX, therefore covering the mid-cap segment. To provide perspective, the average MDAX company's market cap is €3.3bn, while that of DAX is €42.2bn — more than ten times larger.

The mid-cap world is a dynamic, innovative and highly diversified cohort of companies. Their historical advantage is that they can have faster-than-average growth rates, and some could be promoted to DAX in the coming years.

Many investors believe the mid-cap segment could benefit disproportionately from the government's announced infrastructure expenditures and from the 'Made for Germany' initiative. Deutsche Bank estimates MDAX earnings will grow 22% next year, compared with 13% for DAX and significantly faster than other European benchmarks.[3] That could partly be explained by the fact that MDAX companies generate twice as much revenue domestically as DAX firms, according to the bank's analysts.

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For investors familiar with DAX, MDAX uses the same rules framework, and the same liquidity requirement and market cap selection criterion as DAX.

The SDAX, which follows on from MDAX and focuses on small caps, has had very strong returns this year, rising 28% through June and beating the DAX and MDAX. Should the trend continue in the second half, it would mark a reversal from previous years' underperformance. There is one ETF on the SDAX — the Amundi SDAX UCITS — and flows in this space have traditionally been more muted than those in the DAX or MDAX.

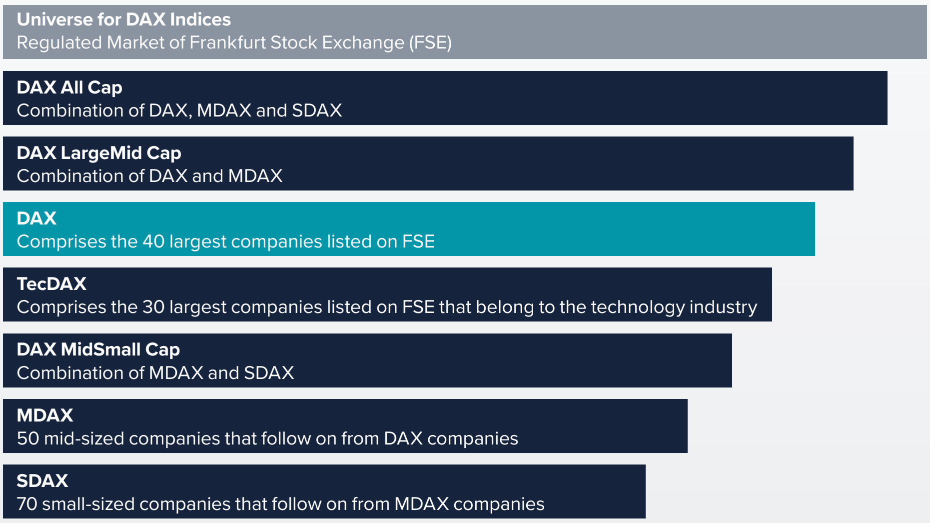
Given the domestic-oriented profile of small companies, SDAX could present even more of an opportunity for investors seeking a 'deep Germany-focused' strategy.

What was the rationale behind launching DAX composite indices that combine size segments?

These launches were devised to provide investors with a complete

DAX index landscape

A selection of indices are listed in descending order according to their free-float market cap



Source: STOXX

[3]Deutsche Bank, Chief Investment Office, 'DAX & MDAX – German equities in focus,' Aug. 7, 2025.

Stock attribution analysis of DAX YTD – Top 10

Company	Industry	Relative contribution to DAX return YTD
Rheinmetall	Aerospace & Defense	14.5%
Siemens	Industrial Conglomerates	11.5%
Siemens Energy	Electrical Equipment	11.2%
Allianz	Insurance	11.1%
Deutsche Bank	Capital Markets	10.0%
Commerzbank	Banks	7.4%
SAP	Software	4.8%
Munich Re	Insurance	4.6%
Heidelberg Materials	Construction Materials	4.1%
E.ON	Gas, Water & Multi-Utilities	3.7%

Source: STOXX, Axioma. Data through Aug. 11, 2025. Last column shows the percentage of the DAX's total return attributable to each company.

and consistent index ecosystem for the German equity market. Starting from the DAX® All Cap index, investors can slice and dice the whole universe to their preference.

The DAX All Cap, DAX® LargeMid Cap and DAX® MidSmall Cap offer investors one-stop exposure to combined large-, mid- and small-capitalisation universes of stocks, with the latter being of high interest to institutional investors given the frequent crossover between the mid- and small-cap segments.

Whatever the exposure investors need, we now have a readily available index to implement their goals. All with the tested methodology and transparency that have made DAX indices favourites since 1989.

What does the strong performance of the DAX suggest about the role of national indices in Europe today and where do you see DAX in ten years?

National economies in Europe are diverse, not only in terms of industry specialisation but also due to differences in development, regulation and politics. While the EURO STOXX 50 represents a single currency region and a common monetary policy, national indices still offer investors exposure to unique, country-specific dynamics. Flows into the DAX are testament to that.

For both institutional and retail investors, DAX is the definitive benchmark when it comes to gaining German equity exposure and will remain being so. The investor base for stocks is growing as younger people become increasingly aware that building up private wealth is of fundamental importance for financial independence and retirement.

We will continue to refine the methodology, so the DAX remains representative of the German market, as well as relevant and fit for purpose for the next generation.

DAX ETFs capture the leaders of Europe’s comeback

Investors opt for a broader toolkit to play Europe’s largest economy in 2025

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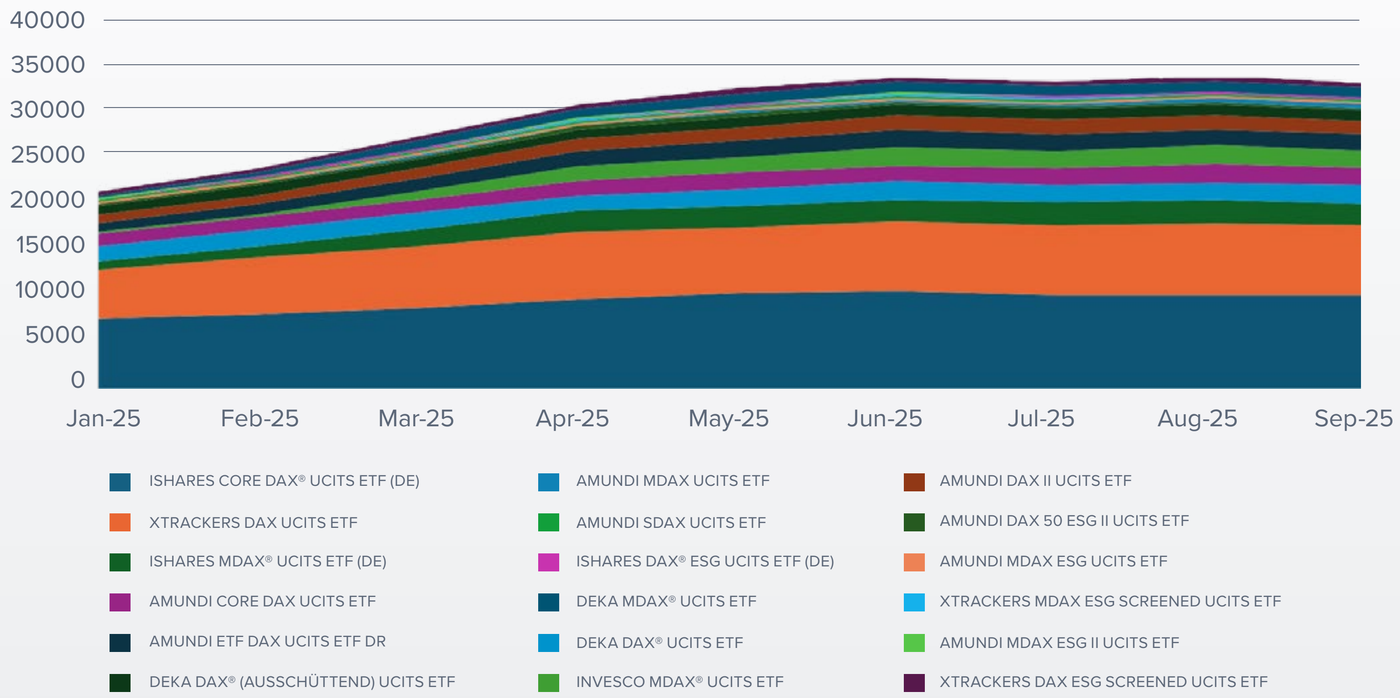
Stretched US equity valuations and the prospect of shifting tariff policy is prompting investors to reassess how they think about regional equity allocations. In focus is Europe and in particular its largest economy – Germany – which is at the centre of an industrial renaissance and valuations remain reasonable despite the resurgence in 2025.

Capturing the largest players in this recalibration is Germany’s DAX index which has recently hit fresh all-time record highs and drawn inflows even as the country’s economic data remain lacklustre.

ETFBook data show the reallocation taking place in practice. As at 9 September, DAX-tracking ETFs attracted roughly $3bn of net inflows in 2025, peaking at $1.3bn in March alone. This is also not just a large-cap phenomenon – mid-cap exposure was nearly as strong with MDAX ETFs pulling in $700m in February and another $1.8bn in March before moderating into summer. Small-cap SDAX products remained niche but positive through most of the period.

By September, combined assets in DAX and MDAX ETFs had risen from $21bn in January to nearly $33bn, with BlackRock and DWS ETFs being the main beneficiaries of the demand. The iShares Core DAX UCITS ETF alone accounts for approximately 28% of total assets, while Xtrackers DAX UCITS ETF holds roughly 21%.

AUM growth of DAX tracking ETFs (USDm)



Source: etfbook.com

Monthly flow data underline the enthusiasm. DAX ETFs saw net creations of nearly $1bn in February and another $1.3bn in March before a brief outflow in May. MDAX flows spiked even higher in March, reflecting appetite for mid-cap names that are more geared to Europe's internal growth story.

The flows reflect a blend of macro forces and policy initiatives. After years of fiscal caution, Europe is undergoing a "fiscal and regulatory reset" according to Vincenzo Vedda, chief investment officer at DWS, with programmes to upgrade infrastructure, accelerate green transition and support a high-tech, low-carbon industrial shift.

These measures, combined with a comparatively stable political environment, moderating inflation and a Eurozone growth trajectory are helping the region reclaim investment appeal. "Europe's growth has long been disappointing. This could be now changing" says Vedda.

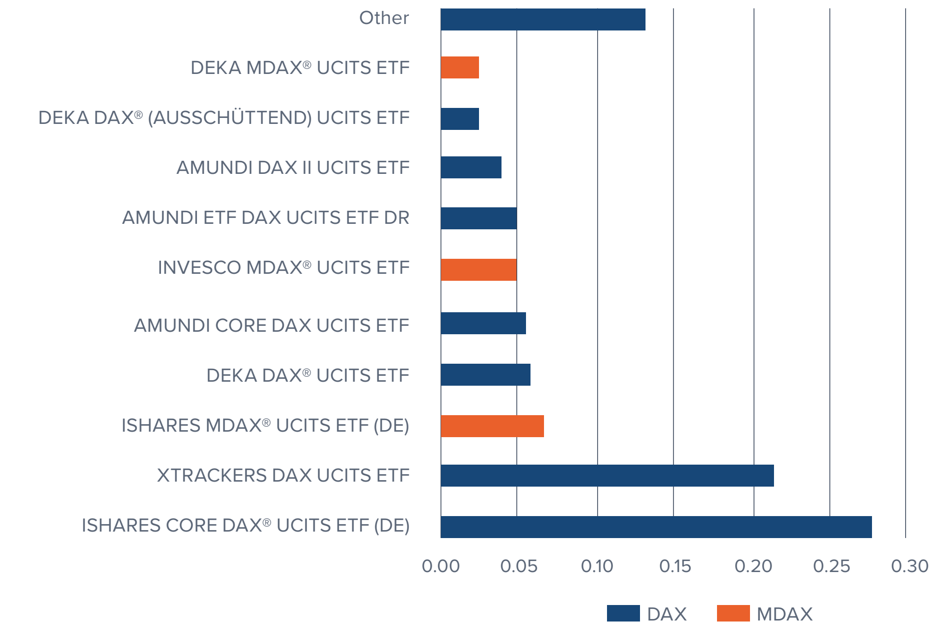
For global investors facing stretched US valuations and tariff uncertainty, Germany as the region's largest economy offers a timely entry point with its €500bn infrastructure plan boosting the continent's growth outlook.

"We upgraded Europe to overweight this spring on the back of the German infrastructure plan," said Stephan Kempfer, chief investment strategist at BNP Paribas Wealth Management. "In conjunction with the European push for increased defence spending we expect a material uplift of GDP growth in Europe. Germany's economy seems to be well equipped to benefit disproportionally from higher growth due to its high level of integration in the European economy... Valuations have also been very supportive for that call."

One clear beneficiary is Rheinmetall. The defence systems supplier's share price has surged 215% in the year-to-date to 1 October, riding Europe's military spending boom and Germany's own rearmament plans. "Who was not invested in Rheinmetall had a huge problem. It is like not having Nvidia," said Sven Langenhan, head of investment office at HRK Lunis.

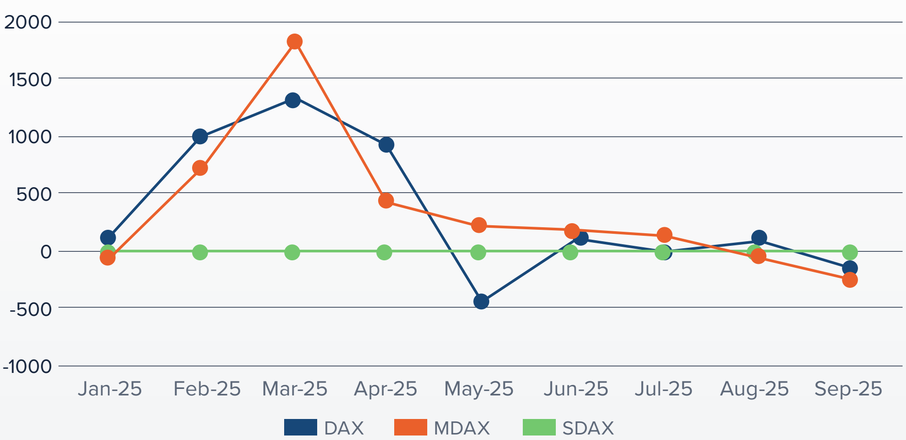
Germany's export-oriented DAX constituents also benefit from global demand. Roughly 60% of DAX company revenues come from

AUM breakdown (%)



Source: etfbook.com

Total net monthly flows of ETFs tracking DAX, MDAX and SDAX (USDm)



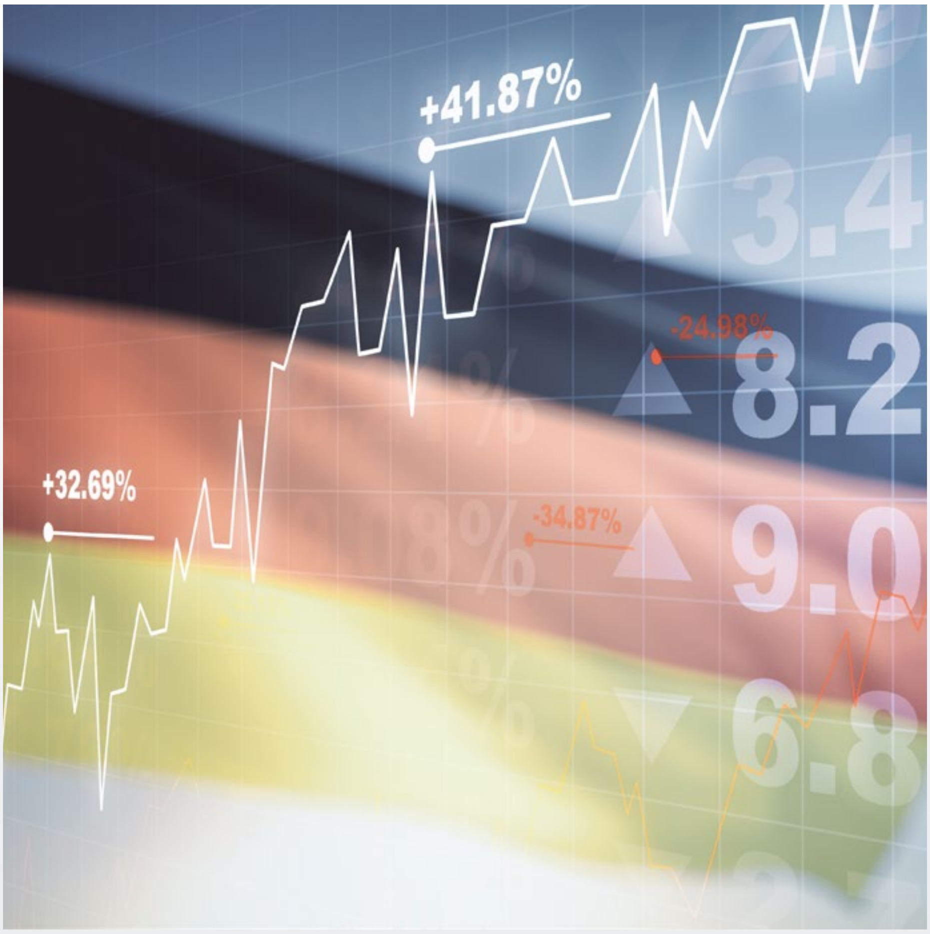
Source: etfbook.com

outside Europe, giving investors a way to capture international earnings while maintaining a European allocation.

While the 40-member DAX remains the headline index, many investors are moving down the market-cap spectrum. Kemper explains: “We prefer the MDAX as the index has a high gearing to Europe. 33% of revenues are made in Germany (55% in Europe) and only 18% in the US. The latter is a benefit as it means that the index is less impacted by tariffs. Moreover, we think that the US economy will be slowing and that the main drivers of growth for companies (outside tech) will be rather in Europe due to the upcoming wave of investments.”

Structural changes to the DAX family have also made it easier for investors to tailor exposure. In recent years Deutsche Börse and STOXX have expanded the DAX from 30 to 40 constituents, tightened profitability requirements and launched new variants with different single-stock caps.

> Germany’s equity market is benefiting from a rare alignment of supportive factors: attractive valuations, ambitious fiscal plans, rising defence spending and global diversification.



Alongside the flagship DAX (15 % cap), investors can now choose DAX 20% and DAX Uncapped versions, or composite indices that combine large, mid- and small-cap segments. These options let investors match their regulatory requirements or conviction levels on concentration risk.

Kemper notes that these alternatives can help target specific themes: “Due to the rather high international exposure of the DAX, a composite approach looks appropriate if you want to play the infrastructure theme. This helps to mitigate the impact from sector-specific challenges, such as autos. We tend to allocate into country or regional indices as a building block which is accompanied by high-conviction, sector-specific investments.”

Germany’s equity market is benefiting from a rare alignment of supportive factors: attractive valuations, ambitious fiscal plans, rising defence spending and global diversification. ETF flows show that investors are seizing the opportunity, funnelling funds into DAX and MDAX products even as Germany’s headline GDP data remain subdued.

The question now is if this development is durable. A global slowdown or a sharp re-rating of US equities could change the relative trade-off, while much of the promised infrastructure spending still needs to materialise. For the moment, however, Germany stands at the centre of Europe’s equity resurgence – its DAX, MDAX and even SDAX indices providing investors with a broad menu of liquid, transparent vehicles to express that view.


Investing in the heart of Europe
STOXX's well-known and trusted European equity indices, such as the EURO STOXX 50, STOXX Europe 600 and DAX, provide access to Europe's dynamic economy.
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