Diversification Update at 31/12/2012

TOBAM's Diversification Ratio (DR)[1] measures to what extent a portfolio is diversified. The DR2 (square of the diversification ratio) measures the number of effective degrees of freedom to which a portfolio is exposed. As the table shows, the "broad market" indices leave diversification on the table. In addition to a snapshot of each market's DR^2, the table shows the DR^2 of a well-diversified portfolio, and the fraction of available diversification used by the index.

	DR^2 - Index diversification	***DR^2 - Maximum diversification***	***% diversification used by index***
MSCI EMU	2.09	6.47	*32%*
MSCI US	2.87	8.84	*32%*
MSCI UK	2.40	3.95	*61%*
MSCI Japan	2.63	9.60	*27%*
MSCI World	3.35	10.71	*31%*
MSCI Australia	2.58	5.51	*47%*
MSCI Canada	3.47	7.66	*45%*
MSCI Emerging	4.13	7.83	*53%*

Anti-Benchmark Emerging Markets in 2012: the best of both worlds

Displaying a consistent diversification advantage, strong performance and volatility reduction, the Anti-Benchmark Emerging Markets Equity strategy achieved its objectives in 2012. In particular, the strategy offers highly diversified exposure to emerging markets and has outperformed in both bull and bear markets since inception, while reducing risk by about 20% compared to the MSCI Emerging Markets index. Moreover, the strategy has proven to be a stronger diversifier to developed equities than the MSCI EM index and represents a truly global, high-capacity and cost-effective approach to EM equities.

1. Anti-Benchmark Emerging Markets Equity strategy: performance since inception

June 29, 2011 – December 31, 2012

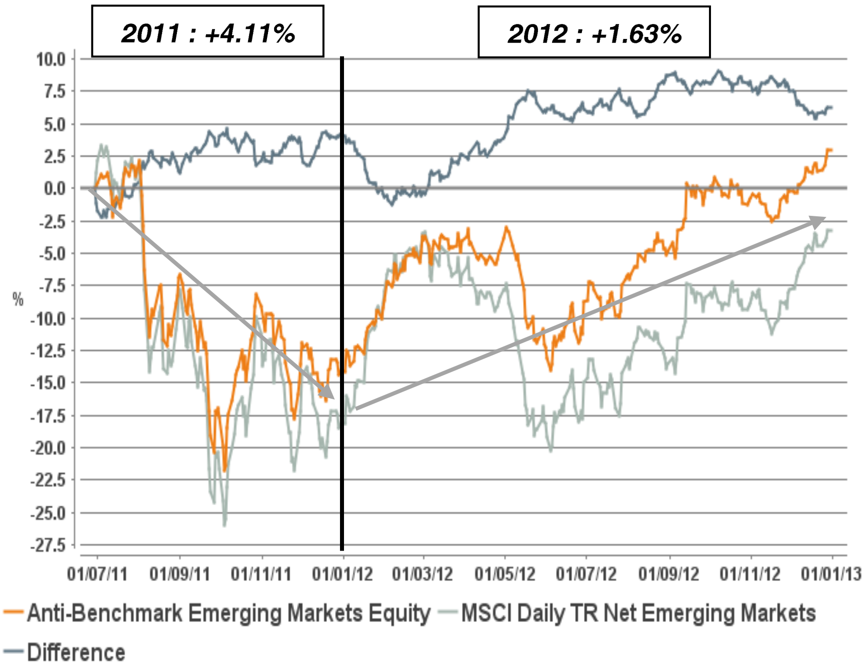
2012 proved to be a banner year for emerging markets equities. After severe losses in 2011, particularly the Energy and Materials sectors, the first quarter of 2012 saw renewed optimism, stoked by an improved global macro outlook, which sent emerging markets on a rally, reversing performance for the same sectors that suffered in 2011. Against this backdrop, consistent with its objective, TOBAM's Anti-Benchmark Emerging Markets Equity fund remained focused on selecting the most diversified mix of stocks in the universe.

29/06/2011-31/12/2012 (in USD)	**Anti-Benchmark EM Equity**	**MSCI Emerging Market TR Net**	**Difference**
Cumulative performance	3.01%	-3.25%	+6.26%
Volatility	16.81%	20.64%	-19% less volatility
TE/MSCI EM	6.58%		

Inception-to-date as of December 31, 2012, the fund has outperformed the MSCI EM benchmark by 6.3% and reduced volatility by 19%.

[1]TOBAM's Diversification Ratio measures a portfolio's or index's diversification. It is supported by original research and is based on a mathematical definition of diversification. TOBAM's "Anti-Benchmark" Most Diversified Portfolio® maximizes this Diversification Ratio. Maximizing diversification within a universe of securities provides a result closer to the true market risk premium from that universe. "Maximum Diversification®" and "MaxDiv®" are registered trademarks of TOBAM.

Further decomposing the past 18-month period into both (1) a down market (July-December 2011) and (2) an up market (January-December 2012), we see that the AB EM portfolio has delivered stronger performance with lower risk in both environments:

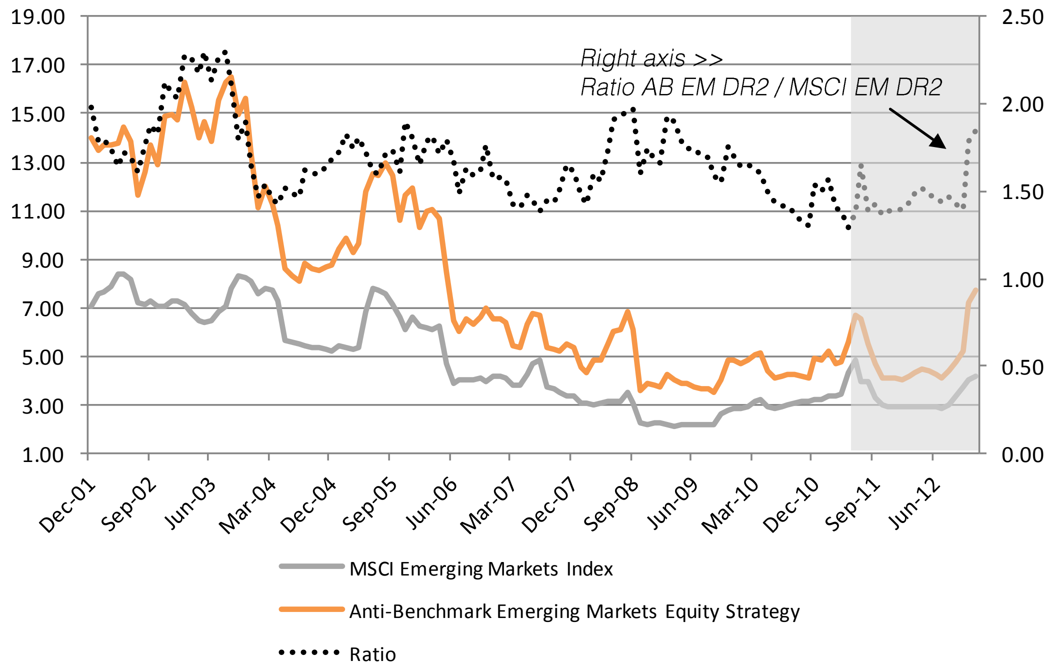


AB EM:		
Return:	3.01%	(31/12/12)
Annualized return:	1.99%	
Hist vol:	16.81%	
Sharpe ratio:	0.10	
MSCI Daily TR Net Emerging Markets:		
Return:	-3.25%	(31/12/12)
Annualized return:	-2.17%	
Hist vol:	20.64%	
Sharpe ratio:	-0.12	
Excess return:	6.26%	
Annual. excess return:	4.16%	
Tracking error:	6.58%	
Info ratio:	0.63	
Beta:	0.78	
R2:	91.93%	
Correlation:	0.96	

2012 relative performance is an illustration of the Anti-Benchmark's capacity to outperform in a bull market, despite maintaining a Beta below 0.80.

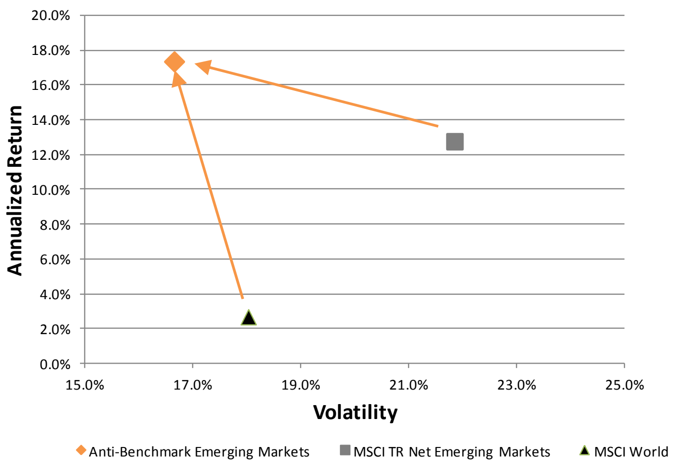
2. AB Emerging: twice as diversified as MSCI EM, and a better diversifier vs. MSCI World

The diversification gap between the benchmark and the Most Diversified Portfolio is structural, as illustrated by the DR2s in the following chart: only 53% of available diversification was used by the benchmark as of December 31, 2012 (the gray shaded area indicates live performance history):



2.1 Attractive long-term risk profile compared to emerging and developed markets

Risk/return for Anti-Benchmark Emerging Markets[2], MSCI Emerging Markets and MSCI World
Long term through 31.12.2012



31/12/2000 - 31/12/2012	Annualized performance	Volatility
MSCI World	2.69%	18.02%
MSCI Emerging Markets	12.73%	21.86%
AB Emerging Markets	17.32%	16.66%

Source: TOBAM. Returns reflect back tested data for the AB Emerging Markets Equity strategy from Dec 29, 2000 to June 29, 2011, plus live data for the AB Emerging Markets Equity Fund from June 29, 2011 to date.

The AB Emerging Markets portfolio also displays an attractive volatility profile, both compared to the emerging markets benchmark (MSCI EM) and also to developed equities (MSCI World).

2.2 More diversifying compared to emerging and developed markets

Most investors would not question the benefits of adding Emerging Markets for diversification, but the table below shows that reaping the entire diversification potential of Emerging Markets requires going further than the MSCI index. The table compares correlations among the MSCI World and MSCI Emerging Markets indices, and the AB Emerging Markets portfolio:

Global and emerging markets equities correlations:
Anti-Benchmark Emerging Markets vs. the MSCI EM and MSCI World
Average of daily one-year correlations, year ended December 31, 2012

Investment Universe	MSCI World	MSCI Emerging	AB EM
MSCI World	100%		
MSCI Emerging	75%	100%	
AB Emerging	61%	87%	100%

The MSCI Emerging Markets index's 75% correlation to the MSCI World index is significantly higher than the 61% correlation between the AB Emerging Markets portfolio and the MSCI World. This can be attributed to the MSCI Emerging Markets index's high exposure to two of the most globally-influenced sectors, Financials and Energy.

The AB Emerging Markets portfolio, which explicitly seeks to avoid such biases, is thus significantly more diversifying than the MSCI index. Choosing emerging markets for diversification and performance should imply choosing a truly diversified emerging markets portfolio to ensure that the two objectives are met.

[2] Returns for the Anti-Benchmark Emerging Markets Equity strategy reflect back tested data from Dec 29, 2000 to June 29, 2011 plus live data for the Anti-Benchmark Emerging Markets Equity Fund from June 29, 2011 to date. Back tested results are for information purposes only. They are intended to illustrate how the Strategy would have behaved over the period had it been launched prior to June 29, 2011. The simulations are gross of tax and exclude transaction cost assumptions.

For more information

TOBAM is an asset management company offering innovative investment capabilities whose aim is to maximize diversification. TOBAM's flagship Anti-Benchmark® strategies, supported by original research and a mathematical definition of diversification, provide clients with diversified core equity exposure, both globally and in domestic markets. FTSE also publishes the FTSE TOBAM Maximum Diversification Index Series based on the Anti-Benchmark equity portfolio construction methodology. The company manages about $2.8 billion via its Anti-Benchmark strategies for institutional clients worldwide. Its team includes seventeen financial professionals.

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