

DIVERSIFICATION DASHBOARD

January 2015

Diversification Ratios®

<p>TOBAM's Diversification Ratio® (DR) 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 DR², the table shows the DR² of a well-diversified portfolio, and the fraction of available diversification used by the index.</p>	Universe	DR ² Index diversification	DR ² Maximum diversification®	% diversification used by index
	MSCI All Countries	6.11	27.05	22.6%
	MSCI World	5.27	20.52	25.7%
	MSCI Emerging	7.11	13.53	52.6%
	MSCI US	3.23	10.03	32.2%
	MSCI Canada	4.58	9.07	50.6%
	MSCI Pacific ex-Japan	3.07	8.74	35.1%
	MSCI EMU	2.20	6.31	34.9%
	MSCI UK	3.39	5.96	56.9%
	MSCI Japan	1.97	4.71	41.9%
	MSCI Australia	2.38	4.19	56.8%

Source: TOBAM, figures as of December 31, 2014

2014 Performance Review: 88% of the Anti-Benchmark Strategies outperformed their respective benchmark

After a very robust 2013 (all flagship strategies outperformed their respective benchmark), 2014 was another year of positive relative returns across the board:

All flagship Anti-Benchmark strategies outperformed again their respective market cap-weighted benchmark and also reduced the risk (as measured by volatility). (See the performance table on the next page).

- Global and US equities Anti-Benchmark® strategies managed to outperform their market cap-weighted benchmark in the context of high positive absolute performance (+10/20%), illustrating the outperformance capacity of diversification in bull markets.
- Anti-Benchmark Emerging Markets Equity managed to generate a return close to flat during 2014, a period during which MSCI Emerging Markets performance was negative in USD. Inception to date, the strategy has outperformed the benchmark every single calendar year and also significantly reduced risk. Of note, the Anti-Benchmark Emerging Markets Equity strategy reduced volatility by 20%.

88% (14 out of 16) of the existing Anti-Benchmark® strategies outperformed their respective benchmark, including the newly launched Anti-Benchmark US Credit fund (+0.76% relative over 6 months).

100% of the existing equity Anti-Benchmark® strategies reduced the risk vs. their respective benchmark.

- The best relative performers strategies were:
 - TOBAM Anti-Benchmark France Equity (+6.6%)
 - TOBAM Anti-Benchmark Pacific ex-Japan Equity (+5.9%)

- TOBAM Anti-Benchmark Euro Equity (+5.2%).
- Only two Anti-Benchmark equity strategies underperformed their benchmark in 2014
 - TOBAM Anti-Benchmark Japan Equity underperformed the MSCI Japan by a mere 44bps, while reducing the volatility by 24% and improving the Sharpe ratio.
 - TOBAM Anti-Benchmark UK Equity underperformed by 1.57% in 2014. The outperformance of the benchmark happened essentially in Q3 2014, in an environment during which the benchmark's concentration in low volatility stocks was rewarded. Of note, the AB UK strategy had outperformed the MSCI UK over the preceding 5 calendar years. The track record of the strategy remains very solid. As of 12/31/14, the 5-year track-record of the strategy is an annualized outperformance of +2.75% vs. benchmark, a volatility reduction of 16% and a Sharpe ratio of 0.74 vs. 0.45 for the MSCI UK.

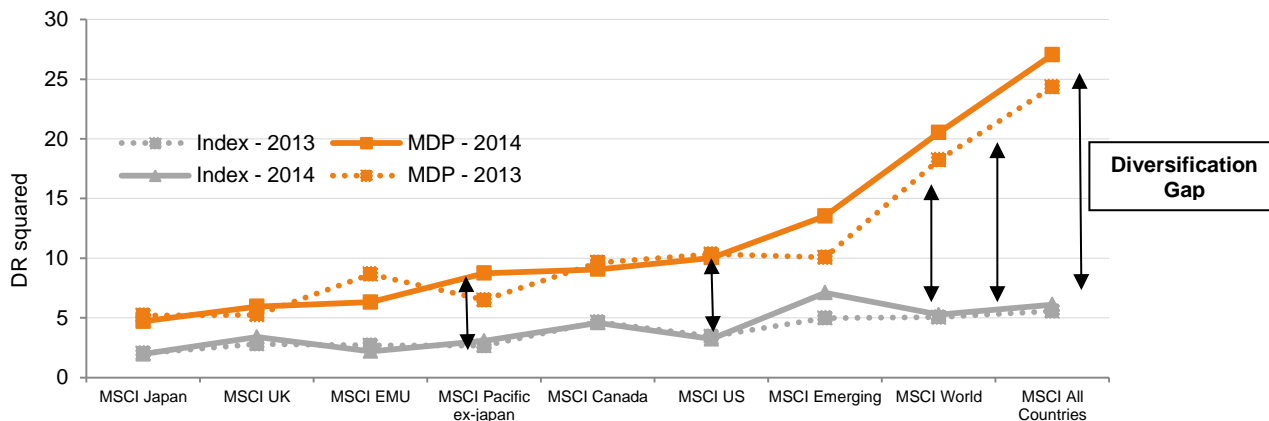
Anti-Benchmark Strategies Update

As of December 31, 2014	Performance		Volatility
	YTD	Δ	
Anti-Benchmark World Equity (USD) <i>MSCI Daily TR Net World</i>	7.91% 4.94%	2.97%	8.17% 9.48%
Anti-Benchmark Global (EUR) <i>MSCI Daily TR Net World</i>	20.78% 19.50%	1.28%	10.35% 11.57%
Anti-Benchmark Emerging Markets Equity M (USD) <i>MSCI Daily TR Net EM</i>	-0.38% -2.19%	1.81%	9.25% 11.62%
Anti-Benchmark US (USD) <i>MSCI Daily TR Net USA Local</i>	14.32% 12.69%	1.62%	11.77% 11.86%
Anti-Benchmark US Next (USD)* <i>NASDAQ 100 TR</i>	20.20% 19.63%	0.57%	11.75% 13.22%
Anti-Benchmark All Countries World (USD) <i>MSCI AC World Daily TR Net</i>	5.20% 4.16%	1.04%	7.31% 9.20%
Anti-Benchmark Euro (EUR) <i>MSCI Daily TR Net EMU</i>	9.49% 4.32%	5.17%	12.07% 15.89%
Anti-Benchmark Canada (CAD) <i>S&P/TSX COMPOS TR</i>	11.55% 10.55%	1.00%	9.37% 10.69%
Anti-Benchmark North America (CHF) <i>MSCI Daily TR Net NA H. CHF</i>	13.40% 11.85%	1.55%	11.28% 11.58%
Anti-Benchmark Japan (JPY) <i>MSCI Daily TR Net Japan</i>	9.05% 9.48%	-0.44%	15.04% 19.76%
Anti-Benchmark Pacific Ex-Japan (USD) <i>MSCI Daily TR Net Pac. exJapan</i>	5.45% -0.47%	5.92%	9.29% 11.51%
Anti-Benchmark UK (GBP) <i>MSCI Daily TR Net UK</i>	-1.07% 0.50%	-1.57%	11.17% 11.54%
Anti-Benchmark Europe (EUR)** <i>MSCI Daily Net TR Europe</i>	9.40% 6.84%	2.56%	11.16% 13.52%
Anti-Benchmark Pacific (USD)** <i>MSCI Daily TR Net Pacific</i>	-0.54% -2.70%	2.16%	10.11% 13.40%
Anti-Benchmark France (EUR) <i>MSCI Daily TR Net France</i>	9.22% 2.58%	6.64%	12.17% 15.77%
Anti-Benchmark US Credit (USD)*** <i>BofA Merrill Lynch US Corporate & High Yield Index TR</i>	2.74% 1.98%	0.76%	3.12% 2.76%

 Flagship
Strategies

Diversification Ratios®: what happened in 2014?

*Chart 1: Diversification Ratios® Squared
December 31, 2013 versus December 31, 2014*



Source: TOBAM

As illustrated above, and with the exception of emerging markets, most of the market cap-weighted benchmarks' Diversification Ratio® level remained largely unchanged as of December 2014 compared to December 2013.

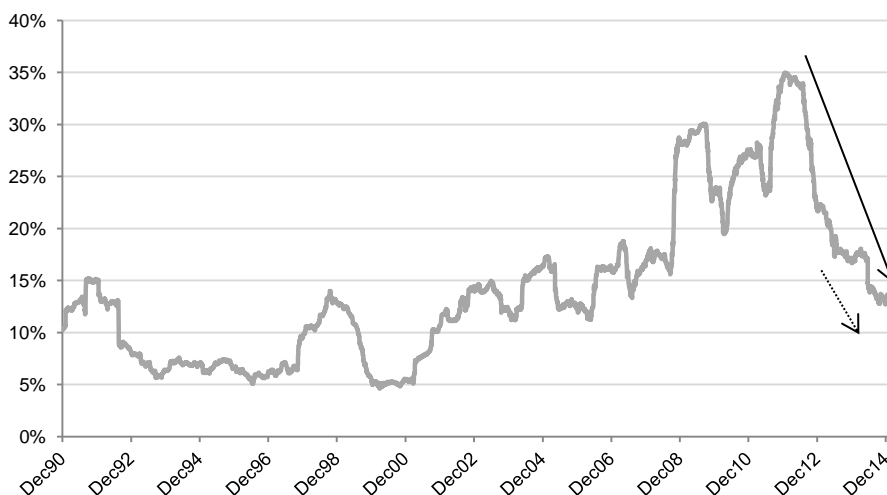
On the other hand, the Anti-Benchmark® portfolios' Diversification Ratios® levels significantly increased for several strategies (except Anti-Benchmark Euro Equity), including most of the flagship Anti-Benchmark strategies.

As a result of these evolutions, the percentage of diversification actually captured by the market cap-weighted benchmarks as of December 2014 remained very low, in particular for US, global developed and ACWI equities.

Focus on Global equities

In 2014, global equities stocks have continued the trend experienced over 2013, i.e. a switch from a high volatility and high correlation regime to a low volatility and low correlation regime, as illustrated below:

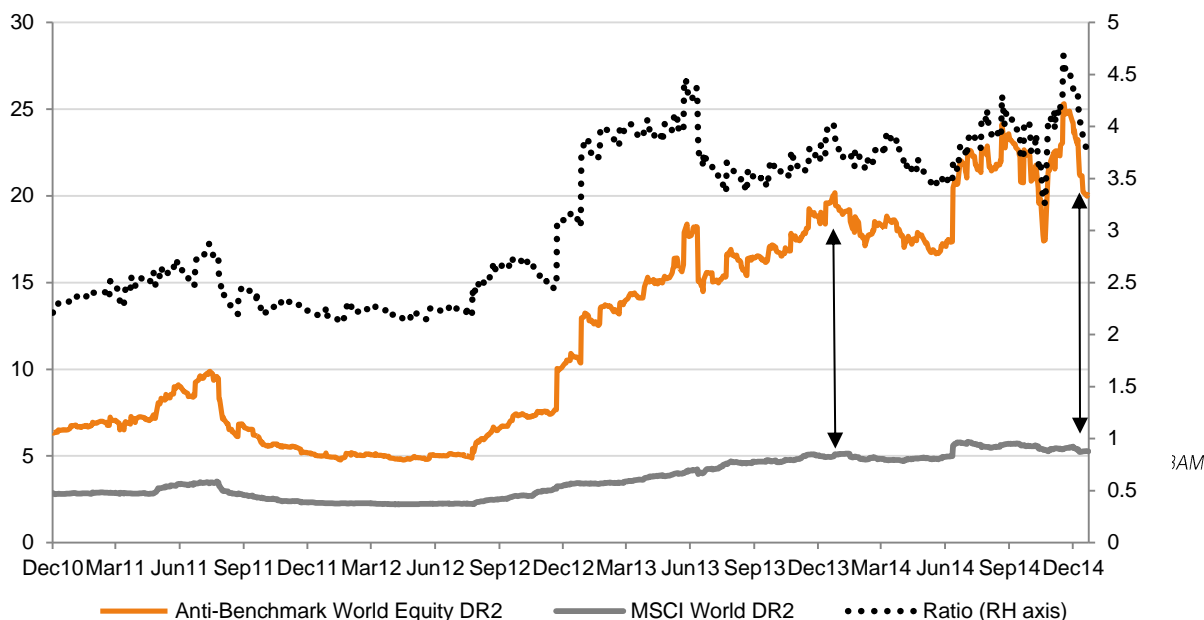
*Chart 2: Average 1-year correlation of stocks belonging to the MSCI World Index
December 1990 to December 2014*



Source: TOBAM

The continuation of this trend created significant opportunities for building a more diversified portfolio.

Chart 3: Evolution of the Diversification Ratios[®] Squared for TOBAM Anti-Benchmark World Equity Strategy (AB World) and the MSCI World Index (Benchmark)



1. These diversification opportunities were captured by the Anti-Benchmark World Equity, as illustrated by the evolution of its DR², which increased from 18.2 to 20.5.
2. The MSCI World index however did not significantly diversify in spite of a drop in average correlations, with its DR² increasing from 5.1 to 5.3.
3. As a result, the gap of diversification increased between the Anti-Benchmark and the benchmark, the latter capturing only 25.7% of the available diversification as of December 31st 2014, vs. 27.7% a year earlier.
4. As of December 31st 2014, the diversification gap between the MSCI World and the Anti-Benchmark World equity portfolio remained at a very high level.



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 exposure in equity and fixed-income markets. The company manages over \$7.7 billion (Dec 2014) via its Anti-Benchmark strategies for clients worldwide. Its team includes 30 financial professionals.

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