

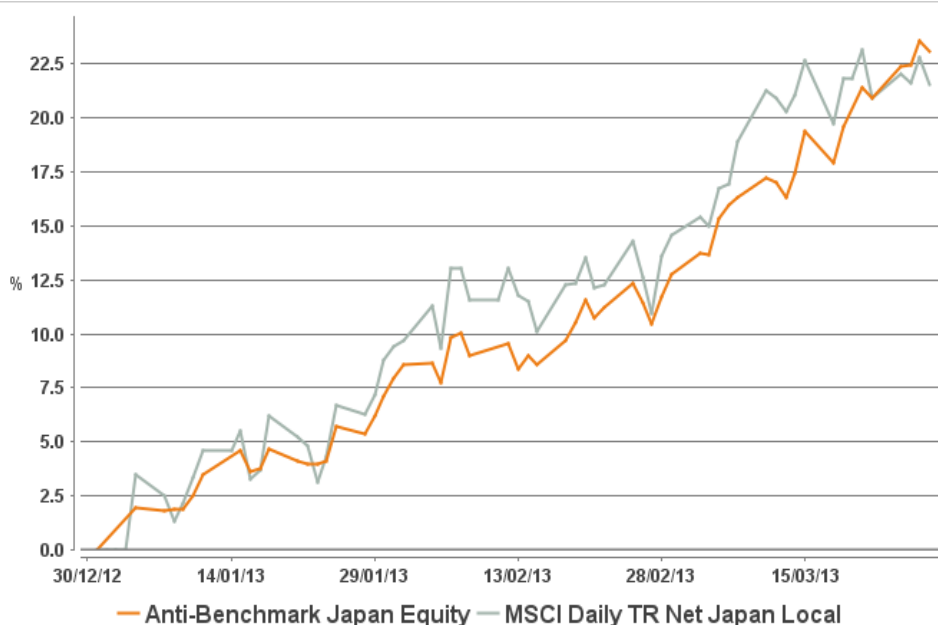
Diversification Dashboard – 28/03/2013

TOBAM's Diversification Ratio (DR) ¹ measures to what extent a portfolio is diversified. The DR ² (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.		DR² - Index diversification	DR² - Maximum diversification	% diversification used by index
	MSCI EMU	2.13	6.59	32.4%
	MSCI US	2.83	8.99	31.5%
	MSCI UK	2.44	3.94	61.9%
	MSCI Japan	2.52	8.01	31.5%
	MSCI World	3.51	13.95	25.1%
	MSCI Australia	2.69	5.94	45.3%
	MSCI Pacific ex-Japan	2.47	7.10	34.8%
	MSCI Canada	3.89	7.94	49.0%
	MSCI Emerging	4.59	9.85	46.6%

Japan: the opportunity of 2013 ?

Japan's equity market and currency have shown strong positive reactions to the sea change in Japan's political system and central bank through Q1 2013. Indeed, market participants, ready for change on all fronts, applauded the long-awaited shift to business-friendly government symbolized by Shinzo Abe's election and the prospect of accommodative monetary policy in the near term. Equity markets soared to a record level over the quarter: the MSCI Japan index returned 21.49%, as the broad stock market was lifted by these influences in addition to a more positive global macro picture. In this extremely bullish market, the AB Japan portfolio remained more diversified across sources of risk, and outperformed the index by +1.55% gross of fees, while reducing volatility by about 40% and maintaining a low Beta compared to the benchmark (0.51):

AB Japan portfolio vs. the MSCI Japan Net TR Index (JPY) 30/12/2012-28/03/2013 - Performance



AB Japan:

Return:	23.03%	(28/03/13)
Annualized return:	138.61%	
Hist vol:	13.16%	
Sharpe ratio:	10.52	

MSCI Daily TR Net Japan Local:

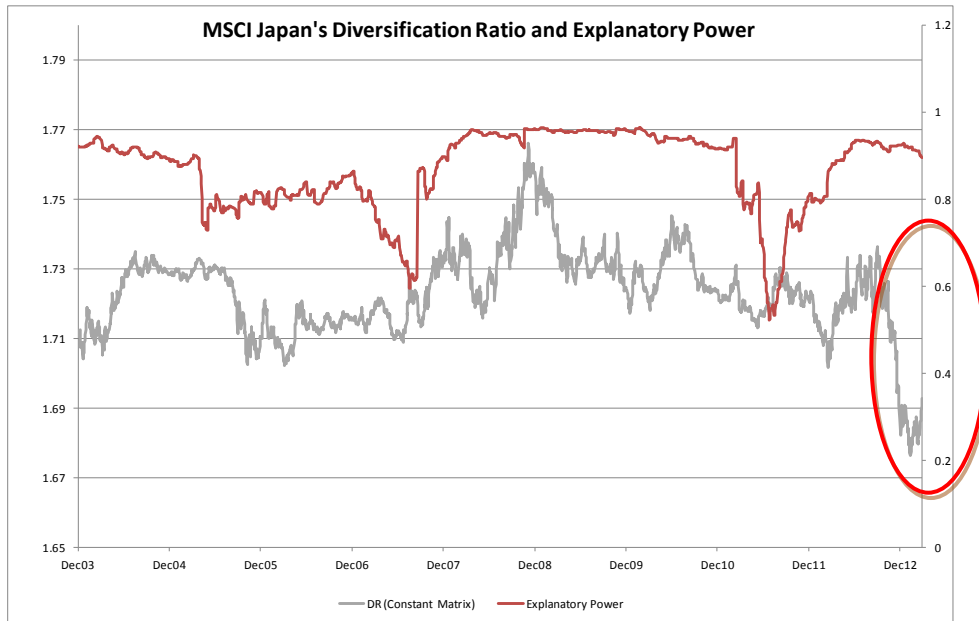
Return:	21.49%	(28/03/13)
Annualized return:	126.27%	
Hist vol:	22.37%	
Sharpe ratio:	5.92	

Excess return:	1.55%
Annual. excess return:	12.34%
Tracking error:	12.44%
Info ratio:	0.53
Beta:	0.51
R2:	77.57%
Correlation:	0.87

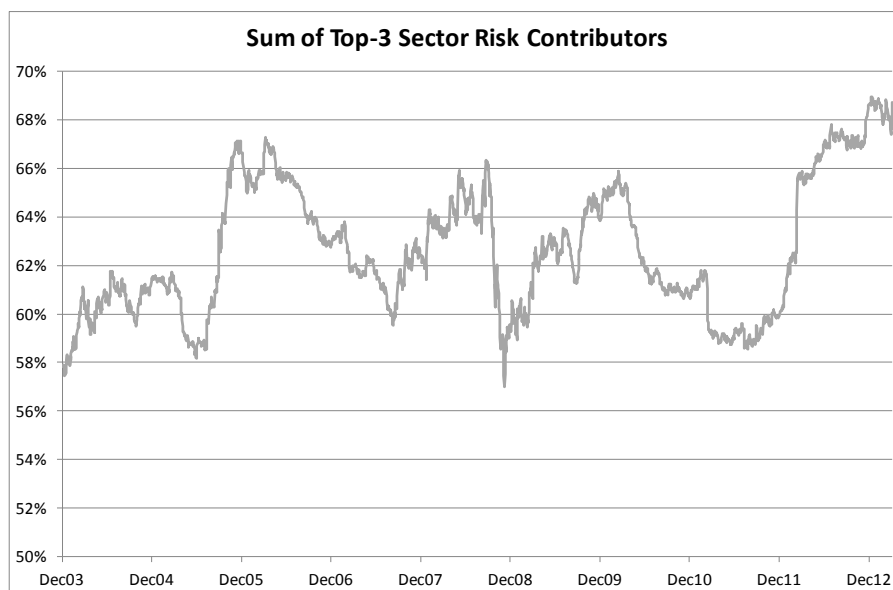
¹TOBAM's Diversification Ratio measures a portfolio's or index's diversification. It is supported by original research and is based on a mathematical definition of diversification. TOBAM's "Anti-Benchmark" Most Diversified Portfolio[®] maximizes this Diversification Ratio. Maximizing diversification 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.

Diversification in the Japan Equity Market

A significant part of relative performance between the Anti-Benchmark and the benchmark can be explained by variations in the benchmark's Diversification Ratio (DR), using constant covariance matrices. The chart below shows the evolution of the MSCI Japan's DR (computed with constant covariance matrices):



The current low level of the MSCI Japan index's DR indicates an exceedingly high level of benchmark concentration, and could signify an opportunity to invest in the Anti-Benchmark Japan Equity portfolio. The fact that the MSCI Japan index's DR has reached a historically low level indicates the high level of concentrated bets embedded in the cap-weighted index. Indeed, year to date in 2013, the top three sector risk contributors (Financials, Consumer Discretionary and Industrials) represent nearly of 70% of total index risk:



Source: TOBAM. Sum of top three sector risk contributors (Financials, Consumer Discretionary & Industrials) for the MSCI Japan index through March 28, 2013.

Any sustainable investment needs to be diversified, but the MSCI Japan index is not taking advantage of the diversification capacity of the Japanese equity market. As the "most diversified portfolio," the Anti-Benchmark Japan Equity strategy is attractive for investors looking for a portfolio that better captures the diverse sources of equity risk premium.

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 more than \$3.4 billion via its Anti-Benchmark strategies for institutional clients worldwide. Its team includes seventeen financial professionals.

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