

Diversification Update at 31/08/2011

<p>TOBAM's Diversification Ratio (DR)¹ measures how much a portfolio is diversified. The DR² (square of the diversification ratio) corresponds to the number of independent degrees of freedom in a particular portfolio – or the number of independent variables at work. 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>		DR² - Index diversification	DR² - Maximum diversification	% diversification used by index
	MSCI EMU	2.04	4.97	41%
	MSCI US	1.99	4.37	46%
	MSCI UK	2.13	3.88	55%
	MSCI Japan	2.04	4.49	45%
	MSCI World	2.82	6.10	46%
	MSCI Australia	2.04	3.57	57%
	MSCI Emerging²	3.36	5.49	61%

In times like these, diversify!

Through the end of August, persistent equity market volatility and a spate of gloomy prognoses could leave even the most seasoned investors wondering where to turn. The financial industry faces pressure due to the ongoing Eurozone debt crisis and concerns over the US debt ceiling; the IT and Energy sectors shows momentum but also high volatility. Concerns about the resiliency of consumer spending in the face of weak US employment and housing markets make already jittery markets even more jumpy.

In times like these, diversification is all the more important. The equity premium can be strongest at improbable times, or seemingly inopportune areas. This is illustrated in the following year to date performance comparison of Anti-Benchmark Most Diversified portfolios versus their cap-weighted indices. Diversified portfolios have posted strong outperformance and in some cases positive returns year to date, whereas the cap-weighted indices are still under water:

As of August 31 st , 2011	Performance		Volatility
	YTD	Δ	
Anti-Benchmark Emerging Markets Equity (USD)* <i>MSCI Daily TR Net Emerging Markets (USD)*</i>	-6.92% -8.25%	+1.34%	22.80% 26.66%
Anti-Benchmark Euro Equity (EUR) <i>MSCI Daily TR Net EMU Local</i>	-9.06% -14.51%	+5.45%	14.41% 21.54%
Anti-Benchmark France Equity (EUR) <i>MSCI Daily TR Net France Local</i>	-6.91% -11.71%	+4.80%	18.41% 22.48%
Anti-Benchmark Global Equity (EUR) <i>MSCI Daily TR Net World EUR</i>	-3.14% -10.46%	+7.32%	13.45% 16.18%

*Since fund inception 29.06.2011

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.

² Index filtered to the 200 largest market caps

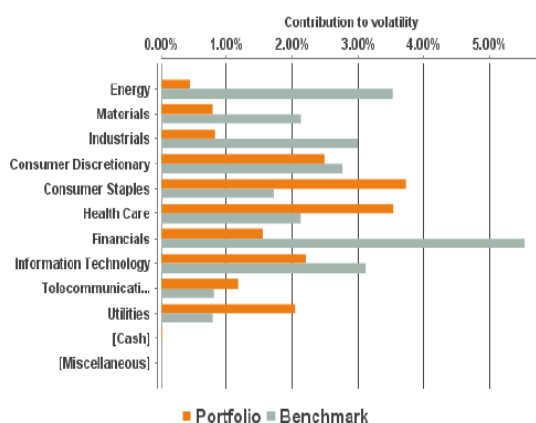
(performance update continue)

As of August 31 st , 2011	Performance		Volatility
	YTD	Δ	
Anti-Benchmark Japan Equity (JPY) <i>MSCI Daily TR Net Japan Local</i>	-3.36% -14.58%	+11.22%	20.23% 24.47%
Anti-Benchmark UK Equity (GBP) <i>MSCI Daily TR Net UK Local</i>	+1.38% -5.84%	+7.23%	16.26% 18.82%
Anti-Benchmark US Equity (USD) <i>MSCI Daily TR Net US Local</i>	+6.81% -2.03%	+8.83%	17.71% 21.48%
Anti-Benchmark World Equity (USD) <i>MSCI Daily TR Net World USD</i>	-1.80% -3.90%	+2.10%	13.91% 18.50%

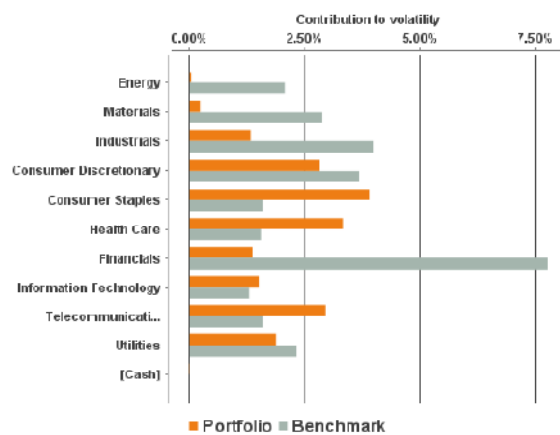
In times like these, and as noted in previous Dashboards, it is rare that equity markets are truly objective; rather, cap-weighted indices tend to allocate more risk weight to yesterday's positive performers, or conversely, over-sell after short-lived underperformance. Today's situation is no different: global and regional equity markets still show high levels of concentration in Financials, and also in IT and Energy. By increasing allocations to these volatile sectors, the "benchmark" risk distribution is uneven, and the result is an unintended bias passed along to investors.

Contributions to Volatility – August 31, 2011 Most Diversified Portfolios vs. Cap-Weighted benchmarks

Anti-Benchmark World Equity vs. MSCI World



Anti-Benchmark Euro Equity vs. MSCI EMU



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About TOBAM

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. TOBAM also publishes the Maximum Diversification® Index series (or MaxDiv® Index) based on the Anti-Benchmark equity portfolio construction methodology.

The company manages over USD 2.0 billion through its Anti-Benchmark strategies for institutional clients worldwide. Its team includes seventeen financial professionals based in Paris, Los Angeles and Amsterdam.