

Anti-Benchmark® Equity

Collecting the full equity risk premium



KEY FEATURES

- Anti-Benchmark strategies aim to collect the equity risk premium from as many independent and effective risk factors as possible.
- Seeks to avoid risk concentration and provide steadier capital growth than market cap-weighted indices
- Long-only, no leverage, fully invested
- Available via pooled funds with daily liquidity, segregated mandate and dedicated vehicles

INVESTMENT APPROACH

TOBAM's patented Anti-Benchmark® approach is a systematic, long-only and fully-invested strategy which seeks to collect the full risk premium of an asset class by maximizing diversification.

Cap-weighted benchmarks build dynamic concentrations or "bets.". As stocks appreciate, their weighting in the index rises, and vice versa. As these biases change over time, the cap-weighted benchmark's risk allocation also evolves dynamically: it is not a neutral risk allocator but a biased, dynamic risk allocator. Moreover, these 'bets' are not consistently rewarded.

In contrast, Anti-Benchmark strategies aim to collect the equity risk premium from as many independent and effective risk factors as possible; it seeks to achieve a neutral risk allocation.

The investment process has one objective: to maximize the Diversification Ratio® (DR) of a portfolio, TOBAM's proprietary measure of diversification. In doing so, the Anti-Benchmark® approach creates portfolios which lie closer to the ex-post efficient frontier than the market cap portfolio and specifically avoid explicit and implicit biases in terms of sector, style, market cap and other statistical measures.

The approach maximizes diversification from a bottom-up perspective, we do not include any pre-set sector or country top-down allocations. Country and sector allocations result 100% from bottom-up issue selection, based on stock correlations and volatilities.

CHARACTERISTICS

Objective	Maximize diversification
Diversification	Maximized
Absolute Risk/Return	Low beta Sharpe-optimal over a market cycle
Relative Risk/Return	Low risk versus benchmark High tracking error
ESG	Carbon footprint reduction (min. 20%) Excluding companies with unacceptable ESG practices Active Ownership

Advantages

- Maximum diversification, collect the full equity risk premium
- Enhanced performance and lower risk compared to market cap-weighted benchmarks over a market cycle
- Low correlation to established style and factor biases

KEY METRICS

Diversification	Maximised	Sharpe Ratio	Optimal
Tracking Error	6 - 10%	Information Ratio	Non-optimal
Volatility Reduction vs. Benchmark	~25%	Downside Participation	60 - 75%
Excess Return vs. Benchmark	250 - 350bps	Upside Participation	75 - 90%

- Patented, unique & transparent investment process
- Recognized pioneer in alternative beta strategies
- Agile investment boutique with prominent shareholders & clients
- Value-added research focus
- Streamlined, efficient and straight-through processing

MAXIMUM DIVERSIFICATION®

One core investment philosophy, client aligned implementation

Invented and patented by TOBAM, the Maximum Diversification® investment process has one objective: to maximize the Diversification Ratio® of a portfolio given a set of constraints.

Capitalization weighted benchmarks are an imperfect means of capturing market risk premium. They expose investors to high time variation and often extreme idiosyncratic, sector or style specific risks. We believe that it is only by maximizing diversification, that investors can achieve a result closer to the true market risk premium available from an investment universe.

TOBAM's Maximum Diversification® methodology aims at:

- Providing superior diversification
- Enhancing performance and lowering risk compared to traditional benchmarks over a market cycle
- Collecting the full risk premium of an asset class
- Delivering a diversified and diversifying strategy

ABOUT TOBAM

TOBAM is an asset management company offering innovative investment capabilities designed to increase diversification. Its mission is to provide rational and professional solutions to long term investors in the context of efficient markets.

The Maximum Diversification® approach, TOBAM's flagship investment process founded in 2006, is supported by original, patented research and a mathematical definition of diversification and provides clients with diversified core exposure, within equity, fixed income and multi asset markets.

For more information, visit www.tobam.fr

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