

Diversified Benchmark[®] Equity

Diversification for benchmark oriented investors

Key Features

- ★ Designed for benchmark oriented investors seeking a **stable relative risk profile and optimal Information Ratio**
- ★ **Mitigates the concentration risk embedded in cap-weighted indices** without sacrificing risk budget
- ★ Seeks to provide a **high excess return diversification relative** to market cap-weighted indices
- ★ Provides considerable risk **diversification to passive investments**

Methodology

Based on original research from TOBAM, the Diversified Benchmark range of indices enhances diversification for Benchmark oriented investors. Constituents are weighted to maximize diversification while maintaining a low tracking error to the capitalisation-weighted benchmark index.

The Index is constructed using a modified Maximum Diversification approach, which aims to deliver outperformance that is as independent as possible from its benchmark while regulating short-term relative performance risk, to improve the Information Ratio.

In order to achieve this goal the Index is designed to maximize diversification orthogonal to the market cap-weighted benchmark, uniformly accessing the risk premia of all independent market-neutral risk factors available in the universe, while maintaining a full exposure to the market. Formally, the strategy replicates a Beta-1 fully invested Maximum Diversification portfolio with an ex-ante target tracking error of 2%.

An active share constraint versus the Parent benchmark is applied in order to avoid excessive active share concentration. The carbon emissions of each index have been constrained at a level equal to a maximum of 80% of their respective Parent benchmark index's emissions.

The indices are reviewed quarterly in March, June, September and December.

Characteristics

Objective	Generate excess returns within a well diversified, benchmark oriented portfolio
Diversification	Maximized diversification of excess returns
Absolute Risk/ Return	Risk approximate to benchmark Beta -1, unleveraged
Relative Risk/ Return	Low tracking error High Information Ratio
ESG	Carbon footprint reduction (min. 20%) Excluding companies with unacceptable ESG practices Active Ownership

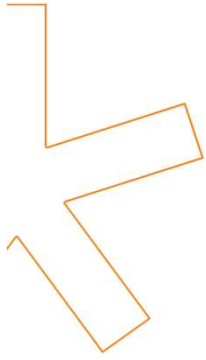
Advantages

- ★ **Enhanced diversification**
- ★ **Consistent excess return potential**
- ★ **Low and stable tracking error**
- ★ **Returns avoid systematic style and factor biases**

Key Simulated Metrics

Diversification	Excess return diversification maximised	Sharpe Ratio	Moderate
Tracking Error	< 3%	Information Ratio	High
Volatility Reduction vs. Benchmark	negligible	Downside Participation	90 - 95%
Excess Gross Return vs. Benchmark	100 - 150bps	Upside Participation	105 - 110%

For Professional Investors Only



- 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*

ISIN	Ticker	Name	Base Date	Inception Date
DE000SL0BFF0	TDBAWDTU	TOBAM Diversified Benchmark All World Developed	31/10/2002	07/23/2020
DE000SL0BFW5	TDBEMUTE	TOBAM Diversified Benchmark Developed Eurozone	31/10/2002	07/23/2020
DE000SL0BCU6	TDBUSATU	TOBAM Diversified Benchmark USA	31/10/2002	07/23/2020

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.

TOBAM manages US\$10.2 billion (at 30 December 2020). TOBAM's team is composed of 48 professionals.

For more information, visit www.tobam.fr

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