

MaxDiv® Equity Protected

Combining market risk hedging with concentration risk mitigation

Key Features

- Designed for investors seeking diversification and alternative sources of returns with a moderate relative risk profile and optimal Sharpe Ratio
- Option-Based Overlay applied to a Maximum Diversification Portfolio (see page 2) aims to:
 - Provide access to an asset class with considerable upside that can at least partially be harvested while...
 - mitigating major losses in periods of market stress and consequently reducing the risk budget consumption significantly as well as decorrelating the strategy from simple equity investments
- Mitigates concentration risk embedded in cap-weighted indices as well as volatility and loss potential

MaxDiv® Methodology

Based on the Maximum Diversification® approach, the goal of TOBAM's MaxDiv® strategy is to build a Most Diversified Portfolio, that maximizes the number of independent and effective risk drivers to which it is exposed in order to:

- Balance risk allocation to the effective independent sources of risk
- Improve the Sharpe Ratio by reducing volatility thanks to the diversification effect while still harvesting the full risk premium
- Deliver all of the above in a long-only framework, without leverage

TOBAM Equity Hedged Solutions

Our solutions use the MaxDiv methodology while providing risk mitigation:

- Our Hedging Solutions toolbox is adaptable to any kind of risk mitigation and regulatory capital optimization requirements (e.g., VaR/SCR, SST...).
- Despite its different risk mitigation technique, the overlay is always designed to solve in a fully systematic and dynamic way the trade off protection between costs and hedging efficiency.

Characteristics

Objective	Provide access to at least part of the upside of equities while reducing major drawdowns
Diversification	High
Absolute Risk/ Return	Moderate risk Beta <1, unleveraged
Investment Universes	Any equity universe with liquid listed options (see page 2)
ESG	Carbon footprint reduction (min. 20%) ESG related exclusions and integration Active Ownership,

Dynamic Systematic Hedging Optimization

		Implied Volatility				
		Very low	Low	Moderate	High	Very high
Option Moneyess	ATM	✓				
	↓		✓			
	OTM			✓		
					✓	
						✓

Notional	100%	→	Partial
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	Cheap but inefficient protection
	Overprotection, expensive options

Source: TOBAM

Key Metrics

Depending on the protection level, TOBAM's Protected strategies in e.g. a Global developed equity universe offer:

- Up to 60% reduction in volatility vs. MSCI World
- Up to more than 50% increase in risk adjusted returns vs. MSCI World
- Up to a 75% net reduction in VaR and Maximum Drawdown vs. MSCI World

This type of strategy is particularly useful for clients looking to take advantage of the equity market upside - at least partially - but who also want to avoid the massive drawdowns and the occasionally very high volatility of this asset class.

For Professional Investors Only Risk of capital loss. The initial amount is not guaranteed. Moderate relative risk profile and optimal Sharpe Ratio is compared to standard equity investment.

- 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

Equity protected strategies can be implemented across major equity universes and in different formats (UCITS vehicle / mandate / segregated account / overlay).

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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