

*Improve the risk-reward profile of your equity portfolio by minimizing its exposure to autocratic regimes*

## THE TREND: AUTOCRACY IS RISING, EXPOSING INVESTORS TO A NEGATIVELY REWARDED RISK

### Democracy is under threat

- According to Freedom House, democracy has been receding globally for the last 17 years.
- The V-Dem institute finds that 35 years of democratic progress have been erased, bringing the world back to the democracy levels of 1986. Close to three quarters of the world's population now live in autocracies.

### The rise of autocratic regimes is bad for business

- Academic research links democracy with improved economic performance.
- In the long-run, investors in countries with oppressive regimes are over-exposed to the consequences of instability, social unrest, corruption and war.

### Investors can stay ahead of the trend

- By strongly reducing their portfolio's exposure to authoritarian regimes, investors can improve its risk-reward profile.
- TOBAM has developed a unique expertise in quantitative research, systematic equity, human rights and democracy.

## THE FIX: A DEMOCRACY-FOCUSED PORTFOLIO THAT MITIGATES THE AUTOCRATIC RISK FACTOR

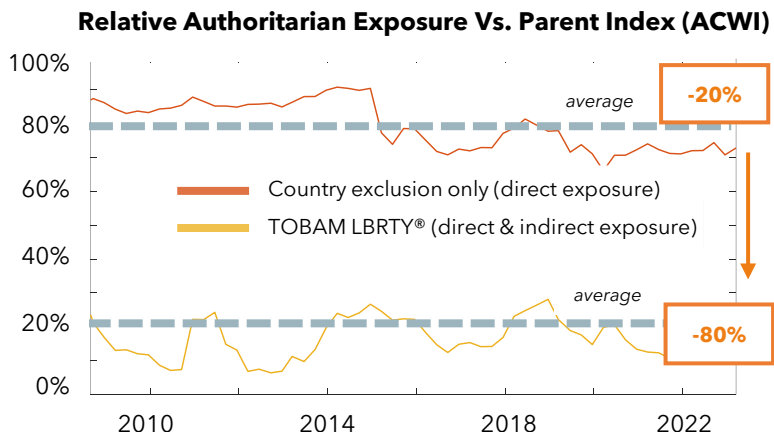
TOBAM's LBRTY® strategy aims to minimize the exposure to autocratic regimes by excluding autocratic countries and minimizing the exposure to companies that are heavily exposed to autocratic regimes.

- 01.** Direct exposure: use the most reputable metrics of democracy and academic expertise to define and exclude countries lacking basic civil liberties and democratic rights
- 02.** Indirect exposure: estimate the Authoritarian Exposure of each stock within the democratic investment universe, defined as its economic exposure to autocratic countries
- 03.** Design a portfolio minimizing the Authoritarian Exposure under Tracking Error constraint for All Country World, All Country World ex-US and EM universes

**Minimizing exposure to autocratic regimes can lead to superior returns vs. market cap-weighted indices.**

## WHY LBRTY® ? BECAUSE INDIRECT EXPOSURE TO AUTOCRATIC REGIMES MATTERS

1. Direct exposure: simply **excluding autocratic countries** reduces authoritarian exposure by ~20% on average
2. Indirect exposure: most of the exposure to autocratic regimes is **indirect**, through companies listed in democratic countries but exposed to autocracies
3. TOBAM LBRTY® takes into account direct & indirect exposure. It reduces Authoritarian Exposure by ~80% on average



- Agile investment boutique firm with >15 years of experience in asset management
  - Part of CalPERS' emerging manager program (2011– 2021)
    - Streamlined, efficient and straight-through processing
    - Unique & transparent investment process
    - Value-added research focus
  - Long-time commitment to philanthropy and human rights

## ABOUT TOBAM

TOBAM is an asset management company offering innovative capabilities designed to maximize the benefits of scientific research to build efficient investment exposures. TOBAM's Maximum Diversification®, TOBAMSolutions®, cryptTOBAM® and TOBAM LBRTY® illustrate TOBAM's systematic "out of box" dedication to demanding investors.

TOBAM manages north of USD 6 billion (as of 30 December 2022). Its team includes 44 finance professionals based in Paris, New York and Dublin.

For more information, please visit [www.tobam.fr](http://www.tobam.fr) or contact us at [info@tobam.fr](mailto:info@tobam.fr).

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The constraints and fees applicable to an actual portfolio would affect the results achieved. The value and the income produced by a strategy may be adversely affected by exchange rates, interest rates, or other factors. This material, including backtests, is based on sources that TOBAM considers to be reliable as of the date shown, but TOBAM does not warrant the completeness or accuracy of any data, information, opinions or results.

TOBAM's quantitative investment process is supported by extensive proprietary computer code. TOBAM's researchers, software developers, and IT teams follow a structured design, development, testing, change control, and review processes during the development of its systems and the implementation within our investment process. These controls and their effectiveness are subject to regular internal reviews.

However, despite these extensive controls it is possible that errors may occur in coding and within the investment process, as is the case with any complex software or data-driven model, and no guarantee or warranty can be provided that any quantitative investment model is completely free of errors. Any such errors could have a negative impact on investment results. We have in place control systems and processes which are intended to identify in a timely manner any such errors which would have a material impact on the investment process.

### SUSTAINABILITY RISK

Sustainability Risks in relation to environmental, social and governance factors may have a positive or negative impact on the financial performance of this strategy. While sustainability indicators can have positive impact, however the sustainability risk for the purpose of integration is defined as the negative impact of those same factors. 'Sustainability risk' means an environmental, social or governance event that, if recorded, could cause an actual or a potential material negative performance on the value of this strategy.