

Defensive when needed?

Scientific Beta tackles the lack of robustness of minimum and low volatility offerings

Today, Scientific Beta is announcing the availability of the Maximum Volatility Protection (MVP) option, which, added to Scientific Beta’s High Factor Intensity (HFI) Low Volatility index, provides a highly defensive offering **when needed** with a reduction in the index’s market beta in difficult times and very strong protection of the capital. This offering aims to respond to an important shortcoming in traditional Low Volatility/Minimum Volatility offerings, whose volatility and market exposure increases strongly in periods of very high volatility and therefore crisis periods. Based on dynamic allocation that allows Scientific Beta’s low volatility indices to be protected against periods of strong volatility the HFI Low Volatility Maximum Volatility Protection index guarantees the investor that the low average volatility of the low volatility index is representative of the risks of the proposed strategy, and notably that in periods of crisis there is no increase in the risk of the investment.



The analysis runs from 15-Jun-2007 to 30-Jun-2019. The rolling volatility is based on 1-Year daily total returns with a 1-week step size and is annualised. The index used is the SciBeta Developed High-Factor-Intensity Low Volatility Diversified Multi-Strategy Maximum Volatility Protection. We use three different competitor defensive strategies to get an average 1-Year rolling volatility: MSCI World Minimum Volatility, FTSE Developed Minimum Variance and Robeco QI Institutional Global Developed Conservative Equities. Scientific Beta and Bloomberg.

Commenting on the launch of this defensive offering, Dr Noël Amenc, CEO, Scientific Beta, said, “Traditional Low Volatility and Minimum Volatility strategies have failed to protect investors against peaks in volatility, which more often than not correspond to bear markets. Very clearly, if an investor wishes to modify the profile of their existing portfolio to make it more defensive, if a client wishes to take a defensive tactical bet, or if a client wants to have a strongly defensive allocation, Scientific Beta’s Low Volatility offering with the Maximum Volatility Protection option is probably the best on the market.”

- Recommended for investors looking for absolute defensiveness
- Unlike traditional Low Volatility indices, the defensive nature of the Low Volatility indices using the Maximum Volatility Protection control option increases in situations of strong volatility of declining markets
- This solution offers very good conditional properties:
 - Lower market beta and controlled volatility in distressed times
 - Higher market beta in good times
- Improved risk-adjusted performance over the long-term, because in spite of its strong Low Volatility exposure, this index, unlike other Low Volatility/Minimum Volatility strategies, has strong overall factor intensity.

A link to an overview of Scientific Beta's approach to defensive solutions can be found below:

[Overview: Designing More Defensive Solutions, October 2019, Scientific Beta White Paper](#)



Contact:

For more information, please contact: **S  verine Cibelly**

Tel.: +33 493 187 863 – E-mail: severine.cibelly@scientificbeta.com

To visit our web site: www.scientificbeta.com

About Scientific Beta

Scientific Beta aims to be the first provider of a smart beta indices platform to help investors understand and invest in advanced beta equity strategies. Established by EDHEC-Risk Institute, one of the top academic institutions in the field of fundamental and applied research for the investment industry, Scientific Beta shares the same concern for scientific rigour and veracity, which it applies to all the services that it offers investors and asset managers. The Scientific Beta offering covers three major services:

- **Scientific Beta Indices**

Scientific Beta Indices are smart beta indices that aim to be the reference for the investment and analysis of alternative beta strategies. Scientific Beta Indices reflect the state-of-the-art in the construction of different alternative beta strategies and allow for a flexible choice among a wide range of options at each stage of their construction process. This choice enables users of the platform to construct their own benchmark, thus controlling the risks of investing in this new type of beta (Smart Beta 2.0).

Within the framework of Smart Beta 2.0 offerings, Scientific Beta provides access to smart factor indices, which give exposure to risk factors that are well rewarded over the long term while at the same time diversifying away unrewarded specific risks. By combining these smart factor indices, one can design very high performance passive investment solutions.

- **Scientific Beta Analytics**

Scientific Beta Analytics are detailed analytics and exhaustive information on its smart beta indices to allow investors to evaluate the advanced beta strategies in terms of risk and performance. The analytics capabilities include risk and performance assessments, factor and sector attribution, and relative risk assessment. Scientific Beta Analytics also allow the liquidity, turnover and diversification quality of the indices offered to be

analysed. In the same way, analytics provide an evaluation of the probability of out-of-sample outperformance of the various strategies present on the platform.

- **Scientific Beta Fully-Customised Benchmarks and Smart Beta Solutions** is a service proposed by Scientific Beta, and its partners, in the context of an advisory relationship for the construction and implementation of benchmarks specially designed to meet the specific objectives and constraints of investors and asset managers. This service notably offers the possibility of determining specific combinations of factors, considering optimal combinations of smart beta strategies, defining a stock universe specific to the investor, and taking account of specific risk constraints during the benchmark construction process.

With a concern to provide worldwide client servicing, Scientific Beta is present in Boston, London, Nice, Singapore and Tokyo. As of June 30, 2019, the Scientific Beta indices corresponded to USD 48bn in assets under replication. Scientific Beta has a dedicated team of 52 people who cover not only client support from Nice, Singapore and Boston, but also the development, production and promotion of its index offering. Scientific Beta signed the United Nations-supported Principles for Responsible Investment (PRI) on September 27, 2016.

On November 27, 2018, Scientific Beta was presented with the Risk Award for Indexing Firm of the Year 2019 by the prestigious professional publication Risk Magazine. On October 31, 2019, Scientific Beta received the Professional Pensions Investment Award for “Equity Factor Index Provider of the Year 2019.”

