

Assets replicating Scientific Beta's multi-factor indices reach USD 43bn

Scientific Beta sees its assets under replication grow by 72% in one year

Scientific Beta has announced that assets tracking its smart beta indices reached USD 43bn at December 31, 2018. Compared to December 31, 2017, this amount of assets under replication represents an increase of USD 18bn, corresponding to one-year growth of 72%.

This growth comes from the success of Scientific Beta's multi-factor offerings. The Scientific Beta Multi-Beta Multi-Strategy Four-Factor EW indices, which were the first multi-factor indices to be offered by Scientific Beta, show an average live annualised outperformance across all Scientific Beta Developed regions of 1.49% over their five-year live track record and an improvement in Sharpe Ratio of 52.36% compared to their cap-weighted benchmark¹.

Noël Amenc, CEO of Scientific Beta, said, "We have been very pleased with the continued growth of our assets under replication in conditions that were not necessarily favourable for some factor strategies. We are continuing to highlight the importance for our clients of risk management in the factor space.

Smart beta strategies are selected to provide explicit exposure to some well-rewarded factors (Value, Momentum, Low Volatility, Profitability, Low Investment, Size). These factors provide good risk-adjusted returns over the long-term but they are also exposed to a number of hidden or implicit risks that drive short-term performance, like for example sector risk or even a market beta bias. These risks can therefore cause big disappointments for investors if they are not understood and possibly managed. These issues have been underlined in a recent Scientific Beta publication entitled [Misconceptions and Mis-selling in Smart Beta: Improving the Risk Conversation in the Smart Beta Space](#). One of our success factors is to analyse these risks, make them explicit and allow investors to hedge them or not depending on their fiduciary objectives and constraints."



Contact:

For more information, please contact: **Séverine Cibelly**

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

To visit our web site: www.scientificbeta.com

¹ The average live outperformance and improvement in Sharpe Ratio across all Scientific Beta developed regions of Scientific Beta Multi-Beta Multi-Strategy Equal-Weight indices is 1.49% for the outperformance and 52.36% for the improvement in Sharpe Ratio. This live analysis is based on daily total returns in the period from December 20, 2013 (live date) to December 31, 2018 for all diversified multi-strategy indices that have more than 3 years of track record for all available developed world regions - USA, Eurozone, UK, Developed Europe, Developed Europe ex UK, Japan, Developed Asia Pacific ex Japan, Developed ex UK, Developed ex USA and Developed. The benchmark used is a cap-weighted portfolio of all stocks in the respective Scientific Beta universes.

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 December 31, 2018, the Scientific Beta indices corresponded to USD 43bn 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.

