

# Anti-Benchmark<sup>®</sup> Dynamic Beta

Harvesting the benefits of diversification without giving up beta



## KEY FEATURES

- Designed for benchmark aware investors, who wish to use their full risk budget to access potential for higher returns
- Driven by a systematic, forecast free and dynamic risk management protocol
- Controlled use of leverage to target market beta
- High diversification of excess returns and volatility stabilisation versus benchmark

## INVESTMENT APPROACH

The core portfolio is constructed using TOBAM's Anti-Benchmark<sup>®</sup> approach which aims to collect the broad equity risk premium from as many independent and effective risk factors as possible. By nature, this approach typically exhibits lower volatility than the benchmark.

In order to access the standard full risk budget of an investor (average Beta of 1), we increase the strategy's exposure to the core portfolio through the use of leverage so as to match long term market volatility expectations. This exposure is implemented through synthetic instruments, monitored daily and capped to a maximum of 150%.

The level of leverage is then dynamically adjusted, to adapting to adverse fluctuations in market volatility in real time. This systematic, forecast free and dynamic risk management protocol is used to improve downside capture and reduce exposure during times of stress.

When market volatility is below the medium term average, the strategy accesses the full risk budget, while harvesting all the diversification benefits of the approach. Conversely, during times of high relative market volatility, the strategy benefits from lower relative risk budget utilisation while continuing to fully harvest the diversification benefits of the Anti-Benchmark core. The strategy exhibits a more stable volatility profile than the benchmark and greater risk diversification through time.

## CHARACTERISTICS

<b>Objective</b>	Maximize diversification and excess return potential
<b>Diversification</b>	Maximized
<b>Absolute Risk/Return</b>	Leveraged to Beta 1 in periods of low market volatility, beta reduced as volatility increases Sharpe-optimal over a market cycle
<b>Relative Risk/Return</b>	High tracking error and information ratio
<b>ESG</b>	Carbon footprint reduction (min. 20%) Excluding companies with unacceptable ESG practices Active Ownership

## Advantages

- Maximum diversification, collect the full equity risk premium
- Enhance performance and lower risk compared to market cap-weighted benchmarks over a market cycle
- Dynamic risk management and downside risk mitigation
- Low correlation to established style and factor biases

## KEY METRICS

<b>Diversification</b>	Maximised	<b>Sharpe Ratio</b>	Optimal
<b>Tracking Error</b>	6 - 10%	<b>Information Ratio</b>	Moderate
<b>Volatility Reduction vs. Benchmark</b>	Negligible	<b>Downside Participation</b>	80 - 90%
<b>Excess Return vs. Benchmark</b>	350 - 450bps	<b>Upside Participation</b>	100 - 120%



- 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

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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

### ABOUT TOBAM

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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](http://www.tobam.fr)**

Contacts :

Paris

24-26, Avenue des Champs-Élysées

75008 Paris

France

New York

Dublin

Client service :

[clientservice@tobam.fr](mailto:clientservice@tobam.fr)

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