

*Improve the risk-reward profile of your equity portfolio by minimizing its Direct, but also, and most importantly, indirect exposure to autocratic regimes.*

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

### Democracy is under threat

- According to Freedom House, democracy has been receding globally for the last 18 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 exposed directly AND INDIRECTLY to 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 original and extensive research on portfolios' exposure to authoritarian regimes reaches four main conclusions:

01. There is an Autocracy risk driver.
02. The Autocracy risk driver is negatively rewarded over time.
03. Most of the exposure to the Autocracy risk is indirect (no need to own Russian stocks to be exposed to Russia).
04. The Autocracy driver is independent from other risk drivers!!

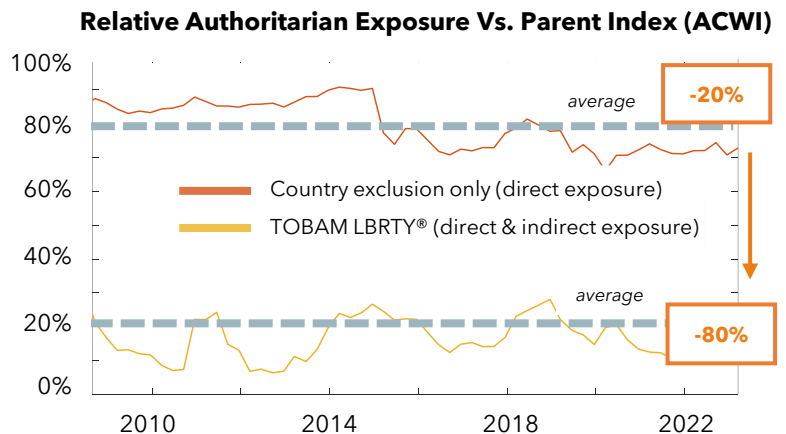
Based on TOBAM's proprietary methodology, the LBRTY® strategy will:

- Exclude non-democratic countries based on factors including civil liberty, inclusiveness, rule of law and corruption
- Construct portfolios drastically lowering the exposure to stocks with significant economic ties to non-democratic countries.

**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 only ~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®, crypTOBAM® and TOBAM LBRTY® illustrate TOBAM's systematic "out of box" dedication to demanding investors.

TOBAM manages north of USD 5 billion (as of 30 December 2023). Its team includes 40 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).

**For more information: [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)

This document is confidential and is intended only for the recipient. It is for Professional Investors Only. This document is not an offer for sale of funds to US persons (as such term is used in Regulation S promulgated under the 1933 Act). This material is provided for information purposes only and does not constitute a recommendation, solicitation, offer, advice or invitation to enter in any transaction and should in no case be interpreted as such. The information provided relates to strategies managed by TOBAM, a French investment adviser registered with the U.S. Securities and Exchange Commission (SEC) under the U.S. Investment Advisers Act of 1940 and the Autorité des Marchés Financiers (AMF) and having its head office located at 26 avenue des Champs Elysées, 75008 Paris, France. TOBAM's Form ADV is available free of charge upon request. In Canada, TOBAM is acting under the assumed name "Tobam SAS Inc." in Alberta and "TOBAM Société par Actions Simplifiée" in Québec.

Investment involves risk, past performance is not indicative of future results, investors could lose all or some of their investment. All investors should seek the advice of their financial advisor prior to any investment decision in order to determine its suitability. Past performance and simulations based on backtests are not reliable indicators of future performance, forecast or prediction. Backtested data may reflect the application of the strategy methodology to historical data, and thus the strategies were constructed with the benefit of hindsight and has inherent limitations. TOBAM has continued and will continue its research efforts amending the investment process from time to time accordingly. TOBAM reserves the right of revision or change without notice, of the universe, data, models, strategy and opinions.

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.