



Press Release

Boston, London, Nice, Paris, Singapore, Tokyo, May 27, 2016

Pay for What you Get

ERI Scientific Beta to offer revolutionary alternative to fixed fees on assets under management

ERI Scientific Beta, the smart beta index provider offshoot of EDHEC Risk Institute today announced a **revolutionary “pay for what you get” approach to index pricing that will disrupt the traditional model of fixed fees on assets under management and enable investors to relate their fees directly to smart beta index performance.**

As a non-profit academic institution, ERI Scientific Beta has always sought to provide the best research with favourable conditions to allow investors to invest in the best conditions possible. That is how ERI Scientific Beta made EDHEC Risk Institute’s foundational pledge of transparency a reality. This transparency enabled the risks and robustness of strategies whose performance is essentially made up of simulated track records to be challenged. As such, all the data on ERI Scientific Beta’s flagship Scientific Beta Multi-Beta Multi-Strategy indices, with the notable inclusion of historical composition, has been made available to investors without restriction. The new pricing proposition is part of ERI Scientific Beta’s investor-friendly approach which has enabled it to attract more than USD 10bn in assets under replication for its smart beta indices in three years.

ERI Scientific Beta is offering this new pricing as an alternative to the traditional fixed fees on assets under management (AUM) of smart beta providers, whether asset managers or index providers. It involves a **pure performance fees mandate** that can be implemented at the request of an investor who only wishes to pay fees if the index has actually outperformed the reference cap-weighted index.

In practical terms, **investors who choose this option from June 1, 2016, will pay zero fixed fees and will only pay variable fees if the flagship Scientific Beta Multi-Beta Multi-Strategy index outperforms the reference cap-weighted index.**

This offer, with no fixed fees paid upfront and with the provider’s remuneration being based on what the provider actually delivers to the investor, **is the only one of its kind in the world.**

Commenting on this new model, Noël Amenc, CEO of ERI Scientific Beta, said, “Our rationale for this mandate offer is that smart beta providers’ claims on the quality and robustness of their strategies should materialise in their live performance. ERI Scientific Beta’s initiative is intended to provide consistency between the smart beta provider’s revenues and the quality of its offering. It is also testimony to the confidence we have in the performance of our smart beta indices, and notably our flagship Scientific Beta Multi-Beta Multi-Strategy indices, which have outperformed their cap-weighted equivalent by 4.51% on average since their live date¹.”



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¹ The average live outperformance across all Scientific Beta developed regions of the Scientific Beta Multi-Beta Multi-Strategy Equal Weight index is 4.51%. This live analysis is based on daily total returns in the period from December 20, 2013 (live date) to March 31, 2016, for the following developed world regions – USA, Eurozone, UK, 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 Scientific Beta developed world universe.

About ERI Scientific Beta

ERI 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. It has three principles:

- **Choice:** A multitude of strategies are available allowing users to build their own benchmark, choosing the risks to which they wish, or do not wish, to be exposed. This approach, which makes investors responsible for their own risk choices, referred to as Smart Beta 2.0, is the core component of the index offerings proposed by ERI Scientific Beta.
- **Transparency:** The rules for all of the Scientific Beta series are replicable and transparent. The track records of the Scientific Beta indices can be checked and justified through unrestricted access to historical compositions.
- **Clarity:** Exhaustive explanations of construction methodologies are provided, as well as detailed performance and risk analytics.

Established by EDHEC-Risk Institute, one of the very top academic institutions in the field of fundamental and applied research for the investment industry, ERI 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 ERI 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, ERI 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.

We believe that it is important for investors to be able to conduct their own analyses, select their preferred time period and choose among a wide range of analytics in order to produce their own picture of strategy performance and risk.

- **Scientific Beta Fully-Customised Benchmarks and Smart Beta Solutions**

Scientific Beta Fully Customised Benchmarks and Smart Beta Solutions is a service proposed by ERI 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, ERI Scientific Beta is present in Boston, London, Nice, Singapore and Tokyo. As of March 31, 2016, the Scientific Beta indices corresponded to USD 10.3bn in assets under replication.

ERI Scientific Beta has a dedicated team of 45 people who cover not only client support from Nice, Singapore and Boston, but also the development, production and promotion of its index offering.