Press Release


“Robustness of Smart Beta Strategies” wins Best Smart Beta Paper award for 2016

ERI Scientific Beta is delighted to announce that its research publication, “Robustness of Smart Beta Strategies,” has won the Best Smart Beta Paper award in the Savvy Investor Awards 2016. Savvy Investor is a leading research hub for the institutional investment industry. The site has over 15,500 members, who between them download more than 12,000 white papers every month.

The winning research paper, “Robustness of Smart Beta Strategies,” makes a distinction between relative robustness and absolute robustness. A strategy is assumed to be ‘relatively robust’ if it is able to deliver similar outperformance under similar market conditions by aligning well with the performance of the underlying factor exposure it is seeking and reducing unrewarded risks. Absolute robustness is the absence of pronounced state and/or time dependencies and a strategy shown to outperform irrespective of prevailing market conditions can be termed robust in absolute terms. The paper reviews the importance of robustness for smart beta strategies, explains various methods by which smart beta strategies try to improve robustness, and discusses how to measure and assess robustness in the performance analysis of smart beta strategies. The paper’s intention is to provide useful orientation for investors on how to set suitable requirements for robustness.

Noël Amenc, CEO of ERI Scientific Beta, said, “There has been significant evidence that smart beta strategies outperform cap-weighted benchmarks in the long run. However, it is important to recognise that performance analysis is typically conducted on back-tests which apply the smart beta methodology to historical stock returns. Concerning actual investment decisions, it is thus highly relevant to question how robust the outperformance is.”

A webinar on the "Robustness of Smart Beta Strategies," conducted by Eric Shirbini, PhD, Global Product Specialist with ERI Scientific Beta, will be held on December 20, 2016 at 5.00pm CET/11.00am EST. To register for this webinar, please click here.

In addition to “Robustness of Smart Beta Strategies,” two EDHEC Risk Institute papers were “Highly Commended” in the Savvy Investor Awards 2016. “Factor Investing and Risk Allocation: From Traditional to Alternative Risk Premia Harvesting” was shortlisted in the “Best Alternative Investing Paper 2016” award category and “Ten Misconceptions about Smart Beta” was also shortlisted in the “Best Smart Beta Paper 2016” award category.

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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** 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 December 1, 2016, the Scientific Beta indices corresponded to USD 12.2bn 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.