



FTSE EDHEC-RISK ERAFP SRI Index Factsheet

The FTSE EDHEC-Risk Efficient Eurobloc ERAFP SRI Large Cap Custom Index aims to efficiently capture the performance available within an SRI screened universe of large and mid cap stocks in the Eurobloc. While the SRI screen allows addressing non-financial objectives, the efficient weighting scheme seeks to improve return-to-risk efficiency by improving portfolio diversification. While the screen relies on qualitative information on companies' SRI compliance, the weighting method uses robust estimates of a stock's risk and return as inputs.

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Combining SRI and state-of-the art portfolio construction

The integration of socially responsible investment (SRI) criteria in portfolios through an SRI screening leads to a reduction of the investment universe. As such screens are solely concerned with the individual qualities of securities; they do not take into account how the different stocks interact in a portfolio in terms of contributing to its risk/return efficiency. Such SRI portfolios thus require a portfolio construction process that takes the securities' financial risk parameters into account, notably their volatility and correlation.

The goal of the FTSE EDHEC-Risk ERAFP Eurobloc SRI Index is to reconcile a qualitative security selection approach with state-of-the-art portfolio construction. The index combines SRI analysis with quantitative financial analysis to incorporate both extra-financial information and financial risk management.

Combining the expertise of three partners

ERAFP provides a screening of stocks based on SRI criteria. ERAFP is the public service additional pension scheme in France with almost 4.6 million beneficiaries. ERAFP has won several high level awards for its ISR policy.

EDHEC-Risk's efficient weighting scheme is applied to the set of screened constituents. EDHEC-Risk Indices & Benchmarks is an entity created by EDHEC Business School to promote applications of the research results of EDHEC-Risk Institute, a leading global research institute for investment management.

FTSE, a leading index provider, calculates and maintains the index. The index constituents are made up of an SRI-screened version of the large and mid cap equities in the FTSE Eurobloc index.

FTSE EDHEC-Risk Efficient ERAFP SRI Large Cap Custom Index

The FTSE EDHEC-Risk Efficient ERAFP SRI Large Cap Custom Index aims to capture equity market returns with an improved risk/reward efficiency compared to cap-weighted indices. The weighting of the portfolio of constituents achieves the highest possible return-to-risk efficiency by maximising the Sharpe ratio.

The index series is based on the constituent securities from the FTSE Eurobloc Index, filter by ERAFP's SRI criteria. Constituents receive weights which result from EDHEC-Risk's portfolio optimisation reflecting their ability to maximise the reward-to-risk ratio for a broad market index.

Performance

The back history of the FTSE EDHEC-Risk Efficient ERAFP SRI Index has shown that the index has achieved a favourable reward-to-risk ratio by combining SRI stock selection with efficient weighting.

Performance of SRI Efficient vs. Broad Cap.-weighted index (full history)

Historical Annual Performance	SRI Efficient			Broad Cap-weighted		
	Return	Volatility	Sharpe	Return	Volatility	Sharpe
Eurobloc	-7.22%	24.28%	0.07	-9.00%	27.69%	0.00

- *The universe of the FTSE EDHEC-Risk Efficient ERAFP SRI Index stems from an SRI screening of the FTSE All-World Eurobloc universe.*
- *Optimal efficient portfolios are constructed by maximising the Sharpe ratio given an expected return estimate and a covariance estimate. The expected return estimate is set to the median total risk of stocks in the same decile when sorting by total risk. The covariance matrix is estimated using an implicit factor model for stock returns. Weight constraints are set so that each stock's weight is between $1/2N$ and $2/N$, where N is the number of index constituents. From March 2011 onwards, the weight constraints are set to $1/3N$ and $3/N$.*
- *Rebalancing is quarterly subject to an optimal control of portfolio turnover, where the optimal efficient portfolio is implemented when the implied two-way turnover exceeds 50% of the portfolio value. From March 2011 onwards, the turnover threshold is set to 70%.*
- *Statistics are based on weekly total return data, from 21-Dec-07 to 04-May-12, annualised assuming 52 weeks per year.*
- *Portfolio value is calculated in Euro.*
- *Sharpe ratio is computed using the "Euribor (3M)" as the risk-free asset in Euro.*
- *Note that since negative Sharpe ratios cannot be interpreted, the Sharpe ratios are adjusted in the event they are negative by replacing the risk-free rate with the average return on the cap-weighted index.*

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SRI Efficient Eurobloc Index Factsheet

The following table reports the performance over the past three years.

Performance of SRI Efficient vs. Broad Cap.-weighted index (past 3 years)

Historical Annual Performance	SRI Efficient			Broad Cap.-weighted		
	Return	Volatility	Sharpe	Return	Volatility	Sharpe
Eurobloc	5.90%	20.59%	0.24	3.93%	23.05%	0.13

- *The universe of the FTSE EDHEC-Risk Efficient ERAFP SRI Index stems from an SRI screening of the FTSE All-World Eurobloc universe.*
- *Optimal efficient portfolios are constructed by maximising the Sharpe ratio given an expected return estimate and a covariance estimate. The expected return estimate is set to the median total risk of stocks in the same decile when sorting by total risk. The covariance matrix is estimated using an implicit factor model for stock returns. Weight constraints are set so that each stock's weight is between $1/2N$ and $2/N$, where N is the number of index constituents. From March 2011 onwards, the weight constraints are set to $1/3N$ and $3/N$.*
- *Rebalancing is quarterly subject to an optimal control of portfolio turnover, where the optimal efficient portfolio is implemented when the implied two-way turnover exceeds 50% of the portfolio value. From March 2011 onwards, the turnover threshold is set to 70%.*
- *Statistics are based on weekly total return data, from 05-May-09 to 04-May-12, annualised assuming 52 weeks per year.*
- *Portfolio value is calculated in Euro.*
- *Sharpe ratio is computed using the "Euribor (3M)" as the risk-free asset in Euro.*
- *Note that since negative Sharpe ratios cannot be interpreted, the Sharpe ratios are adjusted in the event they are negative by replacing the risk-free rate with the average return on the cap-weighted index.*

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SRI Efficient Eurobloc Index Factsheet

The following table reports the performance over the past year.

Performance of SRI Efficient vs. Broad Cap.-weighted index (past year)

Historical Annual Performance	SRI Efficient			Broad Cap.-weighted		
	Return	Volatility	Sharpe	Return	Volatility	Sharpe
Eurobloc	-16.31%	24.72%	0.03	-17.09%	27.54%	0.00

- *The universe of the FTSE EDHEC-Risk Efficient ERAFP SRI Index stems from an SRI screening of the FTSE All-World Eurobloc universe.*
- *Optimal efficient portfolios are constructed by maximising the Sharpe ratio given an expected return estimate and a covariance estimate. The expected return estimate is set to the median total risk of stocks in the same decile when sorting by total risk. The covariance matrix is estimated using an implicit factor model for stock returns. Weight constraints are set so that each stock's weight is between $1/2N$ and $2/N$, where N is the number of index constituents. From March 2011 onwards, the weight constraints are set to $1/3N$ and $3/N$.*
- *Rebalancing is quarterly subject to an optimal control of portfolio turnover, where the optimal efficient portfolio is implemented when the implied two-way turnover exceeds 50% of the portfolio value. From March 2011 onwards, the turnover threshold is set to 70%.*
- *Statistics are based on weekly total return data, from 05-May-11 to 04-May-12, annualised assuming 52 weeks per year.*
- *Portfolio value is calculated in Euro.*
- *Sharpe ratio is computed using the "Euribor (3M)" as the risk-free asset in Euro.*
- *Note that since negative Sharpe ratios cannot be interpreted, the Sharpe ratios are adjusted in the event they are negative by replacing the risk-free rate with the average return on the cap-weighted index.*

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SRI Efficient Eurobloc Index Factsheet

The following table reports the live performance of the indices.

Performance of SRI Efficient vs. Broad Cap.-weighted index (since live date)

Historical Annual Performance	SRI Efficient			Broad Cap.-weighted		
	Return	Volatility	Sharpe	Return	Volatility	Sharpe
Eurobloc	-14.38%	24.08%	0.05	-15.66%	26.87%	0.00

- *The universe of the FTSE EDHEC-Risk Efficient ERAFP SRI Index stems from an SRI screening of the FTSE All-World Eurobloc universe.*
- *Optimal efficient portfolios are constructed by maximising the Sharpe ratio given an expected return estimate and a covariance estimate. The expected return estimate is set to the median total risk of stocks in the same decile when sorting by total risk. The covariance matrix is estimated using an implicit factor model for stock returns. Weight constraints are set so that each stock's weight is between $1/2N$ and $2/N$, where N is the number of index constituents. From March 2011 onwards, the weight constraints are set to $1/3N$ and $3/N$.*
- *Rebalancing is quarterly subject to an optimal control of portfolio turnover, where the optimal efficient portfolio is implemented when the implied two-way turnover exceeds 50% of the portfolio value. From March 2011 onwards, the turnover threshold is set to 70%.*
- *Statistics are based on weekly total return data, from 08-Apr-11 (or 04-Oct-2010) to 04-May-12, annualised assuming 52 weeks per year.*
- *Portfolio value is calculated in Euro.*
- *Sharpe ratio is computed using the "Euribor (3M)" as the risk-free asset in Euro.*
- *Note that since negative Sharpe ratios cannot be interpreted, the Sharpe ratios are adjusted in the event they are negative by replacing the risk-free rate with the average return on the cap-weighted index.*

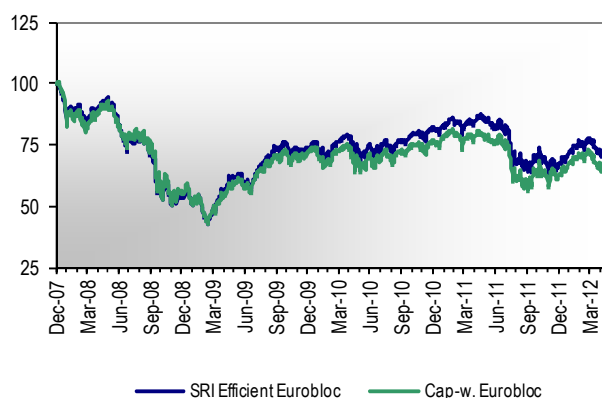
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Performance Charts

The following charts report the index values of the FTSE EDHEC-Risk Efficient ERAFP SRI Large Cap Custom Index, compared to the broad market-cap-weighted FTSE Eurobloc Index (large- and mid-cap stocks). The Index is valued in the Euro. At inception date (21-Dec-07), the index values are set to 100, and the latest index value is dated 04-May-12. Top 10 holdings and sector weights are based on stock values on 04-May-2012.

SRI Efficient Eurobloc Index



Current top 10 holdings – SRI Efficient Eurobloc

Stocks	Country
Essilor Intl	FRA
Beiersdorf	GER
Merck Kgaa	GER
Fresenius SE & Co KGaA	GER
Belgacom	BELG
Ahold	NETH
Terna	ITA
Snam	ITA
Deutsche Telekom	GER
Henkel KG Pref	GER

Current sector weights – SRI Efficient Eurobloc

Sector	Weight
Oil & Gas	3.0%
Basic Materials	5.9%
Industrials	11.0%
Consumer Goods	21.1%
Health Care	9.4%
Consumer Services	14.0%
Telecommunications	7.6%
Utilities	11.4%
Financials	11.0%
Technology	5.6%