

# Investec Developed Market Equity Premia (RC12%) Index

April 2019

## Key Information

**Bloomberg Ticker**  
INVDMMFI Index

**Start Date**  
30 January 2003

**Live Date**  
1 March 2019

**Asset Class**  
Equity

**Category**  
Active Index

**Currency**  
USD

**Return Type**  
Total Return - Synthetic Dividend

**Risk Control**  
Yes

**Risk Control Level**  
12%

**Min/Max Equity Allocation**  
0% / 150%

**Calculation Agent**  
Solactive

**Benchmark\***  
Equally weighted S&P 500 (SPX)  
and Eurostoxx 50 (SX5E)

## Index Statistical Data (since Start Date)

**Annual Return**  
6.74%

**Annual Volatility**  
12.79%

**Max Drawdown**  
46.44%

**Sharpe Ratio**  
0.39

**Correlation with Benchmark**  
82.80%

\*The Benchmark is calculated as Total Return - Synthetic Dividend as per the Index

## Overview

The Investec Developed Market Equity Premia Index is a long only equity index tracking a diversified portfolio of large cap companies listed in the US and Europe. The Index, through allocation to empirically researched and well documented equity risk premia, aims to deliver, over the long term, outperformance relative to the market.

## Core Index

To achieve this long term outperformance, the index firstly allocates equally to the following two iShares MSCI Exchange Traded Funds ("ETFs") quoted in USD:

**ETF 1:** iShares Edge MSCI Europe Multifactor UCITS ETF (IFSE LN Equity)

**ETF 2:** iShares Edge MSCI USA Multifactor UCITS ETF (IFSU LN Equity)

The above ETFs select stocks which exhibit high scores for the following well documented characteristics, referred to in academic research as "equity risk premia", namely: Size, Quality, Value and Momentum.

Following the equal allocation to equity across the two risk premia focussed ETFs, the Index then applies a widely used risk control methodology that targets a fixed Risk Control Level for the equity basket.

Volatility is a standard indicator of risk which measures how much the level of a stock or an index has fluctuated over a specific period of time and is a strong predictor of future drawdown's i.e. volatility today is a strong indicator of drawdown's or negative markets tomorrow.

By applying a risk control framework, the Index dynamically adjusts its exposure to reduce equity exposure where volatility in the market is higher than the Risk Control Level and vice versa in periods when equity markets are benign.

## Top Holdings

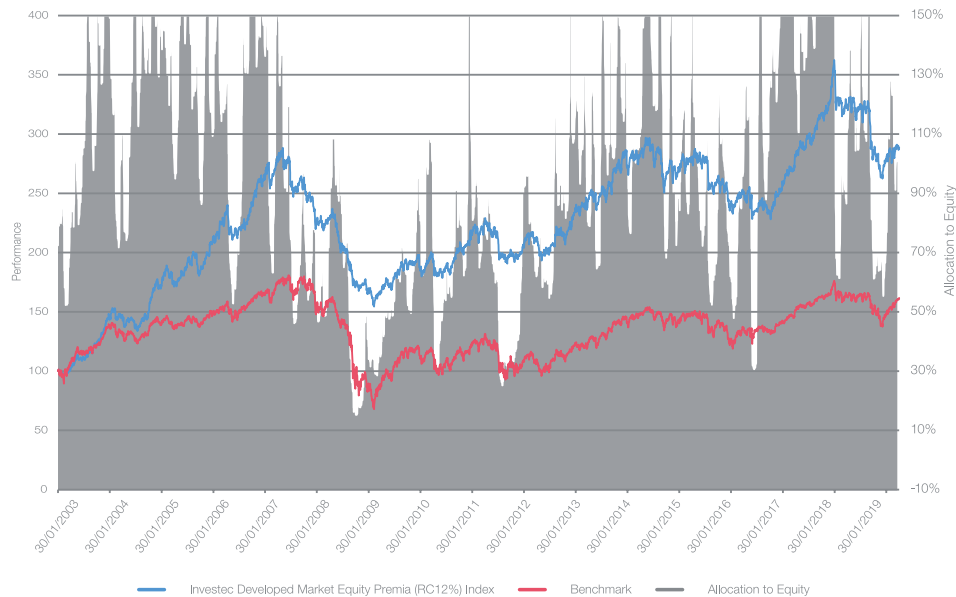
The average allocation to equity in the index for the month ended 30 April 2019 was 112.31%. The top 10 shareholdings across the underlying ETFs were as follows

ROCHE HOLDING PAR AG 4.03%	AMADEUS IT GROUP SA 2.40%
BHP GROUP PLC 2.70%	AT&T INC 2.36%
ANGLO AMERICAN PLC 2.53%	NORFOLK SOUTHERN CORP 2.33%
INTUIT INC 2.49%	REPSOL SA 2.11%
CIGNA CORP 2.44%	ANTHEM INC 2.08%

## For investment professionals only

### Performance Comparison

The graph below gives the performance comparison between the Investec Developed Market Equity Premia (RC12%) Index and the Benchmark since 30/01/03. The dynamic allocation to equity is also shown over the period.



Source: Bloomberg, as at 03/05/2019 and iShares. Prior to the inception of the iShares ETFs (5 October 2015), all back-testing is using proxy numbers that have been supplied to Investec Bank plc by iShares.

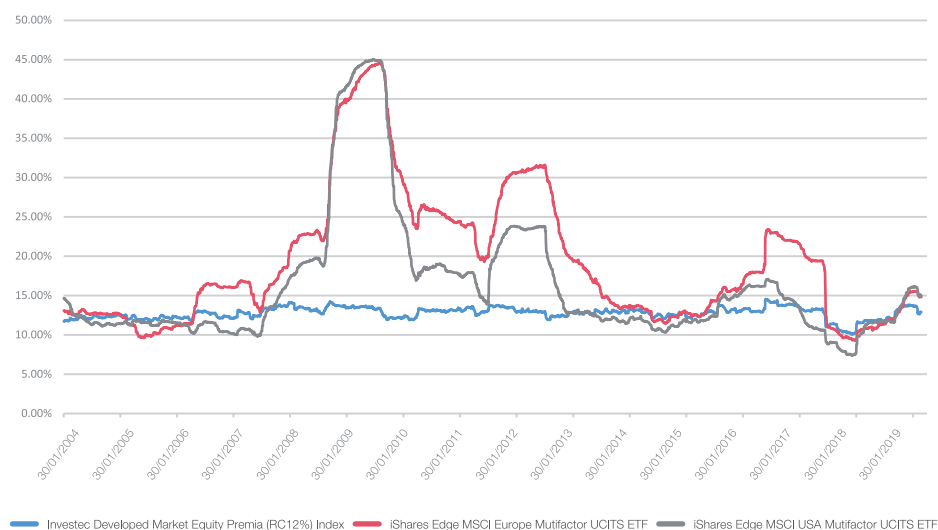
**Past performance is not a guide to future performance.**

### Monthly performance breakdown

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Annual	Benchmark Annual
2003		-2.79%	-1.46%	4.96%	6.59%	-0.40%	1.95%	3.02%	-0.03%	5.82%	3.18%	6.38%	38.15%	32.21%
2004	2.80%	3.90%	-3.76%	-3.64%	-0.42%	1.91%	-3.56%	-0.58%	4.55%	1.17%	10.39%	4.87%	26.78%	8.25%
2005	-0.61%	5.99%	-2.55%	-4.99%	1.88%	1.86%	5.25%	0.65%	1.29%	-6.68%	2.63%	1.89%	12.65%	0.30%
2006	7.95%	0.17%	3.11%	2.64%	-5.34%	-0.47%	0.05%	2.08%	0.61%	5.30%	5.37%	3.06%	32.41%	14.07%
2007	1.15%	-2.67%	2.27%	3.74%	3.28%	-4.89%	-6.13%	-0.99%	1.49%	0.90%	-3.67%	-0.57%	-5.81%	4.18%
2008	-7.59%	-1.29%	-0.78%	0.67%	1.29%	-6.40%	-3.76%	-0.30%	-8.24%	-5.38%	-1.21%	2.63%	-29.20%	-44.34%
2009	-4.49%	-3.02%	3.39%	3.27%	3.61%	-2.86%	3.02%	0.94%	3.95%	-0.21%	1.59%	-0.23%	10.17%	23.08%
2010	-3.90%	-0.69%	4.42%	-1.64%	-5.45%	-1.37%	4.42%	-4.42%	4.82%	3.06%	-2.07%	3.20%	8.18%	-1.53%
2011	2.69%	0.47%	0.10%	3.93%	-1.73%	-1.38%	-3.70%	-5.32%	-3.20%	4.88%	0.86%	-0.16%	-5.66%	-12.40%
2012	3.07%	3.07%	-0.35%	-2.38%	-7.57%	4.72%	-0.02%	1.79%	3.99%	-0.93%	0.40%	2.09%	12.03%	12.21%
2013	6.34%	-2.33%	2.79%	2.50%	0.60%	-2.56%	3.76%	-4.81%	4.50%	4.35%	3.61%	3.03%	28.15%	24.86%
2014	-5.14%	7.00%	1.42%	-0.36%	1.82%	0.26%	-5.58%	3.71%	-4.93%	-0.12%	3.83%	-1.70%	-5.27%	-1.93%
2015	-0.69%	4.22%	-2.47%	0.45%	1.25%	-2.04%	1.10%	-7.96%	-0.67%	4.19%	-1.55%	-2.46%	-5.16%	-5.03%
2016	-3.69%	-1.50%	3.29%	-0.26%	1.39%	-6.89%	1.18%	1.57%	-0.08%	-2.68%	3.91%	4.29%	-0.74%	5.07%
2017	3.14%	3.24%	0.60%	4.71%	2.46%	-1.88%	3.07%	-1.08%	3.43%	2.23%	1.89%	2.48%	31.53%	18.06%
2018	7.07%	-7.15%	-1.34%	1.80%	-0.02%	-2.91%	4.29%	0.61%	-0.16%	-11.73%	-1.87%	-6.34%	-19.54%	-15.26%
2019	5.94%	1.43%	-1.19%	0.98%									8.74%	15.66%

Source: Bloomberg, as at 03/05/2019 and iShares. **Past performance is not a guide to future performance.**

## 12 month rolling volatility



Source: Bloomberg, as at 03/05/2019. Past performance is not a guide to future performance.

## Annual Underlying ETF Returns

	Annual (EU)	Annual (US)
2003	42.46%	33.07%
2004	30.22%	18.45%
2005	12.40%	12.64%
2006	46.28%	10.10%
2007	0.12%	-0.54%
2008	-47.55%	-41.48%
2009	36.58%	28.03%
2010	11.96%	17.30%
2011	-13.64%	5.16%
2012	22.85%	14.38%
2013	30.40%	36.22%
2014	-0.66%	13.96%
2015	4.76%	-0.47%
2016	0.58%	13.23%
2017	29.22%	18.57%
2018	-15.51%	-13.50%
2019	15.01%	14.36%

## Glossary

**Active Index.** Rules based indices with long-only positions. These are designed to capture a particular market segment but with more complex rules (filtering and/or weighting) than simple beta indices.

**Risk Control.** A systematic approach to cap the level of annualised volatility of an index by varying the exposure to the core strategy according to its observed volatility. This may increase risk adjusted returns and make it possible to gain exposure to the strategy via a structured derivative.

**Value.** Captures excess returns of stocks with low prices relative to their fundamental value.

**Quality.** Captures excess returns of stocks that are characterised by low-debt and stable earnings growth.

**Momentum.** Captures continued excess returns of stocks which have recent positive price momentum.

**Size.** The low size factor captures excess returns of smaller firms (by market capitalization) relative to their larger counterparts. The size score is based on the logarithm of the firm's country-relative market capitalization.

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