STOXX® Europe ESG Leaders Select 30 EUR

March 2020
Introduction
STOXX is now Part of Qontigo…

A new financial intelligence driver, modernizing investment management

STOXX & DAX
World-class indices that are licensed to more than 500 companies, including the world’s largest financial product issuers, capital owners and asset managers.

AXIOMA
Best of breed portfolio construction and risk analytics tools.
**STOXX Select Indices**

**Low volatility screening before the dividend yield selection**

**Pre-volatility exclusion**

- By applying a screening to exclude high volatility stocks, the methodology targets those low volatility stocks generating higher returns than its higher volatility peers
  - Thus too benefitting from the low volatility anomaly
- It also reduces the risk to select those stocks whose dividend yield is high as a consequence of a share price drop
  - As such stocks tend to have a high volatility
- The methodology is then a step-by-step approach firstly excluding high volatility stocks then selecting top dividend payers

**How to define the volatility screening**

- In order to exclude high volatility stocks, the methodology defines a threshold - a reference volatility level:
  - Each company whose volatility is above the threshold is excluded from the base universe
    - The threshold is defined as a relative number (x%)
STOXX Europe ESG Leaders Select 30 EUR

Index methodology

- All European stocks from the STOXX Global ESG Leaders

- **Selection criteria**
  - Stocks that do not have both 12 month historical daily pricing data and 12 month historical dividend yield are removed from the base universe
    1) Stocks whose previous 3 and 12 month historical volatilities are the highest are excluded
    2) Remaining stocks with the highest 12-month historical dividend yields are then selected to be included in the index
  - The percentage of exclusion/inclusion at step 1 and 2 is the same and is determined by the Equal Strength Ratio (ESR):
    - The ESR is calculated as
    - \( ESR = \sqrt{\frac{x}{N}} \)
    - Where
      - \( x \) number of stocks in the Select index
      - \( N \) number of stocks in the base universe

- Volatility weighted (Inverse); 10% cap factor

- Quarterly upon review of base index
# STOXX Europe ESG Leaders Select 30 EUR

## Risk and return characteristics

<table>
<thead>
<tr>
<th></th>
<th>EUR ESG LDRS SL 30 EUR (EUR GR)</th>
<th>STOXX Europe 600 EUR (EUR GR)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Perf. overall (annualized)</td>
<td>3.13%</td>
<td>5.38%</td>
</tr>
<tr>
<td>Perf. (1Y)</td>
<td>-23.73%</td>
<td>-12.70%</td>
</tr>
<tr>
<td>Perf. (3Y) (annualized)</td>
<td>-6.77%</td>
<td>-2.44%</td>
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<tr>
<td>Perf. (5Y) (annualized)</td>
<td>-5.30%</td>
<td>-0.95%</td>
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<tr>
<td>Vol. overall (annualized)</td>
<td>15.62%</td>
<td>16.43%</td>
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<tr>
<td>Volatility (1Y) (annualized)</td>
<td>24.99%</td>
<td>23.60%</td>
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<tr>
<td>Volatility (3Y) (annualized)</td>
<td>16.88%</td>
<td>16.42%</td>
</tr>
<tr>
<td>Volatility (5Y) (annualized)</td>
<td>17.12%</td>
<td>17.73%</td>
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<tr>
<td>Sharpe ratio (Overall)</td>
<td>0.29</td>
<td>0.41</td>
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<tr>
<td>Sharpe ratio (5Y)</td>
<td>-0.21</td>
<td>0.05</td>
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<tr>
<td>Tracking error (Overall)</td>
<td>5.68%</td>
<td></td>
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<tr>
<td>Tracking error (5Y)</td>
<td>6.11%</td>
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<tr>
<td>Dividend yield (Overall)</td>
<td>4.47%</td>
<td>3.89%</td>
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<tr>
<td>Maximum drawdown</td>
<td>38.88%</td>
<td>35.34%</td>
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<tr>
<td>Constituents</td>
<td>30</td>
<td>600</td>
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### Notes:
1) Dividend yield is annualized
3) EONIA used as a proxy for riskless returns
STOXX Europe ESG Leaders Select 30 EUR

Dividend yield and volatility

Yearly gross dividend yield\(^1\)

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<tbody>
<tr>
<td>Yield</td>
<td>4%</td>
<td>6%</td>
<td>5%</td>
<td>4%</td>
<td>3%</td>
<td>5%</td>
<td>5%</td>
<td>4%</td>
<td>3%</td>
<td>2%</td>
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Trailing 12m volatility\(^1\)

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<tbody>
<tr>
<td>Volatility</td>
<td>2%</td>
<td>5%</td>
<td>2%</td>
<td>1%</td>
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1) STOXX Data Jan 3, 2011 – March 31, 2020
2) 2020* - Gross dividend yield calculated till March 31, 2020
## Maintains diversification across countries and industries

### Country allocation

<table>
<thead>
<tr>
<th>Country</th>
<th>STOXX Europe Leaders Select 30 EUR</th>
<th>STOXX Europe 600</th>
</tr>
</thead>
<tbody>
<tr>
<td>France</td>
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<td>Spain</td>
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<td>Germany</td>
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<td>Italy</td>
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<td>Switzerland</td>
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<td>Austria</td>
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<td>Sweden</td>
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<td>Netherlands</td>
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<td>UK</td>
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<tr>
<td>Others</td>
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</tbody>
</table>

### Industry allocation

- **Financials**: Source: STOXX Data: March 31, 2020
- **Oil & Gas**
- **Telecommunications**
- **Utilities**
- **Industrials**
- **Health Care**
- **Consumer Goods**
- **Basic Materials**
- **Consumer Services**
- **Technology**
STOXX Europe ESG Leaders Select 30 EUR

Index details

<table>
<thead>
<tr>
<th>Ticker</th>
<th>ISIN</th>
<th>Type</th>
<th>Currency</th>
<th>Bloomberg</th>
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</thead>
<tbody>
<tr>
<td>SEESGSEP</td>
<td>CH0298407328</td>
<td>Price</td>
<td>EUR</td>
<td>BBG00B6QWPK8</td>
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<tr>
<td>SEESGSER</td>
<td>CH0298407336</td>
<td>Net</td>
<td>EUR</td>
<td>BBG00B6QWPL7</td>
</tr>
<tr>
<td>SEESGSEG</td>
<td>CH0298407344</td>
<td>Gross</td>
<td>EUR</td>
<td>-</td>
</tr>
</tbody>
</table>

Listed derivatives

October 2019 saw the launch of futures and options on the STOXX Europe ESG Leaders Select 30 index at Eurex.
Appendix
STOXX’s Approach Uses Sustainalytics for ESG Scores

- Set and weighting of KPIs indicators is sector specific. Weighting matrix is transparent and publicly available. Data is provided by Sustainalytics, the award-winning research firm specialized in ESG.

- Specialized ESG Leaders indices:
  - STOXX Global ESG Environmental Leaders
  - STOXX Global ESG Social Leaders
  - STOXX Global ESG Governance Leaders

- STOXX Global ESG Leaders universe are constructed as the weighted sum of members of specialized ESG Leaders indices
STOXX Family of ESG Leaders

Index methodology

- STOXX Global 1800

- Exclusion criteria:
  - UN Global Compact Compliance Principles
  - Involvement in Controversial Weapons (e.g. anti-personnel mines, biological, chemical)
    - Activity: Involved with the development, production, maintenance or trade of controversial weapons or key components of these weapons.
    - Ownership: A company is involved with controversial weapons if: » it owns ≥20% of the company involved with controversial weapons
      » it is owned ≥20% by the company involved with controversial weapons

- Selection criteria:
  - Minimum Filter (Top 50%)
    - Based on normalized scores, selects all companies which have a score greater than or equal to the 50th percentile (i.e. above average) in all three criteria
  - Best-in-Class Filter
    - E,S,G, Individual Leadership Filter (Best 25%)

- Price weighted with an ESG Score factor

- A company is deleted from the index (t+2) if Sustainalytics raises the ESG-controversy risk level to level 5 (“Severe Risk”)
STOXX Offices and Contacts

Learn more about STOXX ESG Leaders Select 30 EUR Index on our website.

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