



STOXX® Europe ESG Leaders Select 30 EUR

March 2020

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Introduction

STOXX is now Part of Qontigo...

A new financial intelligence driver, modernizing investment management



Index

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.



Analytics

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

Universe		<ul style="list-style-type: none">▪ All European stocks from the <u>STOXX Global ESG Leaders</u>
Selection		<ul style="list-style-type: none">▪ Selection criteria<ul style="list-style-type: none">▪ Stocks that do not have both 12 month historical daily pricing data and 12 month historical dividend yield are removed from the base universe<ol style="list-style-type: none">1) Stocks whose previous 3 and 12 month historical volatilities are the highest are excluded2) 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):<ul style="list-style-type: none">▪ The ESR is calculated as<ul style="list-style-type: none">• $ESR = \sqrt{\frac{x}{N}}$• Where<ul style="list-style-type: none">• x number of stocks in the Select index• N number of stocks in the base universe
Weighting		<ul style="list-style-type: none">▪ Volatility weighted (Inverse); 10% cap factor
Review		<ul style="list-style-type: none">▪ Quarterly upon review of base index

STOXX Europe ESG Leaders Select 30 EUR

Risk and return characteristics

	EUR ESG LDRS SL 30 EUR (EUR GR)	STOXX Europe 600 (EUR GR)
Perf. overall (annualized)	3.13%	5.38%
Perf. (1Y)	-23.73%	-12.70%
Perf. (3Y) (annualized)	-6.77%	-2.44%
Perf. (5Y) (annualized)	-5.30%	-0.95%
Vol. overall (annualized)	15.62%	16.43%
Volatility (1Y) (annualized)	24.99%	23.60%
Volatility (3Y) (annualized)	16.88%	16.42%
Volatility (5Y) (annualized)	17.12%	17.73%
Sharpe ratio (Overall)	0.29	0.41
Sharpe ratio (5Y)	-0.21	0.05
Tracking error (Overall)	5.68%	
Tracking error (5Y)	6.11%	
Dividend yield (Overall)	4.47%	3.89%
Maximum drawdown	38.88%	35.34%
Constituents	30	600

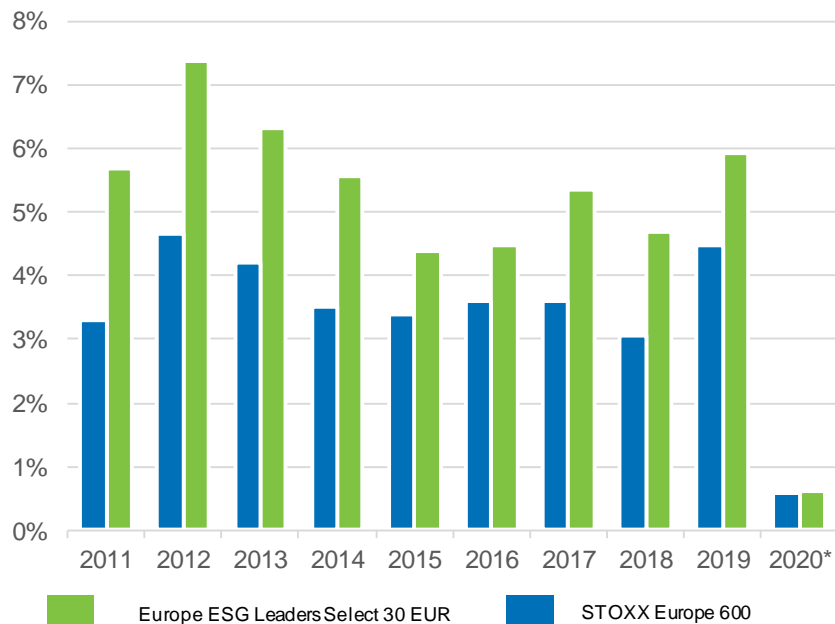


- 1) Dividend yield is annualized
- 2) Source: STOXX, daily data. Relative figures calculated against STOXX Europe 600 Index. Overall: from Dec 24, 2012 to March 31, 2020; 1Y: from March 29, 2019 to March 31, 2020; 3Y: from March 31, 2017 to March 31, 2020; 5Y: from March 31, 2015 to March 31, 2020.
- 3) EONIA used as a proxy for riskless returns

STOXX Europe ESG Leaders Select 30 EUR

Dividend yield and volatility

Yearly gross dividend yield¹⁾



Trailing 12m volatility¹⁾

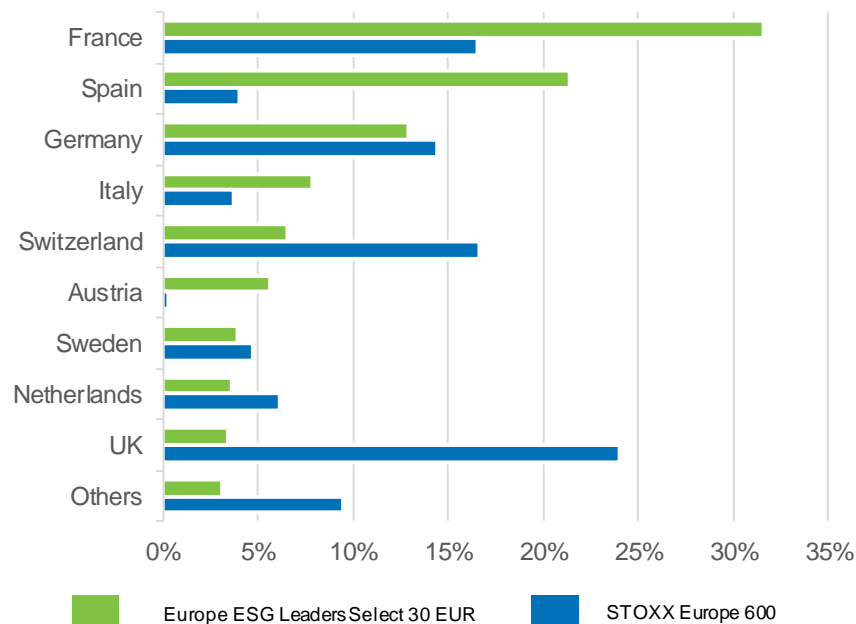


- 1) STOXX Data Jan 3, 2011 – March 31, 2020
- 2) 2020* - Gross dividend yield calculated till March 31, 2020

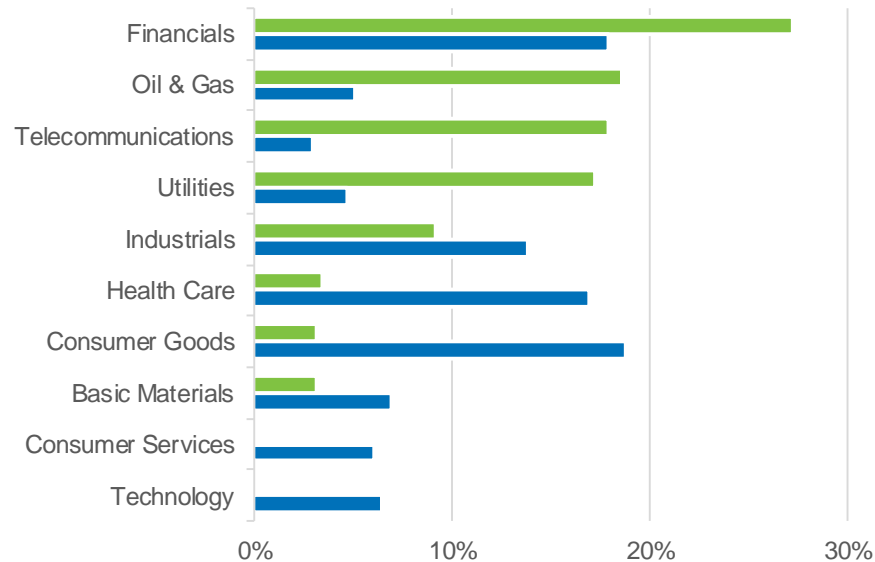
STOXX Europe ESG Leaders Select 30 EUR

Maintains diversification across countries and industries

Country allocation¹⁾



Industry allocation¹⁾



1) Source: STOXX
Data: March 31, 2020

STOXX Europe ESG Leaders Select 30 EUR

Index details

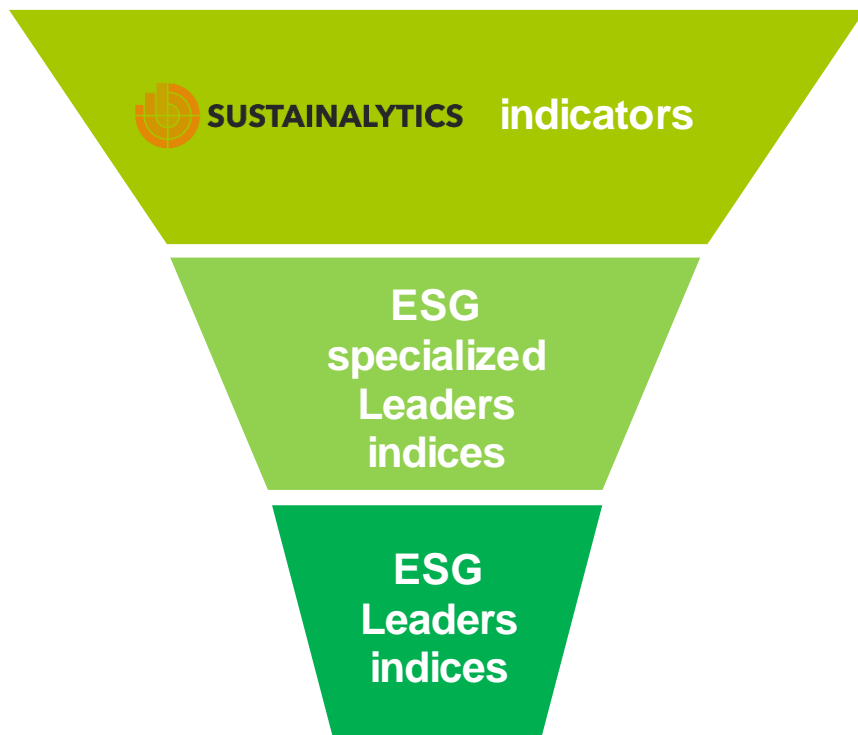
Ticker	ISIN	Type	Currency	Bloomberg
SEESGSEP	CH0298407328	Price	EUR	BBG00B6QWPK8
SEESGSER	CH0298407336	Net	EUR	BBG00B6QWPL7
SEESGSEG	CH0298407344	Gross	EUR	-

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

Universe		<ul style="list-style-type: none">▪ STOXX Global 1800
Selection		<ul style="list-style-type: none">▪ Exclusion criteria:<ul style="list-style-type: none">▪ UN Global Compact Compliance Principles▪ Involvement in Controversial Weapons (e.g. anti-personnel mines, biological, chemical)<ul style="list-style-type: none">» 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 $\geq 20\%$ of the company involved with controversial weapons » it is owned $\geq 20\%$ by the company involved with controversial weapons▪ Selection criteria<ul style="list-style-type: none">▪ Minimum Filter (Top 50%)<ul style="list-style-type: none">▪ 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<ul style="list-style-type: none">▪ E,S,G, Individual Leadership Filter (Best 25%)
Weighting		<ul style="list-style-type: none">▪ Price weighted with an ESG Score factor
Fast exit		<ul style="list-style-type: none">▪ A company is deleted from the index (t+2) if Sustainalytics raises the ESG-controversy risk level to level 5 ("Severe Risk")

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Learn more about STOXX ESG Leaders Select 30 EUR Index on [our website](#).

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Thank You.