

INDEX OBJECTIVES

[ESBGMV Index]

- The Elston Strategic Beta Global Minimum Variance Index strategy is a multi-asset risk-based strategy.
- The index strategy is designed to allocate to a range of asset classes so as to minimise the volatility of the overall strategy subject to various constraints.
- The index provides a systematic rules-based approach for providing a multi-asset portfolio with minimised portfolio volatility while maintaining potential for returns.

Key Points

- 1 Multi-asset risk-based strategy for true diversification.
- 2 Dynamic asset allocation targeting a minimum variance portfolio.
- 3 Systematic rules-based approach.

Index Facts

Index Code	ESBGMV
Asset Class	Multi-Asset
Base Currency	GBP
Rebalancing	Monthly
Components	ETFs
Max Holdings	50
Launch Date	22-Dec-2014
ISIN	DE000SLA5TT2

Overview

This index strategy:

- Provides potential for returns from a diversified range of asset classes.
- Aims to provide a combination of assets, subject to minimum and maximum asset-weight constraints, that delivers a minimum variance portfolio.
- Systematically adapts the asset-weights to target the minimum variance portfolio.

Applications

This strategy could provide:

- A **dynamic** allocation strategy to complement an asset-based approach.
- A **differentiated** strategy targeting minimum portfolio-level variance, which contrasts with single-asset security-level volatility ranking.
- Potential for **derisking** by taking a minimum variance approach.

Licensing

- For use as a benchmark for managed accounts.
- For use by funds, ETPs and model portfolio providers.

THE THEORY

The Minimum Variance portfolio is the combination of assets (subject to any given constraints) that creates portfolio on the efficient frontier with the least variance. In a multi-asset context, this means a portfolio of, for example, equities and bonds optimised such that the respective weights of each asset class are optimized to deliver the minimum variance portfolio.

For further reading on the theory underpinning minimum variance portfolios, see *Clarke, Roger, Harindra De Silva, and Steven Thorley. "Minimum-variance portfolio composition." Journal of Portfolio Management 37.2 (2011): 31.*

1. BROAD BUILDING BLOCKS

The strategy uses a universe of major asset classes as building blocks.

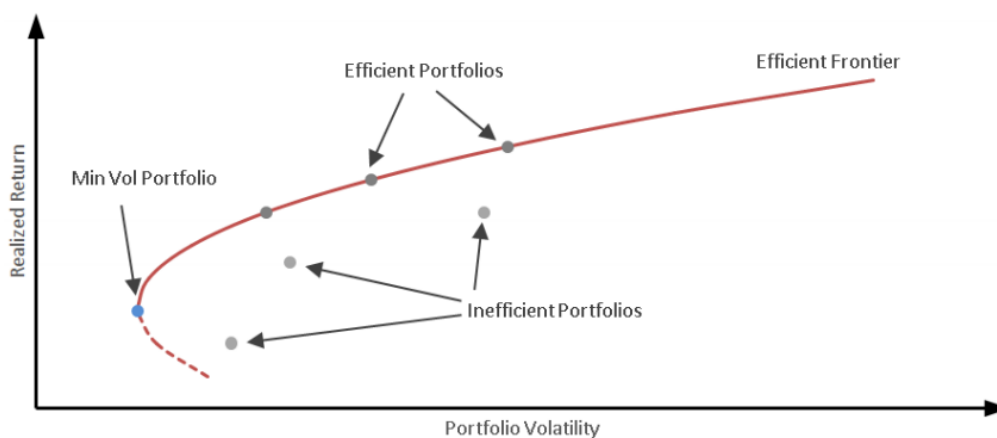


2. DYNAMIC ASSET ALLOCATION

The dynamic allocation strategy is not based on asset weights, but on their volatility and correlation, both of which continue to change over time.

3. MINIMUM VARIANCE TARGET

The optimisation process targets a combination of asset classes to deliver a Minimum Variance Portfolio subject to various constraints.



Theoretical representation of a Minimum Volatility/Minimum Variance Portfolio, for illustrative purposes

Visit: www.ElstonETF.com/indices

©Elston Consulting Limited ("Elston"). All rights reserved. No unauthorised reproduction. Elston Index Strategies ("Indices") are administered by Elston Consulting Limited ("Elston") using proprietary methodologies developed by Elston or its Affiliates. All rights in the Strategies vest in Elston. "Elston Strategic Beta®", "Elston Strategies" and "Elston Indices" are registered or unregistered trademarks of Elston Consulting Limited.

All information is provided for information purposes only. Every effort is made to ensure that all information given in this publication is accurate, but no responsibility or liability can be accepted by Elston, or its licensors for any errors or for any loss from use of this publication. Neither Elston nor any of its licensors makes any claim, prediction, warranty or representation whatsoever, expressly or impliedly, either as to the results to be obtained from the use of the Strategies or the fitness or suitability of the Index for any particular purpose to which it might be put. No part of this information may be reproduced, stored in a retrieval system or transmitted in any form or by any means, electronic, mechanical, photocopying, recording or otherwise, without prior written permission of Elston. Use of the Elston Strategies and/or Indices for data distribution, or for creation of financial products requires a licence with Elston and/or its licensors.

This document is not an advertisement or financial promotion. It is provided for informational purposes only and is not intended to be an offer or solicitation, or the basis for any contract to purchase or sell any security or other instrument, or for Elston Consulting Limited to enter into or arrange any type of transaction as a consequence of any information contained herein. Elston Consulting Limited registered in England & Wales, registration number 07125478, registered office 42 Brook Street, London W1K 5DB.

Elston Consulting Limited is a registered benchmark administrator authorised and regulated by the Financial Conduct Authority (FRN: 795745).

For more information including ESMA compliance documentation, please visit ElstonETF.com/indices