

Index Factsheet

SciBeta CoreShares South-Africa Multi-Beta Multi-Strategy Six-Factor EW Index

Overview

Scientific Beta Multi-Beta Multi-Strategy Equal-Weight (EW) Indices correspond to a multi-factor index allocation that uses Scientific Beta Diversified Multi-Strategy Factor Indices with exposure to a particular factor as building blocks and are characterised by an equal split (EW) between these indices. The Scientific Beta Multi-Beta Multi-Strategy EW Indices benefit from a double diversification – allocation across different factors (Multi-Beta allocation) along with diversification of the specific risks of each smart factor index (Diversified Multi-Strategy weighting scheme).

Objective

The objective of the Scientific Beta CoreShares South-Africa Multi-Beta Multi-Strategy Six-Factor EW Index is to represent the performance of Johannesburg-listed large and mid capitalisation companies from the Extended South Africa universe while outperforming its Cap-Weighted Reference Index, with a limited amount of relative risk against that reference.

Strategy Description

The above objective is implemented by equally-weighting six sub-portfolios designed to efficiently capture the long-run factor risk premia that have been documented to be associated with tilts towards Value, Size (Medium Capitalisation), Low Volatility, (High) Momentum, Low Investment, and High Profitability.

Each of these single smart-factor portfolios is built in two stages:

The first step relates to the stock selection which is performed by first retaining half of the securities in the regional universe on the basis of their ranking according to a criterion associated with the desired tilt.

The second stage concerns the diversification of the portfolios of stocks selected for each factor tilt. A diversification approach (Multi-Strategy) is applied which equally weights five popular weighting schemes (Maximum Deconcentration, Maximum Decorrelation, Efficient Minimum Volatility, Efficient Maximum Sharpe Ratio and Diversified Risk Weighted diversification strategies) so as to diversify both firm- and weighting-scheme-specific risks.

Finally, multi-factor allocation (Multi-Beta) adds a further level of diversification by smoothing imperfectly correlated factor cycles. The latter allocation is implemented by attributing an equal weight to each of the six smart-factor portfolios constructed for the index universe.

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Component Strategies

The underlying strategies correspond to six investable and diversified proxies for six risk factors that have been widely documented in the academic literature and recognised to be remunerated over the long-term:

- Scientific Beta CoreShares South-Africa Value Diversified Multi-Strategy Index
- Scientific Beta CoreShares South-Africa Mid Cap Diversified Multi-Strategy Index
- Scientific Beta CoreShares South-Africa High Momentum Diversified Multi-Strategy Index
- Scientific Beta CoreShares South-Africa Low Volatility Diversified Multi-Strategy Index
- Scientific Beta CoreShares South-Africa High Profitability Diversified Multi-Strategy Index
- Scientific Beta CoreShares South-Africa Low Investment Diversified Multi-Strategy Index

Reference Universe

The Extended South Africa universe is composed of all stocks from the Scientific Beta Global, Extended Developed Europe and Extended USA universes that have a listing (primary or otherwise) in Johannesburg. It contains a variable number of securities, as listed below, that are representative of the largest and most liquid securities. The top large and mid-cap stocks are selected by free-float market capitalisation and liquidity. Liquidity is determined by how frequently the security has traded and by the average level of traded volume over the previous year. The index methodology described overleaf is applied to this reference universe.

| Region | Variable number of securities |
|-----------------------|--|
| Extended South Africa | Between 59 and 87 historically (average of 70) |