Elston Strategic Beta Minimum Volatility Index
Targeting the minimum variance portfolio

Elston

INDEX OBJECTIVES [ESBGMV Index]

- The Elston Strategic Beta Global Minimum Volatility 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 Volatility (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.*

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1. BROAD BUILDING BLOCKS

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

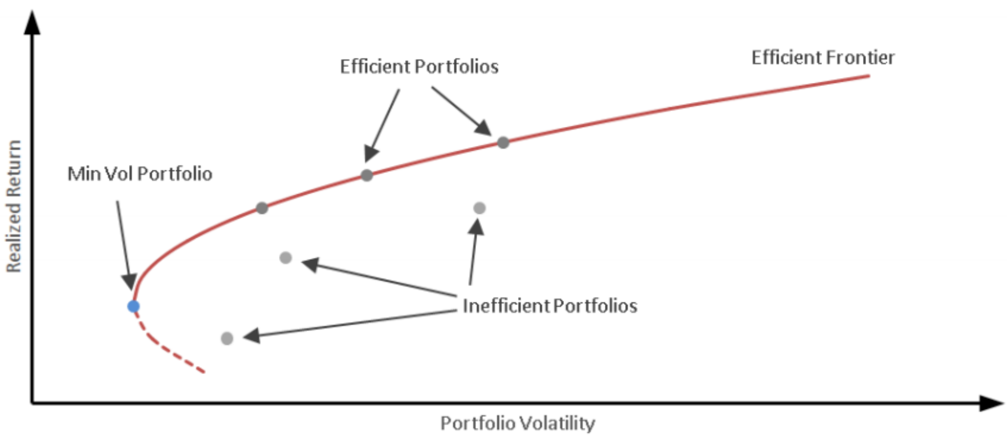
Bonds | **Property** | **Gold** | **UK Equities** | **Int'l Equities**

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