

OSSIAM SOLACTIVE MOODY'S ANALYTICS IG EUR SELECT CREDIT

A systematic approach combining credit risk reduction and selection of the most undervalued bonds in the Investment Grade EUR universe according to the model

Advantages of the Strategy

- **Pure quantitative strategy** which picks the bonds which look **the most undervalued** after application of a two-steps liquidity / credit risk filter while remaining sector / duration neutral to the benchmark
- Avoid **traditional credit benchmarks bias** (weights based on total size of debt, presence of illiquid bonds)
- Developed in partnership with **Moody's Analytics**, a leading provider of credit analytics
- Based on an advanced credit risk model: the **EDF™** (Expected Default Frequency), exploiting information from the equity market through a proprietary database

Expected Default Frequency (EDF™): a differentiating approach to Default Risk

EDF™

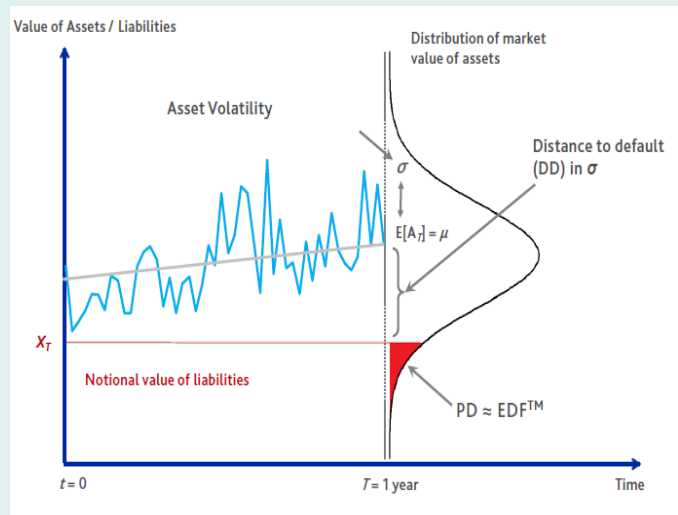
The Moody's Analytics Public Firm EDF™ (Expected Default Frequency) model (9th improvement of the precursor formerly known as KMV, for Kealhofer, McQuown and Vasicek) was originally developed in the late 1980s.

It is a measure of **the probability that a firm will default over a specified period of time** (typically one year).

According to the Moody's EDF™ model, a firm defaults when the market value of its assets (the value of the ongoing business) falls below its liabilities (the default point).

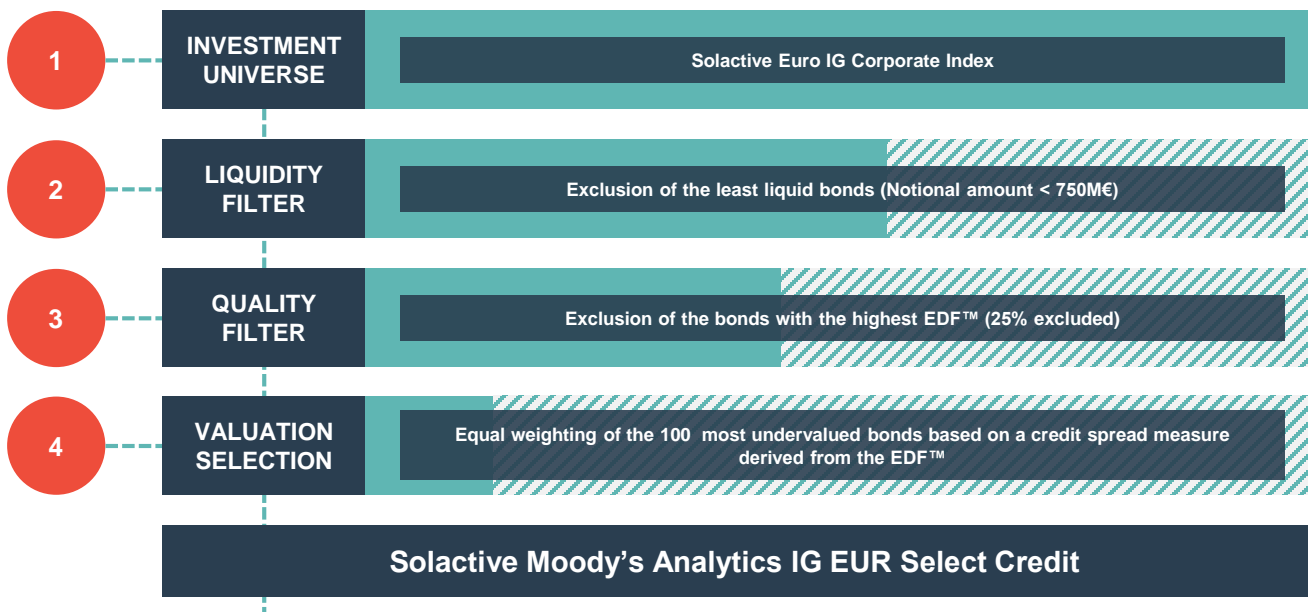
The three key values that determine a firm's EDF™ are:

- The current market value of the firm (market value of assets)
- The level of the firm's obligation (default point)
- The forward-looking business risk (asset volatility)



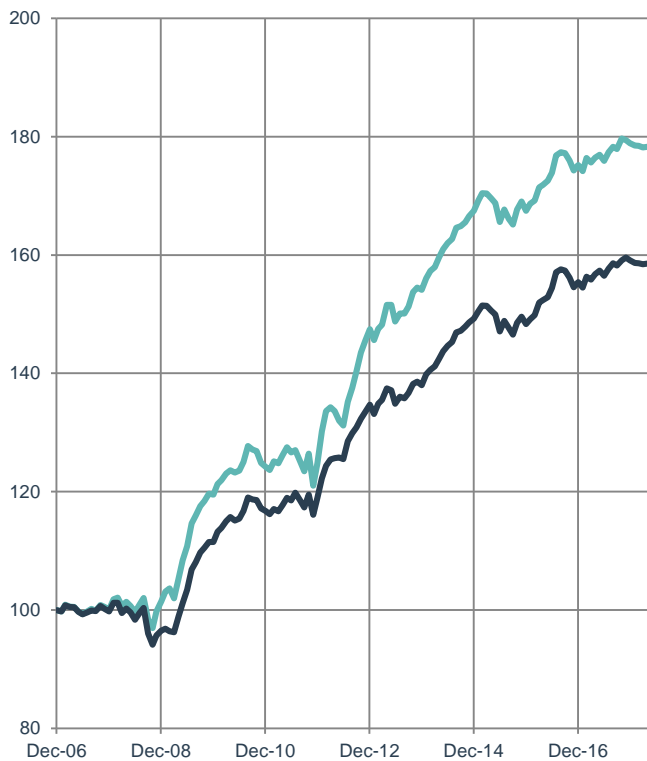
Source: Moody's Analytics

Methodology Overview: a unique combination of Liquidity, Quality and Value



Solactive Moody's Analytics IG EUR Select Credit Index

Simulated Performance Since 29/12/2006



Solactive Moody's Analytics IG EUR Select Credit Index

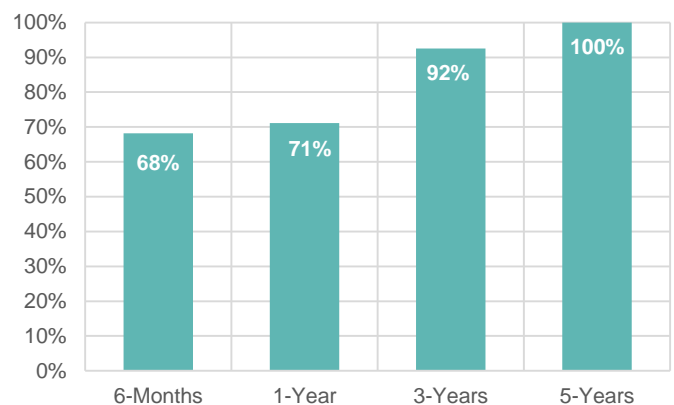
Solactive EUR IG Corporate Index

Simulated Performance and Risk Data

as of 30/04/2018	Solactive Moody's Analytics IG EUR Select Credit Index	Solactive Euro IG Corporate Index
YTD performance	-0,32%	-0,35%
1-year performance	1,05%	1,26%
3-year performance	5,15%	5,12%
annualized performance	5,23%	4,14%
annualized volatility	2,81%	2,53%
maximum drawdown	-5,99%	-7,83%
Sharpe ratio	1,57	1,30
beta	1,04	N/A
annualized alpha	0,95%	N/A

% of time the strategy outperforms its benchmark

For Rolling Daily Periods (Index Performance)



Sources: Bloomberg, Solactive, Moody's. Calculations by Ossiam in EUR as of 30/04/2018. Past performance shown above represents that of the indices. For data before 22/11/2017 (launch date of the index), performance for the Solactive Moody's Analytics IG EUR Select Credit Index reflects calculations performed by Ossiam based on backtest data provided by Solactive and Moody's. Backtested performance results do not represent the performance of actual trading using client assets, but are achieved by means of the retroactive application of a model. This model assumes reinvestment of net dividends. Some degree of performance difference between the OSSIAM ETF product and the underlying index is to be expected as a result of index replication costs and tracking error. Past performance is not a reliable indicator of future performance.

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