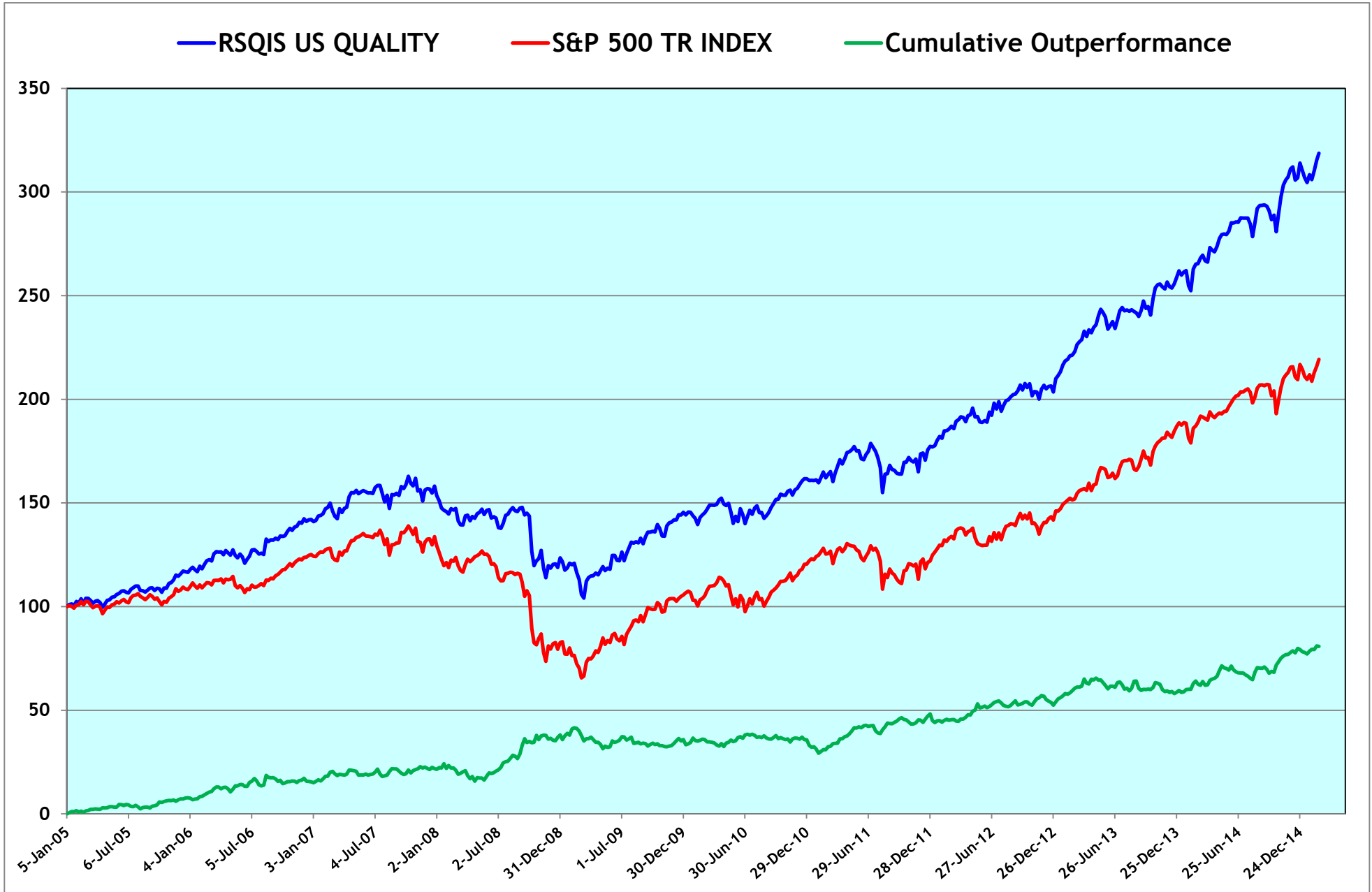


Now Repeat for other US Styles

- We now apply EXACTLY the same Smart Portfolio construction process to some other Style Factors
- To emphasise, we use exactly
 - The same constraints
 - The same risk filters
 - The same factor model
 - The same optimisation
- We change ONLY the expected return proxy

US Quality Smart Portfolio



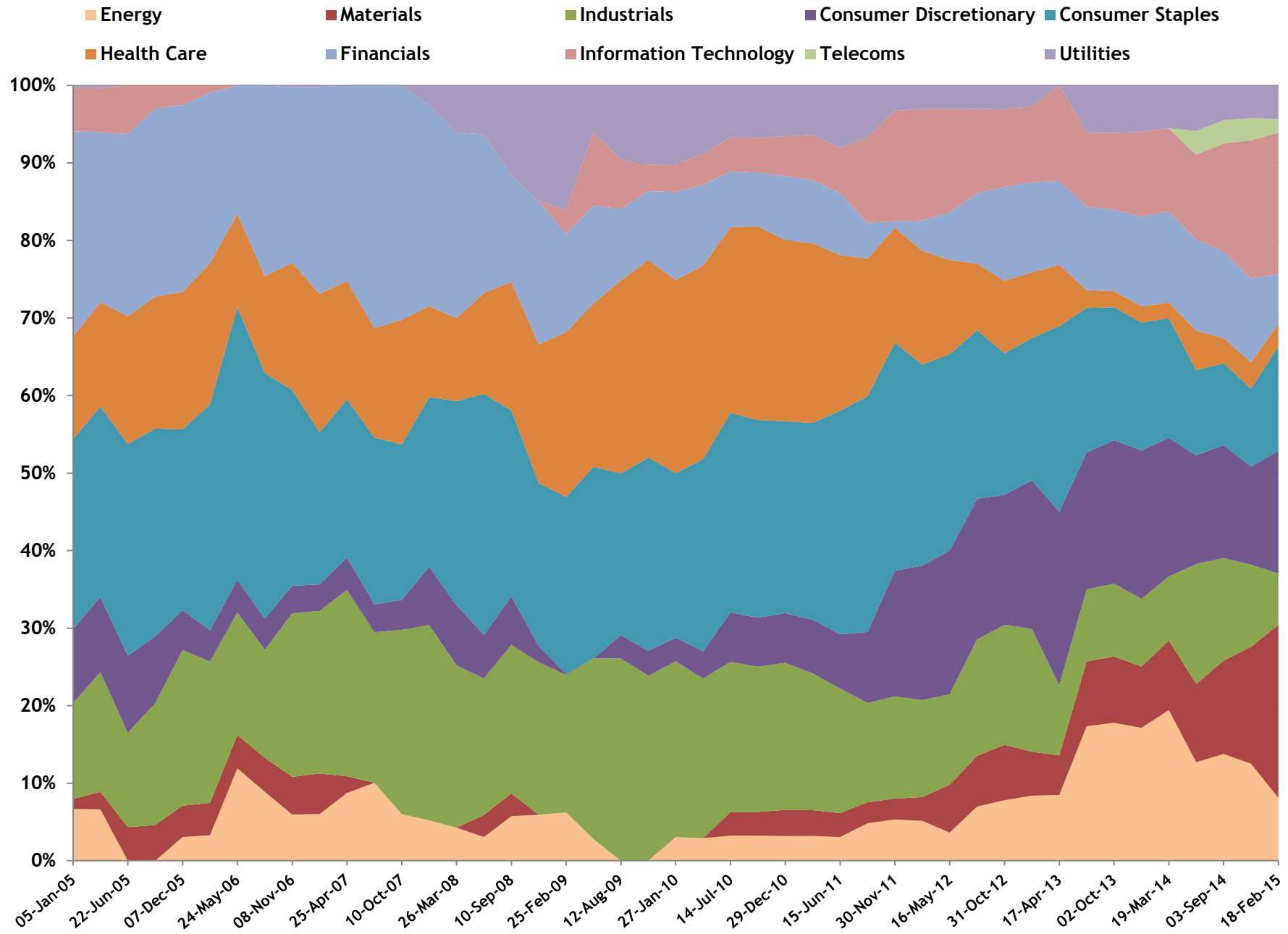
US Quality Smart Portfolio from 5-Jan-05

From		5-Jan-05	to	18-Feb-15
Annualised Performance since Inception*				
		<u>Return</u>	<u>Risk</u>	<u>I. R.</u>
Portfolio*		11.41%	12.8%	0.888
Benchmark		8.04%	16.9%	0.476
Relative*		3.37%	7.5%	0.448
Beta to S&P 500 =		0.691	Beta to Quality = 1.206	
Performance Attribution				
	<u>Target</u>	<u>Other</u>	<u>Other</u>	<u>Portfolio</u>
	<u>Style</u>	<u>Styles</u>	<u>Factors</u>	<u>Alpha</u>
Return	6.4%	6.6%	2.2%	-3.2%
Pct	53%	55%	18%	-26%
Average Number of Holdings & Annualised Turnover				
Holdings :		36	Turnover : 57%	

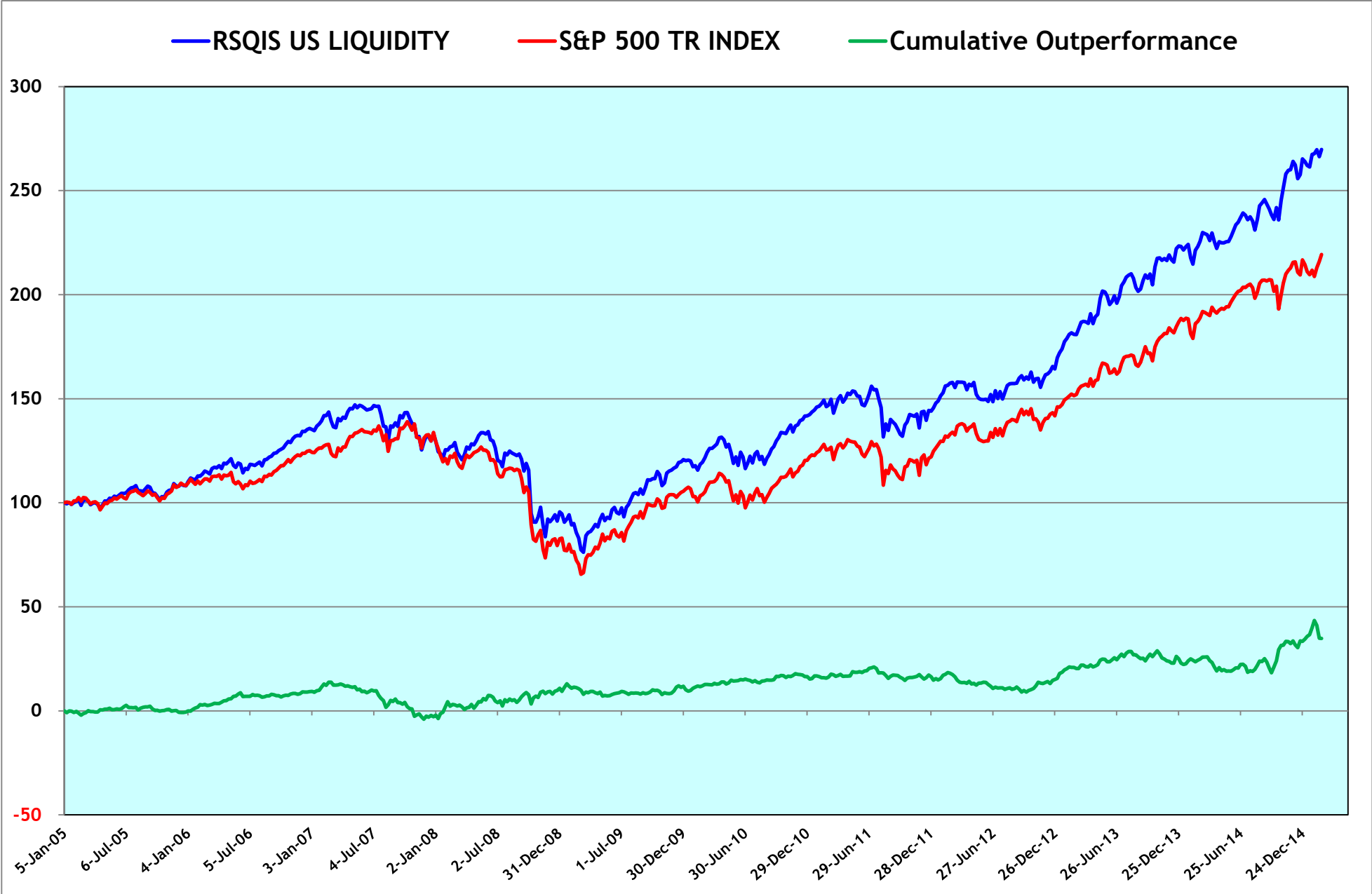
US Quality Smart Portfolio – Worst Drawdowns

ABSOLUTE DRAWDOWNS	PEAK	VALUE	VALLEY	VALUE	WEEKS	RETURNS	RELATIVE RETURN
Benchmark	10-May-06	114.6	14-Jun-06	106.7	5	-6.8%	1.7%
Portfolio		126.4		120.0		-5.1%	
Benchmark	10-Oct-07	139.0	4-Mar-09	65.6	73	-52.8%	17.3%
Portfolio		160.2		103.4		-35.4%	
Benchmark	14-Apr-10	114.1	30-Jun-10	97.6	11	-14.5%	6.9%
Portfolio		146.8		135.7		-7.5%	
Benchmark	27-Apr-11	130.4	10-Aug-11	108.4	15	-16.8%	5.6%
Portfolio		167.9		149.1		-11.2%	
Benchmark	19-Sep-12	144.9	14-Nov-12	135.0	8	-6.9%	3.4%
Portfolio		197.8		190.9		-3.5%	
Benchmark	1-Jan-14	188.6	5-Feb-14	179.0	5	-5.1%	1.5%
Portfolio		248.1		239.1		-3.6%	
Benchmark	17-Sep-14	207.2	15-Oct-14	193.1	4	-6.8%	2.5%
Portfolio		276.9		264.9		-4.4%	

US Quality Smart Portfolio Sector Weights



US Liquidity Smart Portfolio



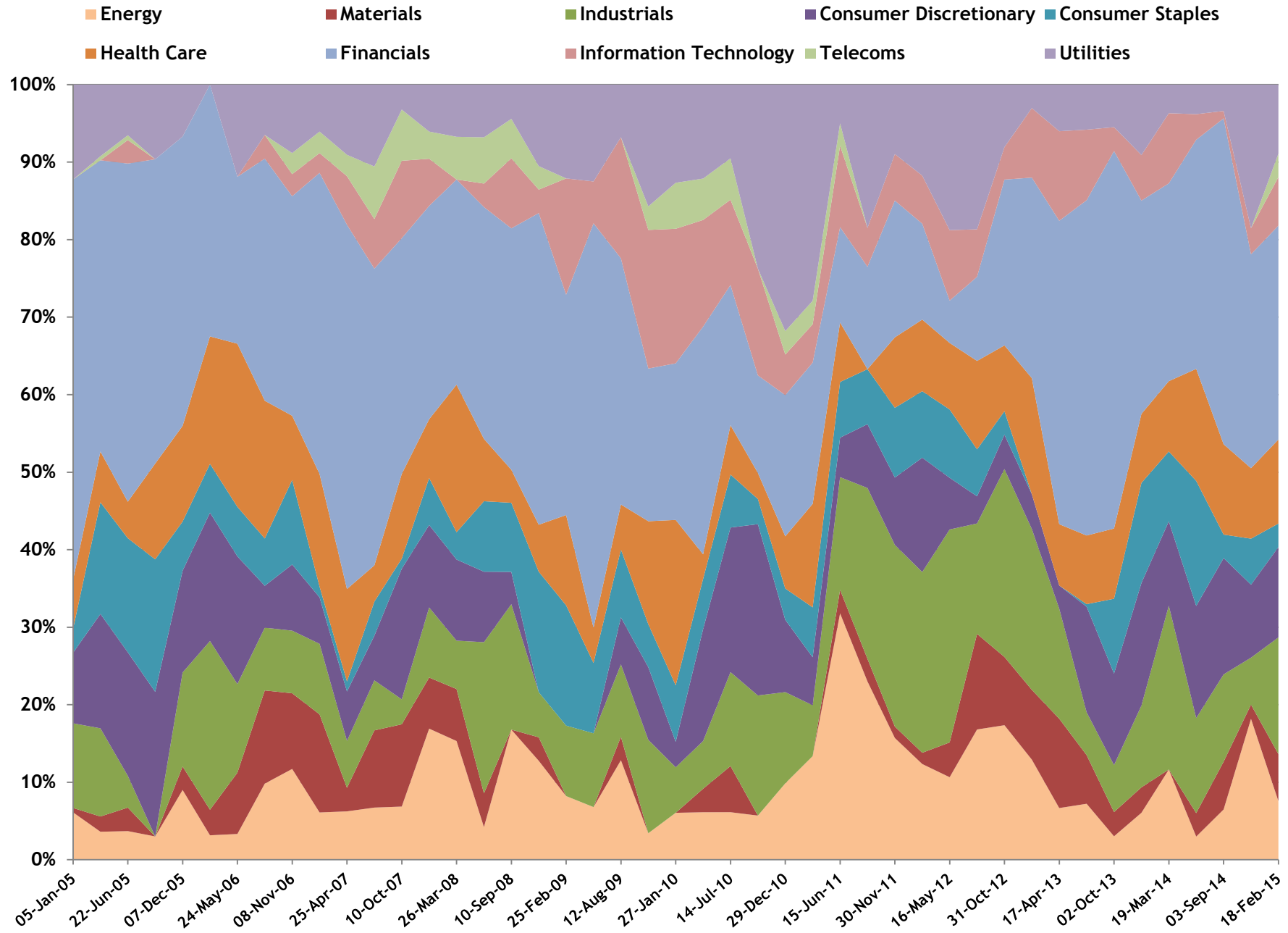
US Liquidity Portfolio from 5-Jan-05

From		5-Jan-05	to	18-Feb-15
Annualised Performance since Inception*				
		<u>Return</u>	<u>Risk</u>	<u>I. R.</u>
Portfolio*		9.60%	16.2%	0.592
Benchmark		8.04%	16.9%	0.476
Relative*		1.56%	5.8%	0.269
Beta to S&P 500 =		0.903	Beta to Liquidity =	0.420
Performance Attribution				
	<u>Target</u>	<u>Other</u>	<u>Other</u>	<u>Portfolio</u>
	<u>Style</u>	<u>Styles</u>	<u>Factors</u>	<u>Alpha</u>
Return	2.0%	6.8%	2.1%	-0.7%
Pct	20%	66%	21%	-7%
Average Number of Holdings & Annualised Turnover				
Holdings :		37	Turnover : 204%	

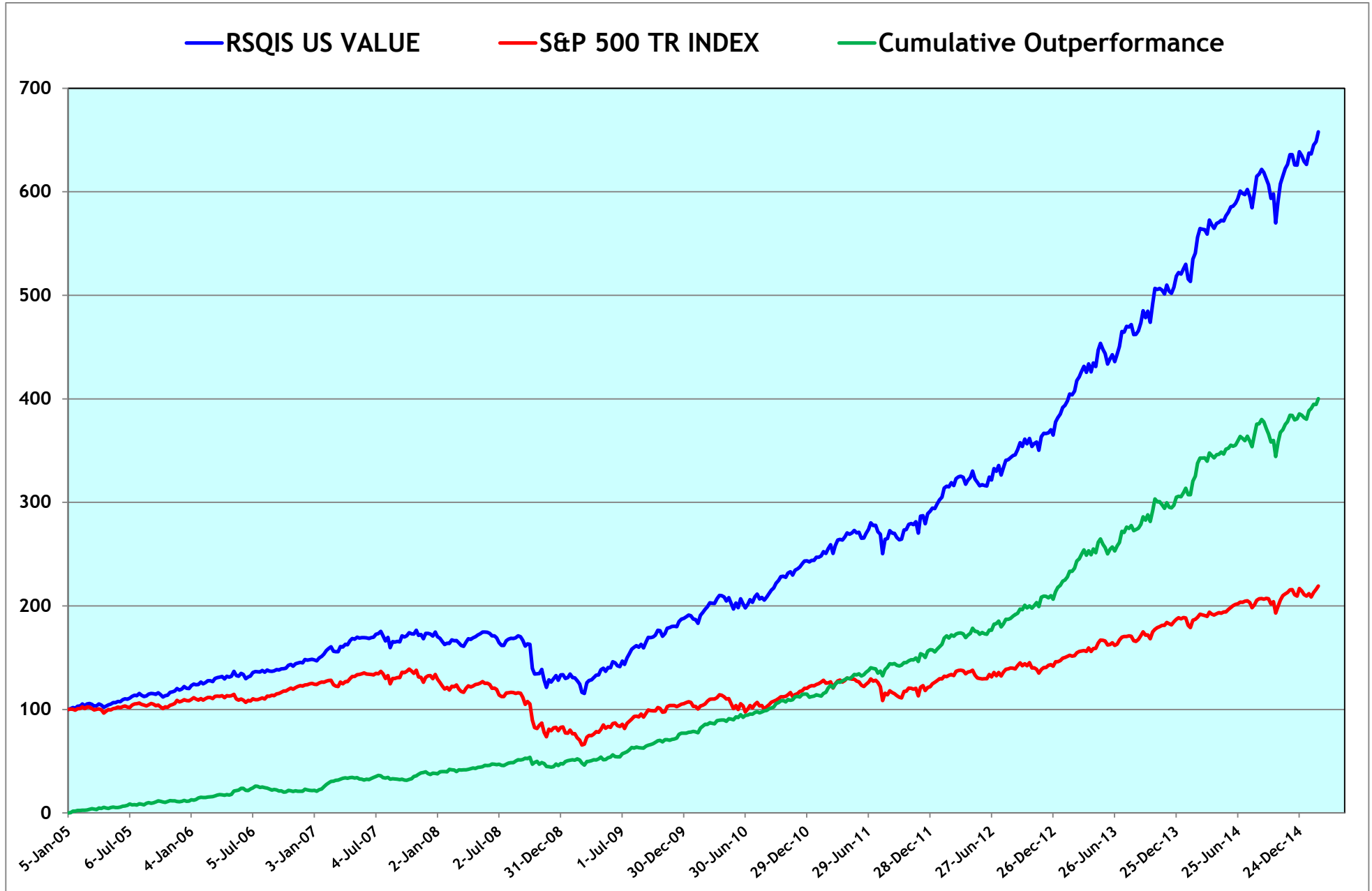
US Liquidity Smart Portfolio – Worst Drawdowns

ABSOLUTE DRAWDOWNS	PEAK	VALUE	VALLEY	VALUE	WEEKS	RETURNS	RELATIVE RETURN
Benchmark	10-May-06	114.6	14-Jun-06	106.7	5	-6.8%	1.2%
Portfolio		120.3		113.6		-5.6%	
Benchmark	10-Oct-07	139.0	4-Mar-09	65.6	73	-52.8%	6.3%
Portfolio		141.0		75.5		-46.5%	
Benchmark	14-Apr-10	114.1	30-Jun-10	97.6	11	-14.5%	3.3%
Portfolio		127.1		112.8		-11.2%	
Benchmark	27-Apr-11	130.4	10-Aug-11	108.4	15	-16.8%	2.9%
Portfolio		147.0		126.6		-13.9%	
Benchmark	19-Sep-12	144.9	14-Nov-12	135.0	8	-6.9%	3.2%
Portfolio		153.9		148.3		-3.6%	
Benchmark	1-Jan-14	188.6	5-Feb-14	179.0	5	-5.1%	1.3%
Portfolio		211.5		203.3		-3.8%	
Benchmark	17-Sep-14	207.2	15-Oct-14	193.1	4	-6.8%	4.5%
Portfolio		227.8		222.5		-2.3%	

US Liquidity Smart Portfolio Sector Weights



US Value Smart Portfolio



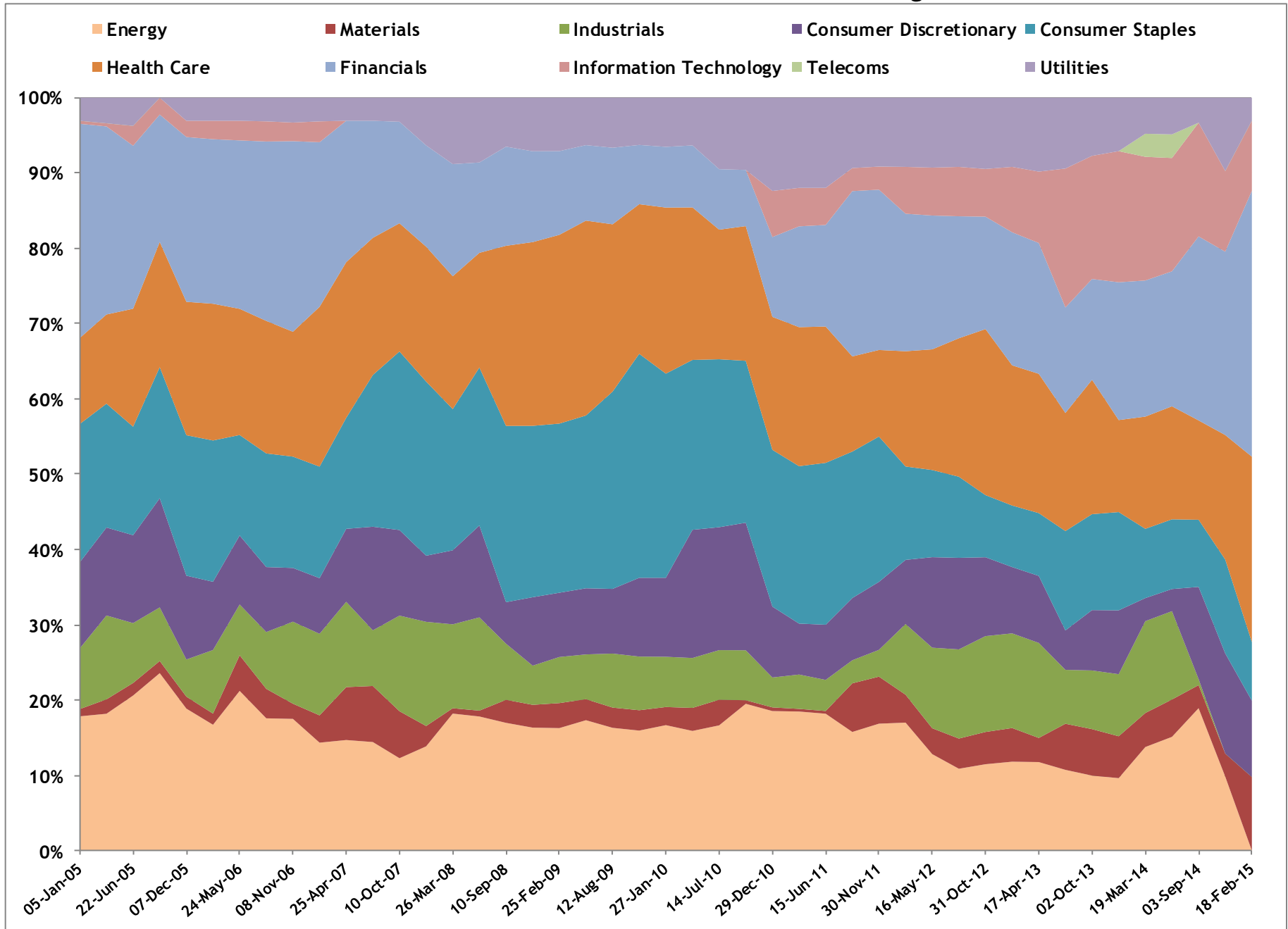
US Value Smart Portfolio from 5-Jan-05

From	5-Jan-05	to	18-Feb-15
Annualised Performance since Inception*			
	<u>Return</u>	<u>Risk</u>	<u>I. R.</u>
Portfolio*	19.63%	13.7%	1.438
Benchmark	8.04%	16.9%	0.476
Relative*	11.60%	6.7%	1.720
Beta to S&P 500 = 0.748		Beta to Value = 1.256	
Performance Attribution			
	<u>Target</u>	<u>Other</u>	<u>Other</u>
	<u>Style</u>	<u>Styles</u>	<u>Factors</u>
			<u>Portfolio</u>
Return	13.0%	7.7%	3.0%
Pct	64%	38%	15%
			-3.3%
			-16%
Average Number of Holdings & Annualised Turnover			
Holdings :	37	Turnover :	49%

US Value Smart Portfolio – Worst Drawdowns

ABSOLUTE DRAWDOWNS	PEAK	VALUE	VALLEY	VALUE	WEEKS	RETURNS	RELATIVE RETURN
Benchmark		114.6		106.7			
Portfolio	10-May-06	135.9	14-Jun-06	128.7	5	-6.8%	1.5%
Benchmark		139.0		65.6			
Portfolio	10-Oct-07	171.3	4-Mar-09	113.8	73	-52.8%	19.2%
Benchmark		114.1		97.6			
Portfolio	14-Apr-10	203.6	30-Jun-10	191.9	11	-14.5%	8.7%
Benchmark		130.4		108.4			
Portfolio	27-Apr-11	260.7	10-Aug-11	240.9	15	-16.8%	9.3%
Benchmark		144.9		135.0			
Portfolio	19-Sep-12	341.8	14-Nov-12	334.4	8	-6.9%	4.7%
Benchmark		188.6		179.0			
Portfolio	1-Jan-14	494.6	5-Feb-14	486.3	5	-5.1%	3.4%
Benchmark		207.2		193.1			
Portfolio	17-Sep-14	578.5	15-Oct-14	537.4	4	-6.8%	-0.3%

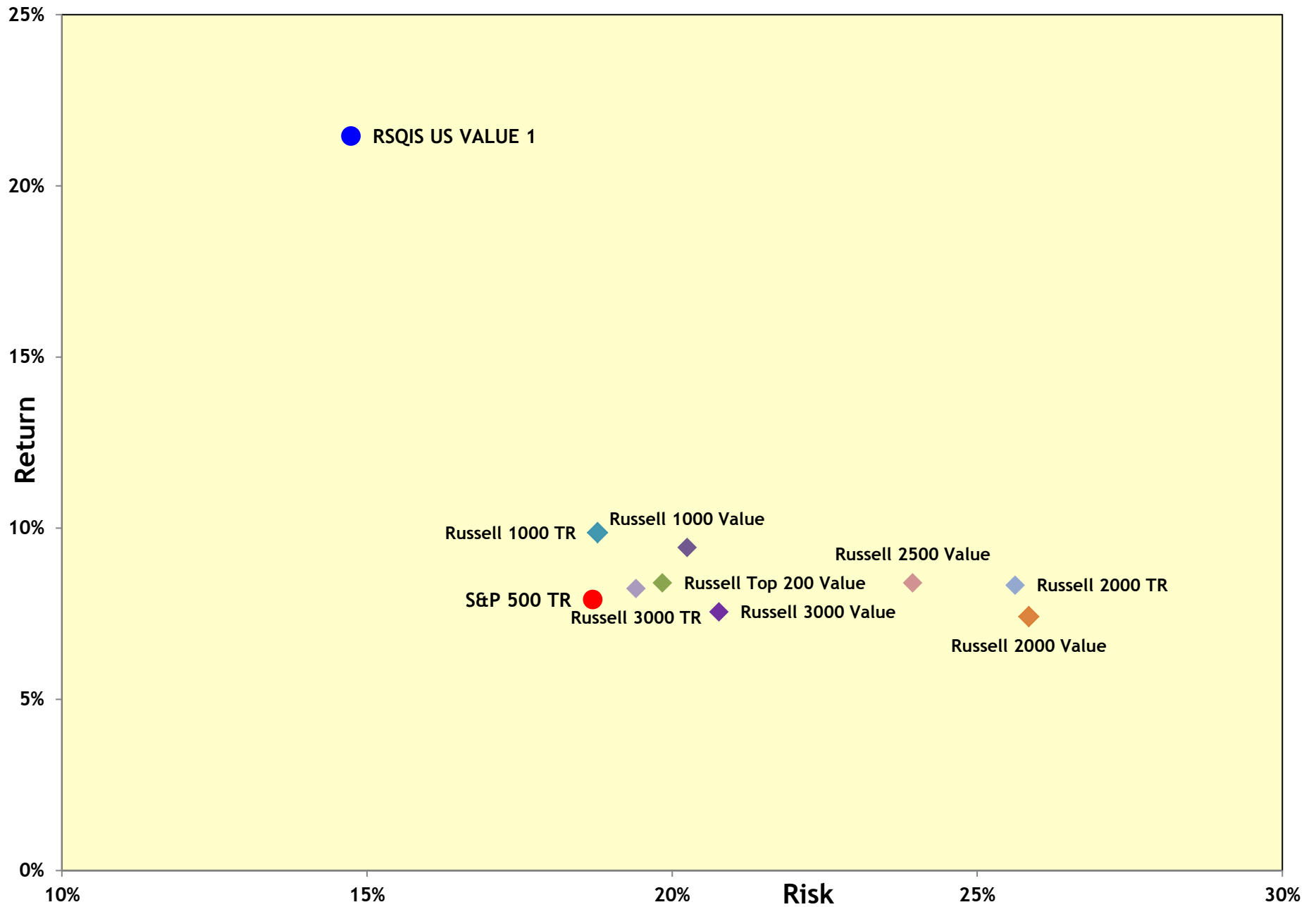
US Value Smart Portfolio Sector Weights



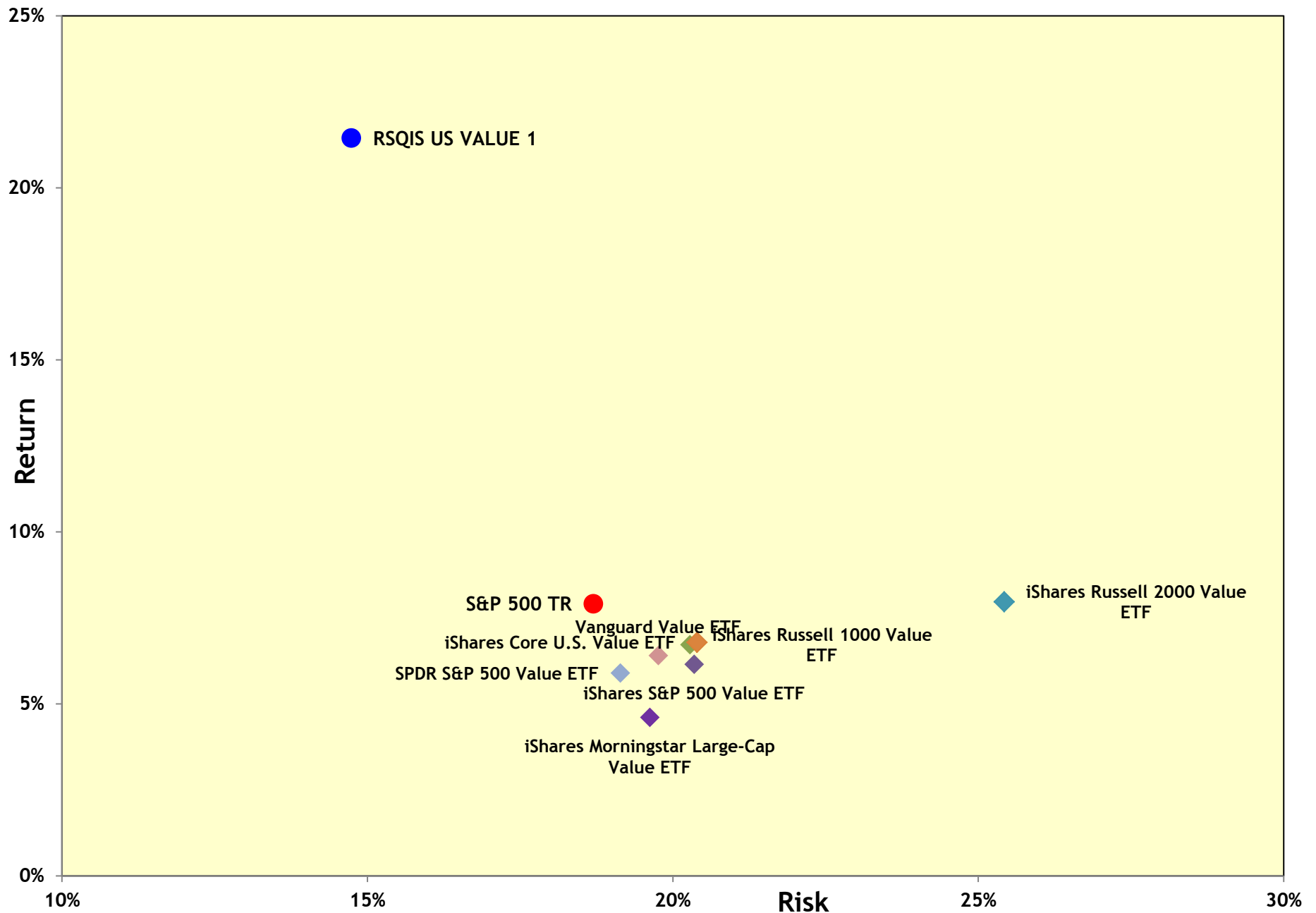
Smart Portfolios - Summary

- Smart Portfolios have higher return and/or lower risk than the market benchmarks
- They also have higher I.R.s than both capitalisation-weighted and equal-weighted Style Factor portfolios
- The Performance Attribution analyses show that each of these Smart Portfolios did a good job of delivering the corresponding Style Factor return, albeit with contributions from other factors and alpha
- We would need to create Long-Short Smart Portfolios to minimise the other return contributions
- Finally, we can compare the US Value Smart Portfolio to some of the US Value ETFs actually being traded. .

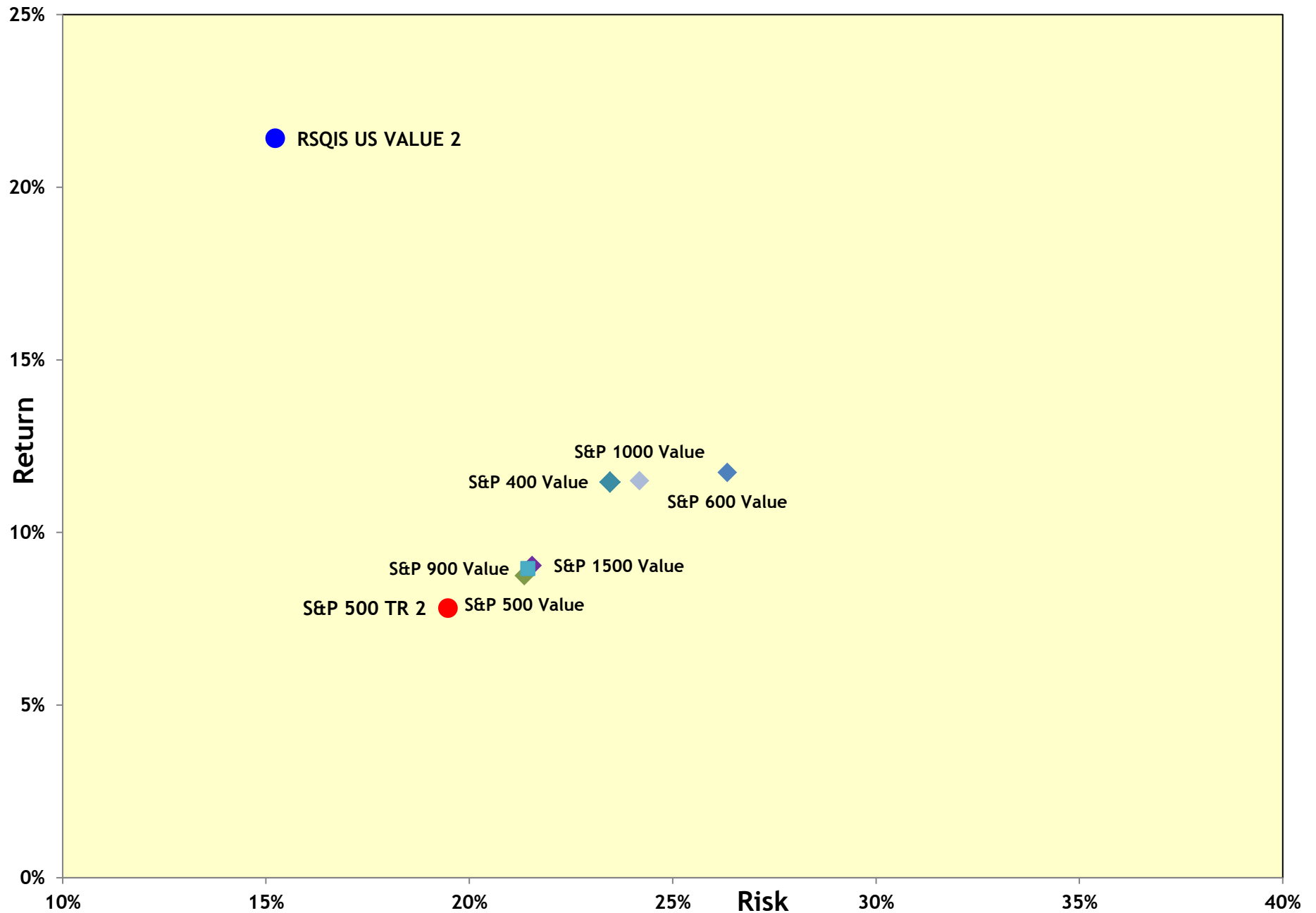
US Value Smart Portfolio vs Russell Value Indices



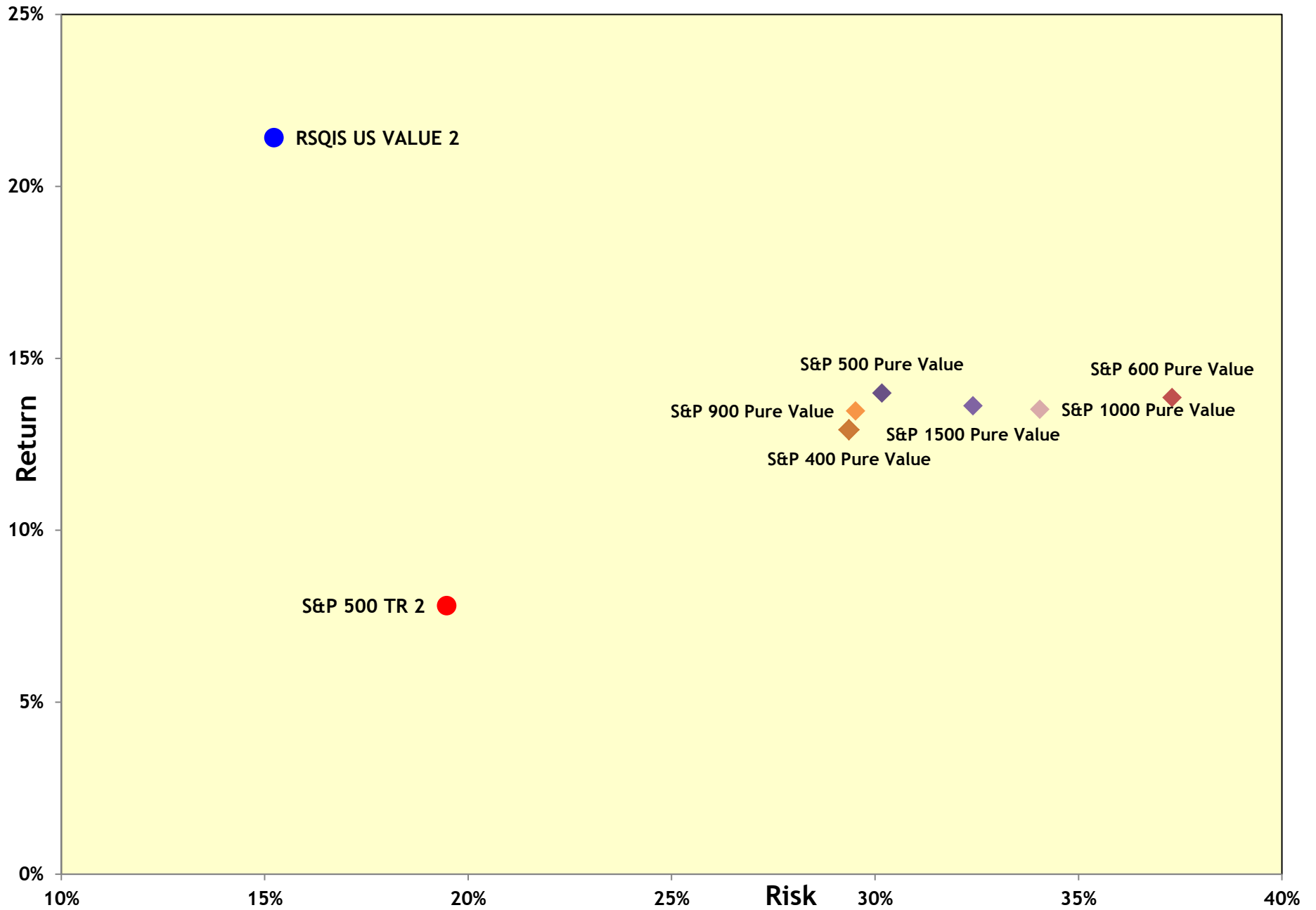
US Value Smart Portfolio vs Various Value ETFs



US Value Smart Portfolio vs S&P Value Indices



US Value Smart Portfolio vs S&P Pure Value Indices



Smart Portfolios - Conclusion

- The idea of Smart Beta funds makes a lot of sense
- Their basic purpose is to deliver Style Factor returns to investors as cheaply and easily as possible
- Unfortunately, the way in which most Smart Beta funds are created is . . . well, just plain dumb!
- They have a Style tilt, but don't give the Style return
- They usually have much higher risk than necessary, as well as significant exposures to other factors
- Smart Portfolios can do a much better job of delivering the Style Factor return, with lower overall risk, and much less exposure to other factors