



Press Release

Boston, London, Nice, Paris, Singapore, Tokyo, February 23, 2015

## **ERI Scientific Beta announces the launch of new low carbon indices that reduce the carbon footprint of equity investments by more than 80% while outperforming the market**

EDHEC Risk Institute has been conducting research for several years on the possibility of reconciling financial and environmental performance. The launch of a new series of low carbon indices by ERI Scientific Beta, the smart beta index provider set up by EDHEC Risk Institute in 2012, marks the practical realisation of these research efforts and represents an important moment for responsible finance, because **the results of the research undertaken will provide institutional investors with smart beta indices that can reduce the carbon footprint of their equity investments by more than 80%, while at the same time outperforming traditional market indices and being able to create more than 50% additional value in the medium term.**

EDHEC Risk Institute's approach can be distinguished from numerous approaches that, over the long term, hope to outperform the stock markets through the higher returns of shares in firms that have a better carbon footprint, because these firms are supposedly less affected by the increasing cost of fossil fuels and the tons of carbon emitted, but that, in the short and medium term, aim to produce performance that is fairly similar to that of traditional stock market indices.

For the green indices produced by ERI Scientific Beta, the idea is offer access to short and medium-term outperformance by using consensual results from financial research. The "green" premium, which has not yet been scientifically and empirically demonstrated, will be able to play out as a long-term complement to performance, but **Scientific Beta's green and smart beta indices already produce performance by relying on the consensual state-of-the-art in academia in the area of factor investing and portfolio diversification.**

The exclusion from the index of the largest carbon emitters, the worst firms in terms of carbon intensity in each sector of activity, and the largest holders of fossil assets, guarantees that these indices have a strong positive impact on the environment by weighing on the value of the stocks of the excluded firms, thereby obliging them to change their strategy or their production process in order to be removed from the exclusion list.

*"We are delighted to share our expertise with ERI Scientific Beta to produce low-carbon versions of their highly respected multi-smart factor indices. The combination of low-carbon emissions and state-of-the-art smart factor indices is a compelling opportunity for investors globally,"* says Maximilian Horster, Director Financial Industry at South Pole Group.

A special workshop at the EDHEC-Risk Days conference at The Brewery in London on March 15 will address the theme of "Smart Beta & Low Carbon" by **looking at the limitations of green stock picking, examining how to perform financially whilst reducing the carbon footprint and presenting the Scientific Beta Low Carbon Multi-Beta Multi-Strategy Indices.**

To receive a press pass to this conference, please visit the [registration website](#) or contact Joanne Finlay: [joanne.finlay@edhec-risk.com](mailto:joanne.finlay@edhec-risk.com).



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## About ERI Scientific Beta

ERI Scientific Beta aims to be the first provider of a smart beta indices platform to help investors understand and invest in advanced beta equity strategies. It has three principles:

- **Choice:** A multitude of strategies are available allowing users to build their own benchmark, choosing the risks to which they wish, or do not wish, to be exposed. This approach, which makes investors responsible for their own risk choices, referred to as Smart Beta 2.0, is the core component of the index offerings proposed by ERI Scientific Beta.
- **Transparency:** The rules for all of the Scientific Beta series are replicable and transparent. The track records of the Scientific Beta indices can be checked and justified through access to historical compositions.
- **Clarity:** Exhaustive explanations of construction methodologies are provided, as well as detailed performance and risk analytics.

Established by EDHEC-Risk Institute, one of the very top academic institutions in the field of fundamental and applied research for the investment industry, ERI Scientific Beta shares the same concern for scientific rigour and veracity, which it applies to all the services that it offers investors and asset managers.

Part of EDHEC Business School, a not-for-profit organisation, EDHEC-Risk Institute has sought to provide the ERI Scientific Beta services in the best possible economic conditions.

The ERI Scientific Beta offering covers three major services:

- **Scientific Beta Indices**  
Scientific Beta Indices are smart beta indices that aim to be the reference for the investment and analysis of alternative beta strategies. Scientific Beta Indices reflect the state-of-the-art in the construction of different alternative beta strategies and allow for a flexible choice among a wide range of options at each stage of their construction process. This choice enables users of the platform to construct their own benchmark, thus controlling the risks of investing in this new type of beta (Smart Beta 2.0). The Scientific Beta platform is currently offering 2,597 smart beta indices.

Within the framework of Smart Beta 2.0 offerings, ERI Scientific Beta provides access to smart factor indices, which give exposure to risk factors that are well rewarded over the long

term while at the same time diversifying away unrewarded specific risks. By combining these smart factor indices, one can design very high performance passive investment solutions.

- **Scientific Beta Analytics**

Scientific Beta Analytics are detailed analytics and exhaustive information on its smart beta indices to allow investors to evaluate the advanced beta strategies in terms of risk and performance. The analytics capabilities include risk and performance assessments, factor and sector attribution, and relative risk assessment. Scientific Beta Analytics also allow the liquidity, turnover and diversification quality of the indices offered to be analysed. In the same way, analytics provide an evaluation of the probability of out-of-sample outperformance of the various strategies present on the platform.

We believe that it is important for investors to be able to conduct their own analyses, select their preferred time period and choose among a wide range of analytics in order to produce their own picture of strategy performance and risk.

- **Scientific Beta Fully-Customised Benchmarks and EDHEC-Risk Smart Beta Solutions**

**Scientific Beta Fully Customised Benchmarks** is a service proposed by ERI Scientific Beta, and its partners, in the context of an advisory relationship for the construction and implementation of benchmarks specially designed to meet the specific objectives and constraints of investors and asset managers. This service notably offers the possibility of determining specific combinations of factors, considering optimal combinations of smart beta strategies, defining a stock universe specific to the investor, and taking account of specific risk constraints during the benchmark construction process.

In 2015, ERI Scientific Beta established an offering based on EDHEC-Risk Institute's applied research expertise in the field of risk management. This offering, referred to as "**EDHEC-Risk Smart Beta Solutions**," enables tailored solutions for multi smart beta allocation to be defined for institutional investors and asset managers, allowing specific objectives with regard to relative or absolute risks in an asset management only or an asset-liability management dimension to be taken into account.

With a concern to provide worldwide client servicing, ERI Scientific Beta is present in Boston, London, Nice, Singapore and Tokyo.

ERI Scientific Beta has a dedicated team of 45 people who cover not only client support from Nice, Singapore and Boston, but also the development, production and promotion of its index offering.

## **About South Pole Group**

The Zurich-based South Pole Group began as a project-driven company focused on developing and selling high-quality carbon credits. Today, it is the world's leading provider of climate solutions. South Pole Group helps public and private sector organisations develop climate proven policies and strategies. The company operates across four key business lines of carbon credit solutions, renewable energy, sustainability advisory and green finance. Areas of expertise cover, but are not limited to, forests & land use, water, sustainable cities & buildings, as well as renewable energy and climate impact assessment for investments. For more information, visit [www.thesouthpolegroup.com](http://www.thesouthpolegroup.com) or follow the company @southpolegroup.