



# ECPI GLOBAL ALPHA 40 EQUITY INDEX

The Index selects the 40 highest ESG rated Companies according to ECPI Rating Methodology

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## ALPHA: THE BACKGROUND

ECPI is globally well recognized for its SRI Selection Methodology and results in the realm of Credit Markets. Default Risk reduction of the past years have made ECPI clients' portfolios robust and coherent with a long term sustainable investment strategy.

Multi-tranche Ethical CDO has been originated to leverage SRI selection into an effective Structured Finance Credit Product.

It was time to look for the value of ECPI qualitative but disciplined screening process in *Equity Markets, free of the sector exclusions of the SRI selection (and of the resulting sector relative performance)*.

Therefore ECPI decided to focus on an enhanced Positive-Only screening selection with tested outcomes in terms of Alpha

## POSITIVE-ONLY SCREENING

ECPI methodology is already a well recognized investment tool able to select investment exposures out of a wide range of opportunities in the financial markets.

In SRI world such methodology is based on the exclusions of a list of ineligible sectors and on the assessment of the intangible value of corporate good behavior.

The 400+ Positive Criteria that have been used can be grouped into:

- § Product Process
- § Environmental Impact
- § Community Relations
- § Diversity
- § Human Resources
- § Opportunistic Cross Border operations
- § Balance Sheet Transparency
- § Corporate Governance Initiatives

A stock selection of "high-alpha" candidates has been chosen as the ideal component list of a new ECPI Index:

- § Global Alpha Equity 40.

## INDEX COSTRUCTION

The Global Alpha Equity 40 is made of the 40 highest market cap and highest ESG rating, equally weighted.

Stocks are included in one of the following indices: S&P 500, Stoxx 600, Nikkei 225.

- § Minimum mkt cap: USD 3 billion
- § 6 months Average Trading Volume: USD 20 million
- § Sector Concentration Limit: 30%
- § Regional Concentration Limit:
  - § S&P 500 (20 stocks)
  - § Stoxx 600 (12 stocks)
  - § Nikkei 225 (8 stocks)

## INDEX TESTING

We have tested the Global Alpha 40 Sector Winners vs. Losers by sector on a semi-annual rolling period.

In 2 cases out of 7 the selection has proved to be a successful strategy.

Subsequently we have tested the relative Momentum Strategy using Winners.

In 5 cases out of 6 the selection proved to be a successful strategy.

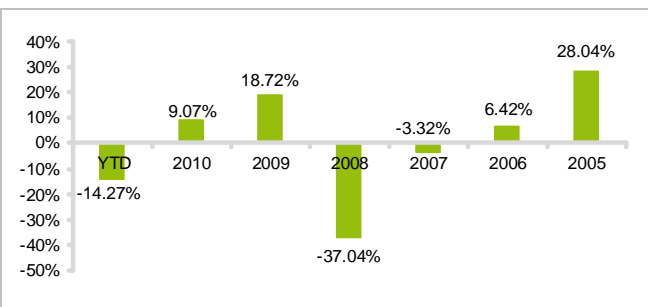
All test data is enclosed in the present document

All traditional analysis tools will be available on ECPI Bloomberg Index Site, ECPS <go>



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Bloomberg Ticker	<b>GALPHA40 Index (PR)</b>
Number of Constituents	<b>40</b>
Eligibility Monitoring	<b>Daily</b>
Component Weights	<b>Equal Weights</b>
Component Minimum Market Cap	<b>EUR 3 bio</b>
Index Rebalancing Frequency	<b>Semi Annual</b>
Currency of Calculation	<b>EURO and Local Crncy</b>
Average Market Cap (EUR bio)	<b>43.36</b>
Largest Market Cap (EUR bio)	<b>145.48</b>
Smallest Market Cap (EUR bio)	<b>5.83</b>
Highest Index Value (since 2003)	<b>2018.76</b>
Lowest Value (since 2003)	<b>943.63</b>



Average	Annualized Volatility
Since 2003	<b>15.83%</b>

<b>Fundamental Analysis</b>	<b>P/E Trailing</b>	<b>P/E Projected</b>	<b>P/B</b>	<b>P/S</b>	<b>P/CF</b>	<b>Dividend Yield</b>
	13.88	13.50	1.62	0.81	6.25	2.89

<b>Sector</b>	
Communications	14.27%
Consumer, Cyclical	16.70%
Consumer, Non-cyc.	17.13%
Energy	4.83%
Financial	9.11%
Industrial	10.47%
Technology	10.60%
Utilities	11.99%
Basic Materials	4.91%
<b>Country</b>	
Finland	2.34%
France	9.33%
Italy	4.41%
Japan	20.03%
Netherlands	2.20%
United Kingdom	7.10%
United States	52.07%
SWEDEN	2.51%



<b>Index Summary</b>			
<b>Asset Class</b>	<b>Equity</b>	<b>Bond</b>	<b>Alternative</b>
<b>Investment Objective</b>	<b>Beta</b>	<b>Alpha</b>	<b>Income</b>
<b>Constituents</b>	<b>Large Caps</b>	<b>Medium Caps</b>	<b>Small Caps</b>
<b>Screening</b>	<b>Positive</b>	<b>Negative</b>	<b>Both</b>
<b>Bias</b>	<b>Geographical</b>	<b>Industry</b>	<b>Quantitative</b>

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**Reuters: ECAPITAL**

## DEFINITIONS

**P/E trailing:** Current price/index earnings. Index earnings are calculated by summing up the trailing 12 months EPS before XO items of the member companies multiplied by the shares in the index and divided by the index divisor. US and Canada: calculated using trailing 12 month diluted EPS from continuous operations of each member.

**P/E projected:** Current price/index projected earnings. Index projected earnings are calculated by summing all members' best EPS in FY1 multiplied by shares in the index and divided by the index divisor.

**P/B:** Current price/index weighted book value. Index weighted book value is calculated by summing up current book value per share of the member companies, multiplied by the shares in the index and divided by the index divisor.

**P/S:** Current price/index sales. Index sales are calculated by summing up all trailing 12 month sales per share, multiplied by shares in the index and divided by the index divisor..

**P/CF:** Current price/index cash flow. Index cash flow is calculated by summing up the trailing 12 month cash flow per share of the member companies, multiplied by the shares in the index and divided by the index divisor.

**Dividend Yield:** Index dividend/current price. Index dividend is calculated by taking the sum of all members' last 12 month dividends, multiplied by shares in the index and divided by the index divisor. Market convention dividends use gross dividends except for Australia, New Zealand, and the United Kingdom, which use net.

Fundamental Data Source: Bloomberg

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