

# FTSE EDHEC-RISK EFFICIENT INDEX SERIES

The FTSE EDHEC-Risk Efficient Index Series, launched in association with EDHEC-Risk Institute (EDHEC-Risk), aims to capture equity market returns with an improved risk/reward efficiency compared to cap-weighted indices. The weighting of the portfolio of constituents achieves the highest possible return-to-risk efficiency by maximising the Sharpe ratio.

In order to maximise the Sharpe ratio, the methodology seeks to reliably estimate two essential inputs needed for portfolio optimisation:

- the expected returns of each stock which are calculated indirectly by the riskiness of each stock
- the covariance matrix of returns for all stocks which is calculated using statistical factor models that describe the co-movement of stock prices through their exposure to common risk factors.

The index series is based on all constituent securities in the FTSE All World Index Series. Constituents receive weights which result from EDHEC-Risk's portfolio optimisation reflecting their ability to maximise the reward-to-risk ratio for a broad market index.

## FEATURES

- The indices help investors avoid the high concentration and the poor diversification of cap-weighted indices
- A robust portfolio construction strategy that is fully transparent and replicable
- The indices are designed for the creation of derivatives, index tracking funds and ETFs
- The indices reflect the optimal risk/reward trade-off available to investors in the broad stock market
- Stocks are liquidity screened to ensure that the index is tradable
- Capital and total return indices are available for this index

## ABOUT EDHEC-RISK INSTITUTE

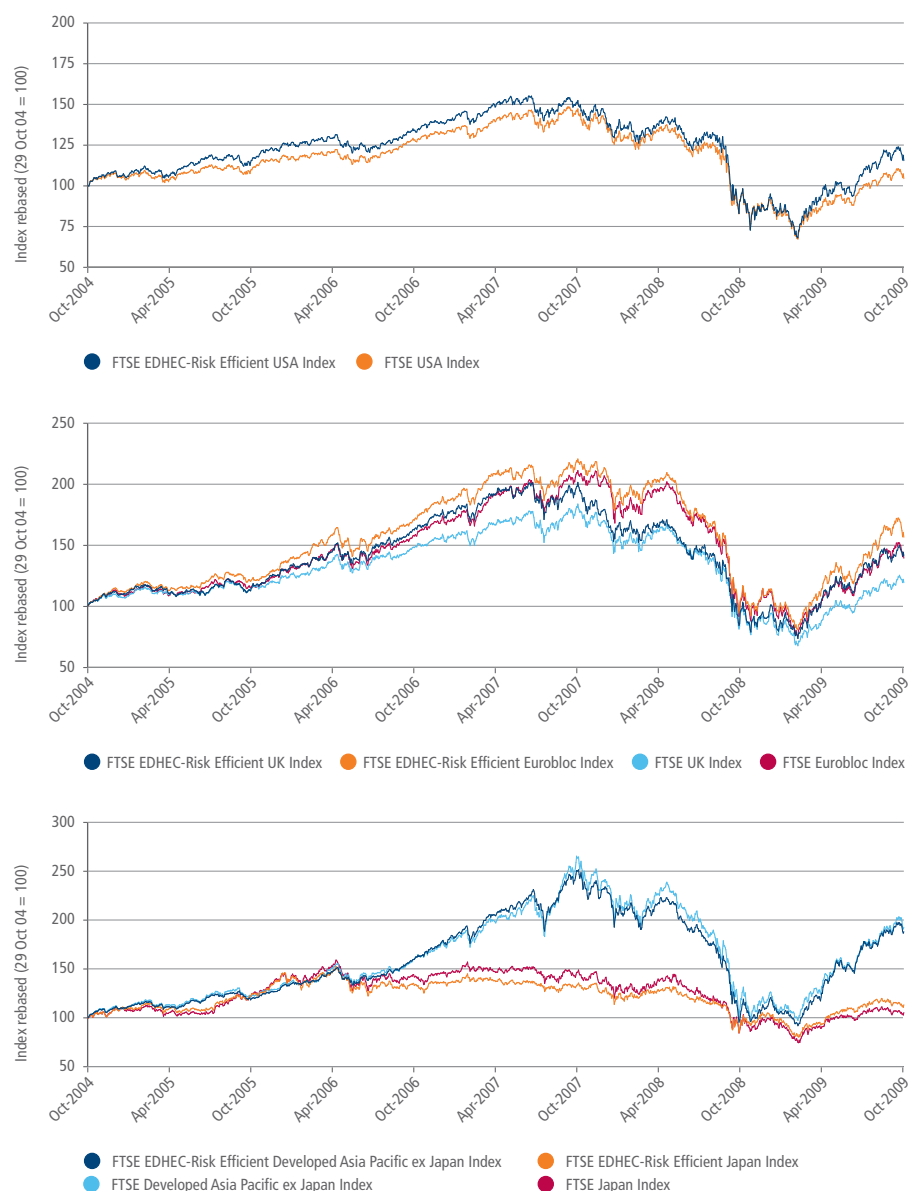
Since 2001, EDHEC-Risk has been pursuing an ambitious policy in terms of international research. This policy, known as "Research for Business", aims to make EDHEC-Risk an academic institution of reference for the industry in terms of expertise and research results.

To ensure that its activities meet the highest academic standards and to benefit the industry, EDHEC-Risk subjects its activities to a strict validation processes. The scientific quality and operational relevance of the research programmes are guaranteed by a dual management structure by leading experts serving on its international advisory board.

EDHEC-Risk plays a noted role in furthering applied financial research, highlighting its practical uses. As part of its "Research for Business" philosophy, EDHEC-Risk maintains a dialogue with professionals, which benefits the industry as a whole.

For more information please visit [www.edhec-risk.com](http://www.edhec-risk.com)

## 5 YEAR PERFORMANCE CHARTS (USD TOTAL RETURN)



## PERFORMANCE TABLE (USD RETURN)

	3M (%)	6M (%)	YTD (%)	12M (%)	3YR (%)	5YR (%)	3YR (%pa)	5YR (%pa)
FTSE EDHEC-Risk Efficient UK Index	9.1	33.9	55.4	44.8	-13.4	41.7	-4.7	7.2
FTSE UK Index	9.7	34.8	35.9	23.6	-19.6	19.4	-7.0	3.6
FTSE EDHEC-Risk Efficient Eurobloc Index	13.7	36.9	41.8	45.2	-8.8	56.6	-3.0	9.4
FTSE Eurobloc Index	9.7	33.0	27.3	31.5	-11.9	39.4	-4.1	6.9
FTSE EDHEC-Risk Efficient Developed Asia Pacific ex Japan Index	8.1	50.1	65.3	74.0	17.2	88.0	5.4	13.5
FTSE Developed Asia Pacific ex Japan Index	10.1	45.6	60.0	62.5	19.7	92.4	6.2	14.0
FTSE EDHEC-Risk Efficient Japan Index	0.1	20.9	8.5	21.5	-15.2	13.3	-5.3	2.5
FTSE Japan Index	-0.7	16.2	6.3	13.3	-25.8	5.3	-9.4	1.0
FTSE EDHEC-Risk Efficient USA Index	7.4	22.6	28.7	20.9	-13.9	15.4	-4.9	2.9
FTSE USA Index	5.5	19.9	17.7	10.5	-18.6	4.4	-6.6	0.9

SOURCE: FTSE Group, data as at 30 October 2009

## 5-YEAR CORRELATION TABLE (USD TOTAL RETURN)

	FTSE EDHEC- Risk Efficient UK Index	FTSE UK Index	FTSE EDHEC- Risk Efficient Eurobloc Index	FTSE Eurobloc Index	FTSE EDHEC- Risk Efficient Developed Asia Pacific ex Japan Index	FTSE Developed Asia Pacific ex Japan Index	FTSE EDHEC- Risk Efficient Japan Index	FTSE Japan Index	FTSE EDHEC- Risk Efficient USA Index	FTSE USA Index
FTSE EDHEC-Risk Efficient UK Index	1.000	0.962	0.931	0.904	0.895	0.884	0.707	0.781	0.887	0.878
FTSE UK Index		1.000	0.926	0.916	0.914	0.920	0.732	0.804	0.858	0.873
FTSE EDHEC-Risk Efficient Eurobloc Index			1.000	0.988	0.928	0.905	0.789	0.828	0.923	0.918
FTSE Eurobloc Index				1.000	0.934	0.916	0.789	0.829	0.919	0.930
FTSE EDHEC-Risk Efficient Developed Asia Pacific ex Japan Index					1.000	0.979	0.751	0.808	0.864	0.873
FTSE Developed Asia Pacific ex Japan Index						1.000	0.721	0.789	0.846	0.863
FTSE EDHEC-Risk Efficient Japan Index							1.000	0.945	0.703	0.700
FTSE Japan Index								1.000	0.764	0.759
FTSE EDHEC-Risk Efficient USA Index									1.000	0.982
FTSE USA Index										1.000

Based on monthly total returns

SOURCE: FTSE Group, data as at 30 October 2009

## VENDOR CODES

FTSE Index	FTSE Code	Datastream	Bloomberg	Telekurs
FTSE EDHEC-Risk Efficient USA Index	EDHUSA	FTCEUS	EDHUSA	TK10693468
FTSE EDHEC-Risk Efficient UK Index	EDHUK	FTCEUK	EDHUK	TK10693485
FTSE EDHEC-Risk Efficient Eurobloc Index	EDHEBLOC	FTCEEU	EDHEBLOC	TK10693488
FTSE EDHEC-Risk Efficient Japan Index	EDHJPN	FTCEJP	EDHJPN	TK10693525
FTSE EDHEC-Risk Efficient Developed Asia Pacific ex Japan Index	EDHDAXJ	FTCEDJ	EDHDAXJ	TK10693534

## INFORMATION

### Index Universe

FTSE All World Index Series

### Index Launch

23 November 2009

### Base Date

20 December 2002

### Base Value

100

### Investability Screen

Free float adjusted and liquidity screened

### Index Calculation

Real-Time and End-of-Day indices available;  
Real-Time indices calculated every 15 seconds

### Currency

EUR, GBP, USD, YEN

### Review Dates

Quarterly in March, June, September and December

### Index Rules

Available at [www.ftse.com](http://www.ftse.com)



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LONDON +44 (0) 20 7866 1810 BOSTON +1 888 747 FTSE (3873) FRANKFURT +49 (0) 69 156 85 144 HONG KONG +852 2230 5800  
BEIJING +86 10 5864 5277 MADRID +34 91 411 3787 NEW YORK +1 888 747 FTSE (3873) PARIS +33 (0) 1 53 76 82 88  
SAN FRANCISCO +1 888 747 FTSE (3873) SYDNEY +61 2 9293 2866 TOKYO +81 3 3581 2811 MILAN +39 02 72426 641

