Who we are

Arabesque was launched following a management buyout from Barclays Bank in 2013. Our investment technology combines quantitative strategies and ESG big data to assess the performance and sustainability of global equities. The mission of the firm is to contribute to the mainstreaming of sustainable finance through our asset management services and ESG data platform, Arabesque S-Ray®.

We aim to make sustainability performance relevant, and allow investors to integrate personal values into their investments.
Arabesque takes a science-based approach to sustainable investing

Our focus is to make sustainable investing economically attractive and available to all. Arabesque integrates ESG data with quantitative investment strategies in seeking to generate financial outperformance.

We believe economic value creation can and should be combined with environmental stewardship, social inclusion and sound governance. That is because sustainability factors are more than merely extra financial considerations for investors; we believe they have the potential to form the very foundations of successful markets.
Sustainable and quantitative investing

We believe integrating material sustainability information in the investment process allows for a new dimension of security analysis, to help reduce risk and seek to improve performance. Arabesque’s rules-based quantitative investment process helps to avoid typical behavioural biases and delivers a transparent, disciplined strategy capable of processing vast data.

An Investment Committee reviews key investment decisions and has the ability to reduce the risk level of the portfolio in exceptional circumstances. The fund only invests in liquid equity and cash instruments. No derivatives, no leverage, no shorting, no stock lending.
<table>
<thead>
<tr>
<th>Year</th>
<th>Event</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>Management buyout from Barclays</td>
</tr>
<tr>
<td>2014</td>
<td>Launch of the first UCITS fund: Arabesque Systematic</td>
</tr>
<tr>
<td>2015</td>
<td>Publication of our report <em>From the Stockholder to the Stakeholder</em> with the University of Oxford</td>
</tr>
<tr>
<td>2016</td>
<td>Strategic partnership with BIMB Investment in Malaysia</td>
</tr>
<tr>
<td>2017</td>
<td>Launch of 40 Act Fund: Arabesque Systematic USA</td>
</tr>
<tr>
<td>2018</td>
<td>Research on S-Ray released by JPMorgan</td>
</tr>
<tr>
<td>2019</td>
<td>Launch of Arabesque AI Fund</td>
</tr>
</tbody>
</table>

**Timeline of Arabesque’s journey**
Three instruments to deliver sustainability

Arabesque

Arabesque S-Ray

Arabesque S-World
(in development)

Arabesque Asset Management

UK
Singapore
Japan
USA
Germany

UK
Germany
USA
Singapore
Global collaboration with a purpose

From day one, Arabesque has been built with a spirit of collaboration and it is people that make our partnership. Although we are united in our passion to take sustainable, responsible finance into the mainstream, we are diverse in where we come from, the languages we speak, and the experiences we have gained.

It is this diversity of people and ideas – combined with a strong ethos of working together – that drives innovation and performance at Arabesque.
Our board supports us in achieving our mission

Georg Kell  
Founder,  
United Nations Global Compact

Barbara J. Krumsieck  
Former President &  
CEO, Calvert Investments

John Ruggie  
Berthold Beitz  
Professor, Harvard Kennedy School

Dr. Carolyn Woo  
Former President &  
CEO, Catholic Relief Services

Yolanda Kakabadse  
Former President,  
WWF International

Non-Executive Chairman

Non-Executive Director

Non-Executive Director

Non-Executive Director

Non-Executive Director
Arabesque Systematic ...

... a rules-based and transparent investment strategy
Step 1: Investment Universe

Arabesque Systematic Fund can only invest in stocks from the Investment Universe. The Investment Universe is limited to Global stocks that pass both of two important screening steps:

1) Liquidity screening in terms of size, trading volume and free float, to allow for daily liquidity in the strategy.

2) S-Ray screening removes companies with low S-Ray scores from the portfolio aiming to improve risk-adjusted performance and seeking to reduce tail-risks in the portfolio.

The investment universe is rebalanced on a quarterly basis.

No. of equities after each screening step (approximately):

77,000 Global Stocks
4,300 Liquid stocks
3,300 S-Ray Investment Universe
S-Ray is a transparency tool

S-Ray is a proprietary tool of the Arabesque Group that measures the sustainability of global equities worldwide, applying a quantitative and AI-driven approach to ESG information. Through machine learning and big data, S-Ray systematically combines over 250 ESG metrics with news signals from over 30,000 sources published in over 170 countries.

Developed for Arabesque’s investment process, S-Ray provides a unique investor perspective and a deep understanding of materiality. Through the combination of diverse and multiple data sources together with news signals, S-Ray delivers daily scores that allow for agile and responsive investment decision making.
Three unique ways to evaluate companies

GC Score
A normative assessment of each company based on the core principles of the United Nations Global Compact.

ESG Score
A sector specific analysis of corporate performance on financially material environmental, social and governance (ESG) issues.

Preferences
A search tool that checks the business involvements of companies, and excludes those with significant revenues (> 5%) coming from alcohol, tobacco, weapons, gambling and coal.
Helping remove companies with increased reputational risk


News signals from over 30,000 sources across 170 countries are systematically analysed in order to arrive at the score. Investors with combined assets in excess of $4tn have referenced the UNGC’s in their investment policy statement.

Arabesque excludes companies with the 5% worst GC scores.
Measuring how well companies are managed

The ESG Score is used for the identification of financially material ESG factors for each company, with S-Ray calculating a proprietary score per stock.

An open architecture with 22 sub-categories is used to ingest multiple and diverse data sources.

Best in class screening is used to select the top 75% stocks within a sector. ESG momentum screening may however include companies from the bottom 25% if ESG scores increase over previous periods.
Implementing preferences

The Preferences Filter is a bespoke search tool that checks the business involvements of companies, based on its revenue streams.

For the Arabesque Systematic Fund, the Preferences Filter excludes companies with revenues from alcohol, tobacco, weapons and gambling in excess of 5% of total revenues from the Investment Universe.

Furthermore, the strategy excludes all coal companies.
Step 2: Fundamental & Momentum Analysis

Fundamental and Momentum Analysis involves the calculation of metrics that are used for the asset allocation and stock selection.

**Fundamental analysis:**
- F-Score
- G-Score
- Earnings Pressure

**Momentum analysis:**
- Stock momentum
- Market momentum
Systematic favours stocks with strong fundamental measures

**F – Score**¹
Identifies strong balance sheets and cash flows, based on 9 financial ratios (ex. return on assets, current sales).

**G – Score**²
Identifies firms showing continued growth and increasing earnings, based on 8 financial ratios (ex. R&D, cash flow).

**Earnings Pressure**
An Arabesque proprietary technology that utilizes behavioural patterns of sell-side research analysts.

¹ Plotroski J.D., 'Value Investing: The Use of Historical Financial Statement information to Separate Winners From Losers', 2002
² Mohanram P.S., 'Separating Winners from Losers among Low Book-to-Market Stocks using Financial Statement Analysis', 2005
Momentum Analysis

Self-calibrating system to measure stock momentum

The strategy uses a quantitative approach to capture behavioural biases in the market.

1,600 signals per equity are analysed to determine its individual strength and overall market momentum.

These technical indicators are recalibrated monthly and used to score each equity in the Investment Universe with a trend score between 0 and 1. A trend score of 1 implies that a stock as a very large positive momentum.

The calculated market momentum is a key ingredient for the built-in risk management system.
Step 3: Determining Asset Allocation

Arabesque Systematic’s built-in risk management system dynamically allocates between cash and equity to balance exposure according to market movements.

The dynamic cash allocation results from a bottom-up aggregation of individual stock momentum scores into an overall market momentum score. In rising markets the equity allocation will increase, and up to 100%. In falling markets the equity allocation will go down, with the remainder invested into cash and cash instruments. In exceptional circumstances, the equity allocation can fall to 0%. The mechanism is illustrated on the right-hand side.

The dynamic cash allocation is performed daily and aims to reduce volatility and make drawdowns smaller.
Step 4: Stock Selection driven by single asset and portfolio properties

The strategy aims to find the best combination of equities that offer a superior risk-adjusted return.

The portfolio optimization selects upward-trending stocks with strong fundamental measures (G-Score, F-Score, and Earnings Pressure). To limit the turnover, potential portfolio improvements have to exceed the trading costs.

To avoid unnecessary sector exposures, the strategy favours transactions that bring the portfolio closer to the benchmark sector allocation.
Aims to provide risk-controlled sustainable equity exposure

Arabesque SICAV – Arabesque Systematic is a balanced global equity fund that combines sustainability values with a sophisticated fundamental and quantitative stock selection process.

On a daily basis, the Fund assesses the equity market risk using a rules-based process and allocates between equity and cash.

The stock selection is based on a rules-based portfolio optimization taking into consideration price information, financial data, analyst estimates and transactions costs. The portfolio consists of up to c. 100 stocks.

The Fund aims to have returns that are c. 25% less volatile than the benchmark and to limit maximum drawdowns to around 25%.

Fund Overview – Institutional USD Class

<table>
<thead>
<tr>
<th>Ticker</th>
<th>ARASYUS LX</th>
</tr>
</thead>
<tbody>
<tr>
<td>ISIN</td>
<td>LU1023699983</td>
</tr>
<tr>
<td>Inception</td>
<td>Aug. 1st, 2014</td>
</tr>
<tr>
<td>Benchmark</td>
<td>MSCI ACWI NR</td>
</tr>
<tr>
<td>Fund Net Assets</td>
<td>$69.67 M*</td>
</tr>
</tbody>
</table>

* Figure as of January 31st 2020

Fund Pricing – Institutional USD Class

<table>
<thead>
<tr>
<th>Management fees</th>
<th>0.82% p.a</th>
</tr>
</thead>
<tbody>
<tr>
<td>Performance fees</td>
<td>None</td>
</tr>
<tr>
<td>TER*</td>
<td>1.29%</td>
</tr>
<tr>
<td>Initial</td>
<td>$50,000</td>
</tr>
<tr>
<td>Subsequent</td>
<td>No minimum</td>
</tr>
<tr>
<td>Valuation</td>
<td>Daily</td>
</tr>
<tr>
<td>Subscription</td>
<td>Daily, with 1 day notice</td>
</tr>
</tbody>
</table>

*The Total Expense Ratio (TER) generally includes all expense items charged to the fund
Institutionally transparent Setup

Arabesque Asset Management Limited, acting as the fund manager, is overseen by the FCA in the UK (lead regulator) and registered with the SEC as a Registered Investment Advisor (RIA).

Arabesque Asset Management Ltd (Germany branch) follows BaFin regulations in Germany.

Financial affairs are transparent and fully taxed in UK and Germany.

Arabesque’s setup is fully hedged against Brexit via the co-location of its staff and business in London and Frankfurt.

No offshore entities

No aggressive tax management

Full legal and financial accountability
Arabesque Asset Management Ltd (together with its affiliates, "Arabesque"), a limited liability company registered in England and Wales at 43 Grosvenor Street, London W1K 3HL (no. 8636689), authorized and regulated by the FCA (no. 610729), and registered as a registered investment adviser with the SEC (no.801-107600). It also operates through its German branch, Arabesque Asset Management Ltd (Germany), a company registered at Zeppelinallee 15, 60325 Frankfurt am Main, Germany in the commercial register of the local court in Frankfurt am Main (no. HRB 103816), and supervised by the BaFin (ID: 144965). This document is provided to you on a confidential basis by Arabesque in its capacity as fund manager, and is for informational purposes only, and is not a solicitation or an offer to buy any security or instrument or to participate in any trading, for those persons who meet the qualifications to be investors in any fund (a "Fund") managed by Arabesque NOT AN OFFER. 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Such examples are meant to provide insight into each key investment theme and, to the extent applicable, the Fund’s objectives and the investment processes and analyses used to evaluate such investments. Other investments, themes, events, developments, and/or other factors not described herein may have had (and continue to have) a significant impact on the Fund’s overall performance RISK FACTORS. Individuals. The presence of a picture contained herein does not take into account the particular investment objectives or financial circumstances of any specific person who may receive it. Timing. The performance figures noted above are for investments made at the inception of the Fund and include the reinvestment of dividends, interest, and other earnings. An individual investor’s actual returns may differ from the results shown above for reasons such as the timing of subscriptions and redemptions. 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