



arabesque

Arabesque SICAV

Arabesque Systematic

March 2019

Arabesque



Mission



Make sustainable investing financially attractive and available to the mainstream.

We integrate Environmental, Social and Governance (ESG) data with quantitative investment strategies to generate financial outperformance.

Sustainable is powerful



Achieving the Mission



Making sustainability performance relevant



Research in sustainability, big data and artificial intelligence



Sustainable finance as a lifestyle choice

Contributing to the mainstreaming of sustainable finance



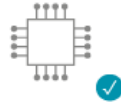
Investment Philosophy

Sustainable



We believe integrating material sustainability information in the investment process is the fourth dimension of security analysis, to help reduce risk and seek to increase performance.

Quantitative



The rules-based quantitative investment process helps to avoid typical behavioural biases and makes for a transparent, disciplined strategy, capable of processing vast data streams.

Human Oversight



The Investment Committee reviews all decisions and has the ability to reduce the risk level of the portfolio in case of exceptional circumstances.

Transparent



The Fund only invests in liquid equity and cash instruments. No derivatives, no leverage, no shorting, no stock lending.

Sustainable and quantitative investing



Investment Process

1

Investment Universe

Approximately 3,300 liquid global stocks that have passed Arabesque S-Ray® screening:

Arabesque's proprietary assessment of non-financial risk factors.

The investment universe is rebalanced on a quarterly basis.

2

Preparation: Analysis

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

3

Asset Allocation

Based on the calculated market momentum, the Fund allocates between cash and equity.

The equity allocation ranges from 0% to 100% with the remainder invested into cash and cash instruments.

The asset allocation is done on a daily basis.

4

Stock Selection

The Fund selects securities from the investment universe with an initial maximum target weight of 1% per position.

The stock selection is based on a rules-based portfolio optimization taking into consideration the calculated stock momentum, fundamental analysis and transaction costs.

The stock selection is done on a daily basis.

Transparent and rules-based investment process

Investment Process
Step 1: Investment Universe



Investment Universe



Arabesque's database covers all listed global stocks.

The Arabesque SICAV – 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:

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

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

77,000 Global stocks

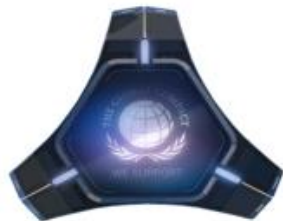
4,300 Liquid stocks

3,300 S-Ray® Investment Universe

Using sustainability to drive risk-adjusted performance

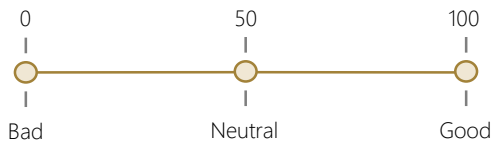


The Three Pillars of S-Ray[®]



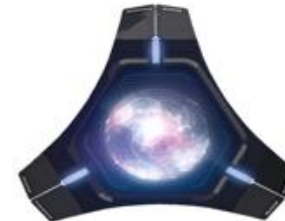
GC Score

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



ESG Score

A sector specific analysis of each company's 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 or gambling



S-Ray[®] is a transparency tool



Arabesque S-Ray® : GC Score



S-Ray® GC Score aims to quantify the performance of companies on the principles of the United Nations Global Compact.

S-Ray® GC Score delivers scores for more than 7,000 of the world's largest companies.

S-Ray® GC Score systematically analyses news from over 50,000 sources across 20 languages.

Investors with combined assets in excess of \$4tn have referenced the UNGC in their investment policy statement.¹

Arabesque excludes the companies with the 5% worst GC scores.

Principles



Human Rights



Anti-Corruption



Labour Rights



Environment

Measuring how companies 'behave'

¹: Based on own research, September 2016



Arabesque S-Ray®: ESG Score



Identification of financially material ESG factors.

Calculation of a proprietary ESG score per stock.

Open architecture with 22 sub-categories to ingest multiple and diverse data sources.

Best in class screening to select the top 75% stocks within an industry.

ESG momentum screening may however include companies from the bottom 25% if ESG scores increase over previous periods.

Sector specific ESG performance

75% included

25% excluded

Momentum screen

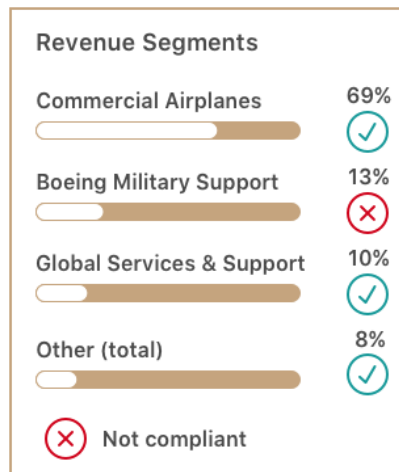
Yes

Measuring how well companies are managed



Arabesque S-Ray®: Preferences Filter

Stock: Boeing



Example: all of a company's revenues are analysed to determine its actual business involvements.

A bespoke search tool that checks the business involvements of companies, based on its revenue streams.

For the Arabesque SICAV - 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.

Arabesque Systematic exclusions:



Alcohol



Tobacco



Gambling



Defense & Weapons



Coal

Implementing preferences

Investment Process

Step 2: Asset Allocation and Stock Selection



Fundamental Analysis



Arabesque Systematic’s portfolio optimization favors stocks with strong fundamental measures (G-Score, F-Score, and Earnings Pressure).

F - Score¹

Identifies strong balance sheets and cash flows, based on 9 financial ratios.

G - Score²

Identifies firms showing continued growth and increasing earnings, based on 9 financial ratios.

Earnings Pressure

An Arabesque proprietary technology that utilizes behavioral patterns of sell-side research analysts.

Selection of underlying ratios:

F - Score
Cash flow from operations
Return on assets
Long-term debt
Gross profit margin
Current sales

G - Score
R&D
Capital expenditure
Cash flow
Earnings per share
Advertising expenses

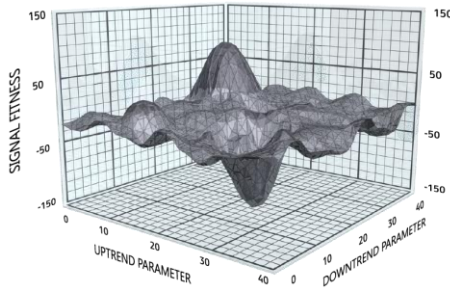
- 1: Piotroski J.D., 'Value Investing: The Use of Historical Financial Statement information to Separate Winners From Losers', 2002
- 2: Mohanram P.S., 'Separating Winners from Losers among Low Book-to-Market Stocks using Financial Statement Analysis', 2005

Rules-based fundamental stock screening



Momentum Analysis

Momentum Landscape per Single Stock



Arabesque Systematic uses a quantitative approach to capture behavioral biases in the market.

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

The calculated strength indicator is a key ingredient for the built-in risk management system.

Number of technical indicators

1,600 per stock

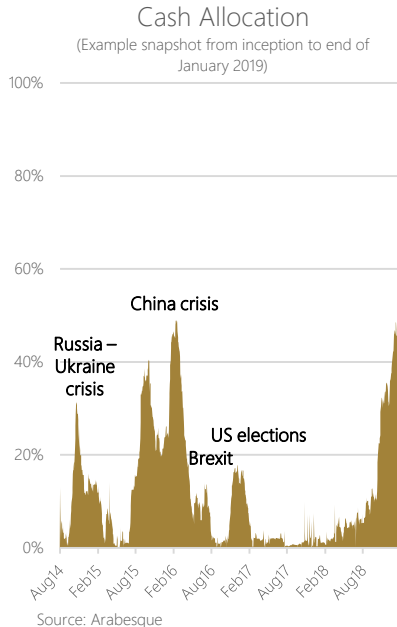
Recalibration Frequency

Monthly

Self-calibrating system to measure stock momentum



Asset Allocation

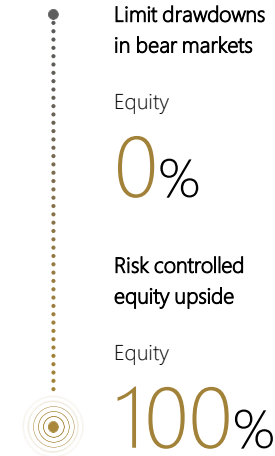


Arabesque Systematic's built-in risk management system dynamically allocates between cash and equity to balance exposure according to market movements.

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 up to 100%. In falling markets the equity allocation can go down to 0%, with the remainder invested into cash and cash instruments. The mechanism is illustrated on the left-hand side.

The dynamic cash allocation is performed daily and aims to reduce volatility and make drawdowns smaller.

Risk Management



Average market trend determines allocation between cash and equity



Arabesque Systematic – Arabesque SICAV

Institutional USD Share Class:

Overview (as of February 28th 2019)

ISIN	LU1023699983
Ticker	ARASYUS LX
Inception date	Aug 1 st , 2014
Benchmark	MSCI ACWI NR
Fund net assets	USD 43.1 M

Fees & Valuation

Management fees	0.82% p.a.
Performance fees	None
TER*	1.34%
Min. investment	USD 50,000
Valuation	Daily
Subscription	Daily, with 1 day notice

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%.

A transparent investment process which is
Rules-based

Cash/equity allocation aims to provide
Risk-controlled equity exposure

Portfolio monitoring performed
Daily

Aims to provide risk-controlled sustainable equity exposure



Appendix



Staff



Omar Selim
CEO



Andreas Feiner
Co-CIO, Head of
ESG Research & Advisory



Dr Hans-Robert Arndt
Co-CIO, Head of
Quantitative Research



Dr Dominic Selwood
General Counsel & CCO



Alfred Lang
COO & CFO



Brace Young
Head of US



Dr Michael Legatt
Behavioural Research



Greg Woods
Fundamental Research



Philipp Müller
ESG Research &
Advisory



Gabriel Karageorgiou
Business Development



Dominic Godman
Head of Singapore



Maria Mähl
Head of Nordics



Haliza Abd Rahim
Legal Counsel



Dr Yasin Rosowsky
Quantitative Research



Jennifer Djafaris
Client Services



James Von Claer
Business Development



Ciaran McCale
Head of Media
& Communications



Linda Baigrie
Business Development

- Experienced leadership
- 35 professionals from
16 nations
- Flat hierarchy of three
levels

A company greater than the sum of its parts



Staff



Dr Qasim Nasar-Ullah
Quantitative Research



Dr Tim Verheyden
ESG Research



Stéphan Vuylsteke
ESG Research



Dr Nikolaos Kaplis
Head of S-Ray® Artificial
Intelligence Research



Francie Heller
Business Development



Thomas Schafbauer
Business Development



Tanyarat Rillingir
Business Development



Jan Vermeulen
ESG Research



Matthias Baetens
ESG Research



Gilles Jacobs
ESG Research



Dr Rebecca Thomas
ESG Research



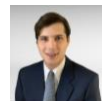
Dries Braems
ESG Research Associate



Dr Ngoc Vu
Quantitative Research



Alex Pavlovskis
Media & Communications



Nicholas Stott
Client Services



Dr Inna Amesheva
ESG Research Associate



Dr Roan du Feu
ESG Research Associate

- Experienced leadership
- 35 professionals from 16 nations
- Flat hierarchy of three levels

A company greater than the sum of its parts



Board



Georg Kell
Founder, United Nations Global Compact
Non-Executive Chairman

- Founder and former Executive Director of the UN Global Compact
- Principles for Responsible Investment (PRI)
- Principles for Responsible Management Education (PRME)
- Sustainable Stock Exchanges (SSE) initiative



Barbara J. Krumsiek
Senior Industry Fellow, Georgetown University
Non-Executive Director

- Senior Industry Fellow, Georgetown University Women's Leadership Institute
- President & CEO, Calvert Investments, 1997 - 2014
- Co-Chair of the U.N. Environment Programme Finance Initiative, 2010 - 2012
- Columbia University Business School's Botwinick Prize in Business Ethics in 2012



John Ruggie
Berthold Beitz Professor, Harvard Kennedy School
Non-Executive Director

- Berthold Beitz Professor in Human Rights and International Affairs at the Harvard Kennedy School of Government
- Affiliated Professor in International Legal Studies at Harvard Law School
- Special Representative for Business and Human Rights under the UN administration 2005 – 2011



Dr. Carolyn Woo
CEO & Founder, Catholic Relief Services
Non-Executive Director

- President's Fellow for Global Development, Purdue University
- President and CEO of Catholic Relief Services, 2011 – 2016
- Served as dean of University of Notre Dame's Mendoza College of Business
- 1st female dean to chair accreditation body for business schools, AACSB: Association to Advance Collegiate Schools of Business



Yolanda Kakabadse
President, WWF International
Non-Executive Director

- President of WWF International
- Executive Director of Fundación Natura in Quito, 1979 - 1990
- President of the World Conservation Union (IUCN)
- Minister of Environment for the Republic of Ecuador



Advisory Board



Prof Robert Bauer
Director,
ECCE, Maastricht University



Prof Gordon Clark
Director,
SSEE, Oxford University



Prof Tensie Whelan
Clinical Professor of Business
and Society, NYU



Prof. Alexander Bassen
Full Professor,
University of Hamburg



Emma Hunt
Former Co-Head,
Hermes Equity Ownership



Mohamed Donia
CEO,
IdealRatings



Prof Michael Griebel
Director,
SCAI,
Fraunhofer Institute



Prof David Tuckett
Director,
Centre for the Study of
Decision-Making Uncertainty, UCL



Dr. Gregor Leban
CEO, Event Registry

- Leading scientists in ESG research and quantitative finance
- CEOs from leading service providers

Industry leaders and renowned academics advise Arabesque



Arabesque Setup



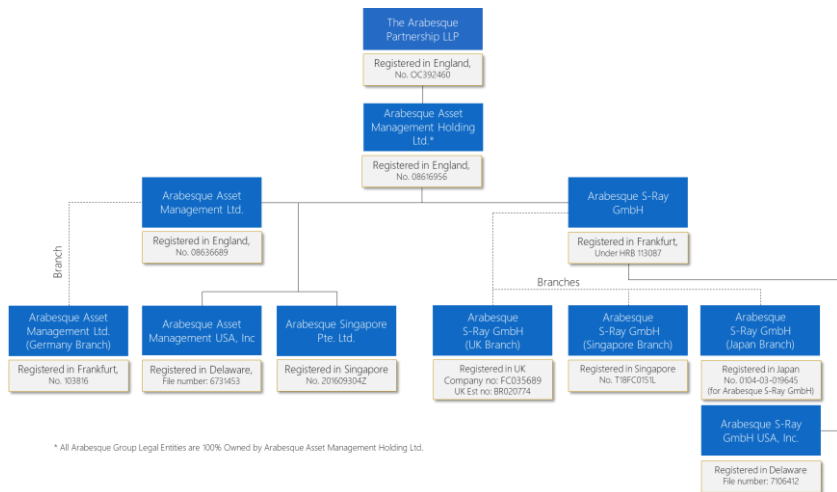
- Transparency and strong regulation
- Registered onshore in the UK and Germany
- Arabesque Asset Management Limited, acting as the fund manager, is authorised and regulated by the FCA in the UK and registered with the SEC as Registered Investment Advisor (RIA)
- Arabesque Asset Management Ltd (Germany) follows BaFin regulations in Germany
- Financial affairs are transparent and fully taxed in UK and Germany
- Arabesque 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

Institutionally transparent



Structure



- The Arabesque Partnership LLP holds the partners' interests
- Arabesque Asset Management Holding Ltd is the group holding company
- Arabesque Asset Management Ltd is the UK FCA regulated asset management company
- Arabesque Asset Management Ltd (Germany) is the German, FCA regulated, branch, supervised by the BaFin
- Arabesque S-Ray GmbH, UK Branch is the home of Arabesque S-Ray® and ESG research
- Arabesque Singapore PTE Ltd is the Singapore registered company
- Arabesque Asset Management Ltd is registered with the SEC as a Registered Investment Advisor (RIA)

Simplicity and accountability

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It should not be assumed that the Fund will invest (or has invested) in any specific investments that comprise any index, nor should it be understood to mean that there is a correlation between the Fund's returns and the returns of any index. Past performance of the Fund relative to any index should not be indicative of future performance relative to that index. The MSCI ACWI Index is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of developed and emerging markets and consists of 46 country indexes comprising 23 developed and 23 emerging market country indexes. The developed market country indexes included are: Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Hong Kong, Ireland, Israel, Italy, Japan, Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland, the United Kingdom, and the United States. 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