



Press Release

Boston, London, Nice, Singapore, Tokyo, February 18th, 2014

Morgan Stanley Partners with ERI Scientific Beta on Smart Beta Index Replication

ERI Scientific Beta is pleased to announce that Morgan Stanley has signed a Global Replication Licence with ERI Scientific Beta for in-depth risk and performance evaluation on all of Scientific Beta indices as well as the possibility to develop indices utilising the entire Scientific Beta offering on the www.scientificbeta.com platform.

ERI Scientific Beta aims to be the first provider of a smart beta platform to help investors understand and invest in advanced beta equity strategies. With its Smart Beta 2.0 risk management approach, ERI Scientific Beta's goal is to bring more academic rigour, more transparency, more choice, more risk control and more analytics at the lowest cost to the index industry.

The primary interest of Scientific Beta Analytics is to enable all investors and fund managers to form their own opinion of the benefits and risks of smart beta strategies and indices. They also allow users of the Scientific Beta Indices service to evaluate the consequences, in terms of performance and risk, of different choices of benchmark construction criteria. To that end, two levels of analytics are provided on the ERI Scientific Beta platform through the Scientific Beta Analytics offering. Firstly, the report of the standard analytics on performance and risk in both absolute and relative terms respectively. This enables investors to understand better what the different strategies achieve and what their risk and return properties are. Secondly, advanced analytics are provided including factor analysis, sector analysis, conditional performance based on different market regimes, and the probability of outperformance.

With this Global Replication Licence, Morgan Stanley is entitled to replicate Scientific Beta indices and will have the capacity to share information with all the counterparties of a fund or mandate relating to the replication of a Scientific Beta index. Besides, the ERI Scientific Beta platform will enable Morgan Stanley to access the most extensive offering of smart beta indices and the selection and tracking/evaluation tools for these indices with full transparency and without any additional cost relating to the use of Scientific Beta data.

“Morgan Stanley is excited to partner with ERI Scientific Beta in delivering cutting edge smart beta solutions to our institutional clients. The significant interest and growth in smart beta strategies is driven by investors looking to improve risk-adjusted returns, manage volatility, and access more sophisticated weighting methodologies. Through our partnership with ERI Scientific Beta, investors will benefit from transparent smart beta index replication using Morgan Stanley's market leading execution platform,” said Hitendra Varsani, Head of Quantitative and Derivative Strategies at Morgan Stanley.

“We look forward to working with Morgan Stanley as they deploy this Global Replication Licence in the coming months. With Morgan Stanley being one of the most prestigious names in international finance, this licence is a major testament to the quality and investability of ERI Scientific Beta indices,” says Noël Amenc, CEO of ERI Scientific Beta.



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About ERI Scientific Beta

ERI Scientific Beta aims to be the first provider of a **smart beta 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.
- **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. As such, ERI Scientific Beta's business model also allows free access to a series of indices.

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 offers 2,958 smart beta indices.

- **Scientific Beta Analytics**

Scientific Beta Analytics are detailed analytics and exhaustive information on 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. 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**

The Scientific Beta Fully-Customised Benchmarks service enables investors and asset managers to benefit from its expertise and the ability to determine and implement their choice of stocks, weighting schemes, and absolute and relative risk constraints in keeping with their objectives.

With a concern to provide worldwide client servicing, ERI Scientific Beta is organising the presence of its teams in Boston, London, Nice, Singapore and Tokyo.