

# Rebalancing Report

## Ossiam US Minimum Variance Index NR

### 22-Aug-2016

Ossiam Research & Investment Team\*

The Ossiam US Minimum Variance Index NR rebalances each third Friday of the month.

The new composition is implemented at the opening of the next business day after the third Friday - usually the next Monday.

The weights are computed using closing prices three days prior to the third Friday. Both the Ossiam US Minimum Variance Index NR and the benchmark S&P500 Index NR are computed in USD. The calculations in the document are performed by Ossiam using S&P /Datastream source.

## 1 Stock Statistics

Ossiam US Minimum Variance Index NR	22-Aug-2016
Number of Stocks	79
Added Stocks	17
Deleted Stocks	20
Core Number	62
Old weight of Core	90.43%
New weight of Core	91.24%
Turnover	53.05%
Historical Turnover	38.14%

Table 1: Added and deleted stocks are relative to 22-Aug-2016. The Core is defined as the subset of stocks that belong to the current as well as the previous composition.

The number of constituents in the index decreased from **82** to **79**.

The Turnover is **53.05%**, higher than its historical mean at **38.14%**.

The weight of the Index Core Portfolio is stable.

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\*Email:trading@ossiam.com

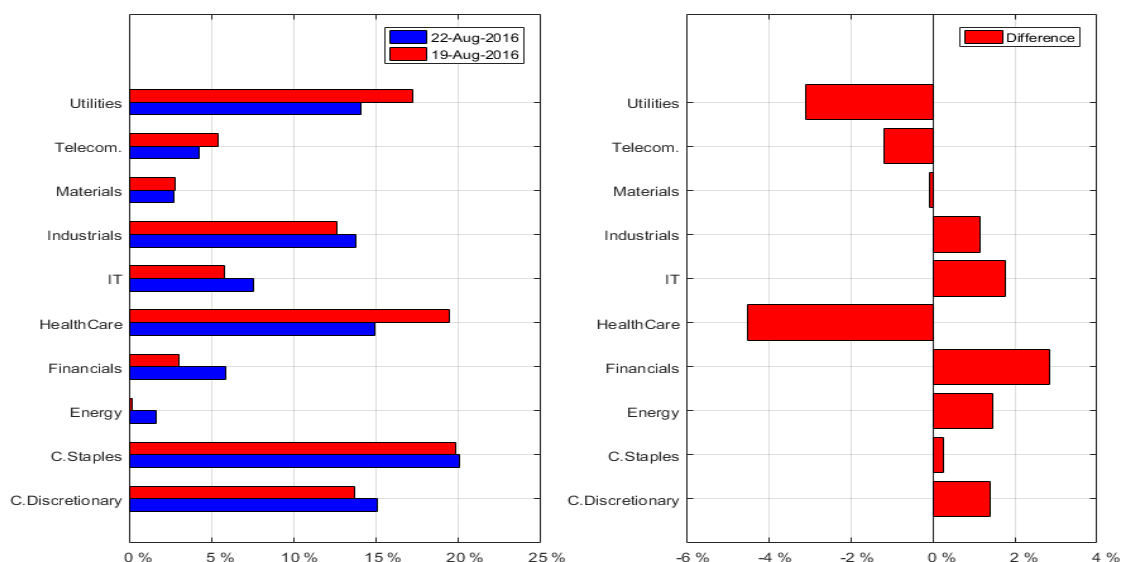
## 2 Sector Allocation

The most significant changes in sector exposures are: **-4.51%** for HealthCare, **-3.08%** for Utilities, **2.84%** for Financials.

The biggest sector exposures are: **20.06%** for C.Staples, **15.09%** for C.Discretionary, **14.92%** for HealthCare.

	Close 19-Aug-2016	Opening 22-Aug-2016	Difference
C.Discretionary	13.70%	15.09%	1.39%
C.Staples	19.81%	20.06%	0.25%
Energy	0.22%	1.67%	1.45%
Financials	3.06%	5.90%	2.84%
HealthCare	19.42%	14.92%	-4.51%
IT	5.79%	7.56%	1.77%
Industrials	12.61%	13.76%	1.15%
Materials	2.78%	2.71%	-0.07%
Telecom.	5.43%	4.25%	-1.18%
Utilities	17.19%	14.11%	-3.08%

The left-hand side of the chart below shows the sector deviations at rebalancing. Differences are shown on the right-hand side. Index weights are taken as of 19-Aug-2016 (last business day before the new composition is implemented) compared to the new rebalancing weights as of 22-Aug-2016.



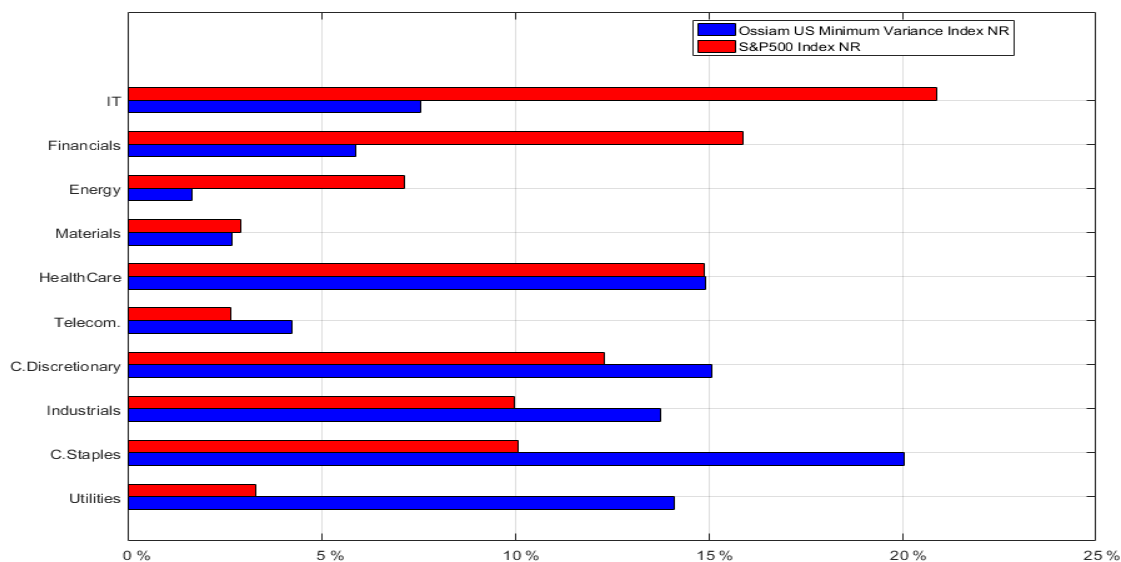
### 3 Sector breakdown vs. benchmark

The table below shows, for each sector, the weight in the Ossiam US Minimum Variance Index NR (OUMV Index), in the benchmark S&P500 Index NR (SPTR500N Index) and their difference. We also show the annualized volatility of each sector in the Ossiam US Minimum Variance Index NR (VolMV) and in the benchmark (VolBench). Annualized volatilities are computed using 125 business days ending on 16-Aug-2016

	SPTR500N Index	OUMV Index	Difference	VolMV	VolBench
C.Discretionary	12.29%	15.09%	2.79%	11.57%	13.81%
C.Staples	10.09%	20.06%	9.96%	10.19%	11.01%
Energy	7.14%	1.67%	-5.48%	14.96%	22.50%
Financials	15.88%	5.90%	-9.98%	11.36%	18.15%
HealthCare	14.88%	14.92%	0.04%	10.98%	15.02%
IT	20.87%	7.56%	-13.32%	11.25%	15.04%
Industrials	9.97%	13.76%	3.79%	9.86%	13.73%
Materials	2.93%	2.71%	-0.22%	33.09%	18.10%
Telecom.	2.65%	4.25%	1.60%	11.86%	12.18%
Utilities	3.29%	14.11%	10.81%	13.40%	13.73%

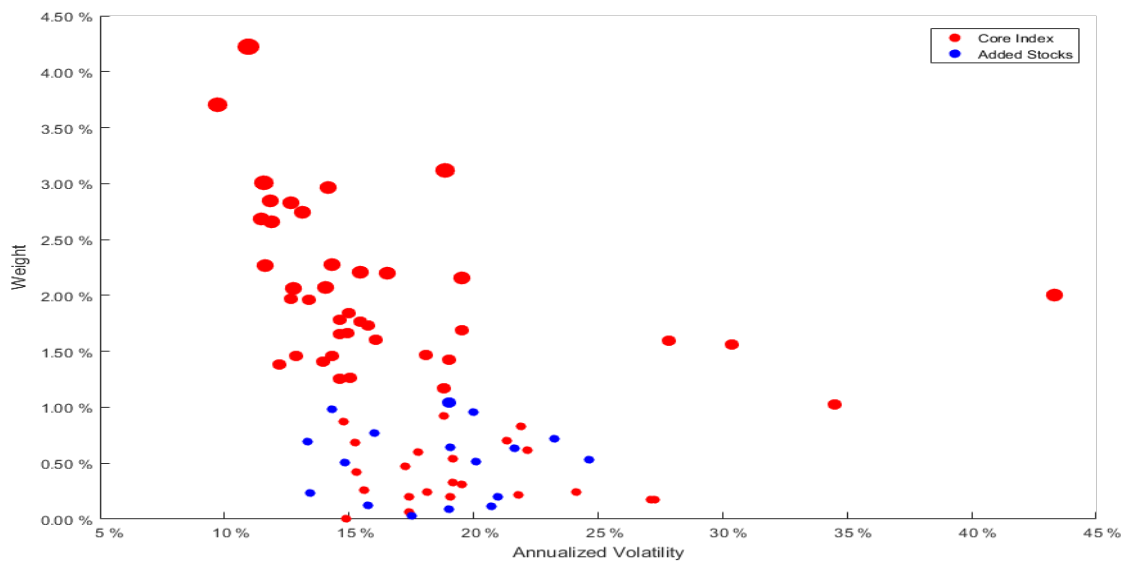
The Ossiam US Minimum Variance Index NR overweights Utilities (**10.81%**) and C.Staples (**9.96%**) compared to S&P500 Index NR.

The Ossiam US Minimum Variance Index NR underweights IT (**-13.32%**) and Financials (**-9.98%**) compared to S&P500 Index NR.



## 4 Volatility/Weight profile

The chart below shows the distribution of the new Ossiam US Minimum Variance Index NR composition on 22-Aug-2016 in terms of annualized volatility (x-axis) and weight (y-axis). Volatility computed over 125 days ending on 16-Aug-2016. On the upper left corner we find low volatile stocks with big weight in the index. On the lower right corner we find high volatile stocks with low weight in the index. These stocks usually enter the index for diversification purposes. We distinguish between Core index and added stocks to appreciate how these newly added stock are positioned in terms of volatility and weight.



## 5 Added Stocks

The rebalancing has added 17 new stocks. In the table below, T is the current rebalancing date (22-Aug-2016), while T-1 is the previous rebalancing date (18-Jul-2016). Vol(T-1) and Vol(T) are the annualized volatilities computed over 125 business days ending, respectively, on 12-Jul-2016 and 16-Aug-2016. The average daily volumes ADV(T-1) and ADV(T), expressed in mln USD, are computed over 50 business days ending on the same dates as before, with the relative ranking over the benchmark S&P500 Index NR. Finally, WW(T) is the stock weight at the current rebalancing date.

	Sector	Vol(T-1)	Vol(T)	WW(T)	ADV(T-1)	ADV(T)	B	LF	EU
ABBVIE INCO.	HealthCare	30.34%	21.67%	0.63%	588.04 (31)	494.03 (45)	Y	Y	Y
AMAZON.COM INCO.	C.Discretionary	35.45%	24.63%	0.53%	2689.37 (2)	2355.64 (3)	Y	Y	Y
AMERICAN EXPRESS CO.	Financials	27.92%	20.01%	0.96%	316.09 (92)	292.76 (100)	Y	Y	Y
AMERICAN TOWER CORP.	Financials	21.04%	15.74%	0.12%	193.83 (196)	212.37 (161)	Y	Y	Y
CISCO SYSTEMS INCO.	IT	26.26%	17.49%	0.03%	671.97 (27)	652.54 (26)	Y	Y	Y
COLGATE-PALM.CO.	C.Staples	16.45%	13.31%	0.69%	218.06 (163)	219.01 (152)	Y	Y	Y
ELI LILLY & CO.	HealthCare	23.79%	19.08%	0.64%	326.47 (86)	316.65 (95)	Y	Y	Y
EQUINIX INCO.	Financials	25.63%	19.04%	0.09%	239.04 (141)	213.66 (158)	Y	Y	Y
FACEBOOK INCO.	IT	34.60%	21.00%	0.20%	2406.74 (3)	2561.46 (2)	Y	Y	Y
HOME DEPOT INCO.	C.Discretionary	20.56%	14.32%	0.98%	675.94 (26)	583.21 (32)	Y	Y	Y
ICTL.EXCHANGE INCO.	Financials	25.50%	20.69%	0.12%	217.08 (165)	165.76 (222)	Y	Y	Y
LOWE'S COMPANIES INCO.	C.Discretionary	22.42%	16.03%	0.77%	395.93 (68)	364.74 (75)	Y	Y	Y
MARSH & MCLENNAN COS.	Financials	16.29%	13.45%	0.24%	138.08 (290)	152.73 (244)	Y	N	N
QUALCOMM INCO.	IT	30.32%	23.25%	0.72%	489.03 (43)	532.29 (38)	Y	Y	Y
STRYKER CORP.	HealthCare	15.30%	14.86%	0.51%	150.40 (264)	162.71 (225)	Y	N	N
VENTAS INCO.	Financials	25.37%	18.99%	1.04%	153.49 (255)	151.74 (249)	Y	N	N
WELLTOWER INCO.	Financials	29.07%	20.10%	0.51%	187.16 (205)	157.04 (235)	Y	Y	Y

Table 2: The Column B shows whenever the added stock was in the S&P500 Index NR selection as of 18-Jul-2016. The columns LF/EU show whenever the stock was selected by the liquidity filter/eligible universe as of 18-Jul-2016.

## 6 Deleted Stocks

The rebalancing has deleted 20 new stocks. In the table below, T is the current rebalancing date (22-Aug-2016), while T-1 is the previous rebalancing date (18-Jul-2016). Vol(T-1) and Vol(T) are the annualized volatilities computed over 125 business days ending, respectively, on 12-Jul-2016 and 16-Aug-2016. The average daily volumes ADV(T-1) and ADV(T), expressed in mln USD, are computed over 50 business days ending on the same dates as before, with the relative ranking over the benchmark S&P500 Index NR. Finally, WW(T-1) is the stock weight at the previous rebalancing date.

	Sector	Vol(T-1)	Vol(T)	WW(T-1)	ADV(T-1)	ADV(T)	B	LF	EU
BECTON DICKINSON & CO.	HealthCare	17.95%	14.72%	1.29%	162.61 (236)	148.55 (258)	Y	N	N
BEST BUY CO.INCO.	C.Discretionary	34.74%	27.90%	0.25%	164.66 (231)	138.33 (275)	Y	N	N
BRISTOL MYERS SQUIBB CO.	HealthCare	21.35%	29.84%	0.62%	429.39 (60)	636.82 (27)	Y	Y	Y
DEERE & CO.	Industrials	26.07%	23.36%	0.44%	264.80 (119)	243.98 (136)	Y	Y	Y
DIGITAL REALTY TST.INCO.	Financials	22.20%	21.26%	0.64%	236.71 (147)	181.29 (197)	Y	Y	Y
GEN.MILLS INCO.	C.Staples	16.55%	15.46%	0.22%	220.62 (161)	240.67 (140)	Y	Y	Y
GENERAL MOTORS CO.	C.Discretionary	24.78%	23.72%	0.09%	365.57 (76)	410.31 (59)	Y	Y	Y
HUMANA INCO.	HealthCare	29.65%	31.15%	0.85%	291.85 (107)	380.74 (68)	Y	Y	Y
KELLOGG CO.	C.Staples	17.52%	18.29%	0.80%	179.94 (211)	214.54 (157)	Y	Y	Y
KOHL'S CORP.	C.Discretionary	42.51%	39.95%	0.25%	158.78 (244)	161.51 (228)	Y	Y	Y
MACY'S INCO.	C.Discretionary	34.31%	41.94%	0.24%	264.35 (120)	266.86 (113)	Y	Y	Y
MERCK & COMPANY INCO.	HealthCare	18.15%	21.12%	0.56%	509.62 (39)	631.06 (29)	Y	Y	Y
PPL CORP.	Utilities	18.93%	17.52%	0.47%	195.55 (194)	188.91 (188)	Y	Y	Y
ROSS STORES INCO.	C.Discretionary	23.71%	20.69%	0.00%	171.81 (220)	158.97 (231)	Y	Y	Y
SIMON PROPERTY GP.INCO.	Financials	18.68%	16.73%	0.46%	293.59 (106)	256.93 (123)	Y	Y	Y
SYNCHRONY FINANCIAL	Financials	36.02%	31.77%	0.13%	272.34 (113)	275.26 (111)	Y	Y	Y
TARGET CORP.	C.Discretionary	23.68%	22.13%	0.28%	498.29 (42)	358.54 (80)	Y	Y	Y
TEXAS INSTRUMENTS INCO.	IT	21.91%	20.47%	0.15%	312.60 (94)	379.61 (70)	Y	Y	Y
TJX COMPANIES INCO.	C.Discretionary	19.45%	18.40%	1.40%	266.74 (117)	249.29 (132)	Y	Y	Y
UNITED TECHS.CORP.	Industrials	19.35%	16.92%	0.42%	393.64 (69)	371.31 (74)	Y	Y	Y

Table 3: The Column B shows whenever the deleted stock was in the S&P500 Index NR selection as of 22-Aug-2016. The columns LF/EU show whenever the stock was selected by the liquidity filter/eligible universe as of 22-Aug-2016.

## 7 Ranking Index Constituents - Top 25

The table shows the top 25 positions in the Ossiam US Minimum Variance Index NR as of 22-Aug-2016. The column WW indicates the weights in the Ossiam US Minimum Variance Index NR as of 22-Aug-2016. The column Vol gives the annualized volatility computed over 125 business days ending on 16-Aug-2016. We also provide the ranking of these volatilities (Rank Vol) relative to the Filtered Selection at the rebalancing date. The column Corr gives the average correlation of each stock relative to the rest of the filtered selection, computed over 500 business days ending on 16-Aug-2016. We also provide the ranking of these correlations (Rank Corr) relative to the Filtered Selection at the rebalancing date. The Rank Blend is computed as 66% Rank Vol + 34% Rank Corr. The lower the stock's Rank Blend, the higher the likelihood that the stock will be overweighted in the Index. Finally, the column Core shows whether the stock was in the Ossiam US Minimum Variance Index NR already (YES) or it entered at this rebalancing (NO).

	Sector	WW	Vol	Rank Vol	Corr	Rank Corr	Rank Blend	Core
EMC CORP.	IT	4.22%	10.98%	2	36.94%	151	52	YES
JOHNSON & JOHNSON	HealthCare	3.71%	9.73%	1	41.55%	205	70	YES
KRAFT HEINZ CO.	C.Staples	3.11%	18.84%	72	20.02%	8	50	YES
UNITED PARCEL SER.INCO.	Industrials	3.01%	11.58%	4	40.76%	196	69	YES
THE SOUTHERN CO.	Utilities	2.96%	14.15%	19	20.05%	9	15	YES
AT&T INCO.	Telecom.	2.84%	11.85%	6	35.05%	134	49	YES
CROWN CASTLE INTL.CORP.	Financials	2.83%	12.67%	10	35.02%	133	51	YES
RAYTHEON CO.	Industrials	2.74%	13.12%	13	33.62%	110	45	YES
3M CO.	Industrials	2.68%	11.50%	3	43.60%	221	77	YES
LOCKHEED MARTIN CORP.	Industrials	2.66%	11.90%	7	37.63%	158	58	YES
PG&E CORP.	Utilities	2.28%	14.30%	21	24.71%	21	21	YES
THE PROCTER & GAMBLE CO.	C.Staples	2.26%	11.62%	5	38.24%	164	59	YES
SYSCO CORP.	C.Staples	2.21%	15.47%	38	27.67%	41	39	YES
CONS.EDISON INCO.	Utilities	2.20%	16.52%	47	16.16%	2	31	YES
HCA HOLDINGS INCO.	HealthCare	2.16%	19.53%	85	29.49%	54	74	YES
UNITEDHEALTH GROUP INCO.	HealthCare	2.07%	14.05%	18	38.31%	165	67	YES
ALTRIA GROUP INCO.	C.Staples	2.06%	12.77%	11	30.91%	77	33	YES
NEWMONT MINING CORP.	Materials	2.01%	43.32%	231	6.11%	1	152	YES

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	Sector	WW	Vol	Rank Vol	Corr	Rank Corr	Rank Blend	Core
NORTHROP GRUMMAN CORP.	Industrials	1.97%	12.64%	9	39.73%	187	69	YES
COMCAST CORP.	C.Discretionary	1.96%	13.38%	15	39.64%	185	72	YES
THE WALT DISNEY CO.	C.Discretionary	1.85%	15.01%	31	38.70%	174	79	YES
DOMINION RESOURCES INCO.	Utilities	1.78%	14.64%	25	27.24%	35	28	YES
DUKE ENERGY CORP.	Utilities	1.76%	15.43%	36	21.36%	12	27	YES
AUTOZONE INCO.	C.Discretionary	1.73%	15.75%	42	34.66%	127	70	YES
TYSON FOODS INCO.	C.Staples	1.69%	19.51%	84	21.57%	14	60	YES



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