

Factoring in Factors



Call it factor investing, strategic, alternate, or smart beta. It all boils down to the same thing: accessing the return that comes from exposure to non-market risk factors, as opposed to the return stemming from risk associated with the broad market. Tilting towards certain non-market risk factors can be seen as appealing because, under the right conditions, they may offer their own premia. This kind of strategy may also be helpful in diversifying a portfolio, as historically, there have been lower correlations between factors than between asset classes.

S&P Dow Jones Indices

A Division of **S&P Global**

From active to passive

Before the first factor indices and associated products were launched, investors had to rely primarily on active managers for exposure to smart beta strategies. Indexing factor approaches has made them widely available to a broad array of investors through new products. Because they're passive, investment vehicles based on factor indices can offer exposure that's cheaper, more accessible, and more efficient than ever.

The factor spectrum

S&P DJI offers indices tracking the following factors. Historically, they each have exhibited their own distinctive patterns of performance over market cycles.



Statistical Summary of the S&P South Africa Smart Beta Indices and the S&P South Africa Composite

	S&P Low Volatility South Africa	S&P Momentum South Africa	S&P Enhanced Value South Africa Composite	S&P Quality South Africa	S&P Dividend Aristocrats South Africa	S&P GIVI South Africa Composite	S&P South Africa Composite Quality, Value & Momentum Multi-factor Index	S&P South Africa Composite
Moments								
Annual Return (%)	14.03	14.37	12.14	16.89	15.57	8.38	12.78	11.48
Annual Volatility (%)	8.65	12.63	15.83	13.13	11.35	12.77	11.59	11.25
Ratios								
Risk-adjusted Return	1.62	1.14	0.77	1.29	1.37	0.66	1.10	1.02
Percentage of Months With + Returns	64.3	59.5	65.5	66.7	66.7	60.7	64.3	60.7
Extreme Risk Statistics								
Best Monthly Return (%)	7.7	9.8	21.8	12.9	11.0	10.0	8.8	9.7
Worst Monthly Return (%)	(4.4)	(7.4)	(11.9)	(7.6)	(6.5)	(18.0)	(8.5)	(5.6)
Performance Relative to the S&P South Africa Composite								
Monthly Alpha (%)	0.61	0.38	0.42	0.69	0.67	(0.10)	0.23	-
Beta to Market	0.54	0.84	0.66	0.71	0.62	0.87	0.87	-
Beta in up Market	0.36	0.83	0.52	0.44	0.39	0.98	0.86	-
Beta in down Market	0.47	0.73	0.21	0.81	0.49	0.78	0.95	-
Correlation with the S&P South Africa Composite	0.70	0.75	0.47	0.61	0.62	0.77	0.84	-
Drawdown History								
Maximum Drawdown	(10.6)	(24.8)	(28.6)	(15.7)	(14.7)	(24.3)	(18.4)	(8.9)
Peak Date	Oct-15	Oct-15	Jan-15	Apr-15	Apr-15	Oct-17	Oct-15	Oct-15
Trough Date	Jan-16	Jun-17	Dec-15	Jan-16	Jan-16	Mar-18	Oct-16	Jan-16
No. of Months From Peak to Trough	3	20	11	9	9	5	12	3
Recovery Length (No. of Months)	23	-	4	19	3	-	-	4

Source: S&P Dow Jones Indices and/or its affiliates. Data from March 31, 2011 to March 30, 2018. This chart is provided for illustrative purposes only. Past performance is no guarantee of future results. This chart reflects hypothetical performance. Please see the Performance Disclosure at the end of this document for more information regarding the inherent limitations associated with back-tested performance. All index data is price return in the local currency (ZAR).

Combining factors

S&P DJI offers a broad suite of factor indices, giving investors the tools to design a custom smart beta strategy. Our indices range from those covering a single factor to those that combine multiple factors and encompass a wide range of regions, spanning developed and emerging markets. All of these variables help investors manage the types and levels of risk they take on. Our factor indices feature transparent, publicly available methodologies so investors can understand how index constituents are selected and how index values are calculated. In addition to the featured indices below, we also offer factor-based strategies as overlays on our global benchmark, the S&P Global BMI, and its regional subindices.

Featured Smart Beta Index Offerings and Related Products

Index	Currency	Bloomberg Ticker	Exchange Traded Fund	ETF Ticker	Exchange
VOLATILITY					
S&P South Africa Low Volatility Index	ZAR	SPSALVZP	CoreShares LowVoltrax	LVLTRX:SJ	JSE
S&P Low Beta South Africa Composite Index	ZAR	SPLBACZP			
DIVIDENDS					
S&P South Africa Dividend Aristocrats Index	ZAR	SPSADAZP	CoreShares Divtrax	DIVTRX: SJ	JSE
S&P Global Dividend Aristocrats Blend Index (Custom)	ZAR	SPDAGXZP	CoreShares Global DivTrax	GLODIV:SJ	JSE
MULTI-FACTOR					
S&P GIVI South Africa Financials	ZAR	SPVSAFZP	NewFunds S&P GIVI South Africa Financials 15	GIVFIN:SJ	JSE
S&P GIVI South Africa Industrials	ZAR	SPVSAIZP	NewFunds S&P GIVI South African Industrial 25	GIVIND:SJ	JSE
S&P GIVI South Africa Resources	ZAR	SPVSARZP	NewFunds S&P GIVI South Africa Resources 15	GIVRES:SJ	JSE
S&P GIVI South Africa Top 50	ZAR		NewFunds S&P GIVI South Africa Top 50	GIVISA:SJ	JSE
	USD	SPVSA5ZP	NewFunds S&P GIVI South Africa Top 50	NERA.N0001	SEM
S&P GIVI South Africa Composite Index	ZAR	SPVSACZP			
S&P South Africa Composite Quality, Value & Momentum Multi-factor Index	ZAR	SPFQVMZP			
QUALITY					
S&P Quality South Africa Index	ZAR	SPSAQZP	Satrix Quality South Africa ETF	STXQUA:SJ	JSE
MOMENTUM					
S&P Momentum South Africa Index	ZAR	SPSAMZP			
S&P Short-Term Momentum South Africa Index	ZAR	SPSASMZP			
VALUE					
S&P Enhanced Value South Africa Composite Index	ZAR	SEVSACZP			
S&P Intrinsic Value Weighted South Africa Composite Index	ZAR	SPIWACZP			
EQUAL WEIGHT					
S&P South Africa 50 Equal Weight Index	ZAR	SPA50EZP			

About S&P Dow Jones Indices

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Performance disclosure

The S&P Low Vol South Africa was launched on Jan 29, 2014. The S&P Momentum South Africa was launched on Nov 18, 2014. The S&P Enhanced Value South Africa Composite was launched on April 27, 2015. The S&P Quality South Africa was launched on Dec 10, 2014. The S&P Div Arist South Africa was launched on Jan 29, 2014. The S&P GIVI South Africa Composite was launched on Apr 3, 2014. The S&P South Africa Composite QVM was launched on July 27, 2017. The S&P South Africa Composite was launched on Feb 6, 2014. All information presented prior to this Launch date is back-tested. Back-tested performance is not actual performance, but is hypothetical (see below). The back-tested calculations are based on the same methodology that was in effect on the Launch date. The Launch date designates the date upon which the values of an index are first considered live, which S&P Dow Jones Indices considers to be the date by which the values of an index are known to have been released to the public, for example via the company's public Web site or its datafeed to external parties.

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