



P R O D U C T S

**QUANTITATIVE PORTFOLIO MANAGEMENT
INDEX TRACKING
AND ENHANCED INDEXING**

Dynagest has acknowledged expertise in index tracking and enhanced indexing. It offers a wide range of quantitative management approaches, allowing it to provide more targeted risk management solutions.

- Dynagest's strengths**
- ◆ mastery of the different portfolio insurance techniques
 - ◆ integration of portfolio insurance techniques*
 - ◆ ability to meet its clients' specific needs.

*See brochure "Quantitative Portfolio Management, Ratchet Management and Portfolio Insurance".

- Management techniques**
- ◆ full replication
 - ◆ optimised sampling
 - ◆ Key Rate Durations.*

*See brochure "Fixed Income Management".

- Areas of application**
- Equity markets:
- ◆ by country
 - ◆ by sector
 - ◆ by style.
- Fixed income markets:
- ◆ by type of issuer
 - ◆ by maturity
 - ◆ by currency.

- Services**
- ◆ risk analysis and control in line with fixed objectives
 - ◆ securities selection using quantitative models
 - ◆ development and implementation of client-targeted solutions
 - ◆ institutional reporting.

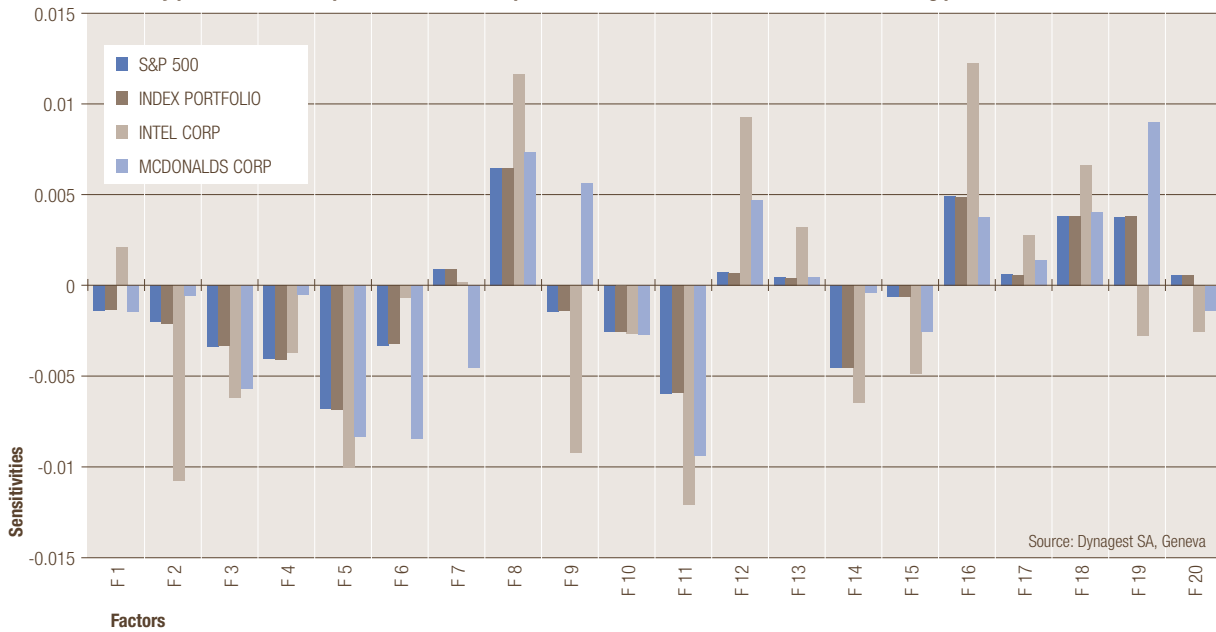
- Fees**
- Management fees vary between 0.05% and 0.5% depending on the type of approach and amount under management. A degressive fee structure is preferred.

- Medium- and long-term objectives**
- Dynagest's goal is to provide clients with cutting-edge products that satisfy a wide range of risk levels. It intends to achieve this by:
- ◆ exploring further possibilities for index tracking and enhanced indexing
 - ◆ pursuing the development of synergies with other quantitative management techniques*
 - ◆ creating new products.

*See brochure "Quantitative Portfolio Management, Ratchet Management and Portfolio Insurance".

Index tracking through optimised sampling using a 20-factor risk model:

Sensitivity profiles of Intel Corp and McDonalds compared to those of the S&P 500 and an index tracking portfolio of 140 stocks.



Stocks react differently to movements in common factors. By structuring a portfolio's sensitivities in line with those of an index it is possible to track that index irrespective of the behaviour of these factors.

Dynamics of index tracking

- ◆ Index tracking aims to replicate the performance of an index as closely as possible while strictly containing risk. The techniques used generally fall into three categories: full replication, statistical sampling, and use of derivatives.
- ◆ Full replication involves constructing a portfolio whose composition mirrors that of the index. This technique is well suited to indices comprising a limited number of stocks, such as the SMI or EuroStoxx 50.
- ◆ To track larger indices, optimised sampling is more appropriate. This technique aims to reproduce the essential characteristics of an index by holding a selection of underlying stocks. The preferred solution consists of using a multi-factor risk model.
- ◆ The underlying indices for derivatives can be replicated through the use of futures. This third approach is employed mainly as an addition to the other two methods, to make temporary adjustments to the portfolio.
- ◆ Enhanced indexing is an intermediate step between pure index tracking and active management. It aims to outperform the benchmark index by holding a selection of assets, while maintaining a risk profile very close to that of the benchmark. Compared with traditional active management, this approach has the advantage of containing the risk of underperformance within a predefined range.
- ◆ Index tracking is also applied in the field of fixed income. The management principles are similar to stock-based tracking, but the techniques differ because of the different characteristics of this type of securities. Dynagest has developed a methodology based on the Key Rate Durations* concept. Using this tool, portfolios can be created with sensitivity to shifts in the yield curve that is identical to that of the index.

*See brochure "Fixed Income Management".

- Strengths of index tracking and enhanced indexing**
- ◆ clearly defined objectives
 - ◆ predictable performance in relation to a benchmark index
 - ◆ optimum long-term returns relative to the degree of risk
 - ◆ efficient implementation of strategic asset allocation
 - ◆ cost-efficient techniques.

- Dynagest's major clients for index tracking and enhanced indexing**
- ◆ Fédération Rurale de Prévoyance Professionnelle, Montreux
 - ◆ Fondation Charles Léopold Mayer pour le progrès de l'homme, Paris, Lausanne.

- Funds managed and advised by Dynagest**
- As of 31 March 2011, Dynagest was applying index tracking or enhanced indexing to the bond portfolio of the following funds:
- ◆ BCV Dynamic Fund - BCV Dynagest Corporate Bond Expo (CHF), Banque Cantonale Vaudoise, Lausanne
 - ◆ Institutionnel 3D - segment "Obligations Monde (ex-CHF) couvertes en CHF-C", Caisse de Prévoyance du personnel enseignant de l'Instruction publique et des fonctionnaires de l'Administration du canton de Genève (CIA).

- Management mandates**
- Dynagest also provides management and advisory services directly on behalf of institutional clients. The direct mandate is a particularly flexible means of selecting indexes or taking into account specific investor needs.

Insight articles authored by Dynagest*

- ◆ [Gestion des actifs: les atouts de la co-intégration](#)
- ◆ [La dynamique interne de la gestion indicelle](#)
- ◆ [Les Key Rate Durations surpassent la duration modifiée.](#)

*Available from Dynagest SA or on the website at www.dynagest.ch

The information provided in this brochure is valid as of 31 March 2011.