

European ETF Agefi awards 2019

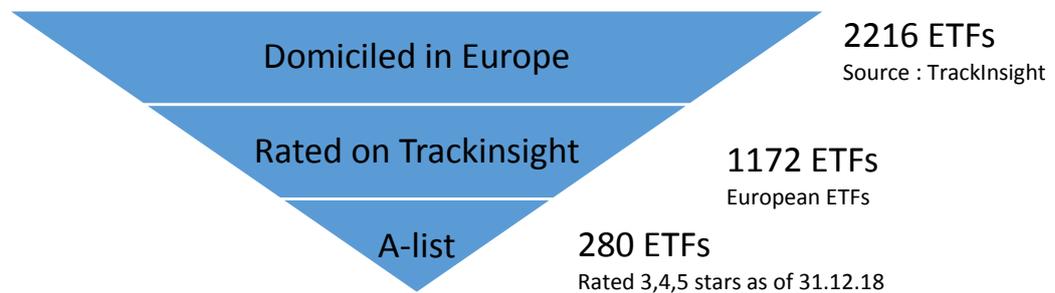
Methodology

The fourth edition of the European ETF Agefi awards aims to reward the best ETFs regarding the replication quality among three major categories:

- Developed Market Large Cap Equities,
- Emerging Market Equities,
- Developed Market Corporate Investment Grade Bonds.

Only ETFs belonging to the **TrackInsight A-list** as of 31.12.2018, i.e. having a rating between 3 and 5 stars, are eligible to the European ETF Agefi awards 2019. The TrackInsight ratings reward the replication quality through the combination of four quantitative metrics widely recognised in both industry and academia: the tracking difference, the tracking error, the Hurst exponent and the kurtosis. It is freely available online on the TrackInsight platform (www.trackinsight.com).

The emerging market equities and developed market corporate investment grade bonds categories perfectly match existing families used for the TrackInsight rating. It should also be noted that the third category pool several families: the “Developed Market Large Cap Equities” category includes the developed market North America large-cap equities, the developed market Europe large-cap equities and the developed market Asia large-cap equities funds belonging to the A-list.



Categories	Developed Market Large Cap Equities	Emerging Market Equities	Corporate Investment Grade Bonds
	129 ETFs	26 ETFs	11 ETFs
TrackInsight families	<ul style="list-style-type: none"> • Dev North America LC equities • Dev Europe LC equities • Dev Asia LC equities 	<ul style="list-style-type: none"> • Emerging market equities 	<ul style="list-style-type: none"> • Developed Market Corporate Investment Grade Bonds

For each category, the European ETF Agefi awards 2019 reward the best ETFs regarding tracking difference and in tracking error among the short-list of well-rated ETFs. Only the best performing share class for each fund is considered.

1) Tracking difference award methodology

The tracking difference is the difference of annualised performance between an ETF and its official benchmark over a given period.

For this award, we use a similar methodology to that used to compute the TrackInsight ratings, **but over 1 year** of track record (01.01.2018 – 31.12.2018): we compute the median value of the 1-year tracking difference for the 13 TrackInsight families detailed in the rating methodology. To ensure the fairness of our process, we still distinguish ETFs which are following NTR (Net Total Return) indices from those that are tracking GTR (Gross Total Return) indices.

Then, we gather the eligible ETFs (A-list and belonging to one of the five TrackInsight families) within one of the 3 categories. For each category, we attribute a score between 0 and 20 points based on the two following criteria (10 points each):

- The difference between the 1Y TD of the ETF and the median value of its TrackInsight family (the best being the highest one within the category)
- The amplitude in its 1Y trailing difference (the best being the lowest one). The trailing difference is a rolling 1Y TD, computed every day between the 31.12.17 and the 31.12.18. For this, we simply observe the distance between the max and the min of the trailing difference.

The prize winner in each family is the ETF which shows the best score.

2) Tracking error award methodology

The Tracking error is the annualised volatility of the daily return difference between the ETF and the index it officially tracks over a given period.

This award recognises ETFs which are showing the best statistical measures related to the tracking error within the three categories detailed above. For each category, we attribute a score between 0 and 20 points based on the two following criteria (10 points each):

- The 1Y tracking error, the best being the closest to 0
- The amplitude of daily excess return (the best being the lowest one). Every day, we compute the difference between the performance of each ETF and its related benchmark. The lowest is the difference between the max and the min of the daily excess return between the 31.12.2017 and the 31.12.2018 and the highest will be the score.

The prize winner in each category is the ETF which shows the highest score.