

Agefi Award 2020
Methodology



Eligibility Requirements

As part of the fifth edition of the European ETF Agefi awards, an ETF must meet the following basic criteria to be considered:

- Be listed on the Euronext family of exchanges
- Belong to a segment that has at least 9 other ETFs to provide sufficient competition for an award – see the segment definitions below
- Both physical and synthetically replicated ETFs are eligible without any distinctions.

This year, Agefi gives three different awards in the four following categories, built from the TrackInsight classification:

Developed Market Large Cap Equities

Emerging Equities

Developed Market Corporate Bonds

ESG

Apart from the category "ESG", which relies on a separate classification, the other three are based on the TrackInsight peer groups used to determine the TrackInsight ratings.

The **Developed Market Large Cap Equities** category includes European, North American and Asian exposures and includes ETFs tracking large, mid and small cap securities. The **Developed Market Corporate Bonds** category includes Investment Grade and High Yield exposures.

This split allows us to have a significant number of eligible ETF within each segment to ensure the fairness of the methodology:

- Developed Market Large Cap Equities – 297 ETFs
- Developed Market Corporate Bonds – 36 ETFs
- Emerging Equities – 68 ETFs
- ESG – 83 ETFs

As each ETF can compete in only one category per award, we removed ESG ETFs from the 3 first categories.

The 2020 edition of the Agefi Awards honours ETFs that show outstanding records in term of replication quality, that have captured investor interest and that have attracted large amount of assets through the three following prizes:

- **Most Efficient Tracking Award**
- **Investor Inspiration Award**
- **HyperGrowth Award**

Most Efficient Tracking Award

This prize reward the most impressive replication quality over the three last years (as of the end of June 2020).

Eligible funds must have a minimum TrackInsight rating¹ of 3 stars, meaning that they have a tracking difference and a tracking error better than the median of their own TrackInsight peer groups. By default, unrated or poorly rated ETFs are excluded. After implementing this constraint, we end with following eligible universes by segment:

- Developed Market Large Cap Equities – 92 ETFs
- Developed Market Corporate Bonds – 10 ETFs
- Emerging Equities – 11 ETFs
- ESG – 7 ETFs

Unfortunately, the number of eligible ETF in the ESG category is below the threshold of 10 ETFs introduced in the “Eligibility Requirements” section, meaning only three categories can be awarded.

To determine a winner for each segment, we’ve applied the following formula to compute a score for each ETF:

$$\text{Tracking Score} = \sqrt{\left(\frac{\text{Excess TE}}{\text{StDev TE}}\right)^2 + \left(\frac{\text{Excess TD}}{\text{StDev TD}}\right)^2}$$

Where,

Excess TE = ETF 3Y TE – Benchmark 3Y TE

StDev TE = Standard Deviation of the 3Y TE for the ETF TrackInsight rating peer group

Excess TD = ETF 3Y TD – Benchmark 3Y TD

StDev TD = Standard Deviation of the 3Y TD for the ETF TrackInsight rating peer group

Data as of end of June 2020.

¹ 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).

Investor Inspiration Award

This is a peer-group relative award that identifies the ETF that has best captured the attention of investors. We measure the positive momentum of attention through the change in monthly average number of page view between the first and the last semester of the period (as of the end of august 2020).

Eligible funds must be available on TrackInsight at the beginning of the period (end of August 2019). This requirement reduces the eligible universe per category to:

- Developed Market Large Cap Equities – 171 ETFs
- Developed Market Corporate Bonds – 26 ETFs
- Emerging Equities – 37 ETFs
- ESG – 47 ETFs

For each category, the winner is the ETF showing the strongest growth in monthly average number of page view between the first and the last semester of the 12-months period (August 19 – August 20)

$$\text{Investor Inspiration award} = \frac{\text{Monthly Average (Pages viewed the last 6 months)}}{\text{Monthly Average (Pages viewed the first 6 months)}} - 1$$

HyperGrowth Award

This award identifies ETFs that have seen the biggest improvement in sales, measured by the largest inflows over a 12-months period (as of end of august 2020).

Eligible funds needed a minimum of \$ 20m AUM as of the beginning of the period (August 30th, 2019). Given this constraint, we end up with the following number of eligible ETFs:

- Developed Market Large Cap Equities – 228 ETFs
- Developed Market Corporate Bonds – 49 ETFs
- Emerging Equities – 32 ETFs
- ESG – 50 ETFs

For each category, the winner is the eligible ETF showing the highest growth rate computed from its net inflows and AUM at the beginning of the period, according to the following formula:

$$\text{HyperGrowth Award} = \frac{12\text{months net inflows}}{\text{AUM (as of Aug19)}}$$