

# MSCI MINIMUM VOLATILITY HEDGED INDEXES (CAD)

TRACKING BROAD MARKET RETURNS WITH LOWER RISK WHILE SEEKING TO REMOVE THE DIRECT IMPACT OF CURRENCY

MSCI launched the industry's first Minimum Volatility index in 2008, and continues to be a leader in factor index construction. With the growth of international investing, the impact of currency movements remains a significant issue. All investors are exposed to currency risk when investing abroad and adverse moves in exchange rates can dramatically impact their performance. MSCI's Minimum Volatility 100% Hedged to CAD Indexes reflect the innovation by combining these two important investment trends.

## WHY DO INVESTORS USE MINIMUM VOLATILITY STRATEGIES?

- Reduction of portfolio volatility up to 34%<sup>1</sup>
- One of the few strategies that aims to outperform the broad market in adverse market conditions
- High investability and replicability while avoiding unintended bets on countries, sectors, and styles

## WHY DO INVESTORS USE CURRENCY HEDGED STRATEGIES?

- For a Canada based investor, foreign currencies represent over 97% of the MSCI ACWI, MSCI's global index.
- Currency hedging is a tool for reducing the risk of fluctuating exchange rates, while holding equity exposure constant.
- These strategies provide increased risk control by separating currency risk from pure equity risk.

## KEY BENEFITS OF THE MSCI MINIMUM VOLATILITY HEDGED INDEXES

MSCI Minimum Volatility 100% Hedged to CAD Indexes can be used for cost-effective replication, benchmarking low volatility managers, and creating combinations of MSCI Minimum Volatility Hedged Indexes and their corresponding MSCI Hedged Parent Indexes.

FIGURE 1: PERFORMANCE OF MSCI ACWI MINIMUM VOLATILITY INDEX RELATIVE TO MSCI ACWI INDEX

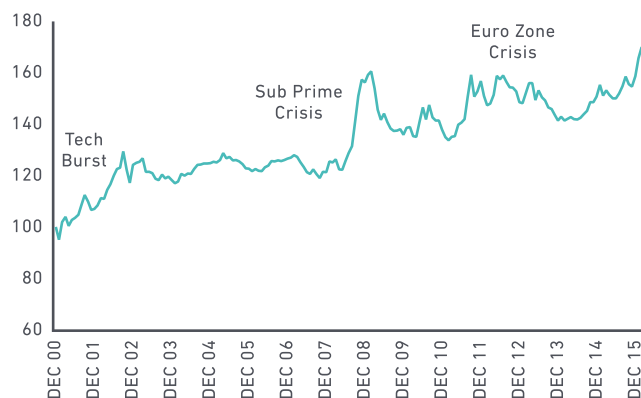
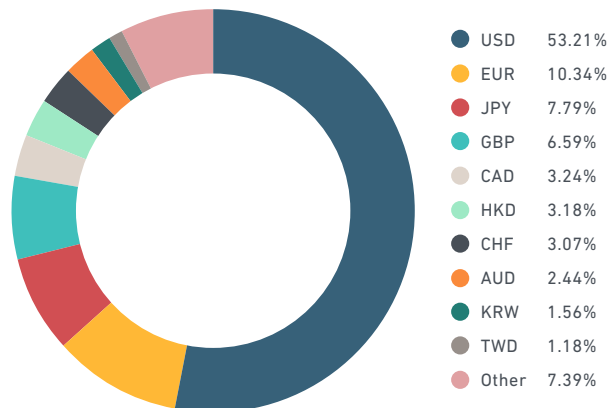


FIGURE 2: CURRENCY EXPOSURE OF MSCI ACWI\*



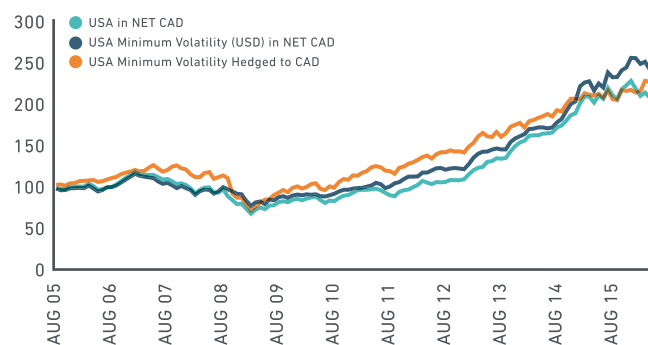
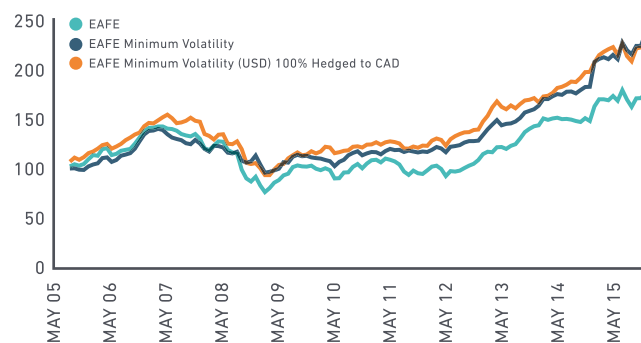
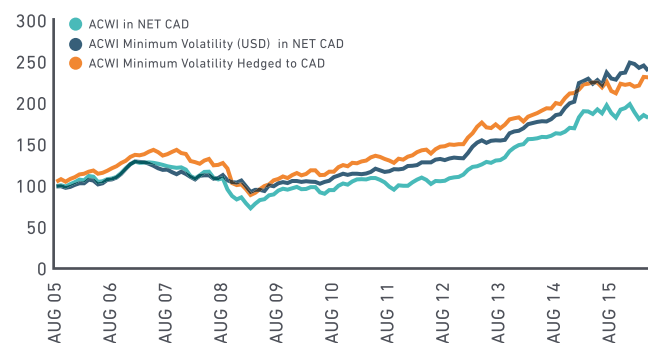
\* Data as of April 30, 2016

<sup>1</sup> From January 1, 2001 to March 31, 2016.

**FIGURE 3: ANNUALIZED PERFORMANCE AND RISK OF SELECTED MSCI INDEXES FROM APRIL 30, 2006 TO APRIL 30, 2016, NET MONTHLY RETURNS**

INDEX	TOTAL RETURN	TOTAL RISK <sup>1</sup>	RETURN/RISK
ACWI IN NET CAD	5.05%	11.91%	0.42
ACWI MINIMUM VOLATILITY (USD) IN NET CAD	8.37%	9.21%	0.91
<b>ACWI MINIMUM VOLATILITY HEDGED TO CAD</b>	<b>6.87%</b>	<b>10.22%</b>	<b>0.67</b>
EAFE IN NET CAD	2.75%	13.67%	0.20
EAFE MINIMUM VOLATILITY (USD) IN NET CAD	7.09%	10.65%	0.67
<b>EAFE MINIMUM VOLATILITY HEDGED TO CAD</b>	<b>5.83%</b>	<b>10.49%</b>	<b>0.56</b>
USA IN NET CAD	7.46%	11.59%	0.64
USA MINIMUM VOLATILITY (USD) IN NET CAD	9.42%	10.54%	0.89
<b>USA MINIMUM VOLATILITY HEDGED TO CAD</b>	<b>7.67%</b>	<b>12.27%</b>	<b>0.62</b>

<sup>1</sup> Annualized standard deviation based on monthly net returns.



The MSCI Minimum Volatility Hedged Indexes aim to capture broad market returns with lower risk while seeking to remove the direct impact of currency. The indexes include all of the securities and weights of each corresponding unhedged MSCI Minimum Volatility Index and provide increased risk control by enabling investors to measure the impact of hedging currency, while holding equity exposure constant.

The information contained herein (the "Information") may not be reproduced or disseminated in whole or in part without prior written permission from MSCI. The Information may not be used to verify or correct other data, to create indexes, risk models, or analytics, or in connection with issuing, offering, sponsoring, managing or marketing any securities, portfolios, financial products or other investment vehicles. Historical data and analysis should not be taken as an indication or guarantee of any future performance, analysis, forecast or prediction. None of the Information or MSCI index or other product or service constitutes an offer to buy or sell, or a promotion or recommendation of, any security, financial instrument or product or trading strategy. Further, none of the Information or any MSCI index is intended to constitute investment advice or a recommendation to make (or refrain from making) any kind of investment decision and may not be relied on as such. The Information is provided "as is" and the user of the Information assumes the entire risk of any use it may make or permit to be made of the Information. NONE OF MSCI INC. OR ANY OF ITS SUBSIDIARIES OR ITS OR THEIR DIRECT OR INDIRECT SUPPLIERS OR ANY THIRD PARTY INVOLVED IN THE MAKING OR COMPILING OF THE INFORMATION (EACH, AN "MSCI PARTY") MAKES ANY WARRANTIES OR REPRESENTATIONS AND, TO THE MAXIMUM EXTENT PERMITTED BY LAW, EACH MSCI PARTY HEREBY EXPRESSLY DISCLAIMS ALL IMPLIED WARRANTIES, INCLUDING WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE. WITHOUT LIMITING ANY OF THE FOREGOING AND TO THE MAXIMUM EXTENT PERMITTED BY LAW, IN NO EVENT SHALL ANY OF THE MSCI PARTIES HAVE ANY LIABILITY REGARDING ANY OF THE INFORMATION FOR ANY DIRECT, INDIRECT, SPECIAL, PUNITIVE, CONSEQUENTIAL (INCLUDING LOST PROFITS) OR ANY OTHER DAMAGES EVEN IF NOTIFIED OF THE POSSIBILITY OF SUCH DAMAGES. The foregoing shall not exclude or limit any liability that may not by applicable law be excluded or limited.

©2016 MSCI Inc. All rights reserved | CFS0516

