

15/08/2016

CGE-EMB Indices Methodology



Etienne Thomas
EMERGING MANAGERS' BOARD

Table of content

Introduction	1
Eligibility Criteria	1
CGE-EMB Indices Construction	1
Benchmarks Construction	2
CGE-EMB Indices Publication	2
Disclaimer.....	3
Contacts.....	3

Introduction

The Emerging Manager's Board (EMB) is a non-profit organization whose mission is to promote and contribute to the growth of Canadian emerging managers. It strives to educate asset allocators and investors about the benefits of investing with emerging managers.

To measure the performance of the EMB portfolio managers, three indices will be created:

- 1. Equity Index CGE-EMB QC**
- 2. Fixed Income Index CGE-EMB QC**
- 3. Alternative Investments Index CGE-EMB QC**

Those indices will be updated monthly and will aim to show a consolidated performance of the funds managed by emerging asset managers in Quebec.

Eligibility Criteria

For Companies

Each company has to be an Emerging Managers' Board member

To appear in the CGE-EMB Equities and Alternative Investments Indices, companies must have assets under management worth 1 (one) billion \$CAD or less.

To appear in the Index Fixed Income Securities, companies must have assets under management worth five (5) billion \$CAD or less.

For Managers

All managers acting through their firm must be properly registered with the relevant institutions. In Quebec, portfolio managers or funds must be properly registered with the AMF.

For Funds

CGE-EMB Indices' funds must be audited at least once a year. All funds have to be offered by Offering Memorandum, Prospectus or without Prospectus according to AMF Standards. All non-compliant funds will not be represented in CGE-EMB Indices.

All funds have to be audited and we require at least 6 months of past performance.

CGE-EMB Indices Construction

The weight of funds in CGE-EMB Indices:

All funds will be equally weighted and therefore have the same importance within the indices.

Share of selected funds and management fees:

The selected share of each fund will be the "fee based" one. We will select the share directed to the institutional public. Further analysis of each fund will determine the appropriate share. The performance studied of each fund will be net of all fees (management fees and performance fees).

Currency funds:

The monthly Net Asset Value of each Fund will be denominated in Canadian dollars (CAD \$). Any fund only listed in another currency will see its NAV converted at the spot exchange rate at the collection time.

Index calculation:

The three indices will start on January 1st, 2016 with a value of 1000 (unit in \$ CAD).

Total Index NAV calculation:

$$NAV_t = NAV_{t-1} \times (1 + R_t)$$

Where R_t is the percentage change in the total index value from t-1 to t.

$$R_t = \frac{1}{n} \sum_{i=1}^n R_t^i$$

R_t^i is the rate of return of fund i at time t.

n is the number of funds in the index.

Rebalancing of indices:

Any addition or deletion of funds in CGE-EMB Indices will be followed by an adjustment of the weight of the remaining funds in CGE-EMB Indices.

Every change will be approved by the board of directors of the EMB.

Benchmarks Construction

In order to compare and evaluate the consolidated performance of all funds represented in those three indices, we will create a benchmark for each index. These three benchmarks will simply be an equal weighting of the various benchmarks used by each fund.

- 1. Equity Benchmark CGE-EMB QC**
- 2. Fixed Income Benchmark CGE-EMB QC**
- 3. Alternative Investments Benchmark CGE-EMB QC**

Note that the benchmarks used for each fund will be on the basis of FUNDATA standards. While some funds have different strategies, we will take the benchmark of its dominant strategy.

CGE-EMB Indices Publication

The CGE-EMB Indices will be released on a monthly basis, the 15th day of every month on the EMB website (emergingmanagers.ca) and any other partner platform.

Disclaimer

The CGE-EMB Indices (the "CGE-EMB Indices") are for informational purposes only and are not intended to provide investment, financial or other advice, and such content should not be relied upon for such advice. The Emerging Managers' Board (EMB), Finance Montreal and Fundata Canada Inc. ("the partners") are not investment advisors, and inclusion of a mutual fund within the CGE-EMB Indices is not a recommendation by the Partners to buy, sell, or hold securities in such mutual fund, nor shall it be considered to be investment advice.

To the fullest extent permitted by law, the partners disclaim all representations, warranties, conditions, and guarantees, express or implied, in connection with the CGE-EMB Indices, including, without limitation, any representations, warranties, conditions, or guaranties regarding accuracy, timeliness, completeness, availability, freedom from errors or omissions, or quality or fitness for any particular purpose. The partners have created the Indices using information obtained from sources believed to be reliable, but provides no representations or warranties as to the accuracy or completeness of any such information. The partners do not take the needs of any particular user of the CGE-EMB Indices into account in determining, composing or calculating the Indices. In no event shall the partners be liable to any party for any damages, costs, or losses of any kind whatsoever in connection with any use of the Indices, even if advised of the possibility of such damages. The views, opinions and advice of any third party provided in connection with the Indices reflect those of the individual authors and are not endorsed by the partners. The partners have not prepared, reviewed or updated the content of third parties, and the partners assume no responsibility for such information.

Contacts

Conseil des Gestionnaires en Émergence

Geneviève Blouin – President

gblouin@altervest.ca

+1 514-443-4397

Étienne Thomas – Project Director

indice@emergingmanagers.ca

+1 514-692-2402

Finance Montréal

Matthieu Cardinal – Vice President - Public Affairs and Strategic Partnerships

matthieu.cardinal@finance-montreal.com

+1 514-287-1540 #227

Fundata Canada Inc.

Jocelyn Courcelles – Client Relations Manager

jocelyn.courcelles@fundata.com

+1 888-328-9174 #217