

AEJ Quantitative outlook and investment strategies

Introducing revision-based and high dividend yield strategies

NOMURA
Equity Research



Equity Research, Asia ex-Japan

Equity Quantitative Strategies

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See Appendix A-1 for analyst certification, important disclosures and the status of non-US analysts.

Any authors named on this report are research analysts unless otherwise indicated.

■ Quantitative outlook H2 2013: Focus on earnings prospect

- A distinct 'tale of two halves' in 2013 – a largely constructive first half of better growth, supportive policies, and declining real interest rates, while inflation risk still likely to remain subdued. But policy challenges are building in the region in H2 as the financial cycle heats up, despite a fairly muted business cycle. China growth will likely slow through this year as policy tightens to control financial risks and property prices.
- From a style valuation viewpoint, we are still positive on risk style on a medium-term basis as high-risk stocks remain inexpensive on z-score. But notably dividend yield and value styles currently look relatively more expensive than the momentum, revision, and profitability styles.
- The phase of the earnings revision cycle is important for style selection. As we believe the Asia earnings expectations are unlikely to enter an expansion phase but could move sideways or slow through this year, we expect earnings revision-based investment strategies are likely to continue the positive momentum as we progress through 2013.

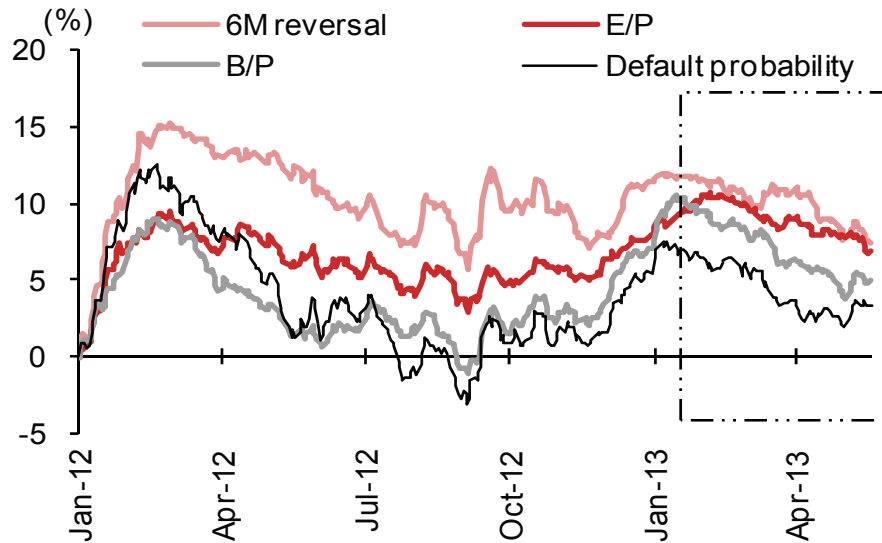
■ Introducing quantitative strategies:

- A revision-based strategy – the power of consensus change in Asia.
- High dividend yield strategy in a market rally – excluding stocks that over-pay dividends is the key.

Performance of revision factors has recovered since January

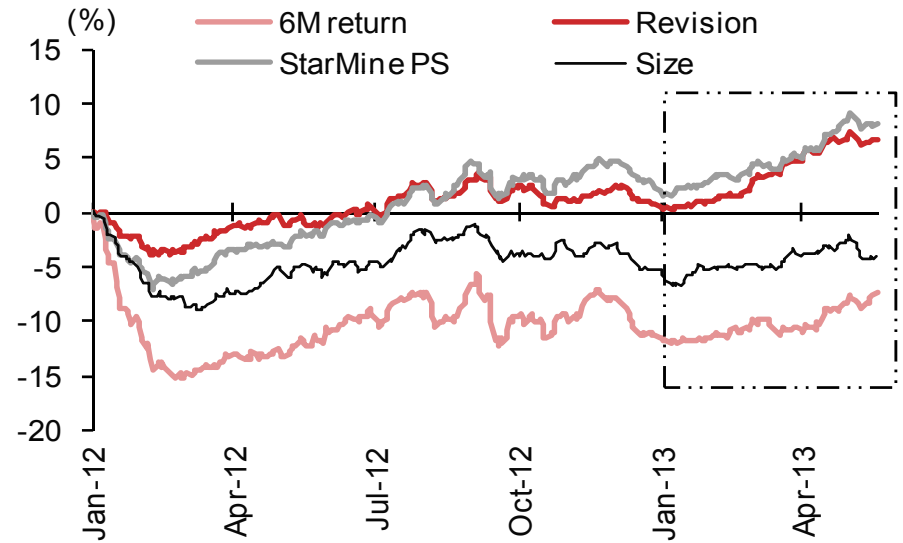
- The performance of revision-related factors deteriorated in 4Q12 but has recovered since January. In contrast, high-risk and value stocks have underperformed since the latter half of January.

Performance of reversal, value, and risk factors



Note: Universe is based on MSCI AC Asia Pacific ex-Japan.
Source: Worldscope, I/B/E/S, MSCI, Nomura Quantitative Strategies

Performance of momentum, revision, and size factors

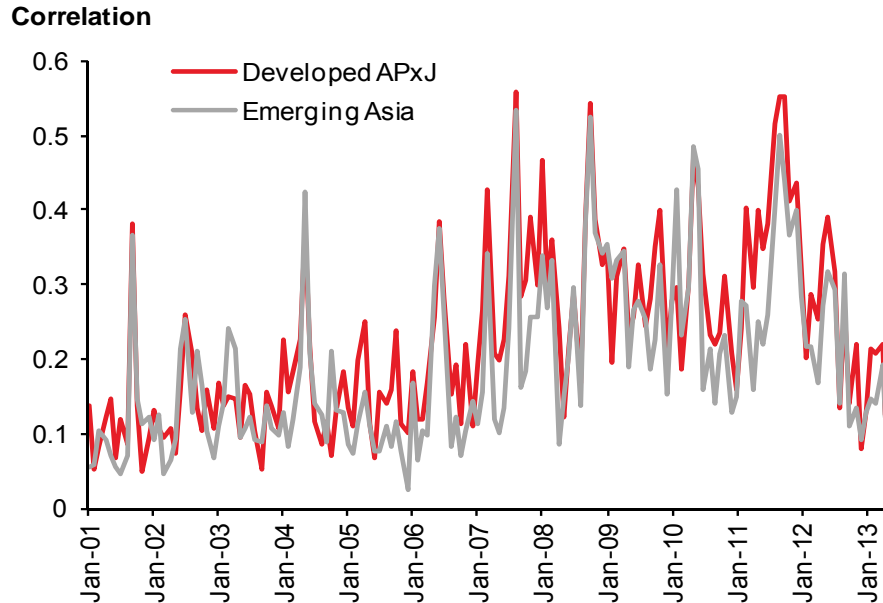


Note: Universe is based on MSCI AC Asia Pacific ex-Japan.
Source: Worldscope, I/B/E/S, StarMine, MSCI, Nomura Quantitative Strategies

We see a better environment for stock pickers

- The latest stock and factor correlations are at much lower levels compared with 2H 2011 and 2012.

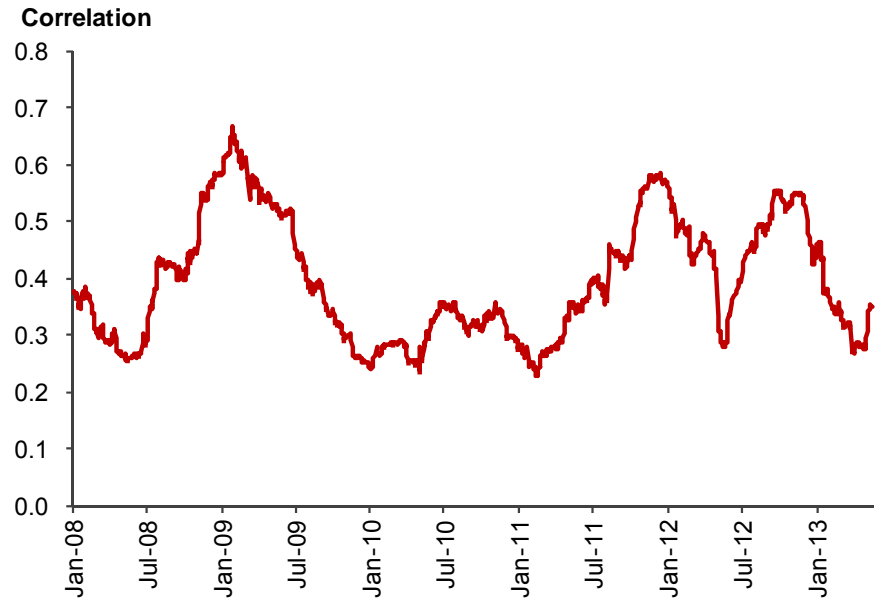
Average pair-wise stock correlation



Note: Average pair-wise correlation between all the stocks in the MSCI AC Asia Pacific ex Japan Index, based on daily prices over past one-month.

Source: Thomson Reuters Datastream, MSCI, Nomura Quantitative Strategies

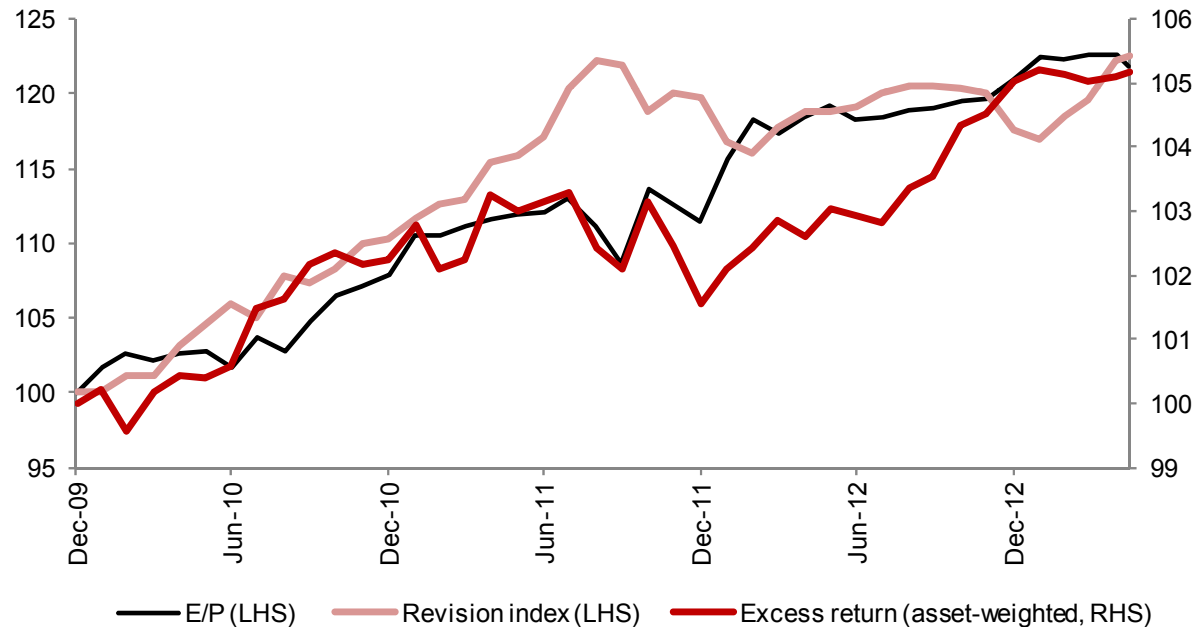
Average correlation of quant factors



Note: Chart shows short-term (60-day) rolling average (absolute) correlation of returns for 12 typical quant factors. Factor performance is calculated by cumulating the return spread between group #1 and #3. Factor portfolios are rebalanced monthly with country diversification. Source: Worldscope, I/B/E/S, StarMine, MSCI, Nomura Quantitative Strategies

- Asia long-only active equity quant funds outperformed their benchmarks in Q4 2012. Thus far in 2013, performance of these funds was in line with their benchmarks on asset-weighted basis.

Asia-focused quant funds average excess performance versus EP and revision factor performance

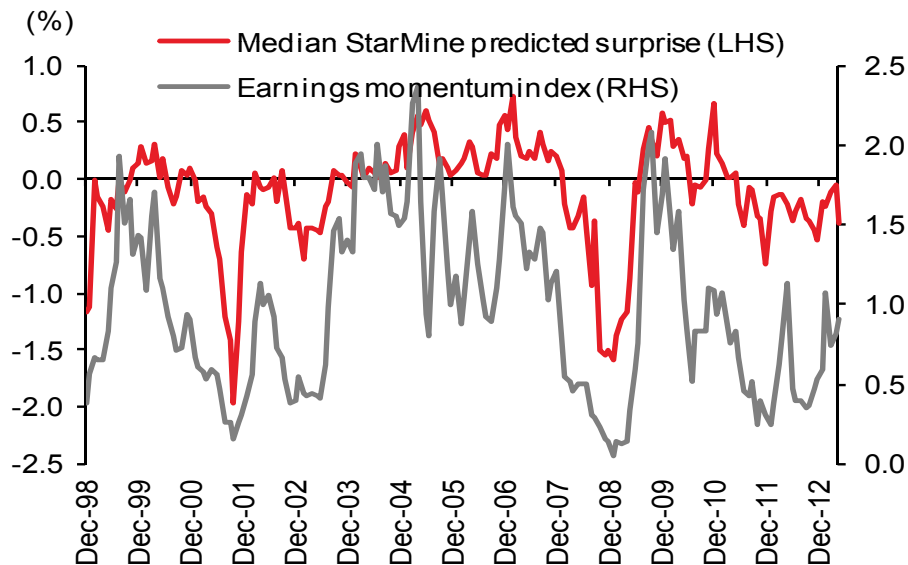


Note: Chart shows the performance of 30 long-only active equity funds that primarily invest using quantitative approaches in Asia Pacific (excluding Japan and the domestic China) region. Data run to 30 April 2013. Source: Bloomberg, Nomura Quantitative Strategies

Asia EMI could move sideways or slow through this year

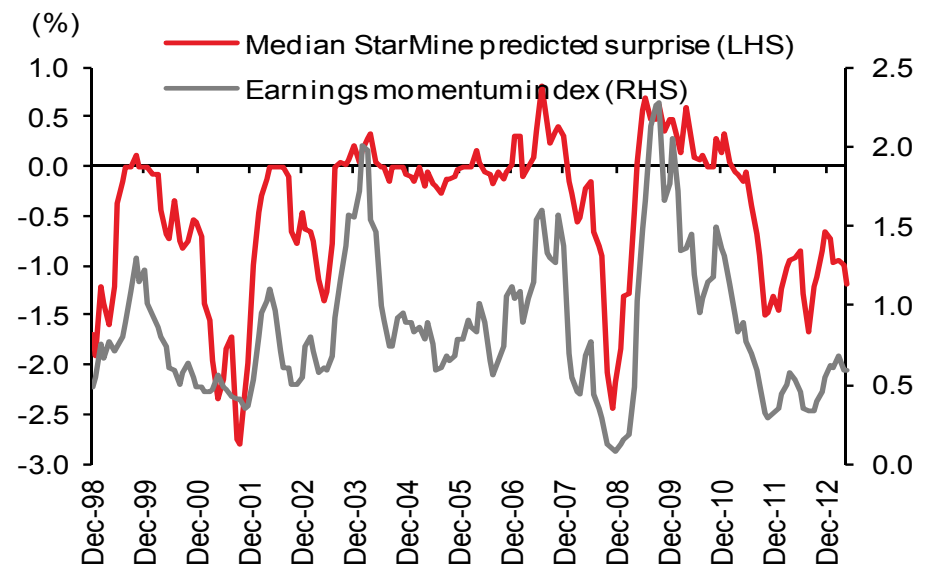
- Our Asia earnings momentum index is recovering since 4Q12, but the recent median StarMine predicted surprise scores remain negative and have seen a downturn, particularly in Asia emerging markets.

Asia EMI and StarMine predicted surprise – DM Asia



Note: Our earnings momentum index looks at the degree of the revision to consensus forecasts of FY2 EPS and assesses how the prevailing consensus estimate differs from the past three-month average. The median StarMine predicted surprise (forward 12-month) is defined as the percentage difference between the SmartEstimates and consensus. Universe is based on MSCI constituents. Source: I/B/E/S, StarMine, MSCI, Nomura Quantitative Strategies

Asia EMI and StarMine predicted surprise – EM Asia



Note: Our earnings momentum index looks at the degree of the revision to consensus forecasts of FY2 EPS and assesses how the prevailing consensus estimate differs from the past three-month average. The median StarMine predicted surprise (forward 12-month) is defined as the percentage difference between the SmartEstimates and consensus. Universe is based on MSCI constituents. Source: I/B/E/S, StarMine, MSCI, Nomura Quantitative Strategies

The phase of the EMI cycle is important for style selection

- In an expansion phase, both price and earnings momentum styles resumed positive impact while value stocks (especially E/P) continued to bode well. In a slowdown phase, momentum styles dominated while profitability saw rising impact. In contrast, value factors underperformed.

Average monthly style return (long-short) in different EMI phases

	Recovery	Expansion	Slowdown	Downturn
EMI Level	< 0	>= 0	>= 0	< 0
1st diff	>= 0	>= 0	< 0	< 0
Sample months	39	48	31	52

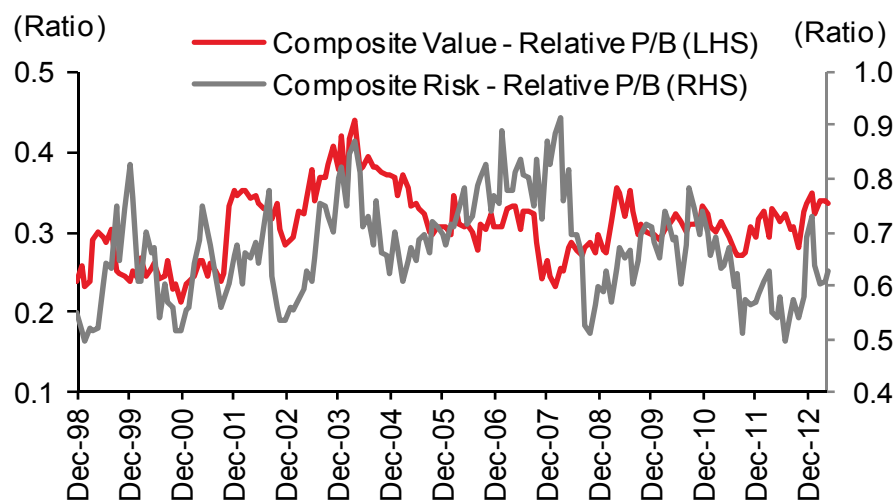
Average monthly style return in different EMI phases

	EMI phase and style return on the same month				EMI phase and subsequent month style return			
	Recovery	Expansion	Slowdown	Downturn	Recovery	Expansion	Slowdown	Downturn
Size *	1.16	0.11	-0.51	0.06	1.04	-0.09	-0.35	0.21
Momentum	-0.84	0.89	1.15	0.49	-0.66	0.78	1.34	0.33
Yield	0.21	0.09	0.21	1.19	0.37	0.41	0.04	0.91
Valuation	1.34	0.89	0.22	0.61	1.68	0.81	0.06	0.58
E/P	0.93	0.88	0.31	0.57	1.44	0.88	0.18	0.34
B/P	1.12	0.25	-0.30	0.18	0.93	0.21	-0.31	0.38
Revision	0.47	0.76	0.75	0.67	0.43	0.60	0.74	0.87
Growth	0.23	0.15	0.22	-0.37	0.29	0.00	0.05	-0.24
Profitability	-0.30	0.40	0.71	-0.32	0.26	0.33	0.42	-0.48
ROE	-0.44	0.27	0.75	0.19	0.05	0.35	0.43	-0.02
Risk *	-0.77	-0.13	0.30	0.74	-0.63	0.44	-0.20	0.51

Note: See Appendix II for style definition. Data run to end-March 2013. Shaded styles are top performers in the EMI cycle. Universe is based on MSCI AC Asia Pacific ex-Japan Index. Source: I/B/E/S, MSCI, Nomura Quantitative Strategies

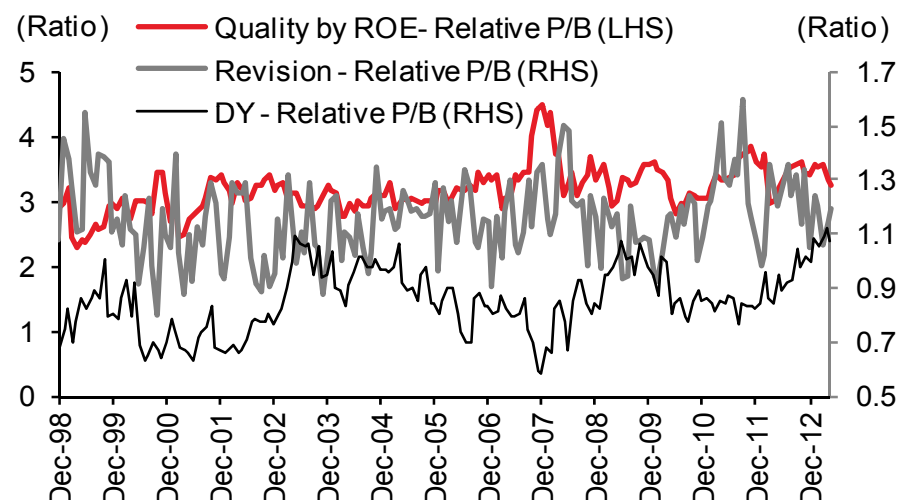
- We are still positive on risk style on a medium-term basis as high-risk stocks remain inexpensive on z-score. But notably dividend yield and value styles currently look relatively more expensive than the momentum, revision, and profitability styles.

Valuation of composite value and risk styles



Notes: Chart shows the relative median B/P between the top and bottom quintile portfolio by corresponding style. Source: Worldscope, I/B/E/S, MSCI, Nomura Quantitative Strategies

Valuation of ROE, DY, and revision styles



Notes: Chart shows the relative median B/P between the top and bottom quintile portfolio by corresponding style. Source: Worldscope, I/B/E/S, MSCI, Nomura Quantitative Strategies

Relative P/B of top versus bottom quintiles by investment styles (z-scores)

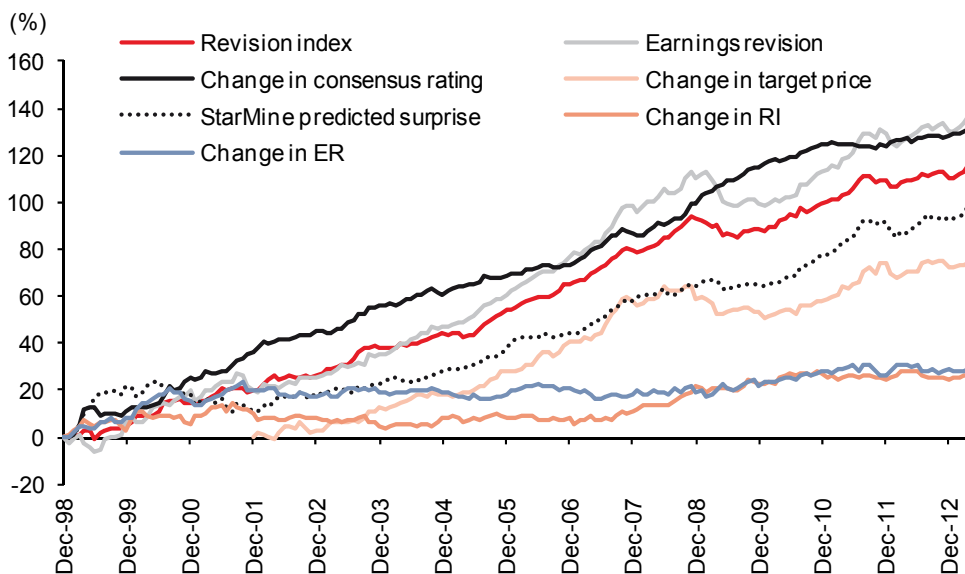
	Size*	Momentum	Div Yield	Valuation	Revision	Growth	Profitability	Risk
Current ratio	0.67	1.47	1.07	0.34	1.20	1.30	2.22	0.63
Long-term average	0.59	1.67	0.86	0.31	1.16	1.30	2.40	0.67
Standard deviations	0.10	0.31	0.12	0.04	0.14	0.17	0.24	0.09
Z-score	0.86	-0.63	1.81	0.69	0.26	-0.03	-0.74	-0.46

Note: See Appendix II for style definition. Long-term average is calculated since 1999. Source: Worldscope, I/B/E/S, MSCI, Nomura Quantitative Strategies

First idea: A revision-based strategy in Asia Pacific ex-Japan

- The top three best-performing revision indicators in the region are earnings revision, change in consensus rating, and revision index. Among the leading factors, earnings revision and change in consensus rating indicators give the lowest factor return correlation.

Performance (long-short) of revision-based indicators



Note: See Appendix I for factor definition. The sample period is from 1999 for all factors except for change in target price, which is started from 2002. Universe is based on MSCI constituents.
Source: I/B/E/S, MSCI, Nomura Quantitative Strategies

Performance and correlation summary

Long-short performance	Revision index	Earnings revision	Change in consensus rating	Change in target price	StarMine predicted surprise	Change in RI	Change in ER
Asia Pacific ex-Japan							
Annualised average return (%)	8.05	9.53	9.13	6.53	6.89	1.84	2.01
Annualised risk (%)	4.42	6.63	4.24	6.04	5.47	4.17	4.45
Information ratio	1.82	1.44	2.15	1.08	1.26	0.44	0.45
Turnover (1-way, L/S, %)	121	80	146	127	86	170	140

Long-only performance	Revision index	Earnings revision	Change in consensus rating	Change in target price	StarMine predicted surprise	Change in RI	Change in ER
Asia Pacific ex-Japan							
Annualised excess return (%)	4.27	5.00	5.22	3.85	4.13	1.95	1.83
Annualised active risk (%)	3.03	3.54	2.51	3.31	3.06	2.64	2.74
Information ratio	1.41	1.41	2.08	1.16	1.35	0.74	0.67
Turnover (1-way long-only, %)	59	40	72	62	43	84	68

Correlation	Revision index	Earnings revision	Change in consensus rating	Change in target price	StarMine predicted surprise	Change in RI	Change in ER
Revision index	1.00	0.57	0.13	0.45	0.37	0.34	0.10
Earnings revision	0.57	1.00	0.08	0.64	0.52	-0.04	0.04
Change in consensus rating	0.13	0.08	1.00	0.06	0.11	0.05	0.12
Change in target price	0.45	0.64	0.06	1.00	0.49	-0.19	-0.05
StarMine predicted surprise	0.37	0.52	0.11	0.49	1.00	-0.05	-0.03
Change in RI	0.34	-0.04	0.05	-0.19	-0.05	1.00	0.23
Change in ER	0.10	0.04	0.12	-0.05	-0.03	0.23	1.00

Note: See Appendix I for factor definition. The sample period is from 1999 for all factors except for change in target price, which is started from 2002. Universe is based on MSCI constituents.
Source: I/B/E/S, MSCI, Nomura Quantitative Strategies

- Earnings revision and change in consensus rating indicators have worked more consistently in both developed and emerging Asia. The top indicators are profitable when focusing on long-side portfolios.

Performance (long-short and long-only excess) of revision-based indicators in developed and emerging Asia

Long-short performance	Revision index	Earnings revision	Change in consensus rating	Change in target price	StarMine predicted surprise	Change in RI	Change in ER
Developed Pacific ex-Japan							
Annualised average return (%)	4.15	8.04	8.98	7.10	5.93	2.79	1.96
Annualised risk (%)	7.43	8.96	7.06	8.20	8.09	6.46	6.44
Information ratio	0.56	0.90	1.27	0.87	0.73	0.43	0.30
Turnover (1-way, L/S, %)	123	79	148	129	91	171	140
Emerging Asia							
Annualised average return (%)	9.27	9.99	9.22	6.40	7.14	1.53	1.80
Annualised risk (%)	5.33	7.39	5.12	6.75	6.57	4.81	5.36
Information ratio	1.74	1.35	1.80	0.95	1.09	0.32	0.34
Turnover (1-way, L/S, %)	120	81	146	127	85	169	140

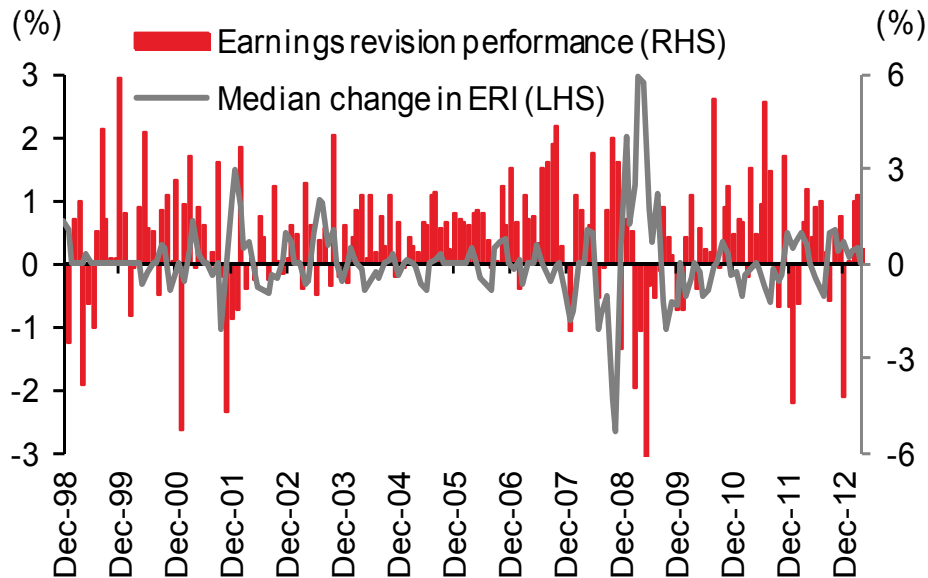
Long-only performance	Revision index	Earnings revision	Change in consensus rating	Change in target price	StarMine predicted surprise	Change in RI	Change in ER
Developed Pacific ex-Japan							
Annualised excess return (%)	1.83	3.48	4.83	3.77	3.71	2.22	0.80
Annualised active risk (%)	4.35	4.61	4.40	4.64	4.76	3.97	4.07
Information ratio	0.42	0.75	1.10	0.81	0.78	0.56	0.20
Turnover (1-way long-only, %)	60	39	73	63	45	84	69
Emerging Asia							
Annualised excess return (%)	5.09	5.50	5.41	3.86	4.22	1.88	2.10
Annualised active risk (%)	3.53	3.94	3.02	3.78	3.76	3.02	3.25
Information ratio	1.44	1.40	1.79	1.02	1.12	0.62	0.65
Turnover (1-way long-only, %)	59	40	72	62	42	84	68

Note: See Appendix I for factor definition. The sample period is from 1999 for all factors except for change in target price, which is started from 2002. Universe is based on MSCI constituents.
Source: I/B/E/S, MSCI, Nomura Quantitative Strategies

Consensus rating revisions worked well in early 2009

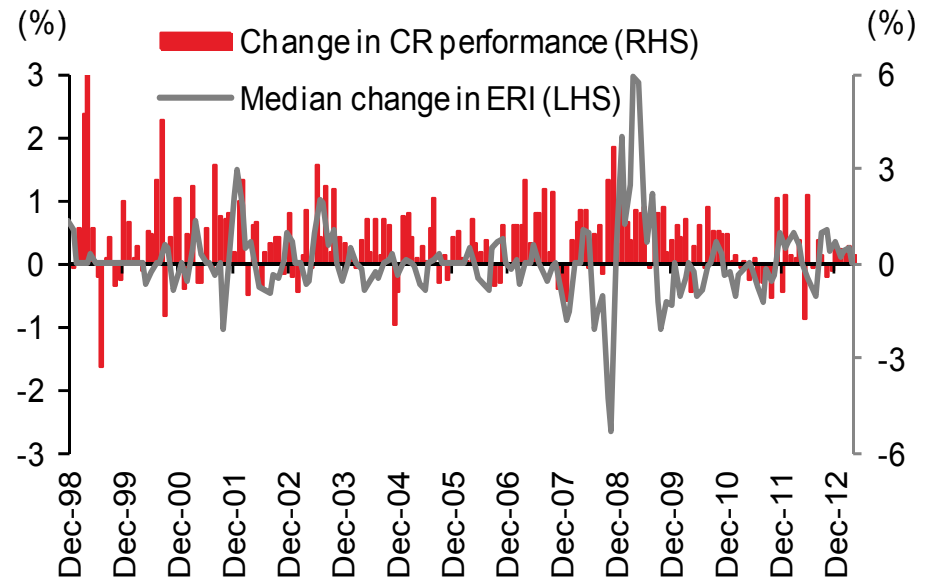
- There is no surprise that revision strategy relatively underperformed during the initial phase of the earnings recovery cycle, especially at the time when value and high-risk stocks recovered, such as in early 2009. But notably, change in consensus rating indicator continued to perform well during this period.

Monthly returns of earnings revision indicator and median earnings revision change



Note: Universe is based on MSCI AC Asia Pacific ex-Japan Index.
Source: I/B/E/S, MSCI, Nomura Quantitative Strategies

Monthly returns of change in consensus rating indicator and median earnings revision change

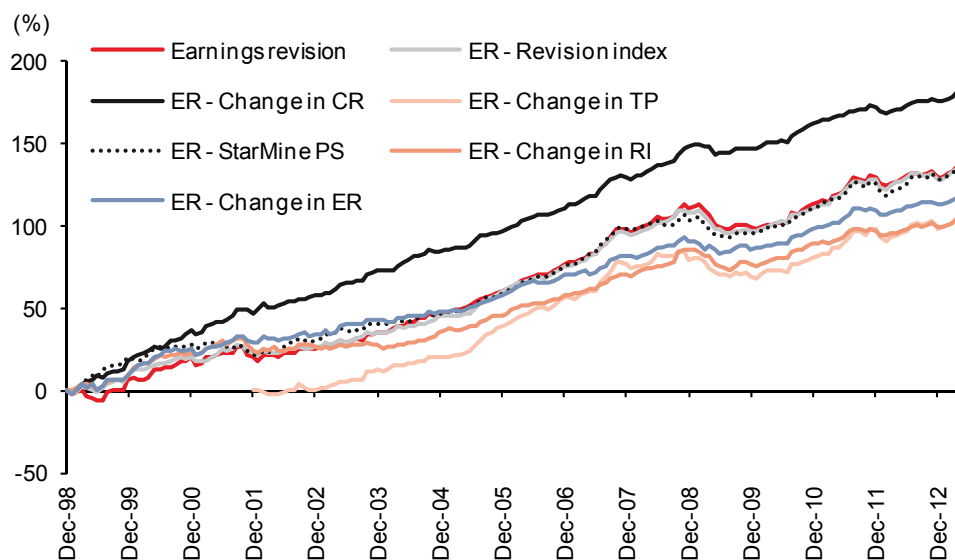


Note: Universe is based on MSCI AC Asia Pacific ex-Japan Index.
Source: I/B/E/S, MSCI, Nomura Quantitative Strategies

Rating changes add value when they're corroborated with EPS revisions **NOMURA**

- Investors can improve returns by integrating earnings revision and change in consensus rating indicators.

Performance (long-short) of composite revision factors



Note: The sample period is from 1999 for all factors except for composite factor with change in target price, which is started from 2002. Returns are annualized figures. Universe is based on MSCI constituents. Source: I/B/E/S, MSCI, Nomura Quantitative Strategies

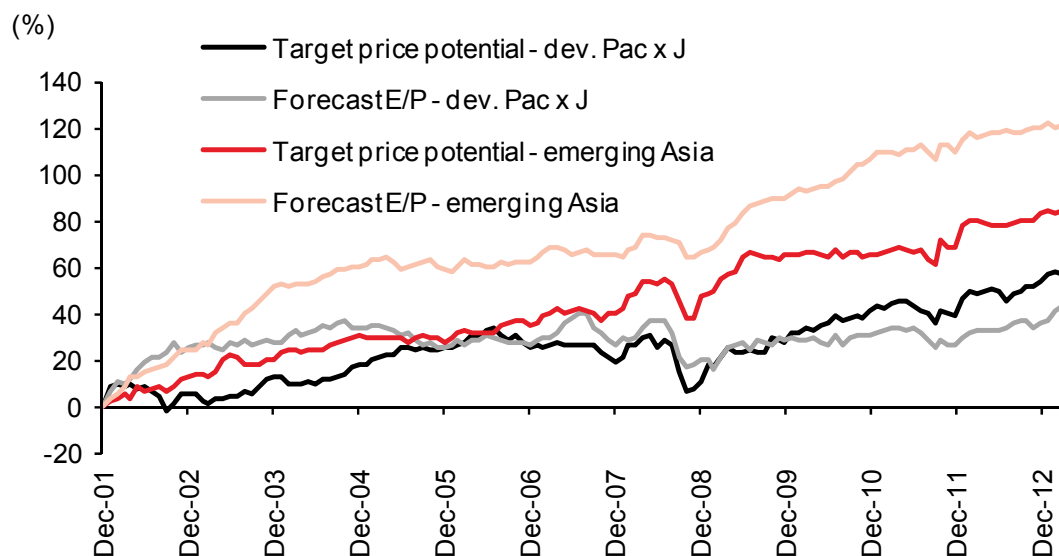
Performance of composite revision factors in DM and EM Asia

Long-short performance	Earnings revision	ER - Revision index	ER - Change in CR	ER - Change in TP	ER - StarMine PS	ER - Change in RI	ER - Change in ER
Asia Pacific ex-Japan							
Annualised average return (%)	9.53	9.44	12.60	9.07	9.44	7.26	8.21
Annualised risk (%)	6.63	5.60	5.00	6.59	6.33	5.08	5.15
Information ratio	1.44	1.69	2.52	1.38	1.49	1.43	1.59
Turnover (1-way, L/S, %)	80	100	121	100	79	144	128
Developed Pacific ex-Japan							
Annualised average return (%)	8.04	7.96	11.62	6.60	6.94	8.26	7.27
Annualised risk (%)	8.96	7.94	7.78	8.45	8.62	7.37	7.77
Information ratio	0.90	1.00	1.49	0.78	0.81	1.12	0.94
Turnover (1-way, L/S, %)	79	101	123	103	81	146	128
Emerging Asia							
Annualised average return (%)	9.99	9.91	12.96	9.87	10.17	6.97	8.38
Annualised risk (%)	7.39	6.37	6.00	7.34	7.38	5.64	5.83
Information ratio	1.35	1.55	2.16	1.35	1.38	1.24	1.44
Turnover (1-way, L/S, %)	81	100	121	99	78	144	127

Note: The sample period is from 1999 for all factors except for composite factor with change in target price, which is started from 2002. Returns are annualized figures. Universe is based on MSCI constituents. Source: I/B/E/S, MSCI, Nomura Quantitative Strategies

- The target price potential factor has delivered higher long-short return and IR than E/P in developed Pacific ex-Japan since 2002. Notably, performance of the factor is particularly strong since 2009.

Performance (long-short) of target price potential and forecast E/P factors by regions



	<u>Developed Pacific ex-JP</u>		<u>Emerging Asia</u>	
	Target price potential	Forecast E/P	Target price potential	Forecast E/P
Annualised average return (%)	4.84	3.93	7.41	10.76
Annualised risk (%)	9.42	8.32	8.53	6.52
Information ratio	0.51	0.47	0.87	1.65

Note: Universe is based on MSCI AC Asia Pacific ex-Japan Index. Source: I/B/E/S, MSCI, Nomura Quantitative Strategies

Consider target price potential can enhance diversification

- Performance of target price potential factor is positive correlated with E/P (correlation is 0.65) but negatively correlated with revision-based indicators.

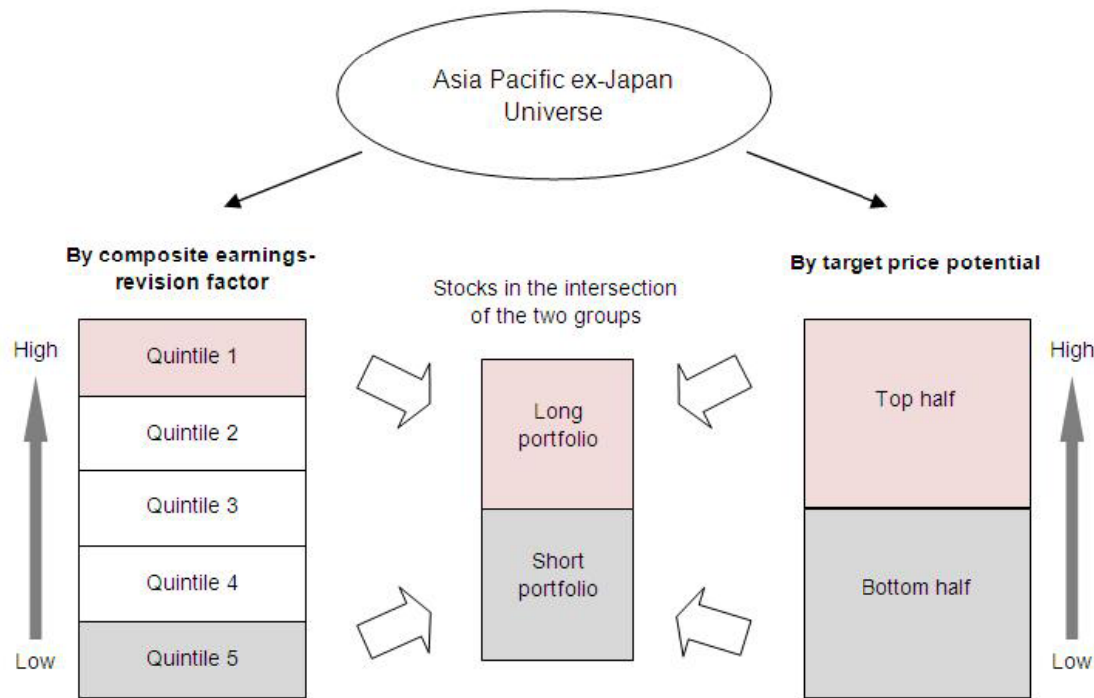
Correlation between target price potential factor and other revision indicators

	Revision index	Earnings revision	Change in consensus rating	Change in target price	StarMine predicted surprise	Change in RI	Change in ER
Asia Pacific ex-Japan	-0.47	-0.50	0.01	-0.56	-0.42	-0.08	-0.12
Developed Pacific ex-Japan	-0.07	-0.22	0.10	-0.21	-0.06	0.09	0.16
Emerging Asia	-0.46	-0.52	-0.09	-0.57	-0.48	-0.06	-0.21

Note: See Appendix I for factor definition. Universe is based on MSCI constituents.
Source: I/B/E/S, MSCI, Nomura Quantitative Strategies

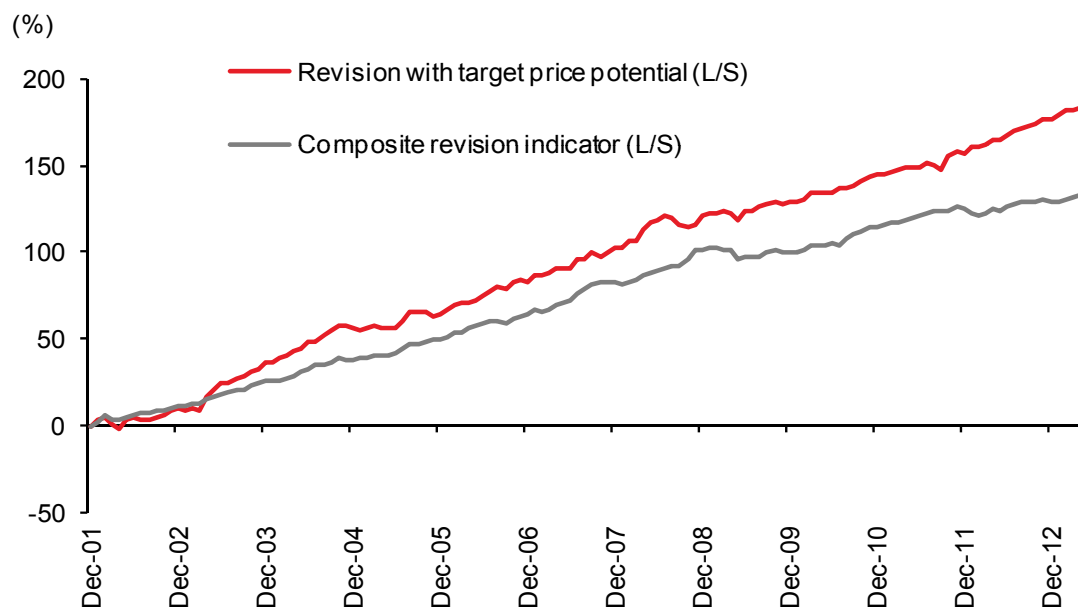
- We formulate a revision-based strategy by primarily looking at consensus earnings revisions and rating changes and, at the same time, taking into consideration on the target price potential.

Methodology of the revision-based strategy



- In Asia Pacific ex-Japan, the strategy improves performance significantly, from 11.8pp to 16.1pp annual long-short return, when the target price potential is used for confirming the upside/downside potential.

Performance of the recommended revision-based strategy in Asia Pacific ex-Japan

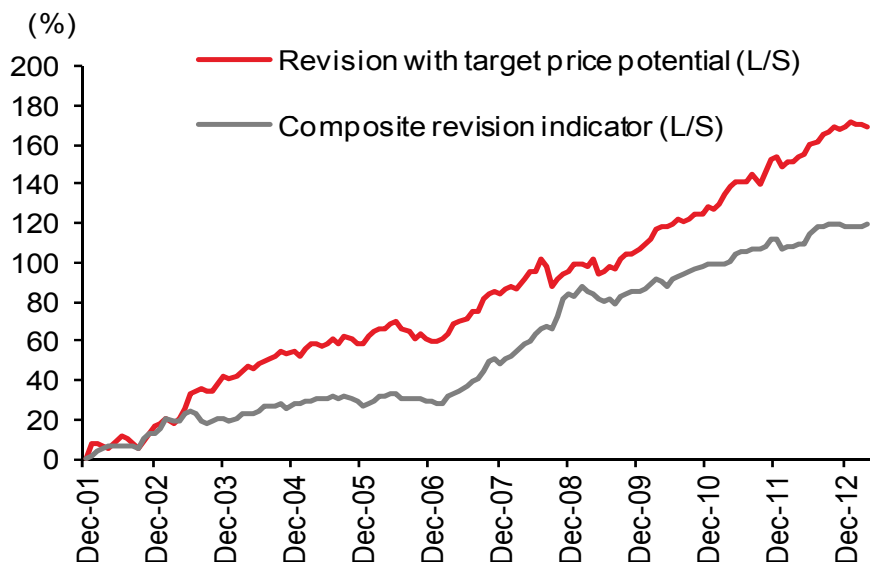


	Composite	Revision with target price potential			L/S after costs
	revision (L/S)	Long/short	Long-excess	Short-excess	
Annualised average return (%)	11.78	16.14	9.36	6.78	5.50
Annualised average risk (%)	4.68	7.56	4.92	5.34	7.50
Information ratio	2.52	2.14	1.90	1.27	0.73
Average turnover (1-way, %)	121.18	145.87	72.81	73.06	145.87
Average number of stocks	286	113	62	51	113

Note: Universe is based on MSCI constituents. Trading costs are assumed 30bp. Source: I/B/E/S, MSCI, Nomura Quantitative Strategies

- Results suggest that the target price potential factor is informative in identifying mispriced companies. Our strategy is less volatile and also more profitable on the long side than on the short side in emerging Asia.

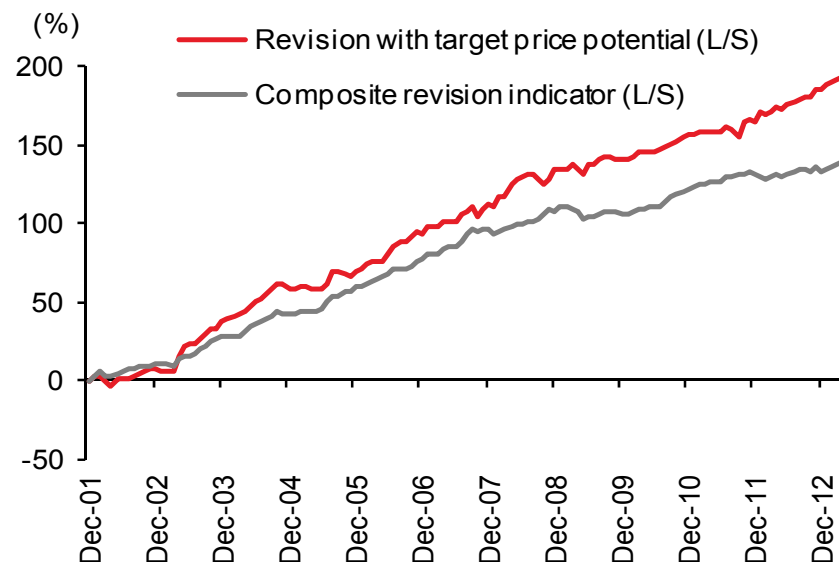
Performance of the revision-based strategy (DM Asia)



	Composite revision (L/S)	Revision with target price potential		
		Long/short	Long-excess	Short-excess
Annualised average return (%)	10.55	14.95	7.46	7.50
Annualised average risk (%)	6.89	9.82	7.04	7.32
Information ratio	1.53	1.52	1.06	1.02
Average turnover (1-way, %)	125.01	149.99	73.05	76.94
Average number of stocks	72	29	16	12

Note: Universe is based on MSCI constituents.
Source: I/B/E/S, MSCI, Nomura Quantitative Strategies

Performance of the revision-based strategy (EM Asia)



	Composite revision (L/S)	Revision with target price potential		
		Long/short	Long-excess	Short-excess
Annualised average return (%)	12.31	17.02	10.07	6.95
Annualised average risk (%)	5.61	9.01	5.86	6.50
Information ratio	2.20	1.89	1.72	1.07
Average turnover (1-way, %)	119.85	145.56	73.27	72.28
Average number of stocks	215	84	46	38

Note: Universe is based on MSCI constituents.
Source: I/B/E/S, MSCI, Nomura Quantitative Strategies

- Revision-based strategy typically has higher turnover compared to other conventional investment styles such as value investing. High portfolio turnover could make the return lower due to transaction costs.

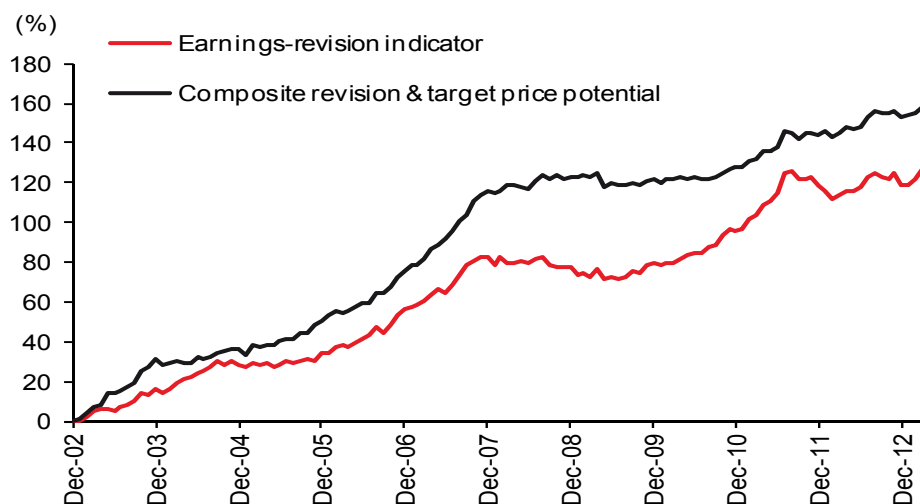
Summary of portfolio optimization simulation

Universe	MSCI AC Asia Pacific ex-Japan
Sample period	end-December 2002 to 26-April 2013 on a monthly basis
Method	Long-short portfolio optimisation (Axioma Robust Optimisation)
Objective	Maximise alpha
Cases: Alpha factor(s)	1. Earnings revision indicator 2. Composite revision indicator, add target price potential with weight of 0.5
Total risk control (annualised)	Maximum 8%
Turnover control (1-way)	Maximum 20%
Long/Short ratio control	1 to 1
Portfolio size	Maximum 80 stocks each on long and short side
Country and sector neutral	Yes
Asset weight control	Minimum 0.5%; maximum 10% on the long- and short- side, respectively
Rebalancing	End of every month
Performance	Subsequent one-month total return in USD

Results of optimization simulation

- The back-test results confirm that the recommended revision strategy leads to better performance after considering turnover and other constraints.

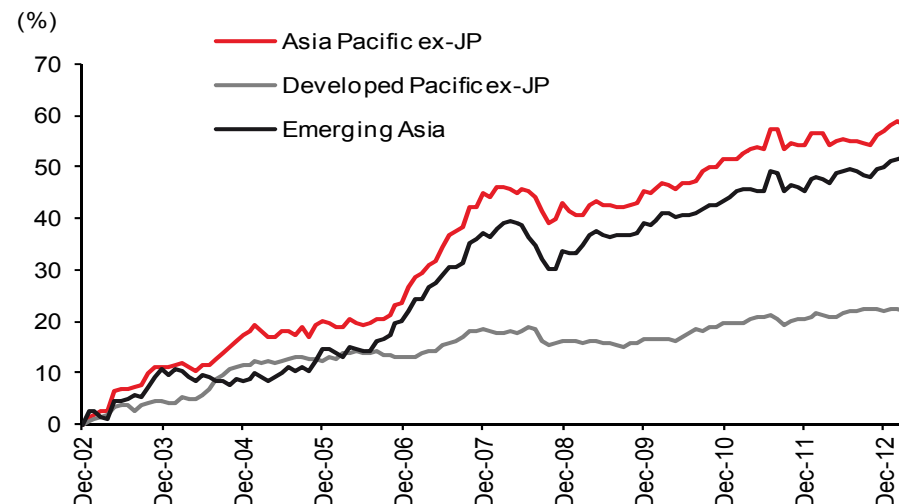
Performance of optimized long-short portfolios in AP ex-Japan



Optimised long-short portfolios	Earnings-revision indicator	Composite revision & target price potential
Annualised return (%)	12.61	15.65
Average annualised risk (%)	8.76	7.81
Annualised return/SD	1.44	2.00
Average turnover (1-way; %)	20.67	20.37
Average total names (Long/short)	142	150
Return after transaction costs (%)	11.11	14.17
Annualised return/SD after costs (%)	1.27	1.81

Note: Universe is based on MSCI constituents. Trading costs are assumed 30bp.
Source: I/B/E/S, MSCI, Nomura Quantitative Strategies

Performance of optimized long-only portfolios by regions



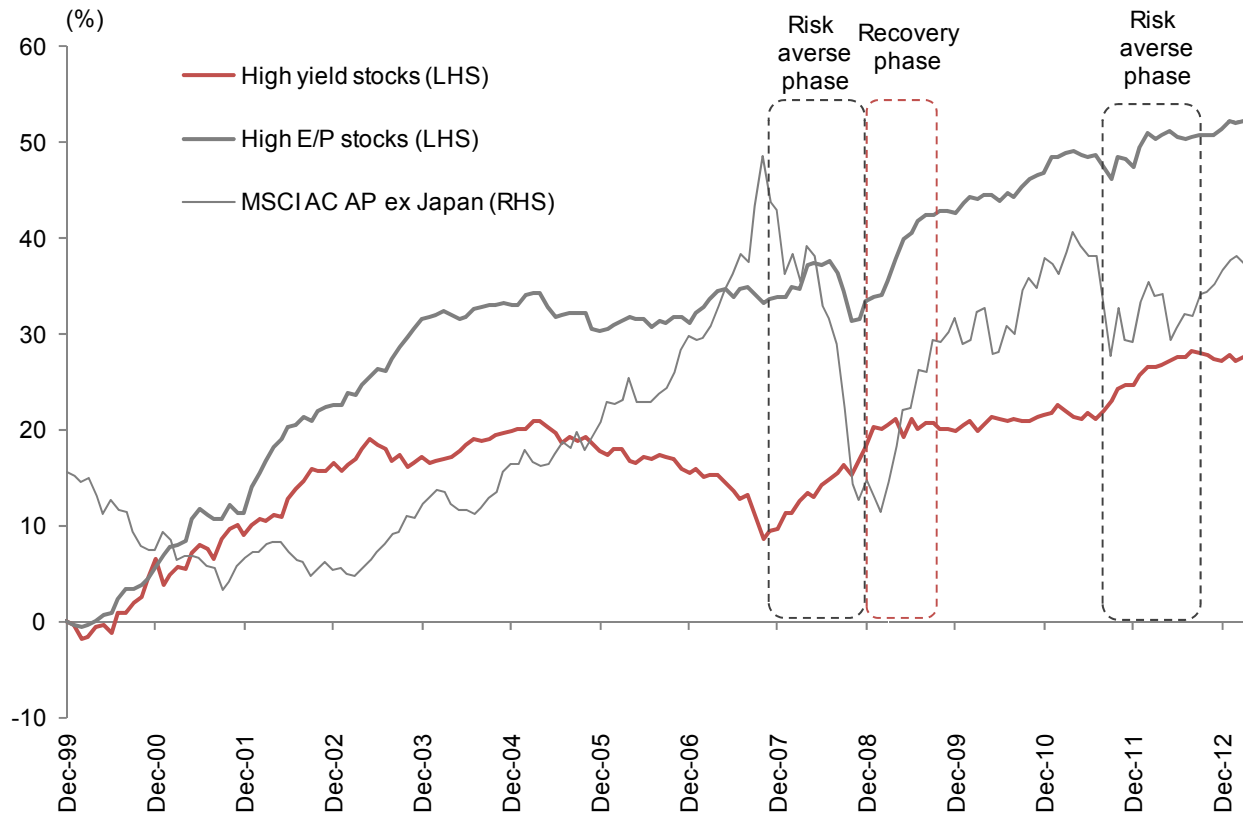
Optimised long-only portfolios	AP ex-JP	Dev. Pac. ex-JP	EM Asia
Annualised active return (%)	5.76	2.13	5.10
Average annualised active risk (%)	4.43	1.88	4.20
Annualised active return/SD	1.30	1.13	1.21
Average turnover (1-way; %)	9.79	9.92	9.82
Average total names	80	79	80
Active return after transaction costs (%)	5.05	1.41	4.39
Annualised active return/SD after costs (%)	1.14	0.75	1.04

Note: Universe is based on MSCI constituents. Trading costs are assumed 30bp.
Source: I/B/E/S, MSCI, Nomura Quantitative Strategies

Second idea: High dividend yield strategy

- High dividend yield stocks have consistently outperformed from Aug-2011 to Aug-2012, but saw declining performance since Q4 2012 as the market began picking up.

Performance of high dividend yield and high E/P stocks

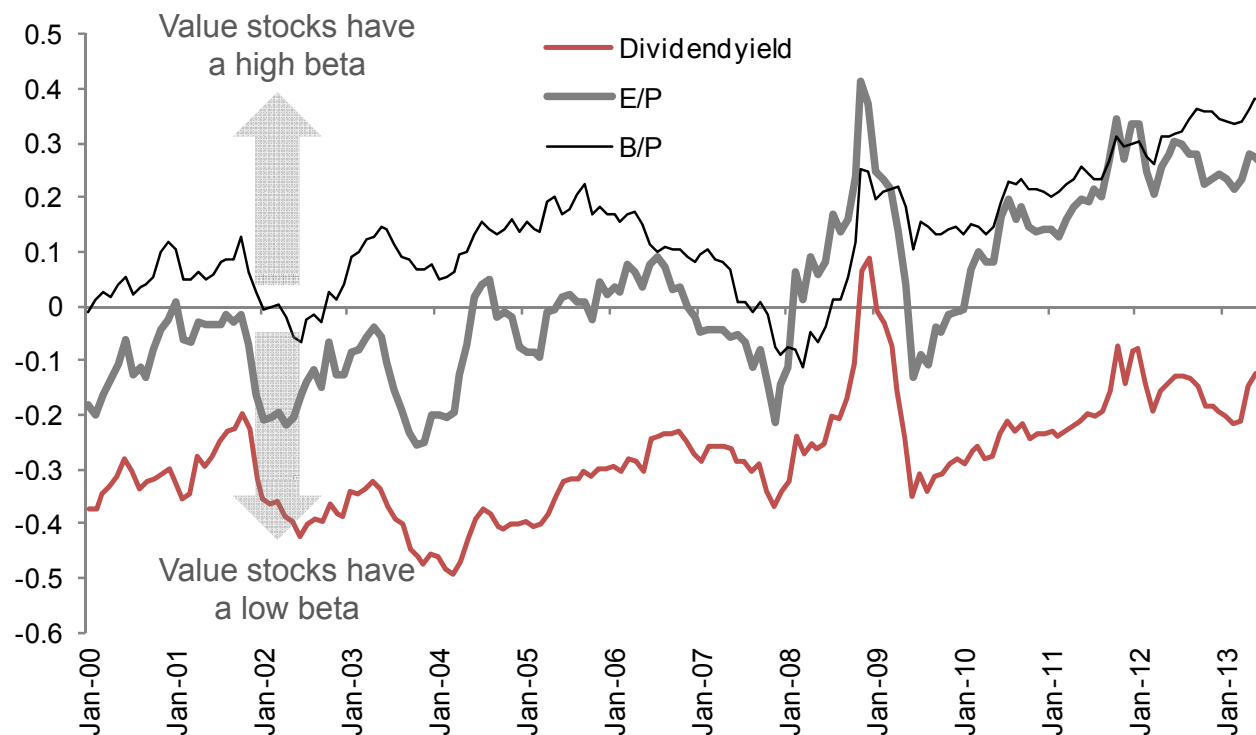


Note: High-yield stocks and high E/P stocks are defined as the top one-third in the constituents of MSCI AC AP ex Japan based on each factor.
Source: Worldscope, I/B/E/S, MSCI, Nomura Quantitative Strategies

Value stocks have become high-beta stocks

- Beta risk of B/P strategy remains high.
- Amid an increasingly uncertain policy environment, we believe stocks which not only have defensive characteristics but also are expected to outperform when the market rebounds would be desired.

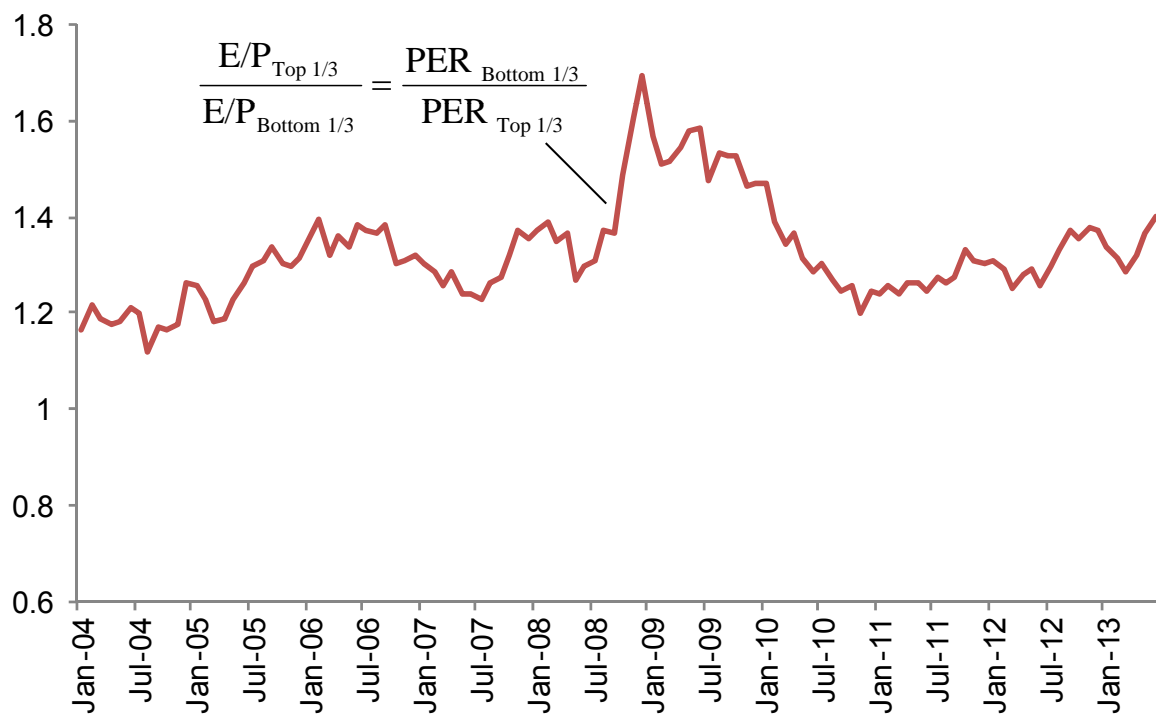
Rank correlation between value factors and beta



Note: We calculated the cross-sectional rank correlation between value factors and market beta at the beginning of each month. The stock universe is the constituents of MSCI AC AP ex Japan.
Source: I/B/E/S, Worldscope, MSCI, Nomura Quantitative Strategies

- High-yield stocks have both defensive and value nature, as high yield stocks have higher E/P.

E/P spread between high yield stocks and low yield stocks

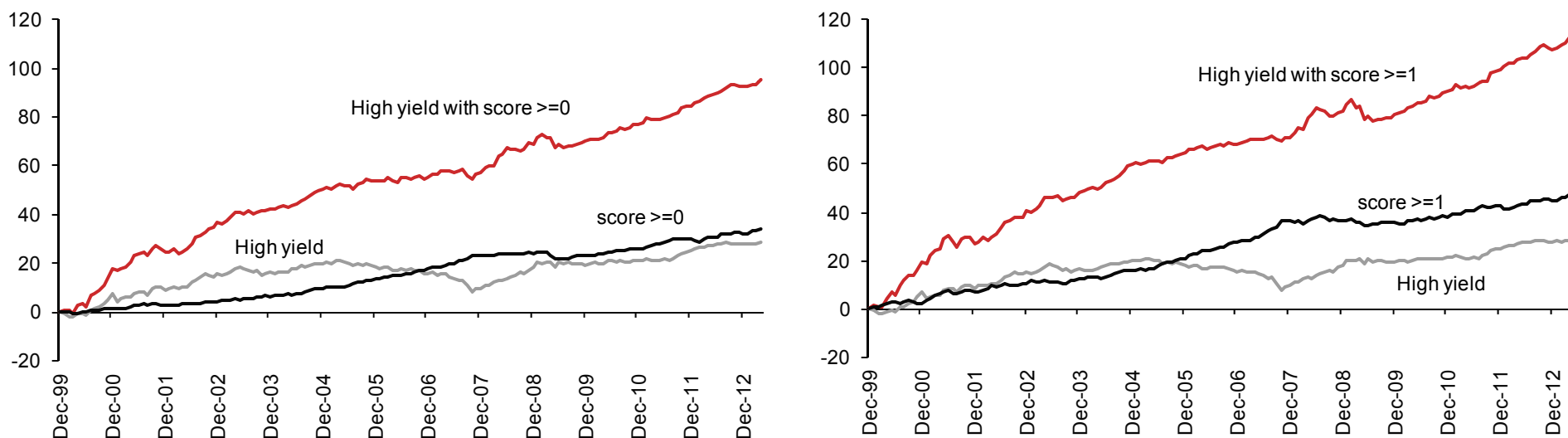


Note: We divide the constituents of MSCI AC AP ex Japan into three groups based on dividend yield and calculate the ratio of the median E/P in the top yield group to that in the bottom yield group.
 Source: Worldscope, I/B/E/S, MSCI, Nomura Quantitative Strategies

High-yield stocks with reliable dividends consistently outperformed

- Dividend cut is one of the main risks for high-yield stocks. Checking the reliability of forecast dividends using a reliability score has worked in Asia. The strategy was launched in 2010 and has been generating excess returns since then despite many ups and downs in the market.

Performance of high dividend yield stocks with reliable dividends (by setting a minimum criterion for the composite score)



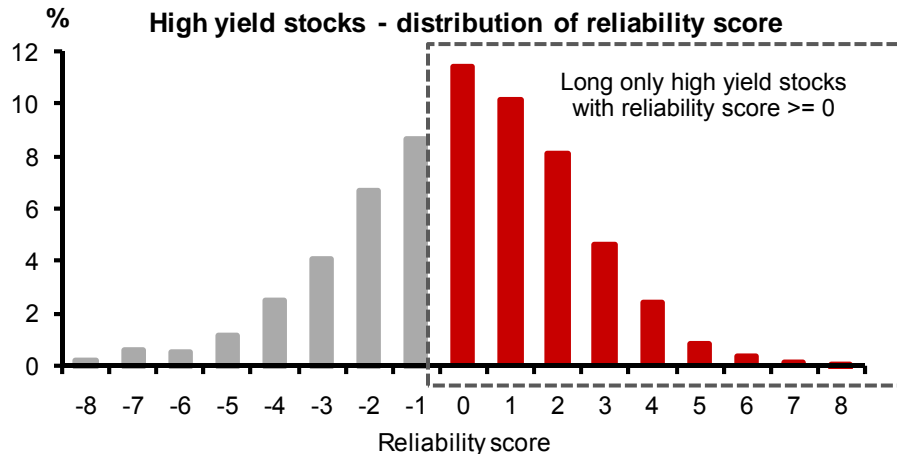
	High yield	Score >=0	Score >= 1	High yield with	
				Score >=0	Score >= 1
Annualized return over benchmark (%)	2.13	2.58	3.56	7.15	8.45
Risk (%)	3.08	1.45	2.06	4.12	4.88
IR	0.69	1.77	1.72	1.73	1.73

Note: Chart shows excess return over benchmark. Benchmark is the equally weighted return of the constituents in MSCI AC Asia Pacific ex Japan.
Source: Nomura Quantitative Strategies

■ Reference reports: *Playing high yield: saving the score*, 24 June, 2010

- **Capability**
Unreliable if earnings are not sufficient
- **Earnings quality**
Low-quality stocks cannot maintain high dividends
- **Growth**
Low-growth stocks cannot maintain high dividends
- **Forecast change**
Stocks upgraded recently are less likely to be downgraded
- **Net upgrades**
More credible if more analysts agree on the direction
- **Unincorporated revision**
DPS revision not backed by EPS revision is less reliable
- **Stability**
More reliable if historical DPS was stable
- **Psychological resistance**
Investors are reluctant to increase dividend yield further

Image of high dividend yield strategy



Dividend reliability composite score

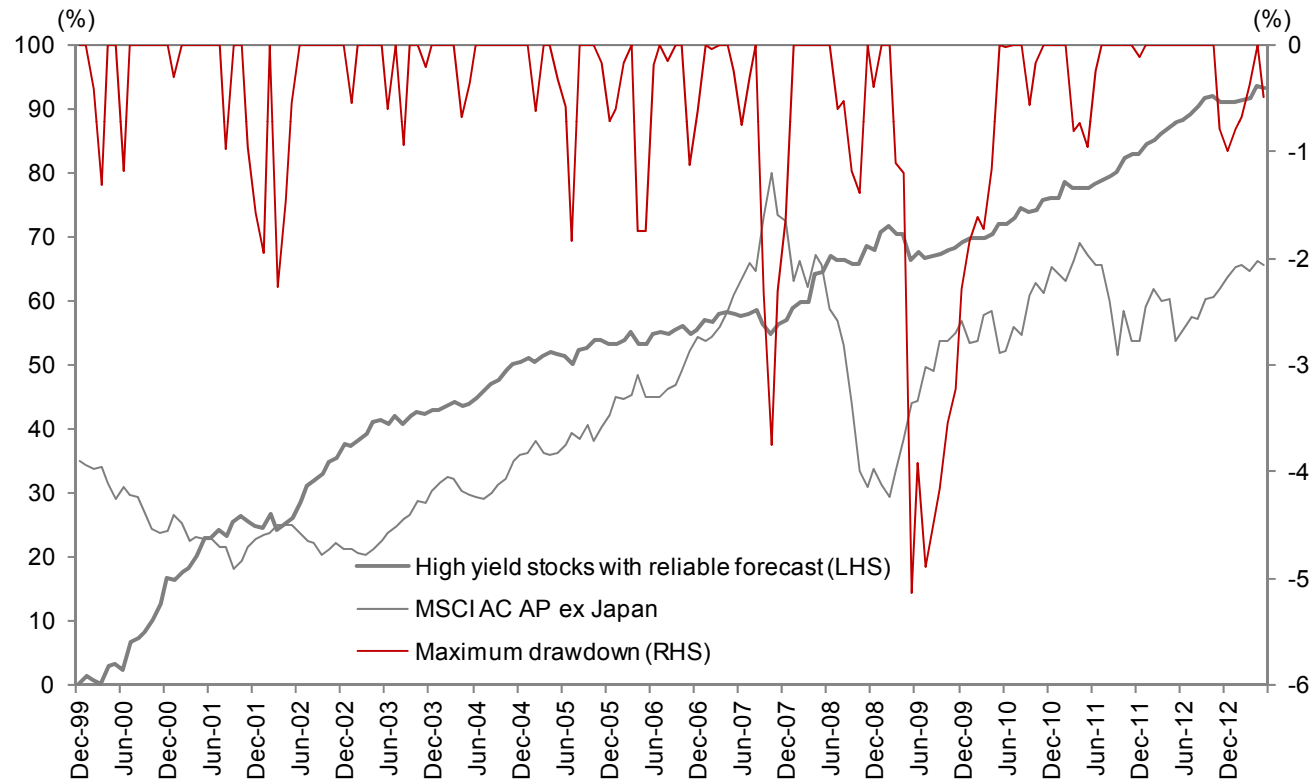
Category	Factor name	Est. Sign	Score		
			Top 1/3	Middle 1/3	Bottom 1/3
Capability	Payout ratio	Negative	-1	0	+1
Earnings quality	Accruals	Negative	-1	0	+1
Growth	EPS growth	Positive	+1	0	-1
Forecast change	Forecast EPS change	Positive	+1	0	-1
Net upgrades	Net analyst upgrades for DPS	Positive	+1	0	-1
Unincorporated Revision	EPS revision – DPS revision	Positive	+1	0	-1
Stability of DPS	Volatility of DPS	Negative	-1	0	+1
Psychological resistance	Yield change	Positive	+1	0	-1

Note: Universe is based on MSCI All Country Asia-Pacific ex-Japan. Portfolios are rebalanced monthly and grouping simulation is conducted with country and sector diversification. Source: Nomura Quantitative Strategies

Drawdown of our high dividend yield strategy

- But still we need to find a way to improve the performance in a rally.

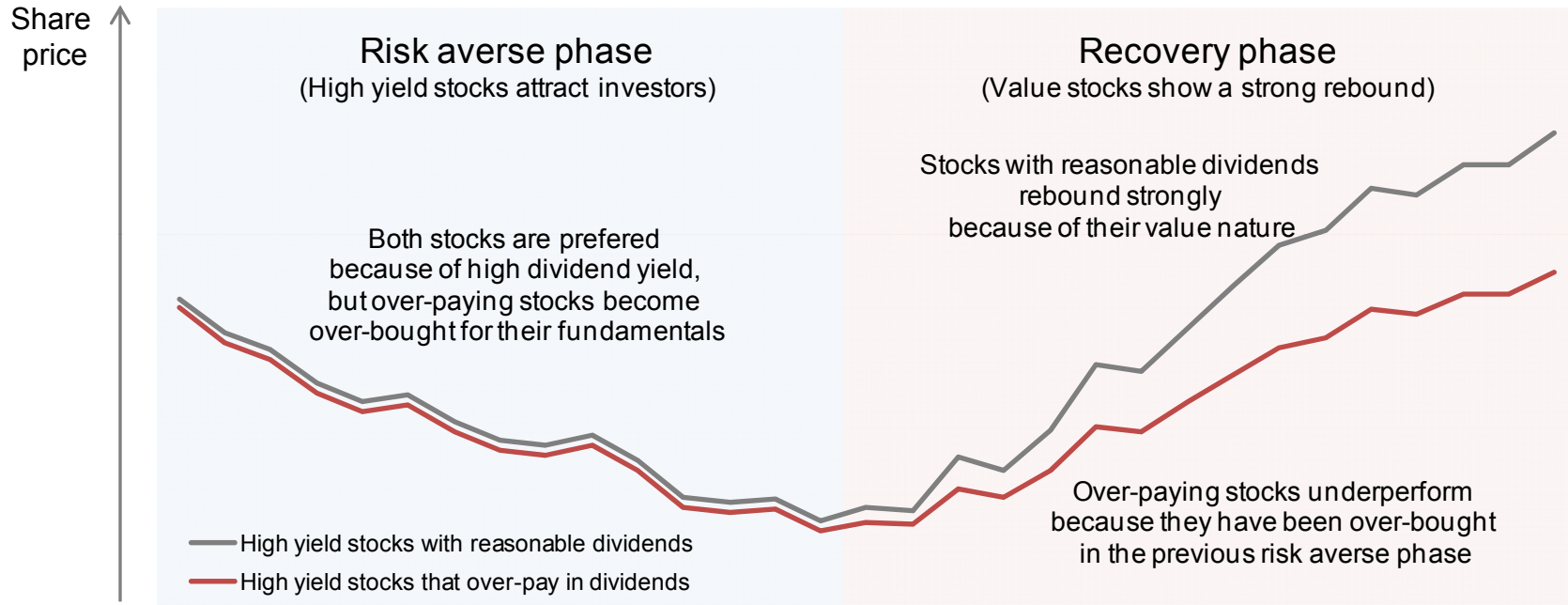
Maximum drawdown of high dividend yield strategy with reliable scores



Source: I/B/E/S, Worldscope, MSCI, Nomura Quantitative Strategies

We believe “over-paying” stocks are the problem

■ If some stocks pay too much in dividends



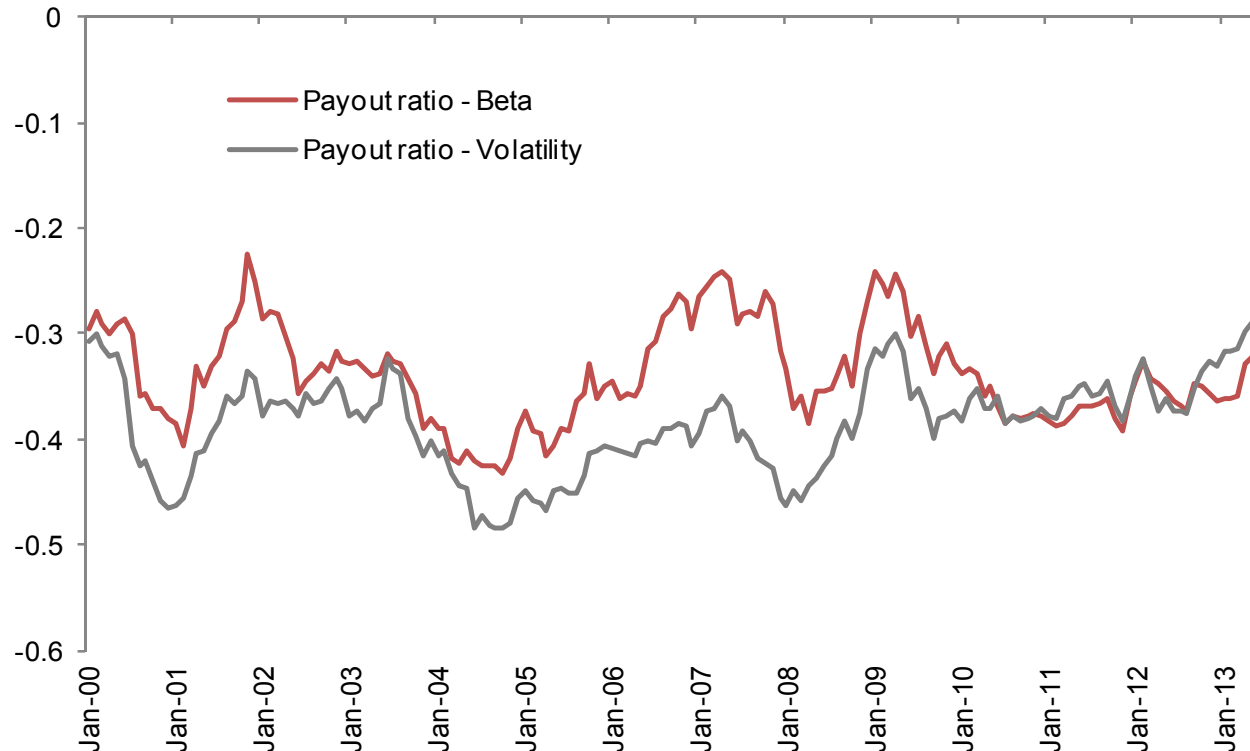
■ There should be more “over-paying” stocks in the high-yield universe

- We believe excluding over-paying stocks can improve the performance of high-yield strategies in market rallies

How can we identify over-paying stocks?

- Stocks with a high payout ratio are not always over-paying. For example, low-risk stocks in terms of beta or volatility have a higher payout ratio, on average.

Rank correlation between payout ratio and risk measures



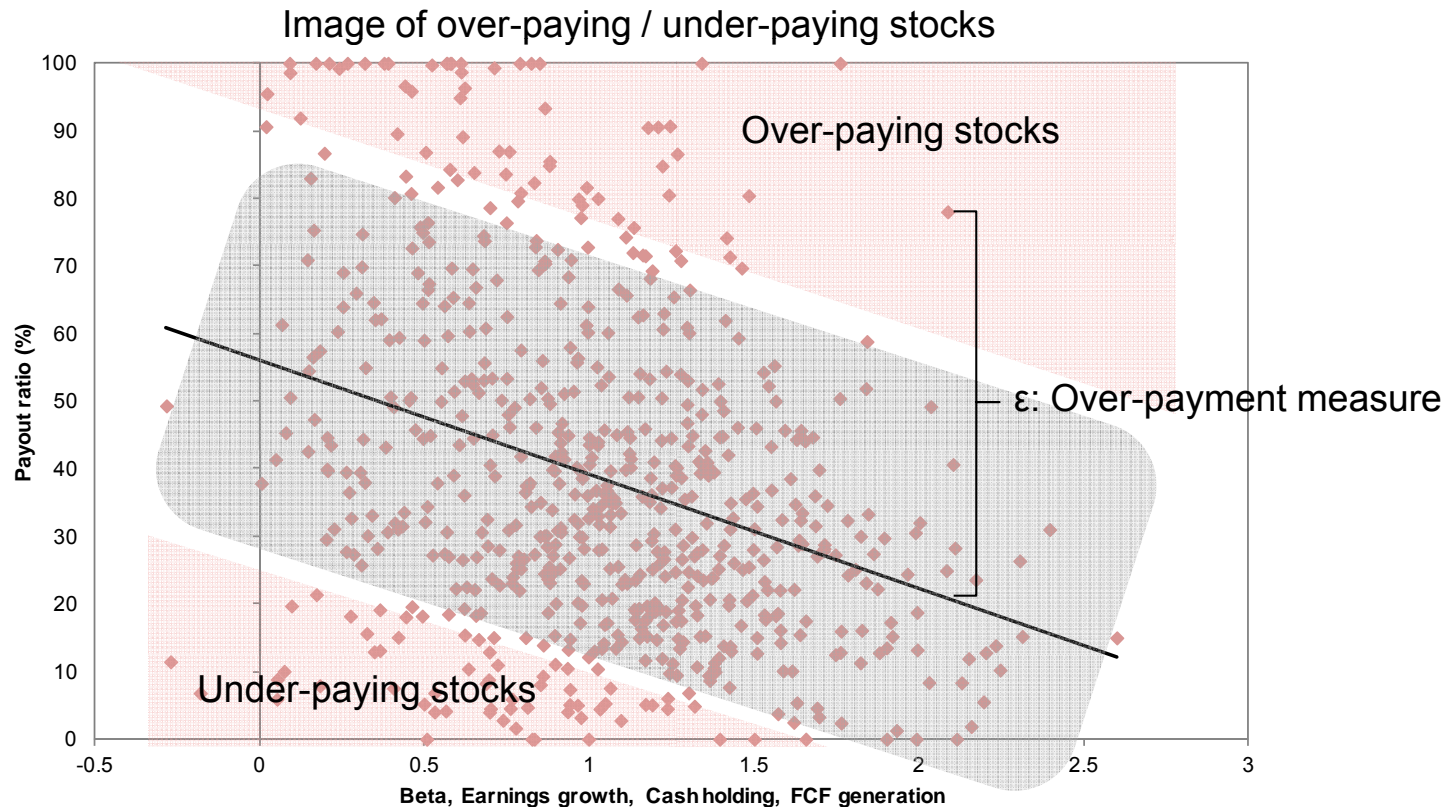
Source: Worldscope, I/B/E/S, MSCI, Nomura Quantitative Strategies

Identifying over-paying stocks by considering four factors

Use residuals from the following regression analysis as a measure of over-payment

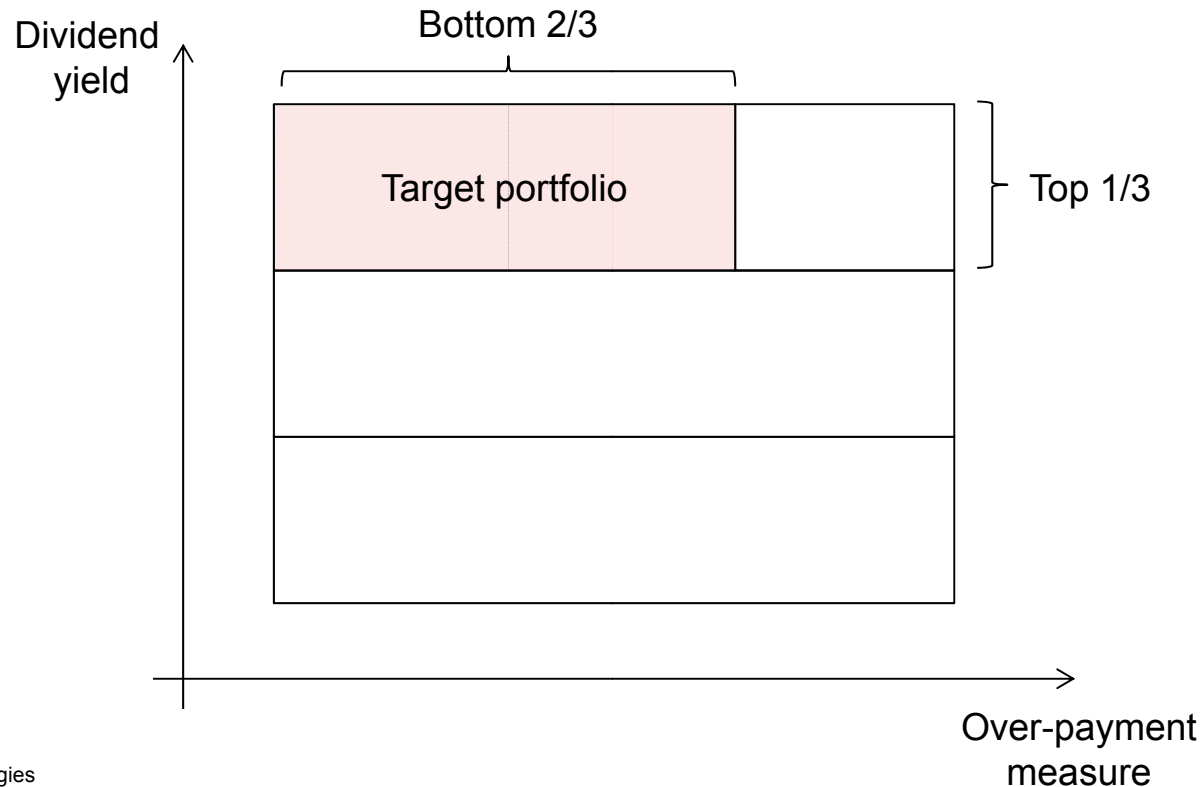
$$\underbrace{y_i}_{\text{Payout ratio}} = \underbrace{\gamma_1 x_i^1}_{\text{Beta}} + \underbrace{\gamma_2 x_i^2}_{\text{Long-term EPS growth forecast}} + \underbrace{\gamma_3 x_i^3}_{\text{Cash / Assets ratio}} + \underbrace{\gamma_4 x_i^4}_{\text{FCF/ Equity ratio (3Y avg)}} + \underbrace{\sum_j \beta^j C_i^j}_{\text{Country dummy}} + \underbrace{\sum_k \delta^k I_i^k}_{\text{Industry dummy}} + \underbrace{\varepsilon_i}_{\text{Residuals}}$$

Over-payment measure



- Invest in high-yield stocks with reasonable dividends
 - Top 1/3 based on dividend yield
 - Bottom 2/3 based on the over-payment measure

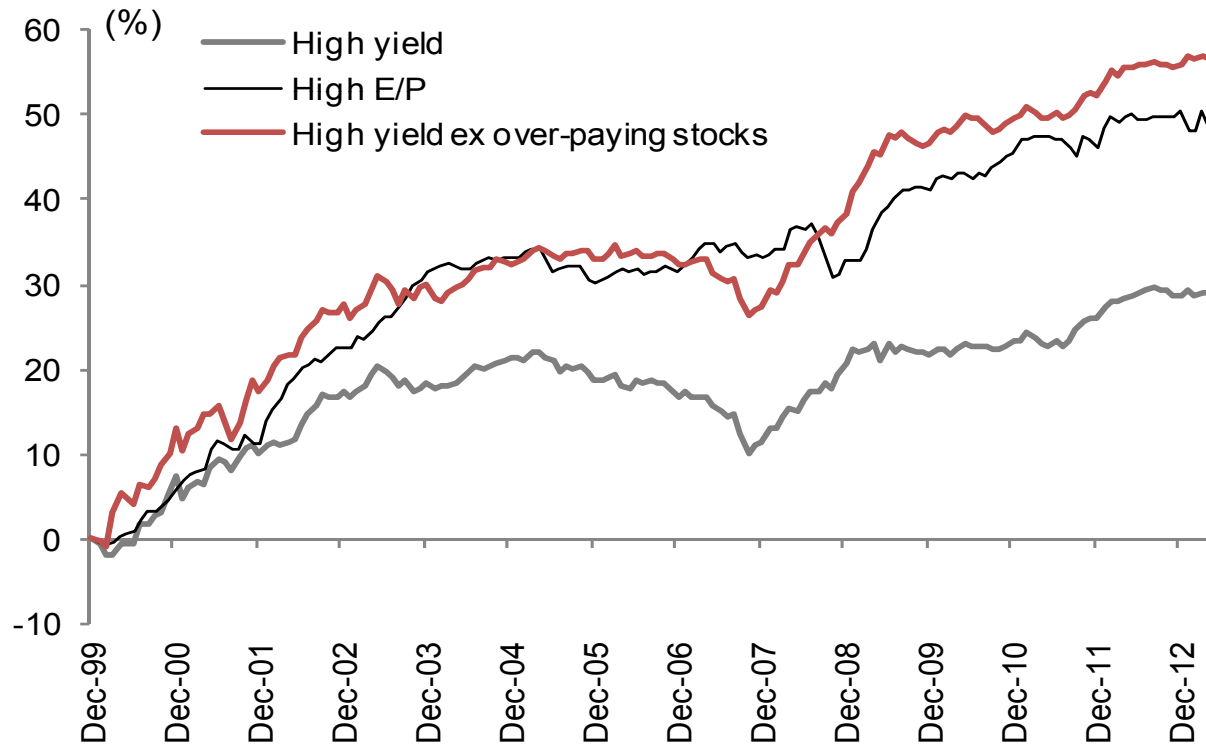
High dividend yield strategy excluding over-paying stocks



High dividend yield strategy excluding over-paying stocks

- Our strategy not only outperformed the market similarly to the high-yield stocks in 2008, but also showed strong performance similar to high E/P stocks in the 2009 market rally.

Performance of high dividend yield strategy excluding over-paying stocks

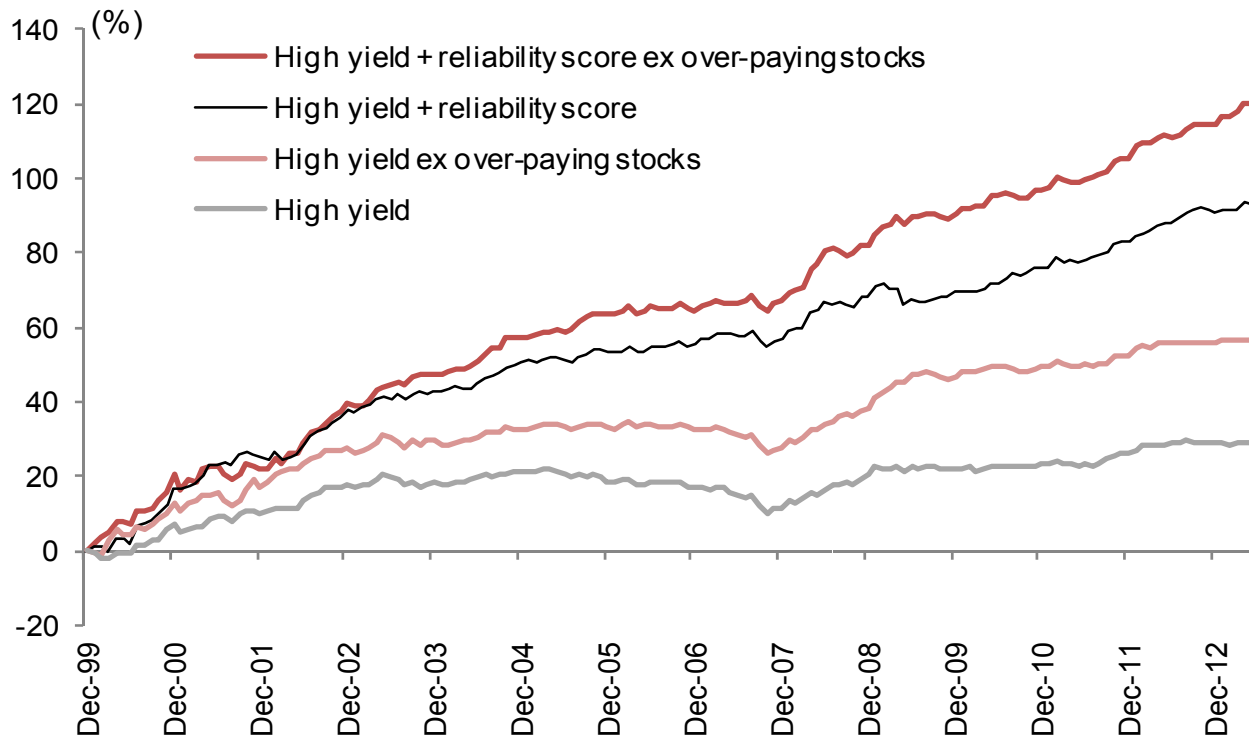


Source: Worldscope, I/B/E/S, MSCI, Nomura Quantitative Strategies

Identify stocks with reasonable and reliable dividends

- We apply this idea to our high-yield strategy which checks the dividend reliability. Excluding over-paying stocks is also useful to improve the performance of the strategy.

Performance of high yield stocks using dividend reliability score ex over-paying stocks



Appendix I: Definition of factors

Type	Factors	Definition
Size, price momentum & Liquidity	Market cap *	Log of US\$ market cap
	Price momentum (1M)	Past 1-month local currency return
	Price momentum (12M -1M)	Last 12-month return less the last 1 month return in local currency
	Volume turnover ratio	Past 1-month trading volume / shares outstanding at month-end
Valuation	Dividend yield	F12-month DPS / stock price
	Earnings yield	F12-month EPS / stock price
	B/P	Actual BPS / stock price
	Cashflow yield	F12-month cashflow per share / stock price
	EBITDA/EV	(F12-month net profit + actual interest expense + actual depreciation) / (market cap + interest-bearing debt - cash - short-term marketable securities)
Revision & earnings yield	Revision index	(Number of upward analyst revisions - number of downward analyst revisions) / total number of analysts' estimate
	Earnings revision indicator (FY2)	FY2 EPS / previous 3-month average FY2 EPS
	Change in earnings yield	F12-month earnings yield - past 3-month average earnings yield
	StarMine predicted surprise	(SmartEstimate F12-month - consensus mean) / max(divisor, mean)
	Normalised E/P	(F12-month earnings yield - average earnings yield in past 36 months) / standard deviation of the earnings yields in the past 36 months
	Change in consensus rating	Current consensus rating score - previous month consensus rating score
	Change in target price	(Consensus target price / previous month target price - 1) x 100%
	Change in revision index	Current revision index - previous month revision index
	Change in earnings revision	Current earnings revision indicator - previous month ERI
	Target price potential	(Consensus target price / current stock price - 1) x 100%
Growth	Sales growth (FY2)	FY2 sales / FY1 sales
	EPS growth (FY2)	FY2 EPS / FY1 EPS
Financial & operating efficiency	Return on equity	F12-month net profit / actual shareholders' equity
	Shareholders' equity ratio	Actual shareholders' equity / actual total assets
	Pretax profit margin	F12-month pretax profit / F12-month sales
Risk	Volatility	Past 36-month price return volatility
	Estimate dispersion	I/B/ES FY1 consensus EPS standard deviation / absolute value for FY1 consensus EPS
	Default probability *	Default probability estimated using Merton model

Note: The factors marked with * are reverse-based. Source: Nomura Quantitative Strategies

Style	Factors	Definition
Size *	Market cap	Log of US\$ market cap
Momentum	Price momentum (12M -1M)	Last 12-month return less the last 1-month return in local currency
Yield	Dividend yield	F12-month DPS / stock price
Valuation	Earnings yield	F12-month EPS / stock price
	B/P	Actual BPS / stock price
Revision	Revision index	(Number of upward analyst revisions - number of downward analyst revisions) / total number of analysts' estimate
Growth	Sales growth (FY2)	FY2 sales / FY1 sales
	EPS growth (FY2)	FY2 EPS / FY1 EPS
Profitability	Return on equity	F12-month net profit / actual shareholders' equity
	Change in pretax profit margin	FY2 pretax profit margin - FY1 pretax profit margin
Risk *	Volatility	Past 36-month price return volatility
	Estimate dispersion	I/B/ES FY1 consensus EPS standard deviation / absolute value for FY1 consensus EPS
	Default probability	Default probability estimated using Merton model

Appendix III: Stocks ideas (long-side) from revision-based strategy

Market	Bloomberg code	Company	Sector	Mkt cap (US\$m)	Avg daily turnover (US\$m)	Earnings revision (%)	Change in consensus rating	Target price potential (%)
Australia	FLT AU	Flight Centre	Consumer Discretionary	3,882	22.26	5.91	0.00	-1.49
Australia	MQG AU	Macquarie Group	Financials	14,735	113.59	4.43	-0.27	-5.35
Australia	CSL AU	Csl	Health Care	29,660	76.63	5.94	0.00	-4.11
Australia	BHP AU	Bhp Billiton	Materials	107,604	248.82	2.83	0.00	14.18
Australia	FMG AU	Fortescue Metals Group	Materials	10,642	61.62	7.72	-0.04	36.15
Australia	SGM AU	Sims Metal Management	Materials	1,967	13.30	-0.60	-0.07	16.68
China	1169 HK	Haier Electronics Group	Consumer Discretionary	4,280	6.95	0.41	-0.09	14.52
China	6808 HK	Sun Art Retail Group	Consumer Staples	12,436	7.00	-2.23	-0.13	10.81
China	883 HK	Cnooc	Energy	81,898	95.58	-1.05	-0.10	20.53
China	2628 HK	China Life Insurance	Financials	20,465	94.51	-0.63	-0.05	20.47
China	2601 HK	China Pacific Insurance Group	Financials	9,921	27.63	-0.48	-0.07	22.38
China	3900 HK	Greentown China Holdings	Financials	4,077	6.29	5.77	0.00	18.98
China	2607 HK	Shanghai Pharmaceuticals Holding	Health Care	1,484	11.26	2.79	0.00	16.14
China	1800 HK	China Communications Construction	Industrials	4,323	14.55	1.17	0.00	18.06
China	691 HK	China Shanshui Cement Group	Materials	1,795	4.94	-2.35	-0.05	27.78
China	338 HK	Sinopec Shanghai Petrochemical	Materials	804	6.15	10.92	-0.19	26.39
China	762 HK	China Unicom Hong Kong	Telecommunication Services	34,761	31.07	-0.10	-0.03	21.38
China	902 HK	Huaneng Power International Inc	Utilities	4,415	16.65	8.43	-0.12	-1.27
Hong Kong	27 HK	Galaxy Entertainment Group	Consumer Discretionary	21,003	71.78	4.79	0.04	5.64
Hong Kong	12 HK	Henderson Land Development	Financials	17,405	19.73	1.11	0.00	10.73
Hong Kong	54 HK	Hopewell Holdings	Industrials	3,376	5.49	-0.80	-0.32	15.32
India	BJAUT IN	Bajaj Auto	Consumer Discretionary	9,670	1.28	-3.40	-0.06	11.20
India	TTAN IN	Titan Industries	Consumer Discretionary	4,453	1.07	0.00	0.00	7.79
India	DABUR IN	Dabur India	Consumer Staples	4,996	0.46	0.39	0.00	-1.09
India	ICICIB IN	Icici Bank	Financials	25,830	6.01	2.09	-0.01	9.02
India	POWF IN	Power Finance Corp	Financials	4,919	0.71	2.21	0.00	16.12
India	DRRD IN	Dr Reddy'S Laboratories	Health Care	6,428	1.15	3.73	-0.02	6.68
India	ABNL IN	Aditya Birla Nuvo	Industrials	2,274	0.19	0.06	0.00	20.18
India	JPA IN	Jaiprakash Associates	Industrials	3,322	2.69	0.09	-0.16	7.62
India	SCS IN	Satyam Computer Services	Information Technology	2,305	0.95	0.04	-0.09	21.36
India	SESA IN	Sesa Goa	Materials	2,628	0.56	0.56	-0.13	7.81
India	STLT IN	Sterlite Industries India	Materials	5,950	0.76	-6.89	-0.20	14.61
India	IDEA IN	Idea Cellular	Telecommunication Services	7,944	0.90	1.17	-0.03	-5.51
India	PWGR IN	Power Grid Corp Of India	Utilities	9,787	0.69	1.36	0.00	16.16
India	RELI IN	Reliance Infrastructure	Utilities	2,043	6.81	15.69	0.00	46.26
Korea	066570 KS	Lg Electronics Inc	Consumer Discretionary	13,068	102.83	6.84	-0.02	18.77
Korea	002790 KS	Amorepacific Group	Consumer Staples	2,730	4.98	2.25	0.00	29.19
Korea	139480 KS	E-Mart	Consumer Staples	4,906	46.18	-4.93	-0.06	22.21
Korea	096770 KS	Sk Innovation	Energy	12,671	39.41	-6.53	0.00	24.25
Korea	005830 KS	Dongbu Insurance	Financials	2,901	6.80	0.70	0.00	24.81
Korea	032830 KS	Samsung Life Insurance	Financials	19,768	16.03	-0.42	0.00	19.50
Korea	068270 KS	Celltrion Inc	Health Care	5,681	65.90	20.92	-0.05	97.01
Korea	034020 KS	Doosan Heavy Industries & Constru	Industrials	4,333	9.99	8.19	0.00	26.75
Korea	003600 KS	Sk Holdings	Industrials	7,066	23.67	-6.27	-0.07	29.64
Korea	001740 KS	Sk Networks	Industrials	1,694	3.14	-3.81	-0.08	40.75
Korea	051910 KS	Lg Chem	Materials	17,095	48.73	-7.10	0.00	25.40
Korea	011170 KS	Lotte Chemical Corp	Materials	5,079	36.23	-11.85	-0.05	32.61
Malaysia	BST MK	Berjaya Sports Toto	Consumer Discretionary	1,944	1.94	0.00	-0.04	7.33
Malaysia	IOI MK	IoI Corp	Consumer Staples	10,937	15.75	-3.79	-0.11	-0.97
Malaysia	SAKP MK	Saparakencana Petroleum	Energy	6,160	31.03	4.75	0.09	6.21
Malaysia	MAY MK	Malayan Banking	Financials	27,984	72.10	0.94	-0.08	2.42
Malaysia	DIGI MK	Digi.Com	Telecommunication Services	11,938	13.12	-1.67	0.00	2.22
Singapore	WIL SP	Wilmar International	Consumer Staples	17,251	18.90	1.08	-0.07	11.57
Singapore	DBS SP	DbS Group Holdings	Financials	33,903	67.85	2.40	0.04	4.84
Singapore	UOL SP	Uol Group	Financials	4,473	6.00	-1.24	-0.22	4.77
Singapore	YZJ SP	Yangzijiang Shipbuilding Holdings	Industrials	2,729	6.91	3.30	-0.05	15.52
Singapore	ST SP	Singapore Telecommunications	Telecommunication Services	52,271	69.45	-0.75	-0.04	-5.57
Taiwan	2707 TT	Formosa International Hotels Corp	Consumer Discretionary	1,085	2.26	-2.34	-0.11	24.68
Taiwan	2882 TT	Cathay Financial Holding	Financials	14,835	32.05	13.66	0.05	2.27
Taiwan	2823 TT	China Life Insurance/Taiwa	Financials	2,306	10.72	4.33	0.00	5.78
Taiwan	9945 TT	Ruentex Development	Financials	1,885	14.42	-4.06	-0.17	14.12
Taiwan	2885 TT	Yuanta Financial Holding	Financials	4,826	12.93	1.38	-0.15	3.06
Taiwan	2610 TT	China Airlines	Industrials	1,672	2.99	0.03	-0.01	18.85
Taiwan	2409 TT	Au Optronics Corp	Information Technology	3,946	60.31	150.00	-0.01	11.26
Taiwan	2474 TT	Catcher Technology	Information Technology	3,588	83.12	9.51	-0.08	5.30
Taiwan	4938 TT	Pegatron Corp	Information Technology	4,134	30.34	17.05	0.00	3.99
Taiwan	3702 TT	Wpg Holdings	Information Technology	1,206	11.90	5.05	-0.18	7.56
Taiwan	2103 TT	Tsrc Corp	Materials	1,569	1.72	-4.42	-0.22	5.60
Taiwan	3045 TT	Taiwan Mobile	Telecommunication Services	13,184	18.74	-2.71	-0.06	-7.50

Note: Data as of 17 May 2013. Stocks highlighted are those that fall in the top quintile (group 1) of each market and sector by composite revision factor, and those that are with high target price potential (top half). Universe is based on MSCI constituents. Source: I/B/E/S, MSCI, Nomura Quantitative Strategies

Appendix IV: Stocks ideas (short-side) from revision-based strategy

Market	Bloomberg code	Company	Sector	Mkt cap (US\$m)	Avg daily turnover (US\$m)	Earnings revision (%)	Change in consensus rating	Target price potential (%)
Australia	GPT AU	Gpt Group	Financials	7,095	18.75	0.13	0.10	-6.58
Australia	COH AU	Cochlear	Health Care	3,943	17.17	0.01	0.00	-9.18
Australia	AWC AU	Alumina	Materials	2,495	9.26	-37.00	0.07	0.07
Australia	BLD AU	Boral	Materials	3,436	29.28	-16.72	0.21	3.18
China	939 HK	China Construction Bank Corp	Financials	219,938	180.42	2.16	0.12	12.28
China	410 HK	Soho China	Financials	4,295	7.92	-6.22	0.05	-3.79
China	1066 HK	Shandong Weigao Group Medical Pol	Health Care	1,898	4.54	-4.87	0.00	3.30
China	1919 HK	China Cosco Holdings	Industrials	5,252	4.25	-53.40	0.09	-8.53
China	267 HK	Citic Pacific	Industrials	4,626	12.96	-14.75	0.00	7.35
China	639 HK	Shougang Fushan Resources Group	Materials	2,076	12.92	-2.19	0.16	6.41
China	270 HK	Guangdong Investment	Utilities	5,882	5.60	1.49	0.07	-4.77
Hong Kong	142 HK	First Pacific/Hong Kong	Financials	5,800	7.41	-3.70	0.00	7.85
Hong Kong	388 HK	Hong Kong Exchanges And Clearing	Financials	19,359	74.64	-3.68	0.05	-2.36
India	CBK IN	Canara Bank	Financials	3,547	1.19	-4.45	0.04	0.99
India	RBXY IN	Ranbaxy Laboratories	Health Care	3,635	1.46	-5.90	0.00	-2.28
India	BHEL IN	Bharat Heavy Electricals	Industrials	8,981	1.20	-2.23	-0.01	-1.18
India	SIEM IN	Siemens/India	Industrials	4,023	0.71	-16.63	0.02	-17.53
India	INFO IN	Infosys	Information Technology	24,600	3.24	-3.49	0.00	8.75
India	ACC IN	Acc	Materials	4,306	0.72	-10.43	0.18	1.48
India	ACEM IN	Ambuja Cements	Materials	5,356	1.00	-9.41	0.20	-0.88
India	RCOM IN	Reliance Communications	Telecommunication Services	4,273	13.58	-7.65	0.42	-34.05
India	NTPC IN	Ntpc	Utilities	24,011	0.79	-1.87	0.00	14.34
Korea	004170 KS	Shinsegae	Consumer Discretionary	2,019	4.59	-0.54	0.02	11.34
Korea	090430 KS	Amorepacific Corp	Consumer Staples	5,115	14.90	-6.49	0.00	10.22
Korea	004990 KS	Lotte Confectionery	Consumer Staples	2,250	2.53	7.40	0.33	9.41
Korea	010950 KS	S-Oil Corp	Energy	9,116	16.58	-7.25	0.14	17.35
Korea	024110 KS	Industrial Bank Of Korea	Financials	6,209	6.10	-5.00	0.06	8.81
Korea	000100 KS	Yuhan Corp	Health Care	1,873	7.99	-2.69	0.08	23.09
Korea	009540 KS	Hyundai Heavy Industries	Industrials	14,412	45.37	-15.86	0.10	24.72
Korea	002380 KS	Kcc Corp	Industrials	2,973	6.20	-26.38	0.30	21.14
Korea	034220 KS	Lg Display	Information Technology	9,903	48.71	-0.85	0.00	19.48
Korea	010060 KS	Oci	Materials	3,108	24.70	-16.65	0.05	21.18
Malaysia	GENT MK	Genting	Consumer Discretionary	13,243	12.53	-1.99	0.09	1.57
Malaysia	FGV MK	Felda Global Ventures Holdings	Consumer Staples	8,711	2.78	-7.90	0.13	-11.66
Malaysia	RHBC MK	Rhb Capital	Financials	7,232	10.60	0.04	0.00	-0.76
Malaysia	MAHB MK	Malaysia Airports Holdings	Industrials	2,497	3.57	-5.62	0.14	4.55
Singapore	GLP SP	Global Logistic Properties	Financials	11,279	36.57	-5.52	0.06	0.94
Singapore	OCBC SP	Oversea-Chinese Banking Corp	Financials	30,533	29.07	-0.16	0.28	-5.19
Singapore	STH SP	Starhub	Telecommunication Services	6,018	8.76	0.30	0.33	-10.43
Taiwan	2880 TT	Hua Nan Financial Holdings	Financials	4,926	2.68	-0.54	0.00	-5.71
Taiwan	2887 TT	Taishin Financial Holding	Financials	3,320	11.83	0.32	0.05	-6.49
Taiwan	2609 TT	Yang Ming Marine Transport Corp	Industrials	1,213	1.99	-14.20	0.00	0.00
Taiwan	2353 TT	Acer Inc	Information Technology	2,189	11.11	-14.41	-0.04	-7.13
Taiwan	3034 TT	Novatek Microelectronics Corp	Information Technology	2,936	24.39	4.12	0.27	2.37
Taiwan	2382 TT	Quanta Computer Inc	Information Technology	7,896	17.21	-9.96	0.00	1.23
Taiwan	2002 TT	China Steel Corp	Materials	12,760	10.85	-1.63	0.14	-3.51
Taiwan	2015 TT	Feng Hsin Iron & Steel Co	Materials	1,027	0.58	0.00	0.40	-3.26
Taiwan	2412 TT	Chunghwa Telecom	Telecommunication Services	25,238	29.02	-2.06	0.03	-9.90

Note: Data as of 17 May 2013. Stocks highlighted are those that fall in the bottom quintile (group 5) of each market and sector by composite revision factor, and those that are with low target price potential (bottom half). Universe is based on MSCI constituents. Source: I/B/E/S, MSCI, Nomura Quantitative Strategies

Appendix V: High-yield stocks with reasonable and reliable dividends

Market	Ticker	Name	Sector	Dividend yield (%)	Reliability score	Over-payment measure	Payout ratio (%)	Market	Ticker	Name	Sector	Dividend yield (%)	Reliability score	Over-payment measure	Payout ratio (%)
Australia	MTS AU	Metcash	Cons. Staples	6.72	2	0.19	83.64	Korea	021240 KS	Coway	Cons. Disc.	1.65	0	0.13	28.80
Australia	WPL AU	Woodside Petroleum	Energy	5.90	4	0.50	86.42	Korea	000270 KS	Kia Motors Corp	Cons. Disc.	1.27	0	-0.57	7.23
Australia	WOR AU	Worleyparsons	Energy	5.17	0	-0.47	62.80	Korea	005830 KS	Dongbu Insurance	Financials	3.20	4	-0.14	19.91
Australia	NAB AU	National Australia Bank	Financials	5.89	3	0.45	75.14	Korea	001450 KS	Hyundai Marine & Fire Insurance	Financials	3.12	1	-0.01	21.08
Australia	BEN AU	Bendigo And Adelaide Bank	Financials	5.73	1	0.17	73.89	Korea	068270 KS	Celltrion Inc	Health Care	0.76	1	-0.33	8.82
Australia	SUN AU	Suncorp Group	Financials	5.62	1	0.34	76.44	Korea	006260 KS	Ls Corp	Industrials	1.75	2	0.07	14.12
Australia	TOL AU	Toll Holdings	Industrials	5.25	0	-0.09	61.23	Korea	010120 KS	Ls Industrial Systems	Industrials	1.68	1	0.17	22.36
Australia	ORI AU	Orica	Materials	4.30	2	-0.76	50.86	Korea	034020 KS	Doosan Heavy Industries & Constru.	Industrials	1.59	0	-0.07	17.01
Australia	AMC AU	Amcor/Australia	Materials	4.29	2	-0.18	69.59	Korea	010140 KS	Samsung Heavy Industries	Industrials	1.52	2	-0.02	12.48
Australia	BHP AU	Bhp Billiton	Materials	3.73	3	-1.05	41.80	Korea	006400 KS	Samsung Sdi	IT	1.20	1	-0.30	11.69
Australia	RIO AU	Rio Tinto	Materials	3.46	2	-1.28	32.88	Korea	005490 KS	Posco	Materials	2.67	1	0.19	27.65
China	606 HK	China Agri-Industries Holdings	Cons. Staples	2.36	3	-0.14	22.48	Korea	011780 KS	Kumho Petro Chemical	Materials	2.02	2	-0.08	19.74
China	386 HK	China Petroleum & Chemical Corp	Energy	4.63	0	-0.35	35.68	Korea	000880 KS	Hanwha Corp	Materials	1.56	6	0.19	9.84
China	3988 HK	Bank of China	Financials	5.87	1	0.07	33.35	Malaysia	MISC MK	Misc Bhd	Industrials	3.03	6	-0.11	46.10
China	3618 HK	Chongqing Rural Commercial Bank	Financials	5.81	3	0.20	28.59	Malaysia	MMHE MK	Malaysia Marine And Heavy Enginee	Industrials	2.80	0	0.31	53.12
China	1288 HK	Agricultural Bank of China	Financials	5.69	0	0.29	32.90	Malaysia	YTL MK	Ytl Corp Bhd	Utilities	3.10	1	-0.26	43.51
China	939 HK	China Construction Bank Corp	Financials	5.63	3	0.10	33.61	Malaysia	TNB MK	Tenaga Nasional Bhd	Utilities	2.66	3	-0.53	31.25
China	3333 HK	Evergrande Real Estate Group	Financials	5.24	0	0.18	23.83	Singapore	SPH SP	Singapore Press Holdings	Cons. Disc.	5.39	0	1.50	102.70
China	1099 HK	Sinopharm Group	Health Care	1.67	0	-0.13	29.13	Singapore	SGX SP	Singapore Exchange	Financials	4.02	1	1.45	92.71
China	1800 HK	China Communications Construction	Industrials	3.49	3	-0.30	23.92	Singapore	DBS SP	Dbs Group Holdings	Financials	3.38	3	-0.47	39.51
China	148 HK	Kingboard Chemical Holdings	IT	3.12	0	-0.11	21.79	Singapore	YZJ SP	Yangzijiang Shipbuilding Holdings	Industrials	4.48	2	-0.76	30.60
China	992 HK	Lenovo Group	IT	2.69	2	-0.41	32.88	Singapore	STE SP	Singapore Technologies Engineering	Industrials	4.31	2	0.95	91.16
China	691 HK	China Shanshui Cement Group	Materials	5.28	1	0.08	29.48	Singapore	STH SP	Starhub	Telecom	4.80	0	0.16	97.88
China	336 HK	Huabao International Holdings	Materials	4.80	0	-0.50	30.88	Taiwan	9904 TT	Pou Chen Corp	Cons. Disc.	4.12	0	-0.57	41.27
China	2314 HK	Lee & Man Paper Manufacturing	Materials	3.19	3	0.23	34.21	Taiwan	2204 TT	China Motor Corp	Cons. Disc.	3.84	0	0.12	51.10
China	552 HK	China Communications Services Corp	Telecom	3.82	2	-0.72	38.23	Taiwan	2912 TT	President Chain Store Corp	Cons. Staples	2.61	1	0.09	67.81
Hong Kong	551 HK	Yue Yuen Industrial Holdings	Cons. Disc.	4.51	2	-0.46	42.72	Taiwan	5522 TT	Farglory Land Development	Financials	6.23	0	0.05	54.17
Hong Kong	83 HK	Sino Land	Financials	4.21	3	0.23	48.99	Taiwan	2542 TT	Highwealth Construction Corp	Financials	4.50	4	-1.05	20.50
Hong Kong	16 HK	Sun Hung Kai Properties	Financials	3.25	2	-0.27	40.28	Taiwan	5871 TT	Chailease Holding	Financials	2.75	0	-0.14	39.07
Hong Kong	659 HK	Nws Holdings	Industrials	4.53	1	-0.02	53.96	Taiwan	2883 TT	China Development Financial	Financials	2.52	0	-0.08	42.22
Hong Kong	2 HK	Clp Holdings	Utilities	3.87	0	0.12	60.92	Taiwan	1504 TT	Teco Electric And Machinery	Industrials	3.98	0	-0.02	54.71
Hong Kong	6 HK	Power Assets Holdings	Utilities	3.42	1	-0.15	55.63	Taiwan	6286 TT	Richtek Technology Corp	IT	5.13	0	0.40	67.23
India	COAL IN	Coal India	Energy	3.68	0	-0.32	37.52	Taiwan	2392 TT	Cheng Uei Precision Industry	IT	4.81	6	0.30	51.80
India	RECL IN	Rural Electrification Corp	Financials	4.37	1	0.31	25.46	Taiwan	3034 TT	Novatek Microelectronics Corp	IT	4.45	3	0.40	68.24
India	BOI IN	Bank of India	Financials	3.25	2	-0.03	17.11	Taiwan	6121 TT	Simplo Technology	IT	4.33	0	0.00	51.72
India	CBK IN	Canara Bank	Financials	3.22	0	-0.06	17.21	Taiwan	2103 TT	Tsrc Corp	Materials	5.43	1	0.50	68.75
India	CIPLA IN	Cipla/India	Health Care	0.86	0	-0.24	17.29	Taiwan	2006 TT	Tung Ho Steel Enterprise Corp	Materials	4.76	1	0.14	57.00
India	ACEM IN	Ambuja Cements	Materials	2.19	0	0.16	37.21	Thailand	TOP TB	Thai Oil	Energy	4.62	0	-0.25	44.45
Indonesia	INDF IJ	Indofood Sukses Makmur	Cons. Staples	2.44	2	-0.16	40.12	Thailand	PTTGC TB	Ptt Global Chemical	Materials	4.80	4	-0.07	43.61
Indonesia	BBNI IJ	Bank Negara Indonesia	Financials	2.21	1	-0.47	24.85								
Indonesia	TLKM IJ	Telekomunikasi Indonesia	Telecom	4.28	2	-0.16	65.15								

Note: Data as of 17 May 2013. Stocks highlighted are those in both the top one-third based on the dividend yield (with dividend yield over 3%) and bottom two-thirds based on the over-payment measure. Source: Worldscope, I/B/E/S, MSCI, Nomura Quantitative Strategies

Appendix VI: Stocks that considered as over-paying dividends (ref)

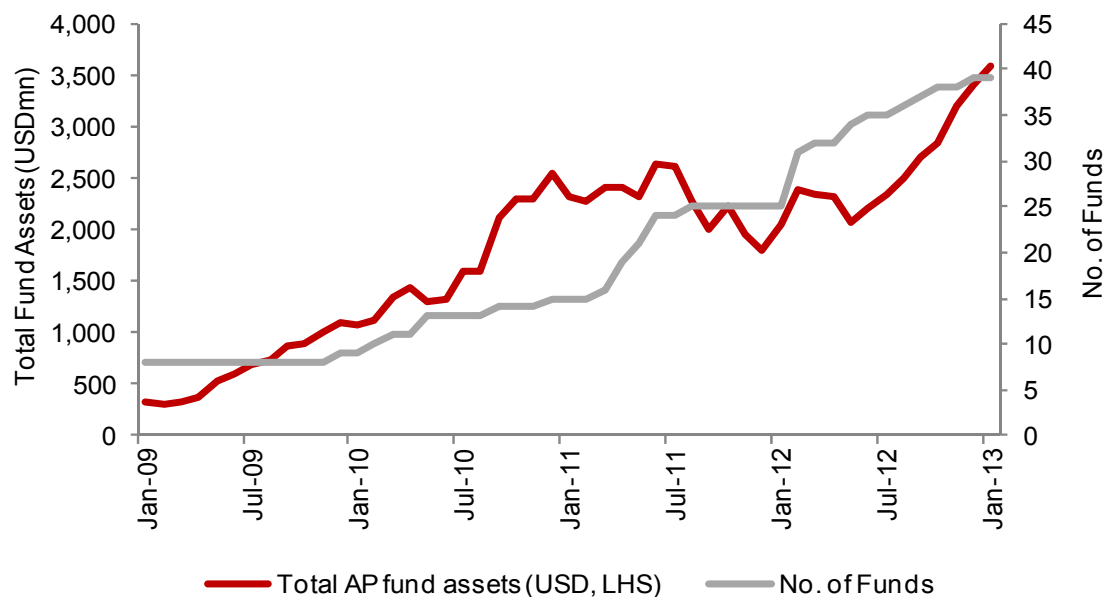
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Market	Ticker	Name	Sector	Dividend yield (%)	Reliability score	Over-payment measure	Payout ratio (%)	Market	Ticker	Name	Sector	Dividend yield (%)	Reliability score	Over-payment measure	Payout ratio (%)
Australia	TTS AU	Tatts Group	Cons. Disc.	4.93	0	0.97	99.70	Korea	035250 KS	Kangwon Land Inc	Cons. Disc.	3.00	-1	0.84	49.03
Australia	WBC AU	Westpac Banking Corp	Financials	5.95	1	0.71	82.16	Korea	033780 KS	Kt&G Corp	Cons. Staples	4.38	1	0.78	54.42
Australia	COH AU	Cochlear	Health Care	3.61	-2	0.69	88.18	Korea	010950 KS	S-Oil Corp	Energy	4.37	-3	0.90	42.21
Australia	SYD AU	Sydney Airport	Industrials	6.20	4	1.61	237.94	Korea	003450 KS	Hyundai Securities Co	Financials	3.41	0	0.86	36.39
Australia	SPN AU	Sp Ausnet	Utilities	6.44	-2	1.06	98.81	Korea	088350 KS	Hanwha Life Insurance	Financials	3.32	-3	0.47	32.99
China	3998 HK	Bosideng International Holdings	Cons. Disc.	8.57	-3	1.48	72.93	Korea	005940 KS	Woori Investment & Securities Co	Financials	2.58	-2	0.84	31.54
China	2020 HK	Anta Sports Products	Cons. Disc.	4.89	-3	0.72	68.26	Korea	028050 KS	Samsung Engineering	Industrials	3.15	-1	0.53	32.72
China	1828 HK	Dah Chong Hong Holdings	Cons. Disc.	3.81	-5	0.45	39.18	Korea	002380 KS	Kcc Corp	Industrials	2.56	-2	1.42	55.02
China	1833 HK	Intime Department Store Group Co	Cons. Disc.	3.59	-2	0.61	40.56	Korea	001740 KS	Sk Networks	Industrials	2.01	1	0.38	28.22
China	1044 HK	Hengan International Group	Cons. Staples	2.52	0	0.72	60.94	Korea	012630 KS	Hyundai Development Co	Industrials	1.59	0	0.56	24.64
China	151 HK	Want Want China Holdings	Cons. Staples	2.26	2	0.58	64.28	Korea	009830 KS	Hanwha Chem Corp	Materials	2.03	-3	0.61	29.64
China	2777 HK	Guangzhou R&F Properties	Financials	6.08	-1	0.46	37.91	Korea	036460 KS	Korea Gas Corporation	Utilities	2.09	-2	0.57	24.52
China	123 HK	Yuexiu Property	Financials	5.43	0	0.56	40.81	Malaysia	ROTH MK	British American Tobacco Malaysia	Cons. Staples	4.44	1	1.29	98.19
China	3377 HK	Sino-Ocean Land Holdings	Financials	5.25	2	0.82	42.68	Malaysia	PETD MK	Petronas Dagangan	Energy	3.54	-5	0.99	84.14
China	2007 HK	Country Garden Holdings	Financials	4.97	0	0.45	35.98	Malaysia	MAY MK	Malayan Banking	Financials	5.17	-1	0.77	69.18
China	410 HK	Soho China	Financials	4.73	-4	0.39	47.86	Malaysia	LMC MK	Lafarge Malayan Cement	Materials	4.00	-2	1.21	85.17
China	460 HK	Sihuan Pharmaceutical Holdings	Health Care	2.54	0	0.52	40.79	Malaysia	MAXIS MK	Maxis	Telecom	5.75	-2	1.68	134.62
China	576 HK	Zhejiang Expressway	Industrials	5.89	-1	1.12	74.49	Malaysia	DIGI MK	Digi.Com	Telecom	5.04	2	0.82	104.98
China	177 HK	Jiangsu Expressway	Industrials	5.33	-2	1.28	75.43	Philippines	BPI PM	Bank of The Philippine Islands	Financials	1.93	-1	0.20	39.36
China	267 HK	Citic Pacific	Industrials	4.31	-2	0.49	40.61	Philippines	TEL PM	Philippine Long Distance Telephone	Telecom	5.81	0	1.29	99.19
China	144 HK	China Merchants Holdings	Industrials	3.28	3	0.41	45.93	Singapore	HPHT SP	Hutchison Port Holdings Trust	Industrials	7.12	-2	2.72	171.19
China	902 HK	Huaneng Power International	Utilities	4.75	-1	0.82	51.55	Taiwan	1434 TT	Formosa Taffeta	Cons. Disc.	6.35	-3	2.21	113.38
Hong Kong	880 HK	Sjm Holdings	Cons. Disc.	4.87	-1	0.69	75.04	Taiwan	2707 TT	Formosa International Hotels Corp	Cons. Disc.	3.46	2	0.97	77.87
Hong Kong	494 HK	Li & Fung	Cons. Disc.	4.61	-2	1.05	77.57	Taiwan	1402 TT	Far Eastern New Century Corp	Industrials	4.51	1	1.02	79.40
Hong Kong	2388 HK	Boc Hong Kong Holdings	Financials	4.93	-2	0.61	63.27	Taiwan	2606 TT	U-Ming Marine Transport Corp	Industrials	2.45	-2	0.60	82.38
Hong Kong	54 HK	Hopewell Holdings	Industrials	3.77	0	0.56	73.81	Taiwan	2451 TT	Transcend Information Inc	IT	7.42	-1	1.41	92.45
India	HMCL IN	Hero Motocorp	Cons. Disc.	3.33	-2	0.32	48.53	Taiwan	3702 TT	Wpg Holdings	IT	6.14	-2	0.80	67.63
India	BJAUT IN	Bajaj Auto	Cons. Disc.	3.05	-2	0.44	42.26	Taiwan	2301 TT	Lite-On Technology Corp	IT	6.00	3	0.59	70.33
India	ITC IN	Itc	Cons. Staples	2.07	-3	0.99	59.89	Taiwan	2385 TT	Chicony Electronics	IT	5.68	-2	0.62	68.00
India	HUVR IN	Hindustan Unilever	Cons. Staples	1.95	-1	0.82	66.84	Taiwan	2325 TT	Siliconware Precision Industries	IT	4.89	-4	1.14	80.31
India	RCAPT IN	Reliance Capital	Financials	2.36	-2	0.81	28.86	Taiwan	1101 TT	Taiwan Cement Corp	Materials	5.17	1	0.84	77.29
India	PIEL IN	Piramal Enterprises	Health Care	1.89	-1	3.58	1000.00	Taiwan	1102 TT	Asia Cement Corp	Materials	4.69	-3	0.73	74.38
India	TATA IN	Tata Steel	Materials	3.62	-1	0.47	33.08	Taiwan	1710 TT	Oriental Union Chemical Corp	Materials	4.60	-3	0.92	80.05
India	ACC IN	Acc	Materials	2.59	-1	0.35	41.58	Taiwan	4904 TT	Far Eastone Telecommunications Ct	Telecom	5.17	2	0.73	99.58
India	NTPC IN	Ntpc	Utilities	3.05	0	0.35	35.25	Thailand	CPF TB	Charoen Pokphand Foods	Cons. Staples	3.74	-2	0.30	52.50
Indonesia	ASII IJ	Astra International	Cons. Disc.	3.42	-2	0.31	44.91	Thailand	BANPU TB	Banpu	Energy	4.46	-3	0.02	48.26
Indonesia	AALI IJ	Astra Agro Lestari	Cons. Staples	4.71	-5	0.39	56.81	Thailand	SCC TB	Siam Cement	Materials	3.17	1	0.10	49.50
Indonesia	ITMG IJ	Indo Tambangraya Megah	Energy	7.14	2	0.81	81.47								
Indonesia	PTBA IJ	Tambang Batubara Bukit Asam	Energy	4.26	3	0.01	53.52								

Note: Data as of 17 May 2013. List of stocks which meet both 1) in the top 1/3 based on dividend yield , and 2) in the top 1/3 based on over-paying measure. The stock universe is the constituents of MSCI AC AP ex Japan index. Source: Worldscope, I/B/E/S, MSCI, Nomura Quantitative Strategies

- We checked the existing ETFs benchmarked to the Asia Pacific ex-Japan region and shortlisted the ones that seem to offer alternative beta, such as those that fall within the relevant area of value, growth, dividend, RAFI, EPRA/NAREIT, equal-weighted, etc. We identify 39 Asia-Pacific regional or country-focused ETFs with roughly USD 3.5bn assets under management, a relatively small number compared with our estimate of some USD 180bn global ETFs that are related to this space.

AUM and number of alternative beta ETFs benchmarked to AP region or country



Note: Data as of 31 January 2013. We note that the figure represents just a portion of the whole market because many products that relate to this area are not included here, including the non ETFs and internally managed institutional exposures (eg, pension). Source: Bloomberg, Nomura Quantitative Strategies

- Cyclical in active returns exists for minimum volatility and dividend yield strategies, thus the annualized tracking error for these strategies relative to the market is higher, leading to lower information ratios. In contrast, the risk-weighted and value-weighted strategies generated higher information ratios in the developed Asia, while value-weighted strategies delivered best information ratio in emerging Asia.

Performance of some alternative beta strategy indices versus standard market indices

Annualised returns since Jun-2001		Standard	Min Volatility	Risk weighted	Value weighted	Equal weighted	GDP weighted	High DY
AC AP ex-Japan	Annualised return (%)	14.69	15.95	17.20	n/a	16.49	17.03	17.31
	Annualised SD (%)	22.21	17.09	19.73	n/a	23.80	23.71	19.93
	Sharpe ratio	0.66	0.93	0.87	n/a	0.69	0.72	0.87
AC FE ex-Japan	Annualised return (%)	13.95	15.23	16.11	16.26	15.93	16.96	17.57
	Annualised SD (%)	22.95	18.28	19.87	23.61	24.16	24.41	20.12
	Sharpe ratio	0.61	0.83	0.81	0.69	0.66	0.69	0.87
Dev. Pacific ex-Japan	Annualised return (%)	14.51	15.40	17.20	15.43	16.19	14.73	17.57
	Annualised SD (%)	21.48	17.97	19.31	21.69	21.89	21.39	22.08
	Sharpe ratio	0.68	0.86	0.89	0.71	0.74	0.69	0.80
Emerging Asia	Annualised return (%)	15.25	16.77	17.13	18.02	16.65	17.66	19.70
	Annualised SD (%)	24.14	19.91	20.87	24.83	24.90	24.56	21.25
	Sharpe ratio	0.63	0.84	0.82	0.73	0.67	0.72	0.93
Excess returns versus Standard Index since Jun-2001			Min Volatility	Risk weighted	Value weighted	Equal weighted	GDP weighted	High DY
AC AP ex-Japan	Annualised excess return (%)		1.27	2.51	n/a	1.80	2.34	2.62
	Annualised TE (%)		6.66	5.06	n/a	5.08	5.20	6.06
	Information ratio		0.19	0.50	n/a	0.35	0.45	0.43
AC FE ex-Japan	Annualised excess return (%)		1.29	2.16	2.31	1.98	3.01	3.62
	Annualised TE (%)		6.05	6.07	2.59	5.05	6.19	5.73
	Information ratio		0.21	0.36	0.89	0.39	0.49	0.63
Dev. Pacific ex-Japan	Annualised excess return (%)		0.89	2.69	0.92	1.68	0.22	3.06
	Annualised TE (%)		5.44	5.16	2.01	4.24	1.27	8.10
	Information ratio		0.16	0.52	0.46	0.40	0.17	0.38
Emerging Asia	Annualised excess return (%)		1.52	1.88	2.77	1.40	2.42	4.45
	Annualised TE (%)		5.66	6.52	3.26	5.21	6.12	6.55
	Information ratio		0.27	0.29	0.85	0.27	0.39	0.68

Note: Annualised excess returns since June 2001. Source: Bloomberg, Thomson Reuters Datastream, MSCI, Nomura Quantitative Strategies

- We construct a set of hypothetical risk-based strategy portfolios using minimum variance, risk parity, and equal-weighted approaches. We attempt to highlight the differences in the profile of these strategies with respect to the major return drivers. These risk-based strategies revealed low predicted beta and therefore provided downside protection during market downturn; minimum variance portfolios reduced total risk but showed higher active risk, the worst active drawdown, and high average turnover.

Return, drawdown, risk, and turnover summary of hypothetical risk-based strategy portfolios

Summary	Minimum Variance			Risk Parity			Equal-weighted		
	APxJ	PACxJ	EM Asia	APxJ	PACxJ	EM Asia	APxJ	PACxJ	EM Asia
Sharpe Ratio	1.19	1.05	1.10	1.03	0.79	0.91	1.05	0.74	0.90
Information Ratio	0.29	0.09	0.35	0.41	0.48	0.37	0.51	0.53	0.42
% of Period with Positive Active Return	50.00%	47.22%	52.78%	54.17%	54.86%	54.86%	54.17%	56.25%	54.86%
Returns									
Total return	475.63%	354.54%	525.70%	483.26%	430.72%	469.30%	519.83%	423.02%	481.98%
Annualized total return	15.70%	13.45%	16.51%	15.83%	14.92%	15.60%	16.42%	14.78%	15.81%
Total Benchmark return	266.83%	299.39%	253.76%	266.83%	299.39%	253.76%	266.83%	299.39%	253.76%
Annualized Benchmark return	11.44%	12.23%	11.10%	11.44%	12.23%	11.10%	11.44%	12.23%	11.10%
Annualized Active return	4.26%	1.22%	5.41%	4.39%	2.69%	4.49%	4.98%	2.55%	4.71%
Worst active drawdown	-25.61%	-46.60%	-27.01%	-19.90%	-12.00%	-19.30%	-18.65%	-11.48%	-17.75%
Risk									
Total Risk (average predicted)	11%	14%	12%	14%	18%	14%	15%	19%	15%
Total Risk (realized)	13.23%	12.76%	14.98%	15.31%	18.96%	17.06%	15.70%	19.98%	17.57%
Benchmark Risk (realized)	22.25%	21.66%	24.09%	22.25%	21.66%	24.09%	22.25%	21.66%	24.09%
Active Risk (average predicted)	15.60%	13.84%	17.74%	11.06%	6.17%	13.39%	10.16%	5.21%	12.56%
Active Risk (realized)	14.92%	14.29%	15.59%	10.75%	5.58%	12.05%	9.73%	4.83%	11.16%
Average Predicted Beta	0.38	0.51	0.35	0.57	0.80	0.52	0.62	0.85	0.57
Trading									
Average monthly turnover (1-way)	31%	23%	32%	23%	10%	22%	23%	10%	23%
Average number of names	41.17	28.47	43.74	100.00	100.00	100.00	100.00	100.00	100.00

Note: Universe is based on MSCI AC Asia Pacific ex Japan, Developed Pacific ex Japan, and Emerging Asia regions. We pre-select the 100 stocks with the lowest volatility factor exposure as the universe. Back-test period is February 2001 to end-January 2013. Source: Axioma, MSCI, Nomura Quantitative Strategies

Appendix VII d: Active exposure and returns/factor attribution summary **NOMURA**

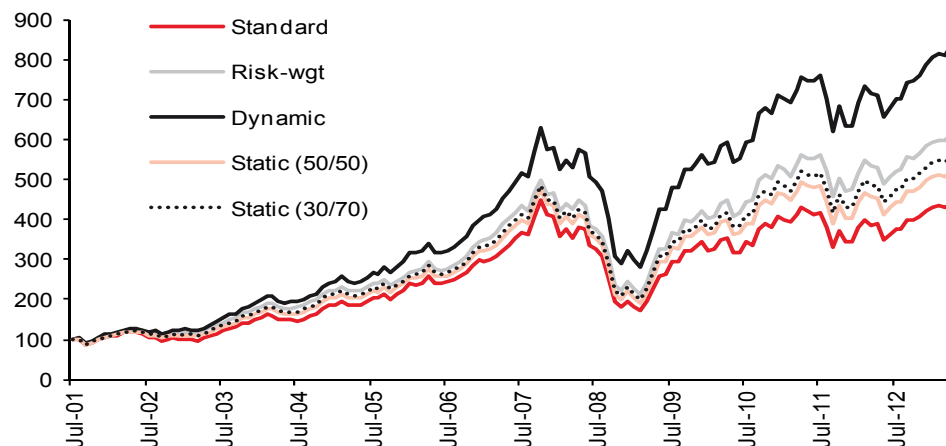
The hypothetical risk-based strategy portfolios have negative exposure on volatility, size, momentum, growth and liquidity.

	Minimum Variance			Risk Parity			Equal-weighted		
	APxJ	PACxJ	EM Asia	APxJ	PACxJ	EM Asia	APxJ	PACxJ	EM Asia
Average active weight by sector									
Consumer Discretionary	2.59%	3.86%	-1.91%	2.17%	4.57%	-3.55%	1.70%	4.83%	-3.76%
Consumer Staples	2.26%	-6.59%	9.42%	1.79%	-2.05%	5.62%	1.54%	-1.65%	4.55%
Energy	0.28%	-3.69%	-0.09%	-2.21%	-0.88%	-0.93%	-2.88%	0.30%	-0.97%
Financials	-30.15%	-43.40%	-18.19%	-1.41%	-10.33%	2.49%	2.98%	-7.55%	5.86%
Health Care	-0.13%	-0.21%	8.72%	0.23%	1.13%	2.35%	0.06%	1.27%	1.59%
Industrials	-2.48%	-0.22%	-1.92%	8.00%	7.80%	5.30%	8.82%	8.30%	6.16%
Information Technology	-13.62%	-0.43%	-20.28%	-13.62%	0.50%	-19.25%	-13.62%	0.58%	-19.42%
Materials	-10.84%	-14.71%	-8.30%	-6.97%	-12.63%	-1.73%	-5.83%	-11.65%	-0.28%
Telecommunication Services	20.50%	23.00%	22.12%	4.18%	4.83%	5.55%	1.52%	1.67%	3.05%
Utilities	31.59%	42.39%	10.43%	7.84%	7.07%	4.14%	5.72%	3.90%	3.24%
Average active exposure by style factors									
Exchange Rate Sensitivity	0.001	0.022	-0.020	0.011	0.021	0.015	0.016	0.019	0.025
Growth	-0.434	-0.173	-0.573	-0.322	-0.084	-0.430	-0.297	-0.076	-0.410
Leverage	0.100	0.242	-0.036	0.121	0.125	0.092	0.136	0.131	0.118
Liquidity	-0.405	-0.299	-0.468	-0.326	-0.115	-0.404	-0.308	-0.080	-0.397
Medium-Term Momentum	-0.062	-0.026	-0.094	-0.063	-0.023	-0.129	-0.064	-0.027	-0.140
Short-Term Momentum	0.034	0.050	0.035	-0.022	0.000	-0.034	-0.033	-0.012	-0.050
Size	-0.428	-0.381	-0.465	-0.413	-0.355	-0.456	-0.395	-0.345	-0.445
Value	-0.095	-0.081	-0.065	0.038	0.056	0.080	0.056	0.064	0.106
Volatility	-1.038	-0.610	-1.141	-0.812	-0.168	-0.874	-0.780	-0.122	-0.832
Return contribution by factor									
Style	4.34%	2.16%	4.99%	4.52%	0.86%	4.58%	4.71%	0.70%	4.71%
Country	-1.02%	1.21%	-0.17%	-0.53%	0.22%	0.01%	-0.70%	0.05%	0.03%
Industry	1.73%	-0.63%	3.46%	2.42%	0.55%	3.43%	2.43%	0.55%	3.23%
Currency	-1.88%	-3.07%	-0.69%	-0.45%	-0.35%	-0.72%	-0.04%	0.16%	-0.77%
Local	-0.51%	-0.67%	-0.75%	-0.20%	-0.11%	-0.21%	-0.08%	-0.01%	-0.07%
Market	0.12%	0.23%	0.01%	0.12%	0.22%	0.01%	0.12%	0.22%	0.01%
Style factor return contribution									
Exchange Rate Sensitivity	-0.08%	-0.06%	-0.04%	-0.04%	0.01%	-0.09%	-0.03%	0.02%	-0.10%
Growth	-0.84%	-0.28%	-1.23%	-0.64%	-0.13%	-1.04%	-0.61%	-0.12%	-1.03%
Leverage	0.05%	-0.23%	0.12%	-0.13%	-0.15%	-0.18%	-0.19%	-0.18%	-0.25%
Liquidity	-0.10%	-0.31%	0.31%	-0.09%	-0.36%	0.23%	-0.09%	-0.33%	0.22%
Medium-Term Momentum	-1.65%	-0.87%	-2.00%	-1.41%	0.12%	-1.90%	-1.40%	0.13%	-1.94%
Short-Term Momentum	-1.98%	-1.72%	-2.00%	-1.05%	-0.54%	-0.96%	-0.85%	-0.29%	-0.69%
Size	-0.84%	-0.96%	-1.00%	-0.80%	-0.70%	-1.01%	-0.75%	-0.68%	-0.96%
Value	-0.58%	-0.30%	-0.40%	0.15%	0.51%	0.42%	0.27%	0.60%	0.58%
Volatility	10.36%	6.88%	11.22%	8.54%	2.10%	9.14%	8.36%	1.56%	8.89%

Note: Universe is based on MSCI AC Asia Pacific ex Japan, Developed Pacific ex Japan, and Emerging Asia regions. The analysis is USD-based and the scaling on returns is annualised (geometric).
Source: Axioma, MSCI, Nomura Quantitative Strategies

- Risk-based strategies aim to reduce risk and have low beta, hence they tend to underperform in market rallies but outperform when markets decline. This suggests that risk-based strategies can be used for tactical asset allocation within a market timing framework. We consider a momentum approach to select the equity allocation and switch between the regional benchmark and the risk-weighted index. The simple risk-based strategy diversification works in Asia. The approach produces better risk-adjusted performance and is able to lower the tail risk compared with other alternative approaches.

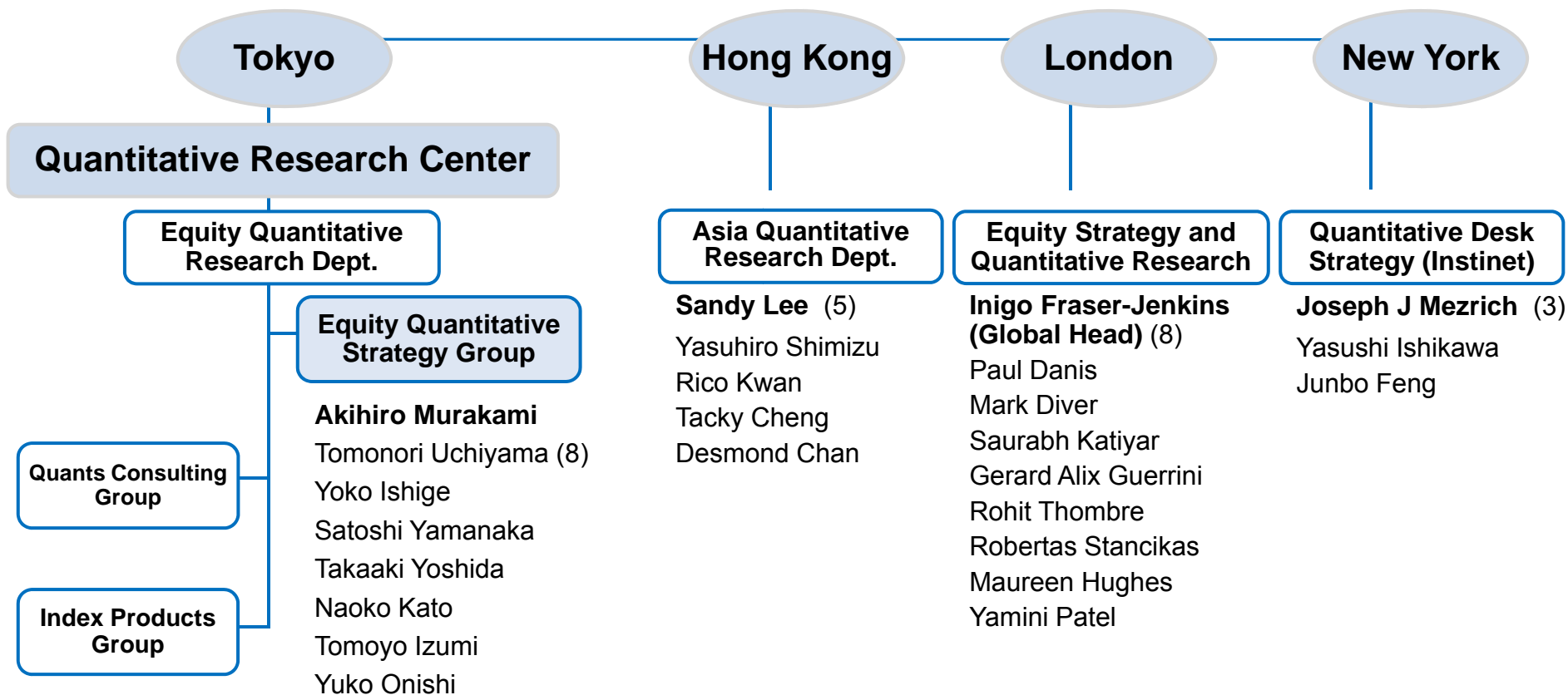
Cumulative performance of equity portfolios with allocation to risk-weighted strategy



	Standard	Risk-wgt	Dynamic	Static (50/50)	Static (30/70)
Average return (%)	15.17	17.51	20.30	16.34	16.81
Standard deviations (%)	22.09	19.64	20.28	20.75	20.27
R/R	0.69	0.89	1.00	0.79	0.83
Max drawdown (%)	-68.25	-63.78	-62.52	-66.01	-65.12
Worst monthly drawdown (%)	-24.46	-23.64	-23.64	-24.05	-23.89

Note: For Dynamic approach, we monitor the past three-month gross total return of the standard cap-weighted index (benchmark) and the risk-weighted strategy index every month and then select the top-performing index, hold either the market benchmark or the risk-weighted index for one month. Static (50/50) and Static (30/70) refer to static allocation of equity portfolios with 50%/50% and 30%/70% weightings, respectively, in Standard AC Asia Pacific ex Japan cap-weighted Index and the Risk-weighted Strategy Index.

Source: Bloomberg, Thomson Reuters Datastream, MSCI, Nomura Quantitative Strategies



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STOCKS

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