

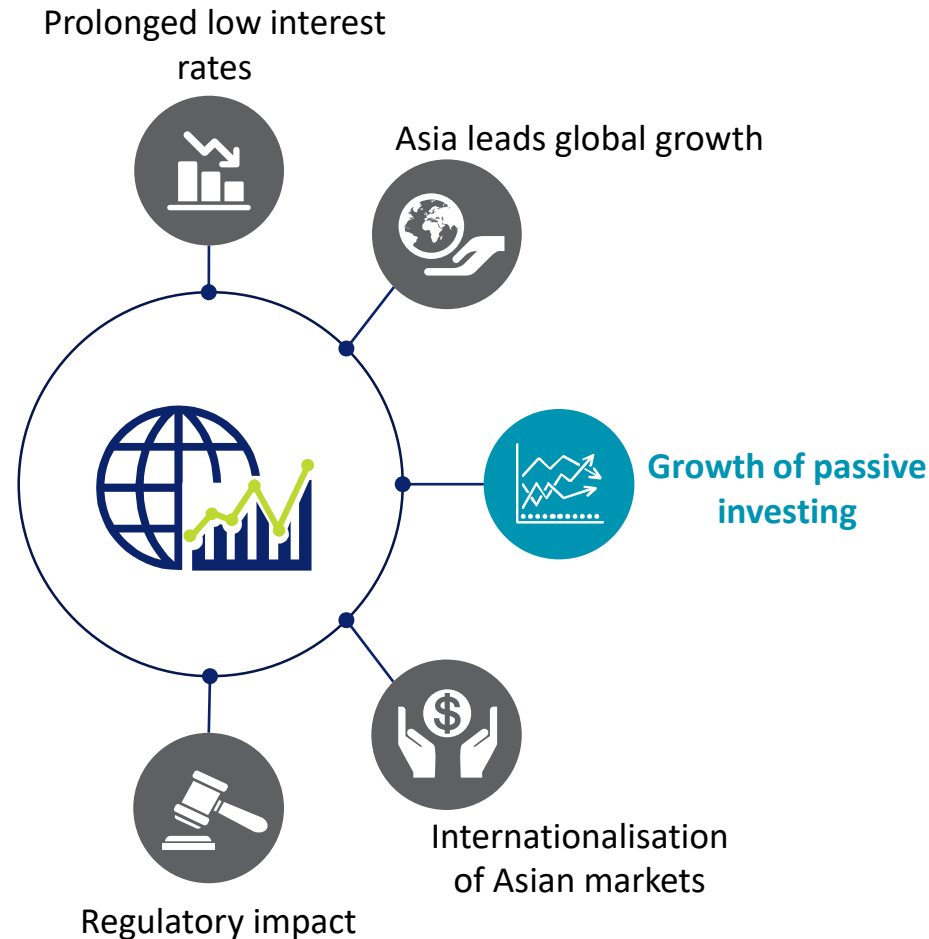
Acquisition of Scientific Beta

23 January 2020

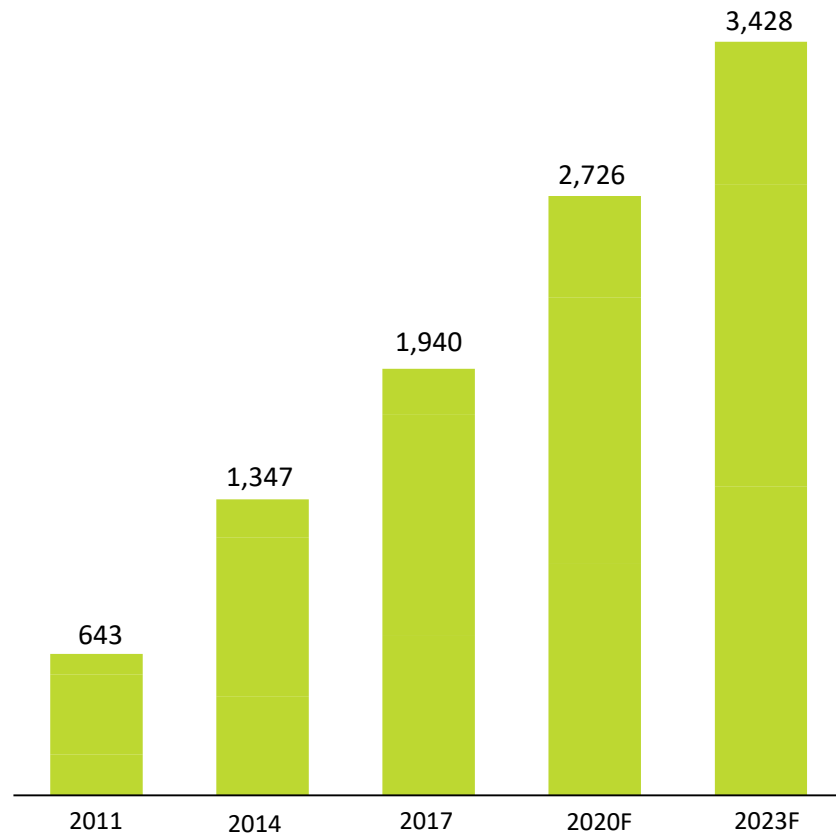
Singapore Exchange

Index investing and the 'Smart Beta' market

Factor investing has seen significant growth in recent years, with assets using smart beta and factor-based strategies forecast to reach US\$2.7 trillion by 2020⁽¹⁾, and there is further room for growth.



Global Factor & Smart Beta AUM (USD billion)⁽¹⁾



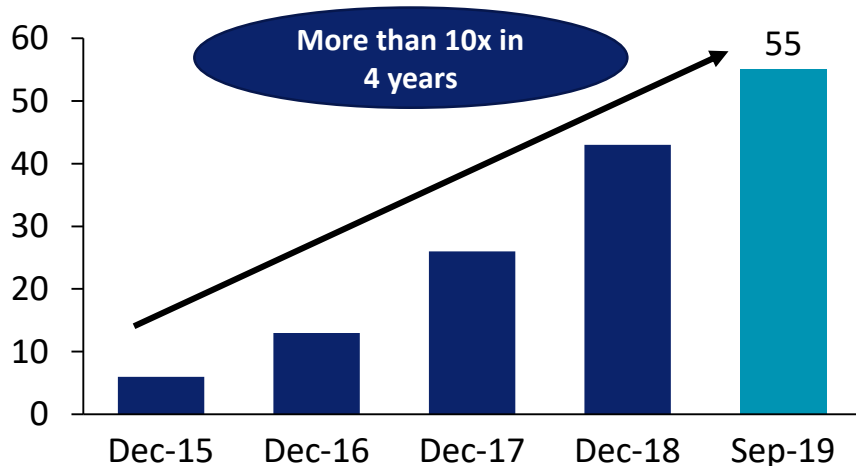
An attractive opportunity to broaden SGX's index offering through the fast-growing 'Smart Beta' index space



- Established in 2012 by EDHEC-Risk Institute Asia
- Award winning 'Smart Beta' index firm which develops, produces and promotes multi- and single-factor indices
- HQ in Singapore; offices in France, UK and US
- Asset owner-focused client base

- ✓ High priority growth area for SGX
- ✓ Well-positioned in a high-growth market
- ✓ Financially attractive
- ✓ Brings unique capabilities to our Index business
- ✓ Exciting product innovation opportunities
- ✓ Strong potential linkages with SGX's product platform

Scientific Beta Assets Under Replication (US\$ bn)



Transaction summary

Scientific Beta	<ul style="list-style-type: none">• Scientific Beta Pte. Ltd. (“Scientific Beta”) is a ‘Smart Beta’ index firm, specialising in multi- and single-factor index investment strategies• Singapore-incorporated, with offices in France, UK and US
Structure	<ul style="list-style-type: none">• SGX to acquire 93% of Scientific Beta for EUR186 million from the Singapore Holding of the EDHEC Endowment Funds Pte. Ltd. (“SHEEF”) and Scientific Beta’s management team• SHEEF will continue to own 7% of Scientific Beta• Scientific Beta to become a subsidiary of SGX
Financing	<ul style="list-style-type: none">• Funding will be from external borrowings
Financial impact	<ul style="list-style-type: none">• Not expected to have a material impact on SGX’s financial results in FY2020• EPS accretive from FY2021

Acquisition rationale

Elevates SGX index proposition	<ul style="list-style-type: none">• ‘Smart beta’ / factor investing growing rapidly: 17% CAGR in AUM from 2011-2020F⁽¹⁾• Scientific Beta creates factor investment strategies for asset owners• Highly complementary to SGX Index Edge thematic and custom index capabilities• Acquisition expands SGX’s proprietary index capabilities and ability to penetrate key asset owners, managers and product issuers
Strong track record	<ul style="list-style-type: none">• Strong management team• Industry-recognised thought leadership through extensive white paper and professional publications (Journal of Portfolio Management, Pensions and Investments)• More than 10x increase in assets under replication from 2015 to Sep 2019• Award-winning index strategy offering, including ‘Indexing Firm of the Year 2019’ at the Risk Awards• Recurring revenue base
EDHEC Partnership	<ul style="list-style-type: none">• Maintain close ongoing collaboration on Research with EDHEC Business School• Scientific Beta to continue to sponsor EDHEC Advanced Factor & ESG Investing Research Chair
Potential synergies	<ul style="list-style-type: none">• Development of new products based on Scientific Beta indices• Thematic equity indices built on Scientific Beta’s risk / portfolio allocation methodology• Expansion into multi-asset factor strategies

1. Blackrock: ‘Factor Investing: 2018 Landscape’; assets using factor-based strategies forecast to reach US\$2.7 trillion by 2020F.

Acquisition strategically elevates SGX's Index business

- 1 Broad index offering, with (a) strong research-based index construction capabilities, (b) index calculation services, and (c) expansion into smart ESG and green investing



- 2 Develop wider suite of products, leveraging SGX's product capabilities and Scientific Beta's academic rigor

- 3 Service wider range of clients, across geographies and client type (asset owners, asset managers and investment banks)

Our future Index businesses

Two established brands working in partnership to tap greater opportunities



Data, Connectivity & Indices

SGX Index Business

Scientific Beta

Brand

- Index Edge

- Scientific Beta

- Retain separate brands

Products

- Custom index construction
- Thematic indices
- Calculation agent

- Factor investment strategies
- Risk / diversification
- ESG

- New joint product development and data initiatives

Target clients

- Investment banks
- Asian asset managers

- Global Asset Owners
- Asset managers

- Leverage sales teams across both organisations

Markets

- Asia
- Europe

- Now - US and Europe
- Post-acquisition – Asia

Thank you

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