

Press Release

The Economic Moat: A white paper on an intuitive approach for long-term and quality investing

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Solactive is pleased to announce the release of its latest white paper on Economic Moat, which explores a rules-based approach to select companies with lasting competitive advantages. In the paper, Solactive presents the Solactive Systematic Moat Index concept, which is an alternative way for quality investing. This strategy falls under the Solactive Intuitive Beta® family, an investing approach relying on intuition and gut feeling as a starting point.

Simplified, the fundamental structure of a competitive advantage consists of three levels, which are the following: low cost of production or differentiation power, scalability of the business model, as well as a company's intellectual properties like franchises, patents, or licenses. The paper argues that in order to be surrounded by an Economic Moat, companies should maintain their unique selling proposition by means of products or services that lead to high switching costs for customers, and trigger strong network effects.

Timo Pfeiffer, Head of Research at Solactive, commented: *"Many products on the market are almost utilities in our daily life. Out of convenience, the switching costs to alternatives become high. These big brands establish themselves through a strong network effect – for example, I myself have never used another spreadsheet other than Excel. It is fascinating that these commonalities are captured through our newly launched index concept."*

The index universe consists of 40 stocks having the highest Economic Moat ranking; these securities were systematically added to the index as an Economic Moat with a wide operating margin. Some current index components are: Gilead Sciences, Inc., McDonald's Corporation, Planet Fitness, Inc. Class A, and Oracle Corporation.

To access the white paper, please visit: www.solactive.com/news/publications/

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Note to editors

About Solactive

Solactive AG is an innovative index provider that focuses on the development, calculation and distribution of tailor-made indices across all asset classes. As at January 2018, Solactive AG served approximately 400 clients in Europe, America and Asia, with approximately USD 200 billion invested in products linked to indices calculated by the company globally, primarily via 350 exchange-traded funds from a number of well-known providers. Solactive AG was established in 2007 and is headquartered in Frankfurt.

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