



Contact:  
Shawn Paulk  
Head of Distribution, GaveKal Capital  
980.226.0001  
spaulk@gavekal-usa.com

FOR IMMEDIATE RELEASE

## GaveKal Capital Unveils New Innovation Indexes

*Firm Launches First Strategic Beta-style Index Family to Track World's Leading Innovators*

**DENVER, Colo., September 17, 2014** – GaveKal Capital today introduced the [GaveKal Knowledge Leaders Indexes](#), the first family of indexes designed to track the world's leading innovators. The strategic beta-style indexes identify the world's most innovative companies using the same proprietary process as the firm's flagship GaveKal Knowledge Leaders Strategy.

The GaveKal Knowledge Leaders Developed World Index (KNLGX, KNLG) measures innovation among mid- and large-cap stocks in North America, developed Europe and Asia. The GaveKal Knowledge Leaders Emerging Markets Index (KNLGEX, KNLGE) measures innovation among stocks from Latin America, emerging Asia and Europe.

"Companies that choose to invest more on innovation develop rich stores of assets that directly impact stock performance," said Steven Vannelli, Managing Director and Portfolio Manager, GaveKal Capital. "Yet today's conservative accounting standards make them nearly invisible in the stock market. The GaveKal Knowledge Leaders Indexes reveal these companies, allowing investors to unlock a new opportunity hiding in the world's most innovative companies."

The new strategic beta-style indexes were designed using the firm's proprietary process for identifying Knowledge Leaders. The firm constructs the indexes first by capitalizing corporate investment in intangible assets -- such as research and development, brand development and employee education -- for all companies in the universe to create an intangible-adjusted historical set of financial accounts going back to 1980. Based on this adjusted financial history, the companies are screened for knowledge intensity, profitability and return on capital. Those that pass the screen are identified as Knowledge Leaders and included in the GaveKal Knowledge Leaders Indexes.

## Performance



For the GaveKal Knowledge Leaders Developed World Index, cumulative performance from April 2007 through June 2014 exceeded the MSCI World Index by 37%, or 4.43% on an annualized basis. The consistent outperformance resulted in an annualized alpha of 3.79% since 2007. The GaveKal Knowledge Leaders Developed World Index presents a unique risk profile, offering a 69.55% active share compared to the MSCI World Index, an active share higher than many actively managed funds.





For the GaveKal Knowledge Leaders Emerging Markets Index, cumulative performance from April 2007 through August 2014 exceeded the MSCI Emerging Markets Index by 84.3%, or 8.59% on an annualized basis. The consistent outperformance resulted in an annualized alpha of 7.63% since 2007. The GaveKal Knowledge Leaders Emerging Markets Index also presents a unique risk profile, offering a 76.65% active share compared to the MSCI Emerging Markets Index, also an active share higher than many actively managed funds.

Both equal weighted indexes are available in total return and price return formats. They rebalance twice a year, in March and September. Learn more about the [GaveKal Knowledge Leaders Indexes](#).

### **About the GaveKal Knowledge Leaders Strategy**

The strategy is based on the idea that knowledge is an undervalued asset. The investment team targets knowledge leaders, the world's leading innovators with deep reservoirs of intangible capital. These companies often possess competitive advantages such as strong brand, proprietary knowledge or a unique distribution mechanism. The strategy identifies the best among global companies that are tapping deep reservoirs of intangible capital to generate earnings growth. By measuring corporate knowledge investments and applying a proprietary process to analyze knowledge spending, the process is designed to identify attractive long-term opportunities. The investment team has combined more than 25 years of institutional knowledge, advanced technology platforms and thousands of development hours to design the intellectual property behind its process.

### **About GaveKal Capital**

GaveKal Capital is a US registered investment advisory firm that has created the GaveKal Knowledge Leaders Indexes and manages the GaveKal Knowledge Leaders Strategy, including the GaveKal Knowledge Leaders Fund (NASDAQ: GAVAX, GAVIX), the GaveKal Knowledge Leaders UCITS Fund (BLOOMBERG: GAVPLAT) and separate accounts. For more information please visit [GaveKal Capital](#) or [email](#) us. Follow the [GaveKal Capital Blog](#) and follow us on Twitter [@GaveKalCapital](#). Connect to our [LinkedIn Company Page](#).

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The MSCI World Index is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of developed markets. The MSCI Emerging Markets Index is a free float-adjusted market capitalization index that is designed to measure equity market performance in the global emerging markets. One cannot directly invest in an index.

The GaveKal Knowledge Leaders Indexes are the first index family designed to track the world's leading innovators, according to our research.

An investor cannot invest directly in an index.

### **GaveKal Capital LLC**

370 17th Street, Suite 4930 | Denver, Colorado 80202  
T. 303.763.1810 | F. 303.763.1811 | [www.gavekalcapital.com](http://www.gavekalcapital.com)



Active Share is the percentage of stock holdings in a portfolio that differ from the benchmark index. Active Share determines the extent of active management being employed by mutual fund managers: the higher the Active Share, the more likely a fund is to outperform the benchmark index. Researchers in a 2006 Yale School of Management study determined that funds with higher Active Share will tend to be more consistent in generating high returns against the benchmark indexes.

Alpha is a measure of the portfolio's risk adjusted performance. When compared to the portfolio's beta, a positive alpha indicates better-than-expected portfolio performance and a negative alpha worse-than-expected portfolio performance.