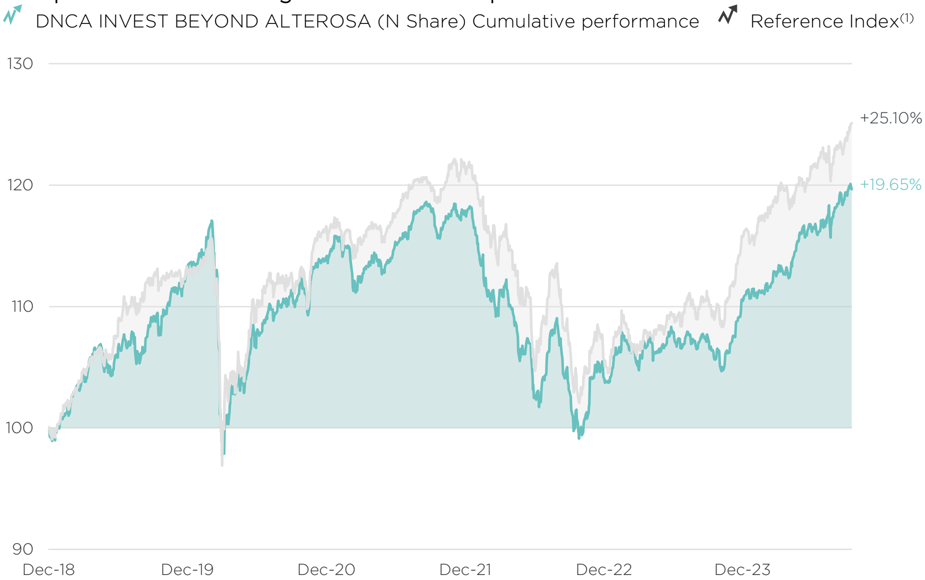
DNCA INVEST
BEYOND ALTEROSA
FLEXIBLE ASSET SRI

Investment objective

The Sub-Fund seeks to outperform the 30% MSCI World All Countries World Net Return + 70% Bloomberg Barclays Pan European Corporate Euro Hedged Index. calculated with dividends reinvested, over the recommended period. Investors' attention is drawn to the fact that the management style is discretionary and integrates environmental, social / societal and governance (ESG) criteria. The Sub-Fund is managed taking into consideration Responsible and Sustainable principles and has as its objective sustainable investment within the meaning of Article 9 of SFDR. The Sub-Fund is managed taking into consideration responsible and sustainable principles and aims to be target issuers with a significatively exposure of percentage or their revenues to the 17 Sustainable Development Goals of the United Nations.
To achieve its investment objective, the investment strategy is based on active discretionary management.

Performance (from 17/12/2018 to 30/09/2024)

Past performance is not a guarantee of future performance



(1) 30% MSCI All Countries World NR + 70% Bloomberg Barclays Pan European Corporate Euro Hedged Index

Financial characteristics

NAV (€)	119.65
Net assets (€M)	183
Number of equities holdings	33
Price to Earning Ratio 2024e	26.8x
Price to Book 2023	4.3x
EV/EBITDA 2024e	16.2x
ND/EBITDA 2023	1.5x
Free Cash Flow yield 2024e	1.79%
Dividend yield 2023e	1.20%
Number of issuers	71
Average modified duration	2.90
Net modified duration	2.42
Average maturity (years)	3.76
Average yield	3.97%
Average rating	BB+

Annualised performances and volatilities (%)

	1 year	3 years	5 years	Since inception
N Share	+12.42	+0.87	+1.79	+3.15
Reference Index	+14.09	+1.76	+2.03	+3.94
N Share - volatility	3.88	4.84	5.95	5.82
Reference Index - volatility	4.37	5.79	6.68	6.44

Cumulative performances (%)

	1 month	3 months	YTD	1 year	3 years	5 years
N Share	+0.23	+2.91	+7.49	+12.42	+2.63	+9.27
Reference Index	+1.22	+2.94	+7.57	+14.09	+5.39	+10.60

Calendar year performances (%)

	2023	2022	2021	2020	2019
N Share	+7.31	-12.20	+3.13	+1.17	+13.76
Reference Index	+11.21	-13.87	+4.22	+3.59	+12.89

The performances are calculated net of any fees by DNCA FINANCE.

Risk indicator

1 2 3 4 5 6 7

Lower risk — Higher risk

Synthetic risk indicator according to PRIIPS. 1 corresponds to the lowest level and 7 to the highest level.

	1 year	3 years	5 years	Since inception
Sharpe Ratio	3.18	0.18	0.30	0.54
Tracking error	3.14%	4.53%	4.28%	4.15%
Correlation coefficient	0.72	0.65	0.78	0.78
Information Ratio	-0.53	-0.20	-0.06	-0.19
Beta	0.64	0.54	0.69	0.70

Main risks: interest-rate risk, credit risk, equity risk, risk related to investments in emerging markets, risk of capital loss, risk of investing in derivative instruments as well as instruments embedding derivatives, specific Risk linked to ABS and MBS, distressed securities risk, ESG risk, risk related to exchange rate, specific Risks linked to Convertible, Exchangeable and Mandatory Convertible Bonds, specific risks of investing in contingent convertible bonds (Cocos), sustainability risk, bond risk 144A

Asset class breakdown

Corporate Bonds	49.4%
Equities	40.6%
Cash and equivalents	10.0%

Monthly performance contributions

Past performance is not a guarantee of future performance

Corporate Bonds	+0.38%
Equities	-0.01%
Cash and equivalents	-0.19%

Sector breakdown (ICB)

	Fund	Index
Industrial Goods and Services	22.5%	9.3%
Health Care	19.3%	7.4%
Utilities	12.0%	6.6%
Technology	8.8%	9.7%
Banks	7.6%	22.2%
Construction and Materials	4.8%	1.7%
Chemicals	3.2%	1.8%
Telecommunications	2.9%	4.6%
Energy	1.9%	3.8%
Automobiles and Parts	1.6%	4.2%
Consumer Products and Services	1.5%	2.6%
Media	1.4%	1.1%
Basic Resources	1.3%	1.1%
Real Estate	0.8%	5.0%
Food, Beverage and Tobacco	0.4%	4.6%
Govies	-	0.0%
Insurance	-	4.1%
Retail	-	1.9%
Personal Care, Drug and Grocery	-	1.5%
Financial Services	-	5.5%
Travel and Leisure	-	1.4%
Cash and equivalents	10.0%	0%

Country breakdown

	Fund	Index
USA	20.4%	31.3%
France	18.5%	13.5%
Italy	8.4%	3.5%
United Kingdom	7.7%	11.3%
Japan	4.9%	2.7%
Spain	4.8%	4.0%
India	3.9%	0.6%
Germany	3.0%	9.2%
Switzerland	2.6%	3.2%
Netherlands	2.2%	4.9%
Belgium	2.0%	1.3%
Taiwan	1.8%	0.6%
Denmark	1.6%	1.3%
Sweden	1.6%	2.4%
Finland	1.3%	0.6%
Portugal	1.1%	0.2%
Korea (South)	1.1%	0.3%
Ireland	1.1%	0.7%
Australia	1.0%	1.8%
Israel	0.6%	0.1%
Luxembourg	0.5%	0.9%
Other Countries	-	5.7%
Cash and equivalents	10.0%	0%

Bonds portfolio composition and indicators

	Weight	Maturity (yrs)	Modified duration	Yield	Number of lines
Fixed rate bonds	33.56%	3.98	3.38	3.73%	57
Hybrid bonds	8.41%	2.50	2.38	4.54%	13
Floating-rate bonds	5.45%	5.34	1.35	4.00%	8
Convertible bonds	2.02%	1.14	1.17	5.51%	3
Total	49.43%	3.76	2.90	3.97%	81

Changes to portfolio holdings*

In: Bunzl Finance PLC 3.38% 2032, KNORR-BREMSE AG (6.2), Knorr-Bremse AG 3.25% 2032 (6.2), Snam SpA PERP (7.1) and SYNOPSYS INC (6.2)

Out: Grifols SA 2.25% 2027 (4.4), Orsted AS PERP (6.3), ProGroup AG 5.38% 2031 (4.3), UniCredit SpA 2029 FRN (4.8) and Worldline SA/France 0% 2026 CV (4.9)

*The figure between brackets represents the issuer's 'responsibility' score. Please refer to the Internal Extra-financial analysis page for the analysis methodology.

Equity portfolio (40.6%)

Main positions+

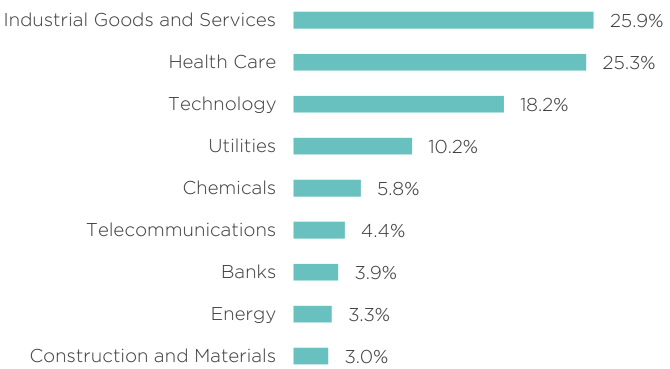
	Weight
ASTRAZENECA PLC (4.7)	2.24%
BUREAU VERITAS SA (6.4)	1.81%
BHARTI AIRTEL LTD (4.9)	1.80%
TAIWAN SEMICONDUCTOR MANUFAC (8.9)	1.75%
DANAHER CORP (6.0)	1.69%

Monthly performance contributions
Past performance is not a guarantee of future performance

Best	Weight	Contribution
BHARTI AIRTEL LTD	1.80%	+0.13%
IBERDROLA SA	1.54%	+0.12%
EDP RENOVAVEIS SA	1.11%	+0.09%
WABTEC CORP	1.42%	+0.09%
HDFC BANK LIMITED	1.57%	+0.08%

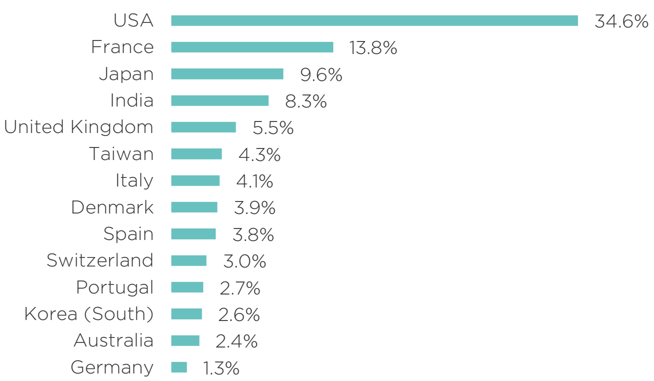
Worst	Weight	Contribution
NOVO NORDISK A/S-B	1.60%	-0.31%
ASTRAZENECA PLC	2.24%	-0.30%
DAIICHI SANKYO CO LTD	1.05%	-0.30%
PALO ALTO NETWORKS INC	1.59%	-0.12%
CSL LTD	0.97%	-0.05%

Sector breakdown (ICB)



Equity portfolio (base 100)

Country breakdown



Equity portfolio (base 100)

Bond portfolio (49.4%)

Main positions+

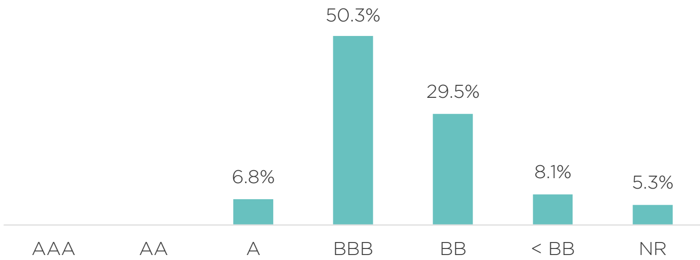
	Weight
Pearson Funding PLC 1.38% 2025 (4.9)	1.41%
Banco Bilbao Vizcaya Argentaria SA 2030 FRN (6.4)	1.36%
Iberdrola International BV PERP (6.9)	1.34%
Thermo Fisher Scientific Inc 2.6% 2029 (5.0)	1.14%
Verallia SA 1.63% 2028 (5.8)	1.14%

Monthly performance contributions
Past performance is not a guarantee of future performance

Best	Weight	Contribution
KIELN 9 02/15/29	0.71%	+0.02%
VRLAFP 1 5/8 05/14/28	1.14%	+0.01%
MOTOPG 4 01/17/30	0.92%	+0.01%
SW 1 1/2 09/15/27	1.05%	+0.01%
SRTGR 4 3/8 09/14/29	0.92%	+0.01%

Worst	Weight	Contribution
FRFP 4 1/2 04/11/30	0.55%	-0.01%
VOVCAB 4 3/4 05/08/30	0.56%	-0.01%
WLNFP 0 07/30/26	Out	+0.00%
GRAANU 4 5/8 10/15/26	0.49%	+0.00%
GRFSM 2 1/4 11/15/27	Out	+0.00%

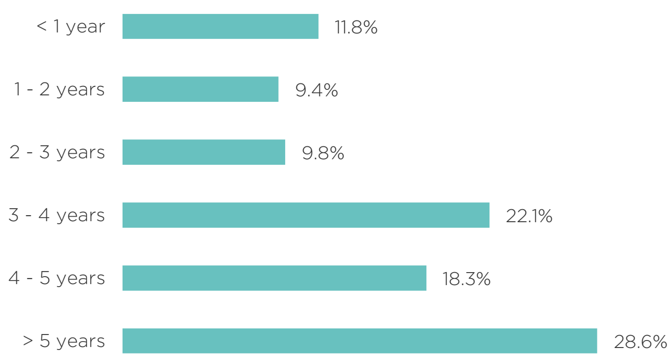
Rating breakdown



Bonds portfolio (base 100)

These data are provided for guidance purposes only. The management company does not systematically and automatically use ratings issued by credit rating agencies and carry out its own credit analysis.

Maturity breakdown



Bonds portfolio (base 100)

*The figure between brackets represents the issuer's 'responsibility' score. Please refer to the Internal Extra-financial analysis page for the analysis methodology.

Portfolio managers comments

Macro/markets

September ended the third quarter of 2024 on a positive note for the main equity markets. The Euro Stoxx, the S&P 500 and the MSCI ACWI all posted returns of between +1% and +2%. This trend was fuelled by more favourable expectations for the world's two leading economies. In the United States, after the fears expressed at the height of the summer about the deterioration in the employment market, the vigour of the Federal Reserve's intervention (50bp cut in the key rate) reassured investors. This reinforced the likelihood of a "soft landing" scenario for growth, while fears that US monetary policy was lagging behind the economic cycle eased. In China, after several years in the doldrums, the government announced a number of stimulus measures (interest rate cuts, injection of €130 billion, support for the property sector), fuelling the scenario of a future upturn in the world's second-largest economy (Shanghai composite index +17.6% over the month). These two factors led to a clear rotation in favour of cyclical stocks over defensive stocks (MSCI ACWI Cyclical Sectors +3% vs Msci ACWI Defensive Sectors -1%).

The confidence of market operators since the sharp correction at the beginning of August (Euro Stoxx +9%, MSCI ACWI +10%, S&P 500 +11%) is based largely on a favourable policy mix following the inflationary cycle. This powerful support could pave the way for a positive period for risky assets. On the other hand, the indicators published in August and September on both sides of the Atlantic (jobs, PMI in particular) came out below expectations and do not point to any positive change in the short term. In this sense, the outlook given by companies in their third-quarter publications will be important in building the portfolio and allocating it to the sectors most correlated with economic growth. In the meantime, the geopolitical environment and the outcome of the US elections are likely to be the main drivers of the equity markets in the weeks ahead.

For once, September was a month of performance for the credit market. Despite a shaky start, linked to investors' concerns about the health of the US economy, fuelled by a disappointing ISM indicator, the softlanding scenario is regaining ground and putting the market back on track for performance. Two factors have accelerated this trajectory. Firstly, the Fed decided to cut its key rates by 50bp, a larger cut than expected, and Jerome Powell gave a reassuring speech on the US economy, insisting on his vigilance regarding employment. Secondly, at the end of the month, China, whose recovery was still a long way off, announced an encouraging stimulus programme. Over the month, interest rates fell (-17 bp for the German 10-year), giving a performance of +1.2% for investment grade and +1% for high yield in Europe, despite persistent risks such as the conflagration in the Middle East, the approach of the US elections and fears about taxation in France in particular.

This good credit performance was once again underpinned by technical factors. Flows were again abundant: €3.2 billion in investment grade and almost €1 billion in high yield. Primary issuance was also buoyant, with €65 billion of investment grade and €17.5 billion of high yield. Investors with the necessary liquidity and a favourable view of the emergence of new issuers are very keen to invest in this sector.

We remain confident about the credit market in the months ahead. Technical factors and the softlanding scenario remain favourable for the asset class. Spreads should be stable overall, allowing us to benefit from an attractive carry.

Allocation

Alterosa's performance in September was 0.23%, compared with 1.22% for its benchmark index.

At the end of the month, the fund's equity portfolio consisted of 32 stocks, the top three of which were : Astrazeneca (2.2%), Bharti Airtel (1.8%) and TSMC (1.8%). Gross exposure to equities now stands at 40.63%. The eurostoxx future hedge was maintained at 13.5%. Net equity exposure remained close to 27.1% at the end of September.

At the end of the month, our bond exposure stood at 49.5%, of which 25% was investment grade and 15% BB. The yield is 4% and the net duration 2.4. During the month, we halved our interest-rate hedge and increased our duration.

Equity portfolio

Over the month, the main contributors to the performance of the equities portfolio were : Iberdrola (+11 bps), Bharti Airtel (+11 bps), and EDP (+8 bps). Conversely, the worst contributors were : Novo Nordisk (-33 bps), Astrazeneca (-33 bps) and Daiichi Sankyo (-31 bps).

Among the main movements, Knorr Bremse and Synopsys were included in our selection. In addition, Nvidia has been reinforced, while exposure to Iberdrola, Novo Nordisk, Nextera, Danaher and Palo Alto has been reduced.

Bond portfolio

Alterosa's bond portfolio contributed 40bp to performance. Investments in sterling and dollars performed particularly well. BBB ratings made the biggest contribution to performance.

By sector, the biggest contributors are healthcare, capital goods, utilities, banks and basic industries. The smallest contributors are the automotive sector, which is accumulating profit warnings and ending the year with a negative contribution, transport, consumer goods, media and real estate.

The issuers that contribute most to performance are Kier (basic industry, economic transition), Stora Enso (basic industry, lifestyle, ecological and economic transition), Verallia (capital goods, lifestyle transition), Motability (financial services, lifestyle transition) and Thermo Fisher (healthcare, medical transition). Those making the least contribution are Valéo (automotive, ecological and lifestyle transition), Alstom (capital goods, lifestyle transition), Volvo Car (automotive, ecological transition), Wordline (financial services, economic transition) and Graanul (basic industry, ecological transition).

We took part in a number of primary transactions, including Bunzl (capital goods, ecological transition), Knorr-Bremse (automotive, lifestyle transition) and Snam Spa (utilities, ecological transition). We have reduced our exposure to

Wordline following its new profit warning, to Grifols (healthcare, medical transition), where governance issues are multiplying, and to Progroup (capital goods, lifestyle transition), where the outlook remains fragile. We reduced our investment in Sudzucker (consumer goods, ecological transition), which was affected by the fall in the price of sugar. Finally, two bonds were bought back by their issuer during the month: Unicrédit (banking, economic transition) and Orsted (utilities, ecological transition).

Text completed on 09/10/2024.


Léa
Dunand-Chatellet


David
Tissandier


Nolwenn
Le Roux, CFA

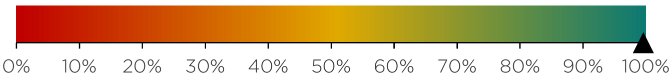

Romain
Avice


Matthieu
Belondrade, CFA


Romain
Grandis, CFA

Internal extra-financial analysis

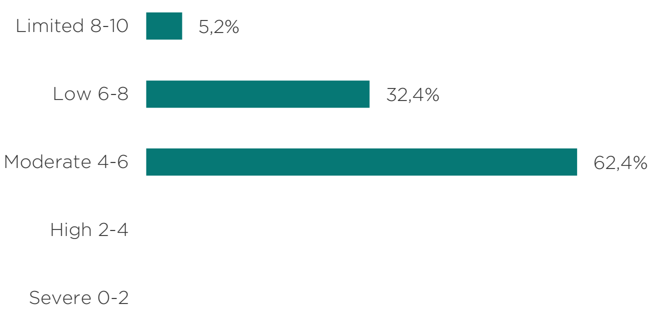
ABA coverage rate+(99.6%)



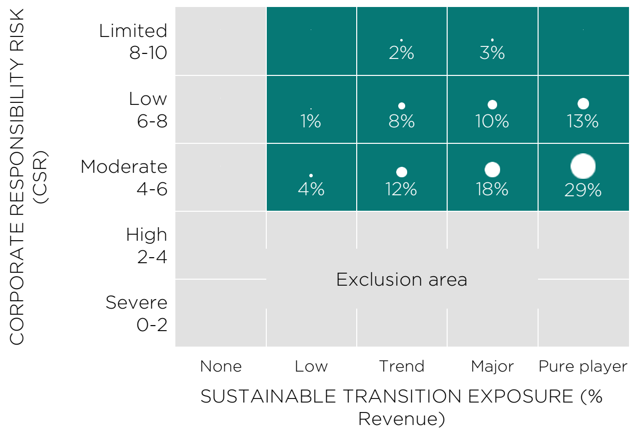
Average Responsibility Score: 5.7/10

Selectivity universe exclusion rate

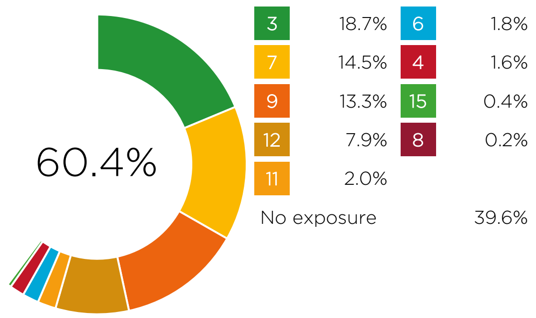
Responsibility risk breakdown(1)



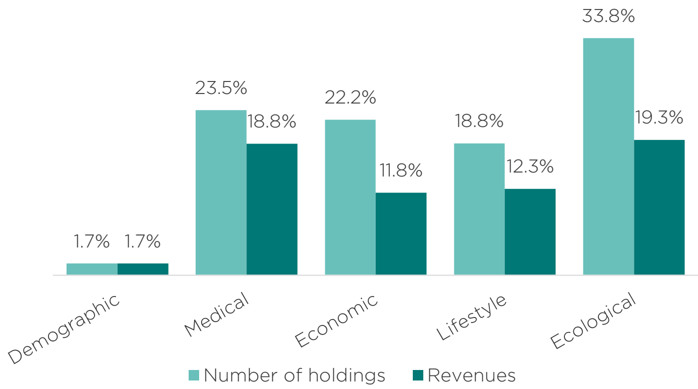
Transition/CSR exposure(2)



SDG's exposure(3) (% of revenues)



Sustainable transitions exposure(4)



Analysis methodology

We develop proprietary models based on our expertise and conviction to add tangible value in the selection of portfolio securities. DNCA's ESG analysis model, Above & Beyond Analysis (ABA), respects this principle and offers a rating that we control the entire construction. Information from companies is the main input to our rating. The methodologies for calculating ESG indicators and our responsible investor and engagement policy are available on our website by clicking here.

(1) The rating out of 10 integrates 4 risks of responsibility: shareholder, environmental, social and societal. Whatever their sector of activity, 24 indicators are evaluated, such as social climate, accounting risks, suppliers, business ethics, energy policy, quality of management.

(2) The ABA Matrix combines the Responsibility Risk and the Sustainable Transition exposure of the portfolio. It allows us to It allows companies to be mapped using a risk/opportunity approach.

(3) 1 No poverty. 2 Zero hunger. 3 Good health and well-being. 4 Quality education. 5 Gender equality. 6 Clean water and sanitation. 7 Clean and affordable energy. 8 Decent work and economic growth. 9 Industry, innovation and infrastructure. 10 Reduced inequalities. 11 Sustainable cities and communities. 12 Sustainable consumption and production. 13 Tackling climate change. 14 Aquatic life. 15 Terrestrial life. 16 Peace, justice and effective institutions. 17 Partnerships to achieve the goals.

(4) 5 transitions based on a long-term perspective of the financing of the economy allow the identification of activities with a positive contribution to sustainable development and to measure the exposure of companies in terms of turnover as well as exposure to the UN Sustainable Development Goals.

+The coverage rate measures the proportion of issuers (equities and corporate bonds) taken into account in the calculation of the extra-financial indicators. This measure is calculated as a % of the net assets adjusted for cash, money market instruments, derivatives and any vehicle outside the scope of "listed equities and corporate bonds".

Principal Adverse Impacts

PAI	Unit	Fund		Ref. Index	
		Coverage	Value	Coverage	Value
PAI Corpo 1_1 - Tier 1 GHG emissions	T CO_2	84%	7,078	90%	69,356
PAI Corpo 1_2 - Tier 2 GHG emissions	T CO_2	84%	2,455	90%	14,223
PAI Corpo 1_3 - Tier 3 GHG emissions	T CO_2	84%	44,662	90%	540,154
PAI Corpo 1T - Total GHG emissions	T CO_2	84%	54,903	90%	626,462
PAI Corpo 2 - Carbon footprint	T CO_2/EUR million invested	84%	300	90%	397
PAI Corpo 3 - GHG intensity	T CO_2/EUR million sales	88%	702	99%	832
PAI Corpo 4 - Share of investments in companies active in the fossil fuel sector		88%	8%	98%	10%
PAI Corpo 5 - Share of non-renewable energy consumption and production		86%	69%	97%	66%
PAI Corpo 6_TOTAL - Energy consumption intensity by sector with high climate impact NACE	GWh/EUR million sales	86%	0.6	98%	0.3
PAI Corpo 7 - Activities with a negative impact on biodiversity-sensitive areas		87%	12%	98%	11%
PAI Corpo 8 - Water discharges	T Water Emissions	2%	1,638	1%	6,854
PAI Corpo 9 - Hazardous or radioactive waste ratio	T Hazardous Waste	83%	706,928	88%	2,883,392
PAI Corpo 10 - Violations of UNGC and OECD principles		89%	0%	99%	0%
PAI Corpo 11 - Lack of UNGC and OECD compliance processes and mechanisms		86%	0%	98%	1%
PAI Corpo 12 - Unadjusted gender pay gap		65%	13%	82%	14%
PAI Corpo 13 - Gender diversity in governance bodies		88%	38%	98%	38%
PAI Corpo 14 - Exposure to controversial weapons		89%	0%	99%	0%
PAI Corpo OPT_1 - Water use	m^3/EUR mln sales	5%	0	4%	7
PAI Corpo OPT_2 - Water recycling		5%	0%	4%	0%
PAI Corpo OPT_3 - Number of days lost due to injury, accident, death or illness		35%	28	21%	178

Source : MSCI

Administrative information

Name: DNCA INVEST Beyond Alterosa
ISIN code (Share N): LU1907594821
SFDR classification: Art.9
Inception date: 17/12/2018
Investment horizon: Minimum 3 years
Currency: Euro
Country of domicile: Luxembourg
Legal form: SICAV
Reference Index: 30% MSCI All Countries World NR + 70% Bloomberg Barclays Pan European Corporate Euro Hedged Index
Valuation frequency: Daily
Management company: DNCA Finance

Portfolio Managers:
Léa DUNAND-CHATELLET
David TISSANDIER
Nolwenn LE ROUX, CFA
Romain AVICE
Matthieu BELONDRADE, CFA
Romain GRANDIS, CFA

Minimum investment: None
Subscription fees: 1% max
Redemption fees: -
Management fees: 0.90%
Ongoing charges as of 31/12/2023: 1.04%
Performance fees: 20% of the positive performance net of any fees above the index: 30% MSCI All Countries World NR + 70% Bloomberg Barclays Pan European Corporate Euro Hedged Index

Custodian: BNP Paribas - Luxembourg Branch
Settlement: T+2
Cut off: 12:00 Luxembourg time

Legal information

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Past performance is not a reliable indicator of future performance.

The award of this label to a compartment does not mean that it meets your own sustainability objectives or that the label corresponds to the requirements of future national or European regulations. For more information on this subject, please visit : www.lelabelisr.fr and www.lelabelisr.fr/comment-investir/fonds-labellises

Sub-fund of DNCA INVEST Investment company with variable capital (SICAV) under Luxembourg law in the form of a Société Anonyme - domiciled at 60 Av. J.F. Kennedy - L-1855 Luxembourg. It is authorised by the Commission de Surveillance du Secteur Financier (CSSF) and subject to the provisions of Chapter 15 of the Law of 17 December 2010.

DNCA Finance is a limited partnership (Société en Commandite Simple) approved by the Autorité des Marchés Financiers (AMF) as a portfolio management company under number GP00-030 and governed by the AMF's General Regulations, its doctrine and the Monetary and Financial Code. DNCA Finance is also a Non-Independent Investment Advisor within the meaning of the MIFID II Directive. DNCA Finance - 19 Place Vendôme-75001 Paris - e-mail: dnca@dnca-investments.com - tel: +33 (0)1 58 62 55 00 - website: www.dnca-investments.com

Any complaint may be addressed, free of charge, either to your usual contact (within DNCA Finance or within a delegate of DNCA Finance), or directly to the Head of Compliance and Internal Control (RCCI) of DNCA Finance by writing to the company's head office (19 Place Vendôme, 75001 Paris, France). In the event of persistent disagreement, you may have access to mediation. The list of out-of-court dispute resolution bodies and their contact details according to your country and/or that of the service provider concerned can be freely consulted by following the link https://finance.ec.europa.eu/consumer-finance-and-payments/retail-financial-services/financial-dispute-resolution-network-fin-net/members-fin-net-country_fr.

A summary of investors' rights is available in English at the following link: https://www.dnca-investments.com/en/regulatory-information

The Sub-Fund has as its objective sustainable investment within the meaning of Article 9 of SFDR. The Sub-Fund is managed taking into consideration responsible and sustainable principles and aims to be target issuers with a significatively exposure of percentage or their revenues to the 17 Sustainable Development Goals of the United Nations.

This product is subject to sustainability risks as defined in the Regulation 2019/2088 (article 2(22)) by environmental, social or governance event or condition that, if it occurs, could cause an actual or a potential material negative impact on the value of the investment.

If the portfolio investment process can incorporate ESG approach, the portfolio's investment objective is not primarily to mitigate this risk. The sustainability risk management policy is available on the website of the Management Company.

The reference benchmark as defined in the Regulation 2019/2088 (article 2(22)) does not intend to be consistent with the environmental or social characteristics promoted by the fund.

Glossary

Beta. Measures the average extent to which a fund moves relative to the broader market. The beta of a market is 1. A fund with a beta of more than 1 moves on average to a greater extent than the market. A fund with a beta of less than 1 moves on average to a lesser extent. If beta is a minus number, it is likely that the stock and the market move in opposite directions.
Convertible Bond. Hybrid securities that have both bond and equity characteristics. Convertible bonds make periodic interest payments like a bond, but bondholders also get an option to exchange their bonds for a specified number of shares of common stock. Convertible bonds typically carry lower coupon rates, thus reducing the corporation's cost of borrowing.
Correlation coefficient. The correlation coefficient is a measure of correlation. It is used to determine the relationship between two assets over a given period. A positive coefficient means that the two assets move in the same direction. Conversely, a negative coefficient means that the assets move in the opposite direction. The correlation or decorrelation can be more or less strong and varies between -1 and 1.
Delta. The delta of a position expresses the change in the price of an option when its underlying asset price varies. It corresponds to the derivative of the theoretical value of the option relating to the price of the underlying asset.
Maturity. The time when a bond or other debt instrument is due to for redemption (is due to mature); or the length of time between the issue of such an instrument and the date it is due for redemption (the maturity date).
Sensitivity. The sensitivity of a bond measures the change in its percentage value induced by a given change in interest rates.
Sharpe Ratio. A way of measuring the historical risk-adjusted return on an investment. It is the average previous return minus the risk-free return, divided by the standard deviation (a measure of risk that looks at the diversion of actual returns from expected returns).
Sharpe Ratio. The Sharpe ratio measures the excess return over the risk-free money rate of an asset portfolio divided by the standard deviation of that return. It is therefore a measure of the marginal return per unit of risk. It is used to measure the performance of managers with different risk policies.
Tracking error. Tracking Error is a measure of how closely an investment portfolio follows the index against which it is benchmarked. It is the difference in the return earned by a portfolio and the return earned by the benchmark against which the portfolio is constructed. For example, if a bond portfolio earns a return of 5.15% during a period when the portfolio's benchmark (say, for example, the Lehman Brothers Index) produces a return of 5.06%, the tracking error is .09%, or 9 basis points.

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