

ESG-Driven Quantitative Portfolio Management

SHPA20 : Sustainable and High-Performing Assets 20

Jules Mourgues-Haroche, Alexandre Remiat

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Summary of Sustainability Criteria (EU Regulation 2020/852)

Covered Environmental Objectives:

- **1. Climate Change Mitigation:** Reduction of greenhouse gas emissions or increase in their absorption.
- **2. Climate Change Adaptation:** Reducing current or future climate-related impacts.
- **3. Sustainable Use of Water and Marine Resources:** Preservation and responsible use of water resources.
- **4. Transition to a Circular Economy:** Waste reduction, recycling, reuse, and extending product lifespans.
- **5. Pollution Prevention and Control:** Limiting pollutant emissions into air, water, and soil.
- **6. Protection and Restoration of Biodiversity:** Conservation and enhancement of ecosystems and species.

Additional Criteria:

- Activities must **not significantly harm** other environmental objectives.
- Compliance with **minimum social safeguards**, such as labor and human rights standards.

Minimum Requirements for Article 9 Products

Key Criteria for Classification:

- **EU Taxonomy Alignment:** A minimum percentage of underlying assets must align with the EU Taxonomy, increasing step by step over time.
- **Exclusions:** Investments in fossil fuel activities not aligned with the EU Taxonomy are prohibited unless they commit to an orderly transition.
- **Binding ESG Approach:** Adoption of a strict ESG investment approach, e.g., reducing the investment universe by at least 30%.

Additional Recommendations:

- Transparency on engagement policies and their implementation.
- Reporting on principal adverse impacts (PAI) of investment decisions.
- Minimum investments in "transition assets" (to be defined through future standards).

Objective: Prevent greenwashing and ensure stricter environmental standards for sustainable finance products.

- Funds under Article 9 must explicitly pursue a specific environmental or social objective and deliver a positive impact in that area (e.g., climate action, access to clean energy).
- Funds must focus on clear, measurable goals and show transparency and regular disclosure of how they achieve these objectives.

- **Temperature Target below 2°C**

- **Goal:** Limit global temperature rise to below 2°C (aligned with the Paris Agreement).
- **Focus:** Invest in companies with clear carbon reduction strategies and a trajectory toward net-zero emissions.

- **Alignment with SDG 7 – Affordable and Clean Energy**

- **Goal:** Promote access to sustainable, renewable, and affordable energy (aligned with SDG 7).
 - **Focus:** Invest in renewable energy producers, energy efficiency technologies, and companies providing clean energy solutions.
- The fund supports global climate action by investing in companies that reduce greenhouse gas emissions, directly contributing to climate goals.
 - The focus on net-zero emissions strategies ensures the fund's alignment with international climate objectives.

Alignment with the Paris Agreement and Reference Index Selection

Alignment with the Paris Agreement:

- Our fund is explicitly aligned with the Paris Agreement, which seeks to limit global warming to below 2°C, preferably to 1.5°C, above pre-industrial levels.
- The fund targets investments in companies that are committed to net-zero emissions and have robust strategies for decarbonizing their operations and supply chains.
- Through this focus, the fund contributes to the global effort to mitigate climate change by promoting businesses that have clear plans to achieve carbon neutrality, directly supporting the goal of limiting temperature rise to well below 2°C.

Reference Index Selection:

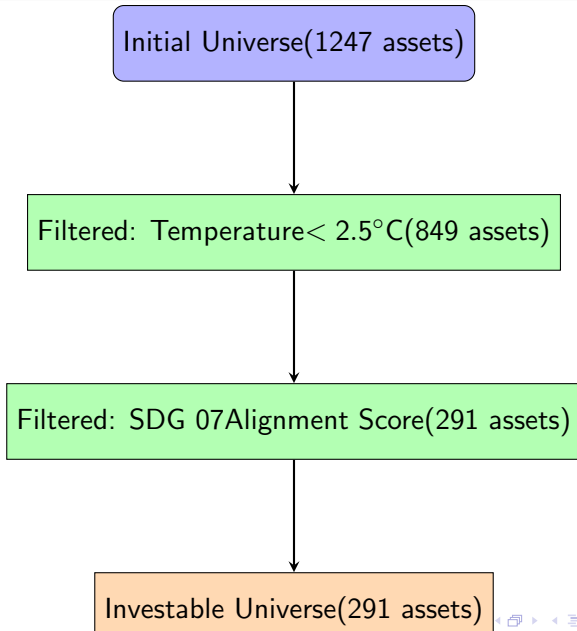
- We have selected the MSCI ACWI Low Carbon Target Index as our reference index.
- This index is designed to include companies with a lower carbon footprint and those that are well-positioned to reduce their carbon emissions in line with climate goals.
- **Why this Index?:**
 - The MSCI ACWI Low Carbon Target Index is specifically designed to help investors track portfolios that are aligned with the Paris Agreement's climate objectives.
 - It is an optimal choice for comparing our fund's performance since it targets low-carbon companies with clear decarbonization trajectories, ensuring alignment with the fund's goal of achieving a temperature target of below 2°C.
 - The index provides a benchmark for evaluating the fund's impact on global temperature rise and ensures our investment strategy supports companies that are actively working towards carbon reduction.

Filtering Process

- Step 1: Apply Financial Filters:
 - Focus on long-term performance using metrics like Annualized Return (20Y) and Sharpe (20Y)
 - Exclude companies with poor financial performance or unsustainable returns
- Step 2: Apply Environmental Filters:
 - Only select companies with an ITR (Intensity of Temperature Rise) below 2.5°C to comply with climate transition goals
 - Only select companies with an ODD 7 greater or equal to 2.
- Step 3: Final Selection:
 - Final pool consists of companies that satisfy both financial and environmental criteria

We began with a pool of 1247 assets and refined our selection to 291 investable assets.

Filtering Process to Define Investable Universe



- Step 1: Assign Financial Scores:
 - Companies are assigned a score based on financial performance
 - Financial metrics such as Annualized Return 20Y and Sharpe ratio 20Y are used to calculate the financial score
- Step 2: Normalize Scores:
 - Normalize the scores to ensure consistency across companies, with higher scores indicating better performance
- Step 3: Assets Selection:
 - Managing a portfolio of 20 assets allows for a balanced approach to diversification, striking the right balance between spreading investments and maintaining focus on high-performing assets.

Weighting Process

- Step 1: Assign Weights Based on Scores:
 - Companies with higher scores are given higher weights in the portfolio
 - The weight is proportional to the financial performance score
- Step 2: Ensure Sustainability Compliance:
 - We continuously check that the portfolio's average ITR remains below 2°C
 - If the overall portfolio ITR breaches the 2°C threshold, we will adjust the portfolio by recalculating the weights to keep the overall ITR within limits
- Step 3: Final Portfolio:
 - The portfolio consists of 20 assets with balanced weights ensuring both high financial returns and sustainable practices

Ticker	Name	Annualized Return 20Y	Sharpe 20Y	Score	Weights
MA US Equity	Mastercard Inc	3.175786	2.912400	3.044093	0.076160
TSLA US Equity	Tesla Inc	4.092421	1.432844	2.762632	0.069118
CMG US Equity	Chipotle Mexican Grill Inc	3.079633	1.630633	2.355133	0.058923
RMS FP Equity	Hermes International	2.042834	2.540579	2.291706	0.057336
NOVOB DC Equity	Novo Nordisk A/S	2.006608	2.537448	2.272028	0.056844
CRM US Equity	Salesforce Inc	2.626623	1.602695	2.114659	0.052907
PGHN SE Equity	Partners Group Holding AG	1.849114	2.194454	2.021784	0.050583
REGN US Equity	Regeneron Pharmaceuticals Inc	2.600846	1.284291	1.942569	0.048601
V US Equity	Visa Inc	1.846723	1.994977	1.920850	0.048058
WSP CN Equity	WSP Global Inc	1.754424	2.034360	1.894392	0.047396
AHT LN Equity	Ashtead Group PLC	2.408634	1.313947	1.861291	0.046568
ASML NA Equity	ASML Holding NV	2.014906	1.700433	1.857670	0.046477
LII US Equity	Lennox International Inc	1.852507	1.833149	1.842828	0.046106
ASM NA Equity	ASM International NV	2.205347	1.391325	1.798336	0.044993
INTU US Equity	Intuit Inc	1.700723	1.796928	1.748826	0.043754
WST US Equity	West Pharmaceutical Services Inc	1.662493	1.794907	1.728700	0.043250
SNPS US Equity	Synopsys Inc	1.487302	1.811329	1.649315	0.041264
TSCO US Equity	Tesco PLC	1.744922	1.549488	1.647205	0.041211
FI US Equity	Federated Hermes Inc	1.303159	1.913534	1.608346	0.040239
MTD US Equity	Mettler Toledo International Inc	1.449052	1.765397	1.607224	0.040211

Global ITR : 1.65

Table: Top 20 Selected Assets with Annualized Return 20Y, Sharpe Ratio 20Y, Score, and Weight

Asset Allocation by Region and Sector

Allocation by Region:

Country/Region	Proportion (%)
United States	65.00
Netherlands	10.00
Denmark	5.00
France	5.00
Switzerland	5.00
Britain	5.00
Canada	5.00

Allocation by Sector:

Sector (GICS)	Proportion (%)
Information Technology	25.00
Consumer Discretionary	20.00
Financials	20.00
Health Care	20.00
Industrials	15.00

Annual Performance Comparison of SHPA 20 and MSCI ACWI Low Carbon Target

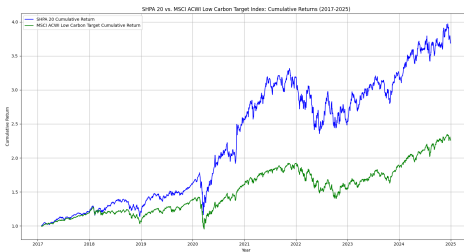


Figure: Annualized Return Comparison (2017-2024) between SHPA 20 (blue) and MSCI ACWI Low Carbon Target Index (green), weights remain the same over the entire period and is calculated in 2024

Note:

The graph compares the annual performance of the SHPA 20 portfolio and the MSCI ACWI Low Carbon Target Index, highlighting significant variations in performance over the years. The graph is subject to survivorship bias.

Performance of MSCI ACWI Low Carbon Target, and SHPA 20 (2017-2024)

Date	SHPA 20 Annualized Return (%)	MSCI ACWI Low Carbon Target Annualized Return (%)
2018-12-31	1.64	-9.80
2019-12-31	32.60	28.65
2020-12-31	58.93	16.83
2021-12-31	23.68	18.82
2022-12-31	-20.20	-19.12
2023-12-31	28.18	22.31
2024-12-31	13.53	19.29

Table: Annual Performance of MSCI ACWI Low Carbon Target, MSCI ACWI, and SHPA 20 (2017-2024).

Note:

It is important to note that the performance of the SHPA 20 portfolio exhibit survivorship bias, as it only includes companies that have remained in the portfolio since its inception and using the 2024 data to compute a 2017 backtest. Companies that may have underperformed or been removed over time are not reflected, which could skew the true performance of the strategy.