

Report Justification: Article 9 – SHPA20 : Sustainable and High Performing Asset 20

Alexandre Remiat, Jules Mourgues-Haroche

Introduction

Our investment strategy adheres to the objectives outlined in Article 9 of the European Sustainable Finance Disclosure Regulation (SFDR). This article mandates that financial products promote environmental or social characteristics and, where relevant, ensure that these objectives are met through measurable impact. In our case, our portfolio is designed to meet sustainability targets while delivering strong financial returns, with a primary focus on the Climate Transition.

Fund's Primary Objective

The primary objective of the fund is to invest in companies that not only demonstrate strong financial market performance but also align with Environmental, Social, and Governance (ESG) criteria. One of the most critical environmental considerations is limiting the global temperature rise to below 2 degrees, in line with the Paris Agreement. This is achieved by selecting companies with an Intensity of Temperature Rise (ITR) below 2,5 degrees.

In addition to the ITR filter, we prioritize companies that show strong long-term performance, as indicated by their Annualized Return and Sharpe Ratio over 20 years. Moreover, companies must meet the **ODD 7** requirement, ensuring their score is greater than or equal to 2, further aligning the portfolio with sustainable investment goals.

Asset Selection Process

1. Selection Criteria

a) Financial Performance

To build a robust portfolio that meets both sustainability and financial performance goals, we focused on the following key metrics:

- **Annualized Return over 20 Years:** This metric ensures that the portfolio is composed of assets with a consistent track record of long-term returns. Companies with strong historical performance were given higher weights in the portfolio.
- **Sharpe Ratio over 20 Years:** The Sharpe ratio was used to assess risk-adjusted returns, ensuring that the portfolio consists of companies that not only provide strong returns but also manage risk effectively. Companies with higher Sharpe ratios were prioritized to ensure the portfolio's optimal risk-reward balance.

b) ESG Alignment

Each company was also evaluated on its adherence to ESG standards, with a particular emphasis on the environmental impact. The fund targets companies whose **ITR (Intensity of Temperature Rise)** is below 2,5 degrees and ensures that companies have a **score of 2 or higher (ODD 7 requirement)**, ensuring the portfolio's alignment with global climate objectives.

2. Asset Selection

Below is a table of the top 20 assets selected for the portfolio, based on their financial performance, ESG alignment, and adherence to the **ODD 7 requirement (score ≥ 2)**:

Ticker	Name	Annualized Return (20Y)	Sharpe 20Y	Perf Score	Weight
MA US Equity	Mastercard Inc	3.18%	2.91	3.04	7.62%
TSLA US Equity	Tesla Inc	4.09%	1.43	2.76	6.91%
CMG US Equity	Chipotle Mexican Grill Inc	3.08%	1.63	2.36	5.89%
RMS FP Equity	Hermes International	2.04%	2.54	2.29	5.73%
NOVOB DC Equity	Novo Nordisk A/S	2.01%	2.54	2.27	5.68%
CRM US Equity	Salesforce Inc	2.63%	1.60	2.11	5.29%
PGHN SE Equity	Partners Group Holding AG	1.85%	2.19	2.02	5.06%
REGN US Equity	Regeneron Pharmaceuticals Inc	2.60%	1.28	1.94	4.86%
V US Equity	Visa Inc	1.85%	1.99	1.92	4.81%
WSP CN Equity	WSP Global Inc	1.75%	2.03	1.89	4.74%
AHT LN Equity	Ashtead Group PLC	2.41%	1.31	1.86	4.66%
ASML NA Equity	ASML Holding NV	2.01%	1.70	1.86	4.65%
LII US Equity	Lennox International Inc.	1.85%	1.83	1.84	4.61%
ASM NA Equity	ASM International NV	2.21%	1.39	1.80	4.50%
INTU US Equity	Intuit Inc	1.70%	1.80	1.75	4.38%
WST US Equity	West Pharmaceutical Services Inc	1.66%	1.79	1.73	4.33%

Ticker	Name	Annualized Return (20Y)	Sharpe 20Y	Perf Score	Weight
SNPS US Equity	Synopsys Inc	1.49%	1.81	1.65	4.13%
TSCO US Equity	Tractor Supply Company	1.74%	1.55	1.65	4.12%
FI US Equity	Franklin Templeton Investments	1.30%	1.91	1.61	4.02%
MTD US Equity	Mettler-Toledo International Inc	1.45%	1.77	1.61	4.02%

Overall ITR : 1.65.

3. Portfolio Weighting

The weights for each asset in the portfolio were calculated based on a combination of their financial market performance (annualized return, sharpe ratio over 20 years) and ESG alignment. Higher-performing companies with strong financial returns were assigned higher weights, such as **Tesla Inc.**, **Mastercard Inc.**, and **Chipotle Mexican Grill Inc.** The portfolio ensures that it remains well-diversified and aligned with the fund's objectives while maintaining a focus on assets with lower environmental impact. The fund's total exposure to climate transition risk is minimized through the strategic allocation of assets with **ITR < 2.5°C**.

4. Performance Monitoring

We will continually monitor both the financial performance (annualized return) and ESG alignment of the portfolio. Any asset that no longer meets our sustainability goals or shows poor financial performance will be replaced with alternatives that better align with the fund's strategy. This approach will ensure that the fund maintains a strong alignment with **Article 9** goals while maximizing investor returns.

Conclusion

In summary, our investment strategy complies with Article 9 of the SFDR by prioritizing both financial performance and sustainability. The selected companies exhibit strong annualized returns and sharpe ratio over 20 years while maintaining an **ITR below 2 degrees**, ensuring the fund's contribution to mitigating climate change. This approach strikes a balance between delivering long-term returns for investors and promoting a more sustainable future.