



Case Study – Trading Strategies

Group 30

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Implementation of the Strategies

1. ESG Exclusion

Exclude weapons, alcohol, gambling, tobacco, oil industry, logging and mining industry, and pornography industry

→ when excluding one or more stocks, we weight the rest of the assets as the benchmark portfolio (such that they sum to 100)

→ if the one or more of the new weights exceed the lower or upper bound, we again allocate the remaining percentages between the remaining assets according to the benchmark portfolio

3. Norm-based Screening

1. Exclude firm that violates Principals

• human rights/child labor/environment/corruption...

2. Severity of violations: "high", "medium" or "low".

3. Low: stop for **1 period**. Medium: stop for **2 periods**. High: stop **forever**.

4. If two scandals occur in one firm, we will no longer invest.

2. Best in Class

- The one best company per industry based on ESG Scores

- Industries are attached to individual BIC scores, e.g. Oil & gas industry rated after CO2 emission / sales and financial industry after governance score.

- Stocks are weighted according to the market portfolio. If a industry has a weight over the upper bound of the stock, then BIC stock will have the highest weight given the upper bound restriction. If the 6 stocks weights do not sum to 100 pct. then we give the last percentage to the next best stock in the industry that have the highest weight.

4. Sustainable Themed

- Top 10 score average of scores from ESG Scores

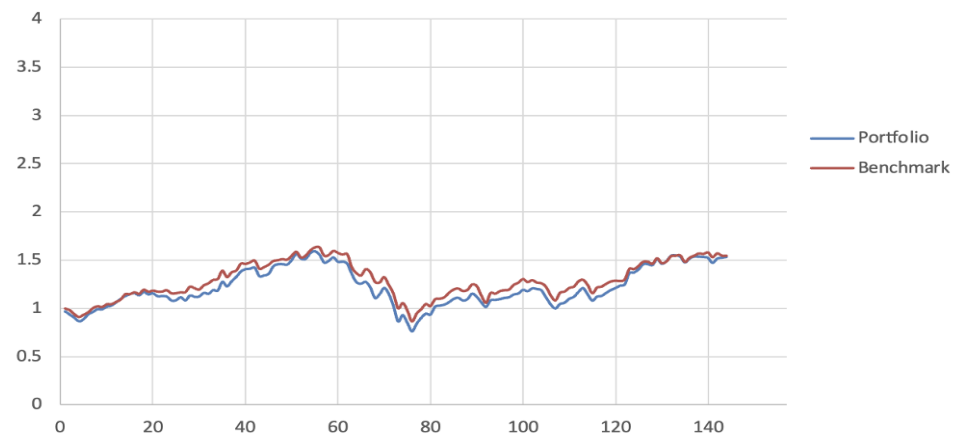
- Utility industry is excluded

- We consider bad news in the news ticker.

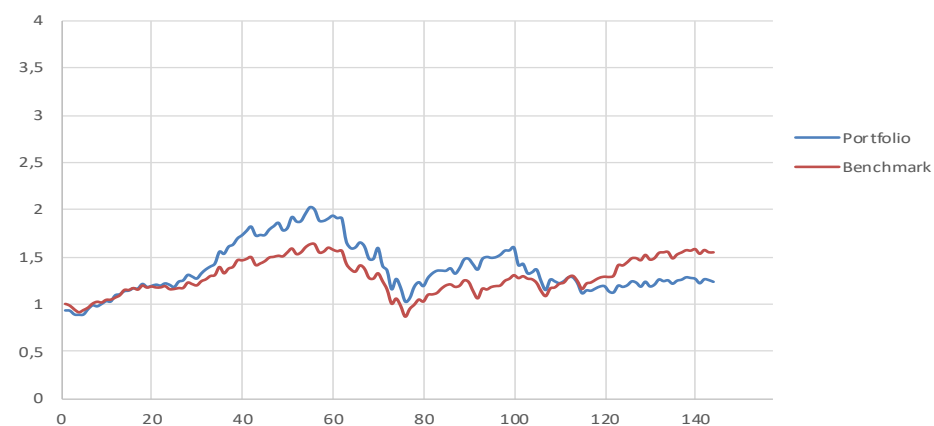


Financial Performance

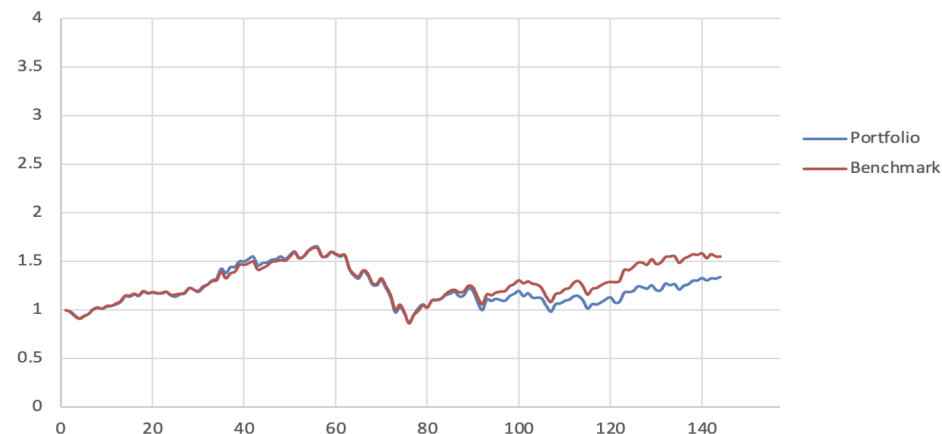
1. ESG Exclusion (Portfolio vs benchmark performance)



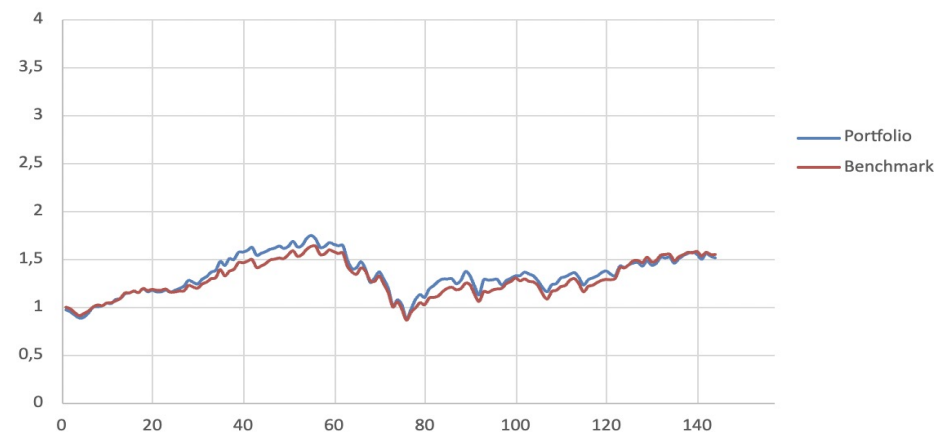
2. Best in Class (Portfolio vs benchmark performance)



3. Norm-based Screening (Portfolio vs benchmark performance)



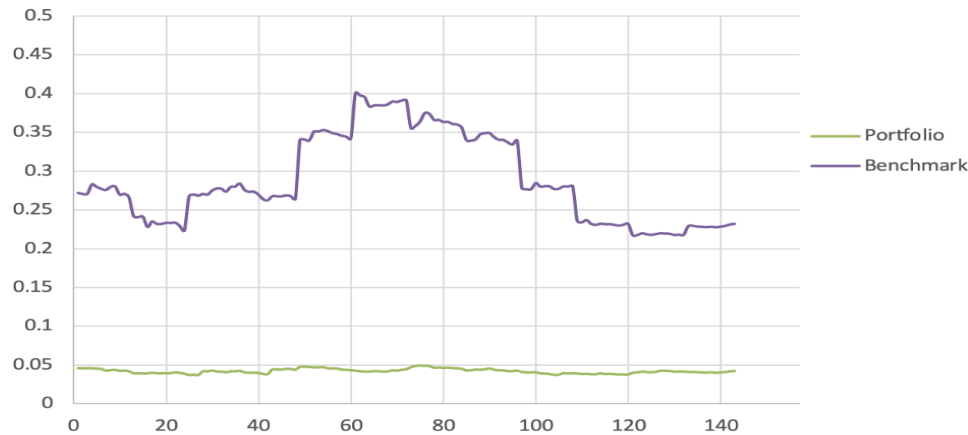
4. Sustainable Themed (Portfolio vs benchmark performance)



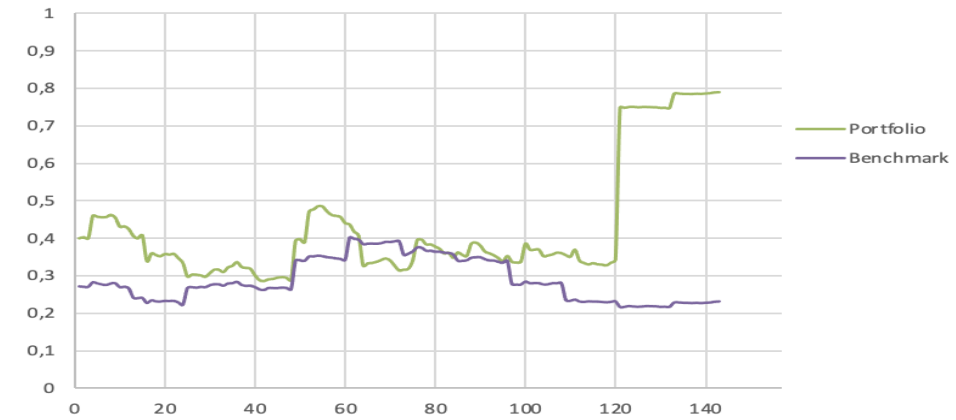


Carbon Performance

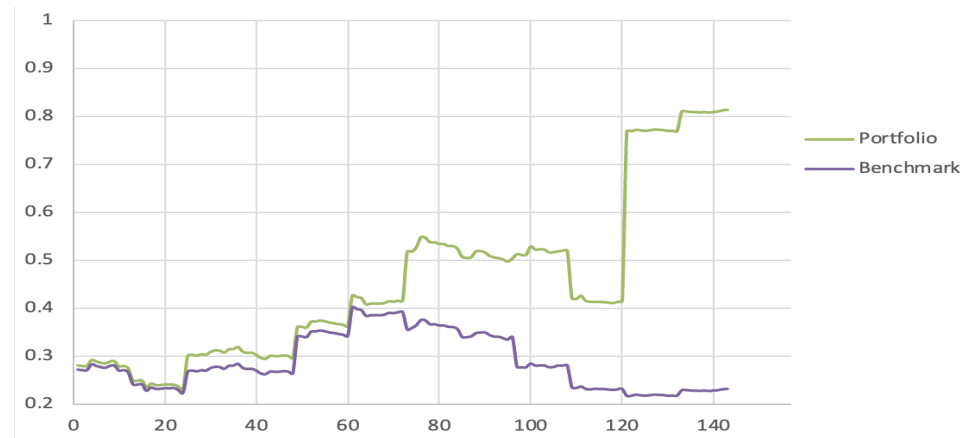
1. ESG Exclusion (Portfolio vs. benchmark CO₂ / Sales)



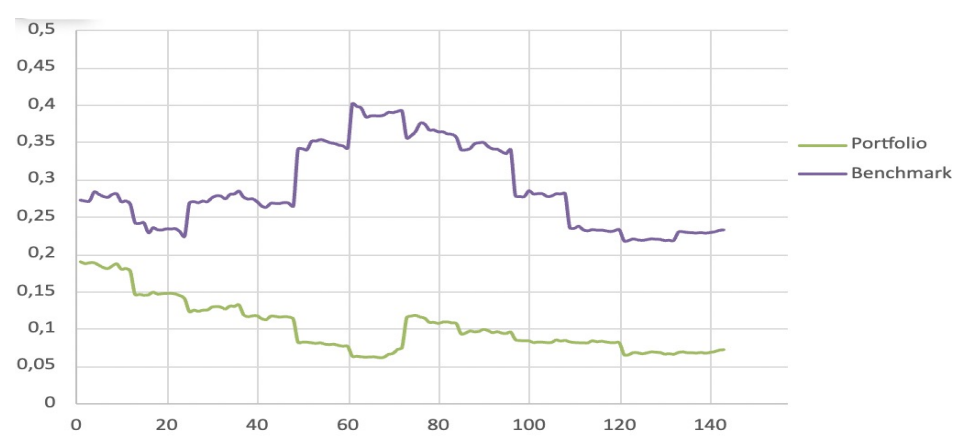
2. Best in Class (Portfolio vs. benchmark CO₂ / Sales)



3. Norm-based Screening (Portfolio vs. benchmark CO₂ / Sales)



4. Sustainable Themed (Portfolio vs. benchmark CO₂ / Sales)





Discussion & Observation

1. ESG Exclusion

- return close to the benchmark portfolio, not so much loss compared to benchmark
- good carbon performance because of the exclusion of e.g. the utility industry
- downside: the industry we do not invest don't have enough money to innovate.

3. Norm-based Screening

1. For financial performance, difference between the benchmark and our portfolio is accumulating over time, as we exclude more and more firms.
2. For carbon performance, it is outperformed by benchmark portfolio because non-energy firms, such as financial firms, are excluded, but energy sector still stays in portfolio.

2. Best in Class

- Only 6 assets in the portfolio
- we expected more volatility
- good/bad news might affect the performance heavy

4. Sustainable Themed

- Combining methods from the three other strategies; quantitative, qualitative and exclusion.
- The return is very similar to the benchmark portfolio, but the CO2/emission is lower due to the exclusion.
- Time consuming.