# PORTFOLIO MANAGEMENT CONFERENCE 2022

## Portfolio Management Under Uncertainty

**15 March 2022**

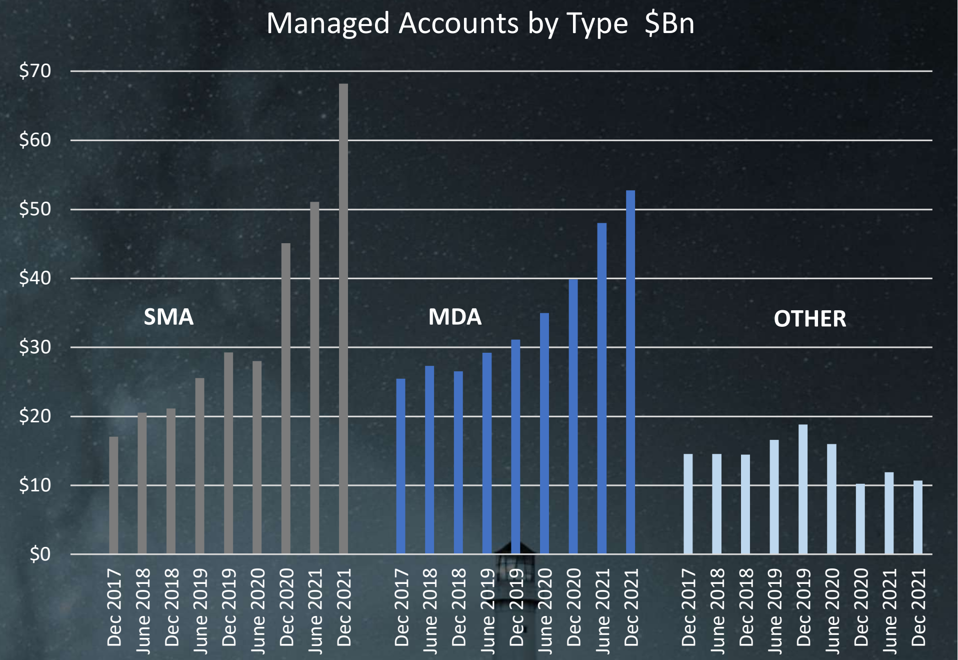
#PMC2022

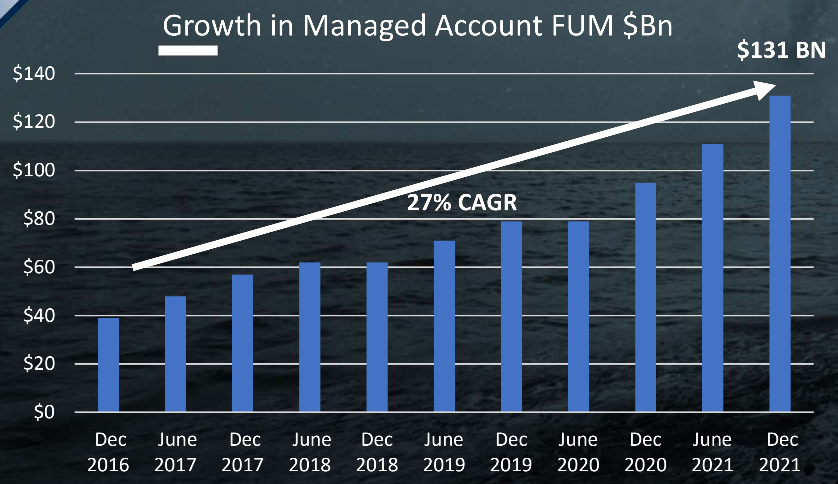
# Upcoming IMAP events

- **FUM Census results**
- **Webinar Series: The Investment Implications of Interest Rate rises**
- 21st March – Macroeconomic Background
- 23rd March – Investment Impact
- 25th March – Portfolio Management Considerations
- **Managed Account Awards:  Submissions Open April**

IMAP
Institute of Managed Account Professionals

# IMAP FUM Census



# Independent Thought Program

Podcasts

Roundtables

Conferences

Showcasing the work of portfolio managers and consultants

# Independent Thought Conference

Sydney 12th April

Alternatives
Australian Equities
Property and Infrastructure
International Equities
Fixed Interest

Pinnacle
Schroders
First Sentier
Ironbark
Franklin Templeton

JANA Investment Advisors
Lonsec
Morningstar
Drummond Capital
Oreana Portfolio Advisers
Centrepoint Alliance
Insight Investment consultants
Viridian Advisory
Clime Investment Management
Bellmont Securities

# Managed Account Awards

**Asset Class Categories**

- Australian Equities
- Small Cap
- Fixed Interest
- International Equities
- Multi Asset

**Specialty Categories**

- Licensee
- Innovation
- ESG / Sustainable Portfolio

## SPONSORS

abrdn
AMP CAPITAL
Australian Ethical
BetaShares Exchange Traded Funds
challenger
clime

FIDANTE PARTNERS
FINDEX
First Sentier Investors
FRANKLIN TEMPLETON
insync fund managers
Ironbark

iShares by BlackRock
Janus Henderson INVESTORS
MASON STEVENS
Milliman
MLC
MORNINGSTAR®

NANUK ASSET MANAGEMENT Investing Sustainably, Managing Responsibly
Pinnacle
RESOLUTION CAPITAL
Russell Investments
SPIRE CAPITAL
SQM RESEARCH

Scan below QR code for conference material

# Can we protect against downside risk?

Dominic McCormick
Stephen Coltman, Abrdn
Victor Huang, Milliman

# abrdn Global Risk Mitigation

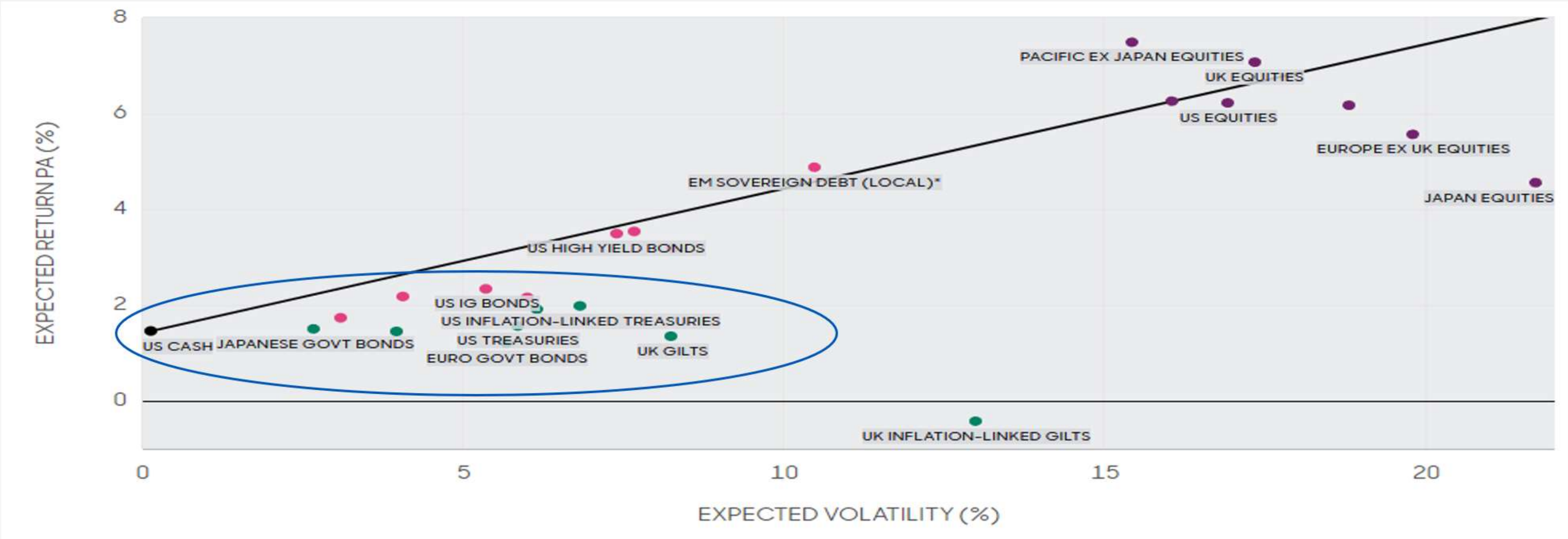
**Stephen Coltman, Senior Investment Manager - Alternatives**

IMAP Portfolio Management Conference
15th March 2022

abrdn.com

# Long-term returns from high quality fixed income assets are expected to be poor

**Return seeking investors are being pushed in to either taking more equity risk and/or increasing exposure to less liquid assets abrdn 10yr Asset Class Return Forecasts USD hedged**




For illustrative purposes only.
Source: abrdn Research Institute, February 2022



**Forecasts are offered as opinion and are not guaranteed. Actual events or results may differ materially**

# Global Risk Mitigation building blocks

**“First Risk” Strategies**

Strategies that deliver a windfall gain in the event of a market shock and perform strongly in the initial phase of a crisis

**Defensive Factors**

Captures the long-term returns of well-known factors while remaining neutral to the direction of equity markets

**“Tail Risk” Strategies**

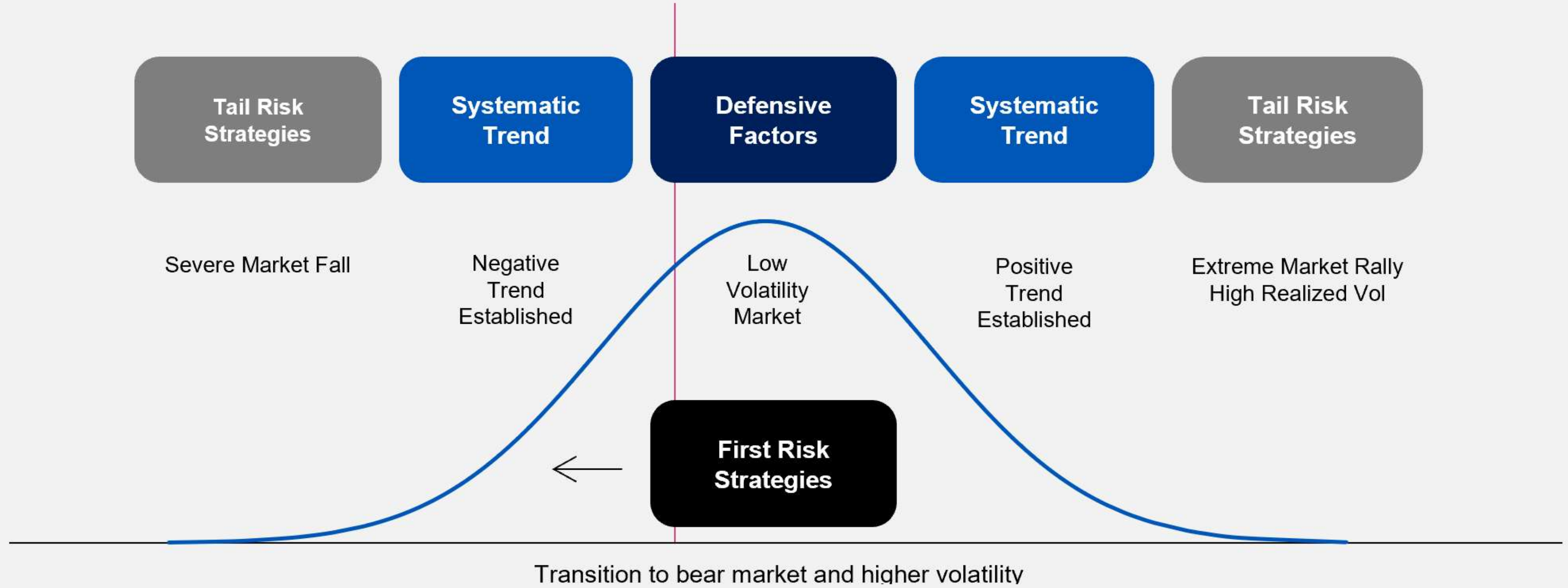
Long volatility and tactical RV strategies benefitting from sustained increases in volatility

**Systematic Trend**

Seeks to capture trending market behaviour (positive or negative) across multiple asset classes and markets

# How the different strategies pay off at different points in the cycle

**Illustrative distribution of returns for an equity portfolio and preferred environment for each risk mitigation building block**



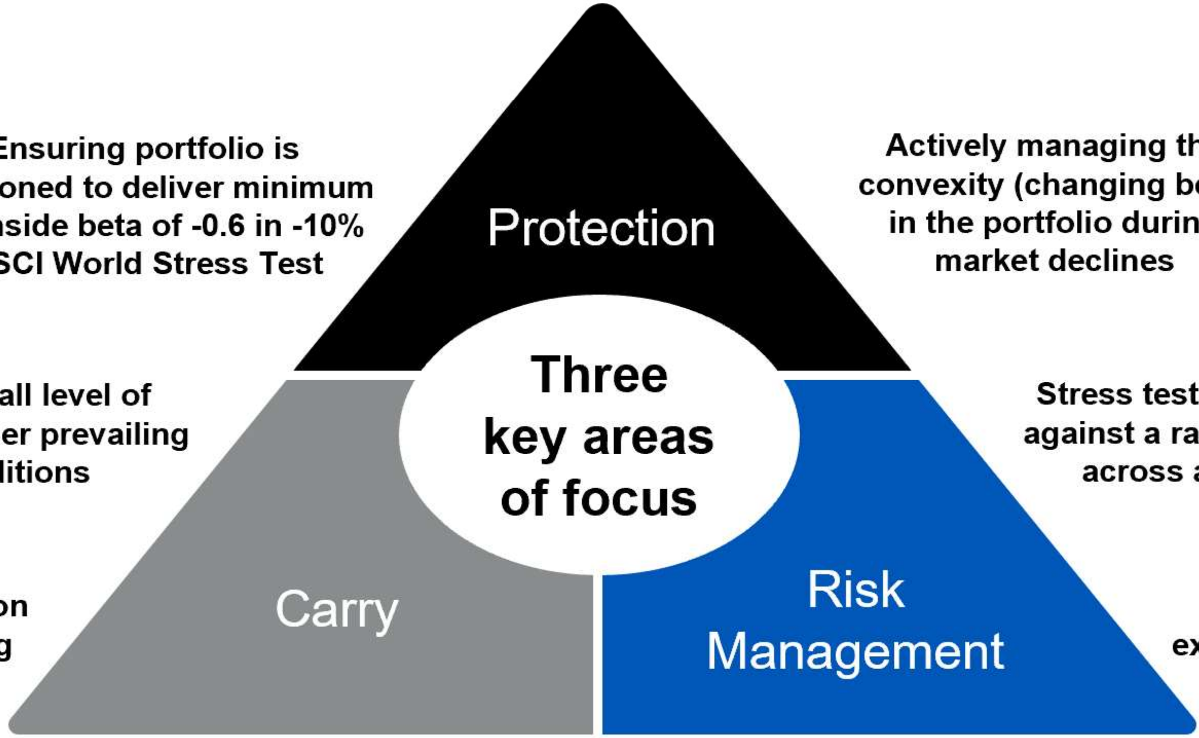

Source: abrdn, February 2022

# Managing the portfolio to deliver GRM objectives

Three key areas of focus

**Ensuring portfolio is positioned to deliver minimum downside beta of -0.6 in -10% MSCI World Stress Test**

**Actively managing the convexity (changing beta) in the portfolio during market declines**




**Monitoring overall level of portfolio carry under prevailing market conditions**

**Stress testing the portfolio against a range of outcomes across asset classes**

**Breaking down the contribution to carry from each underlying sub-strategy**

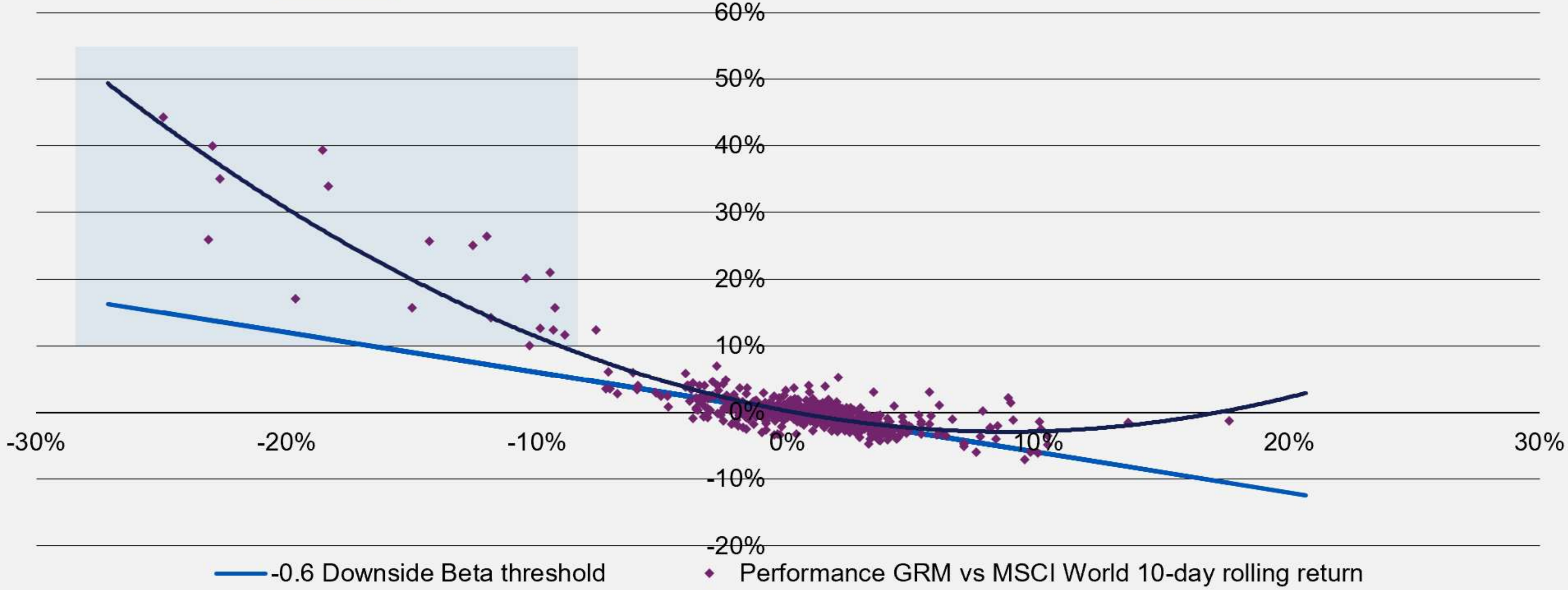
**Monitoring overall factor exposures across Defensive Factors and Trend**

Source: abrdn, February 2022

# GRM investment objectives

## Maximising performance with downside beta to equities lower than -0.6

**Aim to deliver maximum long term return while still populating the area shaded below**



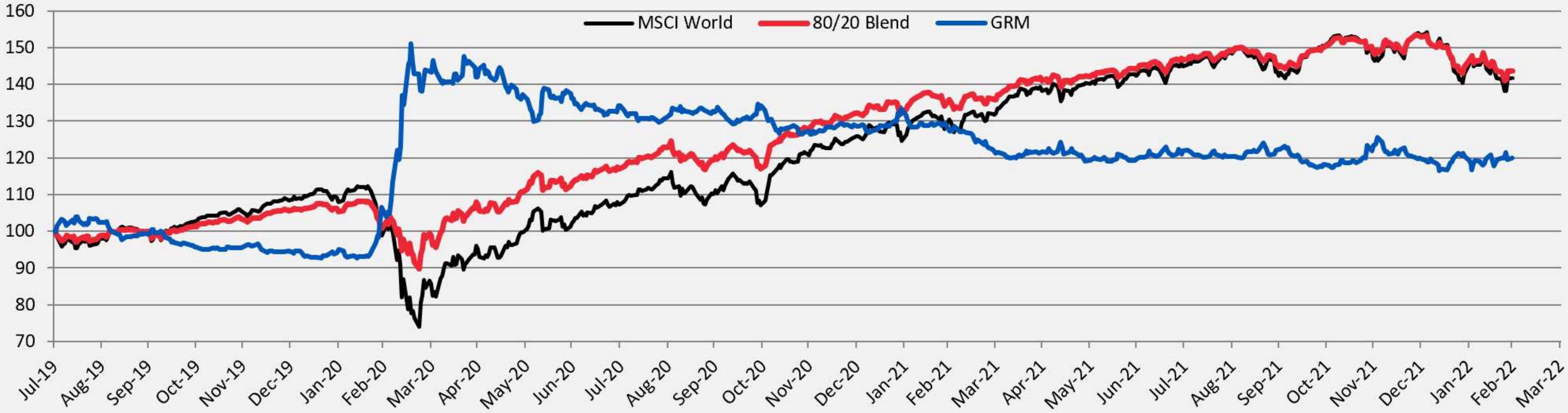

For illustrative purposes only. Forecasts are offered as opinion and are not guaranteed. Actual events or results may differ materially.
Source: abrdn Research Institute, February 2022.

**Past performance is not a guide to future results**

# Adding GRM Fund to a portfolio of equities

## Adding negatively correlated strategies to a portfolio smooths compound returns

| Period July 19 – Feb 22 | MSCI World | 80/20 blend | GRM |
|---|---|---|---|
| **Total Return** | 41.55% | 43.58% | 20.00% |
| **Annualised return** | 14.40% | 15.03% | 7.31% |
| **Max Drawdown** | -34.03% | -20.12% | -24.41% |
| **Volatility** | 20.04% | 12.42% | 16.10% |
| **Return/Vol** | 0.72 | 1.21 | 0.45 |




Source: February 2022, abrdn, BNP Paribas, shows GRM index ticker ENHAGRM3 gross of management fees and fund expenses but net of all transaction costs combined with MSCI World NR (M1WO Index) and rebalanced quarterly. Several key assumptions were made in the preparation of the above simulated performance. Changes in these assumptions may have a material impact on returns presented.



**Simulated performance is not a guide to future returns. For illustrative purposes only.**

# Disclaimer

**For professional and institutional investors only – not for public distribution.**
**In Australia, for Wholesale clients only – Not to be further circulated.**

The information in this document is not for general circulation and should not be considered an offer, or solicitation, to deal in any funds. The information is provided on a general basis for information purposes only, and is not to be relied on as investment, legal, tax or other advice, as it does not take into account the investment objectives, financial situation or particular needs of any specific investor.

Any research or analysis used to derive, or in relation to, the information herein has been procured by the entities listed below (abrdn) for its own use, and may have been acted on for its own purpose. The information herein, including any opinions or forecasts have been obtained from or is based on sources believed by abrdn to be reliable, but abrdn does not warrant the accuracy, adequacy or completeness of the same, and expressly disclaims liability for any errors or omissions. As such, any person acting upon or in reliance of these materials does so entirely at his or her own risk. Past performance is not necessarily indicative of future performance. Any projections or other forward-looking statements regarding future events or performance of countries, markets or companies are not necessarily indicative of, and may differ from, actual events or results. No warranty whatsoever is given and no liability whatsoever is accepted by abrdn or its affiliates, for any loss, arising directly or indirectly, as a result of any action or omission made in reliance of any information, opinion or projection made in this document.

Alternative investments involve specific risks that may be greater than those associated with traditional investments; are not suitable for all clients; and intended for experienced and sophisticated investors who meet specific suitability requirements and are willing to bear the high economic risks of the investment. Investments of this type may engage in speculative investment practices; carry additional risk of loss, including possibility of partial or total loss of invested capital, due to the nature and volatility of the underlying investments; and are generally considered to be illiquid due to restrictive repurchase procedures. These investments may also involve different regulatory and reporting requirements, complex tax structures, and delays in distributing important tax information.

Hedge funds use sophisticated investment strategies that may increase investment risk in your portfolio. Among the risks presented by hedge fund investments are: the use of unregistered investments, which may make it difficult to assess the performance of the holding; risky investment strategies, which may result in significant losses; illiquid investments that may be subject to restrictions on transferability and resale; and adverse tax consequences.

Indexes are unmanaged and have been provided for comparison purposes only. No fees or expenses are reflected in the above information. You cannot invest directly in an index.

Any data contained herein which is attributed to a third party (“Third Party Data”) is the property of (a) third party supplier(s) (the “Owner”) and is licensed for use by abrdn**. Third Party Data may not be copied or distributed. Third Party Data is provided “as is” and is not warranted to be accurate, complete or timely. To the extent permitted by applicable law, none of the Owner, abrdn** or any other third party (including any third party involved in providing and/or compiling Third Party Data) shall have any liability for Third Party Data or for any use made of Third Party Data. Neither the Owner nor any other third party sponsors, endorses or promotes the fund or product to which Third Party Data relates.

**abrdn means the relevant member of abrdn, being abrdn together with its subsidiaries, subsidiary undertakings and associated companies (whether direct or indirect) from time to time.

# Disclaimer

Bloomberg data are for illustrative purposes only. No assumptions regarding future performance should be made.

The MSCI information may only be used for your internal use, may not be reproduced or redisseminated in any form and may not be used as a basis for or a component of any financial instruments or products or indices. None of the MSCI information is intended to constitute investment advice or a recommendation to make (or refrain from making) any kind of investment decision and may not be relied on as such. Historical data and analysis, should not be taken as an indication or guarantee of any future performance analysis forecast or prediction. The MSCI information is provided on an “as is” basis and the user of this information assumes the entire risk of any use made of this information. MSCI, each of its affiliates and each other person involved in or related to compiling, computing or creating any MSCI information (collectively, the “MSCI” Parties) expressly disclaims all warranties (including without limitation, any warranties of originality, accuracy, completeness, timeliness, non-infringement, merchantability and fitness for a particular purpose) with respect to this information. Without limiting any of the foregoing, in no event shall any MSCI Party have any liability for any direct, indirect, special, incidental, punitive, consequential (including, without limitation, lost profits) or any other damages (www.msci.com).

The "S&P 500" is a product of S&P Dow Jones Indices LLC (“SPDJI”), and has been licensed for use by abrdn. Standard & Poor’s® and S&P® are registered trademarks of Standard & Poor’s Financial Services LLC (“S&P”); Dow Jones® is a registered trademark of Dow Jones Trademark Holdings LLC (“Dow Jones”); S&P 500 are trademarks of S&P; and these trademarks have been licensed for use by SPDJI and sublicensed for certain purposes by abrdn. abrdn funds are not sponsored, endorsed, sold or promoted by SPDJI, Dow Jones, S&P, their respective affiliates and none of such parties make any representation regarding the advisability of investing in such product(s) nor do they have any liability for any errors, omissions, or interruptions of the S&P 500.

The information herein shall not be disclosed, used or disseminated, in whole or part, and shall not be reproduced, copied or made available to others. abrdn reserves the right to make changes and corrections to the information, including any opinions or forecasts expressed herein at any time, without notice.



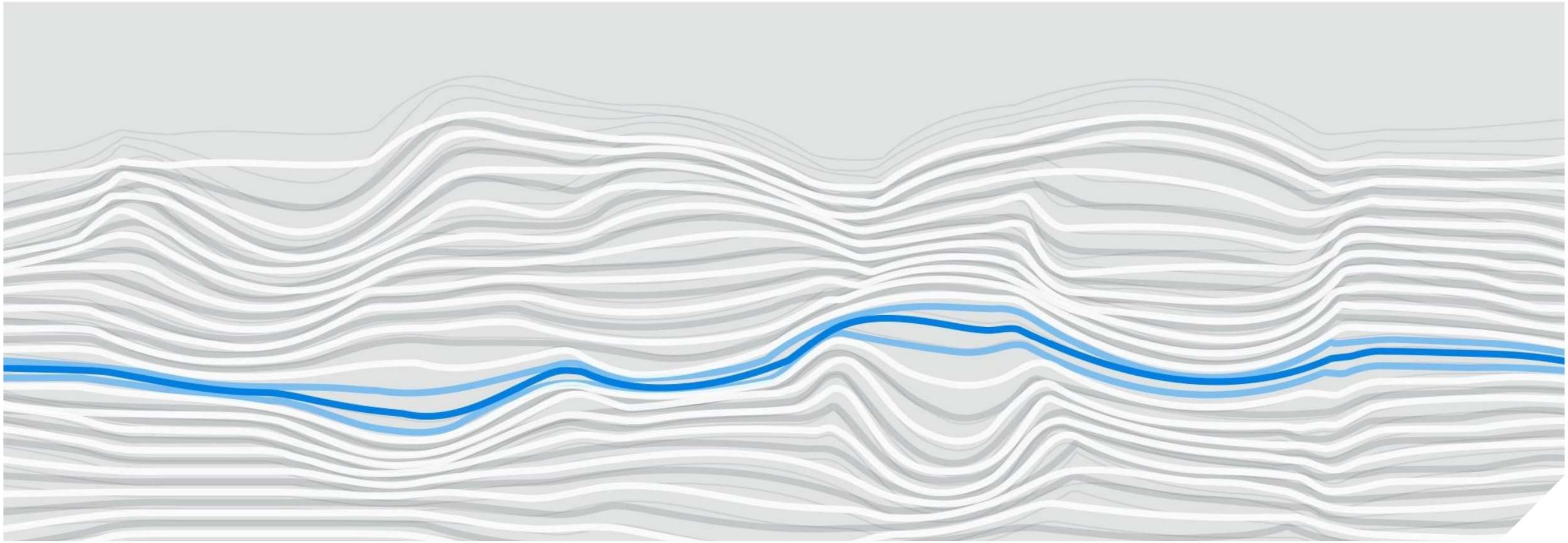
Issued by abrdn Australia Limited ABN 59 002 123 364 AFSL No. 240263. This document has been prepared with care, is based on sources believed to be reliable and opinions expressed are honestly held as at the applicable date. However it is of a general nature only and we accept no liability for any errors or omissions. This is not an offer of securities. A Product Disclosure Statement (PDS), application form and Target Market Determination (TMD) is available for each Fund by calling abrdn Australia Limited Client Services on 1800 636 888, at www.abrdn.com/aus, or from your financial adviser. This document has been prepared without taking into account the particular objectives, financial situation or needs of any investor. Investments are subject to investment risk, including possible delays in payment and loss of income and principal invested. It is important that before deciding whether to acquire, hold or redeem an investment in a Fund that investors consider the Fund’s PDS, the Fund’s appropriateness to their own circumstances, objectives and financial situation and consult financial and tax advisers. Past performance is not a reliable indicator of future results. All dollars are Australian dollars unless otherwise specified. Indices are copyrighted by and proprietary to the issuer.

SG-051021-158542-3

# Can we protect against downside risk?

Victor Huang

MARCH 2021



# LIMITATIONS & DISCLAIMERS

Milliman Pty Ltd ABN 51 093 828 418 AFSL 340679 (Milliman AU) for provision to Australian financial services (AFS) licensees and their representatives, [and for other persons who are wholesale clients under section 761G of the Corporations Act]. Not for public use or distribution.

Past performance is not indicative of future results. Recipients must make their own independent decisions regarding any strategies or securities or financial instruments mentioned herein.

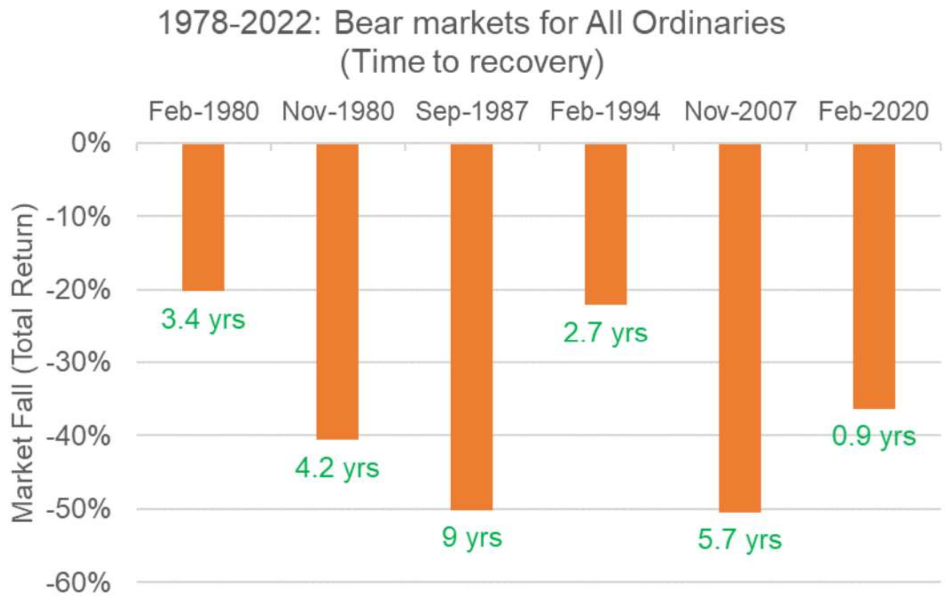
Milliman Pty Ltd does not make any representations that products or services described or referenced herein are suitable or appropriate for the recipient. Many of the products and services described or referenced herein involve significant risks, and the recipient should not make any decision or enter into any transaction unless the recipient has fully understood all such risks and has independently determined that such decisions or transactions are appropriate for the recipient.

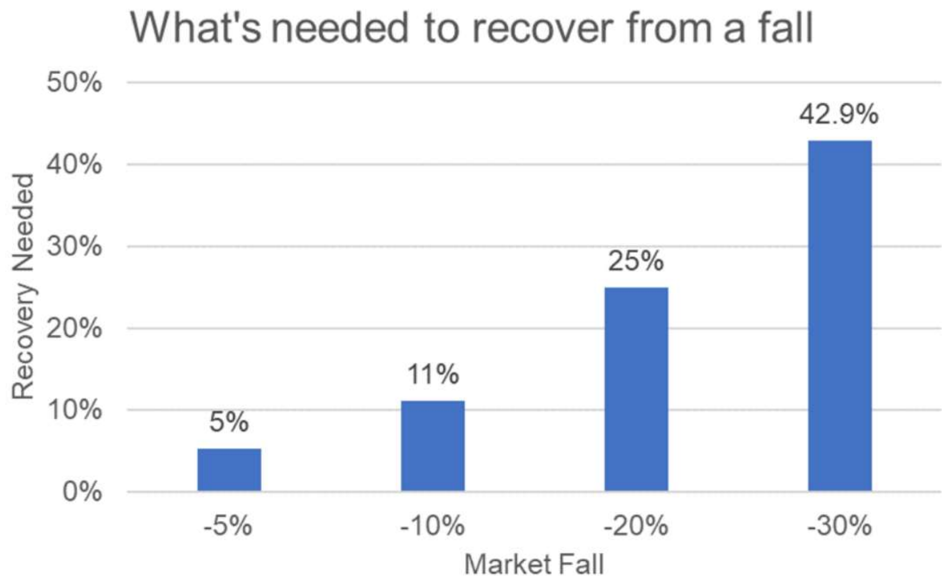
Any discussion of risks contained herein with respect to any product or service should not be considered to be a disclosure of all risks or a complete discussion of the risks involved.

The recipient should not construe any of the material contained herein as investment, hedging, trading, legal, regulatory, tax, accounting or other advice. The recipient should not act on any information in this document without consulting its investment, hedging, trading, legal, regulatory, tax, accounting and other advisors.

Milliman Pty Ltd does not ensure a profit or guarantee against loss.

# Why protect against downside risk?




## Large corrections are likely

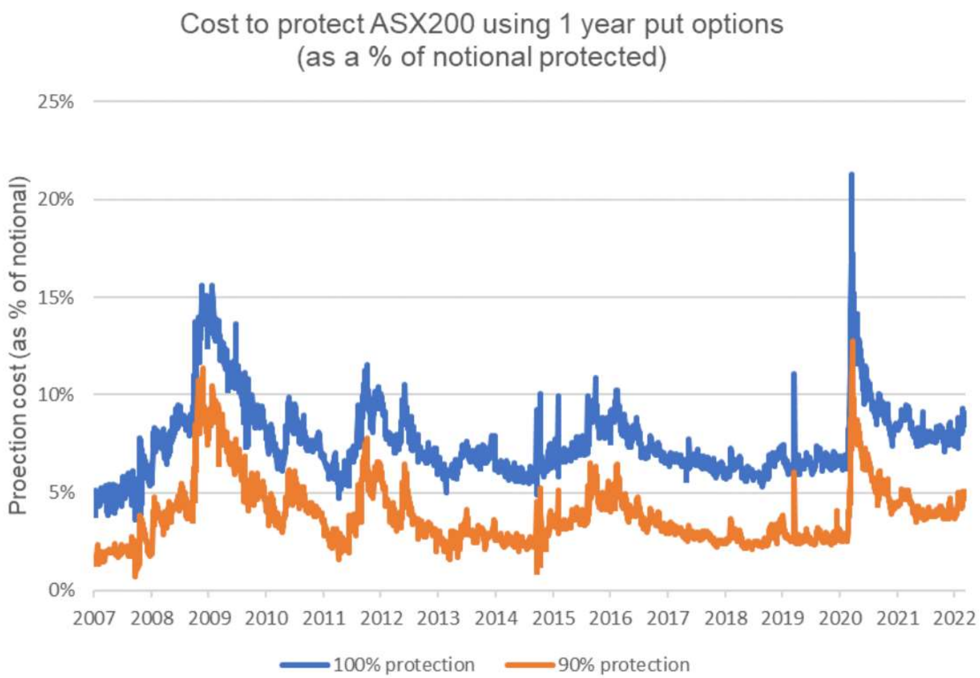
- All Ordinaries had six 20%+ falls in the past 50 years
- Fortunately, markets do recover.

## Recovery can seem difficult

- A 30% market correction needs +43% to recover
- Wisdom and literature suggest you ‘stay invested’, but risk aversion is strong factor driving behaviour for retirees

 *Source: Milliman & Bloomberg data*

# Purchasing insurance is expensive

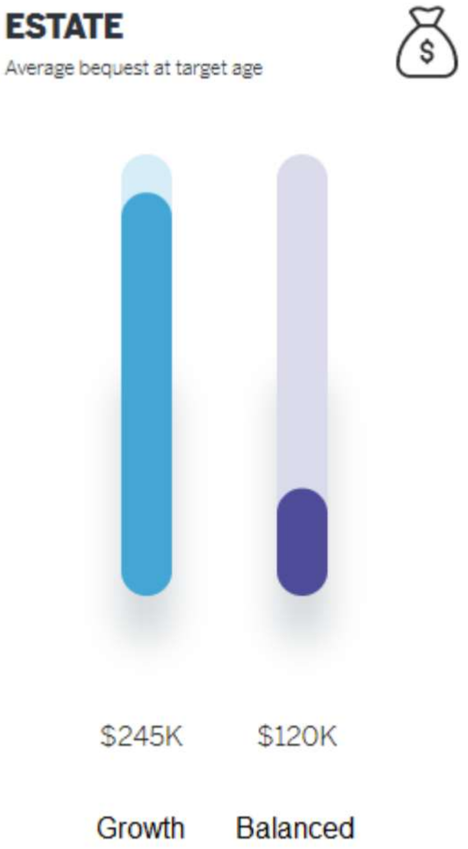



- Put options can be purchased on major market indices to provide full protection
- For full protection, it costs between 4% to 21% per annum over the past 15 years (currently ~9%)
- For protection up to 10% market falls, it costs between 1% to 13% over the same period (currently ~5%)

**Explicit protection can be purchased, but because of how expensive it can be, we need to come up with different ways to manage risk.**

Milliman *Source: Milliman & Bloomberg data*

# Derisking can be ineffective, and comes with hidden costs




- **Derisking from Growth to Balanced is expected to cost:**
  - 1.1% reduction in expected annual returns.
  - 51% reduction in average bequest (from 245k to 120k) under the same withdrawal strategy.[1]

- **Is derisking into Fixed Income really 'derisking' in this market?**
  - Inflationary pressures are expected to push the yield curve up (hurting bond investors)

**There is generally a cost to removing risk from a portfolio, whether it is explicit or implicit.**

[1]Bequest at age 90 for a person aged 67 with a starting balance of $500,000 and $25,000 per annum withdrawals indexed to inflation. Detailed assumptions can be found at https://smartshield.millimandigital.com/.

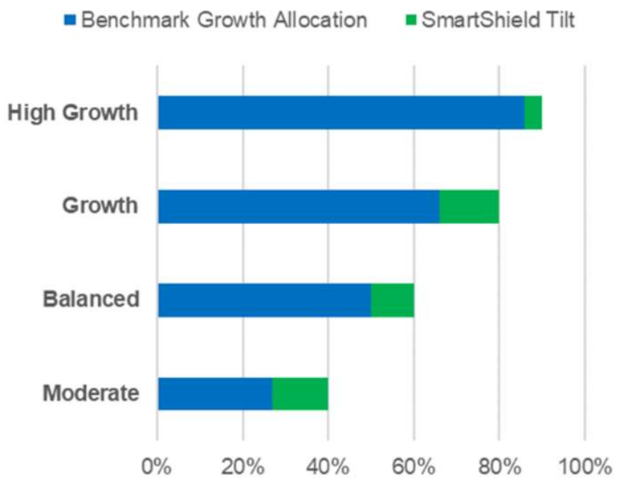
RESULTS BASED ON SIMULATED OR HYPOTHETICAL PERFORMANCE RESULTS HAVE CERTAIN INHERENT LIMITATIONS. MILLIMAN DOES NOT MANAGED THE UNDERLYING FUND.

# Milliman's approach (in SmartShield)

Providing 'built-in' risk management in managed accounts

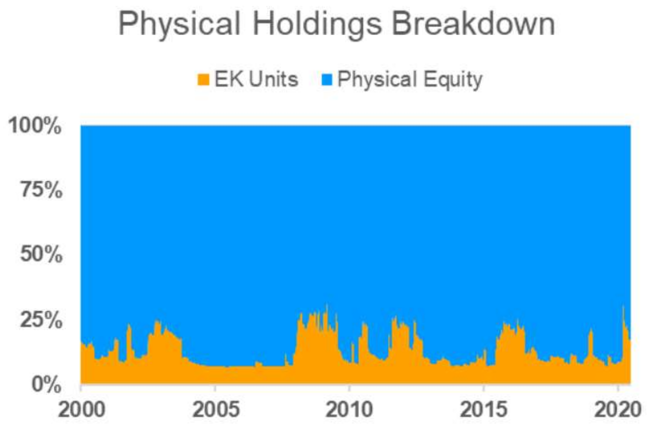
## Begin with typical diversified portfolio with a tilt towards growth assets

- Asset allocations track Morningstar's Target Allocation indices
- With tilt towards growth assets to help 'fund' the risk management strategy



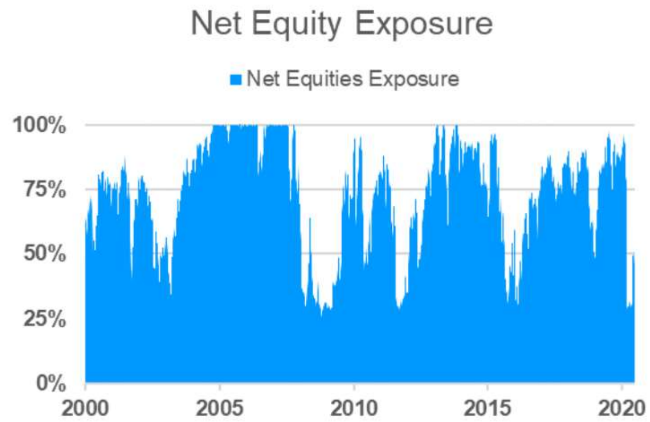

## Add a small allocation to 'Even Keel' units to gain risk management

- For every \$100 of equity exposure, ~\$5-\$25[1] is allocated to Even Keel units
- The Even Keel units houses a dynamic portfolio of futures contracts to deliver risk management




## Get efficient risk managed exposure to equities

- The resultant exposure to equities is dynamically adjusted to provide risk management
- In benign markets, the **allocation to Even Keel is equitised** through the use of Futures Contracts to eliminate drag.




[1]Cash needed for the Even Keel units will vary with market conditions and initial margin requirements.

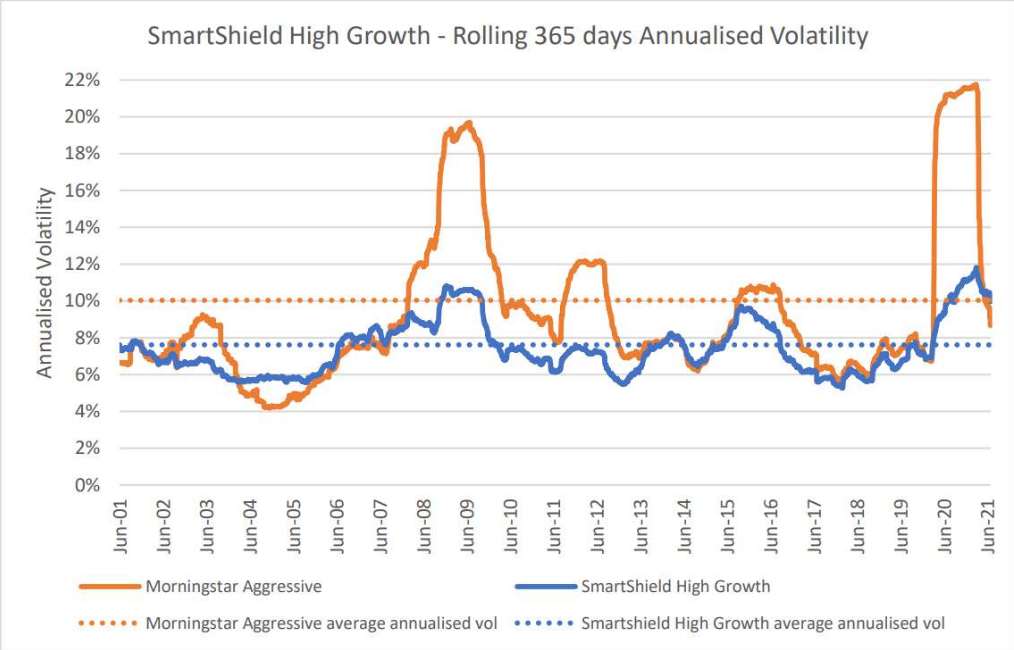
# Under the hood of SmartShield's risk management strategy

## Component 1: Volatility Management

- Strategy seeks to **cap portfolio volatility** by dynamically adjusting the exposure to equities using futures
- Benefits from **higher exposure to equities during low volatility periods**, and vice versa in stressed market environments

## Component 2: Put Option Replication

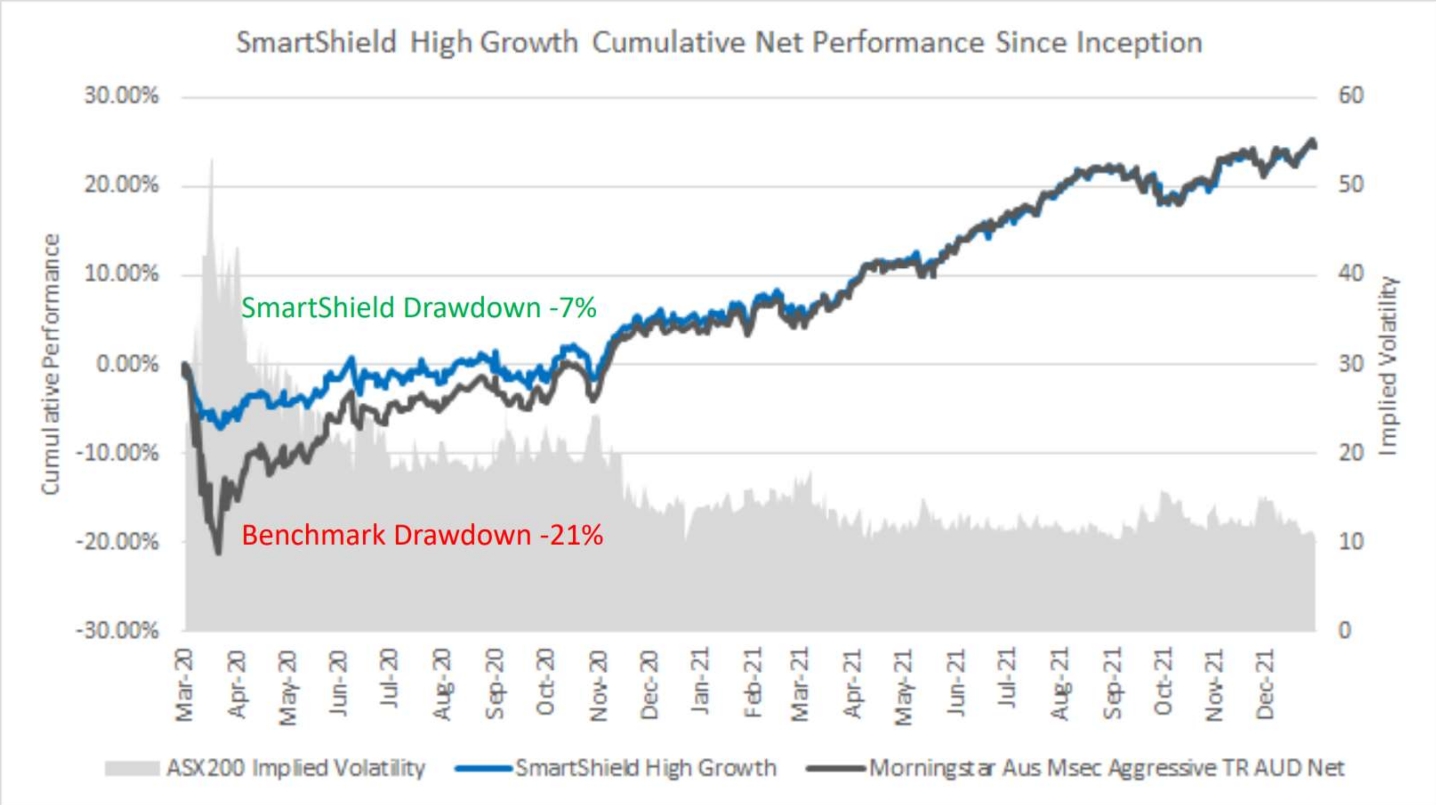
- Aims to **"manufacture" a long dated put option payoff** by dynamically rebalancing a basket of futures contracts. This approach is expected to be more efficient than purchasing options in the long-term.
- Expected to **reduce losses** during periods of significant market sell-off




Milliman

# Live performance so far

High growth




| Since Inception Performance | SmartShield High Growth | Benchmark |
|---|---|---|
| Performance p.a. | 12% | 11.9% |
| Volatility p.a. | 10.6% | 18.7% |
| Sharpe Ratio | 1.13 | 0.64 |
| Max Drawdown | -7.1% | -21% |

Milliman

# Thank you.

SmartShield: advice.milliman.com/SmartShield

Simulator: smartshield.millimandigital.com

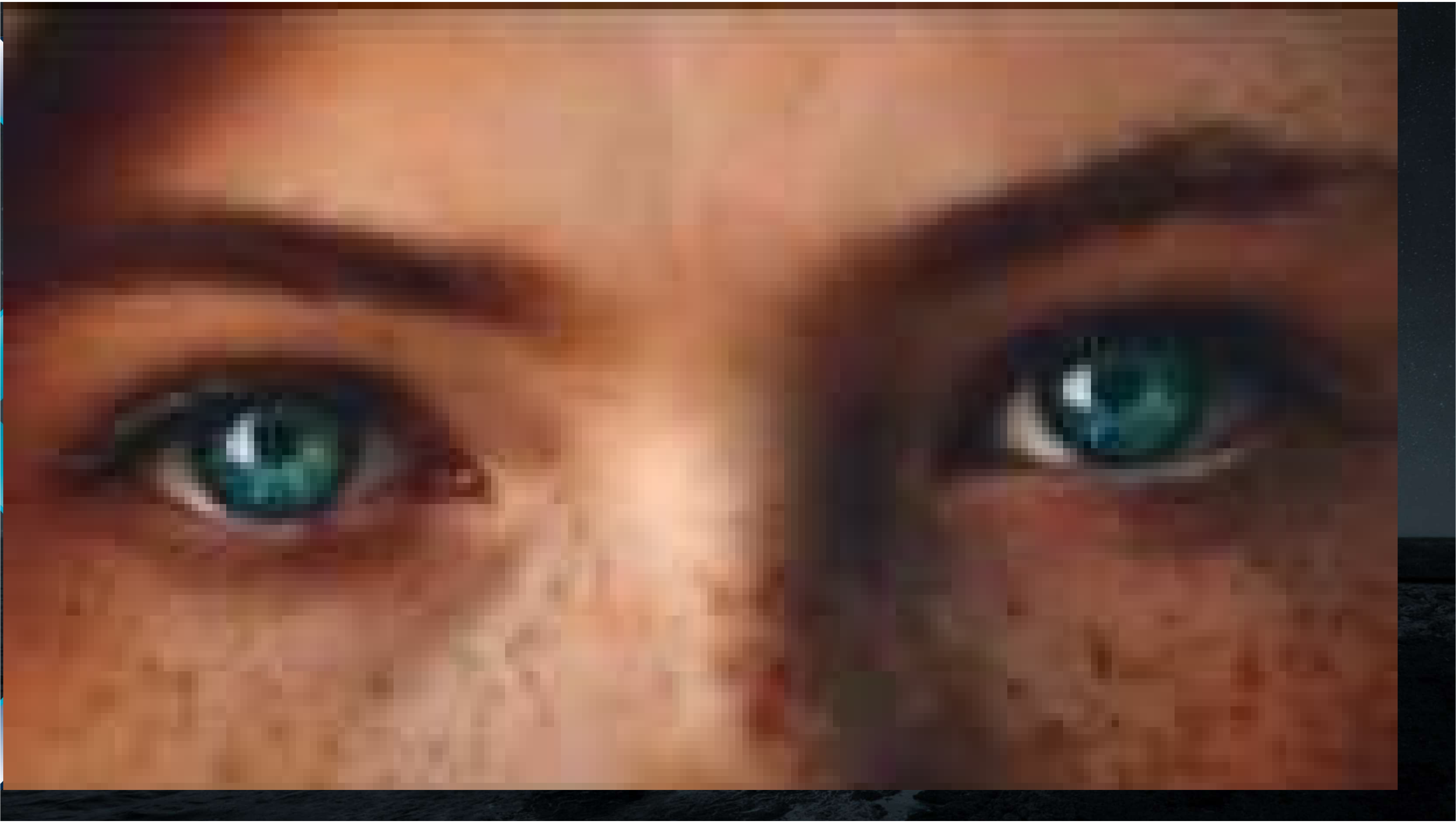
Milliman

# All portfolios should consider the impact of climate change

Paul Saliba, Evolutionary Portfolio Services

Dan Powell, Nanuk Asset Management

Cameron Gleeson, BetaShares



IMAP

Institute of Managed Account Professionals

NANUK

ASSET MANAGEMENT

Investing Sustainably
Managing Responsibly

# Executive Summary

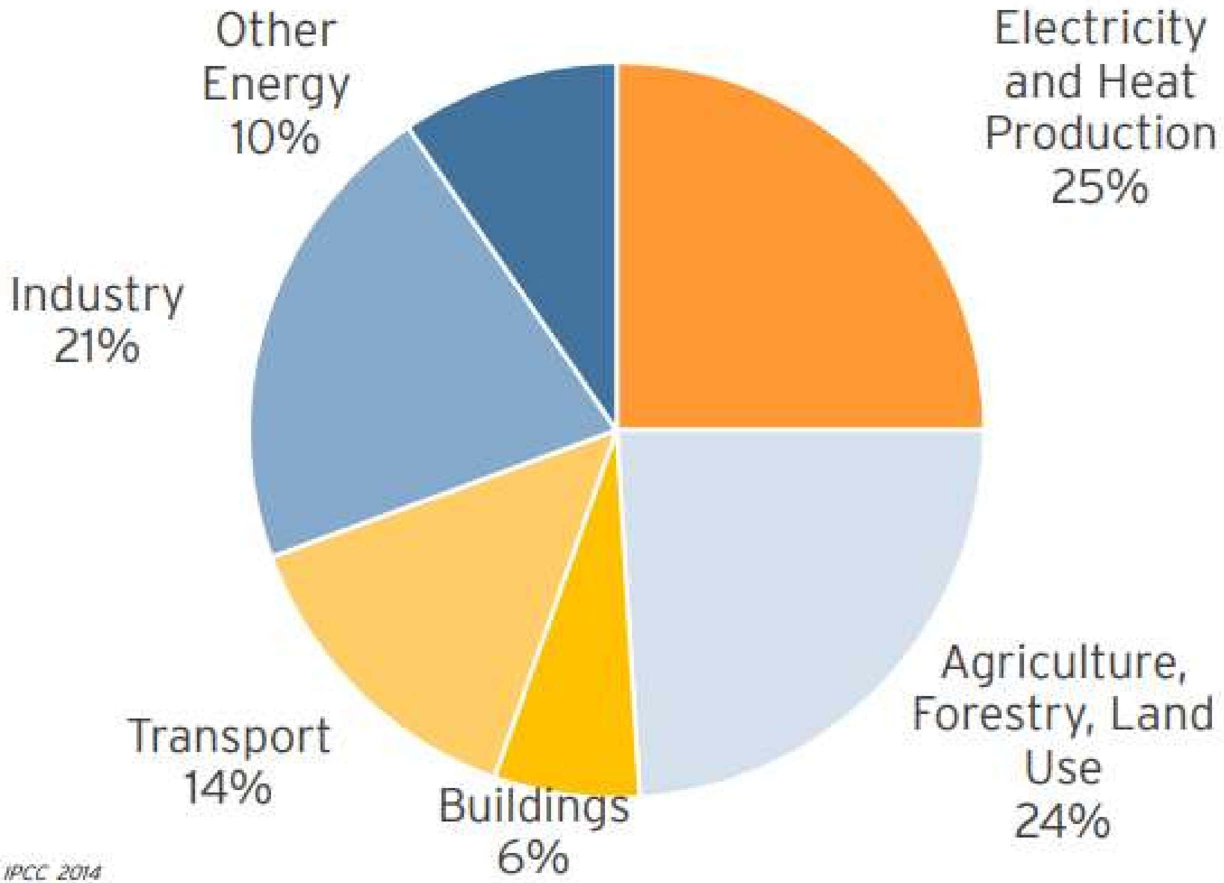
*Climate change will impact equities returns, necessitating*

- Offensive tactics to capitalize on the opportunities
- A defensive strategy to mitigate inevitably lower equities returns

# LONG TERM CHANGES ARE INEVITABLE AND PREDICTABLE

NANUK
ASSET MANAGEMENT

## Direct Greenhouse Gas Emissions by Sector




Source: UN IPCC 2014

# LONG TERM CHANGES ARE INEVITABLE AND PREDICTABLE

NANUK
ASSET MANAGEMENT

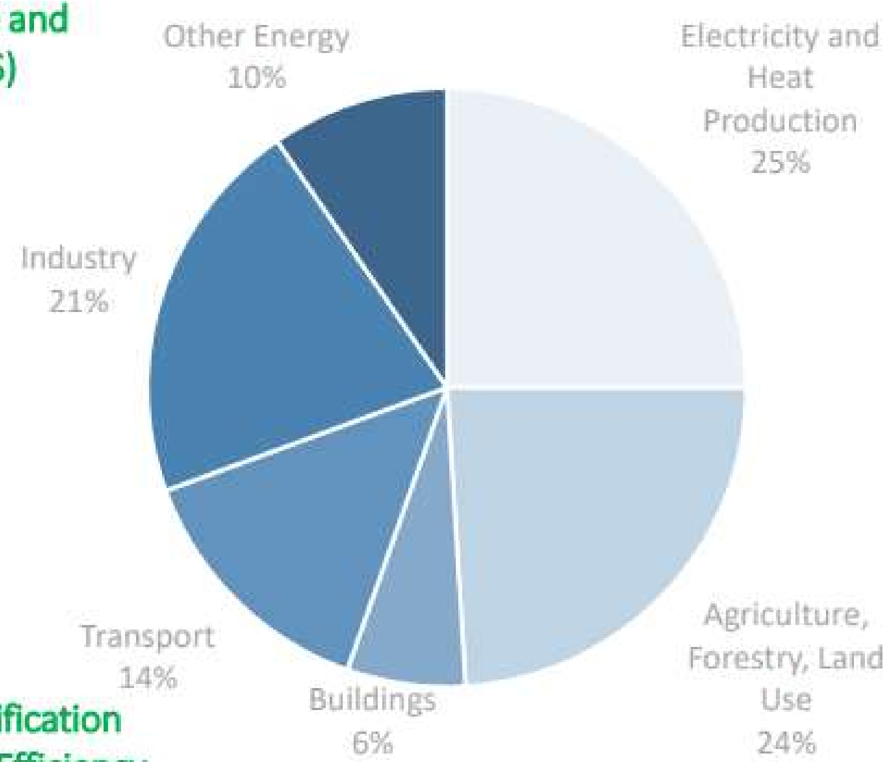
Direct Greenhouse Gas Emissions by Sector (and Solutions)

Carbon capture and storage (CCS)

Electrification
Energy Efficiency
Hydrogen
Alternative Materials
CCS

Electrification
Zero emission fuels
Modal shifts

Electrification
Energy Efficiency

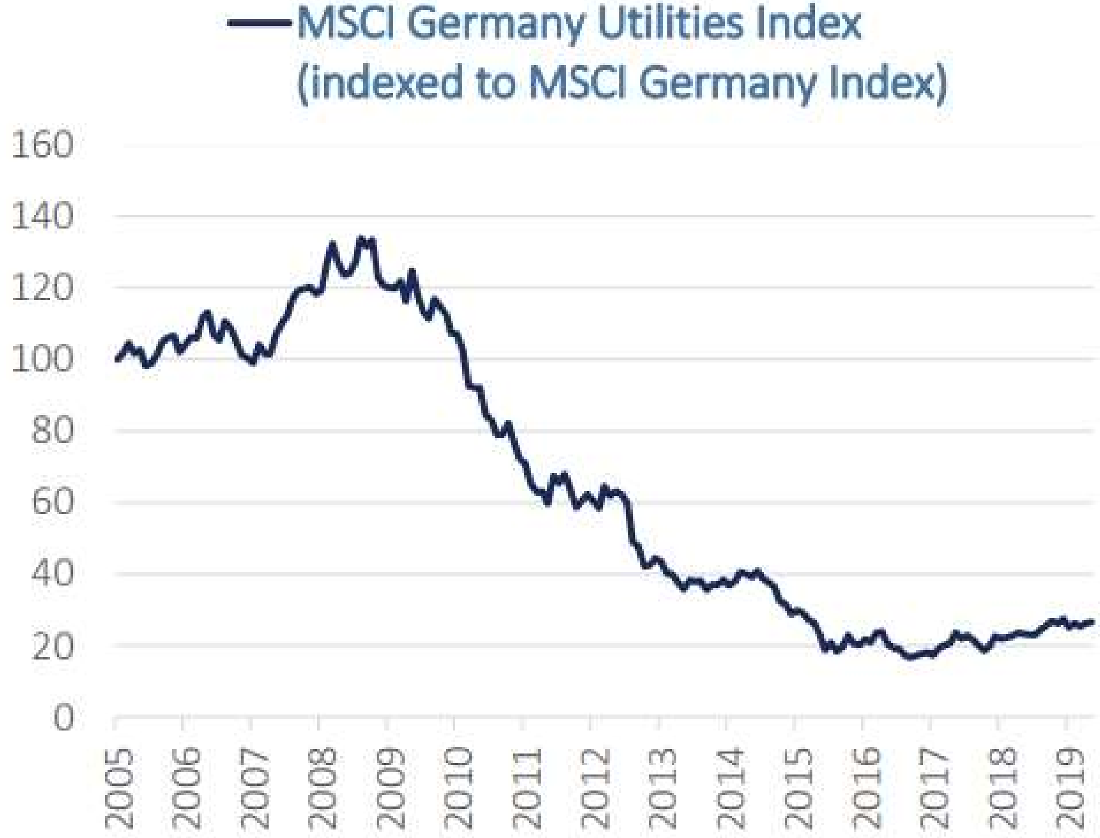



Renewables
Energy storage
Nuclear
Hydrogen
Smart grid

Hydrogen > Fertiliser
Farming practices
Dietary changes
Waste reduction
Stopping Land Use Change

*Source: UN IPCC 2014, Nanuk 2019*

# Value destruction will occur early and quickly




*Source: Bloomberg*

# RETURN ON CAPITAL IMPACTED ACROSS THE ECONOMY

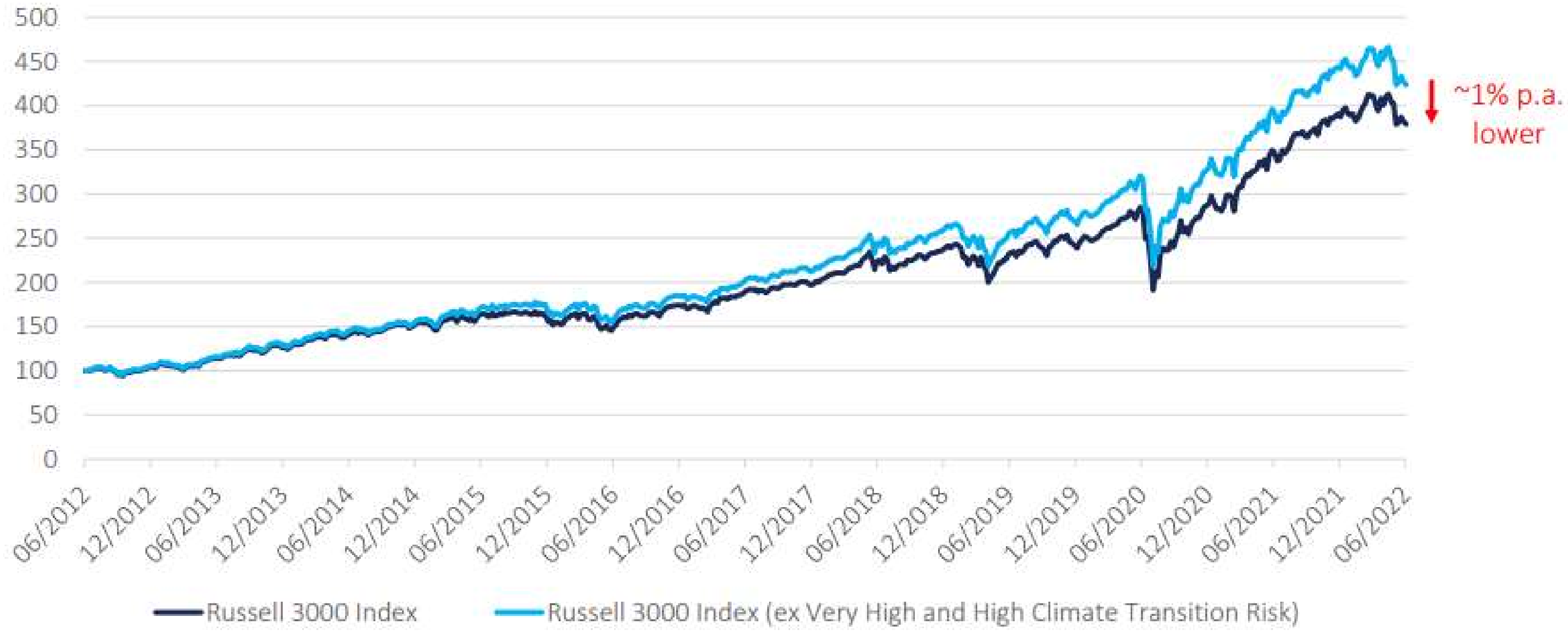
| | | | | | |
|---|---|---|---|---|---|
| Advertising/Marketing Services | Chemicals: Specialty | Engineering & Construction | Information Technology Services | Motor Vehicles | Real Estate Development |
| Aerospace & Defense | Coal | Environmental Services | Insurance Brokers/Services | Movies/Entertainment | Real Estate Investment Trusts |
| Agricultural Commodities/Milling | Computer Communications | Finance/Rental/Leasing | Integrated Oil | Multi-Line Insurance | Recreational Products |
| Air Freight/Couriers | Computer Peripherals | Financial Conglomerates | Internet Retail | Oil & Gas Pipelines | Regional Banks |
| Airlines | Computer Processing Hardware | Financial Publishing/Services | Internet Software/Services | Oil & Gas Production | Restaurants |
| Alternative Power Generation | Construction Materials | Food Distributors | Investment Banks/Brokers | Oil Refining/Marketing | Savings Banks |
| Aluminum | Consumer Sundries | Food Retail | Investment Managers | Oilfield Services/Equipment | Semiconductors |
| Apparel/Footwear | Containers/Packaging | Food: Major Diversified | nvestment Trusts/Mutual Funds | Other Consumer Services | Services to the Health Industry |
| Apparel/Footwear Retail | Contract Drilling | Food: Meat/Fish/Dairy | Life/Health Insurance | Other Consumer Specialties | Specialty Insurance |
| Auto Parts: OEM | Data Processing Services | Food: Specialty/Candy | Major Banks | Other Metals/Minerals | Specialty Stores |
| Automotive Aftermarket | Department Stores | Forest Products | Major Telecommunications | Other Transportation | Specialty Telecommunications |
| Beverages: Alcoholic | Discount Stores | Gas Distributors | Managed Health Care | Packaged Software | Steel |
| Beverages: Non-Alcoholic | Drugstore Chains | Home Furnishings | Marine Shipping | Personnel Services | Telecommunications Equipment |
| Biotechnology | Electric Utilities | Home Improvement Chains | Media Conglomerates | Pharmaceuticals: Major | Textiles |
| Broadcasting | Electrical Products | Homebuilding | Medical Distributors | Pharmaceuticals: Other | Tobacco |
| Building Products | Electronic Components | Hospital/Nursing Management | Medical Specialties | Precious Metals | Tools & Hardware |
| Cable/Satellite TV | lectronic Equipment/Instrument | Hotels/Resorts/Cruiselines | Medical/Nursing Services | Property/Casualty Insurance | Trucking |
| Casinos/Gaming | Electronic Production Equipment | Household/Personal Care | Metal Fabrication | Publishing: Books/Magazines | ucks/Construction/Farm Machine |
| Catalog/Specialty Distribution | Electronics Distributors | Industrial Conglomerates | Miscellaneous | Publishing: Newspapers | Water Utilities |
| Chemicals: Agricultural | Electronics/Appliance Stores | Industrial Machinery | iscellaneous Commercial Service | Pulp & Paper | Wholesale Distributors |
| Chemicals: Major Diversified | Electronics/Appliances | Industrial Specialties | Miscellaneous Manufacturing | Railroads | Wireless Telecommunications |

| | | | | |
|---|---|---|---|---|
| Climate change impact on ROE and Asset Values | Very High | High | Moderate | Low |

# LOWER EQUITIES MARKET RETURNS


*Source: Nanuk Asset Management, FactSet*

# CLIMATE-RELATED IMPACTS ALREADY EVIDENT OVER LAST DECADE




*Source: Nanuk Asset Management, FactSet. Very High and High Climate Climate Transition Risk refers to industry groups on slide 6*

# How the changes are implemented is clear

Long term targets → Policy Support → Initial growth phase → Industry develop -ment → Viable eco- nomics → Broad adoption

1990s | Mid 2000s | 2010 | 2015 | TODAY

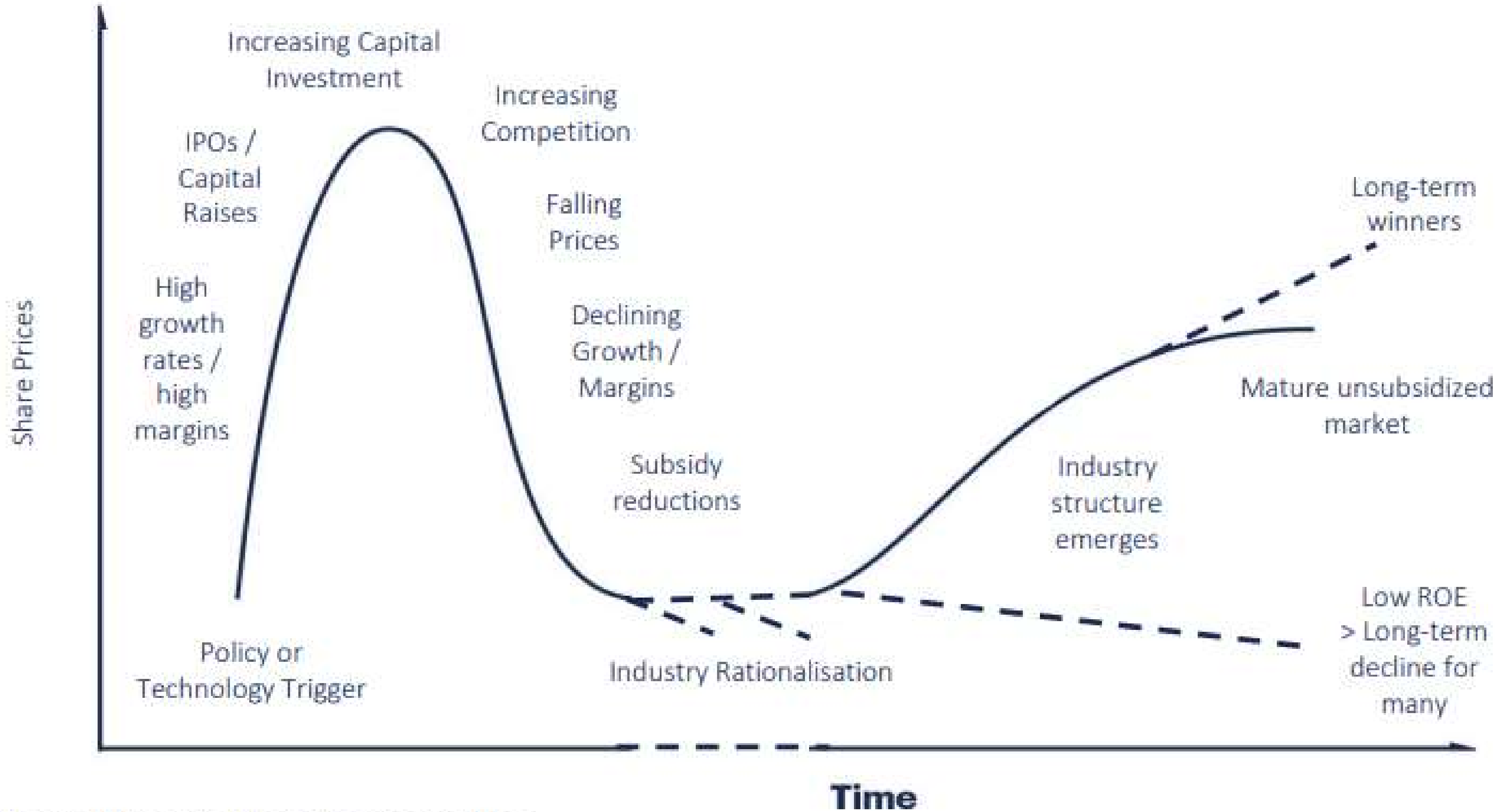
PHASE 1 (Efficiency, Renewables, Electric Vehicles)

2019 | TODAY

PHASE 2

10 – 20 years

# MARKET RESPONSES ARE PREDICTABLE (AND REPEATING)

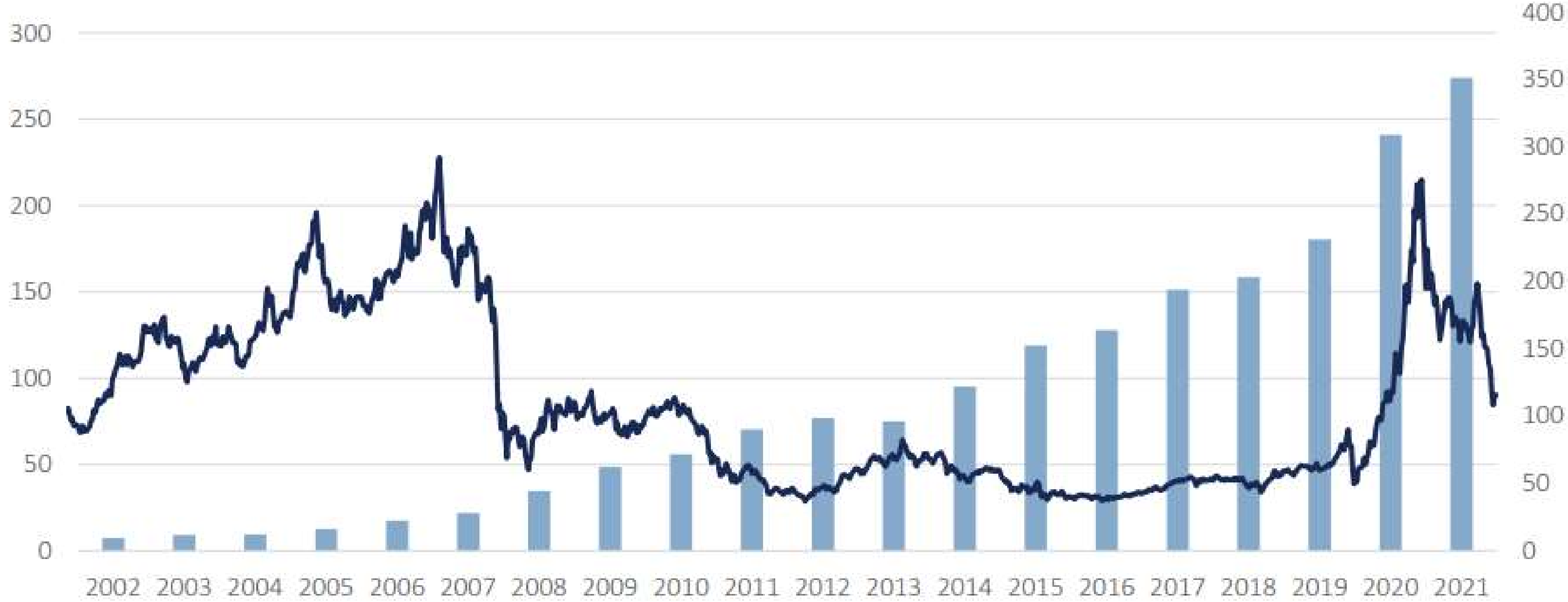



*Source: Nanuk, with acknowledgement to Gartner*

# STRUCTURAL GROWTH ALONE DOES NOT DRIVE RETURNS

NANUK

Annual global solar and wind installations ( ■ ,GW, LHS) vs clean energy equities ( —,RHS)




*Source: Bloomberg, BloombergNEF, Clean energy equities represented by the WilderHill Clean Energy (ECO) Index*

# LOW CARBON COMPANIES MAY NOT EQUATE TO CLIMATE CHANGE

NANUK
ASSET MANAGEMENT

| | mastercard | Microsoft | Philip Morris International | NextEra Energy | Waste Connections Inc. | Tesla |
|---|---|---|---|---|---|---|
| | Specialty Finance | Software | Food and Tobacco | Renewable Energy Utility | Waste Management | Electric Vehicles |
| | **Carbon Emission Intensity** | | | | | |
| **Emission intensity (mTCO2e/$m, lower is better)** | 0.3 | 3 | 18 | 2610 | 664 | 35 |
| | **ESG Ranking (Sustainalytics)** | | | | | |
| **ESG Rank (score out of 100, higher is better)** | 92 | 95 | 91 | 61 | 26 | 10 |
| | **Sustainable Platform SDG based Sustainability Assessment** | | | | | |
| **Total SDG Contribution (% of revenue, higher is better)** | 27 | 60 | 5 | 77 | 97 | 91 |

*Sources: Bloomberg, ISS, Sustainable Platform, August 2021*

# Fund Comparison (Top 10 Holdings)

NANUK
ASSET MANAGEMENT

| Vanguard International Shares | ........ Ethically Conscious Intl Shares | ........Core MSCI World ex Aus ESG Leaders | .......... Sustainable Global Core Fund | ...........Climate ESG Intl Equities | Nanuk New World Fund |
|---|---|---|---|---|---|
| Apple | Apple | Apple | Microsoft | Apple | Cognizant |
| Microsoft | Microsoft | Microsoft | Apple | Microsoft | Ciena |
| Alphabet | Amazon | Alphabet A | Amazon | Amazon | Carlisle |
| Amazon | Alphabet | Alphabet C | Meta Platforms | Alphabet C | Wolters Kluwer |
| Meta Platforms | Meta Platforms | Tesla | Alphabet A | Meta Platforms | Alteryx Inc |
| Tesla | Tesla | Nivida Corp | Alphabet C | Tesla | Siemens Healthineers |
| Nivida Corp | Nivida Corp | Home Depot | Johnson & Johnson | Alphabet A | International Flavors & Fragrances |
| JP Morgan Chase | JP Morgan Chase | Proctor & Gamble | United Health | Cisco Systems | Accton |
| Johnson & Johnson | Home Depot Inc | Mastercard | Proctor & Gamble | Tokyo Electron | Alten |
| United Health | United Health | ASML | Tesla | NVIDIA Corp | Pearson |

*Sources: SQM Research, Fund websites, 31 Dec 2021*

# SUMMARY

Climate change will predictably impact equities returns, necessitating

- Offensive tactics to capitalize on the opportunities
- A defensive strategy to mitigate inevitably lower equities returns
- Don't assume all climate change products will provide a solution
- Get under the hood of product offerings, do they align with client expectations ....

# Disclaimer

NANUK ASSET MANAGEMENT

This presentation is prepared by Nanuk Asset Management Pty Ltd ('Nanuk') (AFS Licence no. 432119) for wholesale clients only. The information contained in this presentation is of a general nature only, does not take into account the objectives, financial situation or needs of any particular person and is not to be taken into account as containing any personal investment advice or recommendation. Before making an investment decision, you should consider whether the investment is appropriate in light of those matters. While this presentation has been prepared with all reasonable care, no responsibility or liability is accepted for any errors, omissions or misstatements however caused. No warranty is provided as to the accuracy, reliability and completeness of the information in this presentation and you rely on this information at your own risk. Any prospective yields or forecasts referred to in this presentation constitute estimates which have been calculated by Nanuk's investment team based on Nanuk's investment processes and research. To the extent permitted by law, all liability to any person relying on the information contained in this presentation is disclaimed in respect of any loss or damage (including consequential loss or damage) however caused, which may be suffered or arise directly or indirectly in respect of such information. Any past performance information in the presentation is not a reliable indicator of future performance. This presentation should not be construed as an offer to sell or the solicitation of an offer to buy any financial services or financial products. This document is confidential, is intended only for the person to whom it has been delivered and under no circumstance may a copy be shown, copied, transmitted or otherwise given to any person other than the authorised recipient. Performance results are shown for illustration and discussion purposes only.

Equity Trustees Limited ('EQT') (ABN 46 004 031 298) AFSL 240975 is the Responsible Entity for the **Nanuk New World Fund.** This publication has been prepared to provide you with general information only. It is not intended to take the place of professional advice and you should not take action on specific issues in reliance on this information. **We do not express any view about the accuracy or completeness of information that is not prepared by us and no liability is accepted for any errors it may contain**. Past performance should not be taken as an indicator of future performance. In preparing this information, we did not take into account the investment objectives, financial situation or particular needs of any particular person. You should obtain a copy of the product disclosure statement before making a decision about whether to invest in this product. Nanuk New World Fund's Target Market Determination is available here: https://swift.zeidlerlegalservices.com/tmds/SLT2171AU. A Target Market Determination is a document which is required to be made available from 5 October 2021. It describes who this financial product is likely to be appropriate for (i.e. the target market), and any conditions around how the product can be distributed to investors. It also describes the events or circumstances where the Target Market Determination for this financial product may need to be reviewed.

BetaShares

# “All portfolios should consider the impact of climate change”

*IMAP Sydney Portfolio Management Conference*


**Cameron Gleeson**

**Senior Investment Specialist**


**15 March 2022**

# Important information

This presentation has been prepared by BetaShares Capital Limited ABN 78 139 566 868, AFSL 341181 (BetaShares). The information is general in nature only and does not take into account any person's financial objectives, situation or needs. Investors should consider its appropriateness taking into account such factors and seek financial advice. It is not a recommendation to make any investment decision or adopt any investment strategy.

Investments in BetaShares Funds are subject to investment risk and investors may not get back the full amount originally invested. Future outcomes are inherently uncertain. Actual outcomes may differ materially from those contemplated in any opinions, estimates or other forward-looking statements given in this presentation.

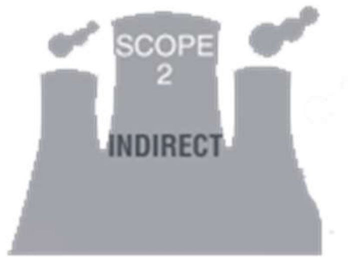
**Past performance is not indicative of future performance.**

Any BetaShares Fund that seeks to track the performance of a particular financial index is not sponsored, endorsed, issued, sold or promoted by the index provider. No index provider makes any representations in relation to the BetaShares Funds or bears any liability in relation to the BetaShares Funds.

Any person wishing to invest in a BetaShares Fund should obtain a copy of the relevant Product Disclosure Statement from www.betashares.com.au and consider whether the product is appropriate.

# Different scopes of emissions

**Every company is responsible for three types of carbon emissions.**
**In order to achieve net-zero, significant spending is required across all three:**



**Scope 1:**

Direct emissions from owned or controlled sources

**Scope 2:**

Indirect emissions from the generation of purchased energy

**Scope 3:**

Indirect emissions (not included in Scope 2) that occur in the value chain of the reporting company, including both upstream emissions (from purchased goods) and downstream emissions (from sold products).

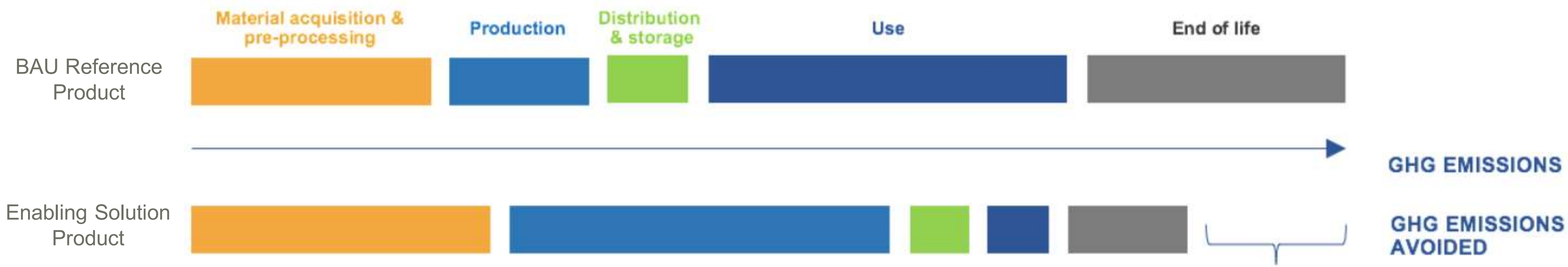
# ERTH’s focus: “Scope 4” or Avoided Emissions

How do enabling solutions reduce the carbon footprint of Business-As-Usual reference product (existing less carbon efficient products and services)?

Identify companies offering effective enabling solution:

**Net Avoided Emissions = BAU baseline emissions – emissions of enabling solution replacing BAU**

**Example of avoided emissions evaluation across the entire product life-cycle**




**Majority Green Revenue: iClima assess each companies’ share of revenue from enabling products/services**

# Example of how companies in ERTH are enabling other companies to avoid carbon emissions

## Scope 1: Direct

**Company vehicles**

WORKHORSE

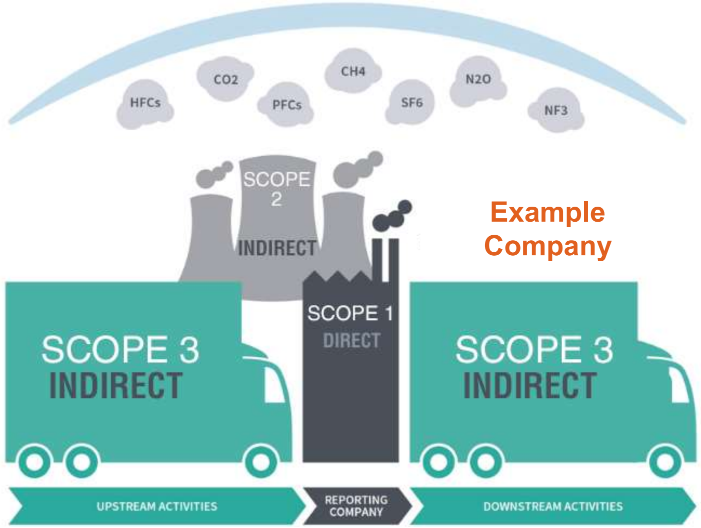
KION GROUP

**Company Facilities**

TRANE TECHNOLOGIES

Kingspan

* Data as at 28 February 2021. No assurance is given that these companies will remain in the Fund's portfolio or will be profitable investments.




## Scope 2: Indirect

**Purchased Electricity**

Meridian.

INNERGEX

## Scope 3: Indirect

**Waste generated in Operations**

DS Smith

PENTAIR

**Employee Commuting & Business Travel**

JR-EAST

zoom

**Purchased goods and services**

DocuSign

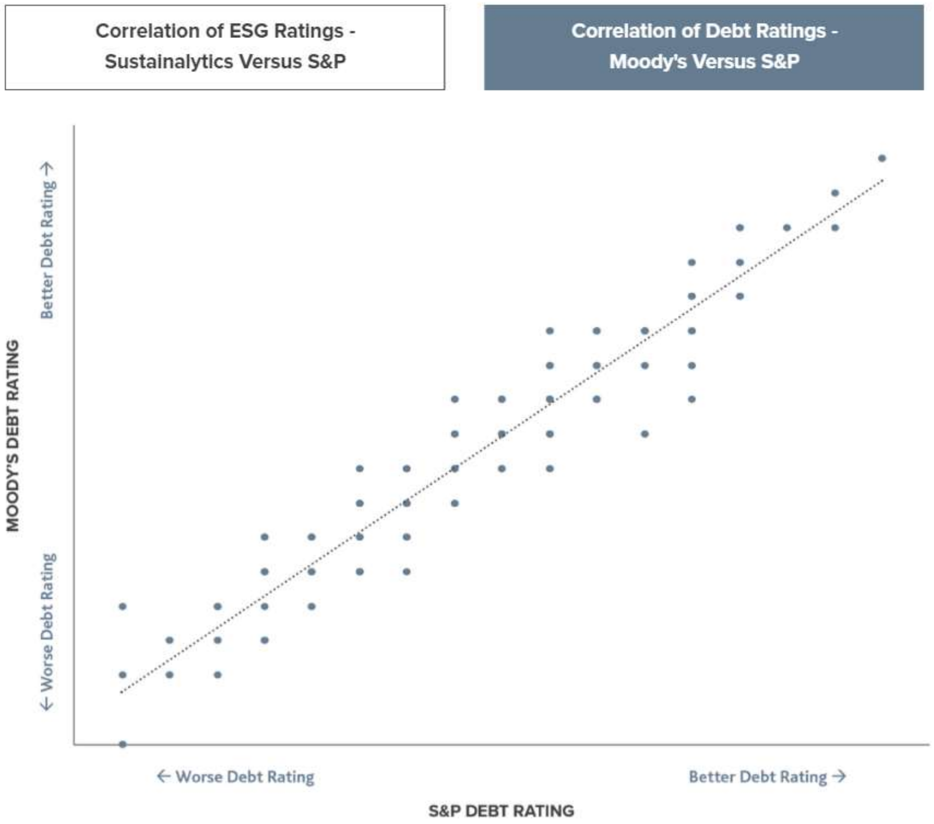
suzano

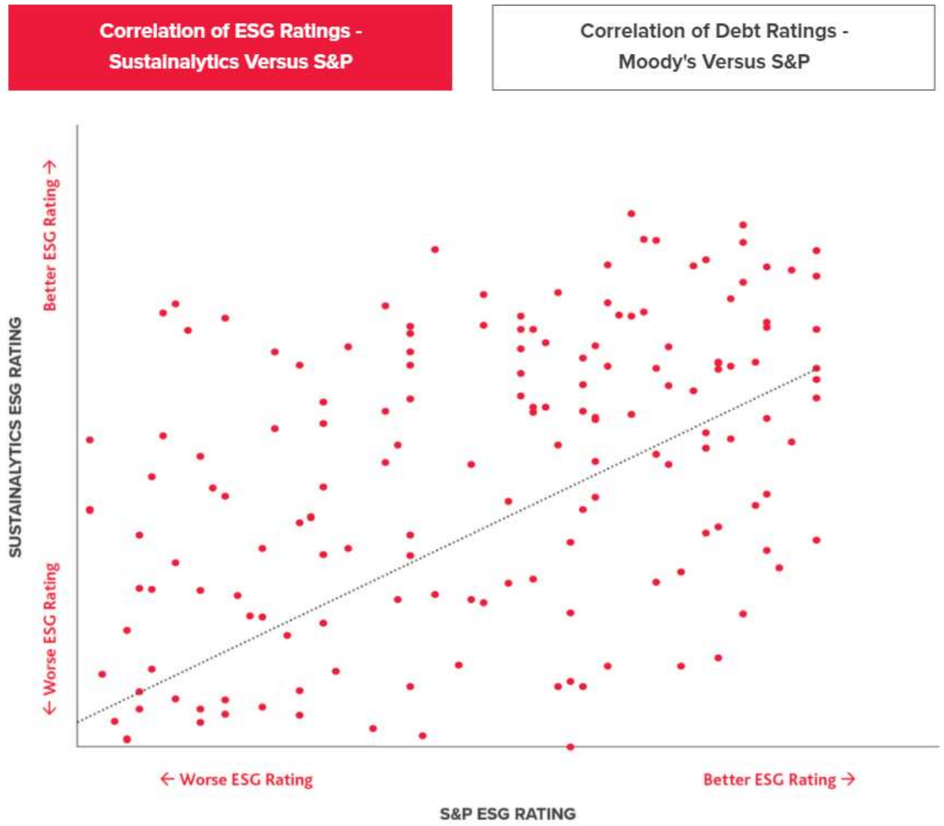
**End of Life treatment of sold products**

suez

umicore

# ESG Ratings: No consensus is indicative of subjectivity of ratings processes




Source: BDO USA, LLP. 2021

# RIAA’s responsible investment spectrum

| APPROACH | TRADITIONAL INVESTMENT | RESPONSIBLE & ETHICAL INVESTMENT | | | | | | | PHILANTHROPY |
|---|---|---|---|---|---|---|---|---|---|
| | | ESG Integration | Exclusionary/ negative screening | Norms-based screening | Corporate engagement and shareholder action | Positive / best-in-class screening | Sustainability-themed investing | Impact investing | |
| METHOD | Providing limited or no regard for environmental, social, governance and ethical factors in investment decision making | Explicitly including ESG risks and opportunities into financial analysis and investment decisions based on a systematic process and appropriate research sources | Excluding certain sectors, companies, countries or issuers based on activities considered not investable due principally to unacceptable downside risk or values mis-alignment | Screening of companies and issuers that do not meet minimum standards of business practice based on international norms and conventions; can include screening for involvement in controversies | Executing shareholder rights and fulfilling fiduciary duties to signal desired corporate behaviours - includes corporate engagement and filing or co-filing shareholder proposals, and proxy voting guided by comprehensive ESG guidelines | Intentionally tilting a proportion of a portfolio towards solutions; or targeting companies or industries assessed to have better ESG performance relative to benchmarks or peers | Specifically targeting investment themes e.g. sustainable agriculture, green property, 'low carbon', Paris or SDG-aligned | Investing to achieve positive social and environmental impacts - requires measuring and reporting against these, demonstrating the intentionality of investor and underlying asset/ investee and (ideally) the investor contribution | Using grants to target positive social and environmental outcomes with no direct financial return |
| FEATURES AND OUTCOMES | Delivers competitive financial returns | | | | | | | | |
| | | Manages ESG risks | | | | | | | |
| | | | | Contributes to better system stability and economic sustainability | | | | | |
| | | | | | | Pursues opportunities and creates real-economy outcomes | | | |

* This spectrum has been adapted from frameworks developed by Bridges Fund Management, Sonen Capital and the Impact Management Project

## SPONSORS

abrdn
AMP CAPITAL
Australian Ethical
BetaShares Exchange Traded Funds
challenger
clime

FIDANTE PARTNERS
FINDEX
First Sentier Investors
FRANKLIN TEMPLETON
insync fund managers
Ironbark

iShares by BlackRock
Janus Henderson INVESTORS
MASON STEVENS
Milliman
MLC
MORNINGSTAR®

NANUK ASSET MANAGEMENT Investing Sustainably, Managing Responsibly
Pinnacle
RESOLUTION CAPITAL
Russell Investments
SPIRE CAPITAL
SQM RESEARCH