

W U T I S

MSCI
ESG RATINGS



CCC B BB BBB A AA AAA

Sustainability as a risk premia factor during periods of crisis

Chief Investment Office

- I. ESG Scoring Criteria
- II. Pre- and Post-Pandemic Data
- III. ESG Impact on Industry Selection

Vienna, 11.06.2021

ESG Scoring Criteria

Macroeconomic Analysis

→ Environmental

- Climate Change
- Natural Capital
- Pollution & Waste
- Environmental Opportunities

→ Social

- Human Capital
- Product Liability
- Stakeholder Opposition
- Social Opportunities

→ Governance

- Corporate Governance
- Corporate Behavior

MSCI ESG Ratings

- Measure a company's resilience to long-term, industry-specific environmental, social and governance (ESG) risks
- Usage of a rules-based methodology
- Ratings range from leader (AAA, AA), average (A, BBB, BB) to laggard (B, CCC)

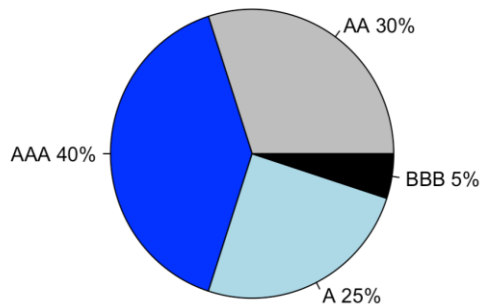
ESG Rating Applications

- Fundamental and Quant Analyses
- Portfolio Construction and Risk Management
- Benchmarking/Index-based Product Development
- Disclosure and Reporting for regulators and stakeholders
- Engagement and Thought Leadership

ESG ratings-based classification of European equities

Investigating the connection between sustainability and financial performance

Chart of ESG Scores



AAA (# of Firms) (205/1184)

Financial Services (32)	Retail (14)
Insurance (31)	Food & Beverage (28)
Basic Resources (19)	Utilities (29)
	Media (11)
	Banks (41)

8 TOT. SECTORS

AA (# of Firms) (752/1184)

Oil & Gas (22)	Personal & Household Goods (34)
Real Estate (39)	Technology (36)
	Chemicals (21)
	STOXX 600 Index (600)

6 TOT. SECTORS

BBB (# of Firms) (12/1184)

Automobiles & Parts (12)

1 TOT. SECTORS

A (# of Firms) (215/1184)

Industrial Goods & Services (98)	Telecommunications (20)
Construction & Materials (24)	Health Care (56)
	Travel & Leisure (17)

5 TOT. SECTORS

Data Collection

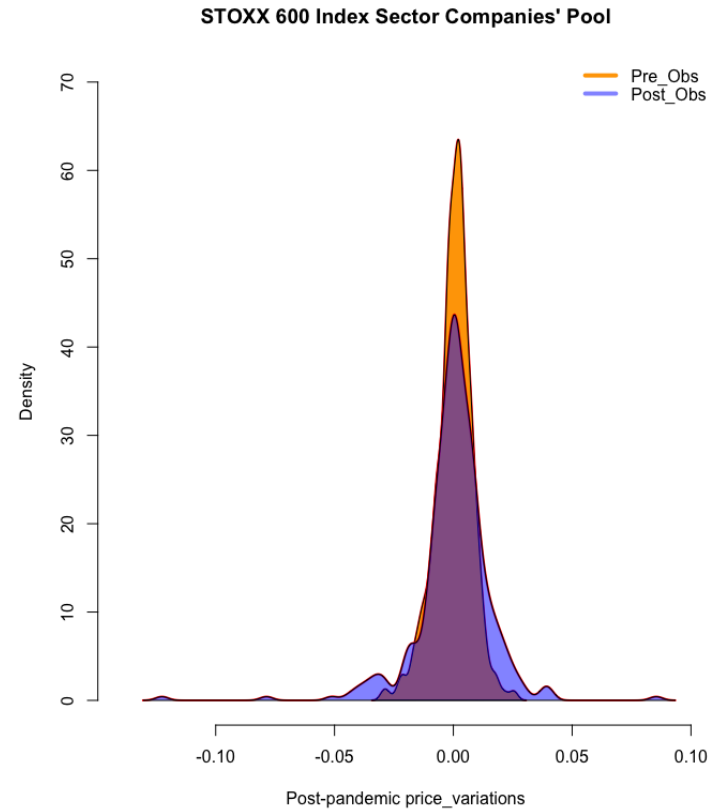
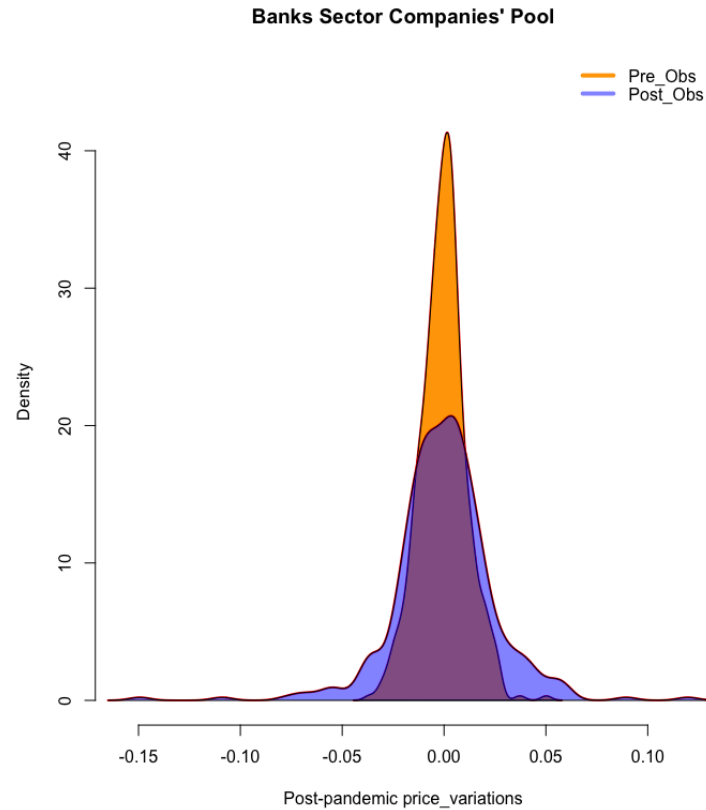
- Variation in Daily Stock Returns
- Pre - Observation Period: 01.2018 to 12.2019
- Observation Period: 03.2020 to 05.2021
- Equity Index: STOXX Europe 600

Industry-Wise ESG Breakdown

- Automobiles & Parts companies perform the worst in terms of ESG ratings
- Essential sectors like Healthcare, Telecommunications, Travel & Leisure only meet the average requirements of ESG risk management
- Europe's banking sector rated the most successful in managing the most significant ESG risks and opportunities

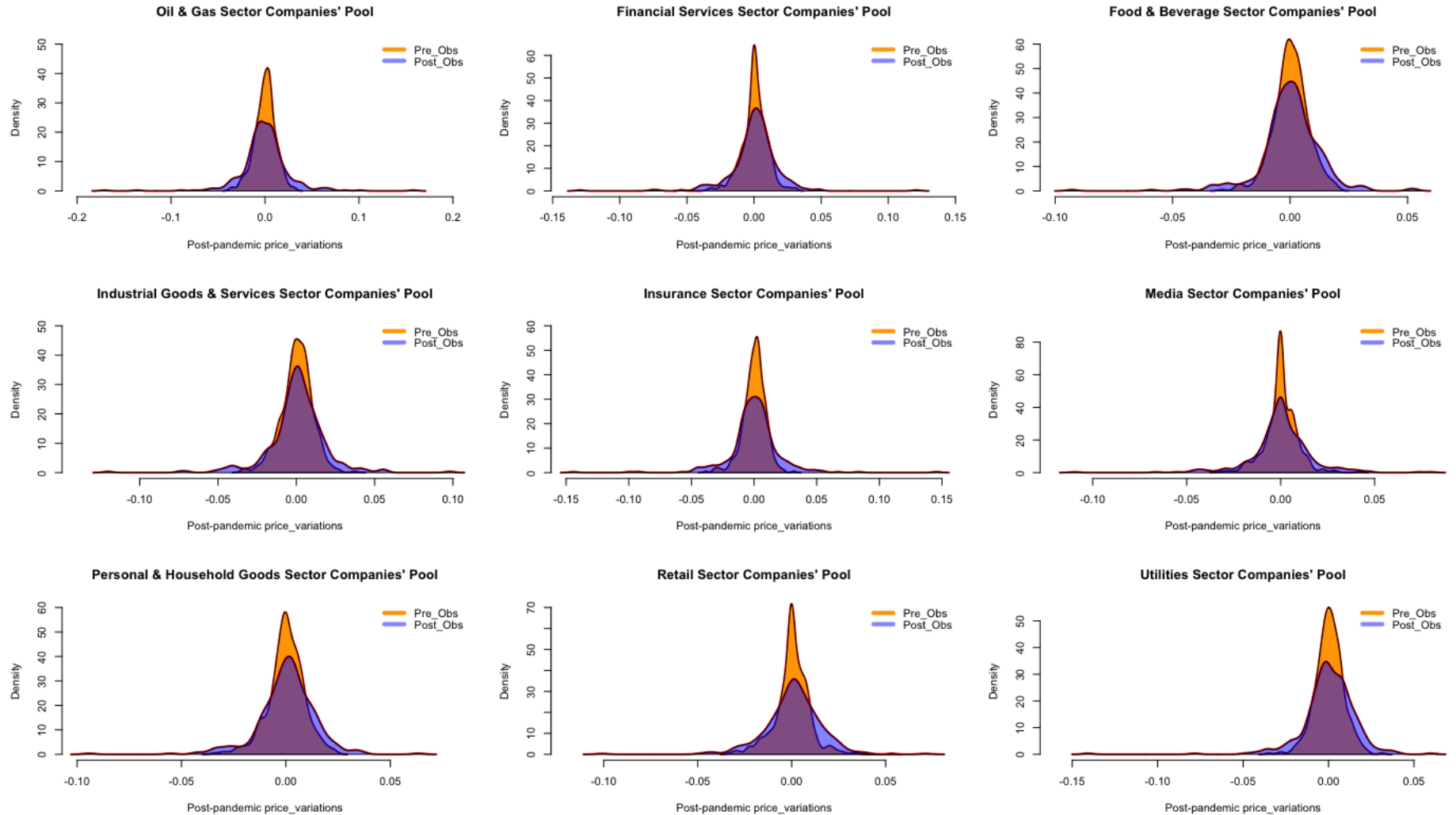
Data Manipulation

Daily Stock Return Variation Graphs



Data Manipulation

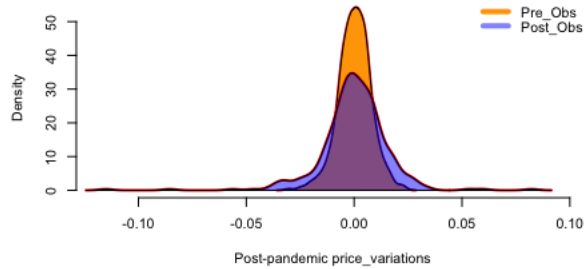
Daily Stock Return Variation Graphs



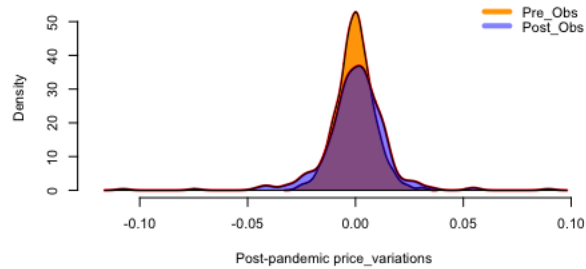
Data Manipulation

Daily Stock Return Variation Graphs

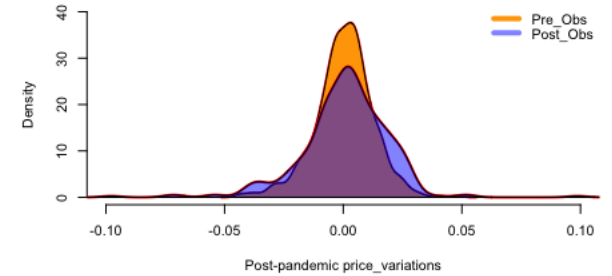
Real Estate Sector Companies' Pool



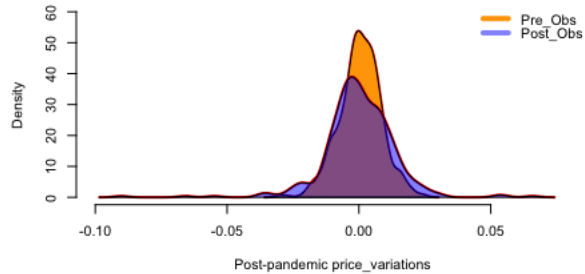
Telecommunications Sector Companies' Pool



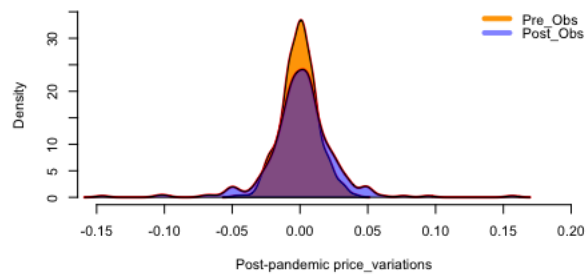
Technology Sector Companies' Pool



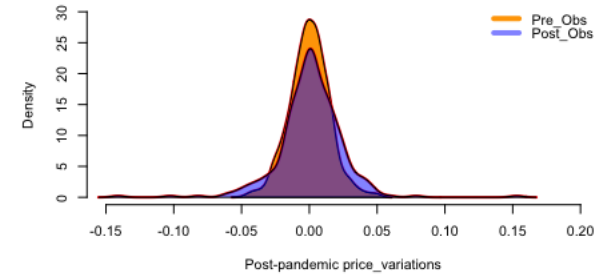
Health Care Sector Companies' Pool



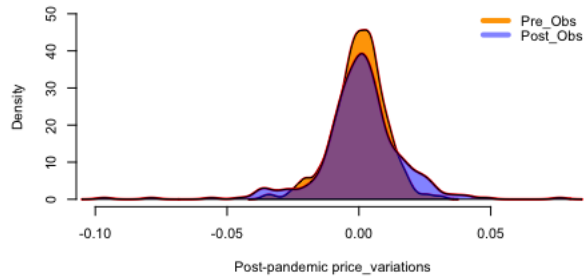
Automobiles & Parts Sector Companies' Pool



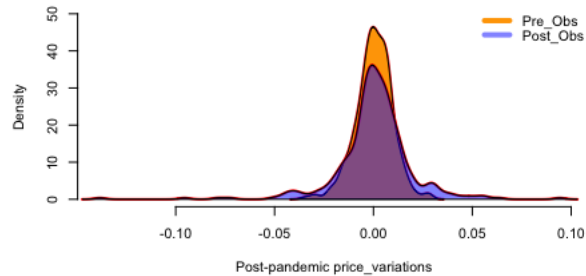
Basic Resources Sector Companies' Pool



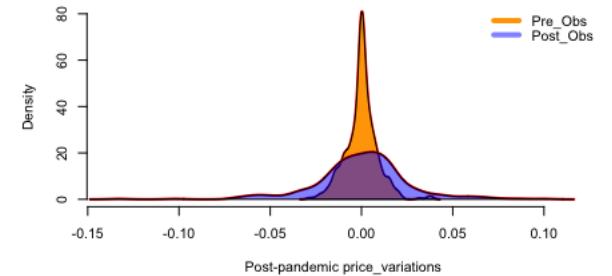
Chemicals Sector Companies' Pool



Construction & Materials Sector Companies' Pool

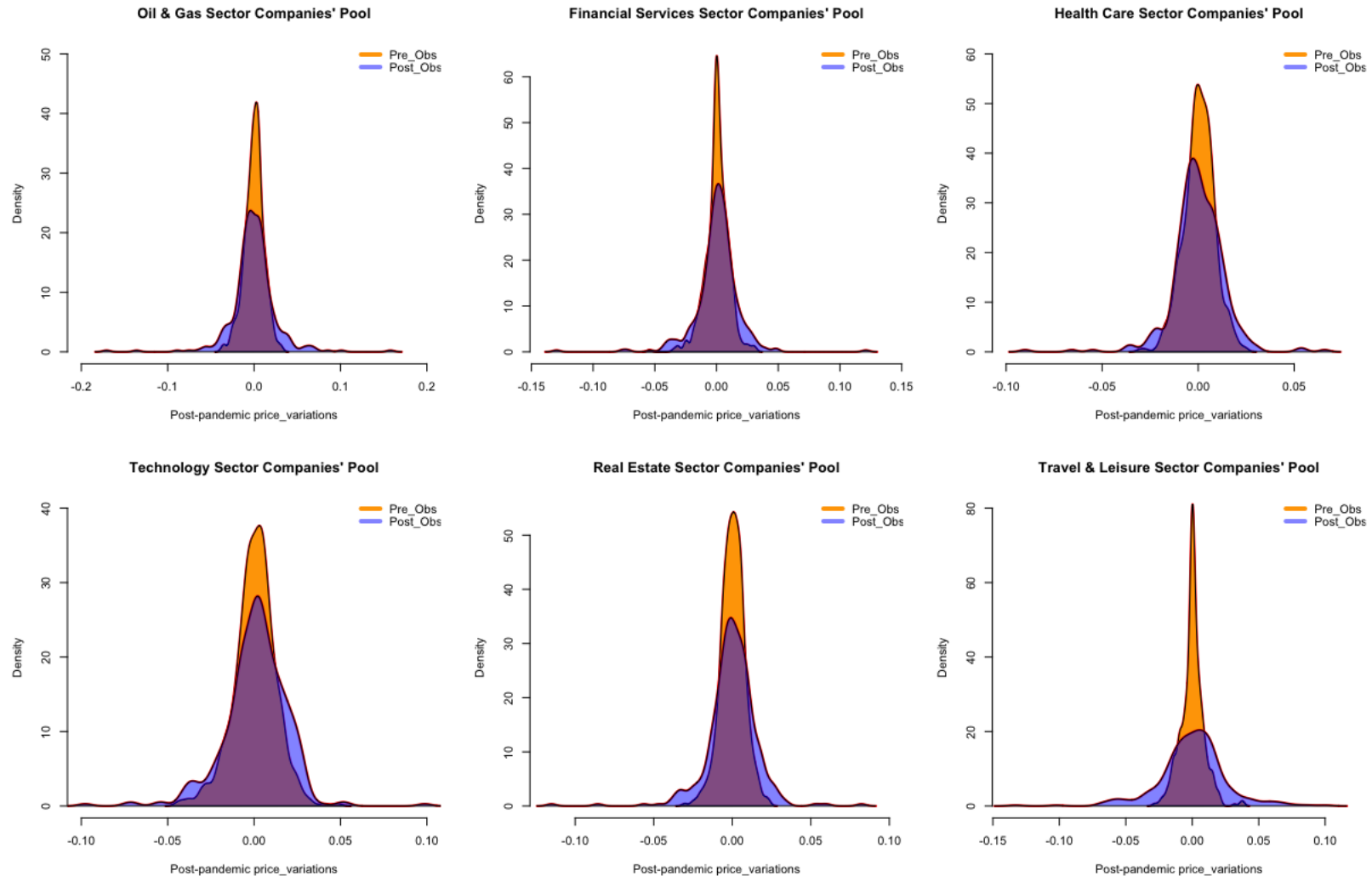


Travel & Leisure Sector Companies' Pool



Data Manipulation

Daily Stock Return Variation Graphs



Alpha, Beta Factors

Observation Period	MSCI ESG Score	Alpha (Pre - Obs)	Alpha (Obs)	Beta (Pre - Obs)	Beta (Obs)	Differences in Alphas	Differences in Beta
Oil & Gas	7,58	-0,0002821038	-0,000623679	1,026895	1,376493	-0,0003415755	0,349598
Financial Services	8,57	0,0002681533	0,00010484	1,016361	1,087102	-0,0001633131	0,070741
Food & Beverage	8,64	0,0001140614	-0,000016401	0,659156	0,7209384	-0,0001304622	0,061782
Industrial Goods & Services	6,01	0,0001024315	0,000326513	1,131581	1,110844	0,0002240812	-0,020737
Insurance	9,61	0,0000451843	-0,000320483	0,964845	1,245455	-0,0003656673	0,280610
Media	8,59	0,0000177567	0,000077693	0,727899	0,9191973	0,0000599360	0,191298
Personal & Household Goods	7,78	0,0000407740	0,000283515	0,849918	0,819288	0,0002427407	-0,030630
Retail	8,76	0,0001504254	0,000763821	0,767735	0,7944057	0,0006133958	0,026671
Utilities	8,57	0,0005605042	-0,000354583	0,634395	0,8712368	-0,0009150867	0,236842
Real Estate	7,40	0,0000916614	-0,000445413	0,558108	0,8424029	-0,0005370742	0,284295
Banks	10,00	-0,0006531614	-0,000233587	1,116895	1,319416	0,0004195748	0,202521
Telecommunications	6,76	-0,0003061395	-0,00031444	0,743659	0,8014009	-0,0000083006	0,057742
Technology	8,26	0,0002958875	0,000514222	1,259043	0,990382	0,0002183347	-0,268661
Health Care	6,69	0,0003769513	-0,000135109	0,807545	0,6659113	-0,0005120598	-0,141634
Automobiles & Parts	5,12	-0,0006382571	0,000754479	1,223175	1,358004	0,0013927363	0,134829
Basic Resources	9,33	-0,0003461846	0,000960255	1,394297	1,267155	0,0013064399	-0,127142
Chemicals	8,24	-0,0000059416	0,000454126	1,081491	0,9172659	0,0004600672	-0,164225
Construction & Materials	6,34	0,0001100126	0,000175805	1,058157	1,187153	0,0000657926	0,128996
Travel & Leisure	6,14	-0,0003350842	-0,000010792	0,796315	1,287489	0,0003242923	0,491174
STOXX 600 Index	7,74						

Statistical Analysis

Sharpe Ratio

Industry/Sector	Sharpe Ratio	
Oil & Gas	0,09	-0,36
Financial Services	0,68	0,37
Food & Beverage	0,72	0,03
Industrial Goods & Services	0,46	0,46
Insurance	0,44	-0,07
Media	0,45	0,14
Personal & Household Goods	0,36	0,47
Retail	0,65	0,82
Utilities	0,94	0,27
Real Estate	0,41	-0,16
STOXX 600 Index	0,34	0,23
Banks	-0,61	-0,08
Telecommunications	-0,38	-0,13
Technology	0,53	0,65
Health Care	1,00	0,07
Automobiles & Parts	-0,45	0,46
Basic Resources	-0,08	0,56
Chemicals	0,29	0,55
Construction & Materials	0,48	0,35
Travel & Leisure	-0,03	-0,05

Statistical Analysis

Cornish-Fisher VaR(5%)

Industry/Sector	Cornish-Fisher VaR(5%)	
Oil & Gas	1,89%	3,98%
Financial Services	1,62%	2,80%
Food & Beverage	1,20%	2,34%
Industrial Goods & Services	1,64%	3,04%
Insurance	1,54%	3,13%
Media	1,31%	2,71%
Personal & Household Goods	1,47%	2,45%
Retail	1,38%	2,52%
Utilities	1,31%	2,90%
Real Estate	1,25%	2,80%
STOXX 600 Index	1,35%	2,72%
Banks	1,84%	4,04%
Telecommunications	1,39%	2,47%
Technology	2,01%	3,06%
Health Care	1,29%	2,29%
Automobiles & Parts	2,20%	3,60%
Basic Resources	2,37%	3,55%
Chemicals	1,67%	2,67%
Construction & Materials	1,56%	3,37%
Travel & Leisure	1,31%	4,22%

Statistical Analysis

Skewness, Kurtosis

Industry/Sector	Skewness		Kurtosis	
Oil & Gas	-0,30	-0,31	3,61	13,96
Financial Services	-0,61	-0,74	6,14	16,36
Food & Beverage	-0,26	-1,24	3,87	12,14
Industrial Goods & Services	-0,31	-0,74	3,90	11,26
Insurance	-0,66	-0,26	4,96	16,02
Media	-0,03	-0,56	5,68	11,13
Personal & Household Goods	-0,44	-1,02	4,23	10,03
Retail	0,12	-0,84	6,44	9,80
Utilities	-0,19	-2,26	4,27	20,89
Real Estate	-0,24	-1,09	3,93	13,69
STOXX 600 Index	-0,48	-1,50	4,33	16,93
Banks	0,12	-0,47	3,89	9,26
Telecommunications	0,11	-0,76	3,72	14,53
Technology	-0,26	-0,57	4,28	7,94
Health Care	-0,19	-0,74	3,57	11,58
Automobiles & Parts	0,00	-0,16	3,42	12,25
Basic Resources	0,05	-0,24	3,64	11,70
Chemicals	-0,39	-0,86	4,07	10,13
Construction & Materials	-0,32	-1,16	4,09	13,47
Travel & Leisure	0,29	-0,29	5,23	6,65

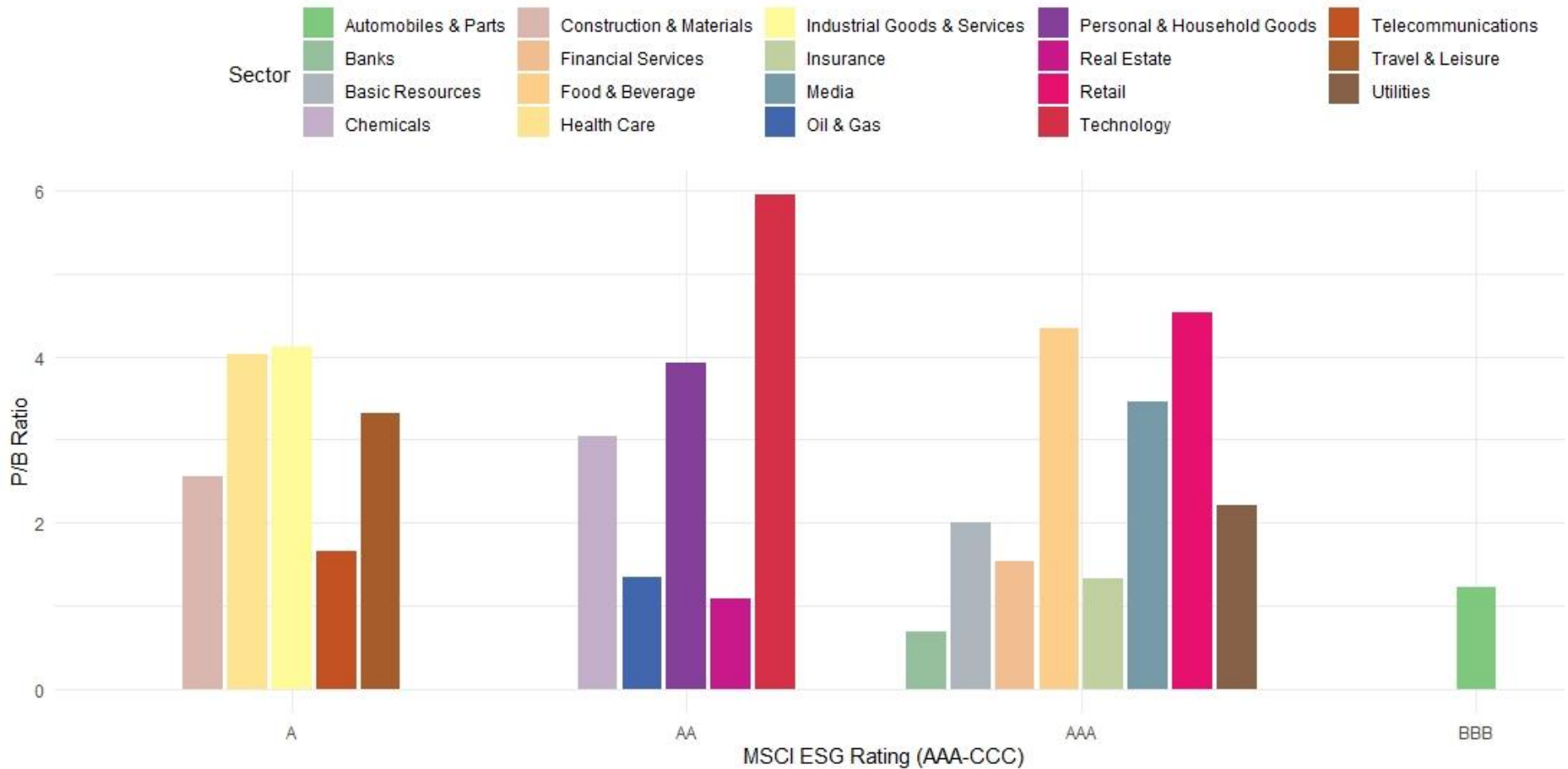
Financial Performance

Annualized Returns, Annualized Volatility

Industry/Sector	Annualized Return		Annualized Vol	
Oil & Gas	1,63%	-15,09%	17,59%	41,59%
Financial Services	10,21%	10,58%	15,11%	28,86%
Food & Beverage	8,39%	0,73%	11,59%	20,95%
Industrial Goods & Services	7,20%	13,43%	15,52%	29,42%
Insurance	6,14%	-2,52%	13,97%	34,28%
Media	5,99%	3,86%	13,29%	26,65%
Personal & Household Goods	4,83%	10,64%	13,58%	22,44%
Retail	9,57%	19,56%	14,69%	23,91%
Utilities	12,15%	6,87%	12,94%	25,55%
Real Estate	4,91%	-4,22%	11,97%	25,88%
STOXX 600 Index	4,16%	5,68%	12,40%	25,05%
Banks	-11,03%	-3,18%	17,98%	39,18%
Telecommunications	-5,17%	-3,05%	13,68%	24,30%
Technology	10,18%	19,04%	19,31%	29,42%
Health Care	12,64%	1,43%	12,64%	21,92%
Automobiles & Parts	-9,43%	18,06%	21,04%	39,14%
Basic Resources	-1,78%	21,19%	23,36%	37,79%
Chemicals	4,49%	13,84%	15,55%	25,12%
Construction & Materials	7,06%	11,09%	14,77%	31,35%
Travel & Leisure	-0,37%	-1,99%	13,77%	40,78%

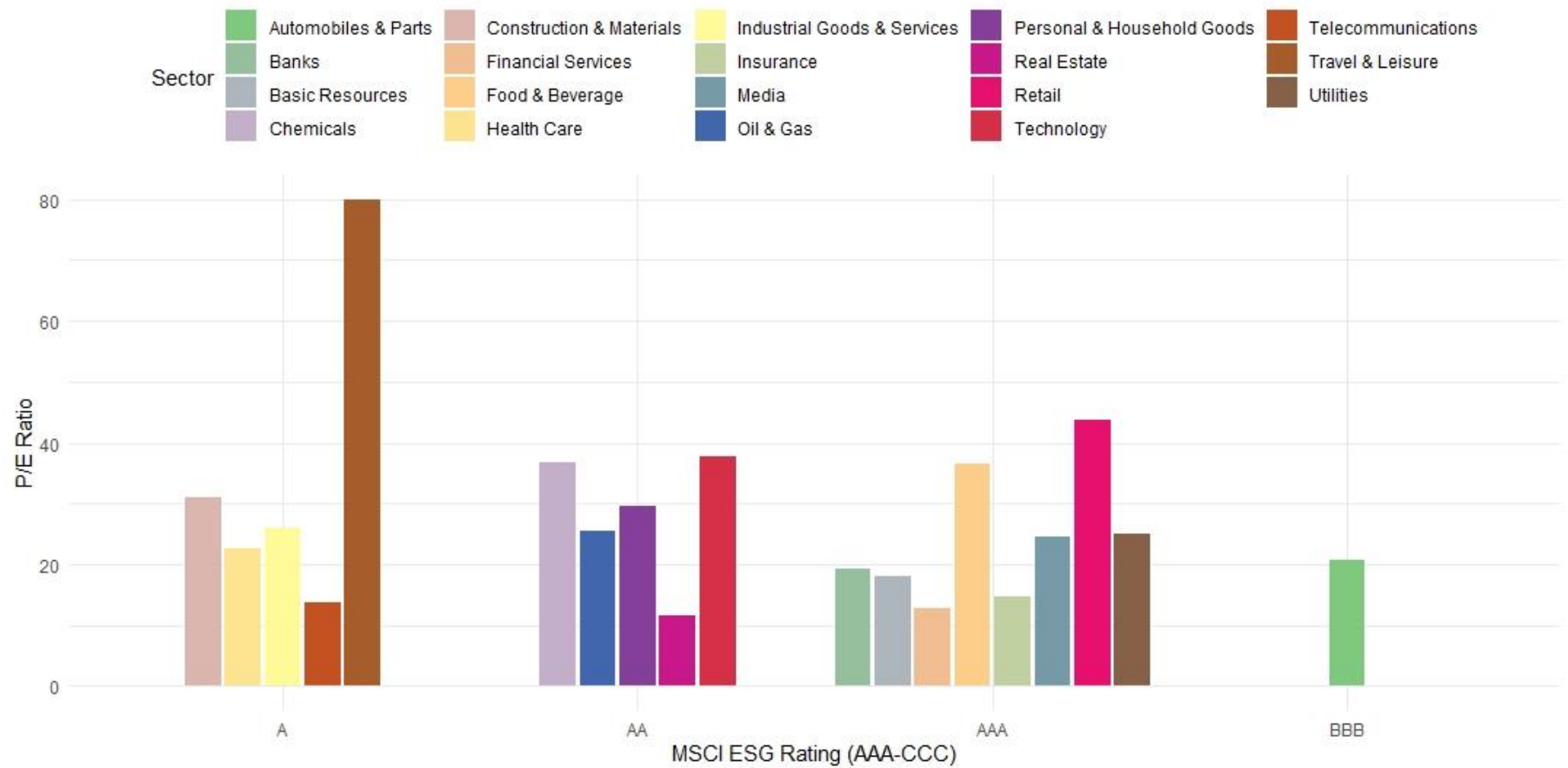
Financial Ratios Comparison (1/2)

P/B Ratios



Financial Ratios Comparison (2/2)

P/E Ratios



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- A research by Amundi in 2018
 - ESG filter-applied portfolios outperforms the ones with no such screening
 - Best strategy is to buy best-in-class stocks and sell poor performance in one of the main ESG factors.
 - This generated extra yields of 3.3% and 6.6%, in the North America and Eurozone, respectively.
 - Ultimately, the findings describe ESG indexes as not direct affecting factors in stock prices, but rather the performance of the best and the worst companies in ESG investments.

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- The potential links between ESG Ratings and financial indicators should be further investigated
 - These scores should be analysed carefully, since there exist different methods of calculation (e.g. banks)
 - Economic stimulus is benefiting the recovery process
 - However, we believe high ESG scores would increasingly contribute to future investment decisions

Thank you for your attention!

Appendix

Sources

Source Name	Link	Date of Retrieval	Used for
Yahoo Finance	https://finance.yahoo.com/	11.05.2021	Data Collection
Blackrock	https://www.blackrock.com/ch/individual/en/products/product-list#!type=all&tab=overview&view=view	11.05.2021	Data Collection

Thank you for listening!