ESG INSIGHTS

FISHER INVESTMENTS EUROPE™

Fisher Investments Woodside, California Office.

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ESG IMPLICATIONS OF COVID-19

- Demand for ESG strategies remains strong despite the bear market and global pandemic.

- COVID-19 brings socially focused issues to the forefront.

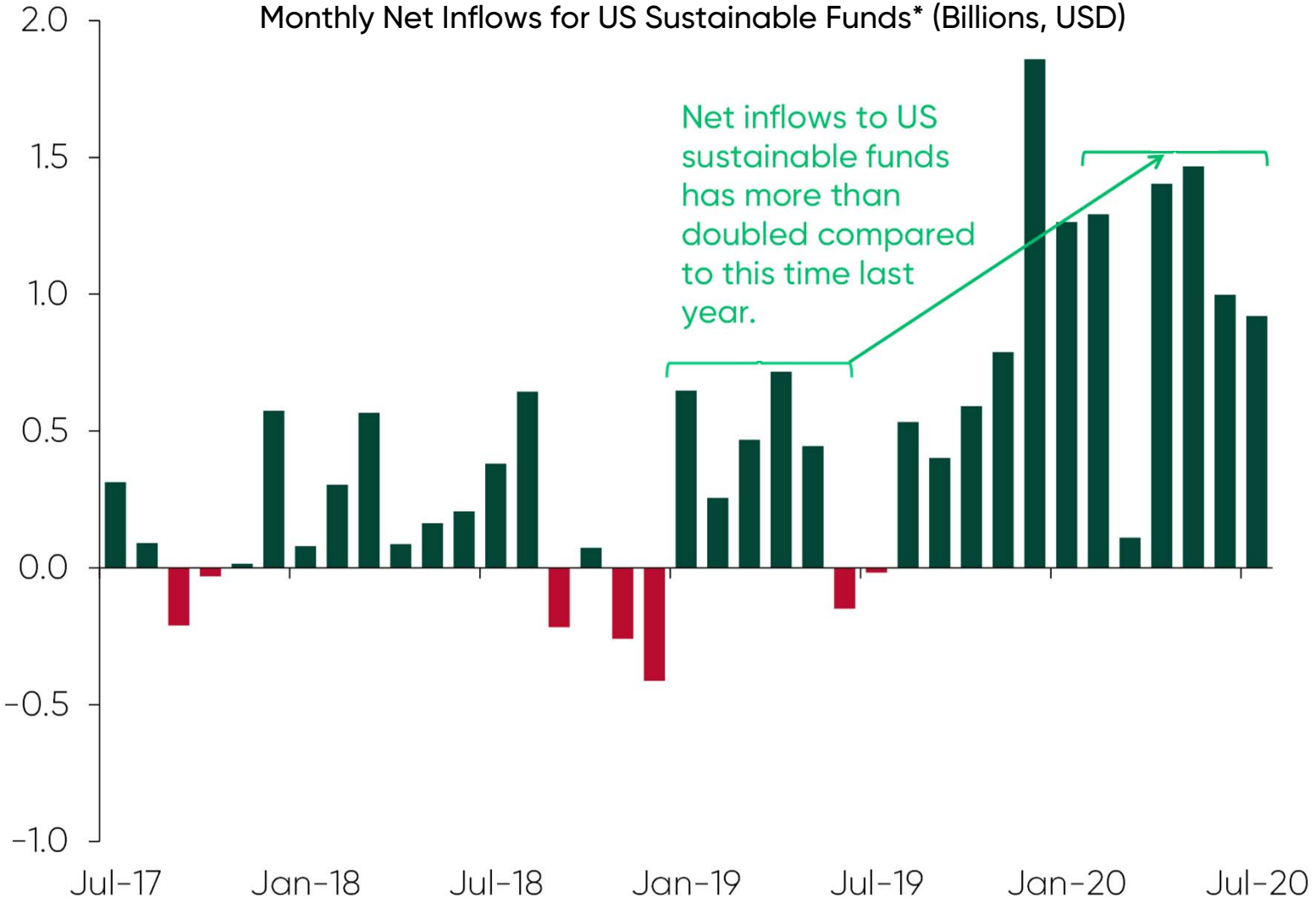
- Fund flows for socially and environmentally focused funds see continued growth.

- Performance tied to ESG scores during the pandemic appears to be more a factor of industry, style and size trends.

As of 30/06/2020.

ESG DEMAND STRONG DESPITE BEAR MARKET

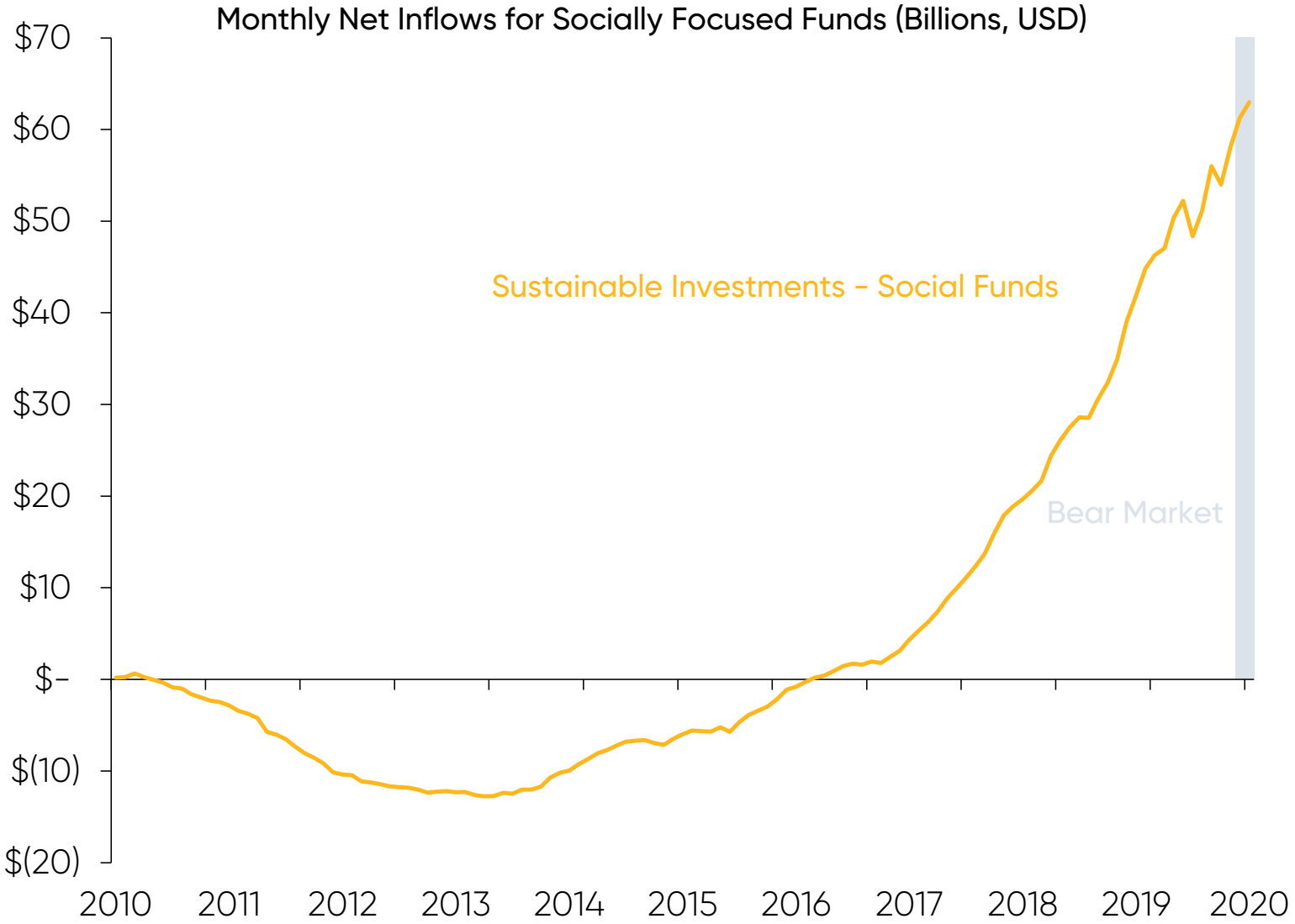
Compared to previous periods, US sustainable funds are enjoying record net inflows. YTD net inflows to US sustainable funds nearly doubled compared to the same period in 2019.



*Source: Morningstar Direct as of 31/07/2020. Shows net inflows aggregated from all fund share classes included in the following Morningstar Sustainable Investment criteria's, and available for sale in the United States. *Sustainable Investment Criteria's included: Community development, Environmental, ESG Incorporation, Gender & Diversity, General Environmental Sector, Low Carbon/Fossil Fuel Free, Other Impact Themes, Renewable Energy & Water-Focused. (330 funds total).*

SOCIALLY FOCUSED FUNDS LIKELY WILL SEE A BOOST IN DEMAND

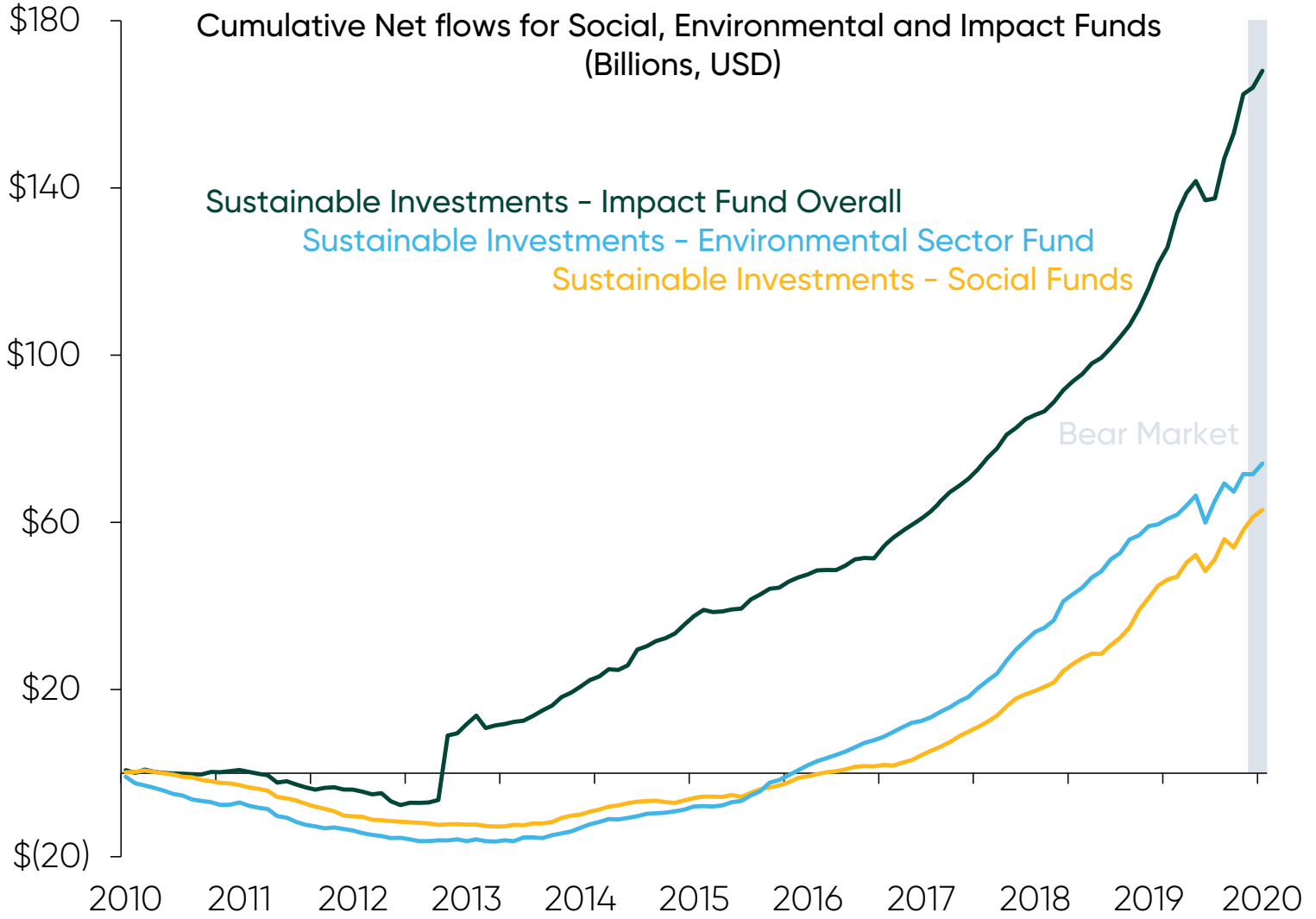
The public health crisis is bringing the social component of ESG to the forefront. Relative to this time last year Socially focused funds have grown 19% globally.



Source: Morningstar Direct, as of 22/05/2020. Shows cumulative net inflows for open-end and exchange traded funds in billions of USD, from 30/04/2010 to 30/04/2020. Social funds are based on the aggregate flows for the Community Development and Gender & Diversity Morningstar Sustainable Investment criteria's. Based on 2,373 active and passive products.

"E" AND "S" COME TOGETHER

Net flows into environmental, social and impact funds remain positive despite the current market environment. Moving forward we expect to see continued demand for both E and S focused funds. Impact Investing—which incorporates both E and S considerations-is one of the fastest growing types of ESG investing globally.

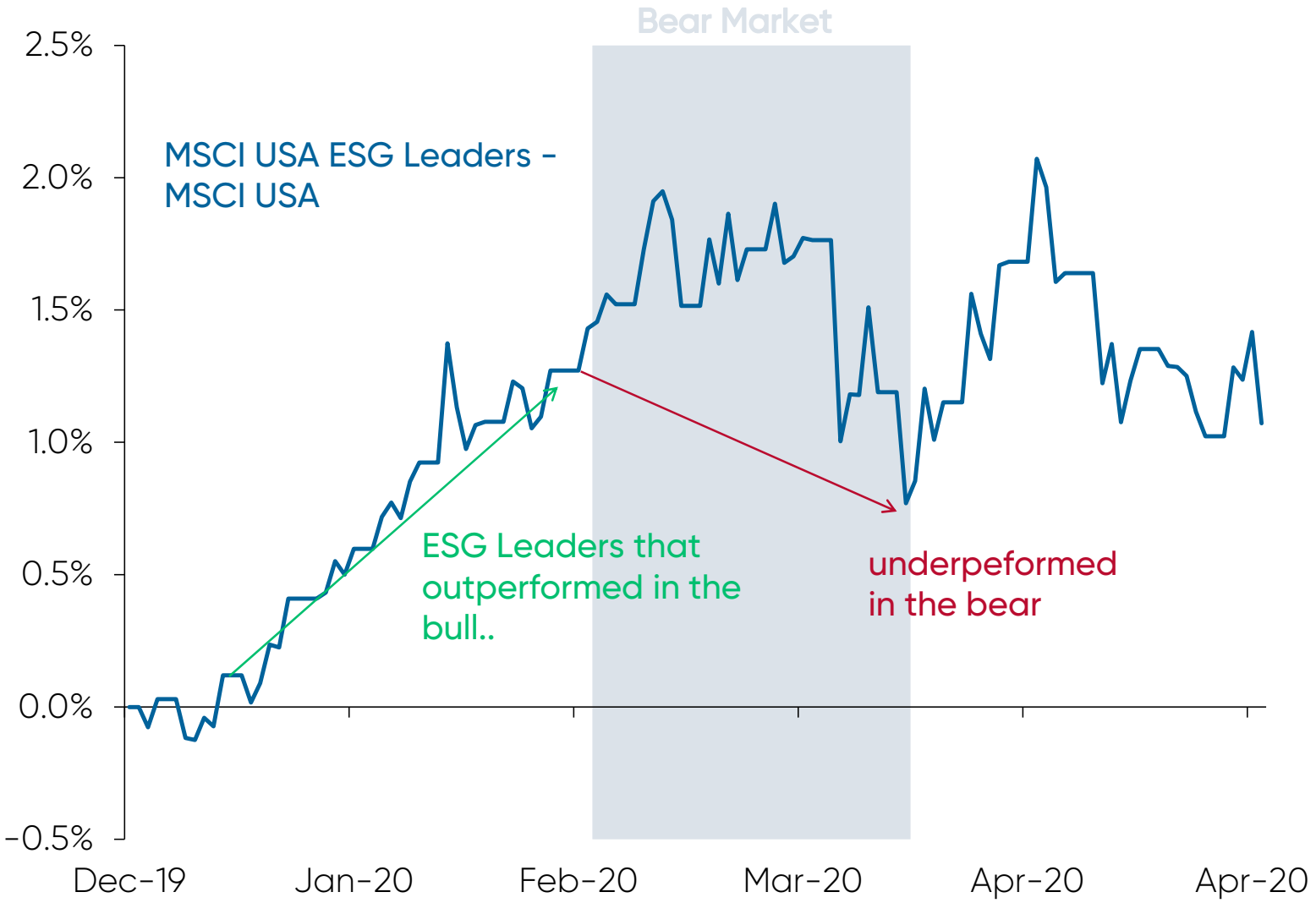


Source: Morningstar Direct, as of 22/05/2020. Shows cumulative net inflows for open-end and exchange traded funds in billions of USD, from 30/04/2010 to 30/04/2020. Based on the Morningstar sustainable investment criteria's as shown on chart. Social funds are based on the aggregate flows for the Community Development and Gender & Diversity Morningstar Sustainable Investment criteria's. Based on 2,373 active and passive products. Based on 11,704 active and passive products.

WHEN A PASSIVE ESG INDEX OUTPERFORMS INVESTORS SHOULD BE SURE TO ASK WHY

Much is made of passive ESG indexes outperforming YTD, however decomposing returns suggests outperformance may have little to do with ESG strategy performance.

Performance of High Scoring ESG Equities in the US has been Inconsistent

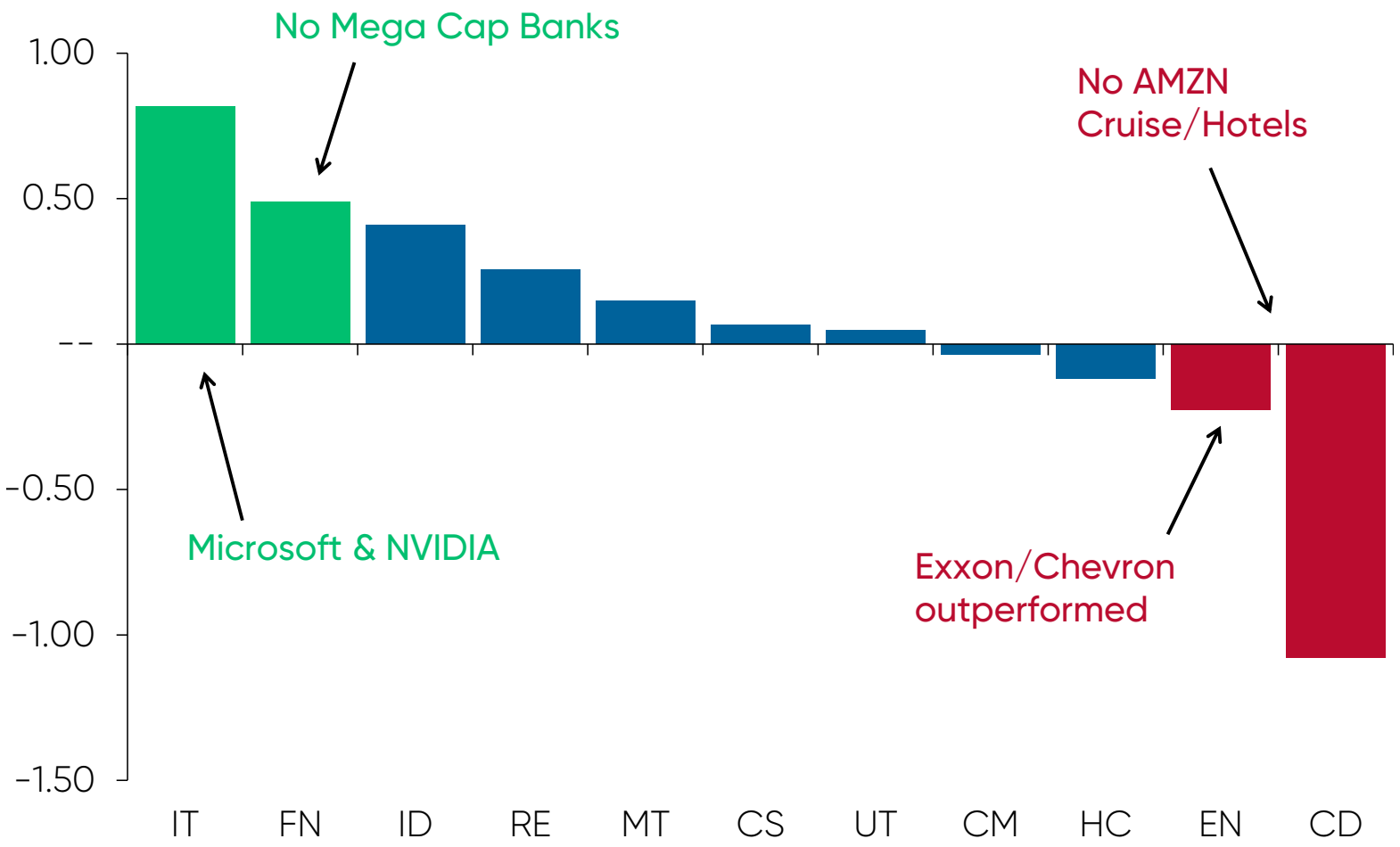


Source: Fisher Investments/FactSet: Price performance Xtrackers MSCI USA ESG Leaders Equity ETF vs MSCI USA Index 31/12/2019 to 30/04/2020.

PANDEMIC SPECIFIC FACTORS DROVE ESG INDEX RETURNS DURING BEAR

Security attribution suggests that YTD performance has more to do with the global pandemic than ESG scores. MSFT and NVDA had strong IT performance, driven by their ability to adapt to remote working conditions more easily than companies in other industries.

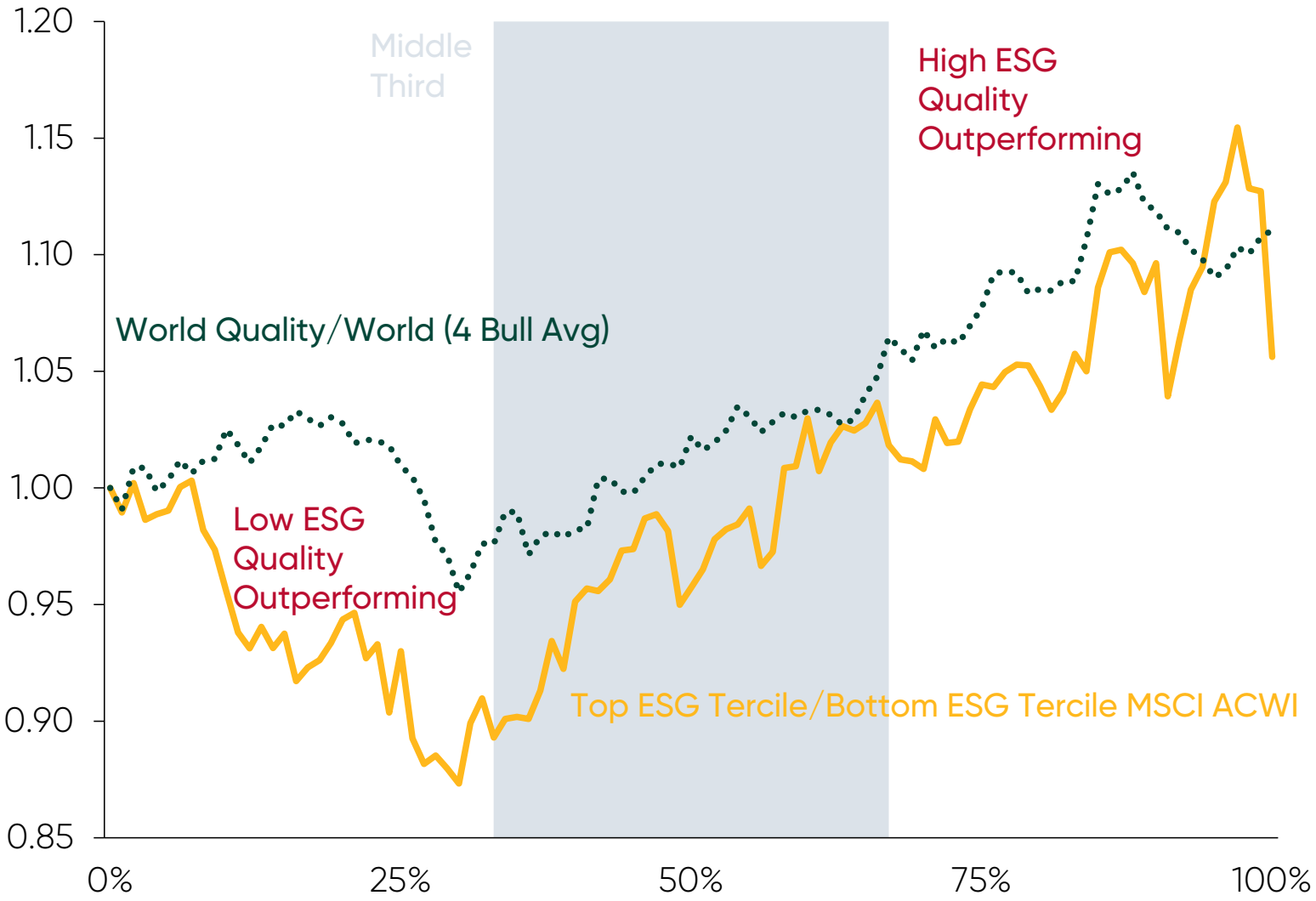
Performance of ESG Leaders Index



Source: Fisher Investments/FactSet: Total attribution effect (security + sector) of Xtrackers MSCI USA ESG Leaders Equity ETF vs MSCI USA Index 31/12/2019 to 30/04/2020.

ESG SCORE PERFORMANCE TIED TO QUALITY MARKET CYCLE

Returns of the top and bottom decile of ESG scores follows a similar pattern to quality: Low outperforms early in the cycle, while high outperforms later in the cycle.



Source: ClariFI and MSCI ESG Research; ESG scores are MSCI's industry-adjusted ESG scores; 07/08/2016 marks the end of the middle third; returns are cumulative from 09/03/2009 to 31/03/2020; FactSet MSCI World Quality vs MSCI World (last 4 bull market cycles).

GLOBAL ESG TRENDS

- The market share of ESG strategies is growing globally across almost all major regions.

- By AUM, Exclusions are the largest ESG strategy while Impact investing is one of the fastest growing.

- Regionally, Australia, New Zealand and Europe have the highest portion of AUM in ESG investments.

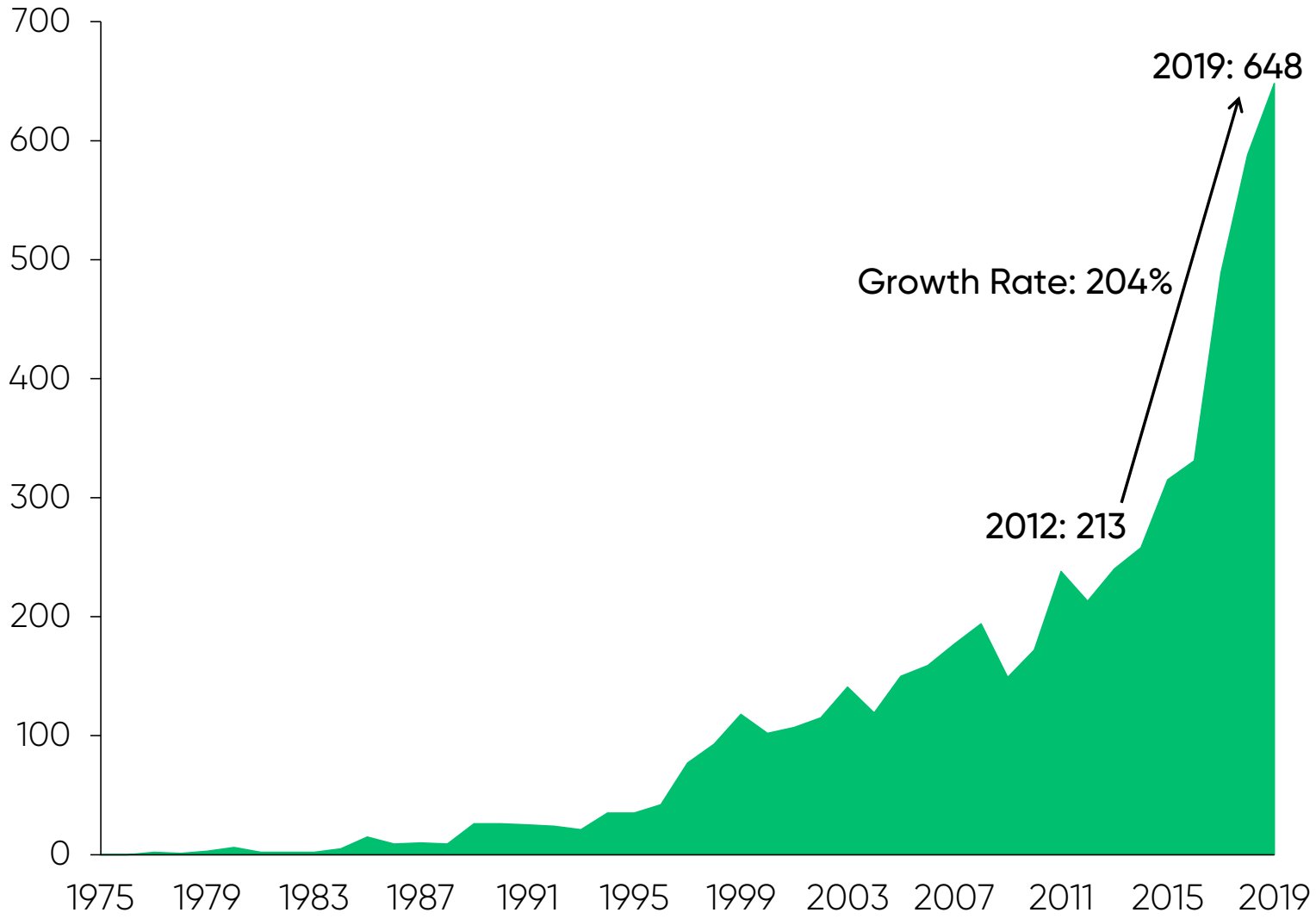
- Investors prefer actively managed ESG funds.

- The percentage of female board directors varies across countries with developed markets leading.

As of 30/06/2020.

EVOLUTION OF ESG DEMAND

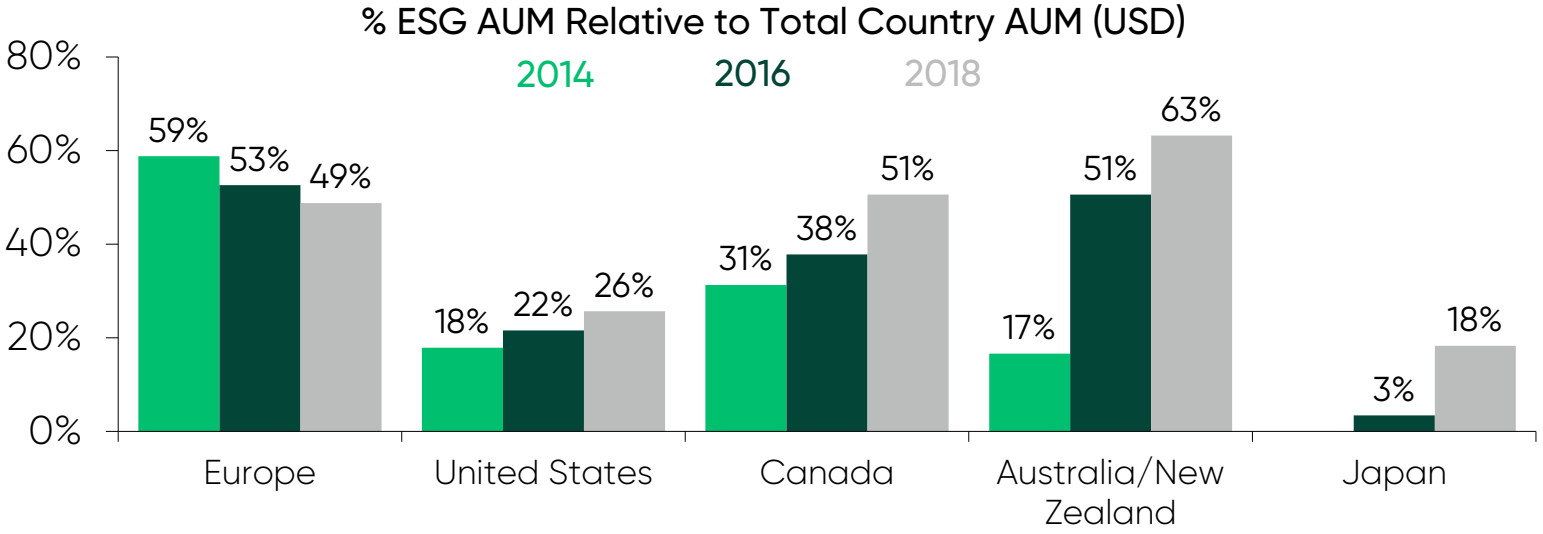
Demand for ESG oriented products has grown dramatically over the last 7 years, illustrating the importance and value investors put behind considering ESG factors.



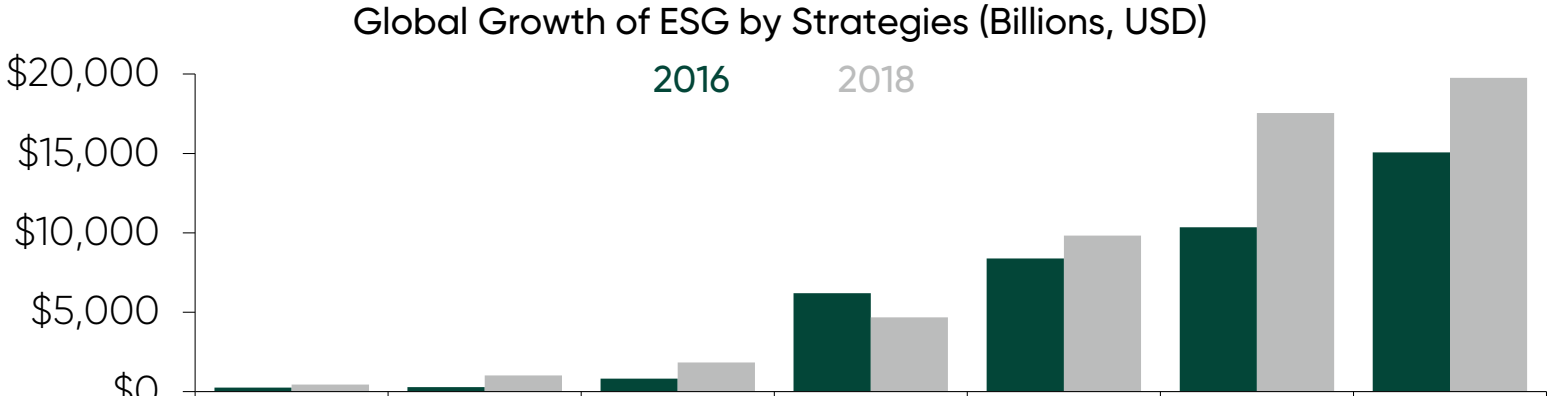
Source: MSCI ESG Research as of 31/12/2019.

GLOBAL ESG AUM & STRATEGY GROWTH

Globally, ESG AUM across the 5 major markets was $30.7 trillion at the start of 2018, a 34% increase in 2 years. In all the regions except Europe, ESG investing's market share increased. From 2016 to 2018, Japan was the fastest growing region.



Negative screening has the highest ESG AUM globally, while sustainability themed was the fastest growing strategy, followed by positive screening and impact.



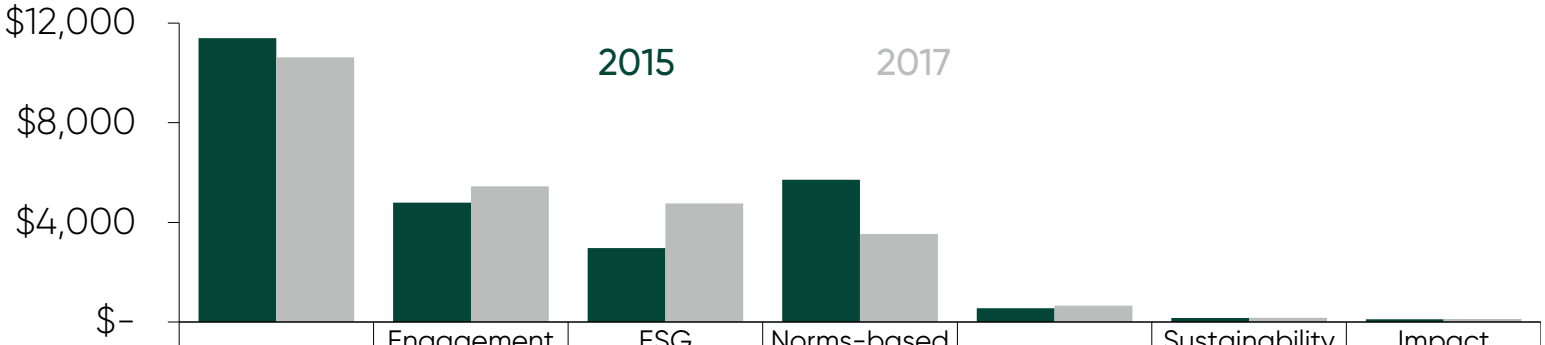
	Impact	Sustainability Themed	Positive Screening	Norms-based	Corporate Engagement	ESG Integration	Negative Screening
2016	$248.47	$276.16	$818.01	$6,195.40	$8,385.17	$10,353.2	$15,063.5
2018	$444.26	$1,017.66	$1,841.87	$4,679.44	$9,834.59	$17,543.8	$19,770.9

Source: Global Sustainable Investment Review 2018.

ESG IN EUROPE

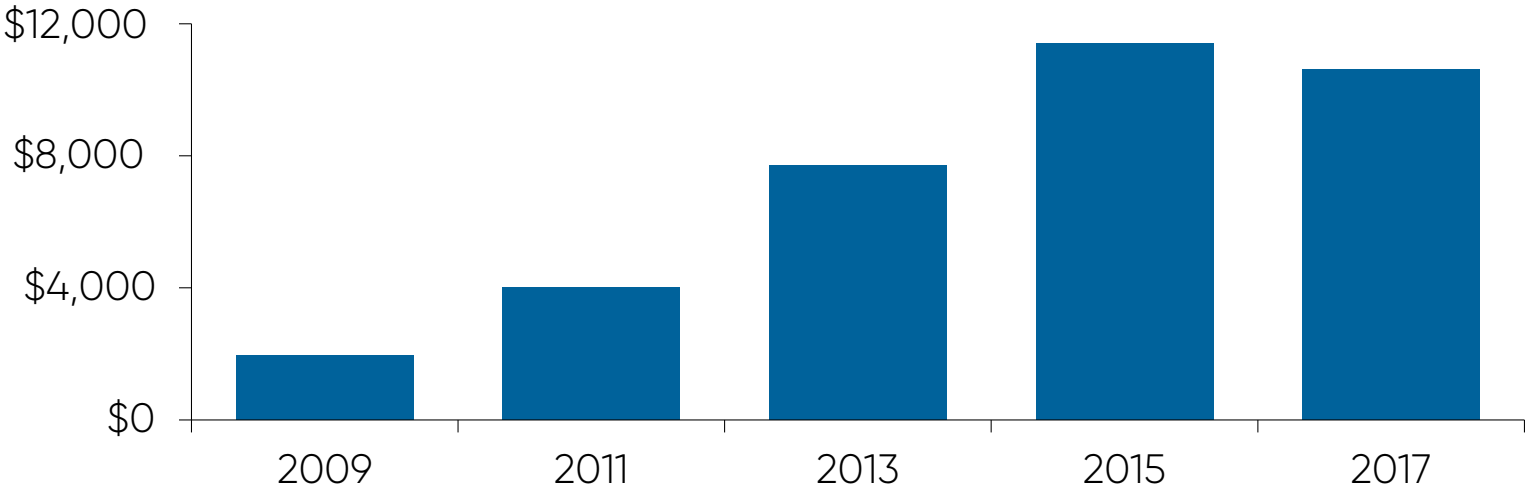
By AUM, Exclusions represent the largest ESG strategy while Impact Investing is the smallest.

ESG Strategy AUM in Europe (Billions, USD)



	Exclusions	Engagement and Voting	ESG Integration	Norms-based Screening	Best-in-Class	Sustainability Themed	Impact Investing
2015	$11,397.50	$4,794.60	$2,971.50	$5,712.80	$554.00	$163.10	$110.40
2017	$10,627.20	$5,454.30	$4,760.80	$3,534.70	$657.70	$167.10	$121.90

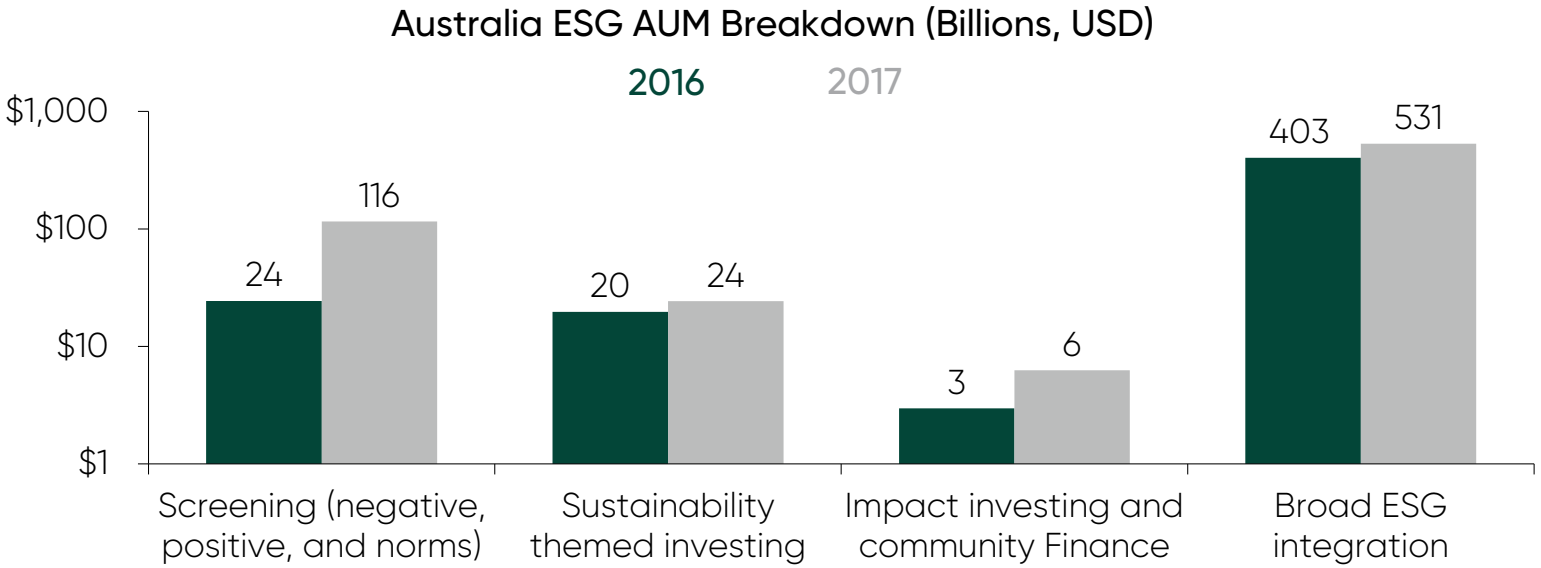
AUM Growth of Exclusions in Europe (Billions, USD)

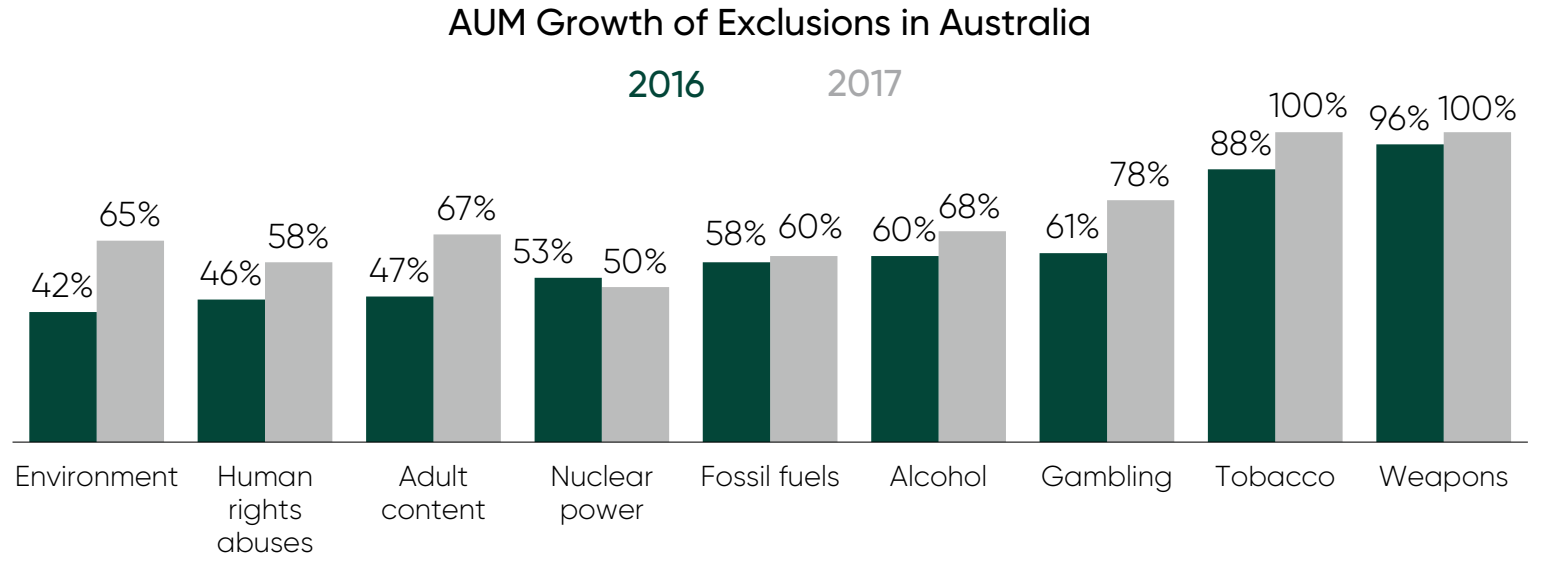


Source: European SRI Study 2018. All AUM is USD and based on 31/03/2019 conversion rates.

ESG IN AUSTRALIA

At $667 billion in AUM—up nearly 50% from $450 billion in 2016—ESG Investments make up the majority of all professionally managed assets in Australia.

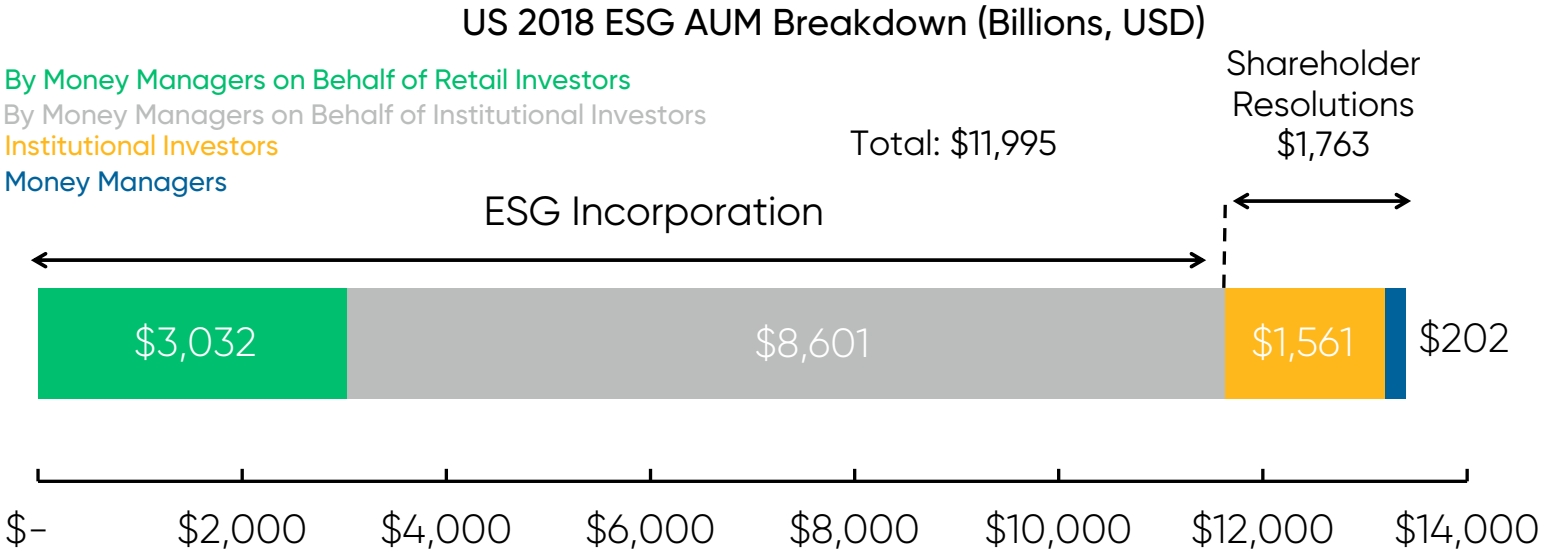




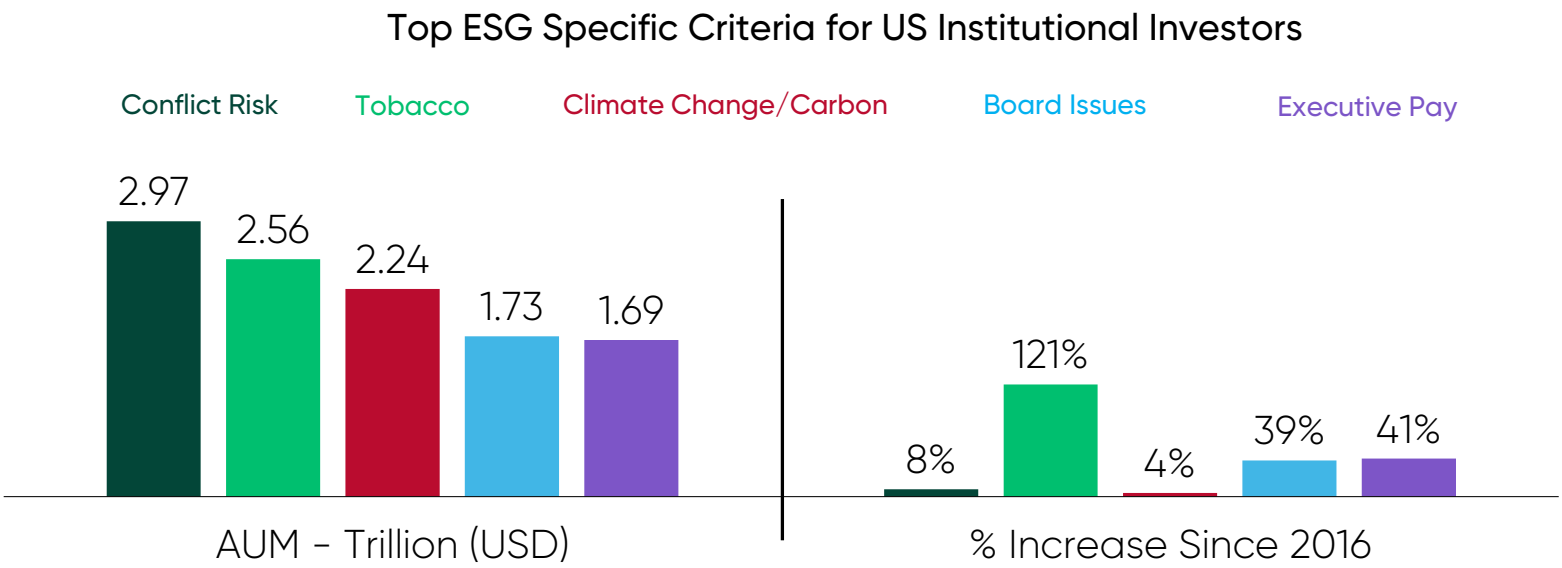
Source: Responsible Investment Benchmark Report 2018.

ESG IN THE UNITED STATES

ESG investments represents $11.9 trillion dollars of US AUM in 2018—up 44% since 2016. $8.6 trillion is managed on behalf of institutional investors.



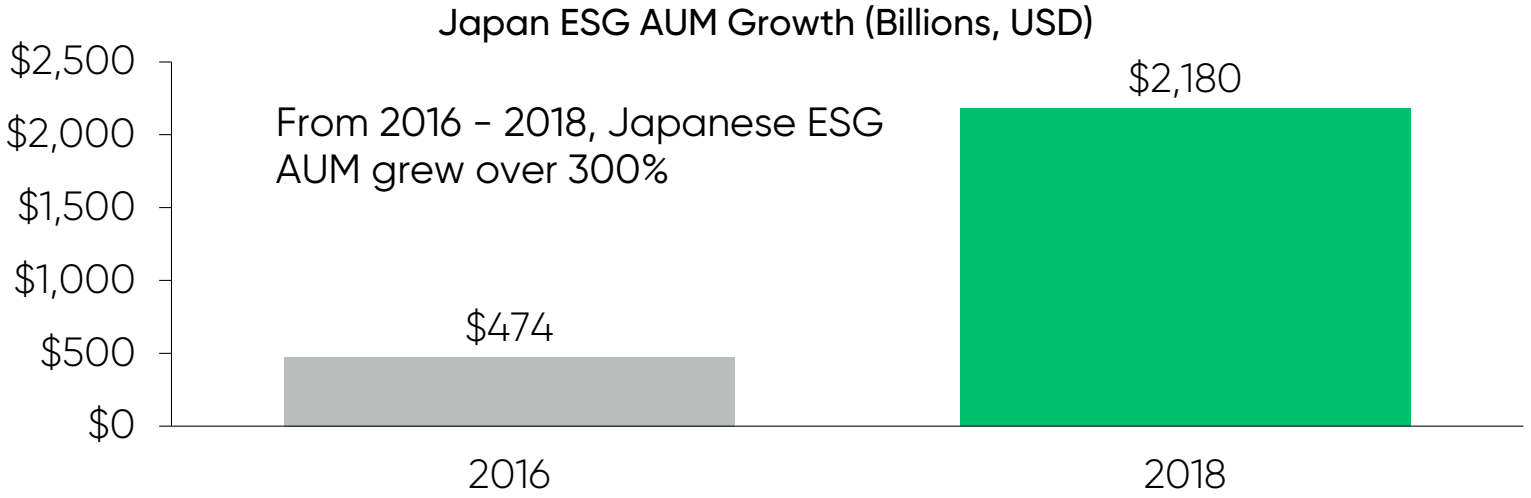
Conflict Risk (Terrorist or Repressive Regimes) was the top ESG criteria evaluated in 2018, while tobacco was the fastest growing ESG consideration for US institutional investors.



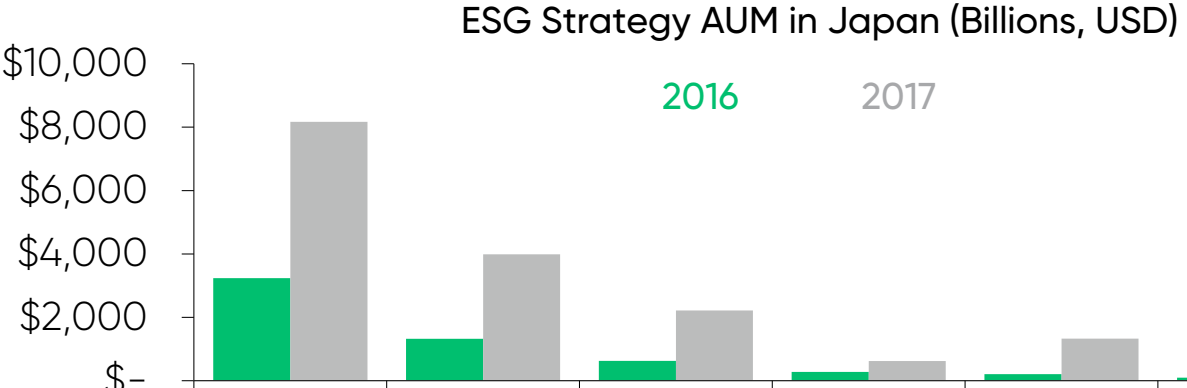
Source: US SIF Foundation 2018, Report on US Sustainable, Responsible and Impact Investing Trends.

ESG IN JAPAN

Japan is the fastest growing region for ESG AUM.



Corporate engagement and shareholder action strategies are the top Japanese ESG approaches, followed by ESG integration.

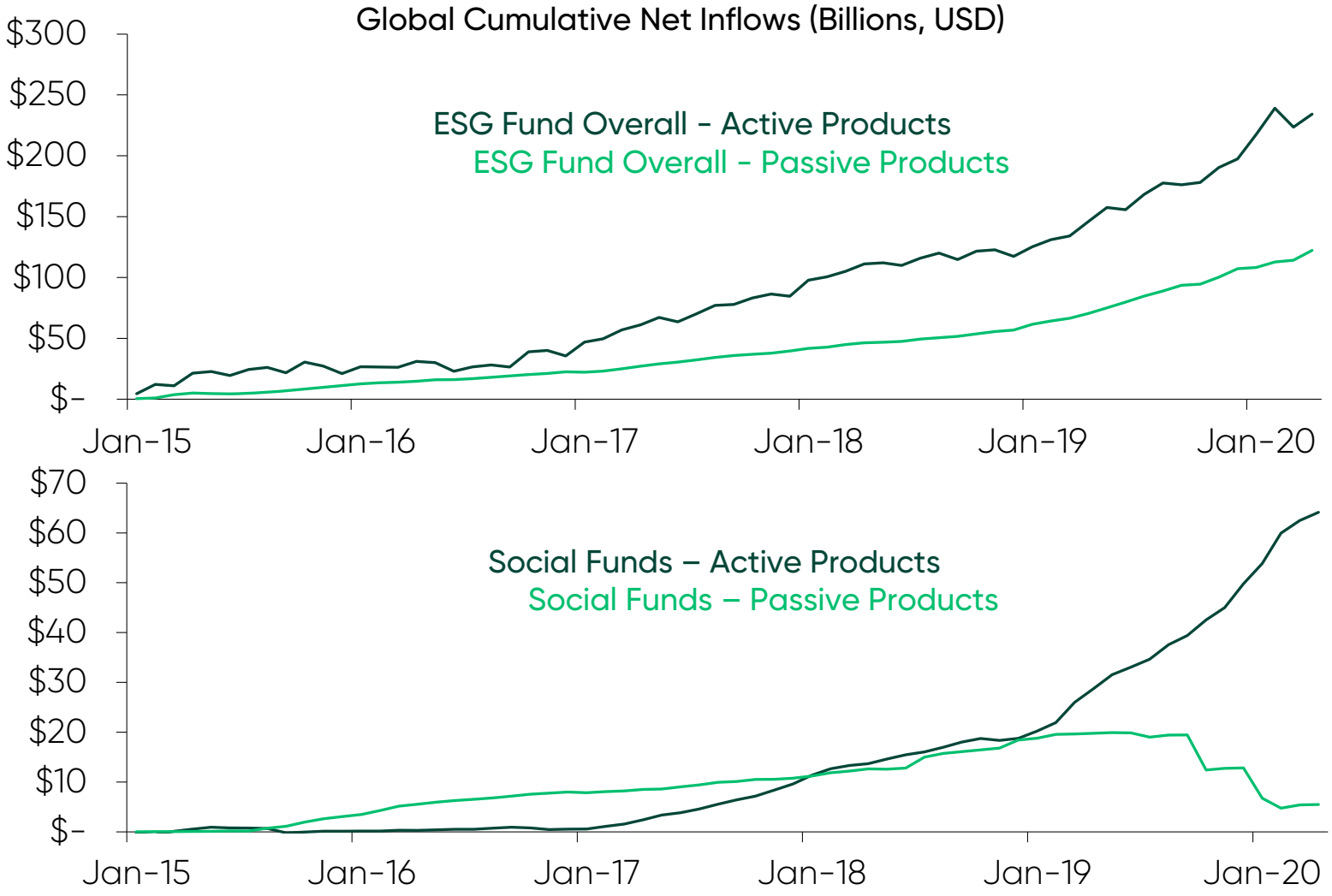


	Engagement	ESG Integration	Norms-based Screening	Positive Screening	Negative Screening	Sustainability -themed	Impact
2016	$3,238.40	$1,321.70	$625.80	$280.30	$208.80	$96.20	$34.30
2017	$8,171.30	$3,988.00	$2,219.10	$621.30	$1,328.20	$128.50	$34.60

Source: Top Chart: Global Sustainable Investment Review, Global Sustainable Investment Alliance, 2018.
Bottom Chart: Third Sustainable Investment Survey in Japan, Japan Sustainable Investment Forum, 2018.

INVESTORS PREFER ACTIVELY MANAGED ESG

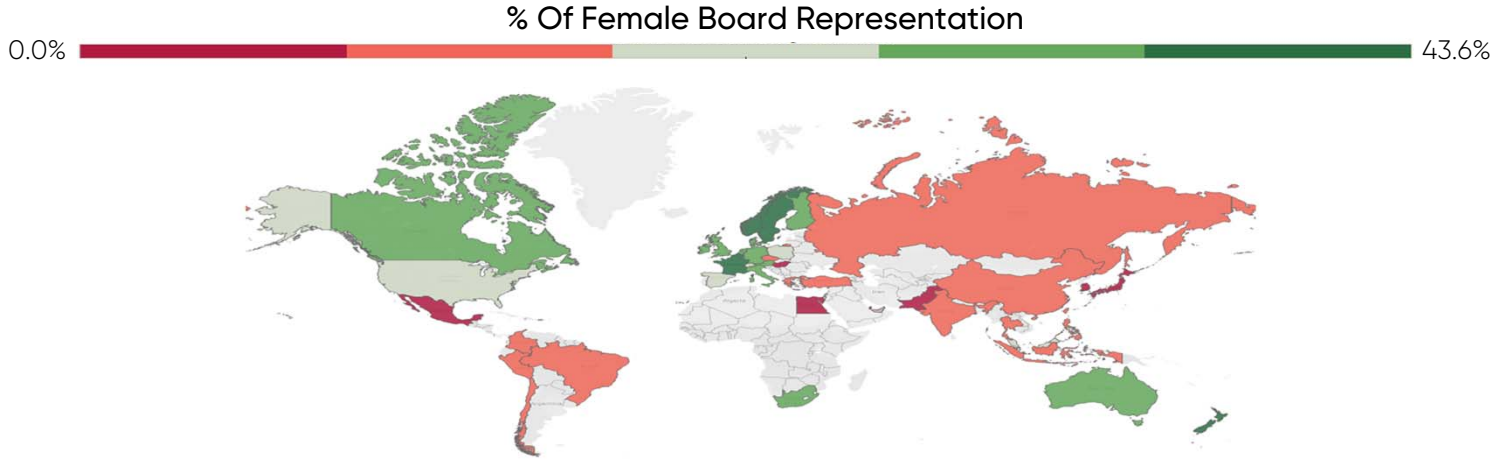
Since mid-2015, net inflows into active products considered as ESG Funds by Morningstar has been growing at much faster clip than passive products. Active leading is even more evident for socially focused funds.



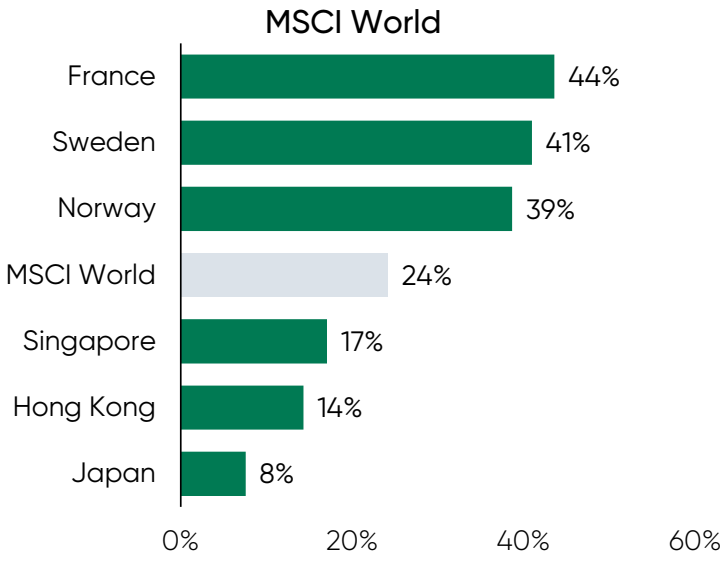
Source: Morningstar Direct as of 20/05/2020. Cumulative net flows shown for 01/01/2015 to 30/04/2020. Top chart shows active and passive cumulative net inflows for all open-end funds & ETF's classified as satisfying the "ESG overall" sustainable investment criteria (17,649 products). Bottom chart shows active and passive cumulative net inflows for all open-end funds & ETF's classified as satisfying the "Gender & Diversity" and/or "Community Development" sustainable investment criteria (2,373 Products). As products may satisfy multiple criteria, some funds may be represented on both charts.

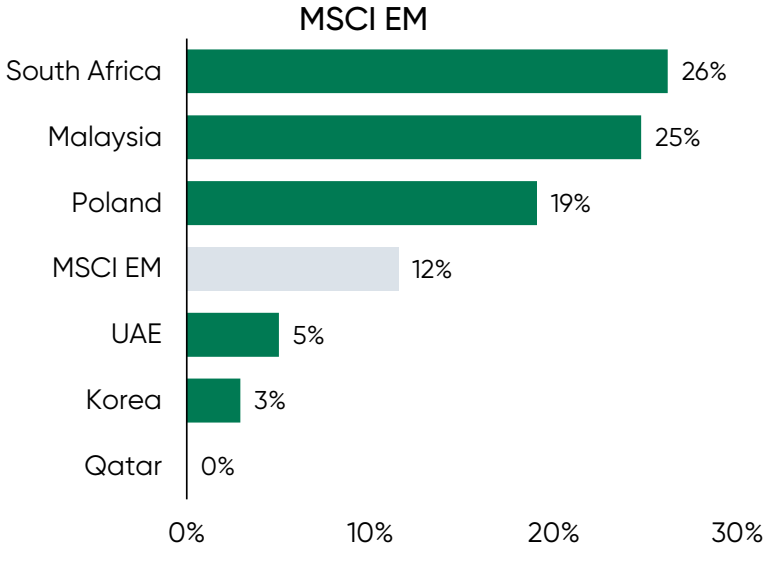
GLOBAL BOARD DIVERSITY

The percentage of board directors who are women varies across countries with developed markets leading at an average of 24%.



South African female board representation is in line with Developed Markets. On the other hand, the 8% Japanese female board participation rate is below the Emerging Market average of 12%.





Source: MSCI ESG Research, as of 31/12/2019.

RENEWABLE ENERGY OPPORTUNITIES

- EM companies tend to have higher carbon emission relative to DM with the majority of emissions concentrated in the utilities, materials and energy sector.

- Globally, wind and solar power generation is becoming cheaper than fossil fuels.

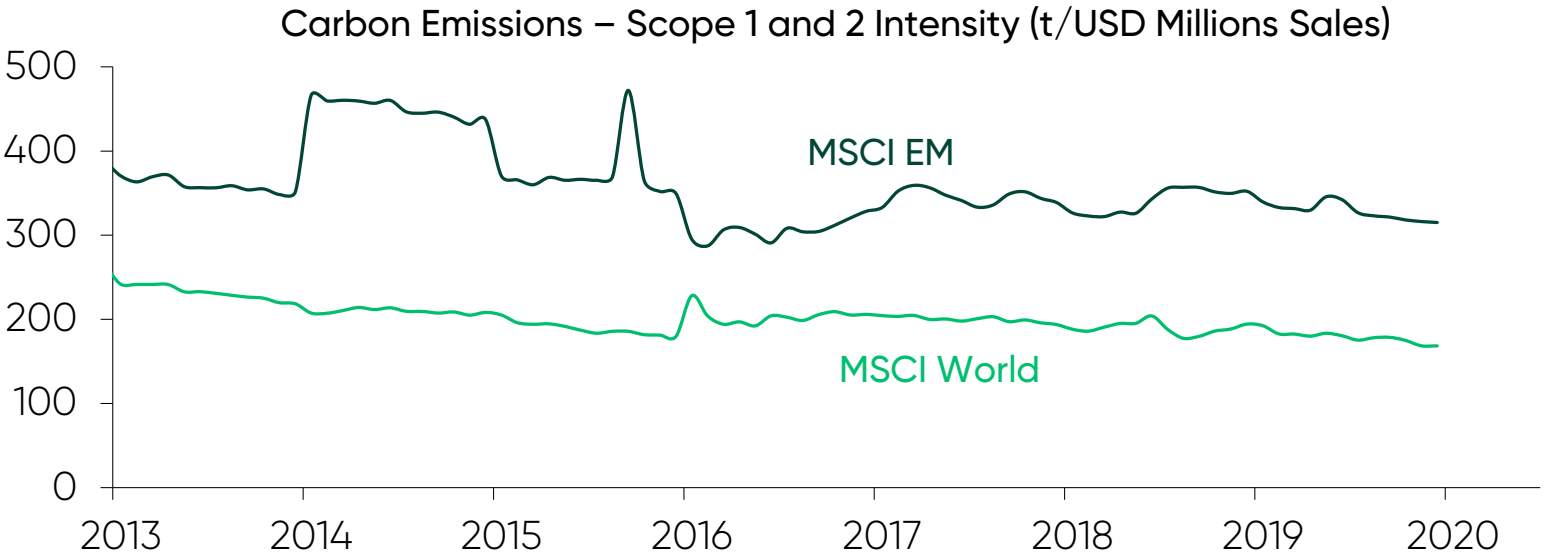
- Cloud services that are provided by technology companies support energy efficiency and renewable energy use.

- Divesting fully from carbon can create unintended style bias and missed opportunities from larger energy firms with renewable energy exposure.

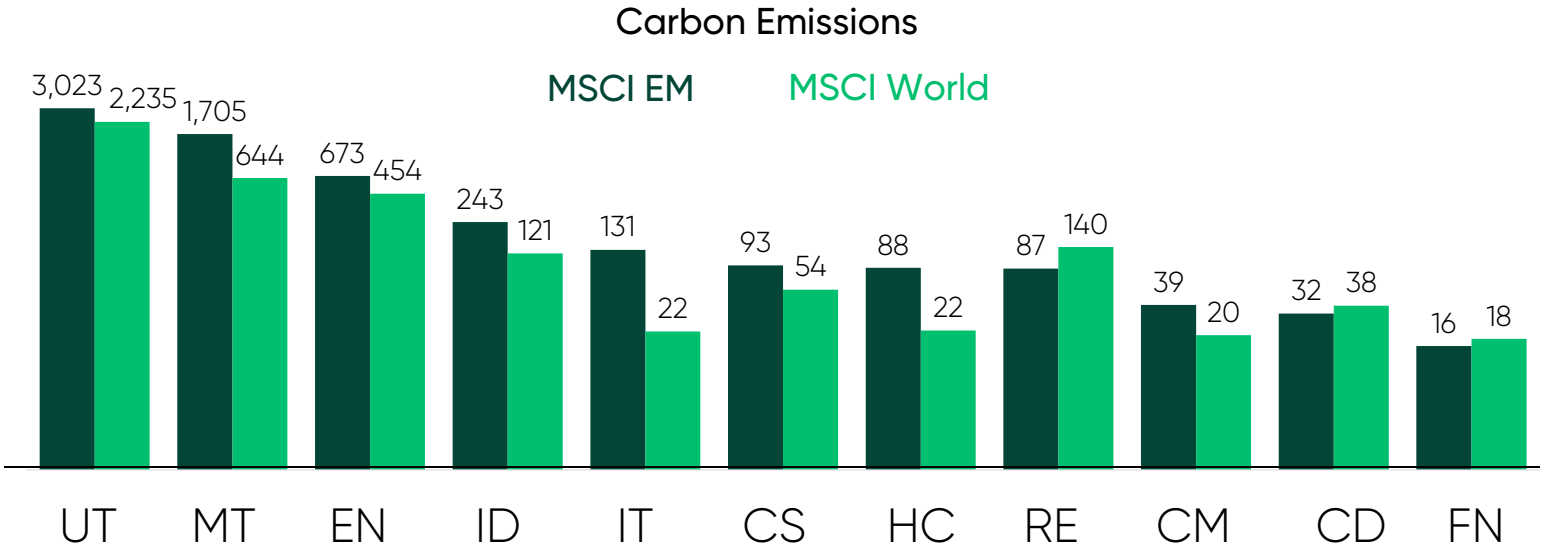
As of 30/06/2020.

UNDERSTANDING TOP-DOWN CARBON EXPOSURES

Historically, EM companies exhibit higher carbon emissions than DM.



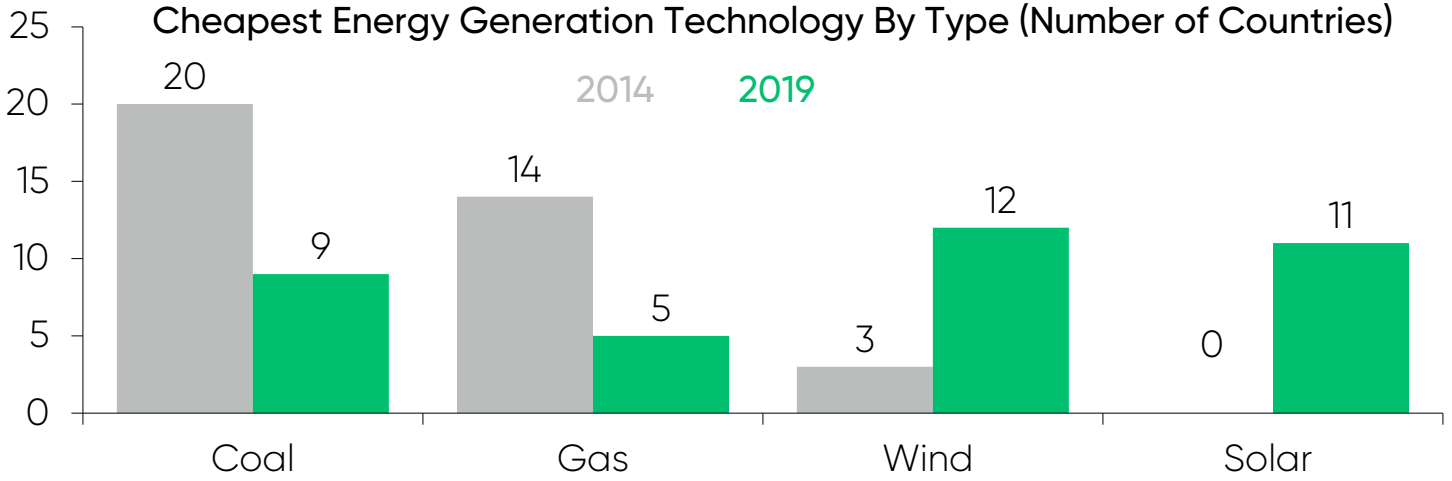
The majority of carbon emissions are in the Utilities, Materials and Energy sectors.



Source: MSCI ESG Research, Factset Portfolio Analysis as of 31/05/2020.

WIND & SOLAR ENERGY IS BECOMING CHEAPER THAN COAL

Continuing technological innovations are making low carbon energy production the cheapest source of power in many major countries.



Fossil fuel production was the cheapest energy source in 2014. By 2019, technological advances from a higher number of renewable energy producers drives the economic viability of clean energy.

Cheapest Energy Generation Technology By Country

2014

Coal	Gas	Wind	Solar
Belgium	Algeria	Denmark	None
Bulgaria	Argentina	Germany	
Chile	Australia	Uruguay	
China	Brazil		
France	Canada		
Greece	Egypt		
India	Israel		
Indonesia	Mexico		
Italy	Peru		
Japan	Philippines		
Malaysia	Russia		
Morocco	Saudi Arabia		
Poland	United States		
South Africa	UAE		
South Korea			
Spain			
Thailand			
Turkey			
United Kingdom			
Vietnam			

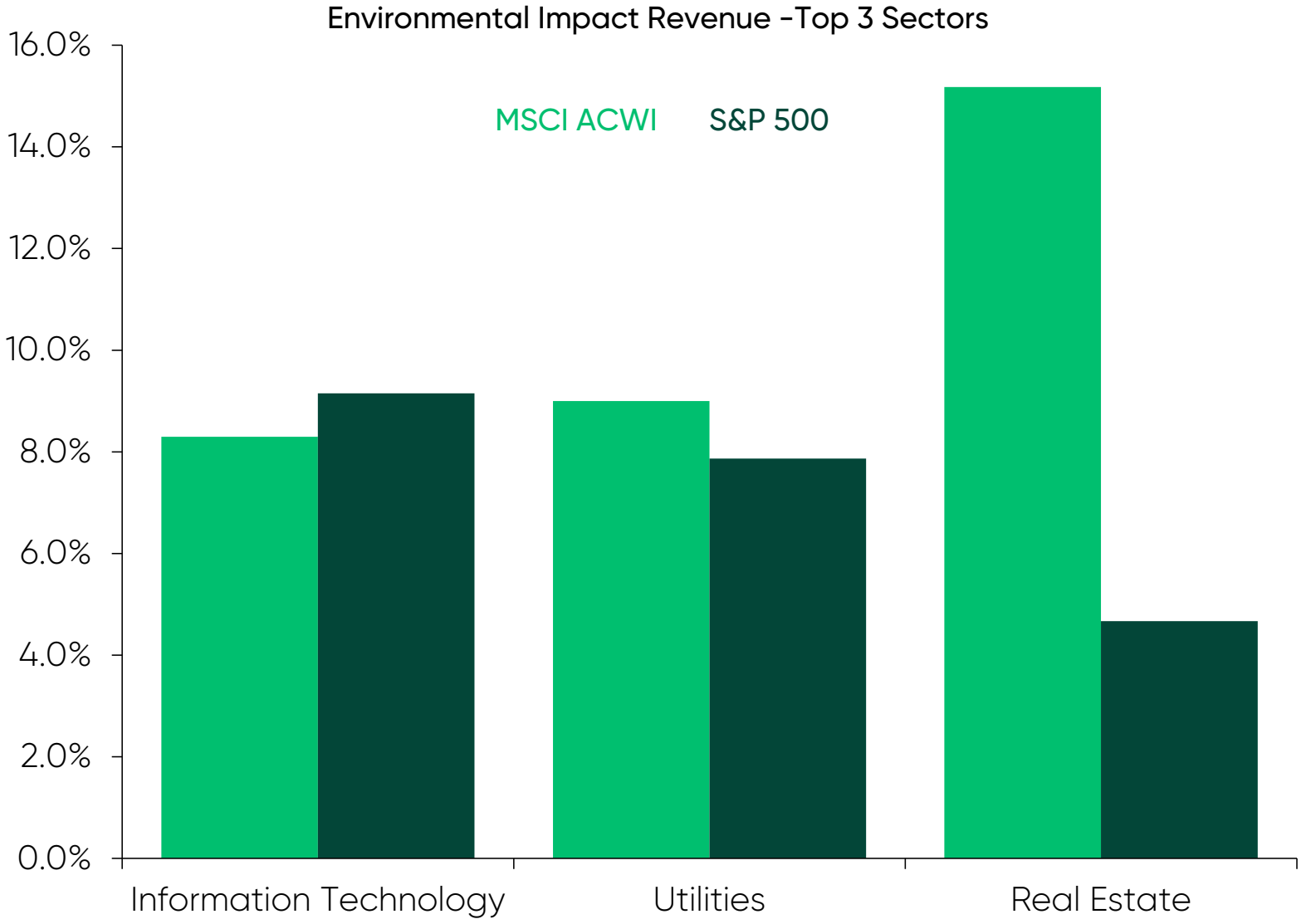
2019

Coal	Gas	Wind	Solar
Indonesia	Algeria	Argentina	Australia
Japan	Belgium	Brazil	Chile
Malaysia	Bulgaria	Canada	Egypt
Philippines	Greece	China	France
Poland	Russia	Denmark	India
South Korea		Germany	Israel
Thailand		Mexico	Italy
Turkey		Morocco	Saudi Arabia
Vietnam		Peru	South Africa
		United Kingdom	Spain
		United States	UAE
		Uruguay	

Source: MSCI ESG Research as of 31/05/2020.

TECH FIRMS ARE DRIVING CLEAN ENERGY GROWTH

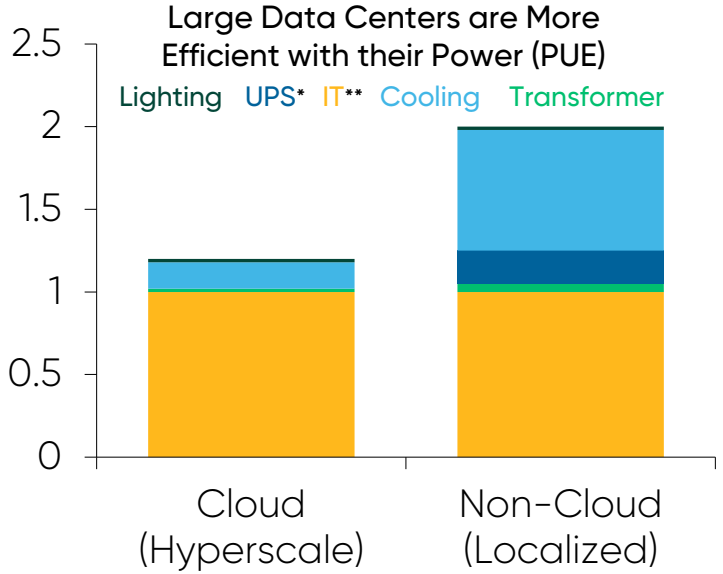
The Information Technology sector derives the highest amount of revenue from environmental impact solutions—green buildings, energy efficiency, etc.—across global and US markets. Tech firms play a huge role in addressing climate change because many efficiencies gained in energy usage are driven by improvements in technology.

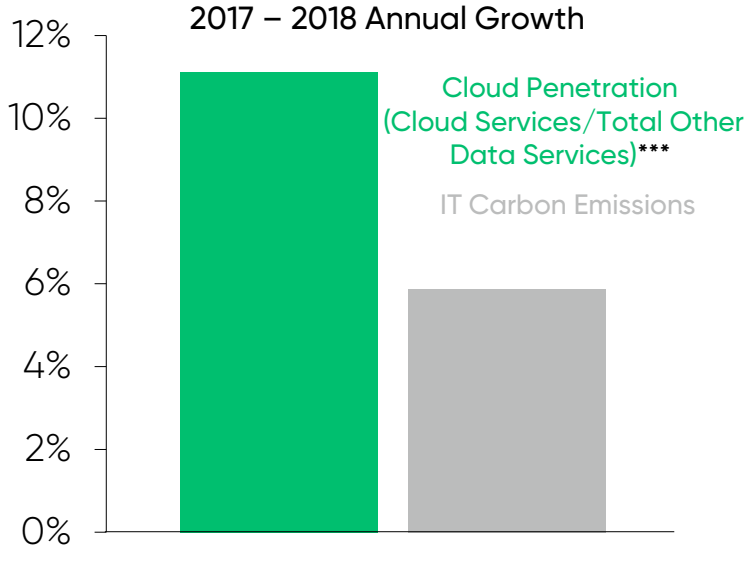


Source: MSCI ESG Research as of 31/05/2020.

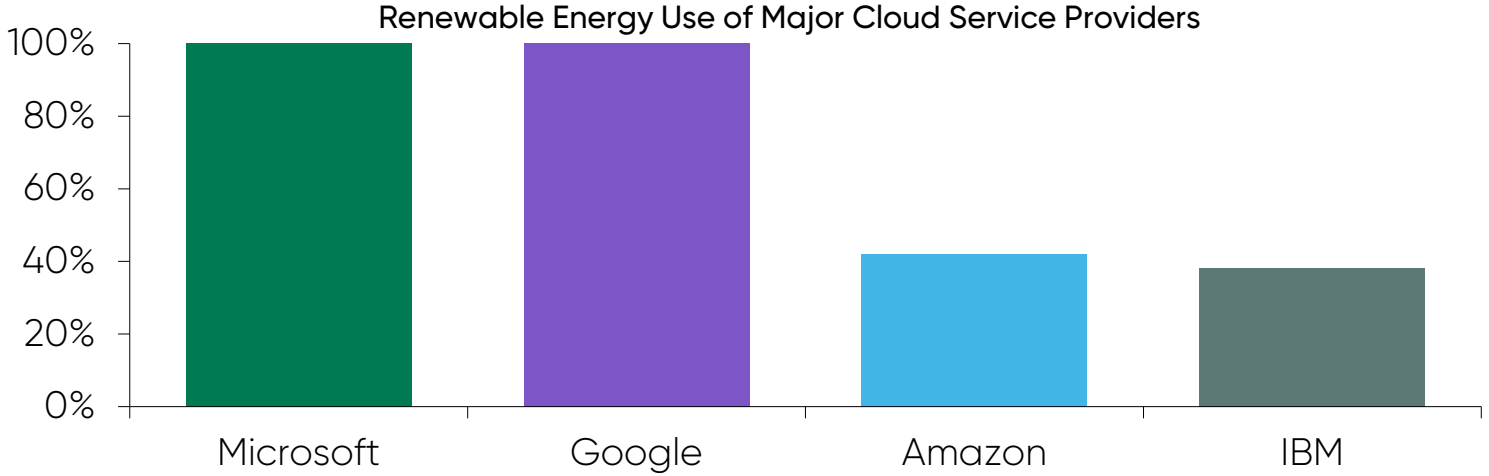
CLOUD COMPUTING COMBATTING CLIMATE CHANGE

Cloud hyperscale data centers are almost twice as energy efficient as localised data centers. Cloud use growth is nearly double that of the IT sector's carbon emissions growth.





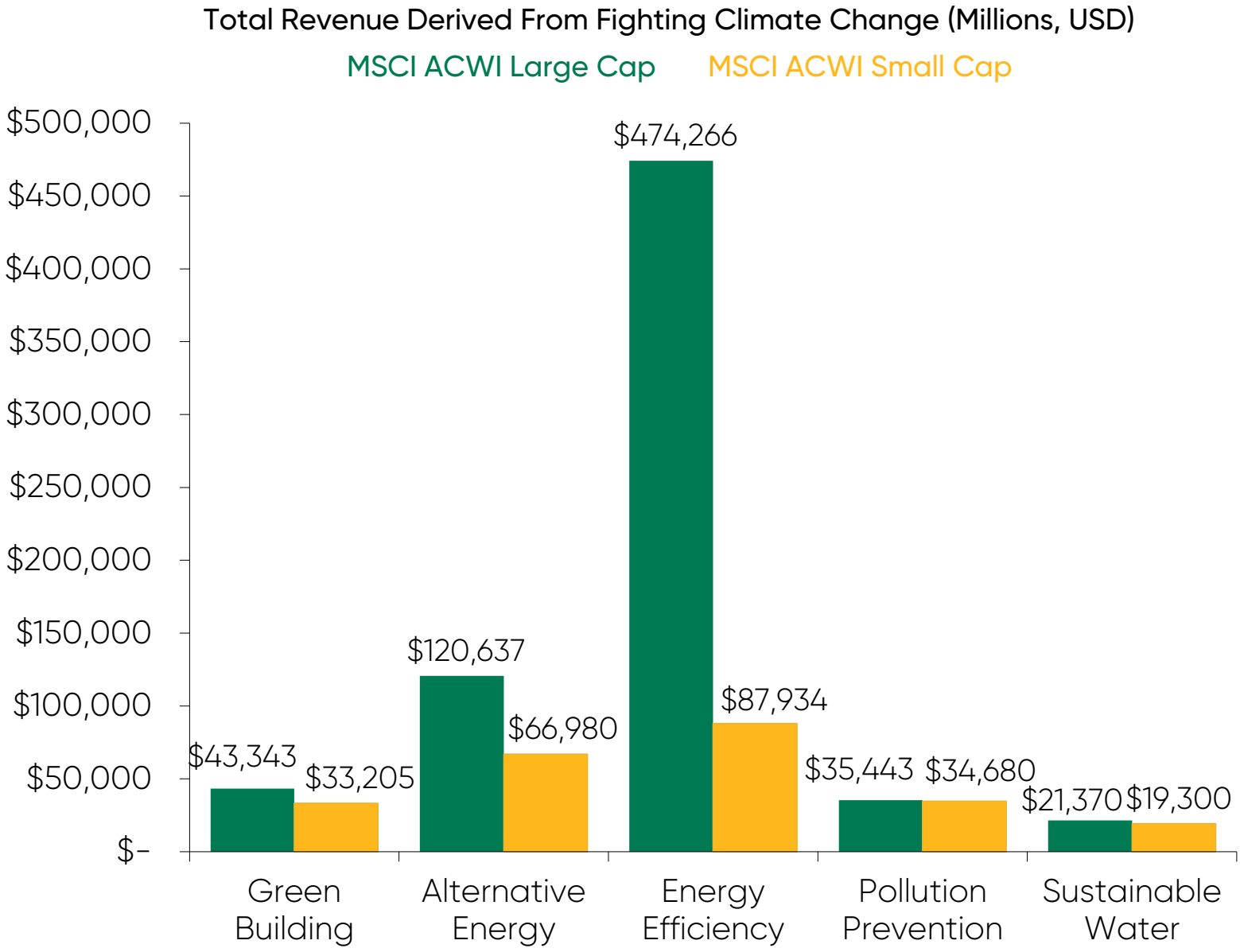
Each of the four largest cloud service providers leads in renewable energy consumption. Microsoft and Google currently purchase enough renewable energy to match all of their electricity consumption. Amazon committed to 100% renewable use by 2025, and IBM is aiming for 55% renewable use by 2025.



*Top left chart source: Lawrence Berkely National Laboratory, June 2016. Top right chart source: Gartner as of Q1 2020, MSCI ESG as of 30/06/2020. Bottom chart source: Microsoft, Google, Amazon and IBM as of 30/06/2020. *Uninterruptible Power Supply. **Data Servers, Networking and Storage. ***Cloud Services = PaaS services + IaaS (Cloud System Infrastructure) services; Non-Cloud Growth = Infrastructure Software (Ex-PaaS) + Other Data Center Services + IT Hardware + Support Services.*

MISSED OPPORTUNITIES FROM LARGE ENERGY FIRM DIVESTMENT

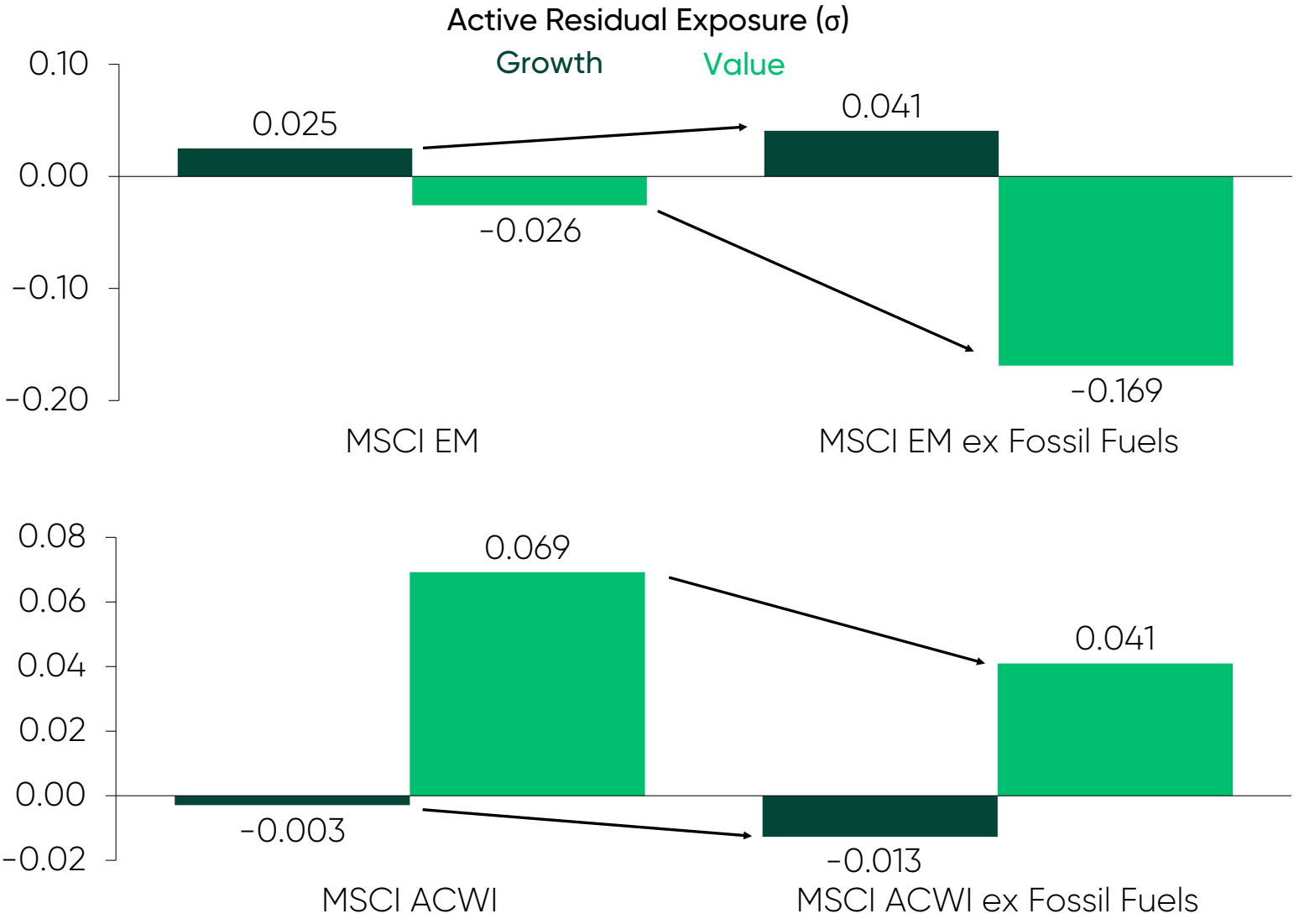
Despite receiving the bulk of negative media attention, large companies—including energy firms—are directing capital toward activities focused on solving sustainability challenges.



Source: MSCI ESG Research as of 31/05/2020.

REMOVING FOSSIL FUELS MAY CREATE STYLE BIAS

Removing Fossil Fuels increases growth exposure, creating unintended style bias. Active management is optimal when navigating Growth/Value market cycles for ESG investors.



Source: MSCI ESG Research, Barra Portfolio Manager, and Factset Portfolio Analysis as of 31/05/2020.

LIMITATIONS OF ESG SCORES

- Despite increases in company ESG data, over-reliance on ESG scores may lead to unintended portfolio risks.

- Larger companies from developed markets tend to have higher ESG scores.

- Restricting companies based on ESG scores can materially restrict the investable universe and cause industry, size and style bias.

- ESG scores have a limited history of data coverage across major indexes.

- ESG scores could serve as a non-financial proxy for quality exposure.

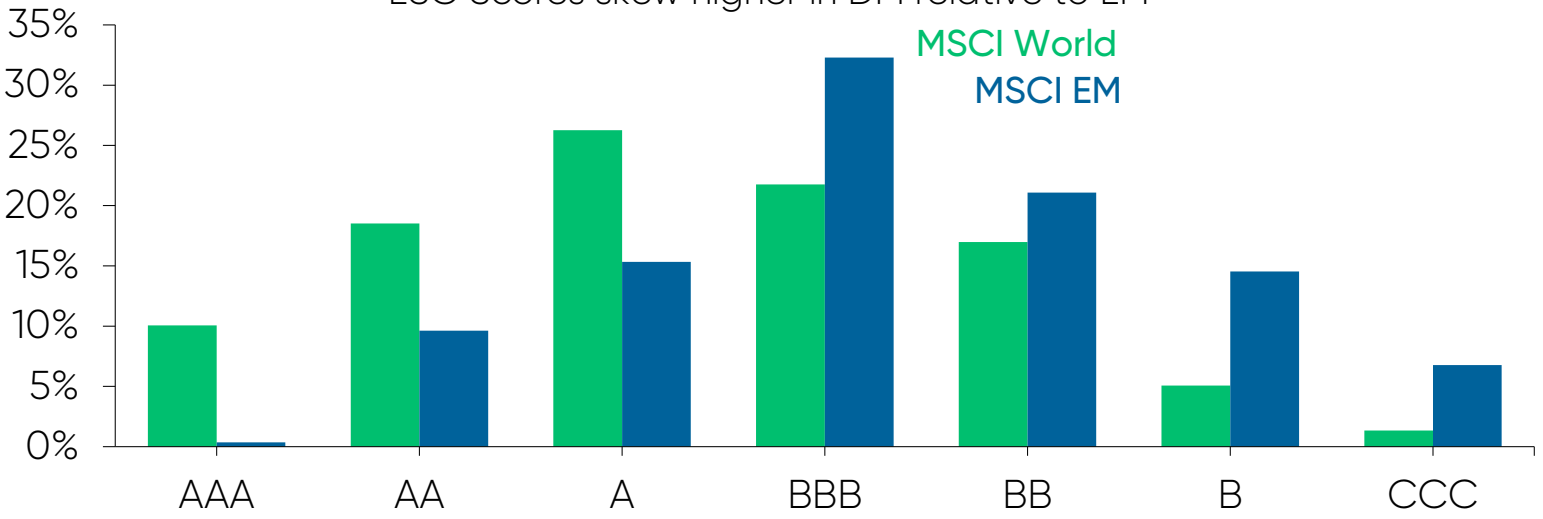
As of 30/06/2020.

LARGER COMPANIES FROM DEVELOPED MARKETS TEND TO HAVE HIGHER ESG SCORES

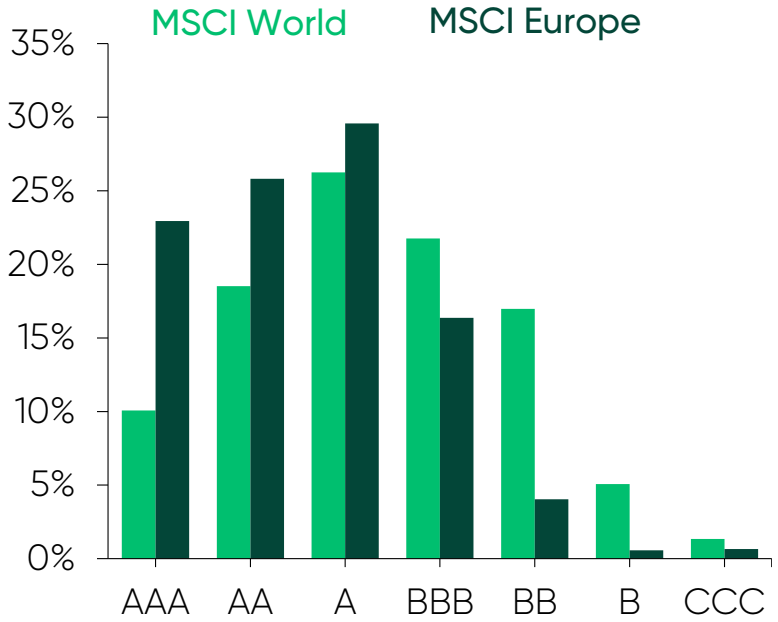
Understanding high level Top-Down ESG trends prior to equity selection facilitates more rigorous ESG analysis.

ESG Score Weight Distribution

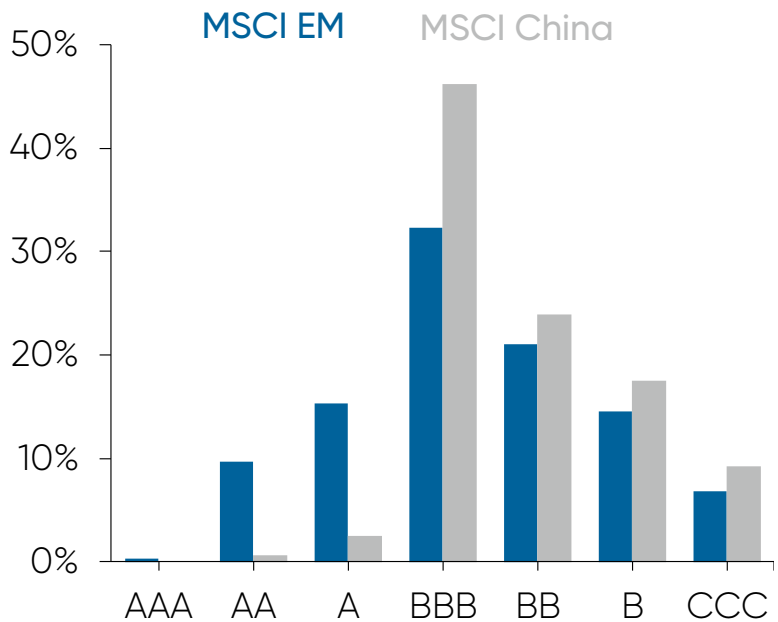
ESG Scores skew higher in DM relative to EM



ESG Scores skew higher in Europe



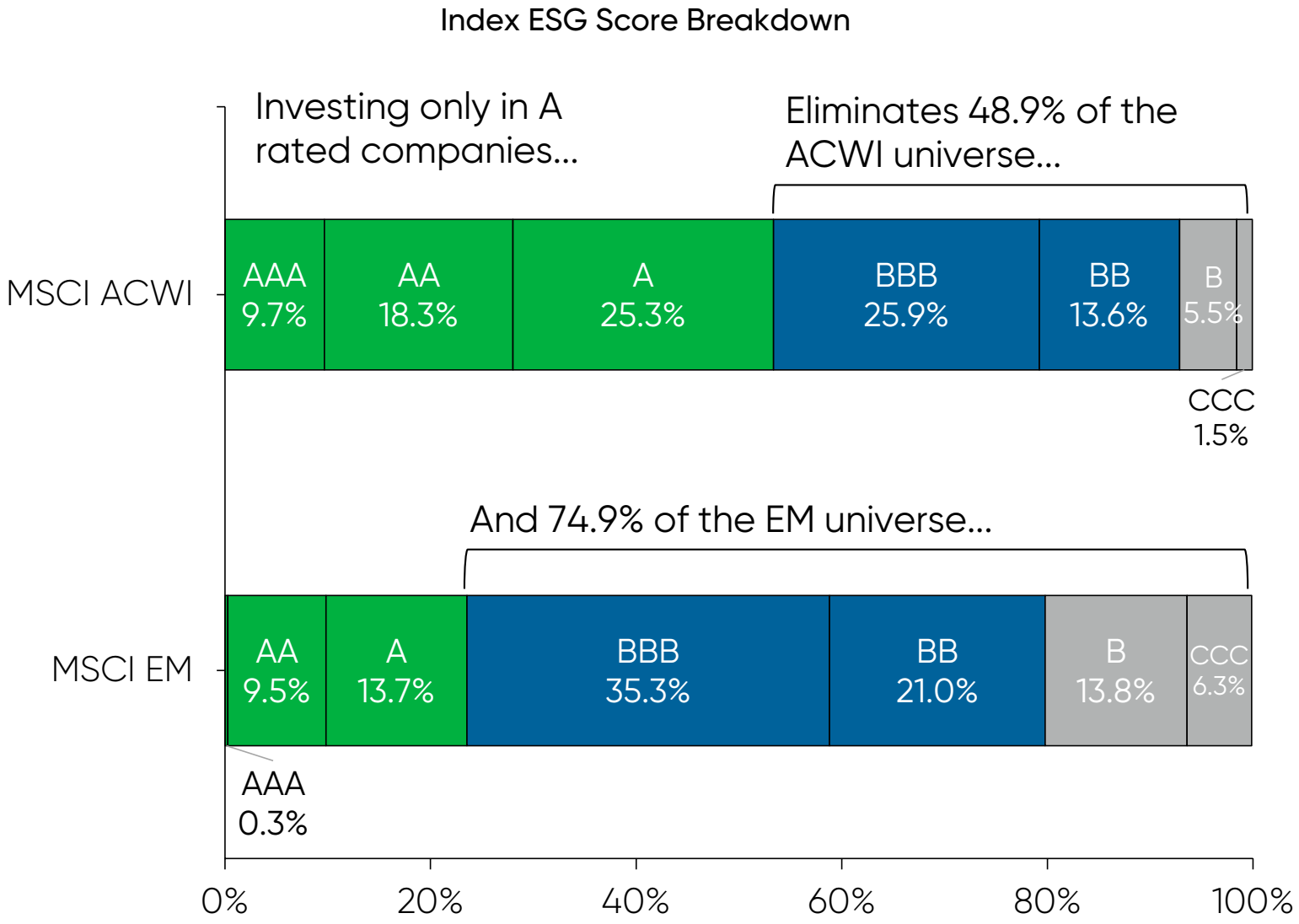
ESG Scores skew lower in China



Source: MSCI ESG Research, Factset Portfolio Analysis as of 31/12/2019.

ELIMINATING COMPANIES BASED ON ESG SCORES RESTRICTS THE INVESTABLE UNIVERSE

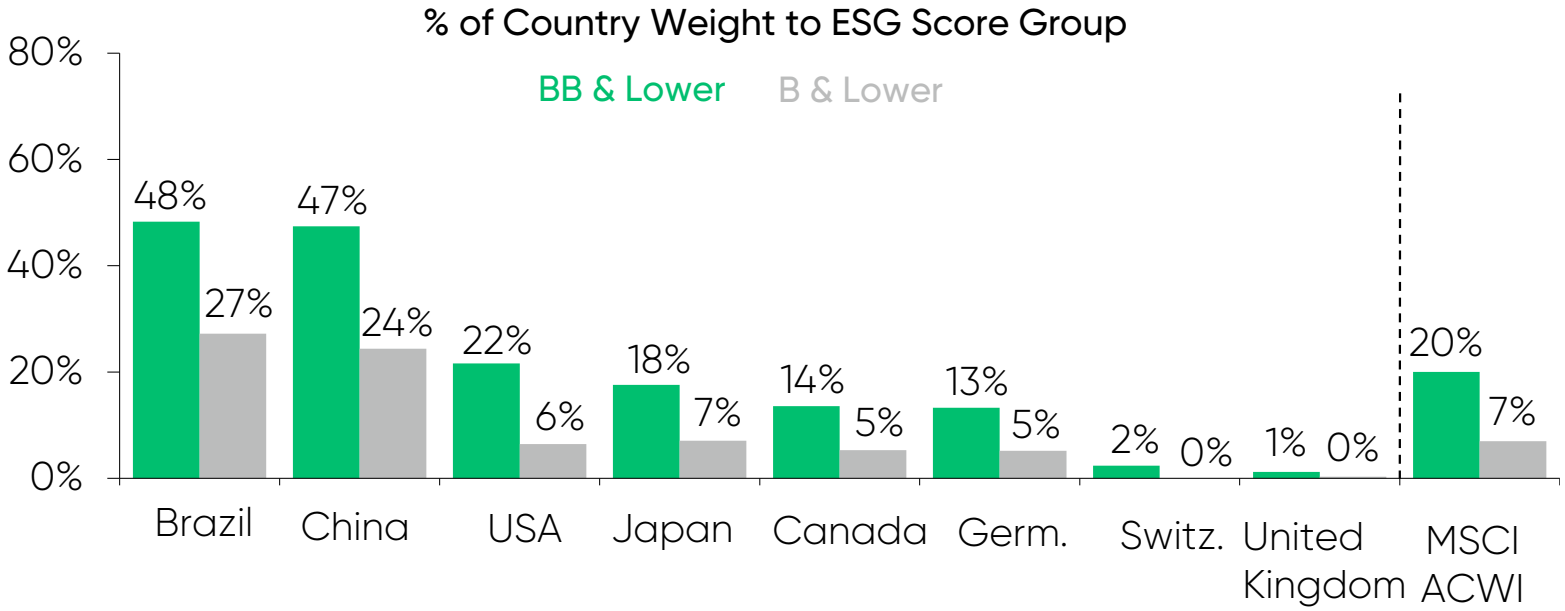
In DM and EM, the investable universe is materially restricted by eliminating companies based on ESG scores.

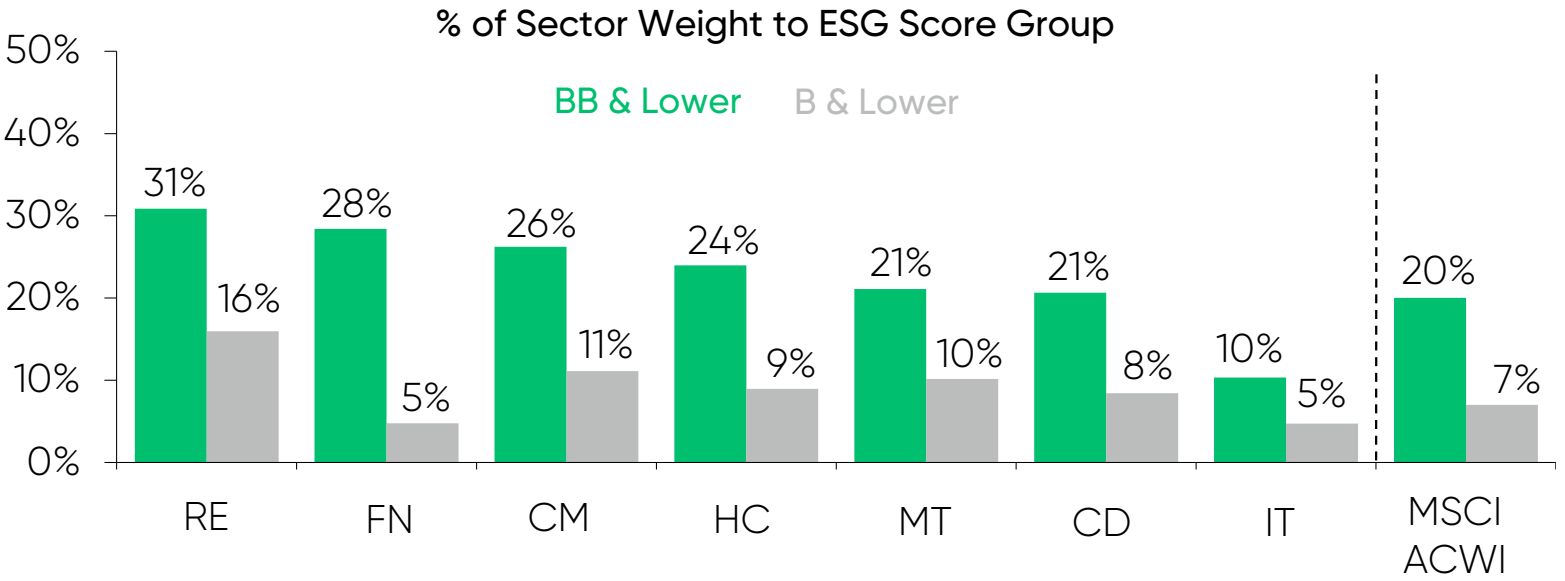


Source: MSCI ESG Research and FactSet Portfolio Analysis as of 31/12/2019.

ESG SCREENS MAY LEAD TO UNINTENDED CONCENTRATIONS

Removing companies with lower ESG scores greatly restricts security selection within MSCI ACWI countries and sectors.



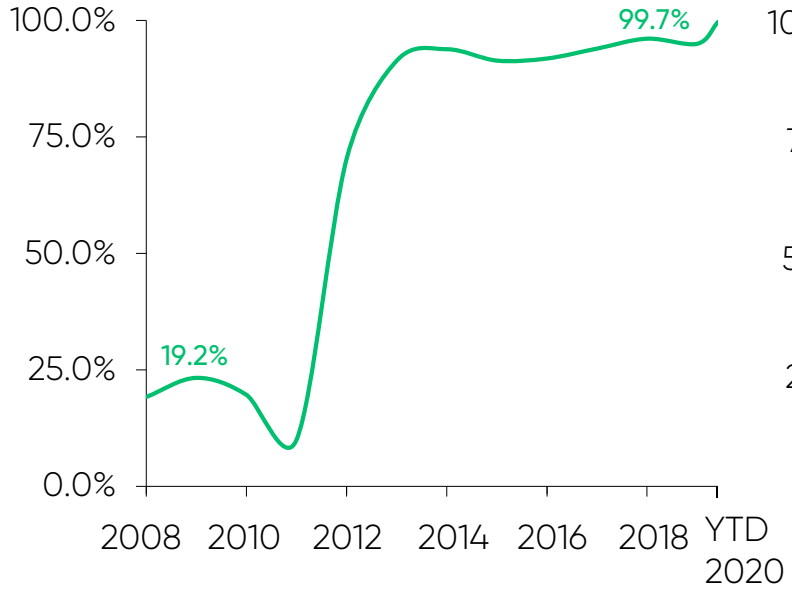


Source: MSCI ESG Research, Factset Portfolio Analysis based on MSCI ACWI as of 31/05/2020.

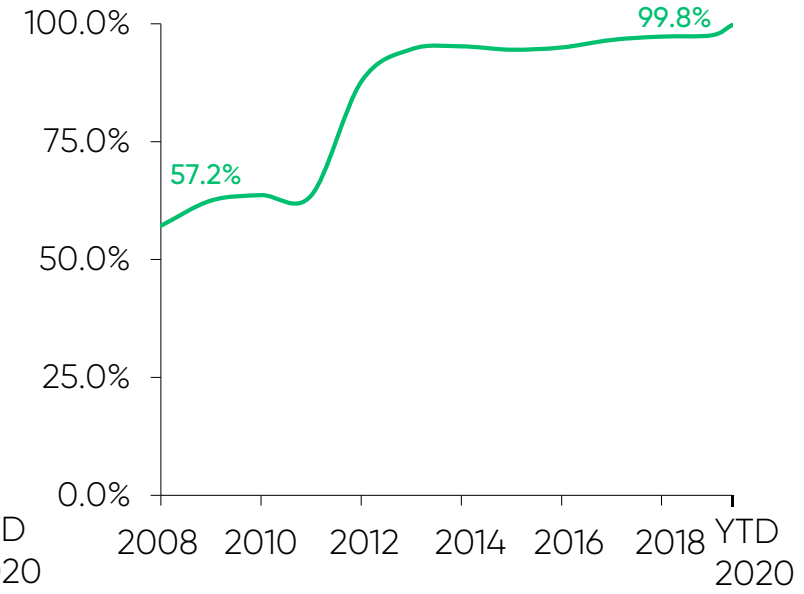
LIMITED HISTORICAL ESG SCORE COVERAGE LIMITS USEFULNESS

Prior to 2013, company level ESG scores were not comprehensive enough to facilitate meaningful analysis. Limited historical overall ESG score coverage creates attractive opportunities for active managers in the space.

MSCI EM – (%) ESG Score Coverage

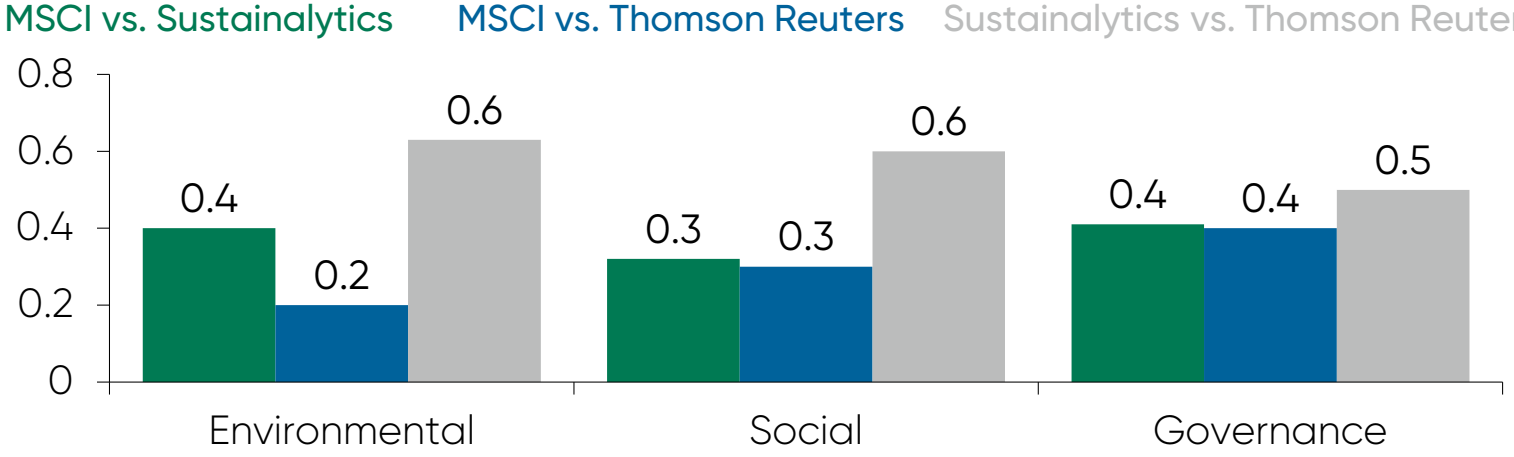


MSCI ACWI – (%) ESG Score Coverage



ESG score correlations across different rating providers are surprisingly low.

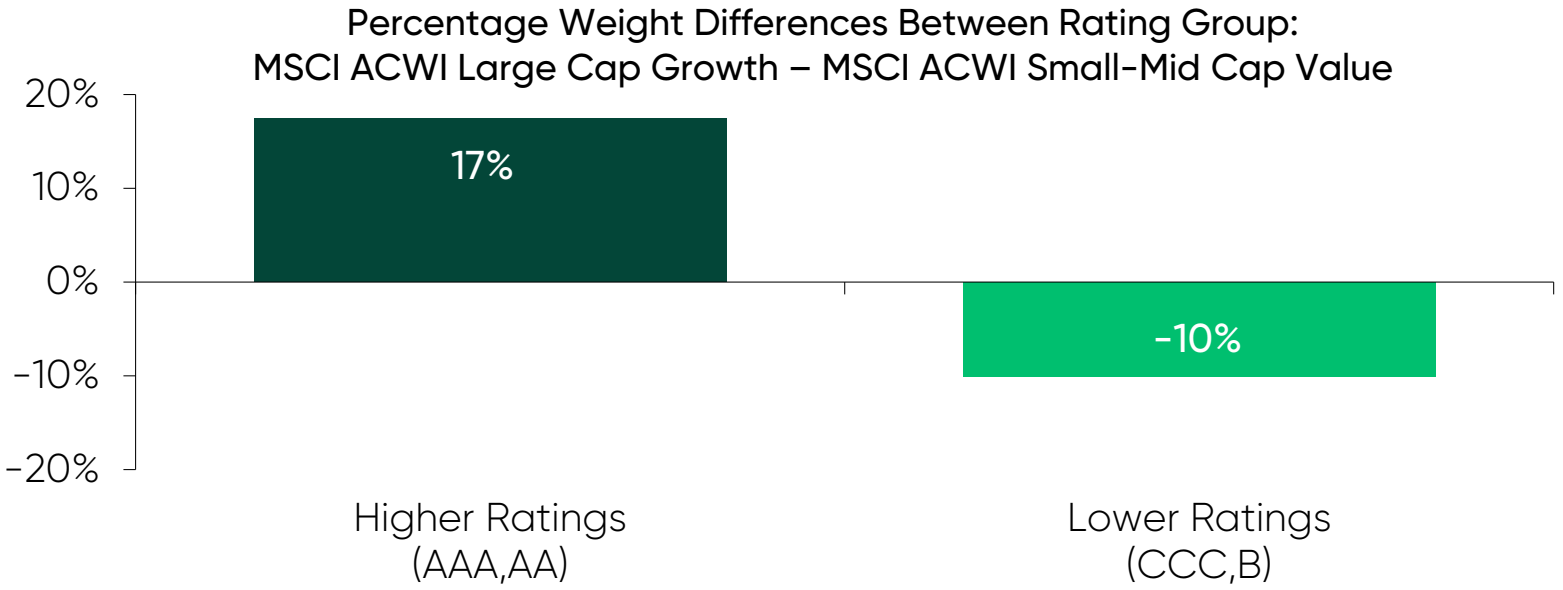
Correlation Between ESG Scores



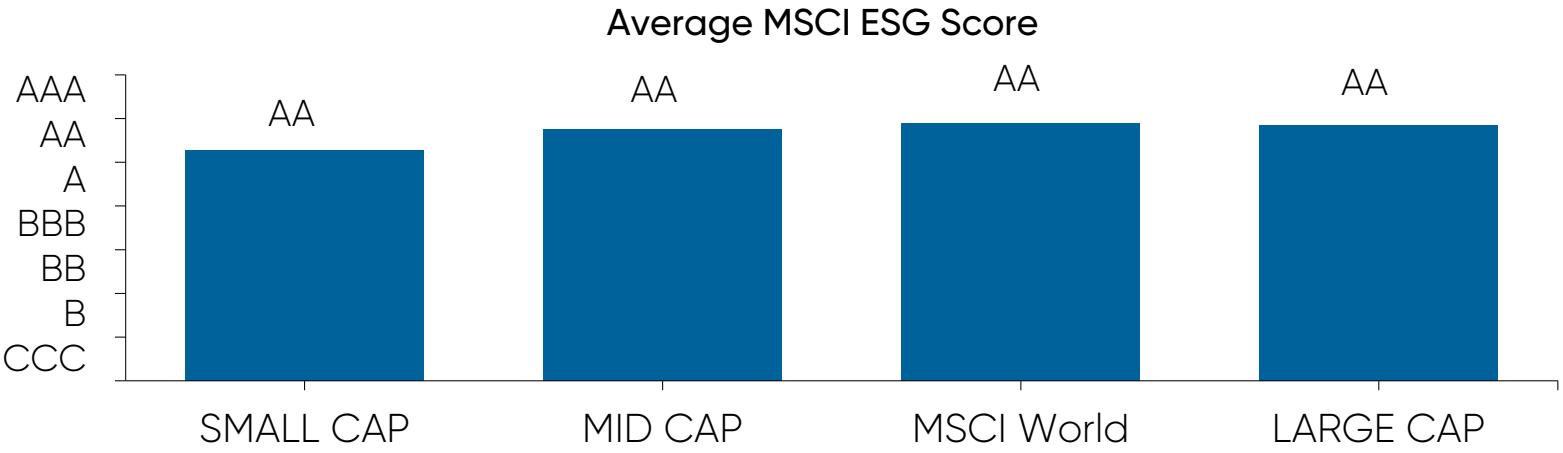
Top Charts: MSCI ESG Research and FactSet Portfolio Analysis as of 31/05/2020.
Bottom Chart: Schroders as of 31/05/2020.

ESG SCORES OFTEN CORRELATE TO STANDARD INVESTMENT STYLE FACTORS

Larger companies are structurally advantaged to receive higher ESG ratings. To an extent, ESG scores reflect what is easy to measure, rewarding companies producing—often self-reported and unaudited—sustainability and corporate responsibility reports. ESG rating differences may result in part from the capacity constraints faced by otherwise well managed small companies.



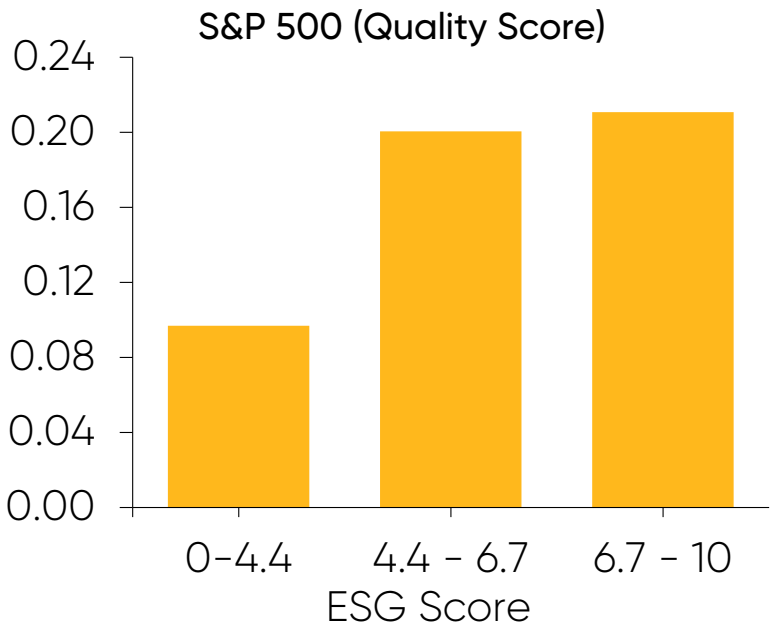
Large cap companies on average receive slightly higher ESG scores than Small Cap.

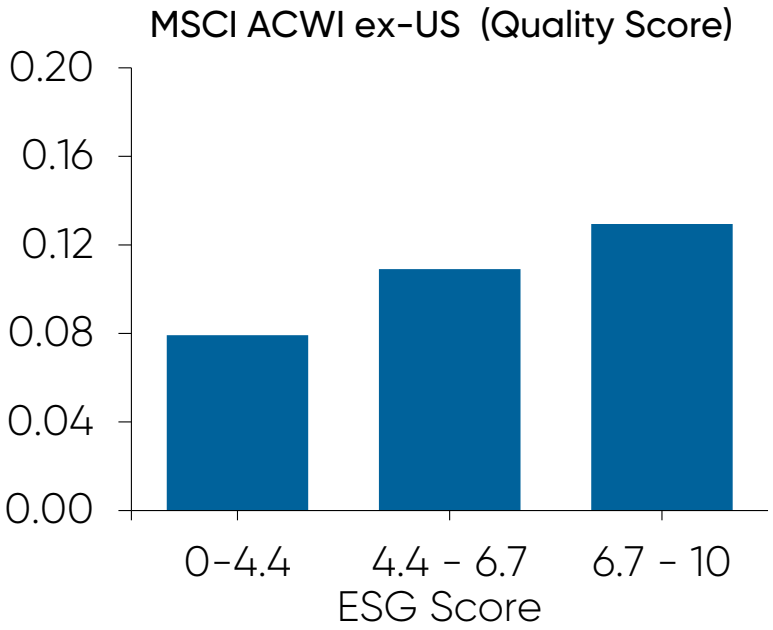


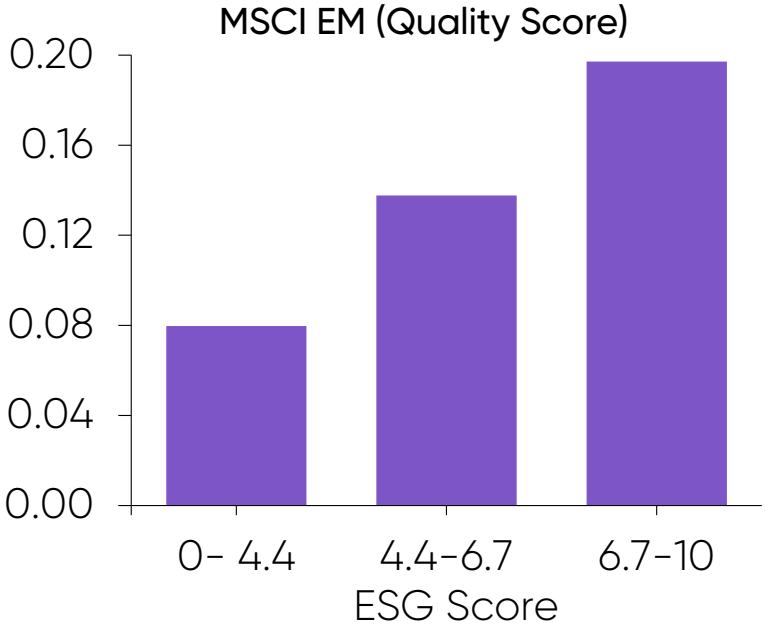
Top chart: Fisher Investments, FactSet, MSCI ESG Research. Weight to ratings groups as of 31/03/2020.
Bottom Chart: MSCI ESG Research, Factset Portfolio Analysis as of 31/12/2019.

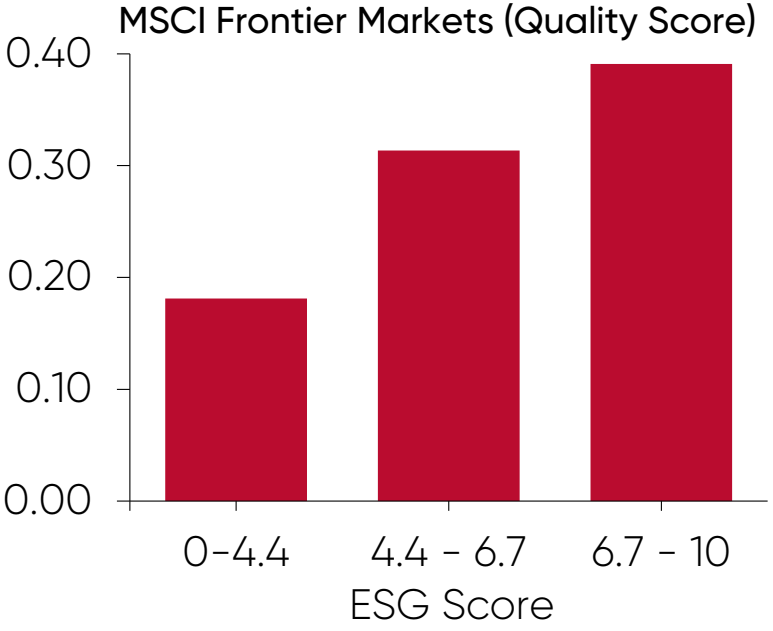
IDENTIFYING TOP-DOWN ESG STYLE TRENDS

Companies with higher quality exposures—via Return on Equity, Earnings Variability and Debt to Equity—tend to have higher ESG Scores.







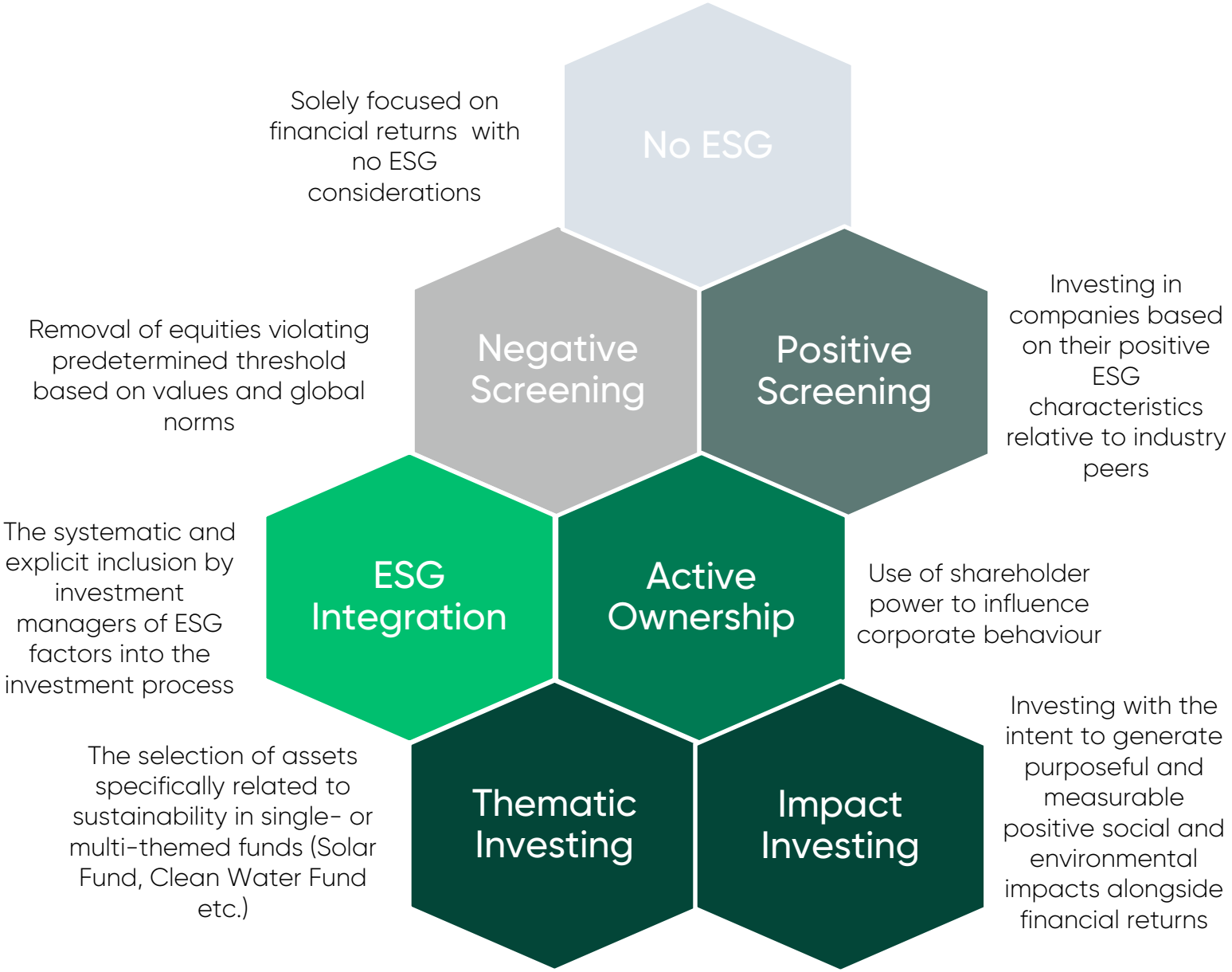


Source: MSCI ESG Research, Factset Portfolio Analysis as of 31/05/2020.

APPENDIX

DEFINING ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG)

ESG investing encompasses one or multiple of the following approaches:



ESG COMPONENTS

Source: Fisher Investments.

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