

# ESG Low Carbon Shiller Barclays CAPE® US Sector Strategy

FOR PROFESSIONAL INVESTORS ONLY

**WHY INVEST IN THE STRATEGY?**



Reliance on strong technical and academic expertise of Professor Robert Shiller



A systematic, non-discretionary approach based on the principles of value investing



An approach which combines ESG filters with objectives of GHG emissions reduction



## Standard Shiller Barclays CAPE® US Sector Value Strategy



Professor Robert Shiller

American economist, best-selling author and Sterling Professor of Economics, Professor of Finance, and Fellow at the International Center for Finance at Yale University. Well known for developing the widely used Standard & Poor's/Case-Shiller Home Price Indices and for the CAPE® ratio, also known as "Campbell-Shiller PE(10)" and "Shiller 10". Partnered with Barclays in 2012 to develop the first Shiller Barclays CAPE® Index Family.

### FROM CAPE® RATIO

To help identify long-term under/over-valuations of equity markets.

$$\text{CAPE}^{\text{®}} = \frac{\text{Index Price}}{\text{10-year average of inflation adjusted index earnings}}$$

### TO RELATIVE CAPE® RATIO

To account for differences of valuation between sectors

$$\text{Relative CAPE}^{\text{®}} = \frac{\text{Current sector CAPE}^{\text{®}} \text{ Ratio}}{\text{20-year rolling average of sector CAPE}^{\text{®}} \text{ Ratio}}$$

Investment Universe  
9 S&P 500 sectors

Step 1

#### Value Selection Filter

Select the 5 most undervalued sectors based on lowest Relative CAPE® indicator

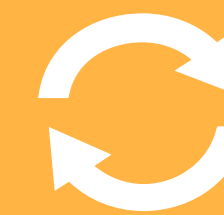
Step 2

#### Value Trap Filter

Remove 1 sector, with the worst 12-month momentum from the 5 sectors selected by Step 1

#### Final Allocation

4 sectors equally weighted (25% each)



Monthly rebalancing



## Additional features of the ESG Low Carbon Shiller Barclays CAPE® US Sector Strategy

**ESG FILTERS**

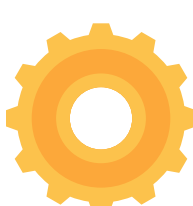
- stocks in major Scandinavian institutions' exclusion lists
- UN Global Compact breach
- controversies of level 4 and 5
- involvement in controversial weapons, tobacco or coal

An approach based on exclusions

**LOW CARBON OBJECTIVES**

- non-reporting carbon data stocks
- reduction of 40% of GHG total emissions
- reduction of 40% of GHG impact
- reduction of 40% of GHG potential emission from reserves

Objectives of reduction of emissions by 40% compared to the classic Shiller Barclays CAPE® US Sector Value Strategy



## Methodology of the ESG Low Carbon Shiller Barclays CAPE® US Sector Strategy

### SECTOR SELECTION

Selection of 4 sectors based on CAPE® Ratio and 12-month momentum

### REBALANCING

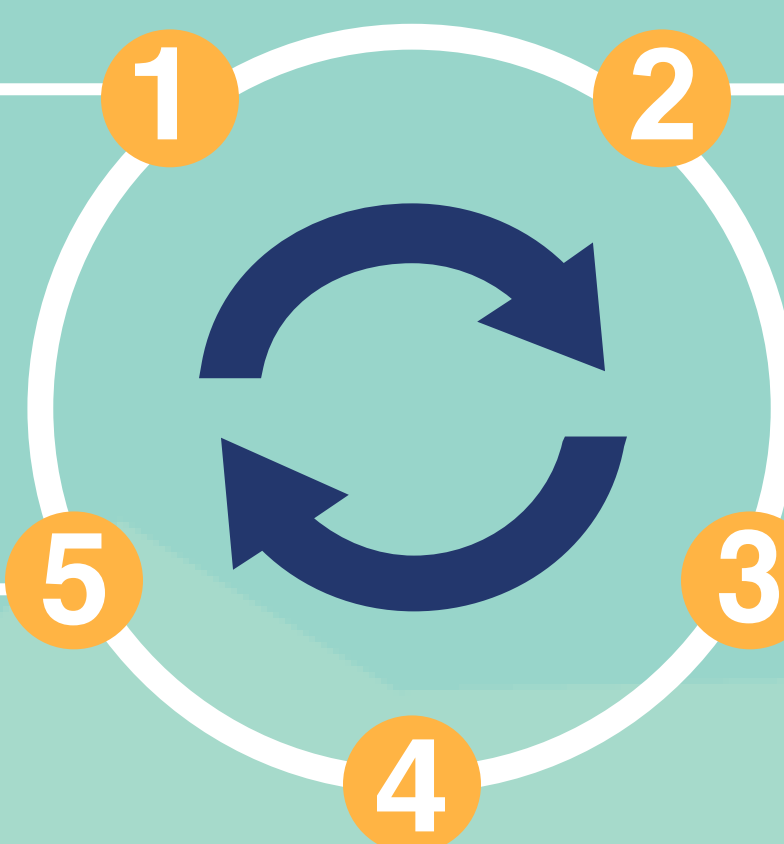
Monthly rebalancing of the strategy

### ESG FILTERS

Removal of controversial stocks

### CARBON REDUCTION

Tracking error optimization with carbon reduction targets



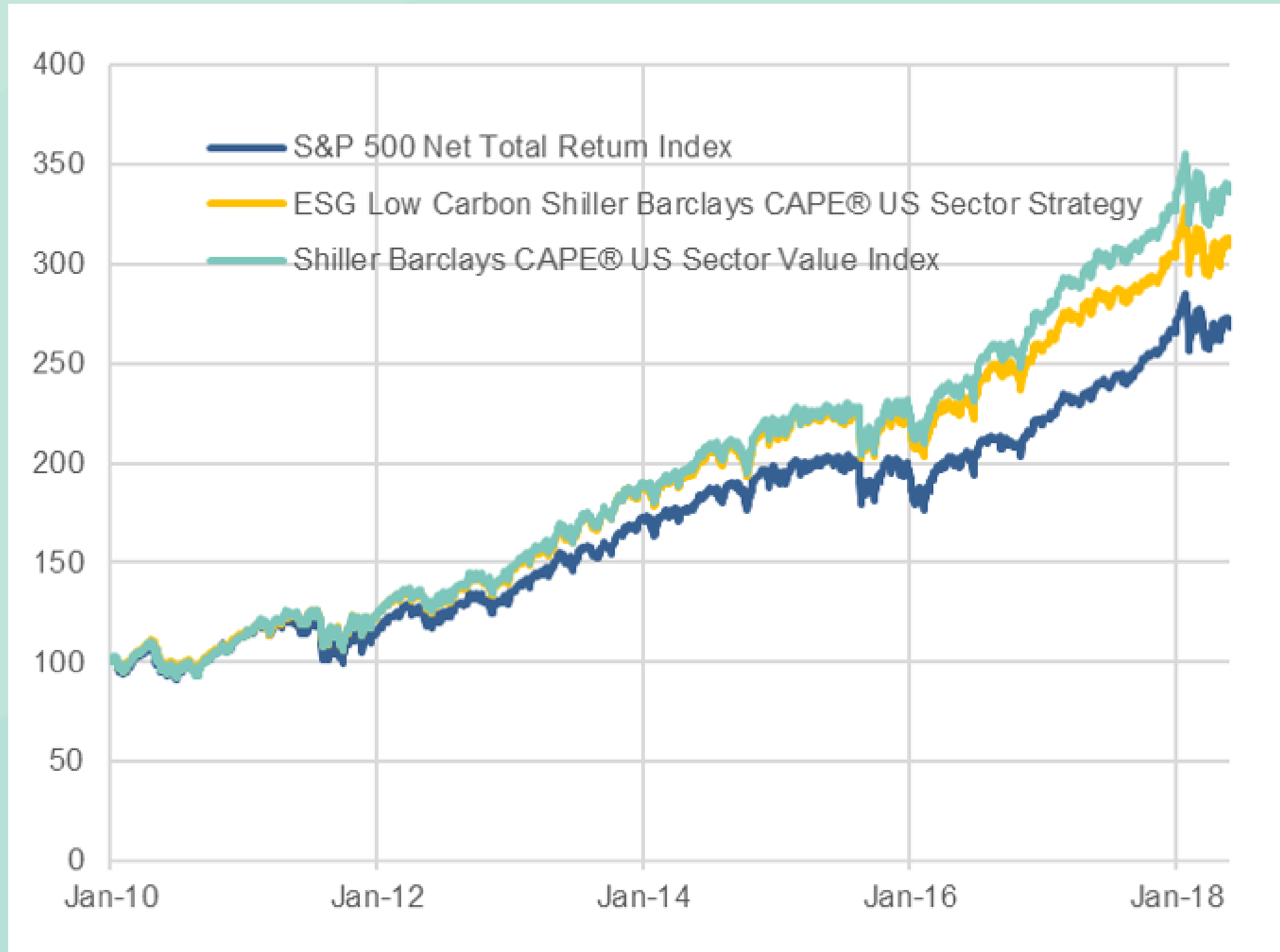
ESG LOW CARBON SHILLER BARCLAYS CAPE® US SECTOR STRATEGY

4 sectors equally-weighted



# Simulated performance and risk data

## Simulated comparison vs peers - From 04/01/2010 until 31/05/2018



Source: Barclays, Sustainalytics, Trucost, Datastream, Standard & Poor's – Calculation by Ossiam in USD. Before 12/09/2012 for Shiller US and since 04/01/2010 for ESG Low Carbon Shiller US data are based on a backtest. Backtested performance results do not represent the performance of actual trading using client assets, but are achieved by means of the retroactive application of a model. This model assumes reinvestment of net dividends. Past performance is not a reliable indicator of future performance.

## Simulated performance and risk data – Since 04/01/2010

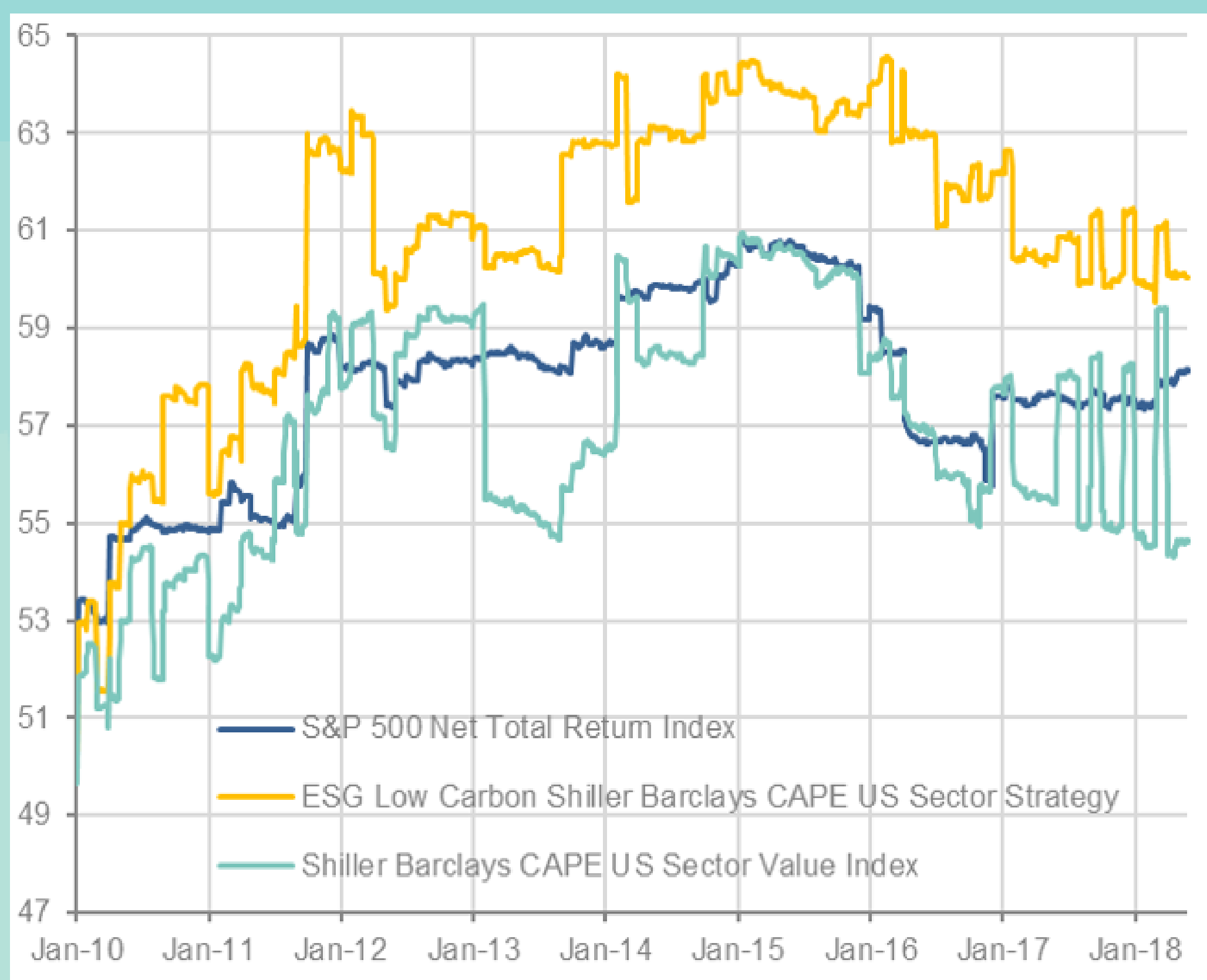
as of 31/05/2018	ESG Low Carbon Shiller Barclays CAPE® US Strategy	Shiller Barclays CAPE® US Sector Value Index	S&P 500 Net Total Return Index
YTD performance	2,48%	3,21%	1,77%
annualized performance	14,43%	15,57%	12,55%
annualized volatility	14,42%	14,48%	14,55%
maximum drawdown	-16,58%	-16,77%	-18,87%
Sharpe ratio	0,98	1,05	0,84
Correlation	97,77%	98,22%	-
Beta	0,97	0,98	-
Annualized alpha	2,27%	3,30%	-

Source: Barclays, Sustainalytics, Trucost, Datastream, Standard & Poor's – Calculation by Ossiam in USD. Before 12/09/2012 for Shiller US and since 04/01/2010 for ESG Low Carbon Shiller US data are based on a backtest. Backtested performance results do not represent the performance of actual trading using client assets, but are achieved by means of the retroactive application of a model. This model assumes reinvestment of net dividends. Past performance is not a reliable indicator of future performance.



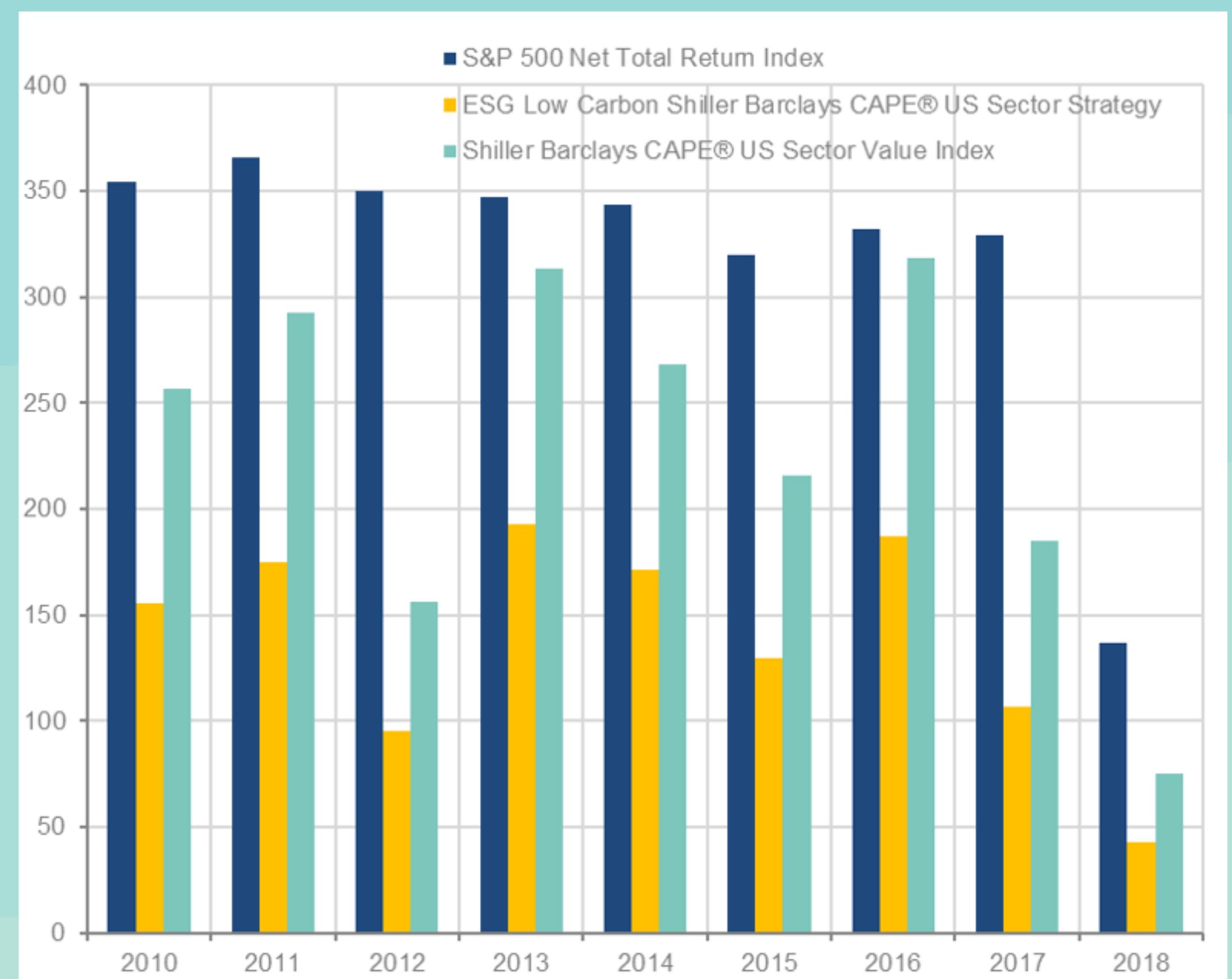
# Simulated ESG scores and carbon emissions

## Simulated ESG performance From 05/01/2010 until 31/05/2018



Source: Sustainalytics, Trucost. Calculation by Ossiam

## Simulated GHG Emissions in tCO2 From 05/01/2010 until 31/05/2018



Source: Sustainalytics, Trucost. Calculation by Ossiam

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