

A Look Back at 2022

ESG Signals & Performance

January 2023

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Agenda

Define Signals and Metrics

Review of 2022

US Large Cap - ESG Rank and Confluence ESG Signals

US Large Cap – ESG Rank vs ESG Carbon Signal

US All - ESG Rank and Confluence ESG Signals

US Large Cap Factor Review for 2022

Top/Bottom 10% of Russell 1000

CODI Model Portfolios

US Large Cap

Carbon Emissions of Investment Benchmarks

Defining Signals

	Description	Use Cases
ESG Rank	Equal weighted score of E, S, and G sub categories	Risk Analysis Reporting
Performance ESG	Score based on Top 5 ESG KPIs positively correlated with residual returns	Risk Analysis Reporting Investment Signal
Alpha ESG Signal	Rank based on 12 month return model of residual returns, ESG data and deltas	Risk Analysis Investment Signal
Alpha ESG Carbon Signal	Rank based on 12 month return model of residual returns, Carbon metrics, ESG data and their deltas	Risk Analysis Investment Signal

2022 US Large Cap ESG Signals Recap

ESG Rank



Performance ESG



Alpha ESG



Alpha ESG Carbon



● Top 25% (113 assets)
 ● 50-75% (114 assets)
 ● 25-50% (115 assets)
 ● Bottom 25% (116 assets)

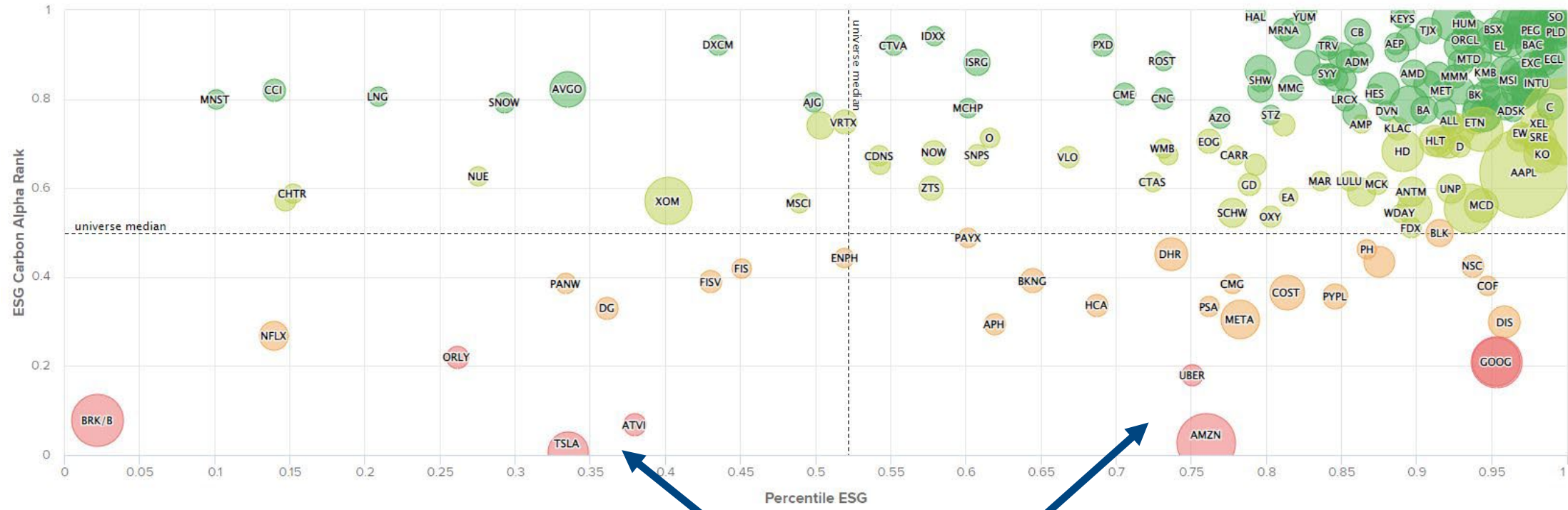
Note:

- Equal weighted performance by quartile
- Signals/ranks updated quarterly

Confluence new signal adds value for long/short

Performance ESG also adds value versus ESG Rank and Market

US Large Cap – Signal vs Rank



Note:

- Equal weighted performance by quartile
- Signals/ranks updated quarterly

Shorts or Avoid stocks; High Rank ESG stocks forecasted to decline like AMZN, GOOG, UBER

US Large Cap ESG Factor 2022 Review

Best performing ESG Factors and Signals from the IWB

Top/Bottom defined at the 10% threshold of the IWB Universe

Energy Stocks sit in the first spots exhibiting a lot of alpha

ESG Factors and Signals added value versus the benchmark and ESG Universe (highlighted in darker green)

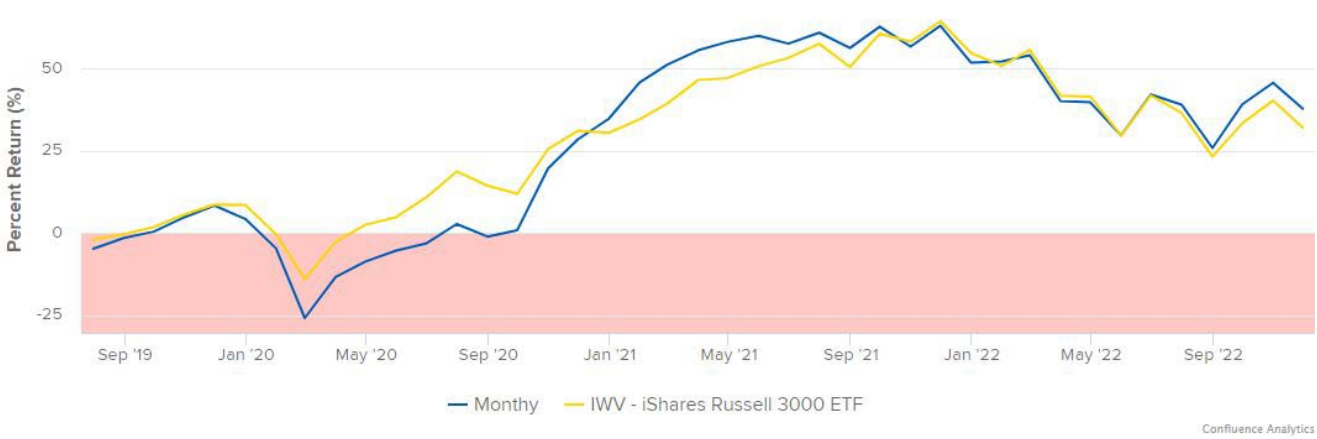
Rank	ESG Factor	1yr Return	Attribution	Alpha	Ave # Companies
1	Bottom Scope 3 Carbon	9.53	23.56	29.16	87
2	Bottom Carbon (Rev Intensity)	7.26	21.29	26.89	102
3	Bottom Carbon (MktCap Intensity)	6.97	21	26.6	93
4	Top G	-5.19	8.84	14.43	169
5	Top Diversity	-5.66	8.37	13.96	186
6	Top S	-7.13	6.9	12.5	183
7	Top ESG Performance	-7.16	6.87	12.47	187
8	Top ESG	-7.2	6.83	12.42	189
9	Top ESG Alpha Signal	-8.99	5.04	10.63	163
10	Top Carbon (Rev Intensity)	-9.35	4.68	10.27	128
11	Top E	-10.52	3.51	9.11	182
12	Top Price Momentum	-10.57	3.47	9.06	69
13	Top Sector Price Momentum	-10.77	3.26	8.85	69
14	Top Sector Price Momentum (Short Term)	-12.08	1.95	7.54	66
15	Top Price Momentum (Short Term)	-12.27	1.77	7.36	66
16	ESG Universe (EQW)	-14.03		5.6	851
17	Top Sector Price Momentum (Long Term)	-16.8	-2.77	2.83	58
18	Top Price Momentum (Long Term)	-17.05	-3.02	2.58	58
19	Top ESG Carbon Signal	-17.53	-3.5	2.1	112
20	Russell 1000	-19.63			

Note:

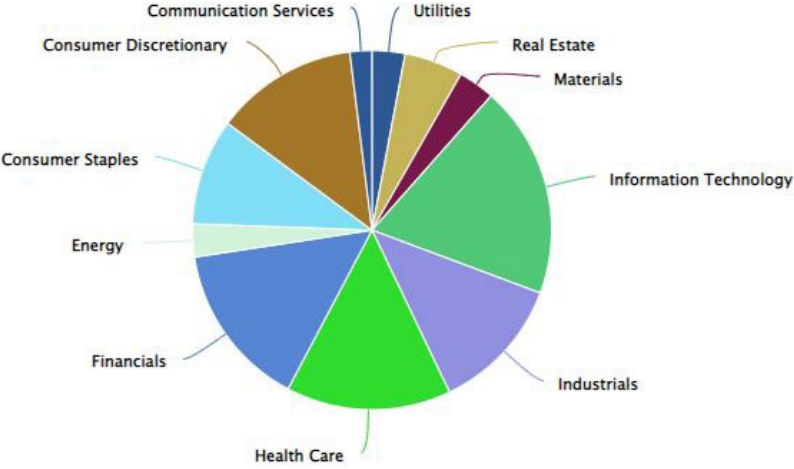
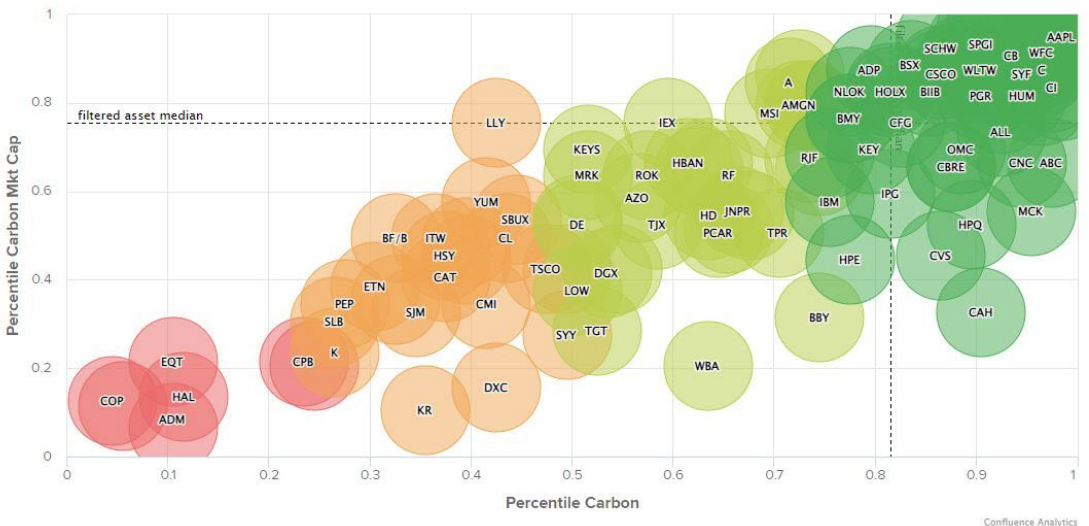
- Benchmark is IWB

- Attribution is the return in excess to the ESG universe

Climate Optimized US Large Cap



Metric	Monthly Rebalance	Benchmark
1 Month Percent Return	-5.42 %	-5.87 %



CODI – US Large Cap

Outperformed in 2022 -14% vs -19% with 80% decline in carbon footprint

ESG Performance & Alpha Signals plus are the major factors driving selection

Net Zero cost 12bps

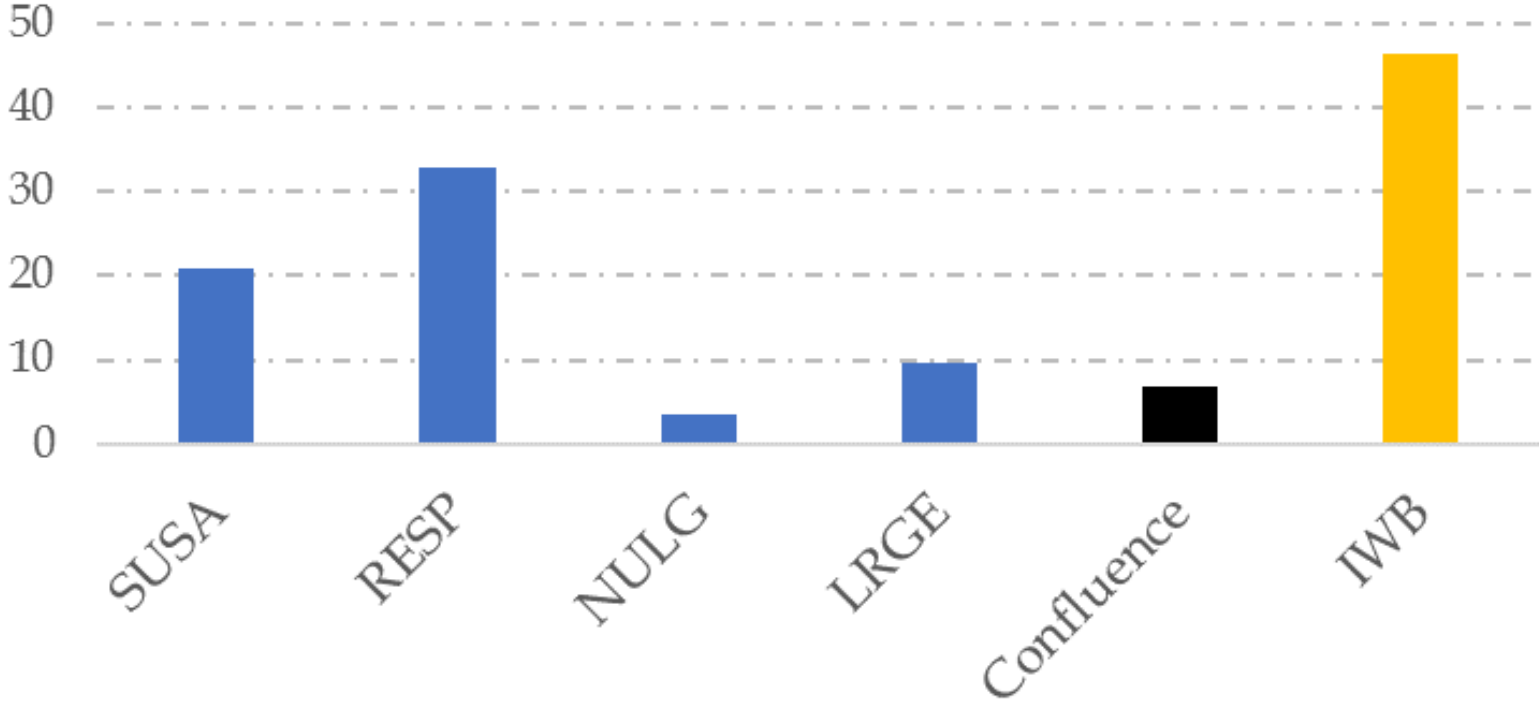
CODI vs ESG ETFs

Confluence US Large Cap Climate Optimized model or CODI cuts emissions by more than 80%

But there is more...

ETFs	Name	Scope 1 & 2
SUSA	iShares MSCI USA	20.9
RESP	WisdomTree US ESG	32.8
NULG	Nuveen ESG Large Cap	3.4
LRGE	ClearBridge Large Cap ESG	9.6
	Confluence CODI US	6.7
IWB	iShares Russell 1000	46.4

Scope 1 & 2 Emissions Intensity (tCO2e/\$MM Market Cap)

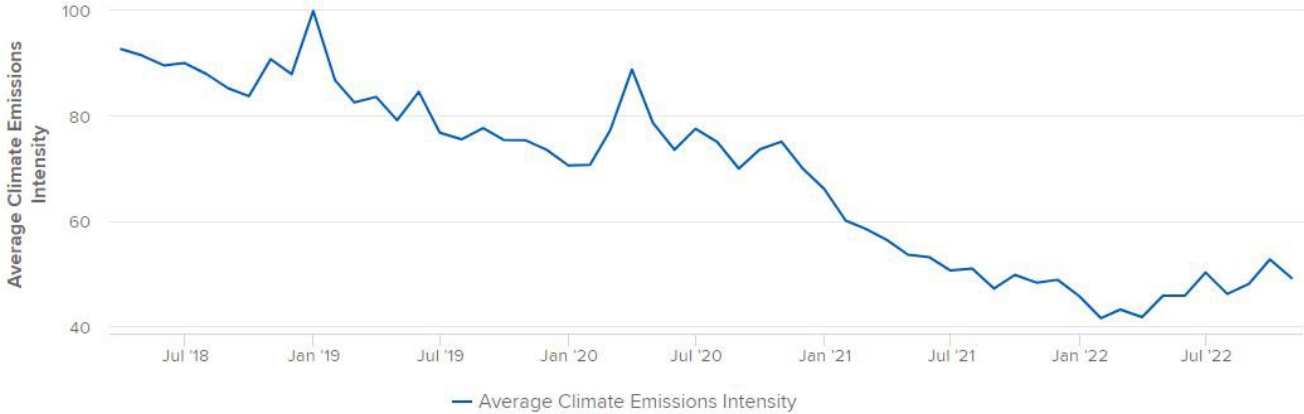


Benchmark ETF Emissions



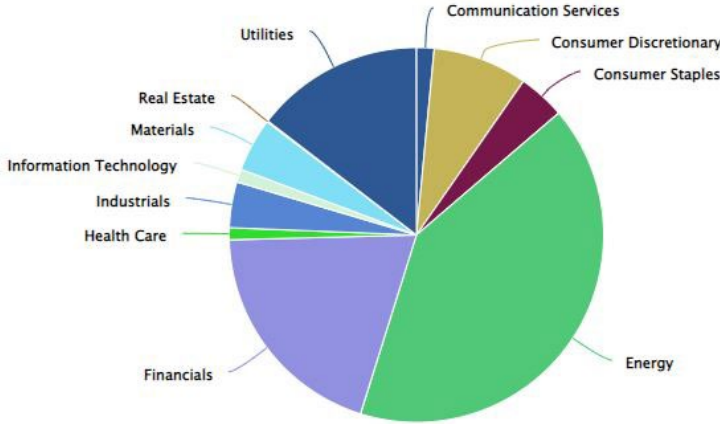
SPY ETF Emissions Details

Avg Climate Emissions Intensity (tons of GHG/tCO2e per \$MM Invested)

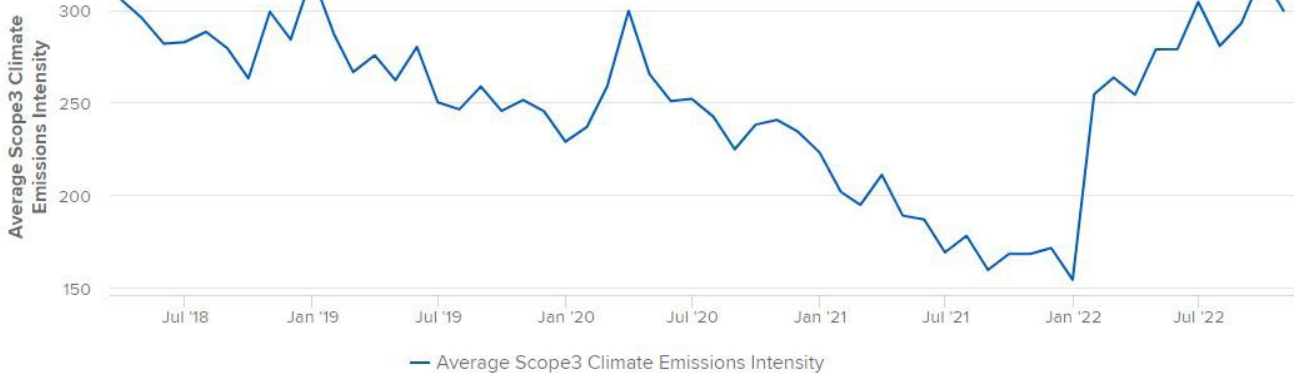


Confluence Analytics

Percent Total Emissions Per Sector

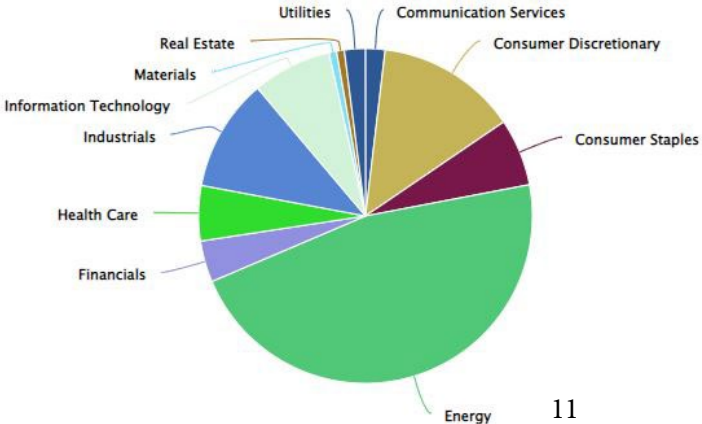


Avg Scope3 Climate Emissions Intensity (tons of GHG/tCO2e per \$MM Invested)



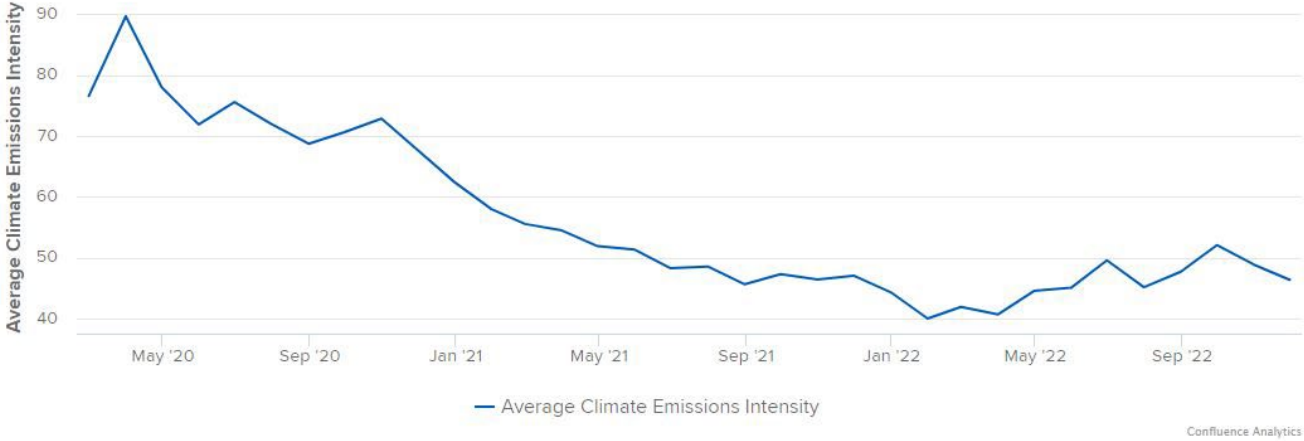
Confluence Analytics

Percent Scope 3 Emissions Per Sector

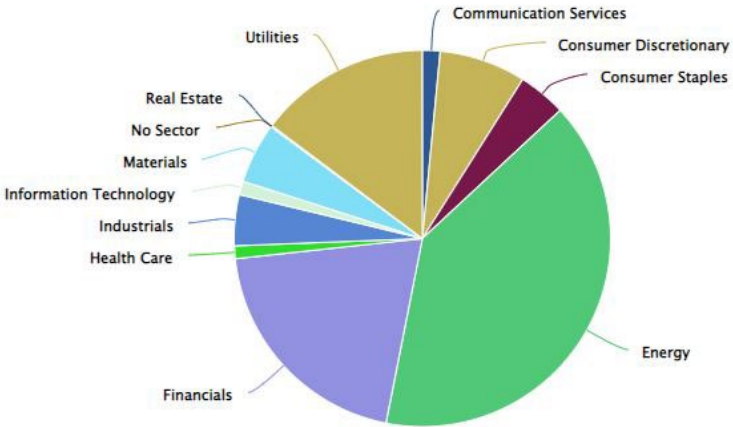


IWB ETF Emissions Details

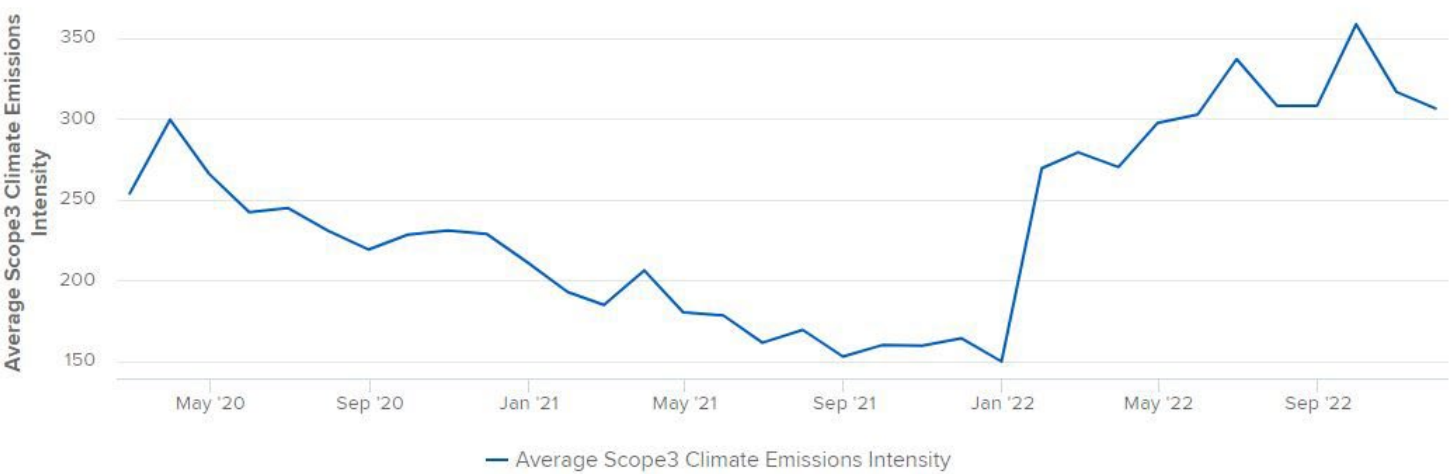
Avg Climate Emissions Intensity (tons of GHG/tCO2e per \$MM Invested)



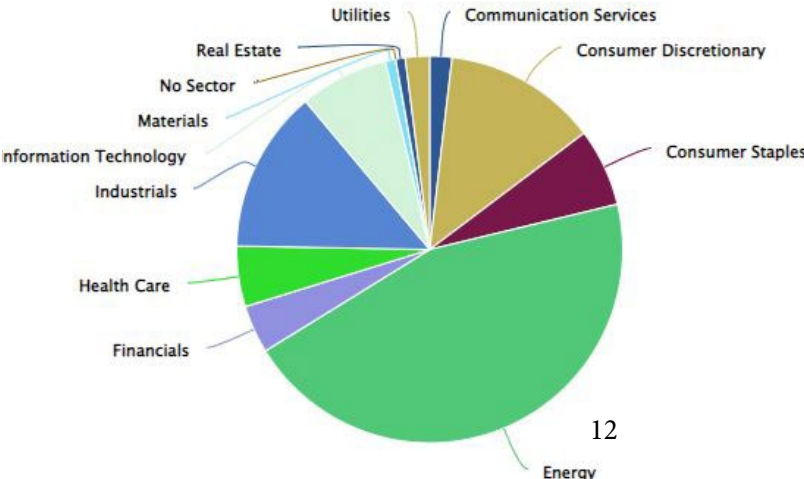
Percent Total Emissions Per Sector



Avg Scope3 Climate Emissions Intensity (tons of GHG/tCO2e per \$MM Invested)

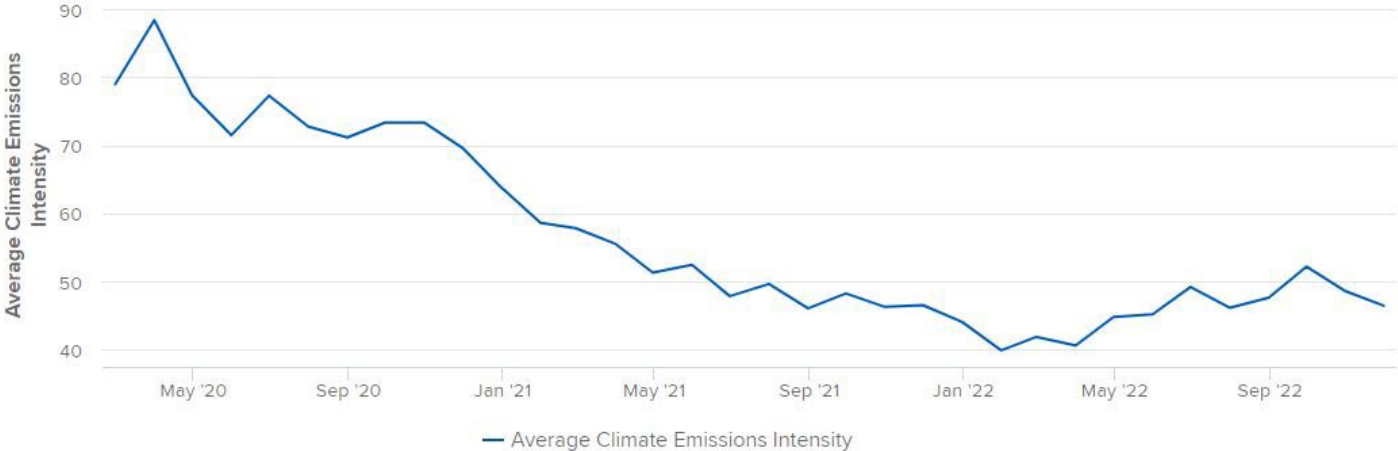


Percent Scope 3 Emissions Per Sector

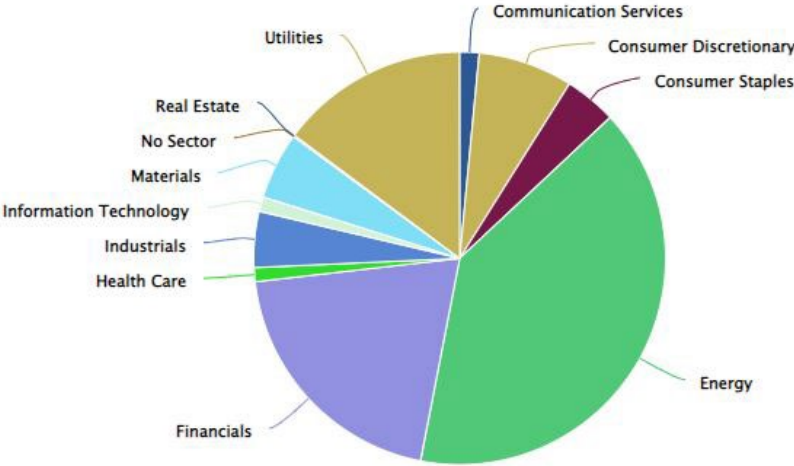


IWV ETF Emissions Details

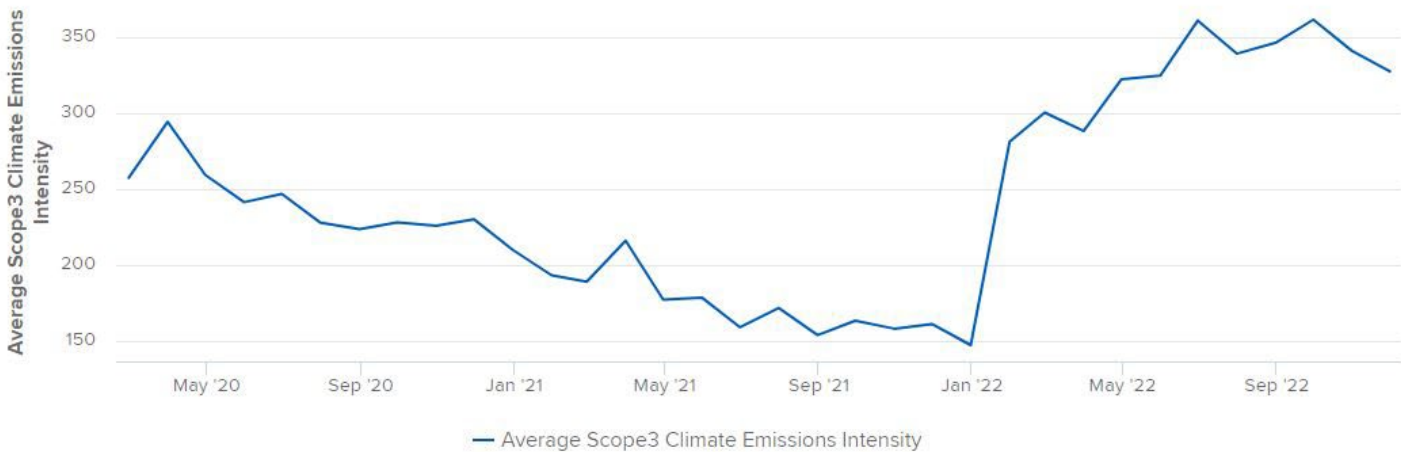
Avg Climate Emissions Intensity (tons of GHG/tCO2e per \$MM Invested)



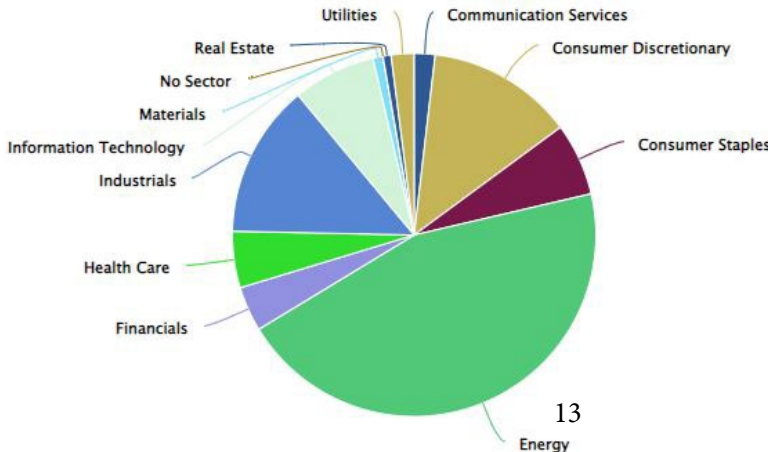
Percent Total Emissions Per Sector



Avg Scope3 Climate Emissions Intensity (tons of GHG/tCO2e per \$MM Invested)

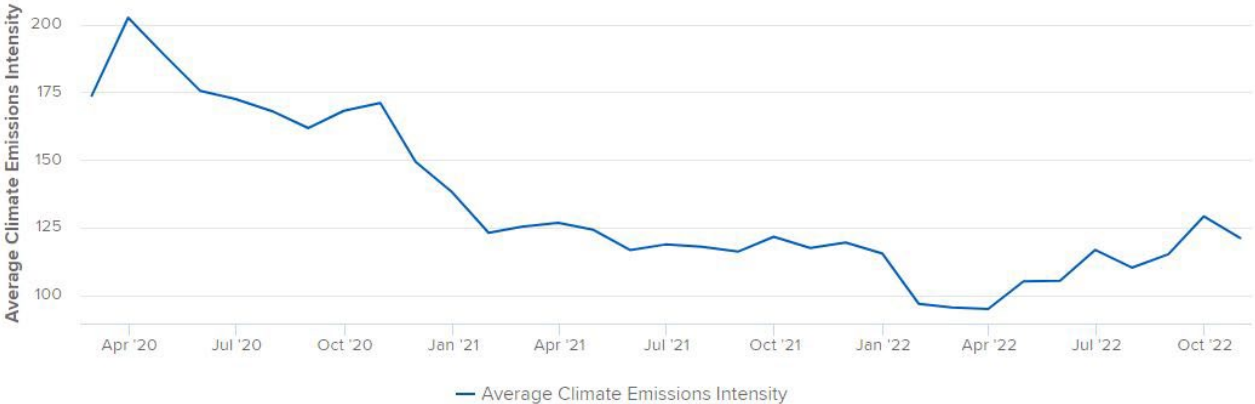


Percent Scope 3 Emissions Per Sector



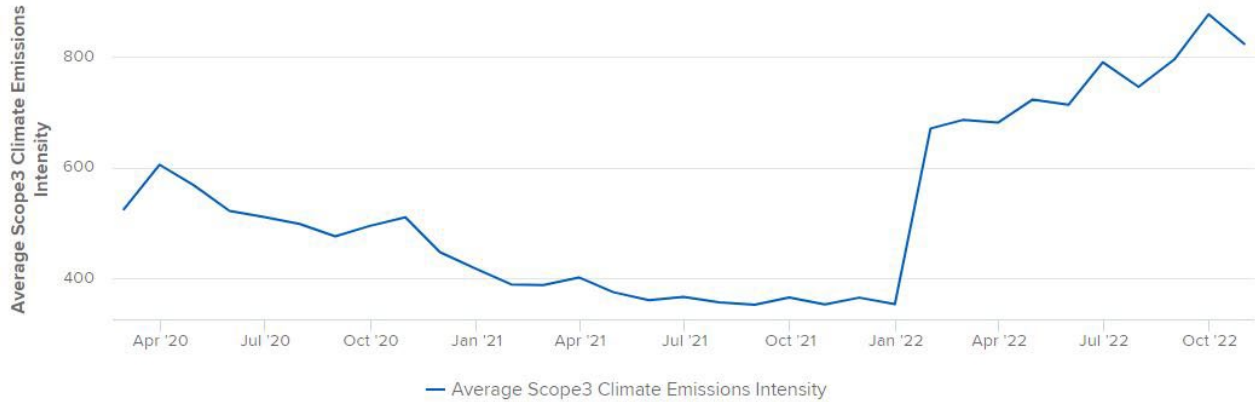
EFA ETF Emissions Details

Avg Climate Emissions Intensity (tons of GHG/tCO2e per \$MM Invested) [↓](#)



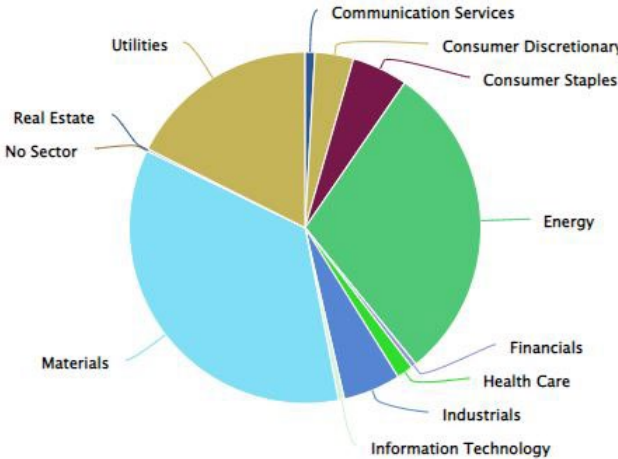
Confluence Analytics

Avg Scope3 Climate Emissions Intensity (tons of GHG/tCO2e per \$MM Invested) [↓](#)

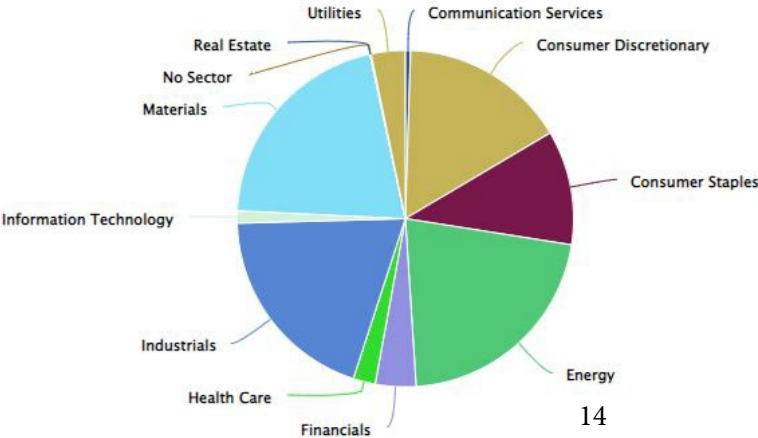


Confluence Analytics

Percent Total Emissions Per Sector

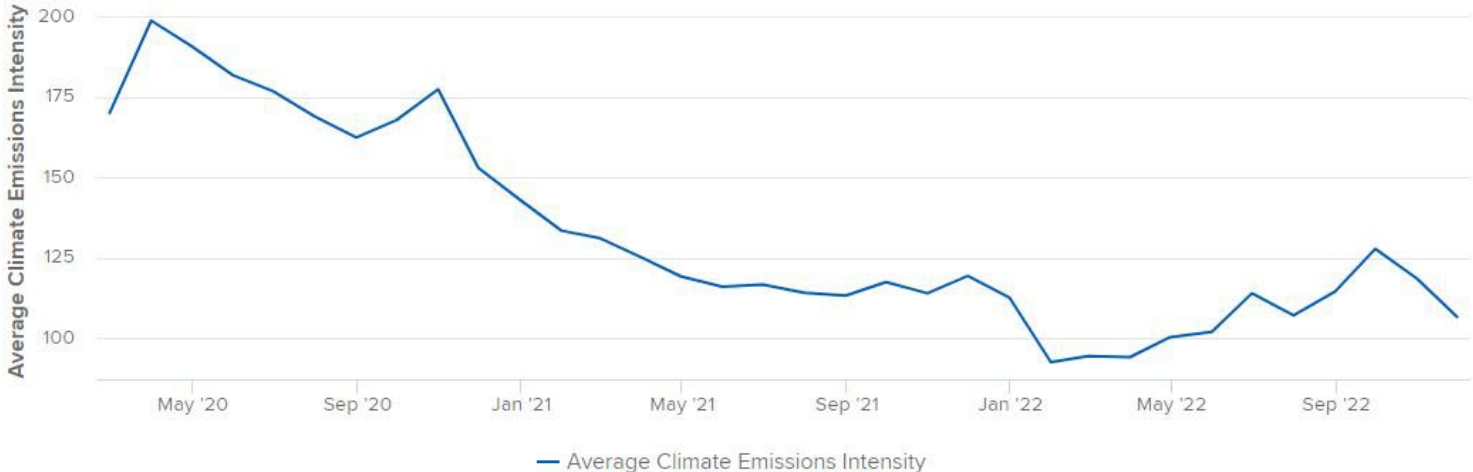


Percent Scope 3 Emissions Per Sector

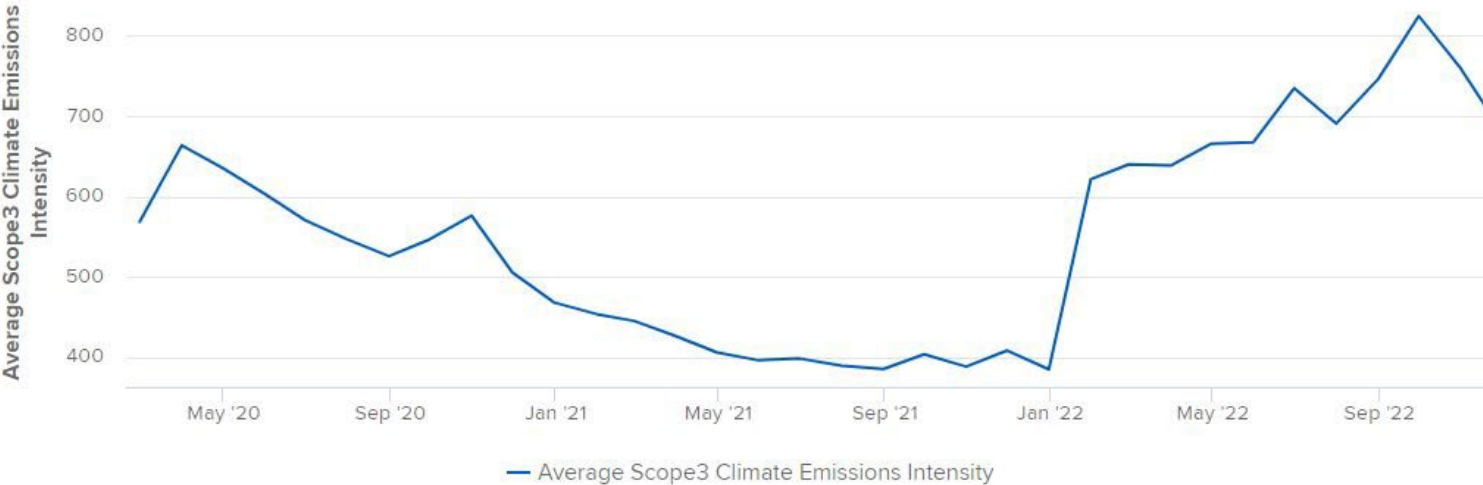
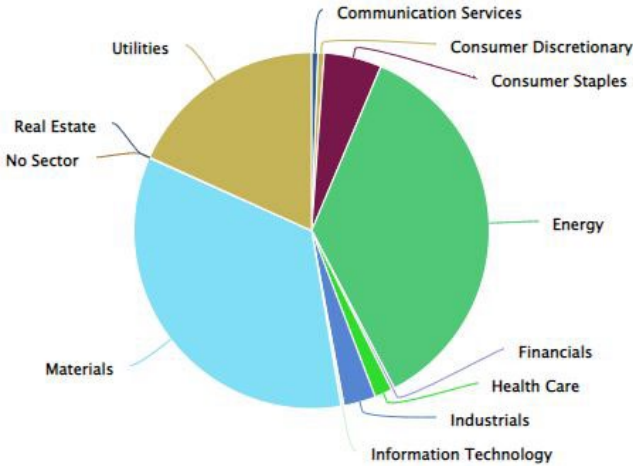


IEV ETF Emissions Details

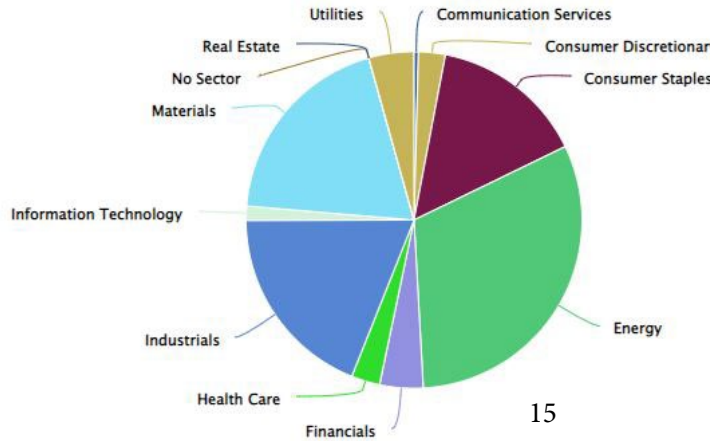
Avg Climate Emissions Intensity (tons of GHG/tCO2e per \$MM Invested) ↓



Percent Total Emissions Per Sector



Percent Scope 3 Emissions Per Sector



Thank you!

