ESG & Carbon Signals 2Q23 2023 –

US Large Caps

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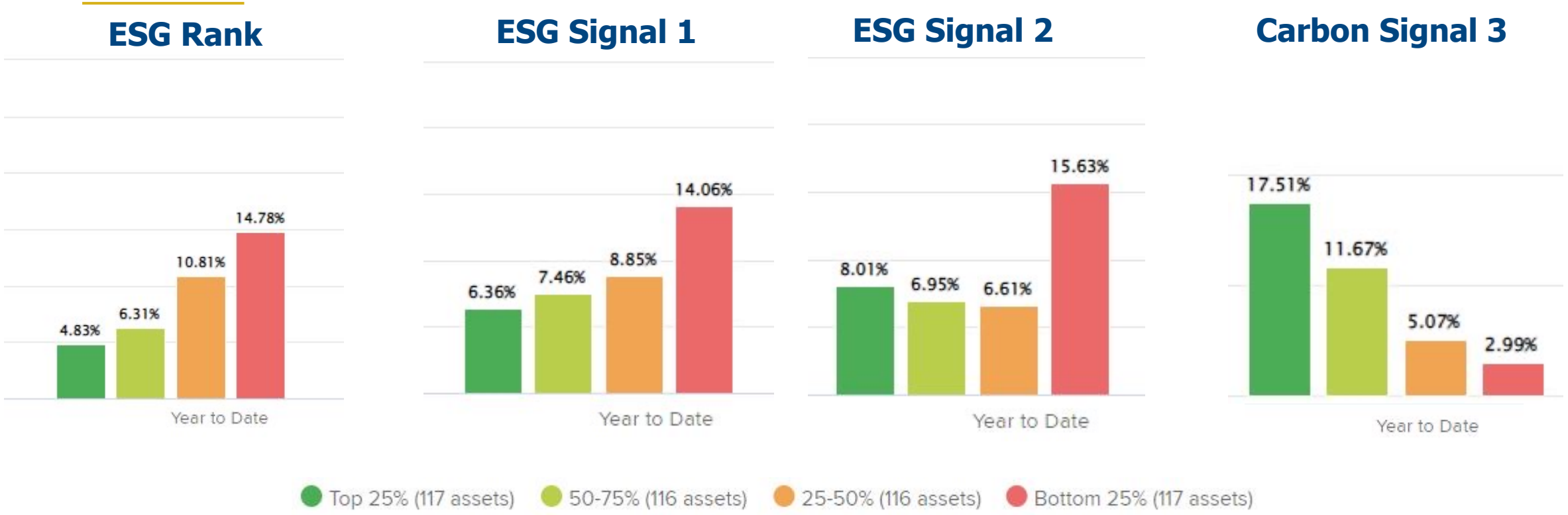
Main Takeaways 2Q23

- **Lower Ranked ESG Stocks and Signals without Carbon Outperformed Higher ranked stocks on average**
- **Signals that Incorporate Carbon (Signal 3) showed the highest ranked stocks (top two quartiles) outperformed those ranked lower (bottom two quartiles)**
- **We highlight the highest and lowest risk stocks with our signals. Please reach out for a list of specific companies.**

ESG Signals June YTD – US Large Caps



Through June, consensus ESG ranks and our signals that do not incorporate carbon all show bottom ranked stocks on average outperforming.

Our Carbon Signal 3 metric shows a better pattern for long only and long/short managers.

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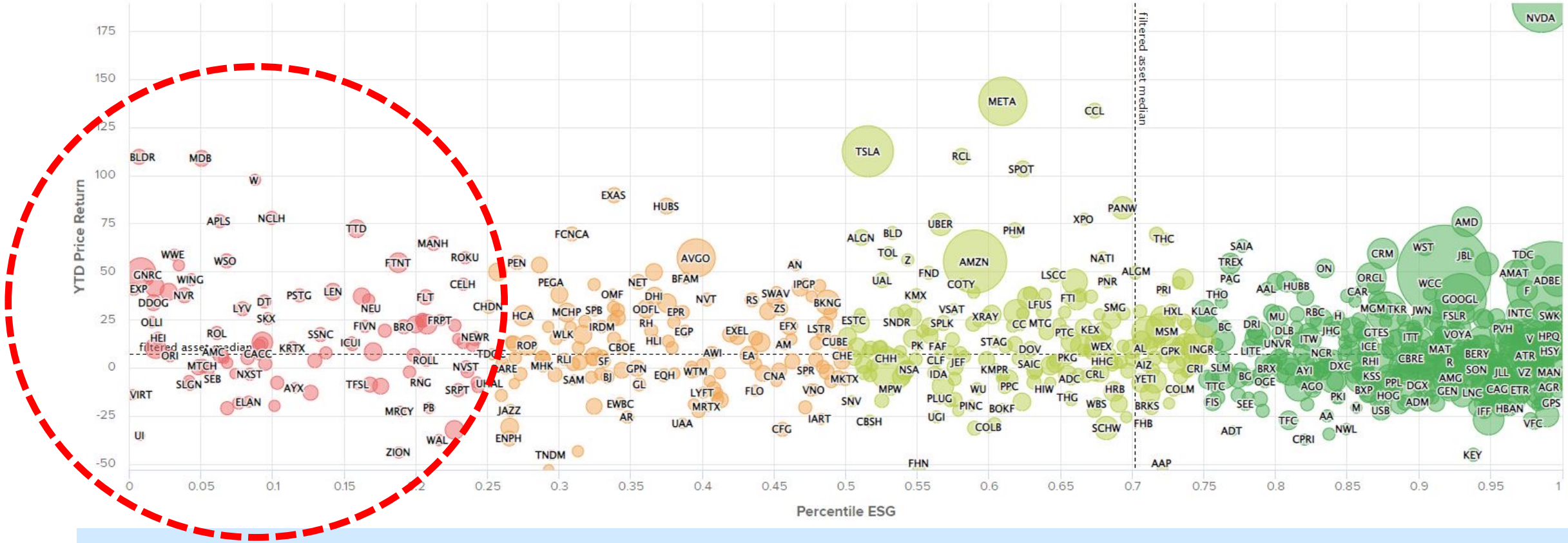
ESG vs. YTD Return



Low ranked ESG stocks were up on average YTD more than the higher ranked stocks.

Nvidia (NVDA) has been a leader across the board, but the average high ranked ESG stock has lagged the overall benchmark.

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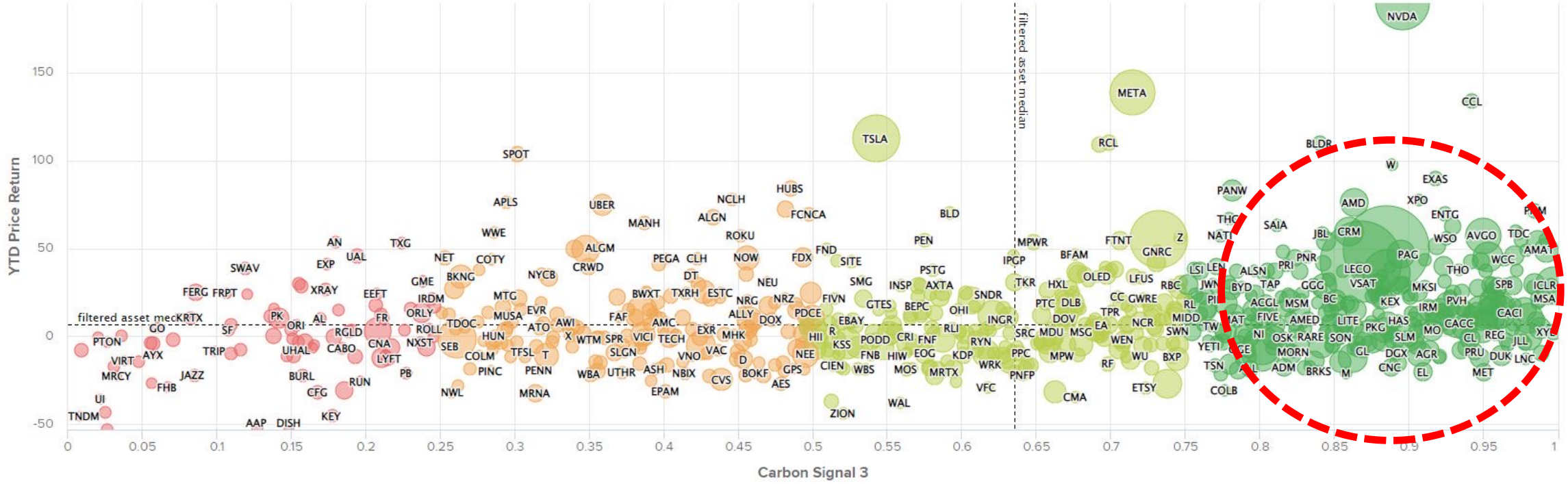
Carbon Signal 3 vs. YTD Return



Carbon Signal 3 mixes Carbon, ESG and residual returns to make a forecast of future returns. The ranking system on the X-axis is the result of this process

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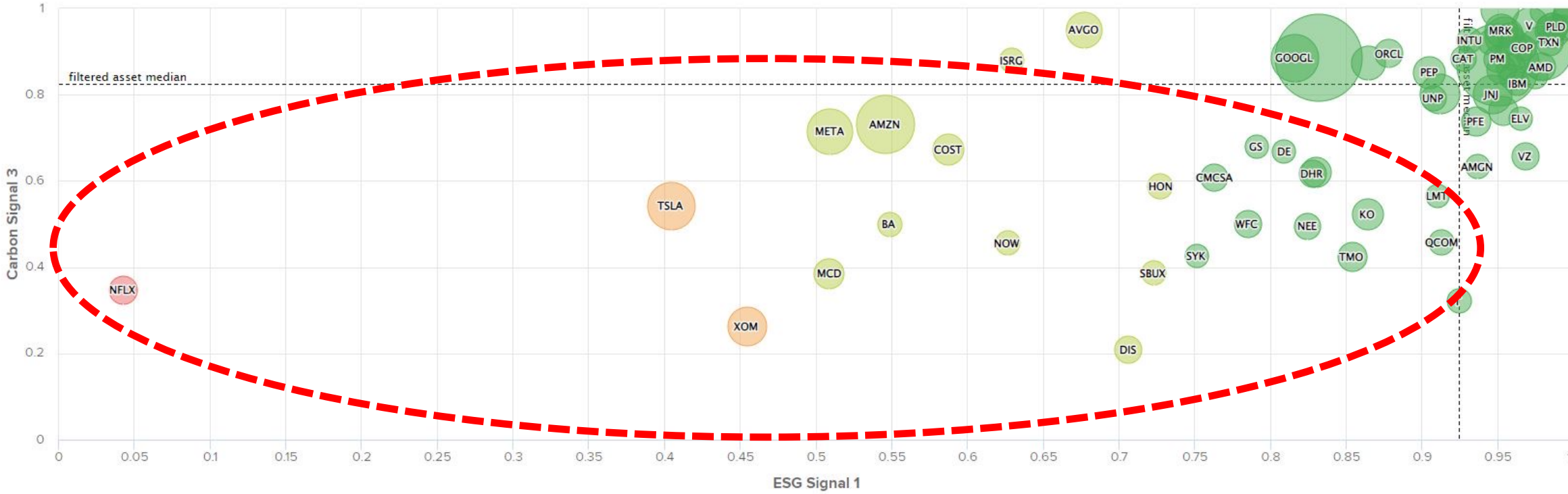
ESG Signal Risk Matrix – More Risk



Above, we combine our signals into a matrix and focus in on the largest companies in the US Large Cap Universe.

We highlight a number of companies that should underperform the market: NFLX, XOM, TSLA, MCD, META, AMZN, etc.

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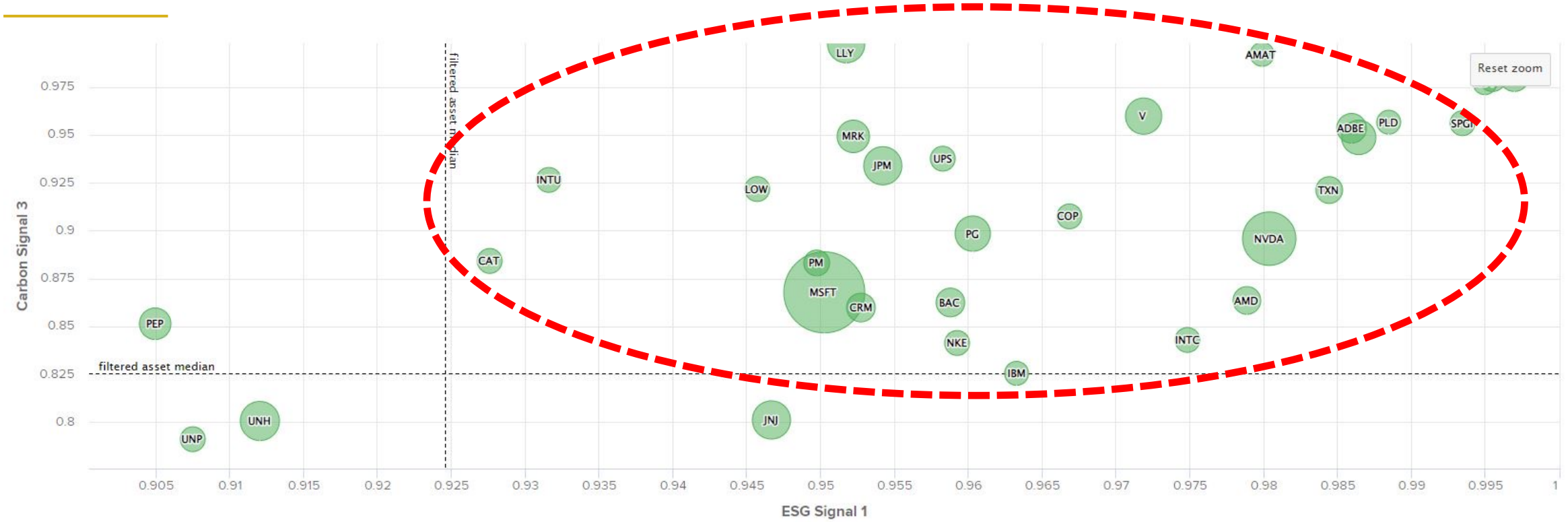
Close-up of Lowest Risk Large Caps



Zooming into the upper quadrant of our ESG Signal matrix reveals a diverse mix of household names with a bias towards tech

A number of companies pop out as names that will likely outperform the broader markets and their peers: NVDA, ADBE, AMAT, V, PLD, etc.

ESG & Carbon Signal Process

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Defining Signals

	Description
ESG Rank	Equal-weighted score of the sub categories of E,S,G pillars
ESG Signal 1	Score based on Top 5 ESG KPIs positively correlated with residual returns
ESG Signal 2	Rank based on 12-month return model of residual returns, ESG Ranks and Deltas
Carbon Signal 3	Rank based on 12-month return model of residual returns, ESG ranks, Carbon data and their deltas

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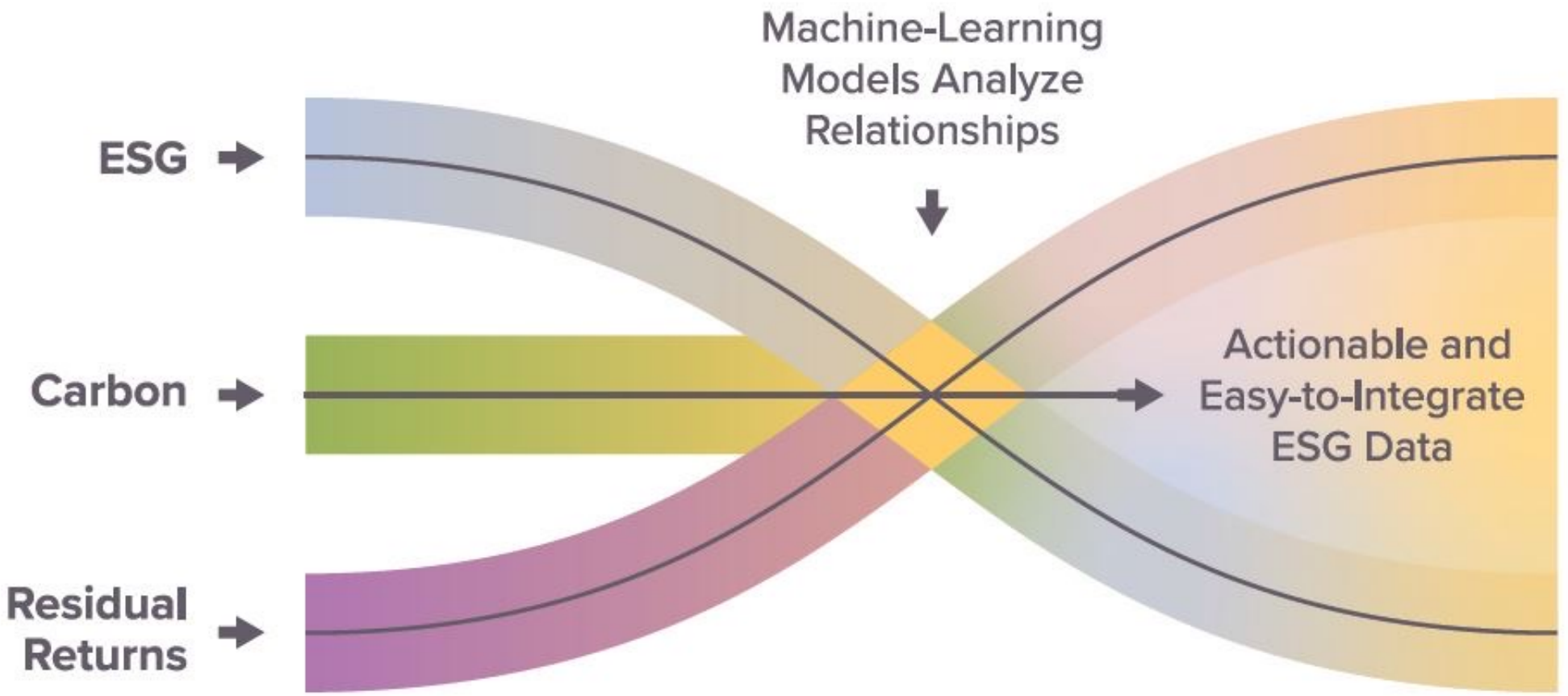
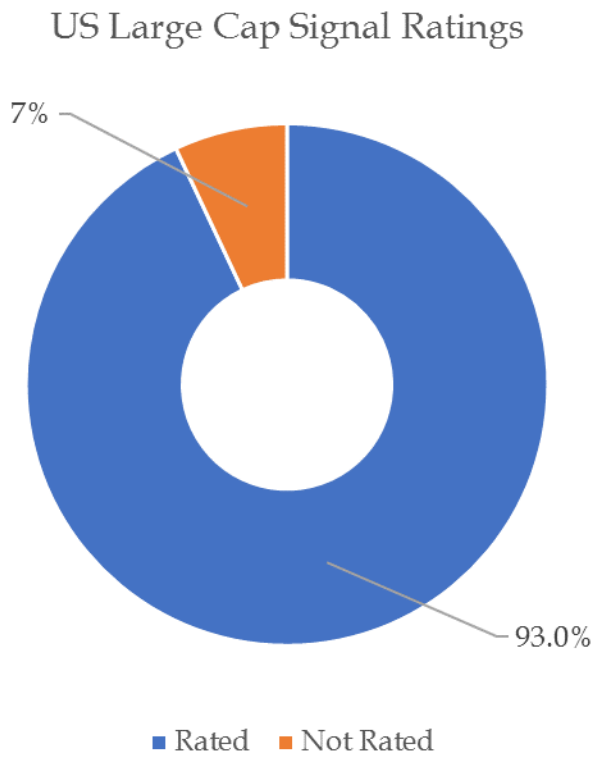
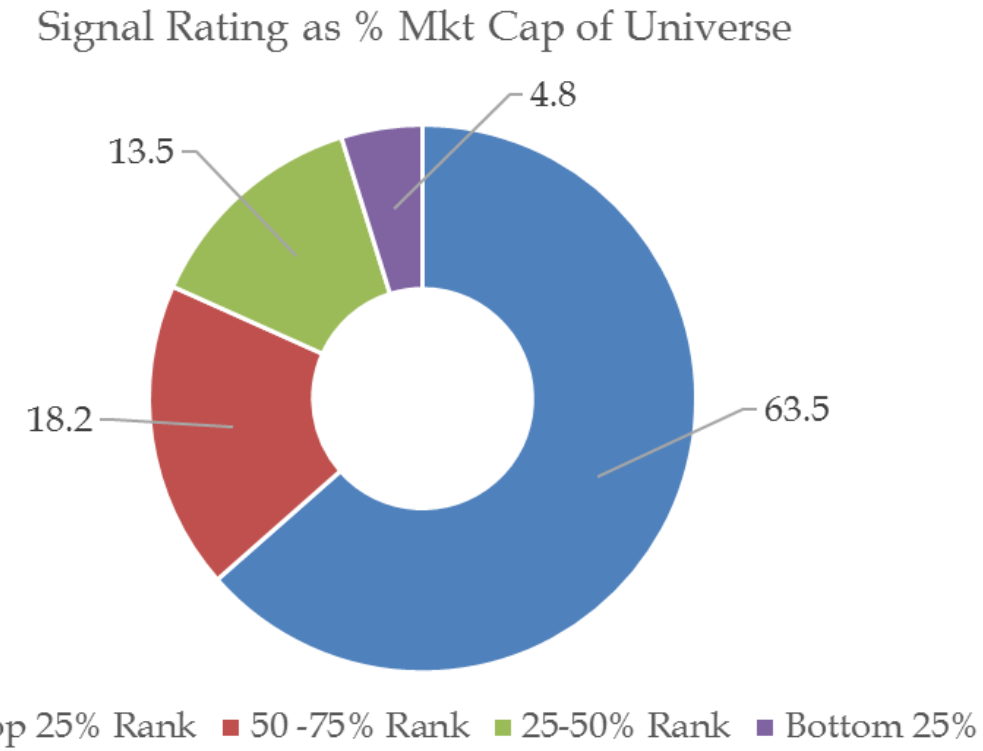
ESG & Carbon Signal Process



Comprehensive Signals





Note: Signals require 12 months of data; IPOs and Spin-offs excluded

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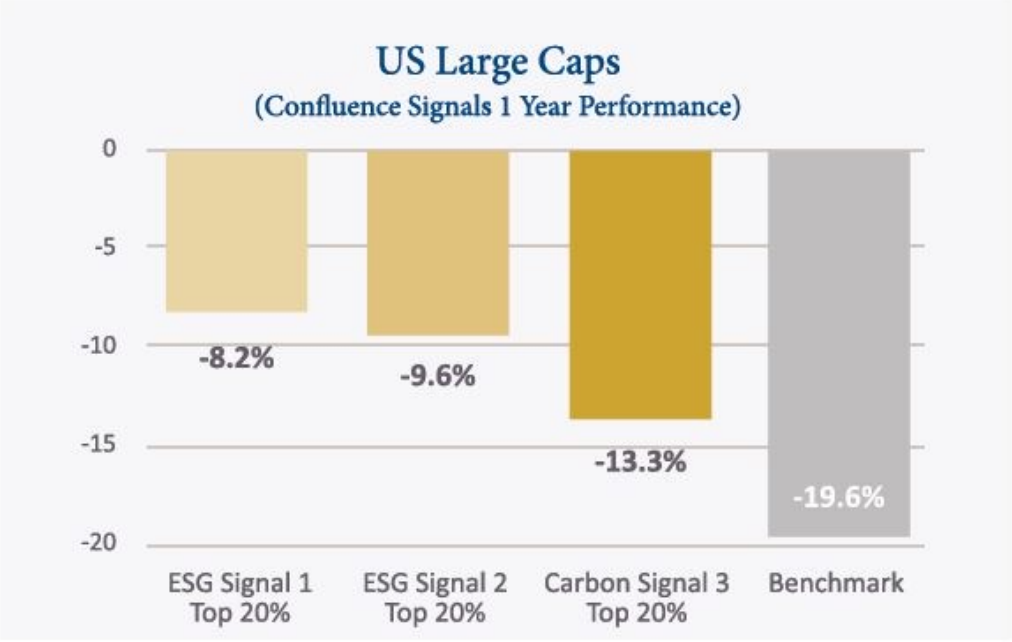
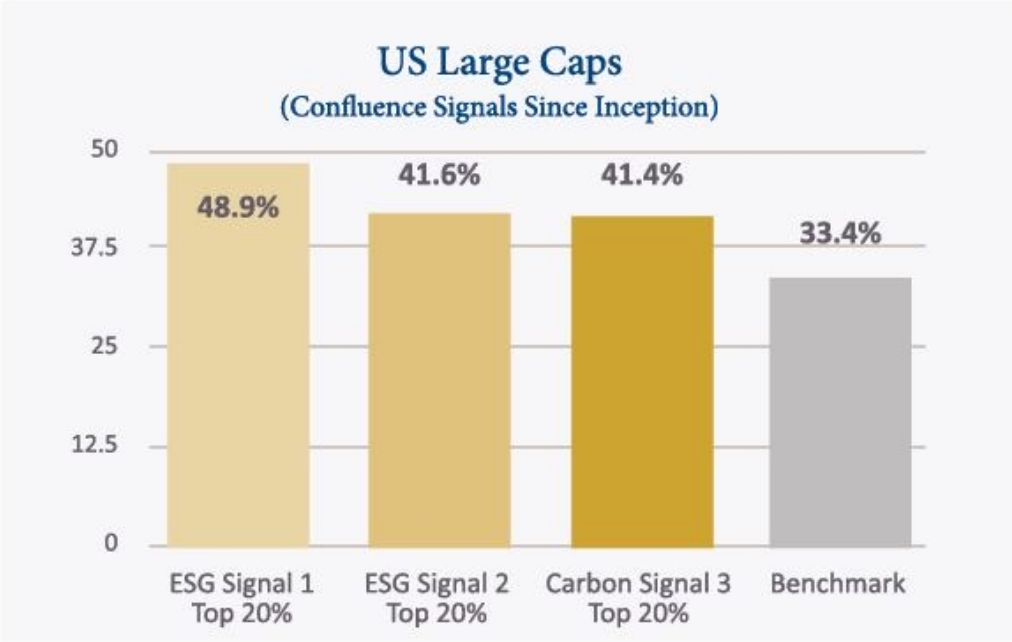
Our Signals Lead to Better Outcomes



Equally weighted, updated quarterly. 1 yr performance is 2022.



Equally weighted, updated quarterly. Since Inception starts 7/31/2019.

Eliminate guess work and time spent deciphering which ESG factors will influence future performance for individual stocks.

Our signals determine stock performance and risk without regard for narratives.

Current ESG & Carbon Signal Equations

ESG Signal 1

Date	Universe	Signal	Current Equation
4/30/2023	us	Signal 1	(cit+emp+cit2+emp1+s)/5

ESG Signal 2

Date	Universe	Signal	Current Equation
4/30/2023	us	Signal 2	-15.94025735 + CIT2*0.07476707 - cit1_12mo_delta*0.27261254 + EMP1*0.20659892 + cit_12mo_delta*0.30411582 - emp_3mo_delta*0.35520251

Carbon Signal 3

Date	Universe	Signal	Current Equation
4/30/2023	us	Signal 3	-14.22276517 - carbon_mkt_cap_norm_3mo_delta*0.70019523 + EMP1*0.23731628 + carbon_norm_3mo_delta*0.32098083 -

Thank you!