



**Martin Grosskopf**  
Vice-President and Portfolio Manager  
AGF Investments Inc.

# Evolving With ESG

What We Do Today, Matters Tomorrow

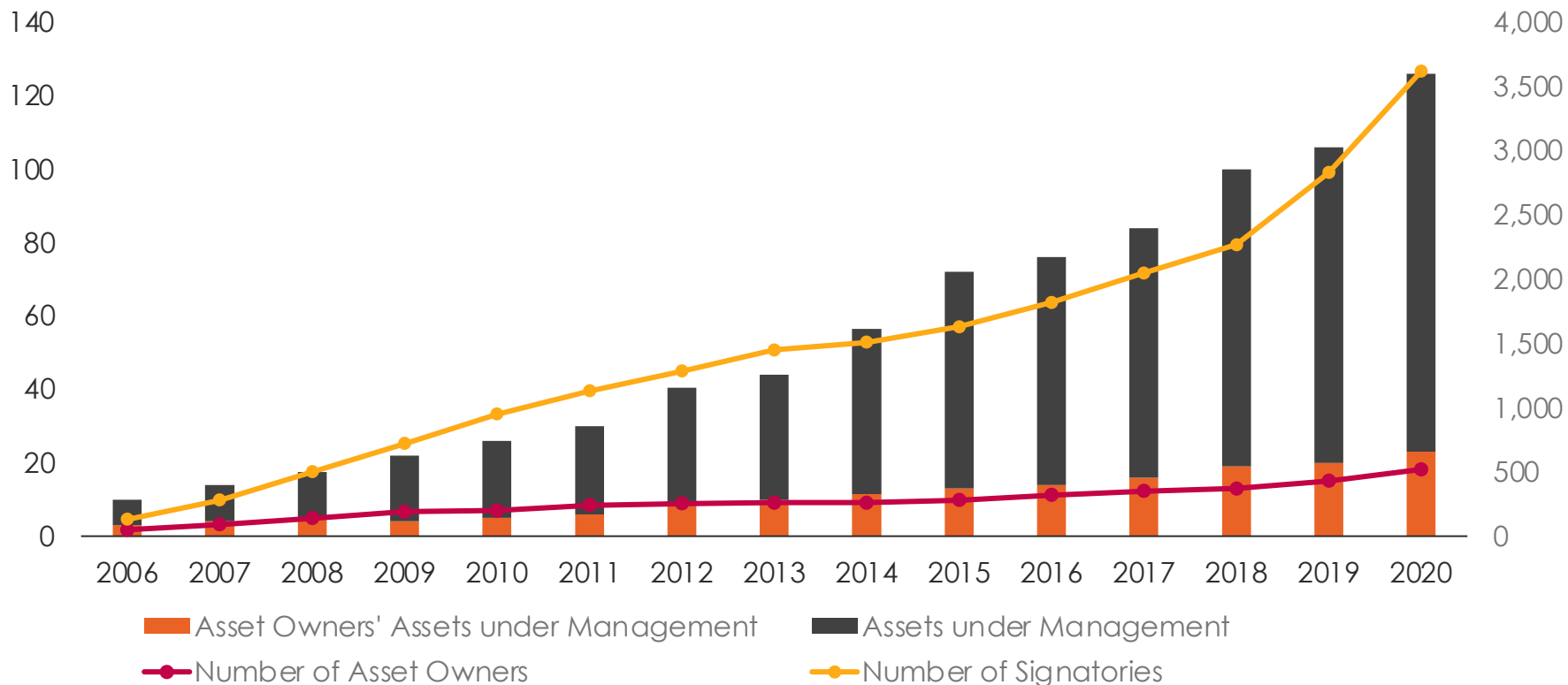
November 2020

# ESG *is* the Mainstream

Assets under Management (USD, trillions)

## UN PRI Growth – 2006-2020

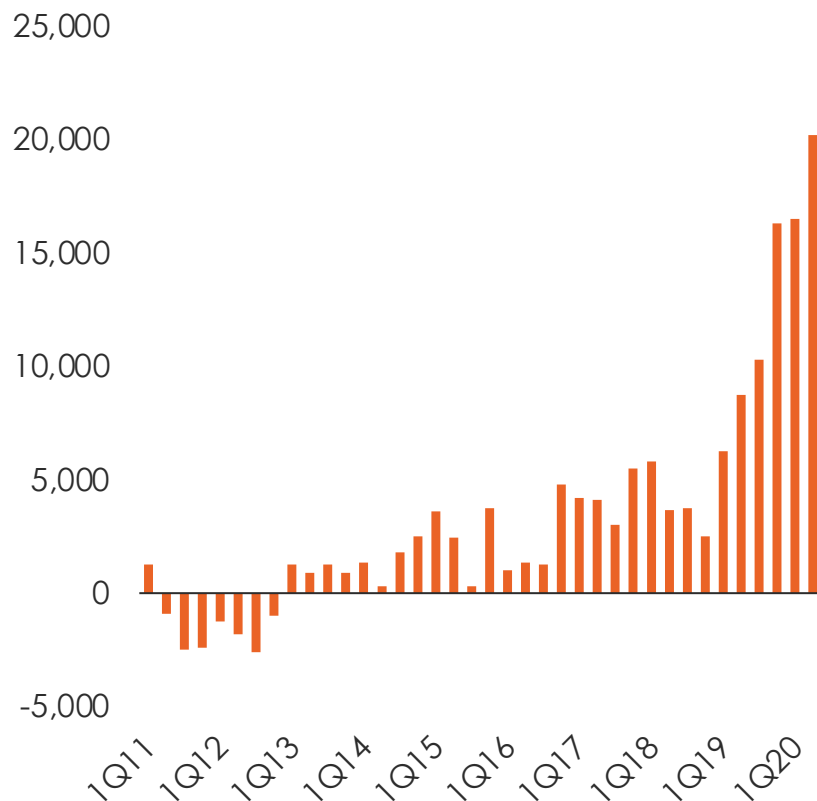
Number of Signatories



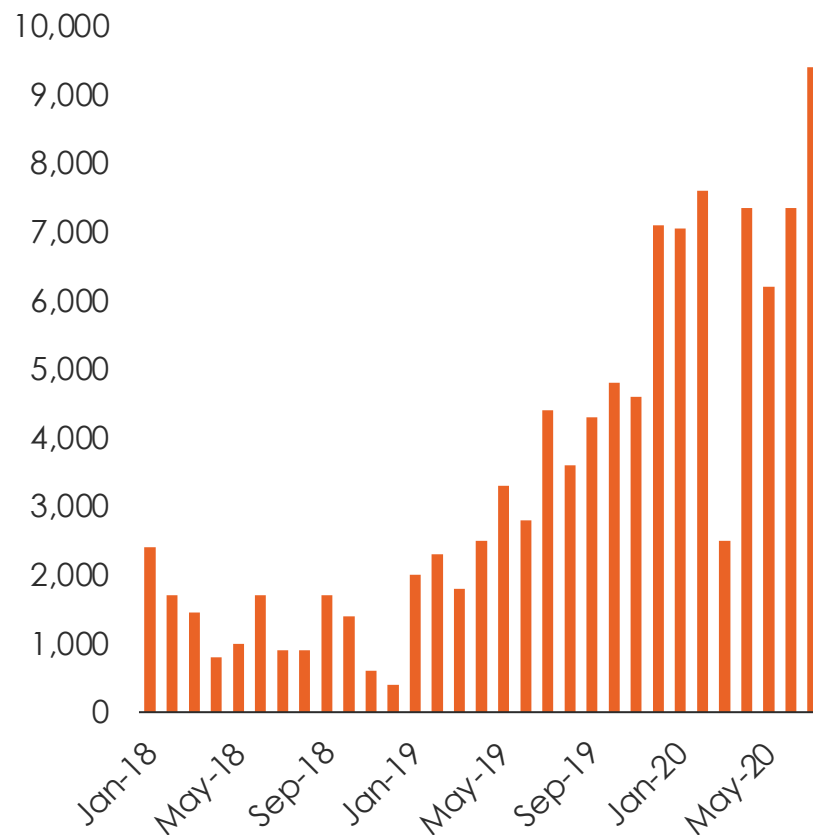
Source: UN Principles for Responsible Investing as of September 2020

# Crises are not Made Equal – this Time Really is Different

Scrubbed Universe of Sustainable Equity  
Funds: Quarterly Net Flows (\$ mn)



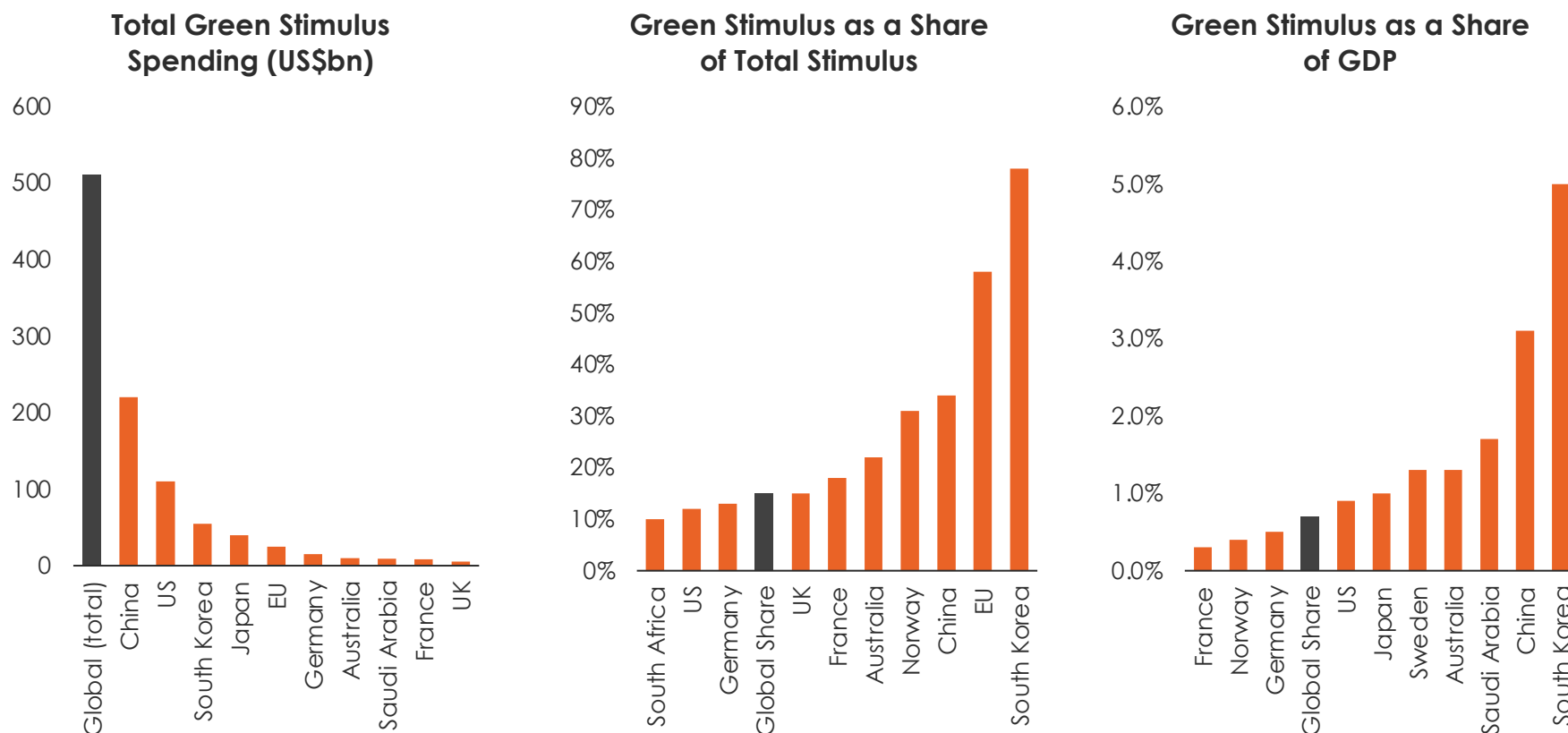
Scrubbed Universe of Sustainable Equity  
Funds: Monthly Net Flows (\$ mn)



Source: RBC Capital Markets as of August 2020

# Flashback – Global Financial Crisis Stimulus Set the Stage

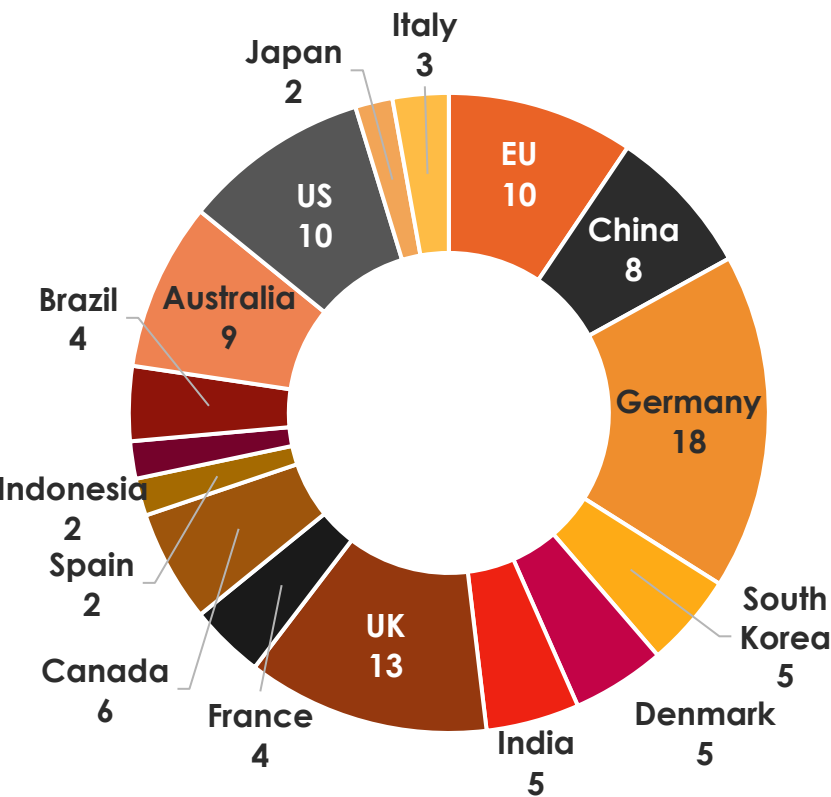
## Total Green Stimulus Spending by Country during Global Financial Crisis



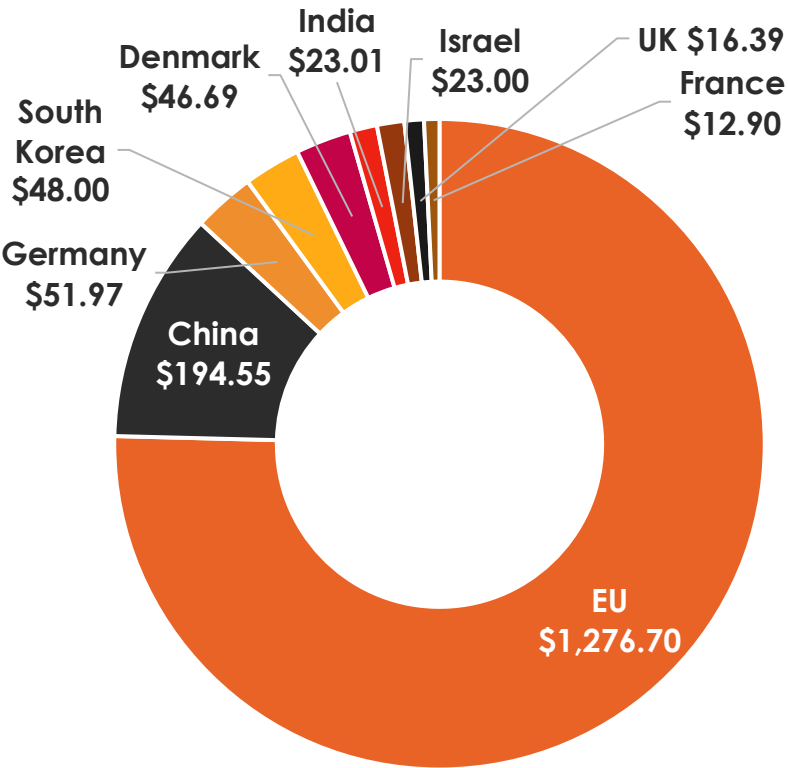
Source: Credit Suisse as of September 2020

# Today's Green Stimulus

Number of Policies by Country

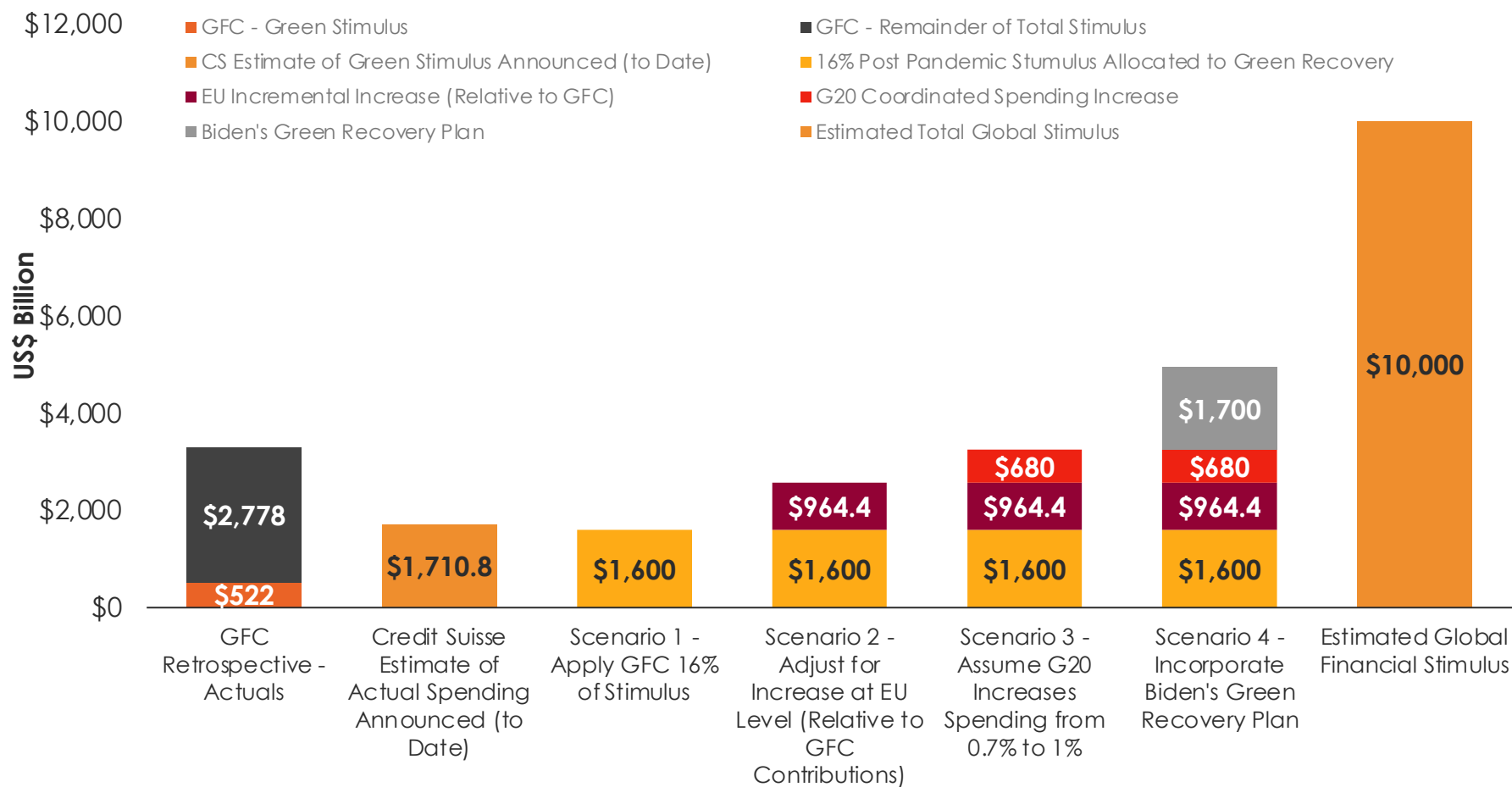


Total Green Stimulus by Country of Region (US\$ bn)



Credit Suisse August 2020

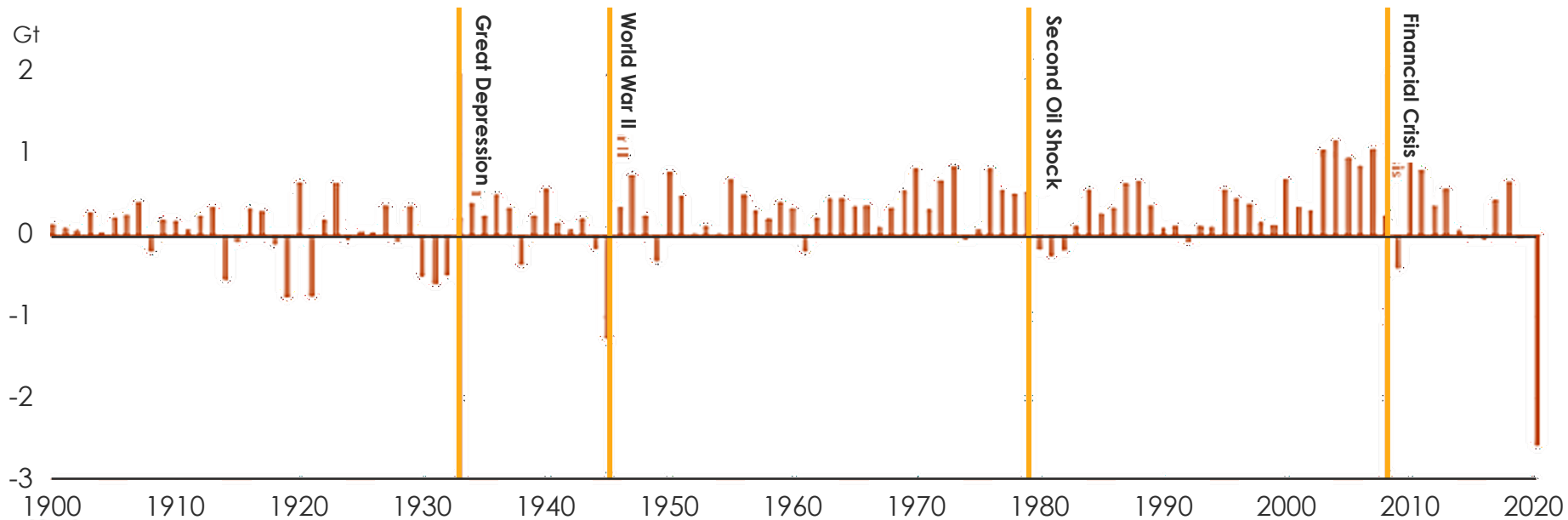
# Adding it Up



Source: Credit Suisse as of September 2020

# COVID and Emissions – Historic Declines

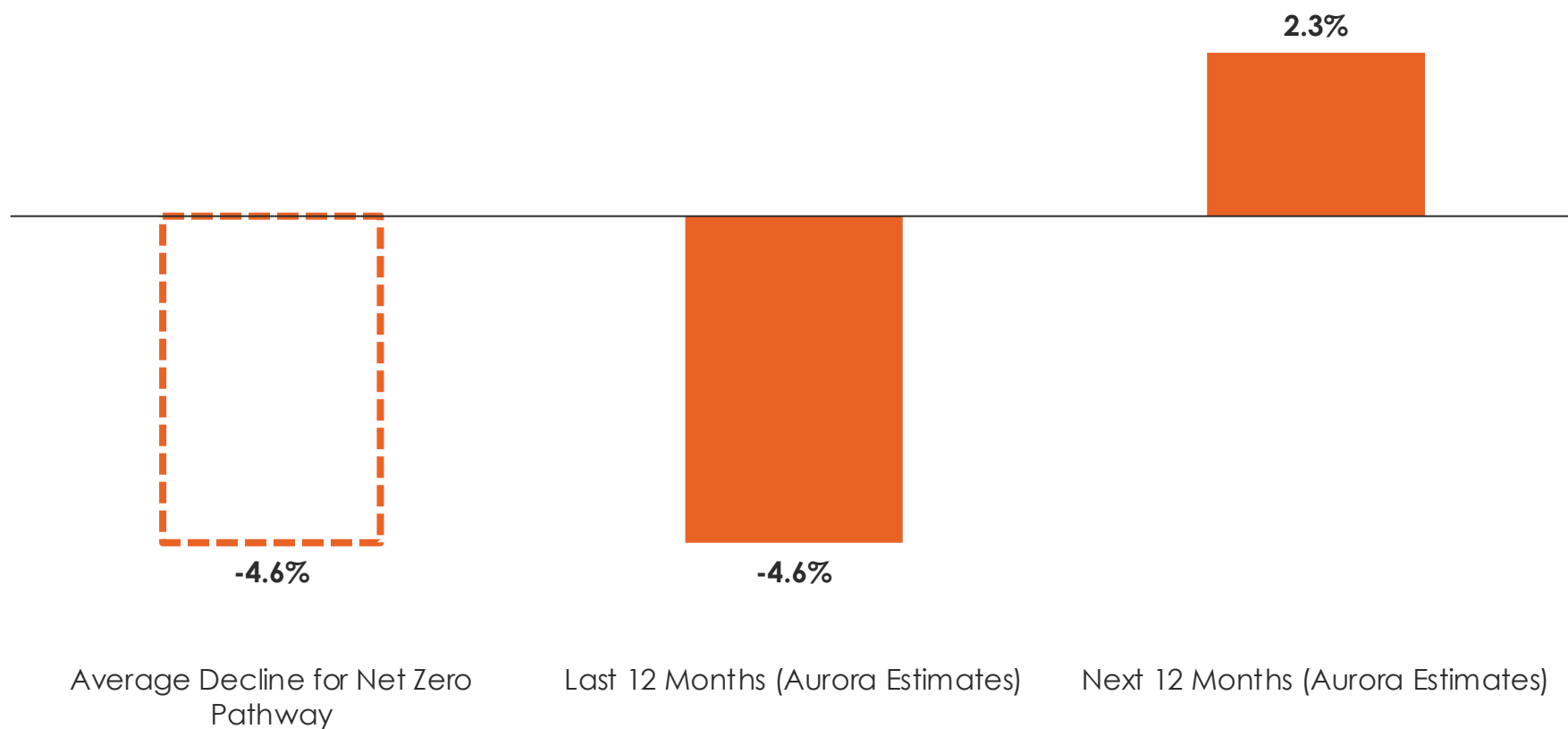
## Global CO2 Emissions



Source: Kepler Chevreux as of September 2020

# But the Challenge Remains Daunting

## Annual Change in Total Global Emissions

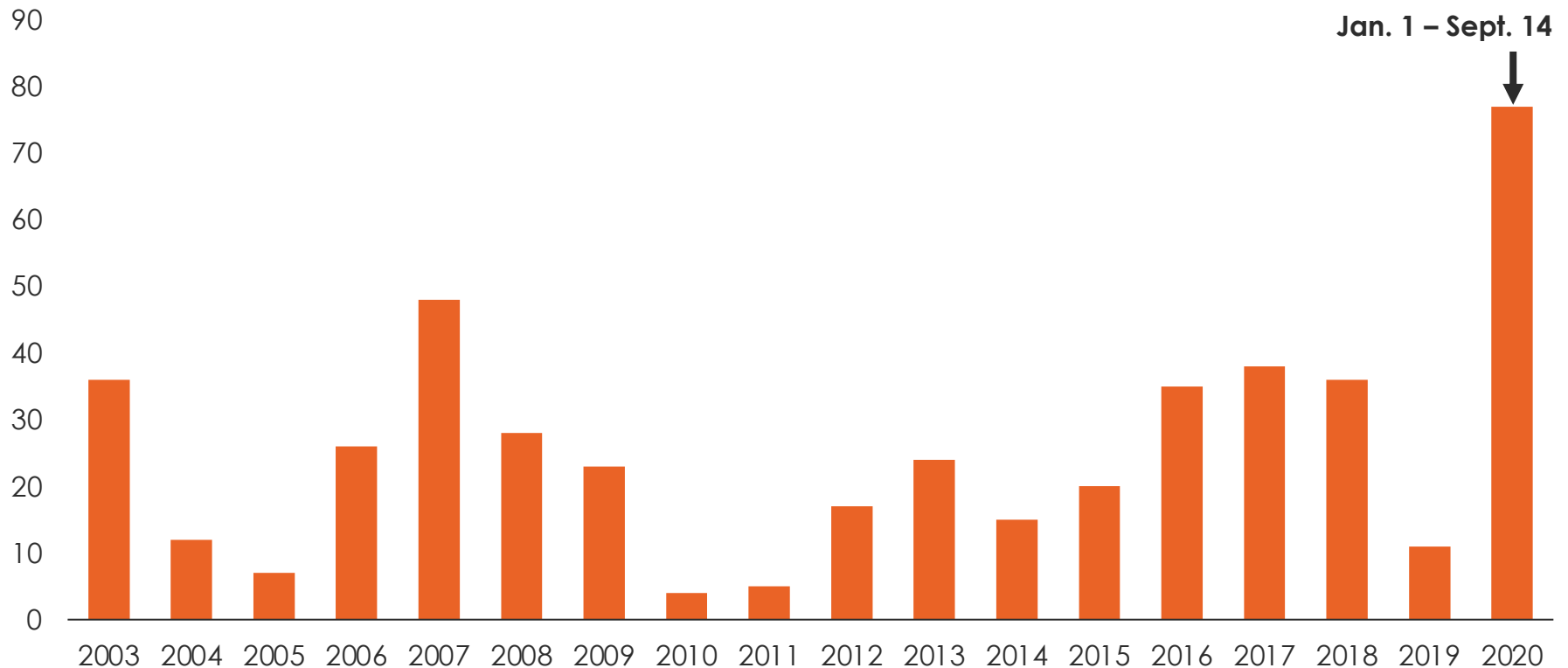


Source: UBS as of September 2020



# Climate Change Feedback-loop is Shocking

## California Annual Total Wildfire Emissions



Source: Bloomberg NEF, Copernicus Atmosphere Monitoring Service as of Sept 2020

# ESG Ratings – Too much Emphasis?

Correlations between ESG ratings at the aggregate rating level (ESG) and at the level of the environmental dimension (E), the social dimension (S), and the governance dimension (G) using the common sample. The results are similar using pairwise common samples based on the full sample. SA, RS, VI, A4, KL, and MS are short for Sustainalytics, RobecoSAM, Vigeo Eiris, Asset4, KLD, and MSCI, respectively.

	KL SA	KL VI	KL RS	KL A4	KL MS	SA VI	SA RS	SA A4	SA MS	VI RS	VI A4	VI MS	RS A4	RS MS	A4 MS	Average
ESG	0.53	0.49	0.44	0.42	0.53	0.71	0.67	0.67	0.46	0.70	0.69	0.42	0.62	0.38	0.38	0.54
E	0.59	0.55	0.54	0.54	0.37	0.68	0.66	0.64	0.37	0.73	0.66	0.35	0.70	0.29	0.23	0.53
S	0.31	0.33	0.21	0.22	0.41	0.58	0.55	0.55	0.27	0.68	0.66	0.28	0.65	0.26	0.27	0.42
G	0.02	0.01	-0.01	-0.05	0.16	0.54	0.51	0.49	0.16	0.76	0.76	0.14	0.79	0.11	0.07	0.30

- Correlations of ESG ratings between various providers range from 0.38 to 0.71
- Disagreements were highest among governance scores

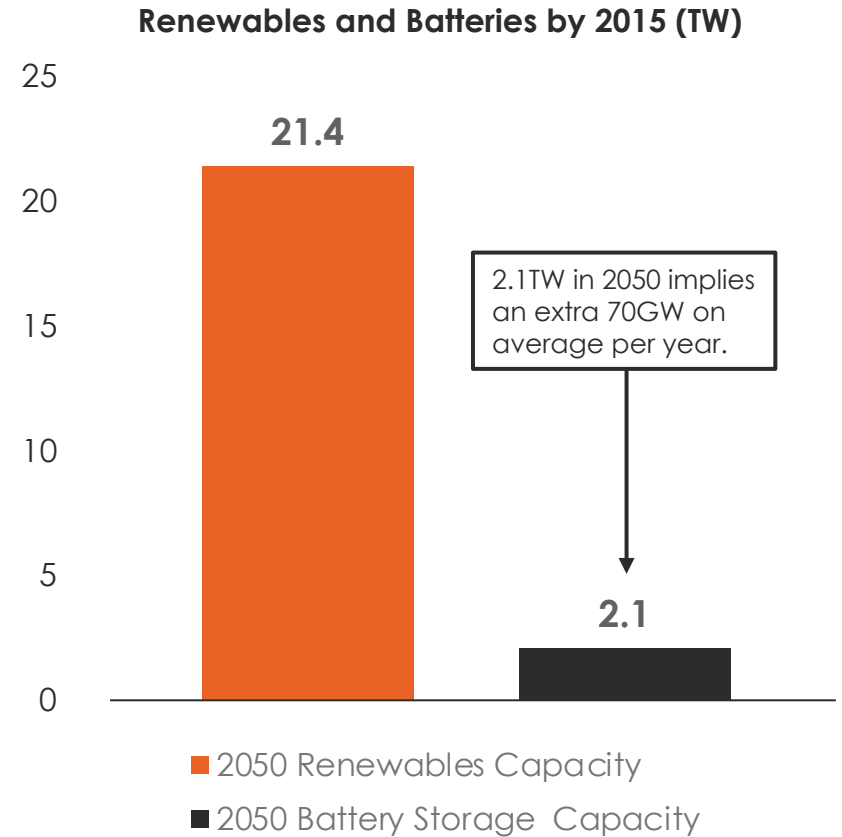
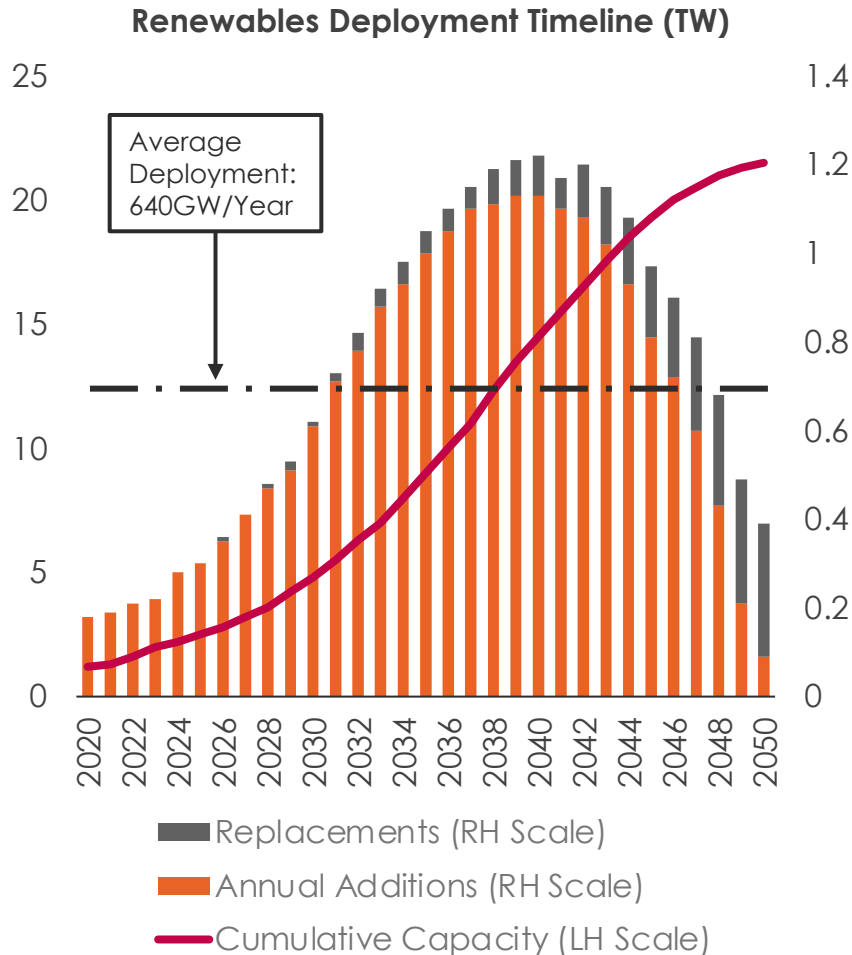
Source: Aggregate Confusion: The Divergence of ESG Ratings, MIT Sloan School of Management as of May 2020

# ESG 2.0 – a Likely Path



Source: Citigroup as of September 2020

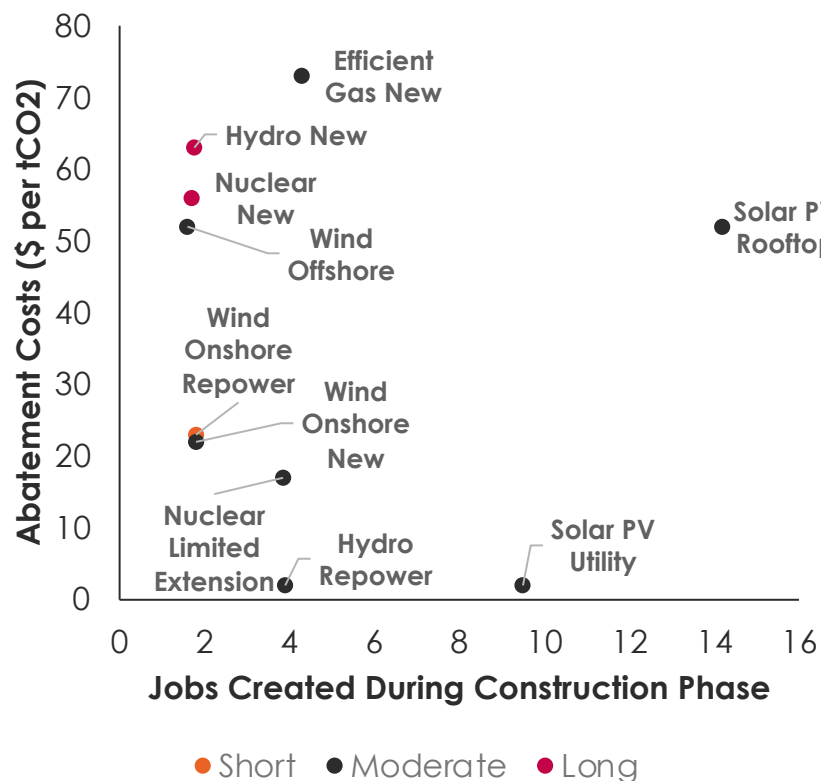
# Market is Migrating to Alpha Opportunities



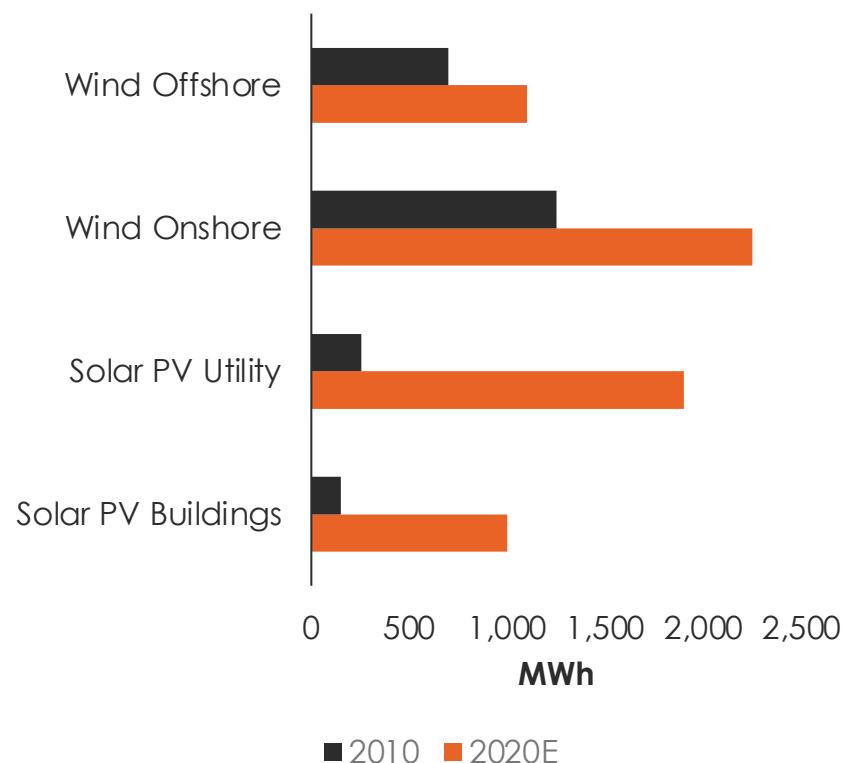
Source: UBS as of August 2020

# Yes, Things Really are Different

Job Creation per US\$1mn of Capital Investment in Power Generation Technologies and Average CO2 Abatement Costs



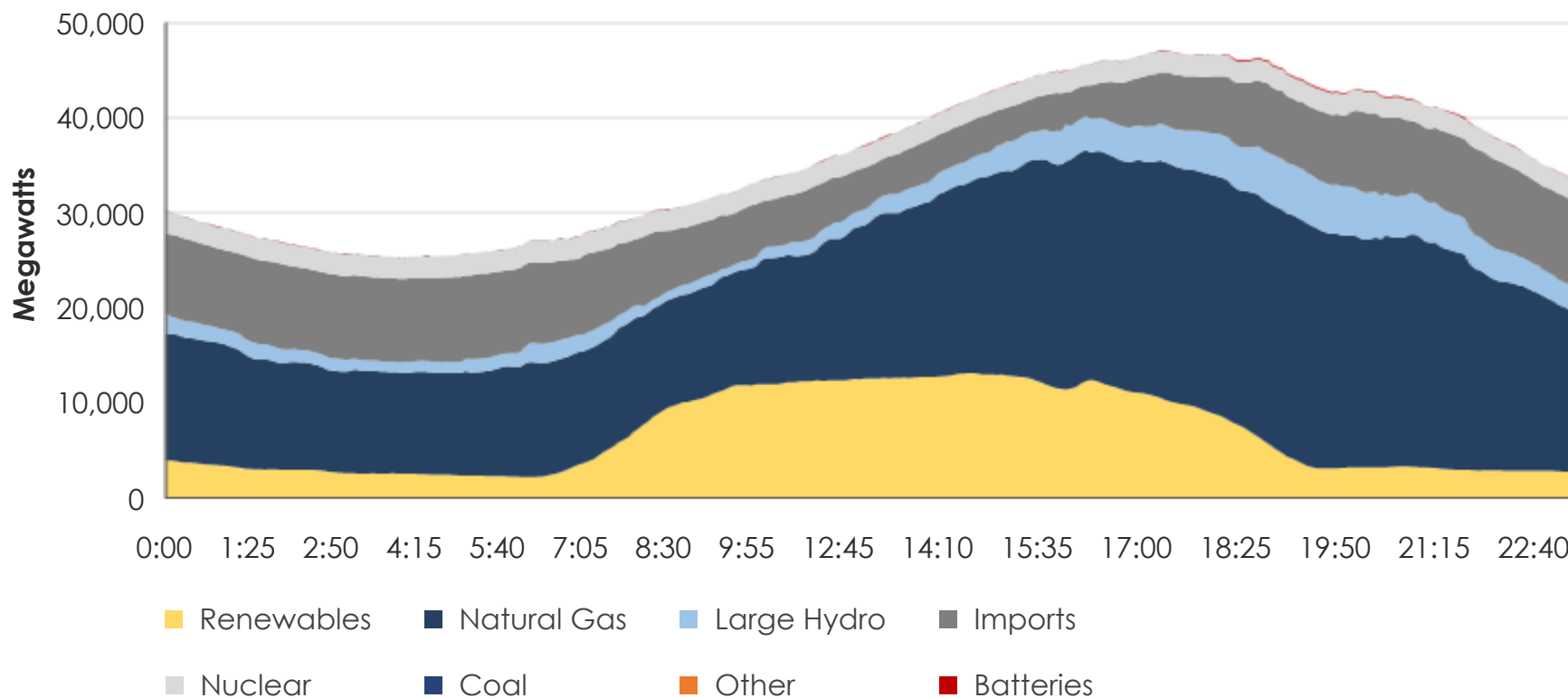
Green Stimulus in Renewables is Now a Safer Bet vs GFC: Annual Electricity Generation per \$1mn of Capex in Solar PV and Wind Power



Source: Credit Suisse as of September 2020

# Yet Again, the Transition is Daunting and in the Early Days

## Sources of California Electricity on Aug 14, 2020



Source: CAISO as of August 2020

# Thematic Approach can Capture the Alpha Opportunities



## Energy and Power Technologies

- Automation and process control
- EV & autonomous transport
- Renewable energy production
- Smart cities



## Waste Management and Pollution Control

- Emissions control
- Recycling
- Waste service



## Water and Wastewater Solutions

- Irrigation
- Water infrastructure
- Water treatment



## Health and Well-Being

- Access to capital
- Healthy living
- Safer products
- Sustainable food

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