

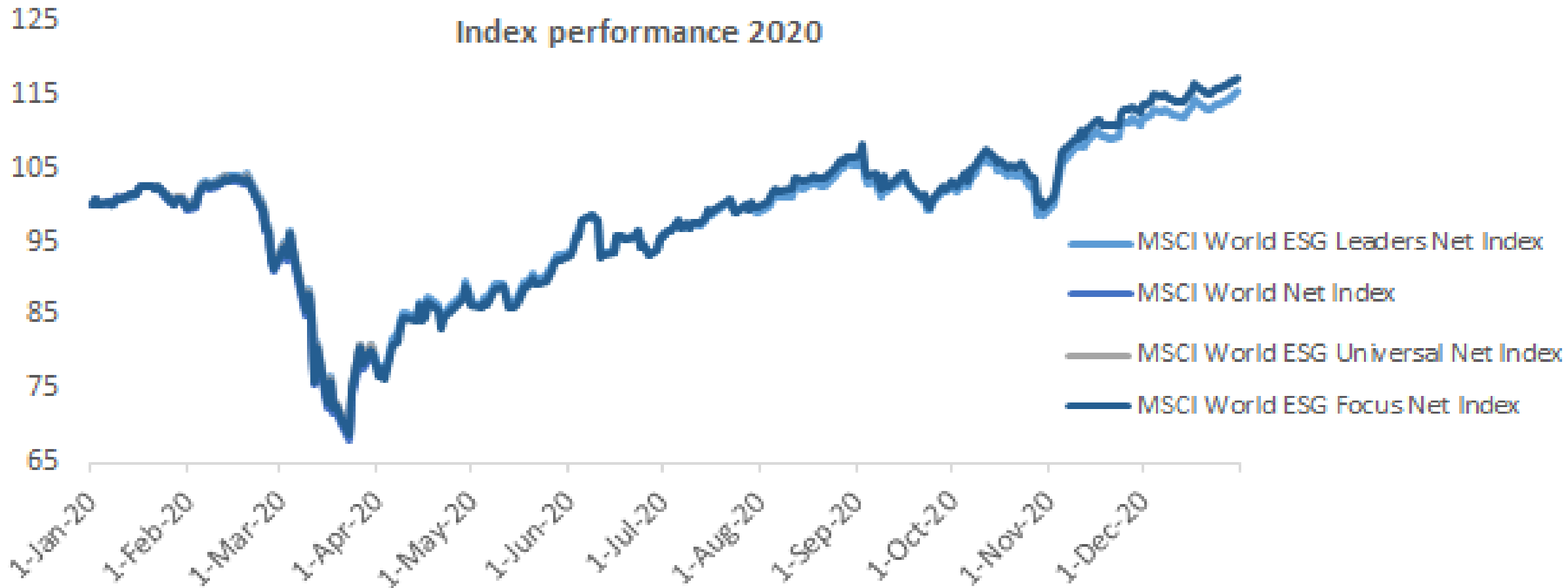
ESG in a time of crisis

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July 9, 2021



COVID-19 was ESG's time to shine. It didn't...

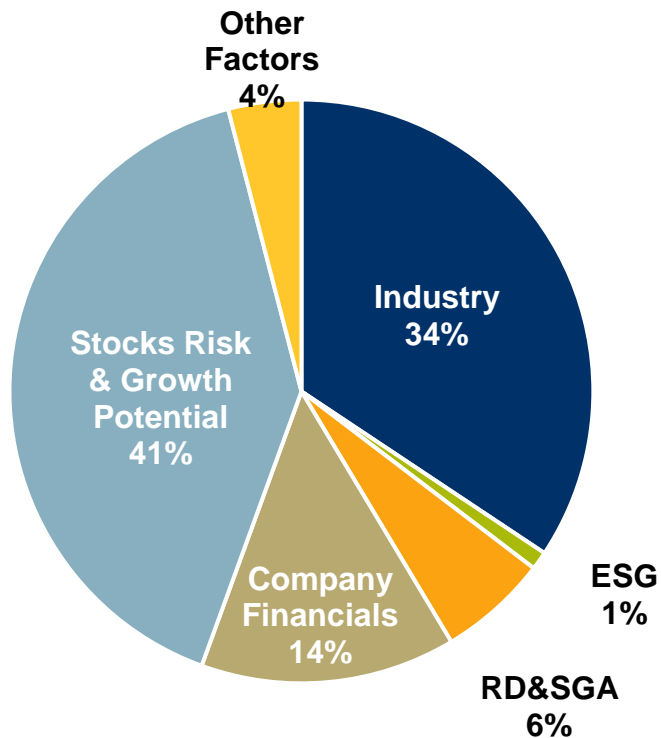


Data sourced at 31.03.2021. Sources: Bloomberg, RBC Global Equity team

ESG ratings only explained a very small amount of observed relative returns

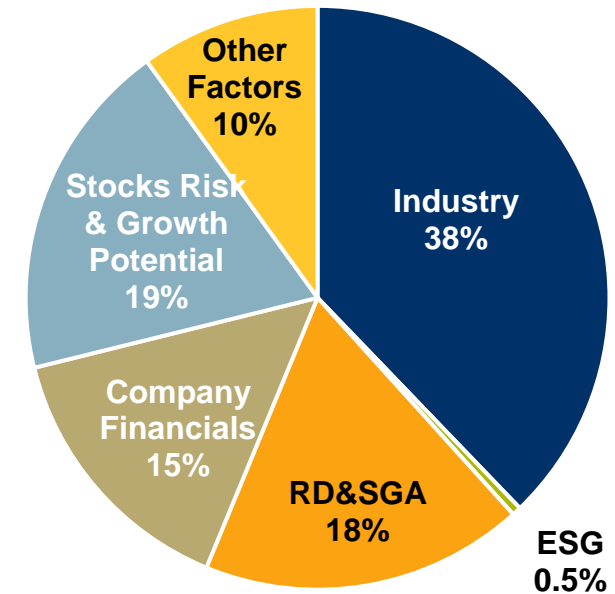
42% of observed share price variation during Q1 2020 was explained by factor regressions. The proportion of this explained variation is shown below by factor.

Q1 2020



16.5% of observed share price variation during 2020 was explained by factor regressions. The proportion of this explained variation is shown below by factor.

Full year 2020

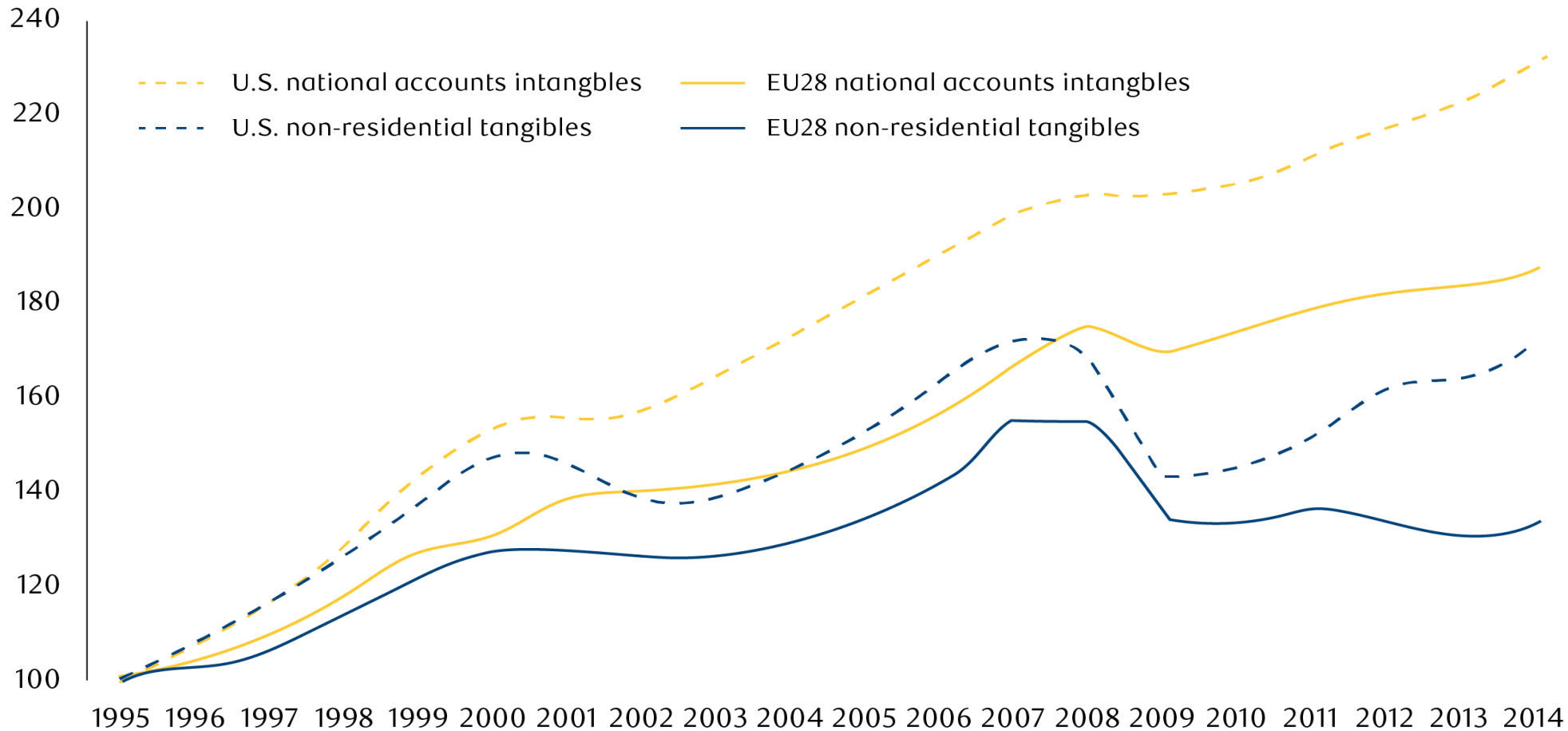


Sources: "Corporate Resilience and Response During COVID-19", Harvard Business School, 2020; "ESG Didn't Immunise Stocks During the COVID-19 Crisis, But Investments in Intangibles Assets Did", Demers, Hendrikse, Joos and Lev, 2021; RBC Global Equity team



Investment into 'intangibles' is out-growing tangible investments

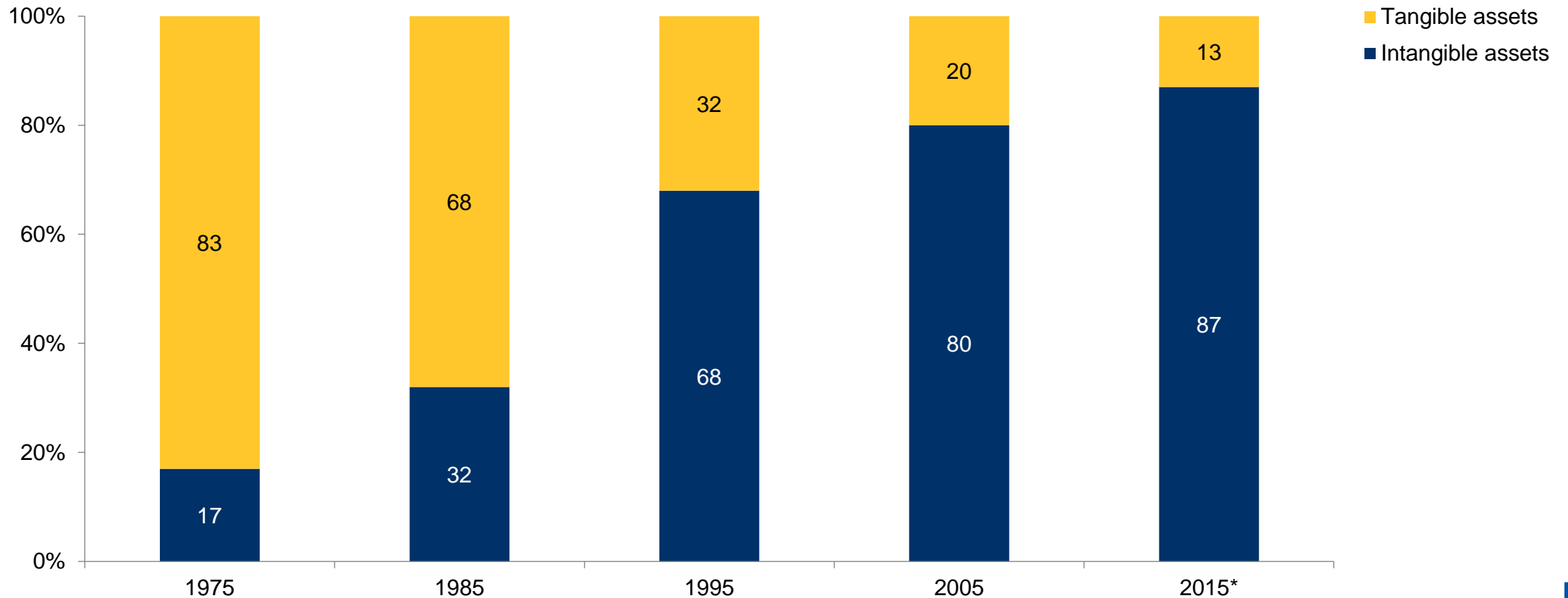
Non-residential intangible and tangible investment in the EU-28 and the U.S. total economy



Source: Eurostat national accounts for EU-28, BEA for U.S. 'Unlocking Investment in Intangible Assets, Anna Thum-Thysen, Peter Voigt, Benat Bilbao-Osorio, Christoph Maier and Diana Ognyanova, Discussion Paper 047 | May 2017. Total Economy chain linked volumes, index 1995 = 100. Data as at May, 2017.

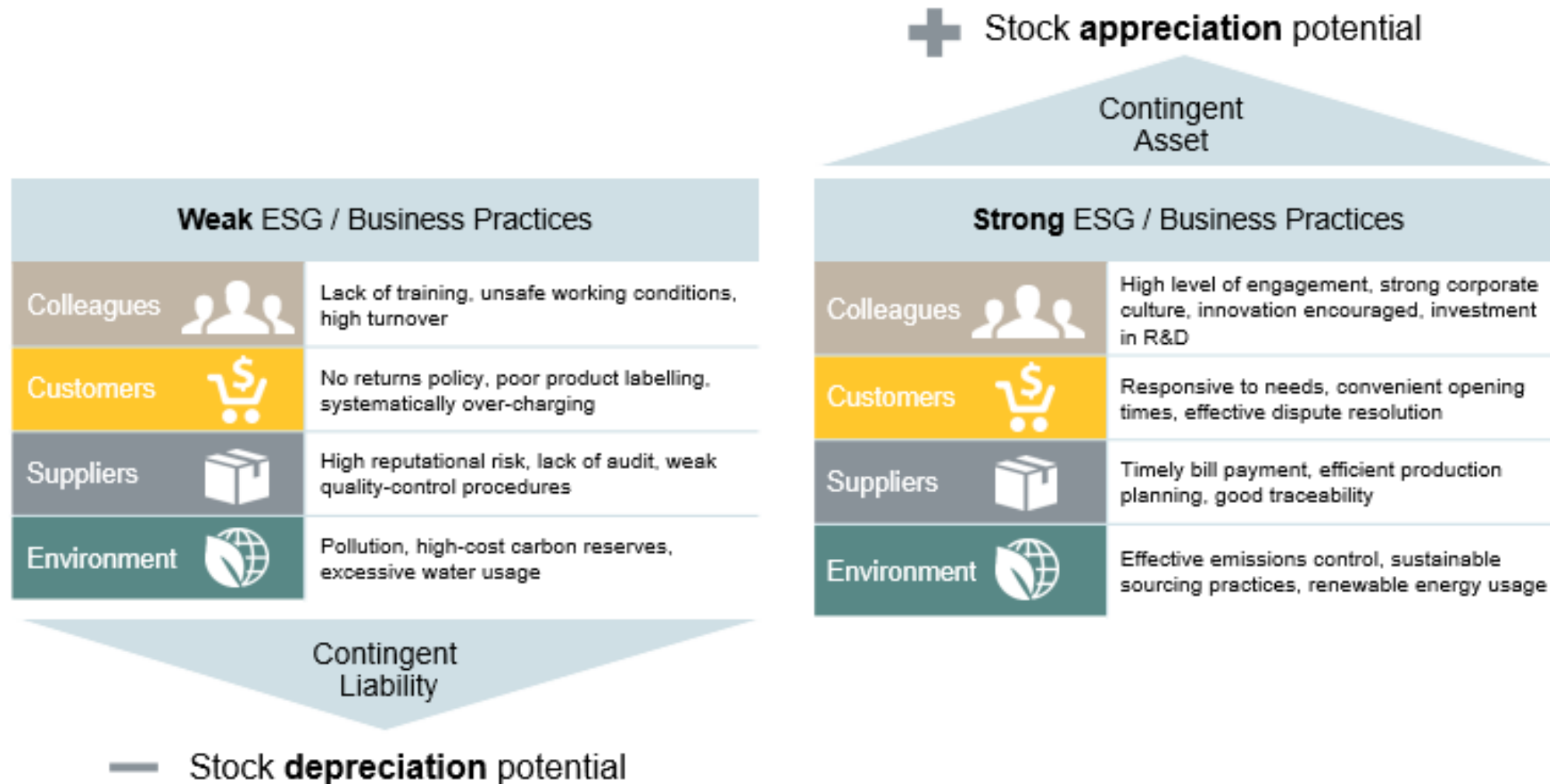
The market has attributed increasing value to intangibles

Tangible vs. intangible value (S&P 500)

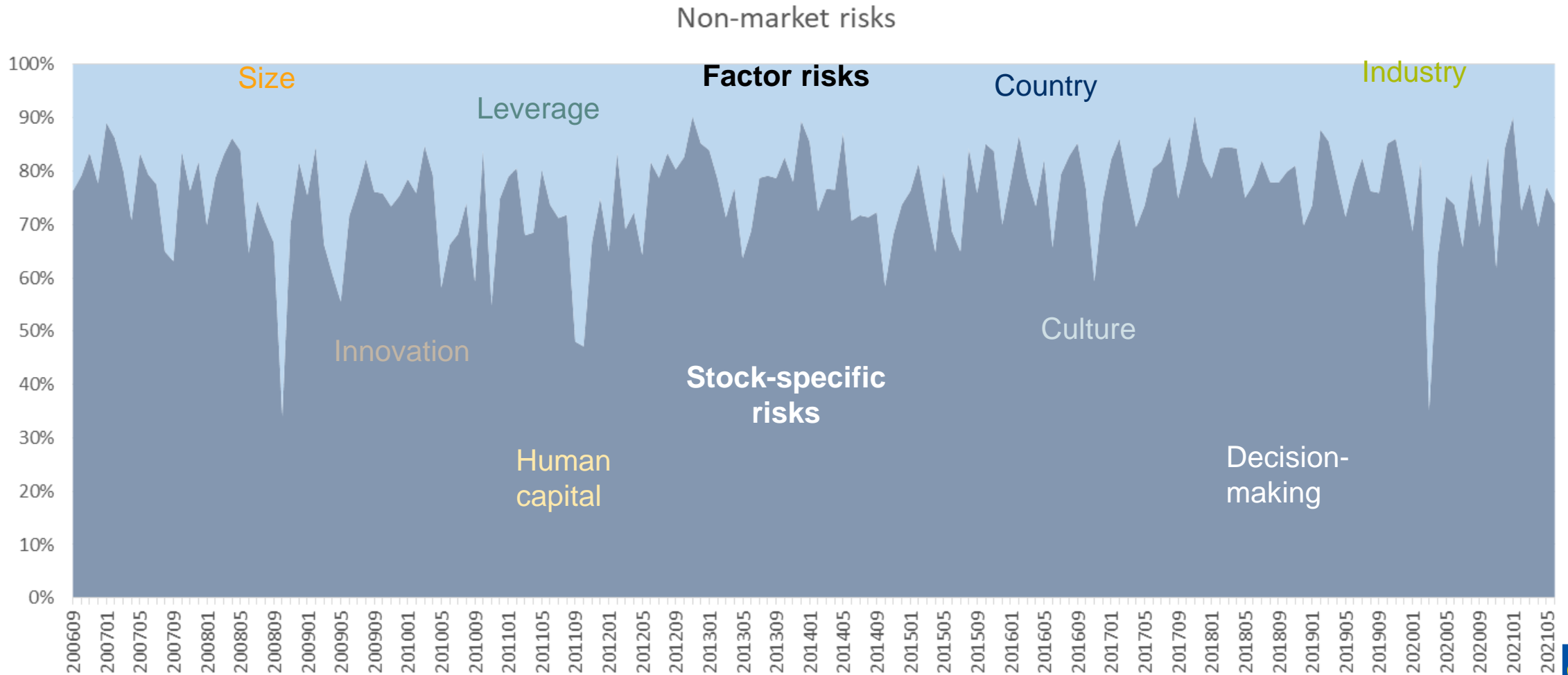


Source: <http://www.oceantomo.com/blog/2015/03-05-ocean-tomo-2015-intangible-asset-market-value/> Ocean Tomo.

ESG ≠ Scores: ‘Not everything that counts can be counted’



What can't be counted is a source of opportunity for active managers



Source: MSCI World Index, Axioma. Attribution of non-market returns 01.09.2006 to 30.06.2021

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