

PERFORMANCE OF TGM’S GLOBAL EQUITY STRATEGY USING A RANGE OF SUSTAINABILITY DATA PROVIDERS

1. INTRODUCTION

In December 2020, as part of the development of an SDG based global equity product, TGM conducted an analysis of the characteristics of the data sets provided by a range of SDG (Sustainable Development Goals) and ESG (Environmental, Social, and Corporate Governance) data providers. TGM’s global equity financial models were also used to construct investment portfolios using each of the data sets in order to compare return and risk outcomes. As shown below, there is a compelling case for investment products that combine TGM’s proprietary financial models and Sustainable Platform’s sustainability data set.

2. SUSTAINABILITY DATA

The following SDG and ESG data sets were analysed: Sustainable Platform (SP); Bloomberg (BBG); Eikon¹ (EKN); and Institutional Shareholder Services (ISS). The top 500 companies from each data provider were selected using each data provider’s ranking of their respective ESG and SDG scores.²

The top 500 companies/stocks from each data provider were then tested against the SDG and ESG metrics of the other data providers, see Table 1. Each row corresponds to the top 500 stocks for each of the data providers listed above. Each column is the median SDG or ESG score of the companies in the data provider’s top 500 stocks from each data provider’s platform.³

Table 1: ESG and SDG Statistics of Top 500 Stocks¹

| | SP SDG | Bloomberg ESG | Eikon ESG | ISS ESG |
|-----------------------------|--------|---------------|-----------|---------|
| Sustainable Platform | 87.12 | 63.75 | 47.70 | 5 |
| Bloomberg | 53.82 | 78.56 | 65.59 | 4 |
| Eikon | 57.26 | 79.40 | 72.46 | 4 |
| ISS | 54.52 | 70.44 | 52.34 | 2 |

1. The SP SDG and Bloomberg and Eikon ESG scores range from 1% to 100%, with 100% the highest. The ISS ESG score ranges from 1 to 10, with 1 the highest.

¹ Eikon is part of Refinitive, a data provider recently acquired by LSEG.

² The top 500 companies for each of the 4 data provider’s platforms are selected by first ranking each company in each respective platform according to its SDG or ESG scores and selecting the highest ranked top 500 companies. The data was from November 2020, with the number of stocks available to TGM at that time being 12,086 stocks for Sustainable Platform, 1,401 for Bloomberg, 4,222 for ISS, and 5,124 for Eikon.

³ It should be noted that when determining the ESG result for one ESG platform provider across a competitor ESG platform that it may comprise fewer than 500 stocks as they may not all appear in the competitor’s universe of stocks.

As can be seen from Table 1, not surprisingly the top 500 stocks as ranked by each data provider tend to do well when compared using their own metrics against the alternative data providers top 500. Given that ESG has evolved to the investing with purpose metrics of SDG's (and adopted by the Principles for Responsible Investing (PRI) and others), SDG is an improvement over ESG for investment purposes and so the SDG metric is of most relevance for TGM.

3. FINANCIAL PLUS SUSTAINABILITY DATA

Next, TGM's proprietary financial models and algorithm for global equity portfolio construction process was combined with each dataset and tested over time.⁴ The number of stocks held at any point in time was constrained to 50. In Table 2, the return results for the application of TGM's process to each data set are compared with the MSCI All World Index (MSCI) over 1, 3, 5, 7, 10 - year time frames. The full sample is from Jan 2005 to Nov 2020, which covers both the global financial crisis (GFC) (08/2006 to 05/2009) and the COVID Pandemic (02/2020 to 05/2020) episodes.

Table 2: TGM Investment Portfolios Annual Return

| | 12M | 3Y | 5Y | 7Y | 10Y | GFC | COVID | Since 2005 |
|-------------------|--------|--------|--------|--------|--------|---------|---------|------------|
| TGM + SP | 17.40% | 17.27% | 18.02% | 17.02% | 16.48% | 6.29% | 1.25% | 16.69% |
| TGM + BBG | 17.89% | 13.05% | 16.00% | 13.74% | 14.40% | -1.76% | -8.12% | 14.60% |
| TGM + EKN | 28.19% | 15.42% | 17.11% | 13.71% | 12.58% | -4.49% | -9.53% | 13.47% |
| TGM + ISS | 21.66% | 13.18% | 16.96% | 15.21% | 15.62% | -5.33% | -8.32% | 14.83% |
| MSCI World | 13.14% | 9.30% | 11.75% | 9.00% | 9.94% | -10.97% | -13.80% | 7.71% |

The cumulative performance of TGM's proprietary algorithms for global equity portfolio construction process combined with each dataset is shown in Figure 1 and the results for volatility, information ratio, and maximum drawdown (MDD) are depicted in Figures 2, 3 and 4 respectively.

Figure 1: TGM Investment Portfolios Cumulative Returns (2005 – 2020)

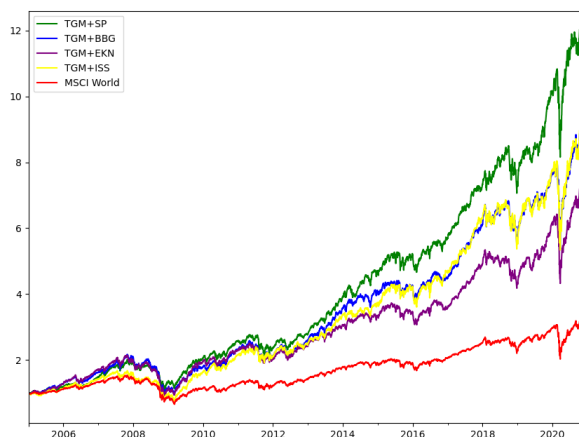
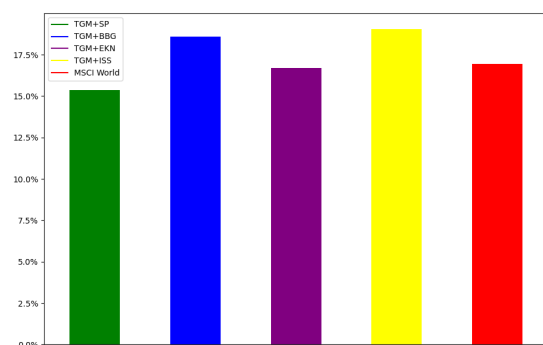


Figure 2: TGM Investment Portfolios Annualised Volatility (2005 – 2020)



⁴ Note that the process uses financial data back through time, however due to the limited sustainability data this analysis is likely to suffer from some form of survivorship bias.

Figure 3: TGM Investment Portfolios Information Ratio (2005 – 2020)

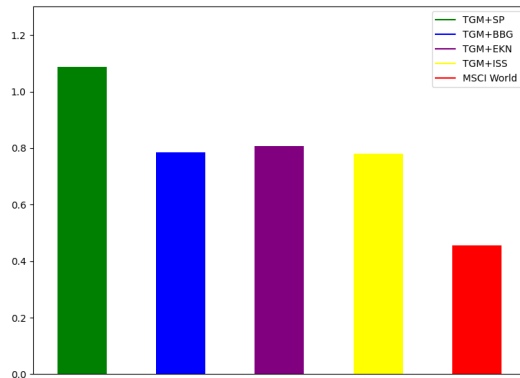
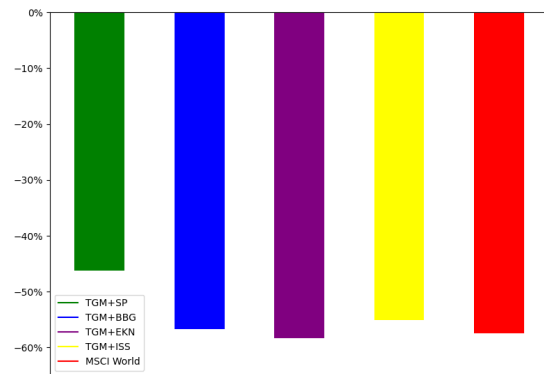


Figure 4: TGM Investment Portfolios Maximum Drawdown (2005 – 2020)



The investment portfolios derived using the combination of TGM’s financial analysis and portfolio construction process with Sustainable Platform’s SDG data outperform similar portfolios using alternative data providers i.e., Bloomberg, Eikon, and ISS.

That optimal combination was then tested against the historical performance of other well-known SDG/ESG global equity funds. The outcome is that TGM’s financial models and portfolio construction process combined with Sustainable Platform’s sustainability data has superior risk adjusted returns. As a result, there is a compelling case for investment products that combine TGM’s proprietary financial models and portfolio construction processes with Sustainable Platform’s data.

About TGM

Founded in 1997, TGM was one of the first specialist tactical asset allocation managers globally that facilitated the move by Trustees and investors from a single manager balanced fund to specialist asset class managers. TGM also introduced global equity and bond rebalancing overlays and currency hedging as part of that service. We have extensive experience in managing investment programs for institutional clients globally including pension funds, insurance companies, fund managers, banks, endowments, and charities. TGM provides tailored investment solutions for clients including rebalancing and currency hedging overlays, a low volatility equities strategy, systematic global macro and currency alpha strategies, and sustainable equities. We manage over \$25b across our investment products, including execution services, using exchange traded futures, options, ETFs, swaps and forward foreign exchange contracts. TGM is also supporting and promoting sustainable Impact Investment opportunities in both Australia and developing countries.

Disclaimer

This analysis was undertaken during December 2020 by TGM research analysts using independent data provided by MSCI, Sustainable Platform (SP), Bloomberg, Refinitiv and Institutional Shareholder Services (ISS) as part of our investigation into financial returns and non-financial data. While efforts have been made to ensure the soundness and accuracy of the information in this document, no representation is given or responsibility taken as its accuracy or completeness. Neither TGM nor its employees, directors or associates will be liable for any loss or damage arising as a result of any recipient relying on this document (except to the extent that any liability cannot be excluded). Past performance is not necessarily a guide to future performance. The value of investments in TGM's products can go down as well as up as a result of market and currency fluctuations and an investor may not receive back the amount they invested. This document has been prepared for general information only. You should not act on the basis of this document without considering whether it is appropriate to your investment needs, objectives and financial circumstances or consulting a securities or investment adviser. This report is for information purposes only and is not intended as an offer or solicitation with respect to the sale or purchase of any investment product. Anyone wishing to invest in one of TGM's products must obtain and read the current offering document.

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