

# «A world novelty – The first completely CO<sub>2</sub>- neutral investment»

CO<sub>2</sub>-neutral investments with Finreon ZeroCarbon®.

Simple, flexible and cost-effective decarbonization of portfolios.



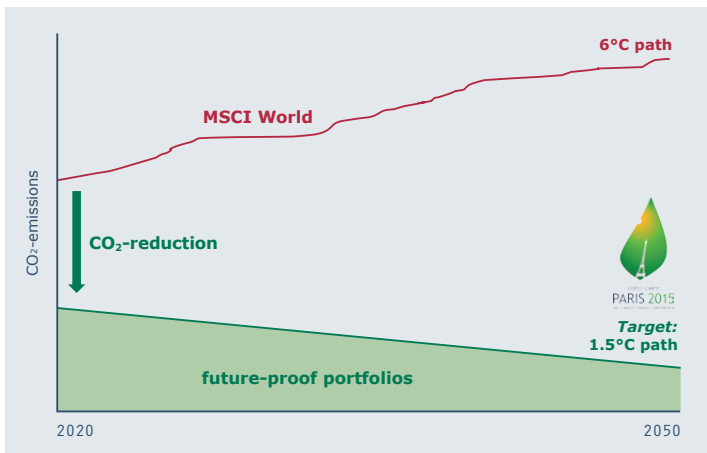
# Climate change means investment portfolios will face great challenges

**The mitigation of climate change** and the transition to a CO<sub>2</sub>-neutral economy is one of the biggest challenges for the coming years. "Business-as-usual" is no longer an option. Climate change and numerous measures to contain it constitute a systemic risk. An integration of this risk is therefore becoming increasingly important as a fundamental component of holistic risk management in all industries.

**Increasing social and regulatory pressure** leads to the fact that the financial industry must also make its contribution. With a traditional equity portfolio (MSCI World), the economy is on a global warming path of ca. six degrees Celsius. To achieve the target of 1.5 degrees Celsius agreed in the Paris climate agreement, the measurement, disclosure and reduction of the CO<sub>2</sub> footprint of investment portfolios are becoming increasingly important. Leading institutional investors are already working hard to decarbonize their portfolios.

## Decarbonization of investment portfolios to achieve climate targets

Illustration

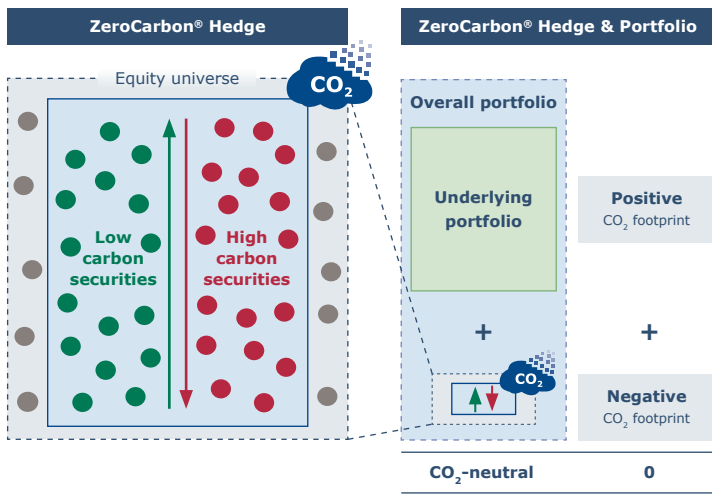


# Finreon ZeroCarbon®: Thinking through the CO<sub>2</sub> reduction of investment portfolios

**Market-based approaches have prevailed** – The development of sustainable investments (ESG) to date has shown that broad, market-based solutions have prevailed over concentrated, thematic approaches. Market-based approaches reduce the carbon footprint of a portfolio by overweighting low carbon stocks and underweighting high carbon stocks.

**The patent pending Finreon ZeroCarbon®** solution follows reliably this approach: By negatively weighting securities with high CO<sub>2</sub> emissions (High Carbon) and positively weighting securities with low CO<sub>2</sub> emissions (Low Carbon), the Finreon ZeroCarbon® solution reduces the ecological footprint as a real CO<sub>2</sub> hedge. In combination with an equity portfolio for example, this solution can lead to a complete neutralization of the investment's CO<sub>2</sub> emissions.

## Concept of Finreon ZeroCarbon®



# The advantages of Finreon ZeroCarbon®: Decarbonize investment portfolios simply and efficiently

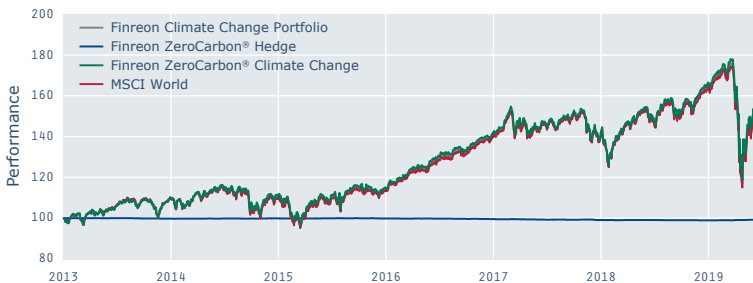
**As the world's first market-based CO<sub>2</sub>-neutral solution,** Finreon ZeroCarbon® makes it possible to adapt efficiently investment portfolios to the impact of climate change.

**Complete CO<sub>2</sub> Neutralization:** As a world's first, Finreon ZeroCarbon® makes it possible to not only reduce the CO<sub>2</sub> emissions of portfolios with a market-based solution, but also to neutralize them completely.

**Very low risks:** Existing approaches to reduce CO<sub>2</sub> often lead to high tracking errors, as the exclusion rate increases, in particular when whole industries are excluded. Finreon ZeroCarbon® enables a complete CO<sub>2</sub> neutralization with very little additional tracking error thanks to innovative portfolio construction.

**Efficient mechanism:** Due to the high degree of efficiency, only a very small allocation to the Finreon ZeroCarbon® CO<sub>2</sub> hedge is required to achieve a CO<sub>2</sub> neutralization of the portfolio.

**Example: Performance of a CO<sub>2</sub>-neutral equity portfolio**



	Finreon Climate Change Portfolio	+	Finreon ZeroCarbon® Hedge	=	Finreon ZeroCarbon® Climate Change	MSCI World
<b>Performance (p.a.)</b>	6.8%		0%		6.8%	6.3%
<b>Volatility</b>	13.3%		0.2%		13.2%	13.3%
<b>Maximum Draw-down</b>	20.0%		1.1%		19.9%	20.9%
<b>CO<sub>2</sub> Intensity (pro \$M)</b>	30t CO <sub>2</sub>		-30t CO <sub>2</sub>		0t CO <sub>2</sub>	69t CO <sub>2</sub>

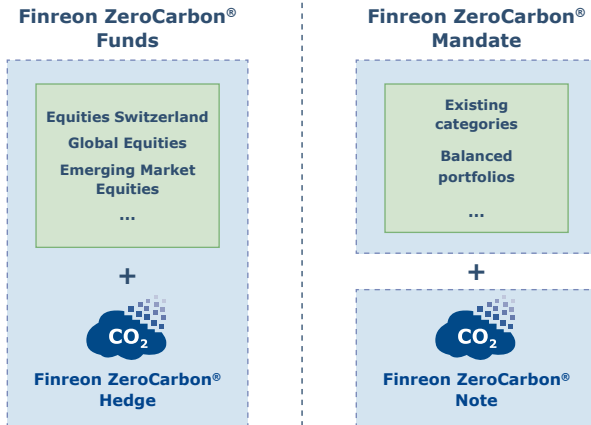
## The Finreon ZeroCarbon® Solution

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**Flexible use:** Like a currency hedge to neutralize foreign currency exposures, the Finreon ZeroCarbon® hedge can be used in a completely flexible way to neutralize CO<sub>2</sub> exposure: CO<sub>2</sub>-neutral equity, bond, real estate or mixed portfolios are conceivable.

**Finreon ZeroCarbon® Funds:** The CO<sub>2</sub> exposure of different universes (e.g. Swiss, global or emerging markets equities) can be neutralized with the ZeroCarbon® fund solutions.

**Finreon ZeroCarbon® Mandate:** It is also possible to easily and efficiently decarbonize individual, respectively existing categories or mixed portfolios by adding a Finreon ZeroCarbon® grade.



**Implementation & Reporting:** We would be pleased to assist investors in the decarbonization of their portfolios and, in cooperation with our partners, ensure that the appropriate reporting of the decarbonization process using Finreon ZeroCarbon® is employed.

# Finreon – a spin-off from the University of St.Gallen (HSG)

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**Finreon, founded in 2009 as a spin-off from the University of St.Gallen (HSG),** has established itself as a competent partner for innovative investment concepts in the field of asset management and investment consulting. In its solutions, the company combines many years of investment experience with the latest findings in financial research.

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