

17 July 2017

Chris Hackel  
Bloomberg Indices

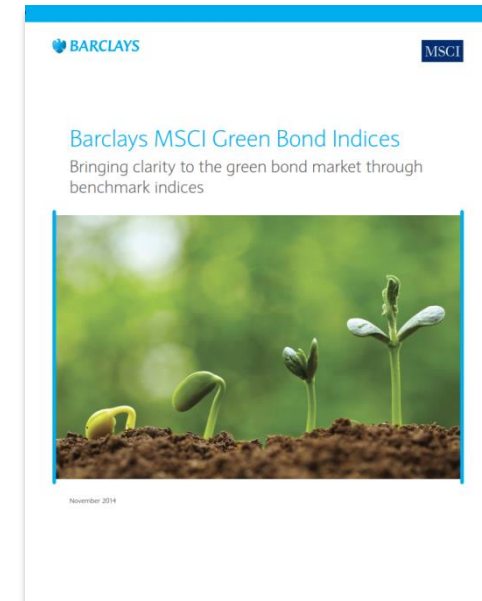
# Fixed Income Responsible Investment

# Bloomberg Barclays MSCI

Bloomberg Barclays  
Indices



2012



2014

# Global Growth in Sustainable Investment

	2014 (\$,bn)	2016 (\$,bn)	Growth
Europe	10,775	12,040	12%
United States	6,572	8,723	33%
Canada	729	1,086	49%
Australia/New Zealand	148	516	248%
Asia ex Japan	45	52	16%
Japan	7	474	6,689%
<b>Total</b>	<b>18.3</b>	<b>22.9</b>	<b>25.2%</b>

Sustainable Investment represents

26%

of global managed assets in 2016

Source: 2016 Global Sustainable Investment Review  
[http://www.gsi-alliance.org/wp-content/uploads/2017/03/GSIR\\_Review2016.F.pdf](http://www.gsi-alliance.org/wp-content/uploads/2017/03/GSIR_Review2016.F.pdf)

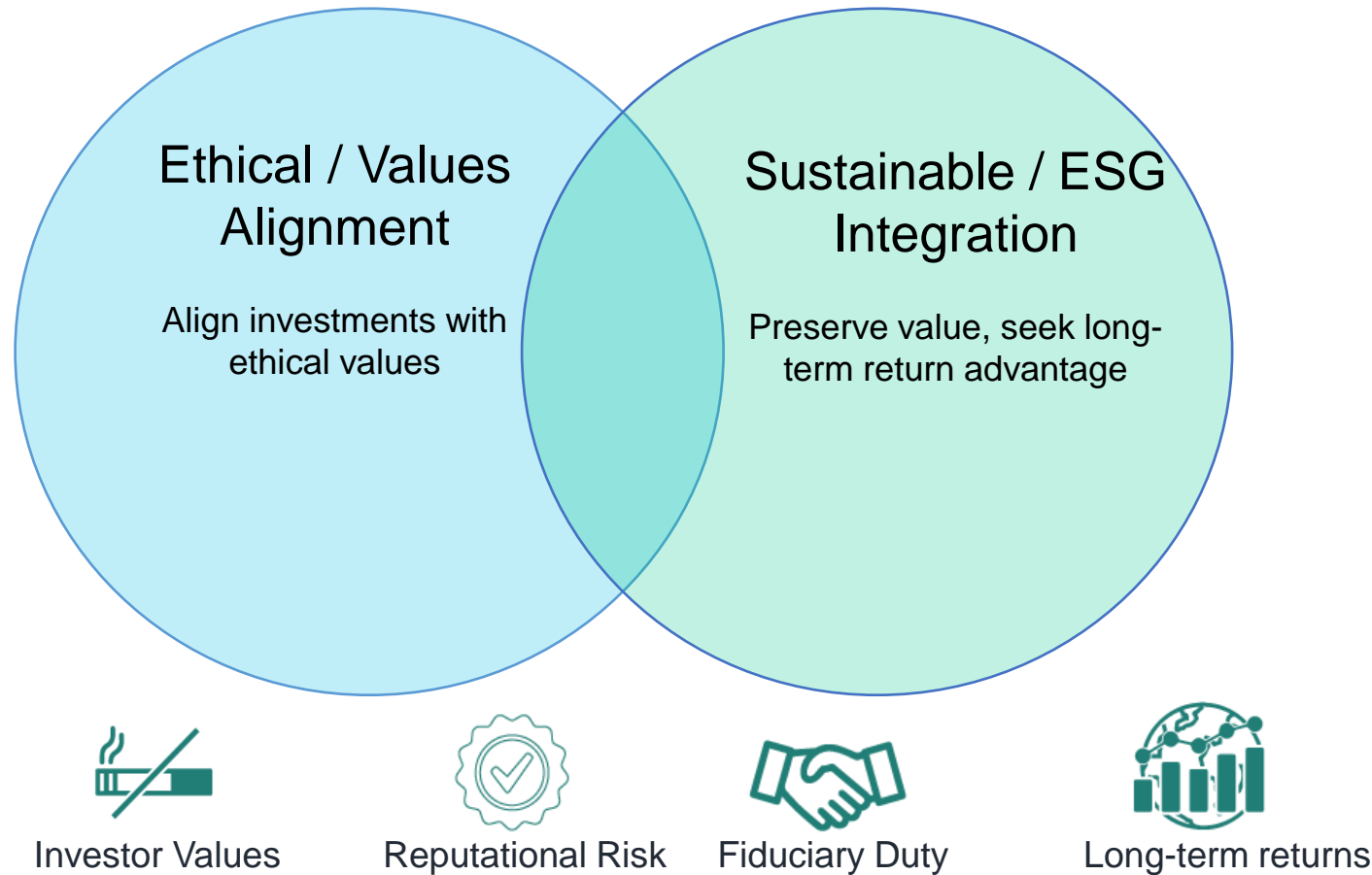
# AGENDA

- Overview of Responsible Investing
- Bloomberg Barclays & MSCI Indices
- ESG on the Bloomberg terminal
- Green Bond Investing











# RESPONSIBLE INVESTING: OVERVIEW

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# Responsible Investing



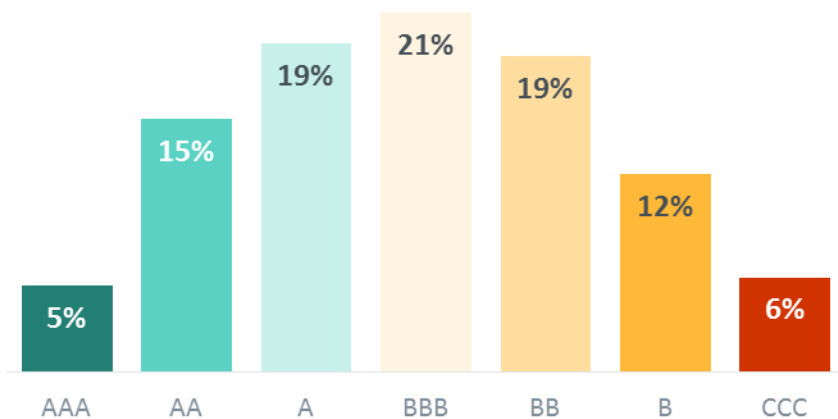
# Values Alignment: MSCI BISR

	Market Value (USD)			Market Value %		
	Global Corp	US Corp	Euro Corp	Global Corp	US Corp	Euro Corp
Total Market Value	8,929,729,464	4,960,697,997	2,016,809,869	100%	100%	100%
 Adult Entertainment	0	0	0	0.00%	0.00%	0.00%
 Alcohol	187,745,463	112,568,242	50,747,456	2.10%	2.27%	2.52%
 Firearms	0	0	0	0.00%	0.00%	0.00%
 Gambling	1,642,259	0	589,125	0.02%	0.00%	0.03%
 GMO	123,729,144	63,328,380	37,480,595	1.39%	1.28%	1.86%
 Military Weapons	274,088,951	196,335,600	45,854,267	3.07%	3.96%	2.27%
 Nuclear Power	685,867,617	397,213,642	164,631,974	7.68%	8.01%	8.16%
 Tobacco	260,087,086	142,603,630	67,613,884	2.91%	2.87%	3.35%
 Controversy "Red"	457,680,853	298,777,861	102,454,462	5.13%	6.02%	5.08%
<b>SRI - Total</b>	<b>1,472,720,498</b>	<b>936,046,459</b>	<b>323,125,669</b>	<b>16.49%</b>	<b>18.87%</b>	<b>16.02%</b>
 Controversial Weapons	269,961,584	192,745,953	45,854,267	3.02%	3.89%	2.27%

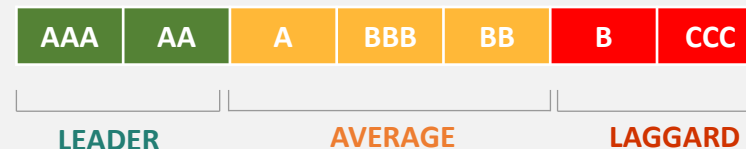
# ESG Integration: MSCI ESG Ratings

## MSCI ESG RATING DISTRIBUTION (%)

Barclays Global Corporate Index as of 3/31/2017

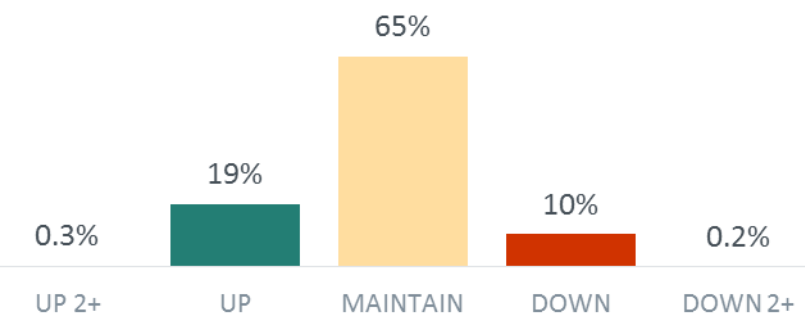
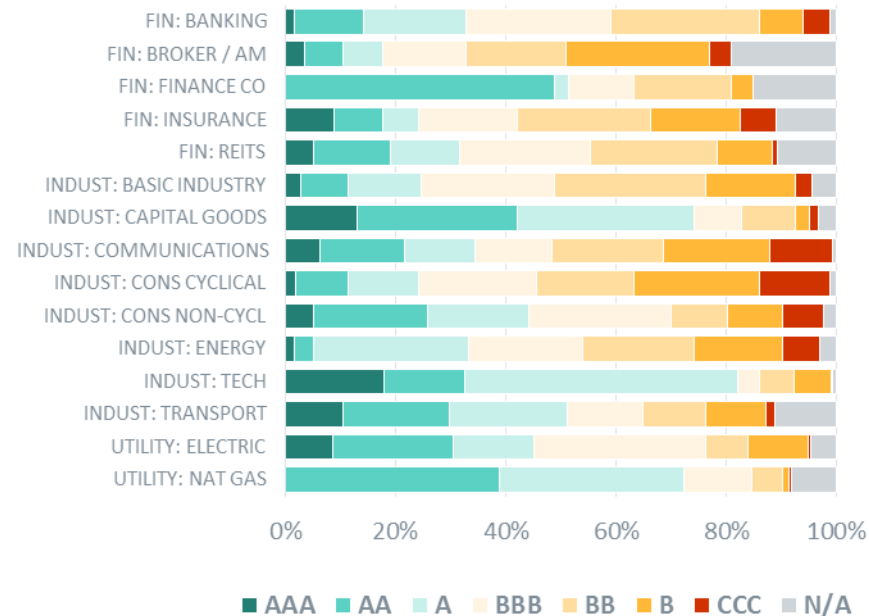


## MSCI ESG RATINGS



## MSCI ESG RATING DISTRIBUTION BY SECTOR

Barclays Global Corporate Index as of 3/31/2017

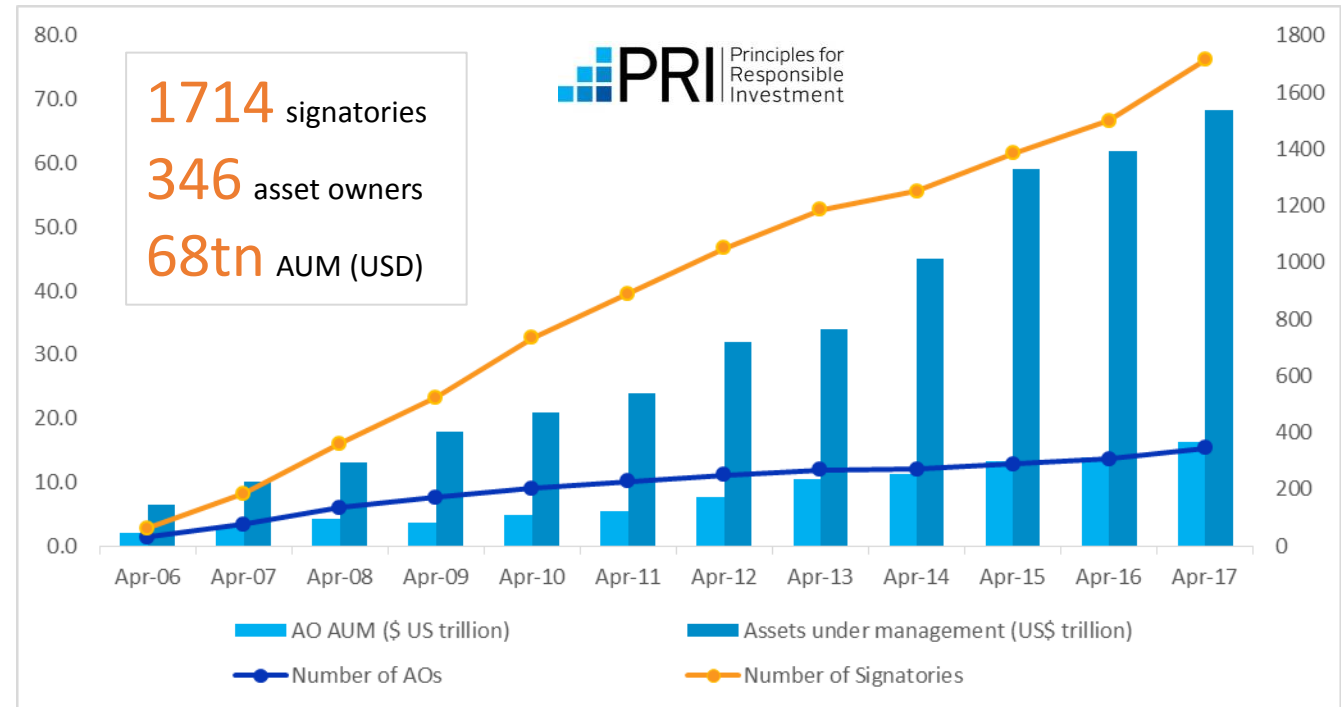


Source: MSCI ESG Research



# UN PRI

- Leading proponent of responsible investment
- Six principles guiding investors in implementing RI
- No longer voluntary reporting; now **mandatory reporting** for any signatory investing 10%+



Source: UN PRI ([www.unpri.org](http://www.unpri.org))

# Broad Trends

## Values

- Client/beneficiary ethical motivations
- Manager ethical motivations
- Social norms
- Generational trends

## Institutional

- UN PRI signatory
- Competition
- Retail demand
- Regulation
- Reputation

## Financial

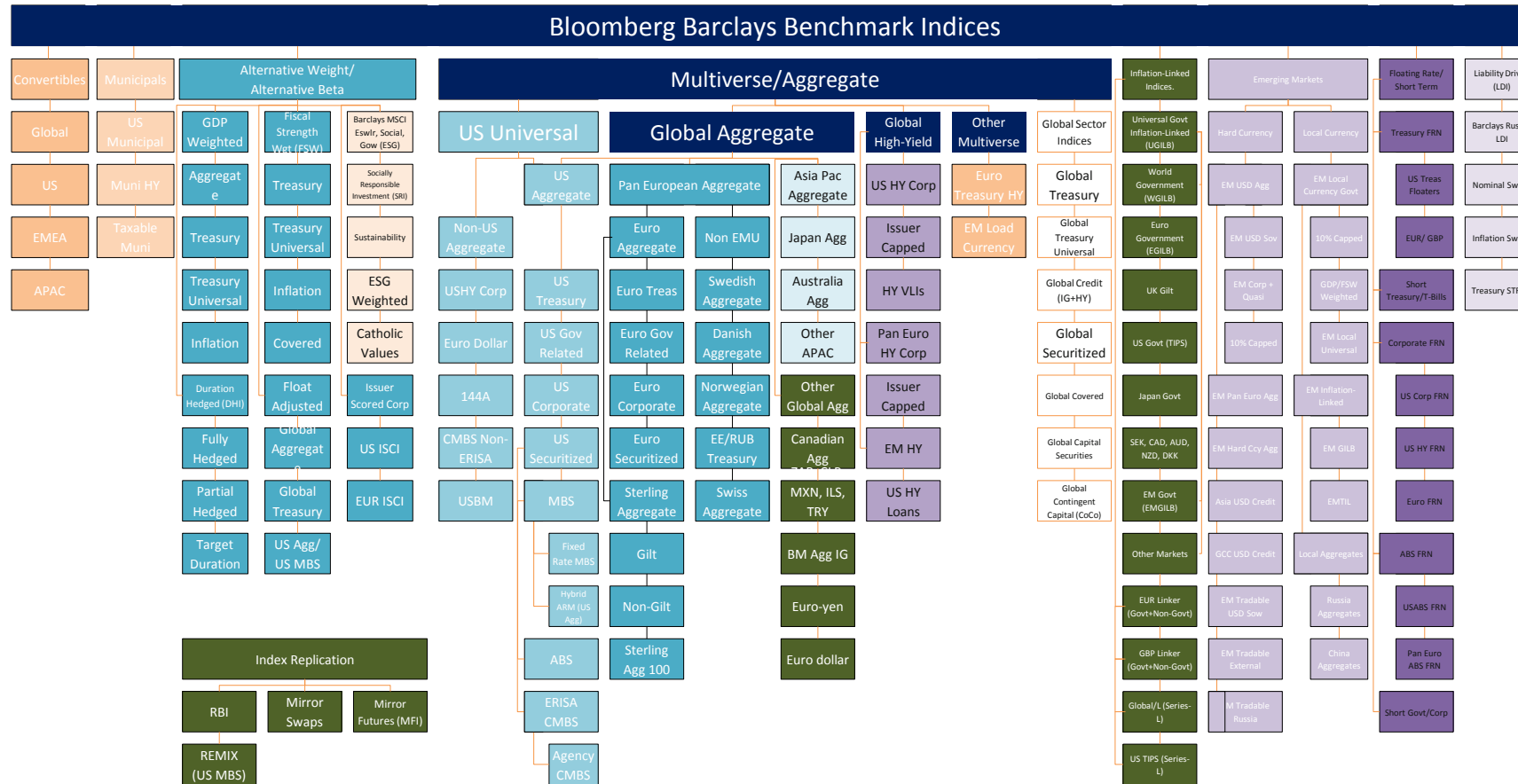
- Credit analysis
- Regulation
- Long-term materiality
- Risk-flagging
- ESG premium

Source: includes material from UN PRI website ([www.unpri.org](http://www.unpri.org))

# BLOOMBERG BARCLAYS MSCI INDICES

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# Bloomberg Barclays Indices



70,000+ securities with over \$50 trillion market value representing 110 countries and 39 local currency debt markets

40,000+ standard and custom indices published daily

# ESG INVESTORS

## Socially Responsible (SRI)

Governed by **values-based policies**

Religious institutions, endowments, pension funds

Less concerned with tracking error implications

## Sustainability

Investments based on resource management, governance

Believe ESG criteria can identify **better long-term potential**

Often expect similar risk exposures

## Risk / Return

Want to keep broadly inclusive index

Seeking **outperformance opportunities**

Generally longer-term allocations

# Bloomberg Barclays MSCI Indices

## Socially Responsible (SRI)

Negative screens on:



- Adult entertainment
- Alcohol
- Gambling
- Tobacco
- Military weapons
- GMOs
- Civilian Firearms
- Controversy Red

## Sustainability

- Best-in-class
- MSCI ESG rating BBB+
- Exclude
- Controversy Red

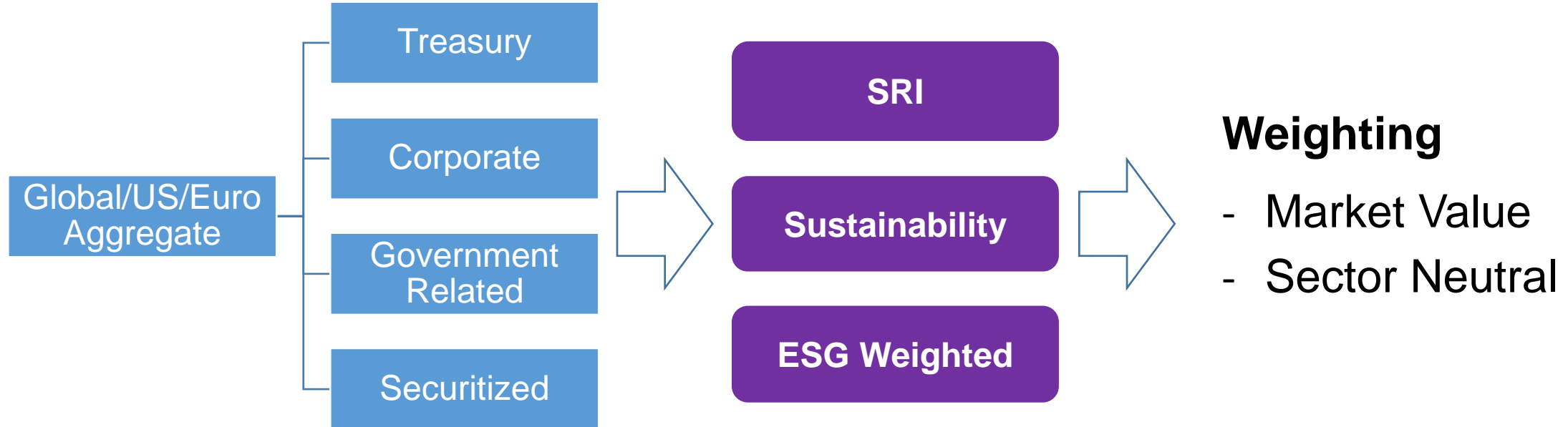
## ESG Weighted

- ESG-integrated
- Universal owner
- Under/over-weight issuer based on MSCI ESG rating
- Incorporates MSCI ESG rating momentum

Values-based

ESG Integration

# Bloomberg Barclays MSCI Indices



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Start with flagship or custom  
Bloomberg Barclays index



Apply ESG methodology  
(can be combined)



Choose natural weights  
or sector-neutral

# SRI INDICES

## Characteristics

Based off of Bloomberg Barclays corporate indices

SRI screens match MSCI equity indices

Revenue and activity thresholds available

Excludes MSCI Controversy Red

~100 ESG fields available for screening

## Customization

Screen based on:

- Abortion & contraceptives
- Adult entertainment
- Alcohol
- Animal welfare
- Child labor
- Consumer product safety
- Defense & weapons
- Diversity
- Employee safety
- Environment
- Fair lending
- Firearms
- Gambling
- GMOs/Bioengineering
- Human rights
- Labor relations
- Nuclear power
- Religion
- Sanctions
- Stem cell

- Landmine
- Cluster bomb
- Nuclear
- Biological



# SUSTAINABILITY INDICES

Characteristics	Sovereign, corporate, government-related ESG rating coverage
	Based off of Barclays flagship indices
	Screens issuers below ESG rating BBB
	Exclude controversy flag “red” and unrated ESG issuers
	Sector neutral variants available
Customization	Standard Bloomberg Barclays index customization
	Set custom ESG rating screens
	Integrate business issue screens or ESG Weighted tilts

# ESG WEIGHTED INDICES

## Characteristics

Universal owner

Tilts market value based on ESG rating

Incorporates rating momentum factor

Sector neutral variants available

## Standard Tilts

ESG Rating	Tilt	ESG Momentum	Tilt
AAA - A	1.5x	Positive	2.0x
BBB	1.0x	Neutral	1.0x
BB	0.8x	Negative	0.5x
B	0.67x		
CCC	0.5x		
Unrated	0.75x		
MBS/ABS/CMBS	1.0x		

## Customization

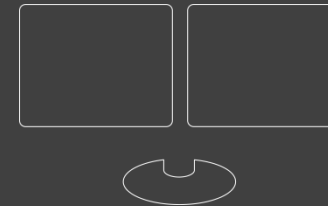
Standard Bloomberg Barclays index customization

Custom tilt, momentum factors

Integration of business issue and controversy screens

# ESG ON BLOOMBERG

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# IN<GO> and PORT<GO>

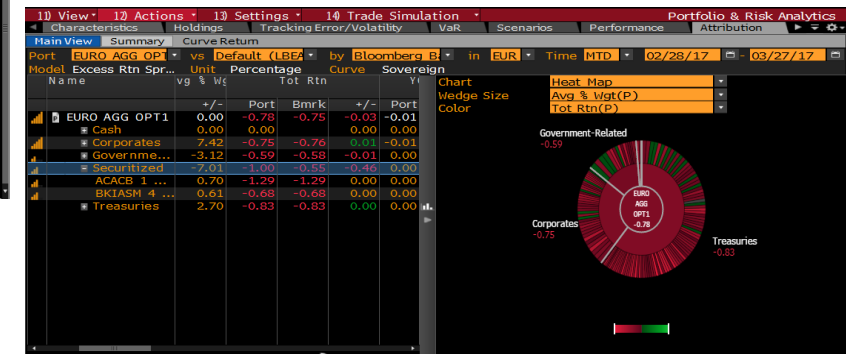
- Many ESG indices are on the terminal with constituents
- ESG tab is being created on IN<GO>
- Searching: use autocomplete: “Bloomberg MSCI”
- ESG fields being added to PORT as part of transition

Bloomberg Index Browser

9) Publications 9) Export 10) Key Indices 10 Global 13 US 14 Pan-Euro 19 Asia-Pac 10 High Yield 17 Inflation 10 EM 19 Muni

View Returns Projected Tree Chart As of 03/20/17

Index Name	Ticker	1D Rtn	MTD Rtn	YTD Rtn	Members
By Maturity					
-US Aggregate 1-3 Year	LU13TRUU	0.05%	-0.07%	0.27%	2,358
-US Aggregate 3-5 Year	LU35TRUU	0.12%	-0.26%	0.38%	1,812
-US Aggregate 5-7 Year	LU57TRUU	0.14%	-0.41%	0.33%	1,595
-US Aggregate 7-10 Year	LU71TRUU	0.19%	-0.55%	0.24%	2,041
By Rating					
-US Aggregate Aaa	LU3ATRUU	0.15%	-0.47%	0.14%	2,921
-US Aggregate Aa	LU2ATRUU	0.19%	-0.56%	0.52%	1,267
-US Aggregate A	LU1ATRUU	0.23%	-0.78%	0.48%	2,666
-US Aggregate Baa	LUBATRUU	0.23%	-0.74%	1.09%	3,316
By Class L1					
-US Treasury	LUATRUU	0.16%	-0.53%	0.18%	258
-US Government-Related	LD08TRUU	0.17%	-0.29%	0.90%	1,316
-US Corporate	LUACTRUU	0.23%	-0.79%	0.66%	5,971
-US Securitized: MBS, ABS, and CMBS	LD19TRUU	0.13%	-0.41%	0.05%	2,625
-US Aggregate ex Treasury	LF86TRUU	0.18%	-0.55%	0.40%	9,912
By Original Sector L1					
-US Government/Credit	LUGCTRUU	0.19%	-0.60%	0.44%	7,545
-US Government	LUAGTRUU	0.16%	-0.52%	0.20%	733
-US Credit	LUCRTRUU	0.22%	-0.71%	0.73%	6,812
-US Universal	LC07TRUU	0.16%	-0.53%	0.59%	15,670
-Eurodollar Composite	BEDCTRUU	0.20%	-0.53%	0.88%	6,386
-US 144A Investment Grade	LU14TRUU	0.17%	-0.30%	1.50%	1,594



# Bloomberg ESG

## Data

- Bloomberg proprietary
- 3<sup>rd</sup> Party (Sustainalytics, etc.)

## Research

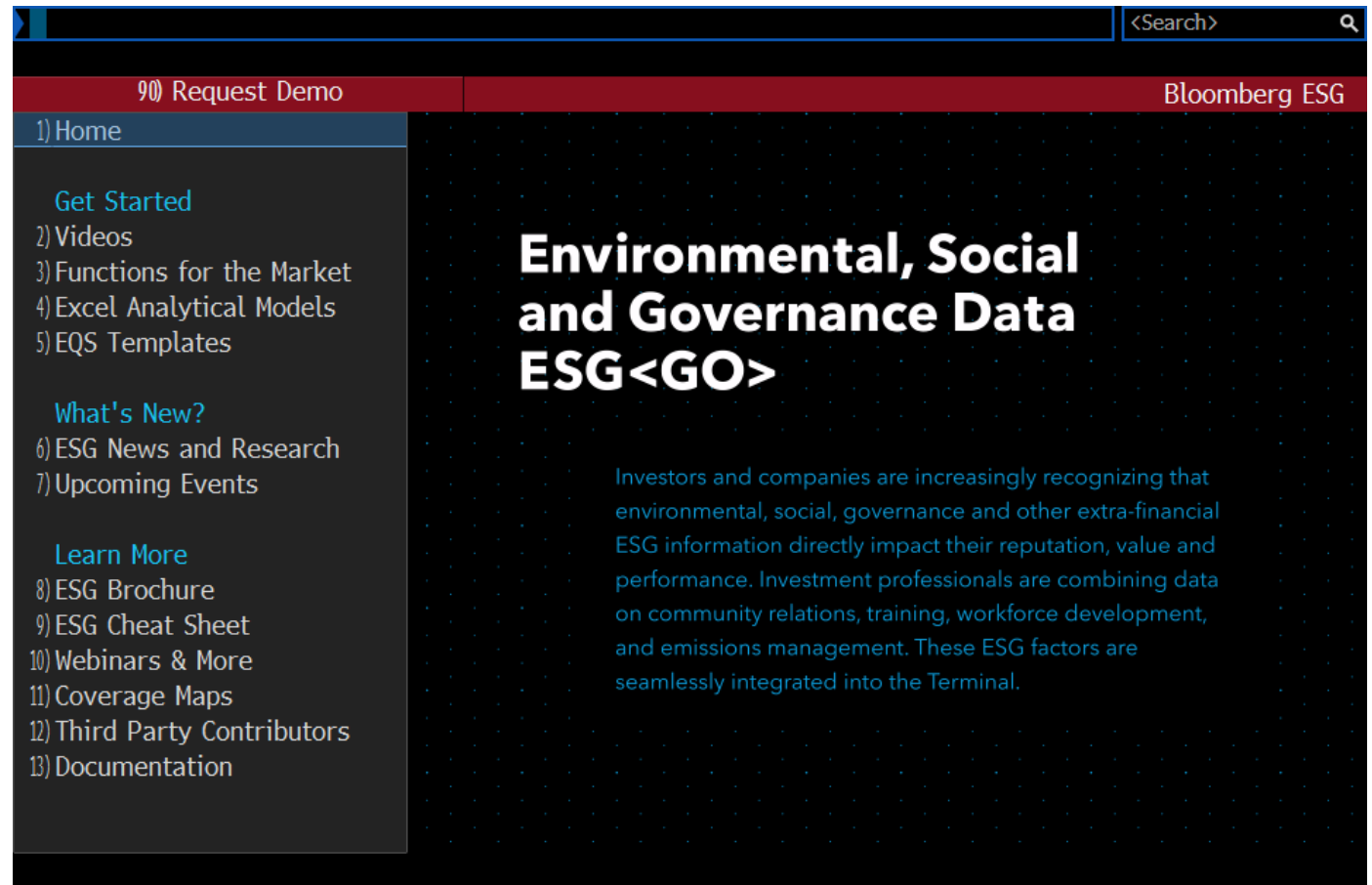
- BI ESG
- 3<sup>rd</sup> Party

## News

- ESG topic codes

# BESG <GO>

- Landing page for Bloomberg ESG content
- Brochures, webinars, and more

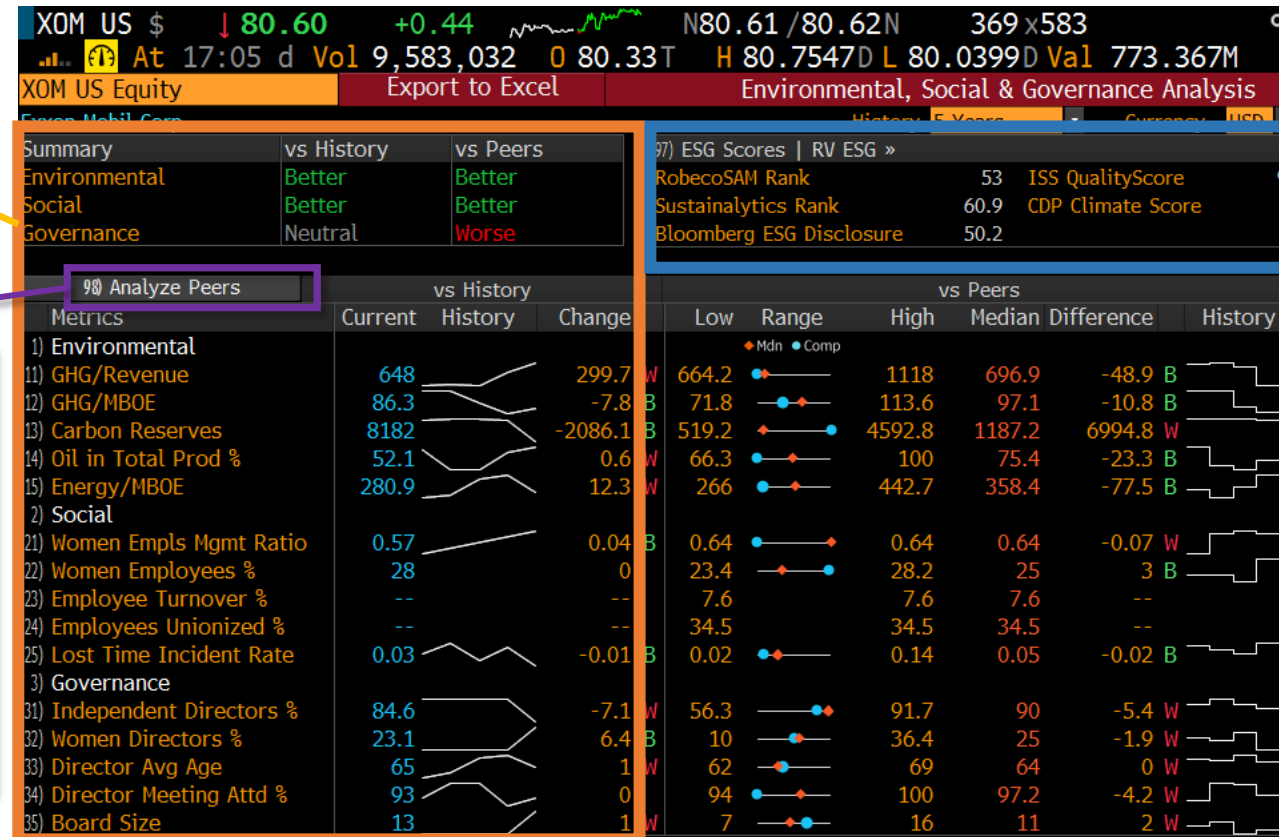


# ESG Data

## XOM US Equity ESG <GO>

Bloomberg proprietary data

Third party ESG data



97) ESG News | NSE »  
98) ESG Research | NSE »  
99) BI ESG Industry Primer »  
Peers of XOM US Equity

Ticker	Company Name
1) XOM US Equity	Exxon Mobil Corp
2) CVX US Equity	Chevron Corp
3) IMO CN Equity	Imperial Oil Ltd
4) SU CN Equity	Suncor Energy Inc
5) HSE CN Equity	Husky Energy Inc
6) CVE CN Equity	Cenovus Energy Inc

Analyze Peers

Close

# ESG Research

BI ESG <GO>



Bloomberg Intelligence

ESGD <GO>



External ESG Research



# ESG News

- ESG topic codes

The screenshot displays the Bloomberg ESG News interface. At the top, there is a search bar with the text "<Search>" and a magnifying glass icon. Below the search bar, a dropdown menu is open, showing a list of ESG topic codes and their corresponding descriptions. The menu is titled "NI ESG" and includes a "FUNCTIONS" section. The list of functions includes:

- NI ESG: Envir., Social, Governance
- NI ESGCORRUPT: ESG Corruption
- NI ESGENV: ESG Environment
- NI ESGCONTROV: ESG Controversy Screening
- NI BMRESGENV: ESG Environment Research
- NI BMRESGGOV: ESG Governance Research
- NI BMRESGSOC: ESG Social Research
- NI ESGGOV: ESG Governance
- NI ESGCREP: ESG Renewables Procurement

Below the list, there is a link for "More Choices...". To the right of the dropdown menu, the main news list is visible. It shows a table of news items with columns for the article title, the source (e.g., BN, BNA, WPT), and the time (e.g., 17:50, 17:34). The news items include headlines such as "Environmentalists Urge EPA to Test All Pesticide Ingredients", "Agriculture Spending Riders Target Obama Food Safety Legacy", and "Vons, Ralphs, Foster Farms Sued Over Water in Chicken".

# XLTP ESG<GO>

- Access the Bloomberg ESG Scorecard spreadsheet
- Carbon foot-printing, ESG Country Risk, and more

ESG

97) Favorites

98) Actions

1 - 3 of 10

Excel Template Library

Cover View

List View

Sort By Relevance

All AOI

All Asset Classes

All Roles

All Regions



**Bloomberg ESG Scorecard - XLTP XSCR**

This Environmental, Social and Governance (ESG) Risk Scorecard provides a tool for assessing company and portfolio performance. The template provides an easy to use way to understand a company's overall ESG performance and to identify where a company is performing well and where it

[1\) Read More](#) [2\) Open](#)



**Bloomberg Portfolio Carbon Footprint Tool - XLTP XPCF**

The Portfolio Carbon Footprint tool allows users to measure and compare portfolio carbon emissions against a selected benchmark, even when companies are not disclosing the emission data. The overall portfolio figures, sector and stock level carbon data together with attribution analysis give users

[3\) Read More](#) [4\) Open](#)



**Bloomberg ESG Country Risk - XLTP XECR**

The ESG Country Risk Tool enables users to assess and compare a country's current and historical environmental, social, governance and economic risks. It offers a country- as well as company-based analysis over time across a broad range of indicators summarizing the results in risk scores and

[5\) Read More](#) [6\) Open](#)

Featured Template



**Bloomberg Delta One Product Comparison - XLTP XD1**

The template compares the equity delta one products (i.e. Index Future and Equity ETFs) and provides the customized backward looking analysis of the cost to track the benchmarks.

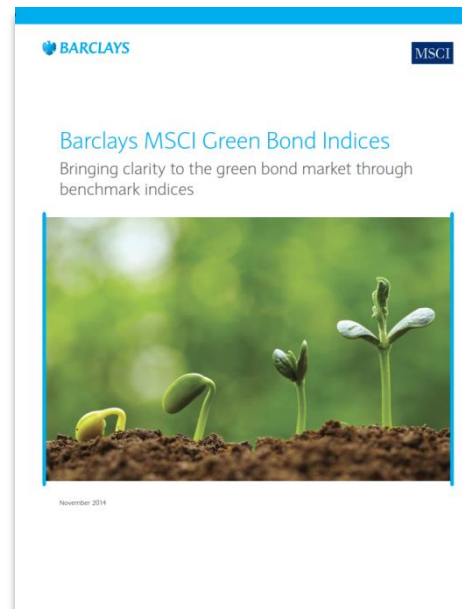
[7\) Read More](#) [8\) Open](#)

# GREEN BOND INDICES

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# Bloomberg Barclays MSCI Green Bond

- Global and regional indices available
- Clear and **independently evaluated** measure of the Green Bond market
- Designed as a useful performance measure for dedicated “green” investors in addition to broad-based investors



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