Quick Take: ESG Investing during the COVID Crisis

ACADIAN

April 2020

The COVID crisis has drawn attention to many ESG themes

- Social and Governance issues of immediate concern during the crisis include employee practices and cybersecurity.
- Longer-term themes include societal inequality and regulatory appetite to intervene with respect to non-financial risks (now COVID, next climate?).

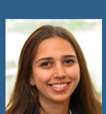
Poor ESG practices have been associated with weaker performance

- We've seen meaningful differences in returns between best- and worst-scoring companies based on Environmental and Social criteria (top chart).
- Relative valuations of highly rated ESG companies have expanded during the current crisis (bottom chart). Such firms tend to have lower betas and more attractive quality characteristics.[1]

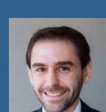
Acadian's approach to ESG investing remains robust

- Our proprietary ESG signals have performed materially better than widely available generic factors.
- Our strategies have lower carbon footprints than their benchmarks, by roughly 50% and 30% in Developed and Emerging Markets, respectively.
- The crisis hasn't slowed our corporate engagement activities. We completed more than 1600 in Q1.

[1] *Result is robust to controls for market beta and does not seem driven by energy prices declines.*

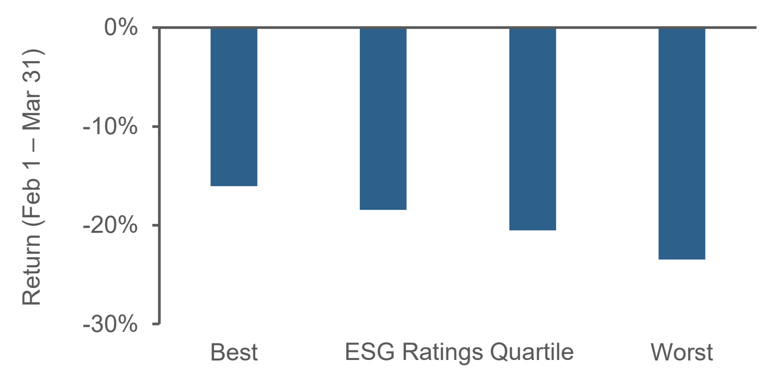


Asha Mehta, CFA
Acadian Asset Management LLC
SVP, Portfolio Manager
amehta@acadian-asset.com

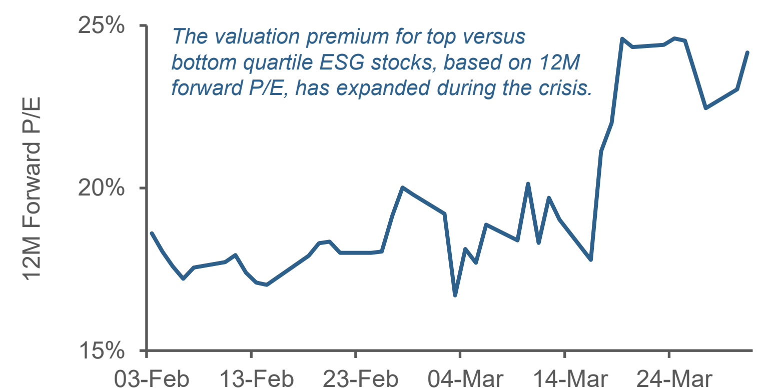


Matthew Picone, CFA
Acadian Asset Management (Australia) Limited
VP, Portfolio Manager
mpicone@acadian-asset.com.au

ESG factors have been relevant in the crisis



The ESG "value spread" has expanded



Top chart: Equal number securities per quartile. ESG scores are based Acadian's proprietary factors. Cap weighted total returns from Feb 1 – March 31, 2020. Universe: MSCI World.
Bottom chart: Cap weighted 12-month forward Consensus P/E ratio for ESG Quartile 1 relative to ESG Quartile 4. ESG scores based on MSCI's ESG Ratings. Universe: MSCI World.
Sources: Acadian Asset Management LLC, MSCI. The information provided is for illustrative purposes only based on proprietary models. It does not represent investment returns from actual trading or actual portfolios. There can be no assurance that the forecasts will be achieved.

LEGAL DISCLAIMER

Acadian provides this material as a general overview of the firm, our processes and our investment capabilities. It has been provided for informational purposes only. It does not constitute or form part of any offer to issue or sell, or any solicitation of any offer to subscribe or to purchase, shares, units or other interests in investments that may be referred to herein and must not be construed as investment or financial product advice. Acadian has not considered any reader's financial situation, objective or needs in providing the relevant information.

The value of investments may fall as well as rise and you may not get back your original investment. Past performance is not necessarily a guide to future performance or returns. Acadian has taken all reasonable care to ensure that the information contained in this material is accurate at the time of its distribution, no representation or warranty, express or implied, is made as to the accuracy, reliability or completeness of such information.

This material contains privileged and confidential information and is intended only for the recipient/s. Any distribution, reproduction or other use of this presentation by recipients is strictly prohibited. If you are not the intended recipient and this presentation has been sent or passed on to you in error, please contact us immediately. Confidentiality and privilege are not lost by this presentation having been sent or passed on to you in error.

Acadian's quantitative investment process is supported by extensive proprietary computer code. Acadian's researchers, software developers, and IT teams follow a structured design, development, testing, change control, and review processes during the development of its systems and the implementation within our investment process. These controls and their effectiveness are subject to regular internal reviews, at least annual independent review by our SOC1 auditor. However, despite these extensive controls it is possible that errors may occur in coding and within the investment process, as is the case with any complex software or data-driven model, and no guarantee or warranty can be provided that any quantitative investment model is completely free of errors. Any such errors could have a negative impact on investment results. We have in place control systems and processes which are intended to identify in a timely manner any such errors which would have a material impact on the investment process.

Acadian Asset Management LLC has wholly owned affiliates located in London, Singapore, Sydney, and Tokyo. Pursuant to the terms of service level agreements with each affiliate, employees of Acadian Asset Management LLC may provide certain services on behalf of each affiliate and employees of each affiliate may provide certain administrative services, including marketing and client service, on behalf of Acadian Asset Management LLC.

Acadian Asset Management LLC is registered as an investment adviser with the U.S. Securities and Exchange Commission. Registration of an investment adviser does not imply any level of skill or training.

Acadian Asset Management (Japan) is a Financial Instrument Operator (Discretionary Investment Management Business). Register Number Director-General Kanto Local Financial Bureau (Kinsho) Number 2814. Member of Japan Investment Advisers Association.

Acadian Asset Management (Singapore) Pte Ltd, (Registration Number: 199902125D) is licensed by the Monetary Authority of Singapore.

Acadian Asset Management (Australia) Limited (ABN 41 114 200 127) is the holder of Australian financial services license number 291872 ("AFSL"). Under the terms of its AFSL, Acadian Asset Management (Australia) Limited is limited to providing the financial services under its license to wholesale clients only. This marketing material is not to be provided to retail clients.

Acadian Asset Management (UK) Limited is authorized and regulated by the Financial Conduct Authority ('the FCA') and is a limited liability company incorporated in England and Wales with company number 05644066. Acadian Asset Management (UK) Limited will only make this material available to Professional Clients and Eligible Counterparties as defined by the FCA under the Markets in Financial Instruments Directive.

ACADIAN

Boston London Singapore Sydney Tokyo

ACADIAN-ASSET.COM