ESG FOCUSED FUND

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Fund Description

The ESG Focused Investment Fund of Bocconi Student Asset Management Club was created in September 2023. The aim of the fund is to overperform its assigned benchmark, while paying particular attention to the ESG score of the portfolio, achieved through a combination of techniques acquired thanks to contribution of academic research in the last decades.

Worldwide Macroeconomics Current Situation

GDP outlook:
In the USA, despite concerns about inflation and interest rates, steady growth is projected across sectors, with GDP forecasted to maintain robust performance at 2.4% in 2024 and 1.4% in 2025, though geopolitical tensions pose risks to growth trajectories. Conversely, in the EU, downward revisions to headline HICP inflation, mainly due to lower energy prices, accompany a weaker growth outlook, while China's economic landscape in 2024 reflects recovery trends, with GDP reaching 5.2% in 2023, supported by consumption, industrial production, infrastructure investment, and resilient export performance. These contrasting economic outlooks highlight the diverse challenges and opportunities faced by different regions, with each grappling with its unique set of factors shaping growth prospects.

Inflation outlook:
In the USA, while inflation remains a concern, there are signs of easing, with headline inflation expected to hover around 3% in the first half of 2024. Core inflation is projected to gradually decline into the target band, providing room for rate cuts by the Federal Reserve. In the EU, nominal wage growth is expected to gradually decline but remain elevated, allowing for a catch-up of real wages by 2025. Looking ahead, China's monetary and fiscal policies are expected to remain expansionary in 2024, with the government targeting GDP growth of around 5% and addressing inflationary pressures and environmental concerns. However, risks persist, including in the real estate market, local government debt, and geopolitical tensions, though systemic financial risks are considered manageable due to prudent policies.

Labor market outlook:
In the EU, robust job creation has been surprising, exceeding recent expectations, although labor market conditions, while favorable, are not as tight as in previous periods. Projections suggest a gradual slowdown in job growth, with the unemployment rate expected to peak at 3.9%. Demographic shifts pose challenges for long-term labor supply, necessitating adjustments in employer strategies and policy responses. Meanwhile, in China, the resilience of the labor market is expected to persist, supported by ongoing economic recovery efforts, despite uncertainties stemming from geopolitical tensions. The government's commitment to expansionary fiscal and supportive monetary policies is likely to mitigate downside risks. Overall, cautious optimism prevails regarding China's labor market outlook in 2024 amidst challenges.

Last Semester Fund Performance Review

Starting from its settlement in September 2023, the ESG Focused Fund achieved a return of 25.81% over the initial investment. The benchmark, the Ishares MSCI World ESG Enhanced ETF, gained a return of 15.34% throughout the same period. Therefore, the fund has overperformed the benchmark by 10.74%.

Symbol	Trade Date	Purchase Price	Current Price	Quantity	Absolute Returns	% Returns	Weight
ADB.DU	2/1/2024	$ 500.00	$ 408.65	100	$ (9,135.00)	-18.27%	2.37%
0QYE.L	2/1/2024	$ 105.00	$ 128.31	477	$ 11,118.87	22.20%	3.55%
MNDTR.IS	2/1/2024	$ 6.00	$ 6.70	8350	$ 5,845.00	11.67%	3.25%
AMD	2/1/2024	$ 168.00	$ 160.30	297	$ (2,286.90)	-4.58%	2.76%
SGRO.L	9/1/2023	$ 725.00	$ 930.40	152	$ 31,220.80	28.33%	8.21%
LODHA.NS	9/1/2023	$ 680.00	$ 1,303.80	150	$ 93,570.00	91.74%	11.35%
SENS.SW	9/1/2023	$ 71.35	$ 74.30	1402	$ 4,135.90	4.13%	6.05%
2330.TW	9/1/2023	$ 548.00	$ 839.00	251	$ 73,041.00	53.10%	12.22%
YUM	9/1/2023	$ 123.00	$ 141.93	851	$ 16,109.43	15.39%	7.01%
GIB-A.TO	9/1/2023	$ 135.00	$ 135.91	1351	$ 1,229.41	0.67%	10.66%
ABT	9/1/2023	$ 96.00	$ 103.19	501	$ 3,602.19	7.49%	3.00%
SRT3.DE	9/1/2023	$ 294.00	$ 236.10	200	$ (11,580.00)	-19.69%	2.74%
TFX	9/1/2023	$ 196.00	$ 213.56	300	$ 5,268.00	8.96%	3.72%
IE00BHZPJ569.SG	9/1/2023	$ 6.52	$ 7.81	51000	$ 65,586.00	19.72%	23.11%

New securities bought during the semester are Adobe Inc (ABD.DU), Enphase Energy, Inc. (0QYE.L), Mondi Tire Kutsan Kagit ve Ambalaj Sanayi A.S. (MNDTR.IS), Advanced Micro Devices, Inc. (AMD).

The rebalancing involved just 10% of the portfolio, indicating the fund aim at long-term investments, to exploit fully the ESG related alphas of all the securities.

Dynamic ESG Portfolio Upgrades

This semester, our main goal was to enhance the sustainability impact of our portfolio by refining our asset allocation and capitalizing on growth opportunities in the ESG sector. A significant move we made was increasing our investment in renewable energy firms like AMD and SGRO.L which showed a performance and commitment to sustainability. Additionally, we diversified further into high ESG rated sectors such as healthcare, represented by ABT and technology, particularly in sustainable technologies like SENS.SW.

Furthermore, we have adopted an investment strategy by adapting to market trends and ESG performance data. For instance, YUM demonstrated ESG enhancements alongside financial performance. Finally, we improved our focus on geographical diversification, like 2330.TW and LODHA.NS to better align with ESG trends.

Conclusion

The improvements we implemented this semester showcase our dedication to not only achieving good financial results but also improving our sustainability goals. As we move forward, we will monitor both the portfolio's performance and the ESG impact of our investment decisions, aiming to promote sustainability and generating long-term value of our stakeholders.

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