Climate Macro Strategy

6th October 2023

Scenario Planning

Climate Change Investment Framework: Part I

AUTHOR:

Michael Penn +44(0) 7073 0764 michael.penn@absolute-strategy.com

Incorporating climate change is challenging

Incorporating climate change into an investment process can be a challenging exercise. Investors are facing an unfamiliar set of physical and transition climate drivers, operating over varying timeframes, all with a high degree of uncertainty.

The ASR Climate Change Investment Framework

In the first of a series of publications, we look at how investors can integrate climate change into their investment process, generate new macro views and identify where risks and opportunities across equities and fixed income may be greatest.

A mix of quantitative and qualitative inputs

We harness the quantitative outputs from commonly-used climate models, but augment this with our own set of narrative-based climate scenarios. We look to track the climate transition in real-time, with financial market impacts top of mind.

RECENT RESEARCH:

Breaking records

29th September 2023

Climate Opportunities for Sovereigns

22nd September 2023

A jolt to the system

15th September 2023

Assessing the world's first carbon border tax

8th September 2023

<u>Five Summer Climate</u> Reads

1st September 2023

Key diagram: ASR Climate Change Investment Framework

Climate Drivers

1.Ac
2.Su
3.Ca
4.In

1.Bu

1. Acute & chronic geophysical risk

2. Supply chain disruption & raw materials

3. Carbon costs & regulation

4. Investment & technology

1.Business As Usual

2.Net Zero 2050 Aligned

3. Carbon Price Transition

4. Tech & Investment Transition

Macro/Market Sensitivity

Climate Scenarios

- Growth & Inflation
- Equity Industries
- Sovereign Debt
- Commodities

Assess Impact

Risks/opportunities for each asset class and each scenario

Source: ASR Ltd