

# EURO STOXX 50 ESG UCITS ETF

UBS ETF **On Track Research**



Invest in top Eurozone companies through a core equity benchmark,  
filtered by ESG criteria for enhanced sustainability.

### UBS ETF (LU) EURO STOXX 50 ESG UCITS ETF – Going green with Eurozone blue-chip equities

- EURO STOXX 50 is one of the most renowned benchmark indices for investors in Eurozone equities with Euro 31.3bn<sup>1</sup> ETF assets tracking it globally.
- The 10% lowest ESG-scoring companies are filtered out to tilt the index towards more sustainable companies.
- In addition, the EURO STOXX 50 ESG index filters out companies with revenue exposure to controversial weapons manufacturers, tobacco, thermal coal and those that do not comply with the United Nations Global Compact (UNGC) principles.
- EURO STOXX 50 ESG targets comparable performance to the standard EURO STOXX 50 index.
- To bring the number of constituents and sector exposure back in line with the standard EURO STOXX 50 index, the excluded companies are replaced with higher ESG-scoring companies from the same ICB Supersector.
- EURO STOXX 50 ESG can be seen as a 'core replacement'. It is designed to maintain the characteristics of the EURO STOXX 50 while also meeting relevant and meaningful ESG criteria.
- All funds and share classes are UCITS V compliant. Share classes are available with and without currency hedging.

## Core equity, ESG in mind

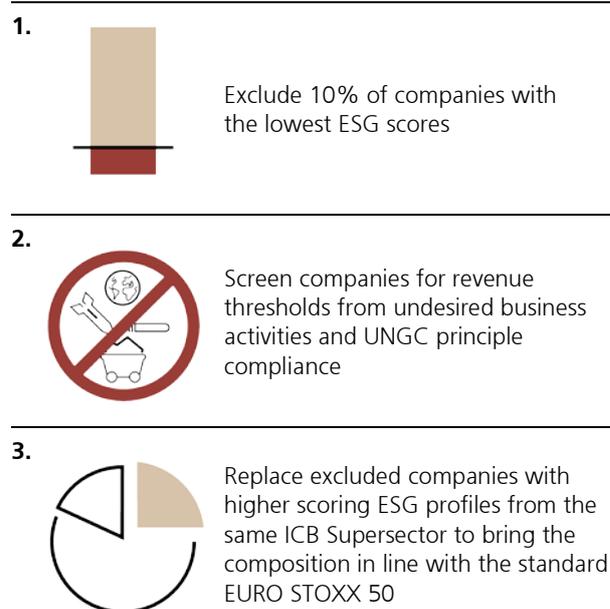
As investors become increasingly aware of the impact of their investment choices, they are increasingly looking for sustainable versions of their core benchmarks. The goal of such sustainable core benchmarks is to provide a similar risk-return profile as the non-screened version while significantly improving the sustainability footprint.

## Taking the next step

After the successful launch of the UBS ETF (IE) S&P 500 ESG UCITS ETF, which catered for the need for a sustainable U.S. core equity solution, the next logical step was to make additional markets investible by creating sustainable versions of their core indices. The EURO STOXX 50 is the single largest Eurozone benchmark for ETFs globally with around Euro 31.3bn<sup>1</sup> assets tracking it and a track record of over 20 years.

<sup>1</sup> Source: Morningstar. Data as of June 2019.

Figure 1: Summary of ESG screening methodology



Source: STOXX, UBS Asset Management Switzerland AG. Data as of June 2019.

## Sustainability filtering – a three stage process

The EURO STOXX 50 ESG index employs a comprehensive three stage process for screening companies for sustainability:

**In the first step**, from the 50 constituents the five companies (10% of constituents) with the lowest ESG scores are excluded.

**In the second step**, companies are screened for exceeding revenue thresholds from undesired business activities such as the production and sale of controversial weapons (>0%), or voting rights in such companies (>10%), revenue from tobacco production (>0%) or thermal coal extraction and power generation (>25%). The screening also assesses companies' compliance with the UNGC principles' four pillars: human rights, labor, environment and anti-corruption. Companies that fail to comply with any of the screening criteria are excluded from the index (Figure 2).

**Step three** involves new inclusions to fill the allocation space left by the first two exclusion phases. Replacements are sourced from the universe within the same sector, where the replacement company has a higher ESG score than it replaces. Simple yet robust process for the creation of a new-generation ESG index.

**Figure 2: Excluded companies and reasons**

Company	EURO STOXX 50 index weight	ESG score	Exclusion criteria
Airbus	2.8%	72	Controversial weapons
Vinci	2.0%	63	Bottom 10%
Safran	1.8%	64	Bottom 10% & Controversial weapons
VW	1.1%	59	Bottom 10%
Vivendi	1.0%	64	Bottom 10%
Fresenius	0.8%	55	Bottom 10%

Source: STOXX. Data as of March 2019.

### Risk, return and sector neutrality

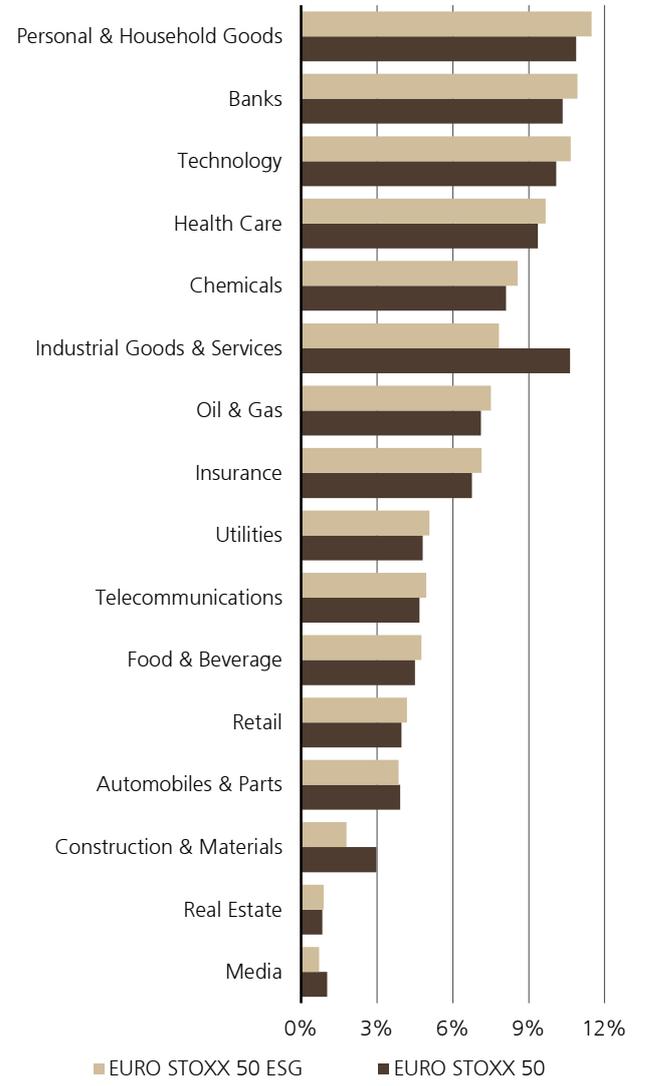
Applying sustainability filtering leaves the index at less than 50 companies. For each company excluded, an additional company that meets the sustainable requirement is selected from the same ICB Supersector, in order to bring back the constituents to 50 (Figure 3). The result is an index that has shown very similar risk and return characteristics to the standard index in long term back tests (Figure 4).

### The case for sustainable core Eurozone equity

Investors in Eurozone equity often choose the EURO STOXX 50 benchmark as it tracks the blue-chip Eurozone equity market. The new ESG screened version of this core portfolio component allows investors to make sure that they are compliant with certain ESG requirements, such as adherence to UNGC principles and avoidance of undesired revenue exposure to business activities like controversial weapons manufacturing and sales.

The EURO STOXX 50 ESG presents an all-new core benchmark in that it maintains the characteristics of the established and renowned core-equity index while meeting relevant and increasingly important ESG criteria.

**Figure 3: ICB Supersector index allocation**



Source: STOXX, UBS Asset Management. Data as of March 2019.

**Past performance is not a reliable indicator of future results.**

**Figure 4: Long-term index performance**

Both indices Total Return Net. Indexed to 100 as of 30 Mar 2012.



Source: STOXX, Bloomberg, UBS Asset Management Switzerland AG. Data as of March 2019.

## Relevant ETF Exposure

### The EURO STOXX 50 ESG

Fund name	Fee	NAV ccy	Replication	Distribution	ISIN	Bloomberg
UBS ETF – EURO STOXX 50 ESG UCITS ETF (EUR) A-dis	0.15%	EUR	Physical	Yes	LU1971906802	E5ESG SW
UBS ETF – EURO STOXX 50 ESG UCITS ETF (EUR) A-dis	0.15%	EUR	Physical	Yes	LU1971906802	E50ESG IM
UBS ETF – EURO STOXX 50 ESG UCITS ETF (EUR) A-dis	0.15%	EUR	Physical	Yes	LU1971906802	UET5 GY

Source: UBS Asset Management Switzerland AG.

Current fund performance data and further product information are available at [www.ubs.com/etf](http://www.ubs.com/etf).

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