

# Mirae Asset ESG Sector Leaders ETF

An open-ended scheme replicating/tracking Nifty100 ESG Sector Leaders Total Return Index

# Mirae Asset ESG Sector Leaders Fund of Fund

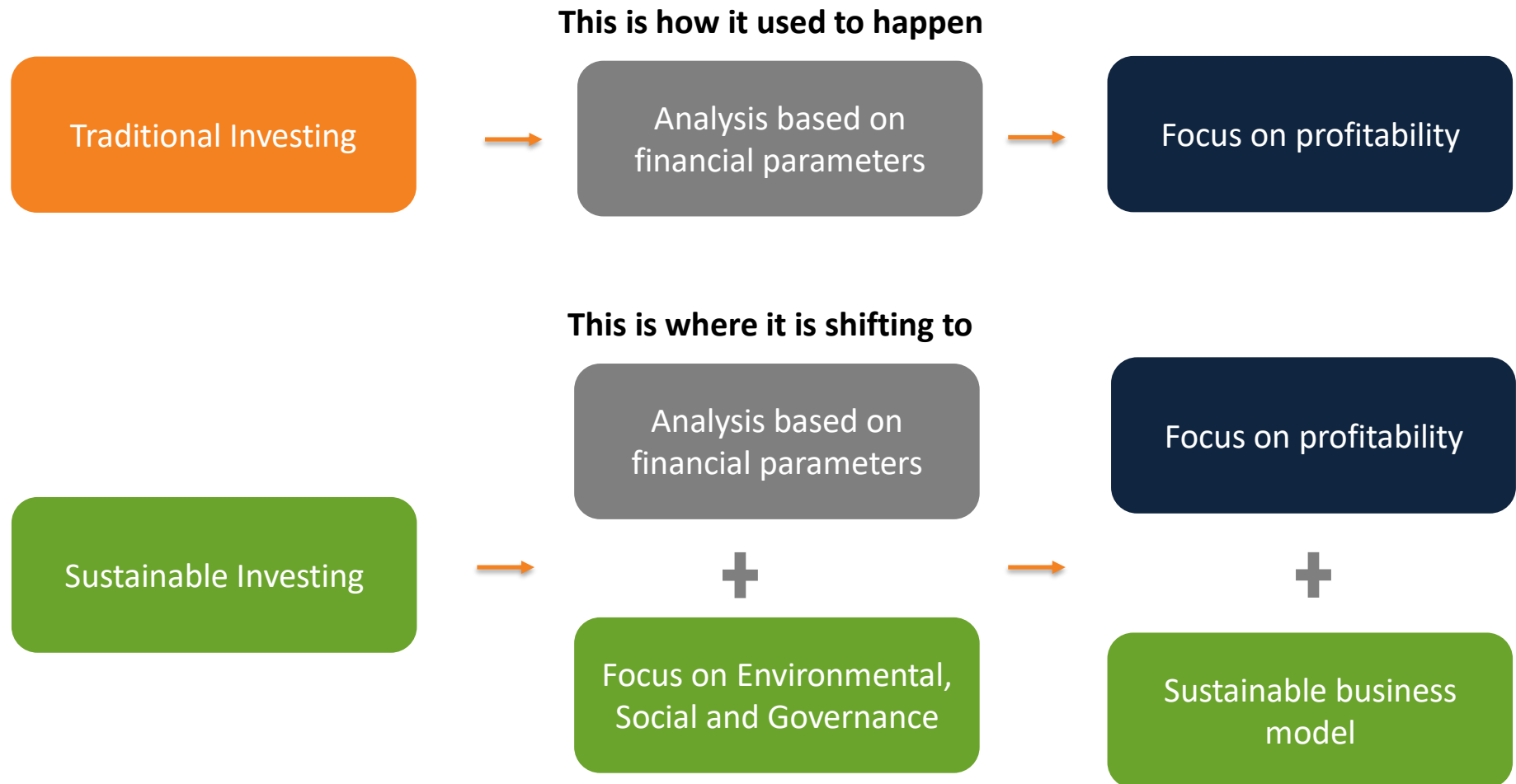
An open-ended fund of fund scheme predominantly investing in Mirae Asset ESG Sector Leaders ETF

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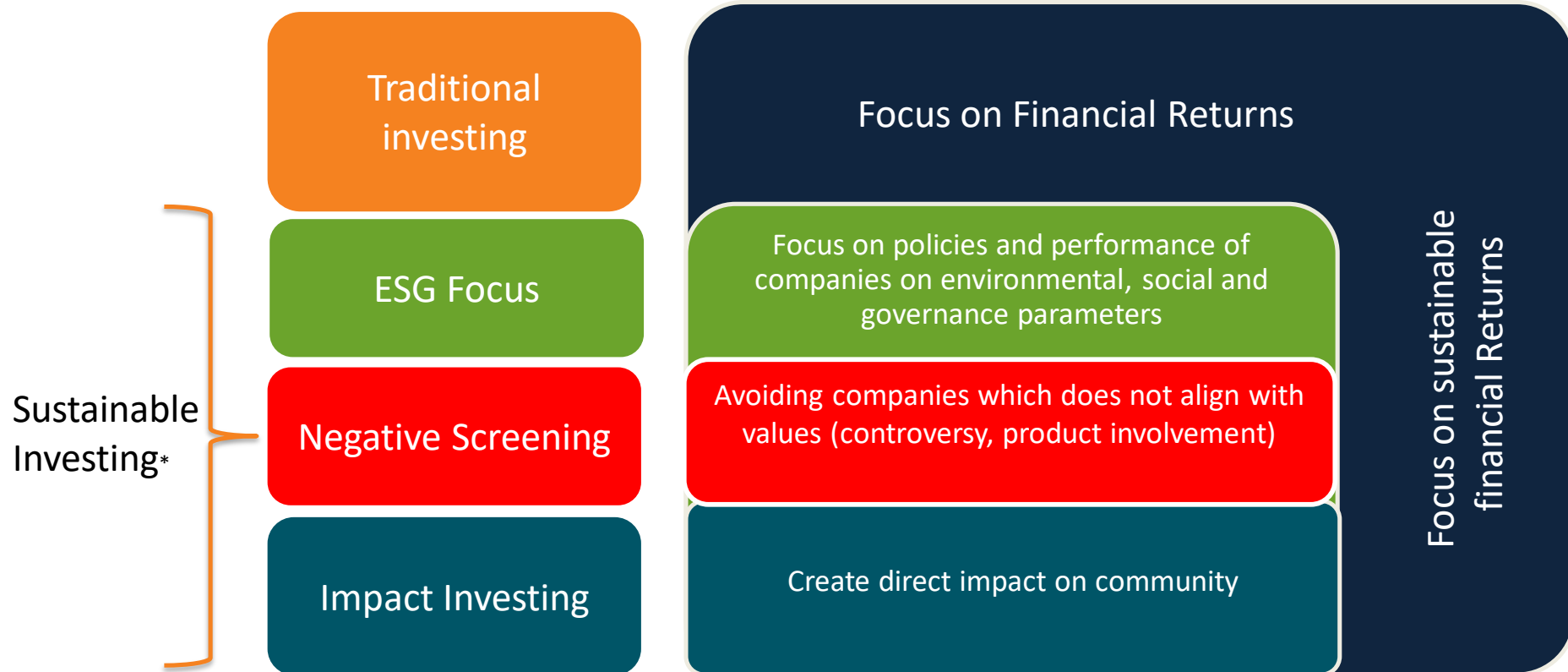
What  
is Environment  
Social Governance  
(ESG)?

# Investment philosophy is changing



Increasing stakeholder activism and globalization is shifting company and investor focus towards sustainable growth and development

# Sustainable Investing: Invest in companies with sustainable business models



**Sustainable Investing** incorporates **Environmental, Social and Governance (ESG)** factors into investment decisions as a mean to contribute towards the sustainable development of the community, **better manage company specific risk and potentially enhance long-term returns.**

\*Sustainable Investing also includes positive/best-in-class screening, norm based screening, corporate engagement and shareholder action etc.

# Focus on ESG factors: Increasing importance of non-financial parameters



Focus now on environmental, social and governance (ESG) factors to make companies grow sustainably with positive impact on internal and external stakeholders

# Focus now on how money is made: Integrate ESG in ethos of the company



**How company makes money**

**How much company makes money**

Long Term  
Philosophy

Improves  
Productivity

Positive  
Outcome



Why  
ESG investing ?

# Companies facing increased exposure to ESG factors

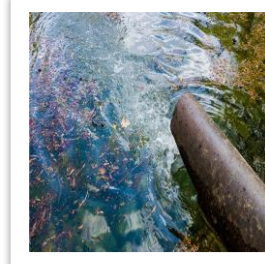
Environmental



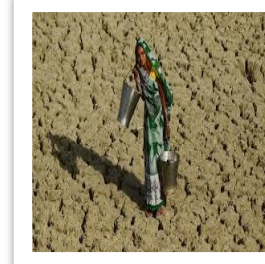
Rise in Air Pollution



Deforestation and Mining



Water Contamination



Climate Change

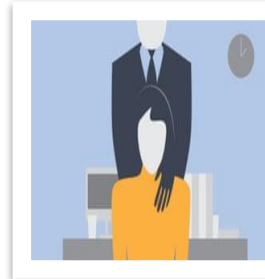


Waste Management

Social



Increasing labor strike



Sexual Harassment



Affordable Housing Scheme



Data Privacy



Eco – friendly product

Governance



Increasing regulatory issues



Whistleblower complaints



Money laundering & corruption



Rise in financial frauds



Resignation of Independent Directors



# ESG issues are gaining traction and becoming material events

## Environmental (E)

### Oil spill cost the petroleum and exploration giant a bill of total \$65bn

Petroleum giant is nearing the end of the \$65bn (£47bn) Deepwater Horizon compensation process, it said as it announced an unexpectedly high pay-out of \$1.7bn among the final few hundred outstanding claims.

- *The Guardian*

### Indian Oil Market Companies along with few others Fined 286 Cr for Mahul Pollution

Four companies operating in Mahul, Mumbai including Oil Marketing Companies will have to pay over 286 crore for increasing Air pollution

- *Times of India*

### Thousands of protesters hit the streets demanding closure of copper plant in Thoothukudi, India

Local residents argue that the existing smelter has been polluting their water and air since it was established in 1996.

- *The Indian Express*

## Social (S)

### Social Media giant to pay \$ 5 billion as regulator settles breach of data privacy Compliant

Social Media giant will pay a record \$5bn (£4bn) penalty in the US for “deceiving” users about their ability to keep personal information private, after a year-long investigation

- *The Guardian*

### US Fines Indian Drug Pharma company with penalty of US \$500 Million

Indian pharma company pleaded guilty to seven counts of felony after it distributed several India-produced adulterated generic drugs in the U.S. in 2005-2006.

- *Industry Week*

### Sexual harassment complaints at Nifty Companies hit a record

The Nifty 50 companies have disclosed receiving a cumulative 741 complaints of sexual harassment in their annual reports for the fiscal year 2019. These are the highest number of cases reported annually since FY15

- *The Economic Times*

## Governance (S)

### Premium German automaker fined \$1.5 billion for emissions cheating

Premium German automaker have agreed to pay \$1.5 billion to the U.S. government and California state regulators to resolve allegations they cheated on emissions tests

- *CBSNEWS*

### India's second-largest public lender reports yet another loan fraud , shares tank over 6%

The lender said that the fraud of Rs 3,688 crore related to the NPA account of a housing finance companies

- *Financial Express*

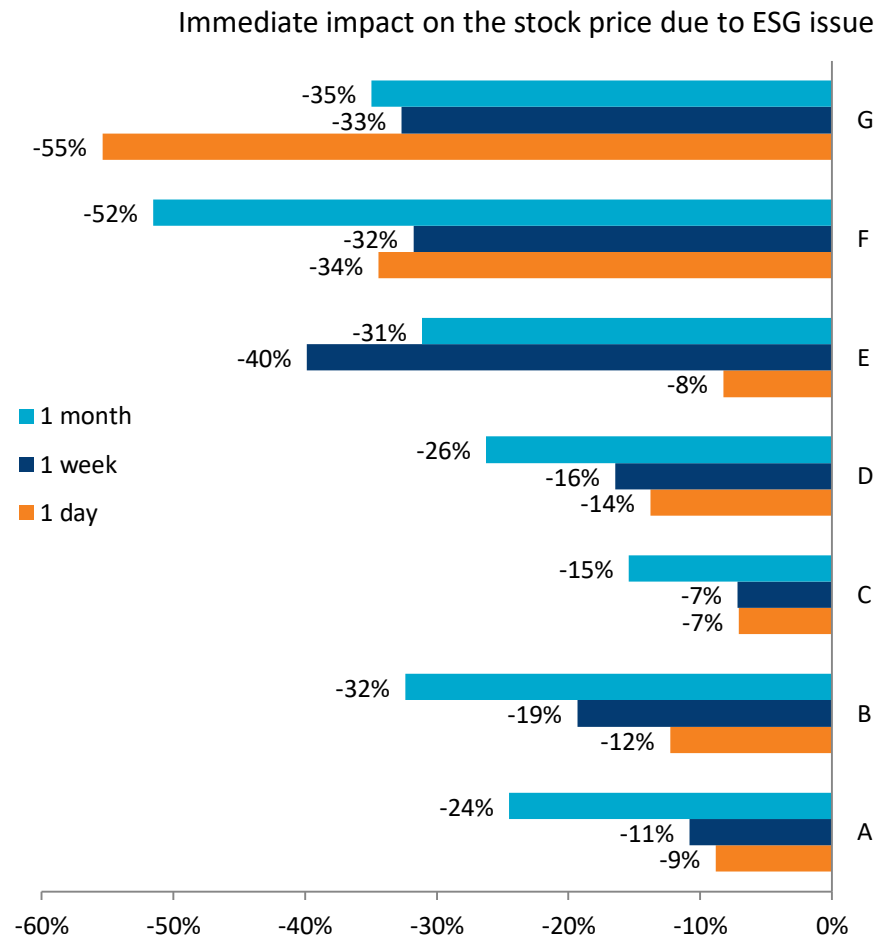
### Shares of Indian airlines tank 19 per cent as promoters' spat spills out in public

Share of operator of the low-cost carrier tanked more than 19 per cent after one of the company's co-founders approached SEBI over alleged corporate governance issues at the airline.

- *Financial Express*

# Poor ESG adherence in India have impacted stock performance

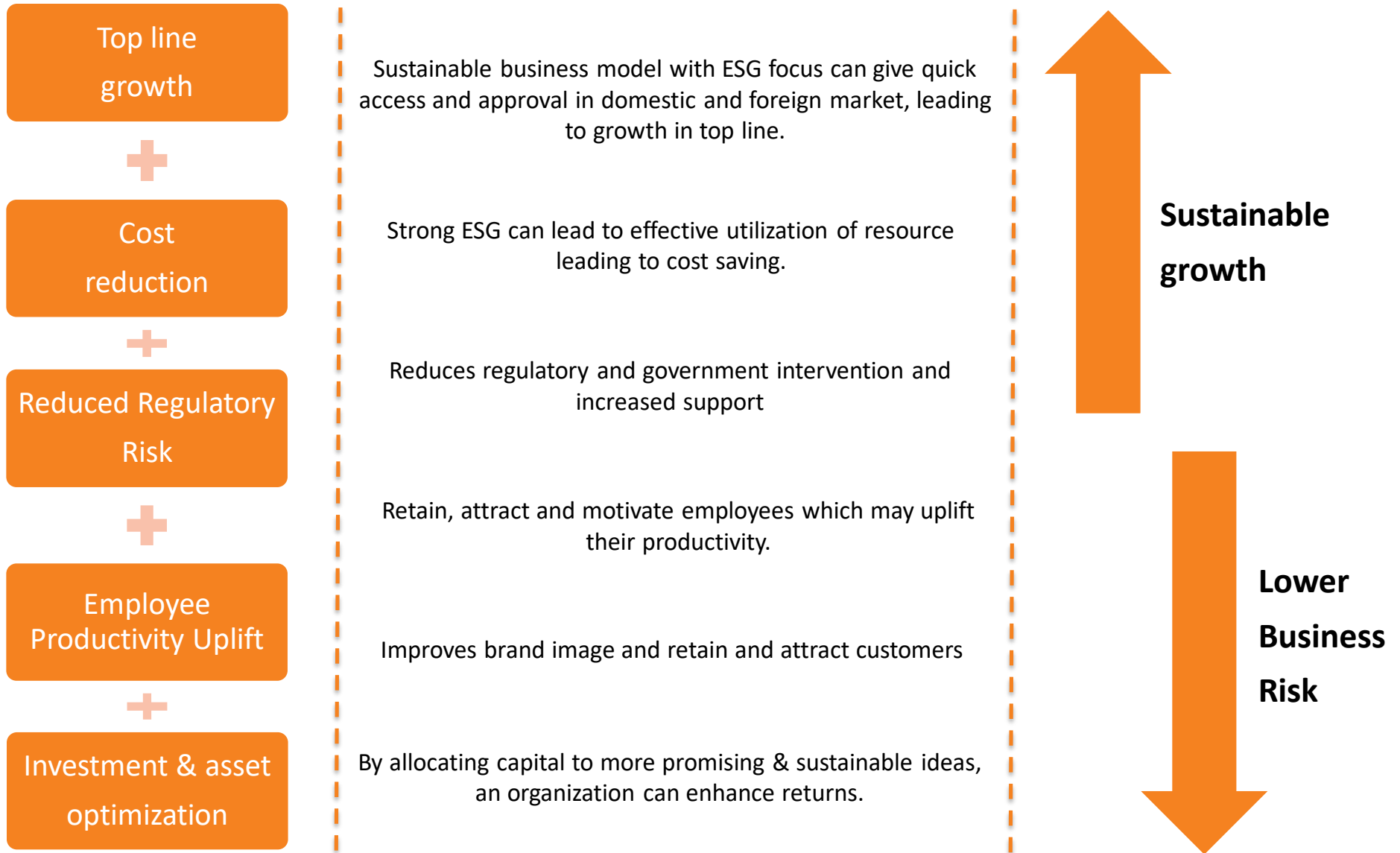
Sr. No.	Description
A	In May 2013, an Indian Pharma company pleaded guilt of felony charges related to drug safety and agreed to pay fine of USD 500 million
B	In Feb 2018, India's second largest public lender discloses failure of governance mechanism that failed to prevent the massive fraud
C	In May 2018, people at Thoothukudi protested against expansion of copper smelter plant citing environmental damages
D	In Sep 2018, Mismanagement of funds at conglomerate engaged in leasing & financing led to significant loss to investor was discovered
E	In Jan 2019, housing finance company was accused of siphoning off Rs. 31,000 Cr.
F	In Sep 2019, charges of financial fraud came up at another housing finance company listed in India
G	In March 2020, RBI seized the board and management of the bank and appointed independent director due to lack of proper corporate governance



ESG issues have created negative impact across several companies in recent past

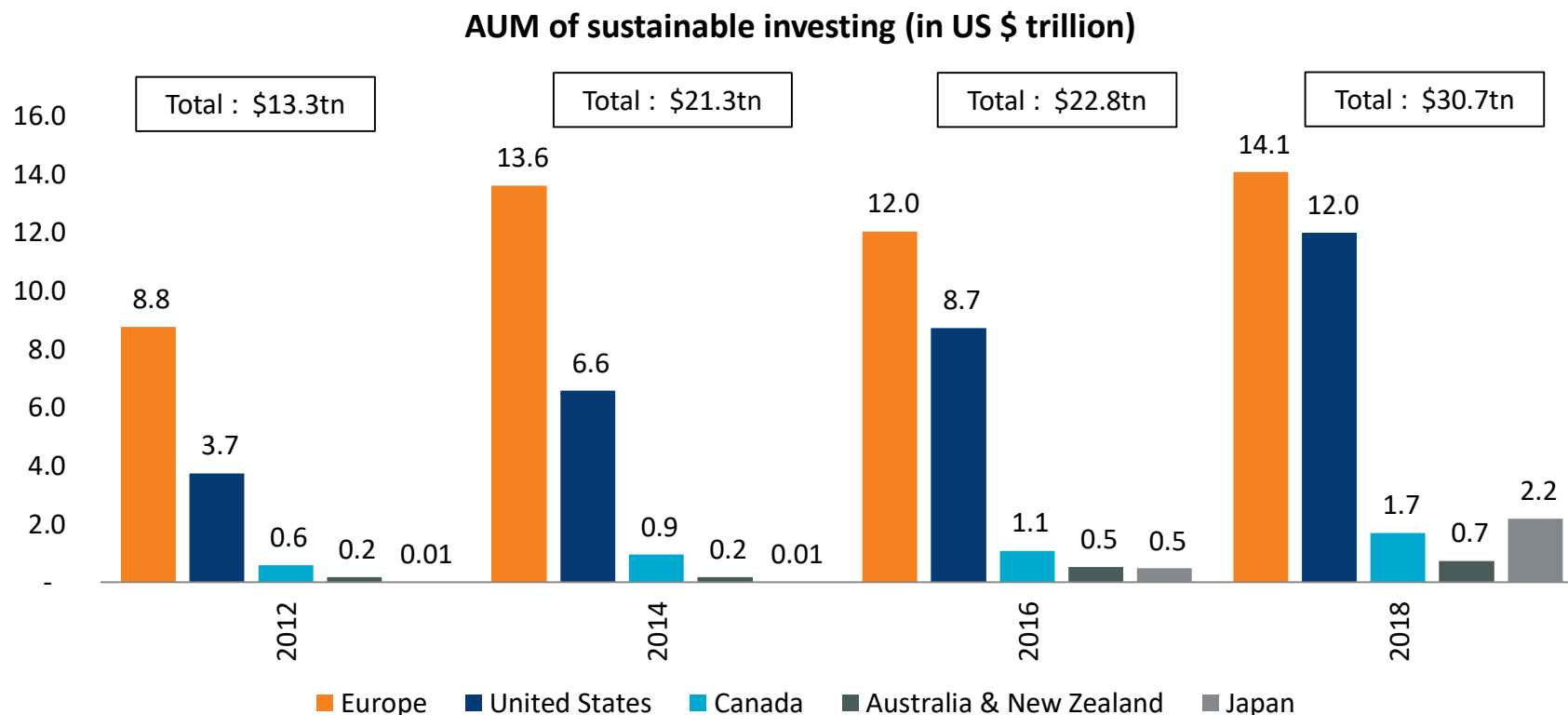
Prices are sourced from NSE, Returns are absolute returns, Past performance may or may not sustain in future. Data as on June 30, 2021

# Not just risk avoidance: ESG creates positive impact on companies



Source : McKinesy & Company Report, By Witold Henisz, Tim Koller, and Robin Nuttall

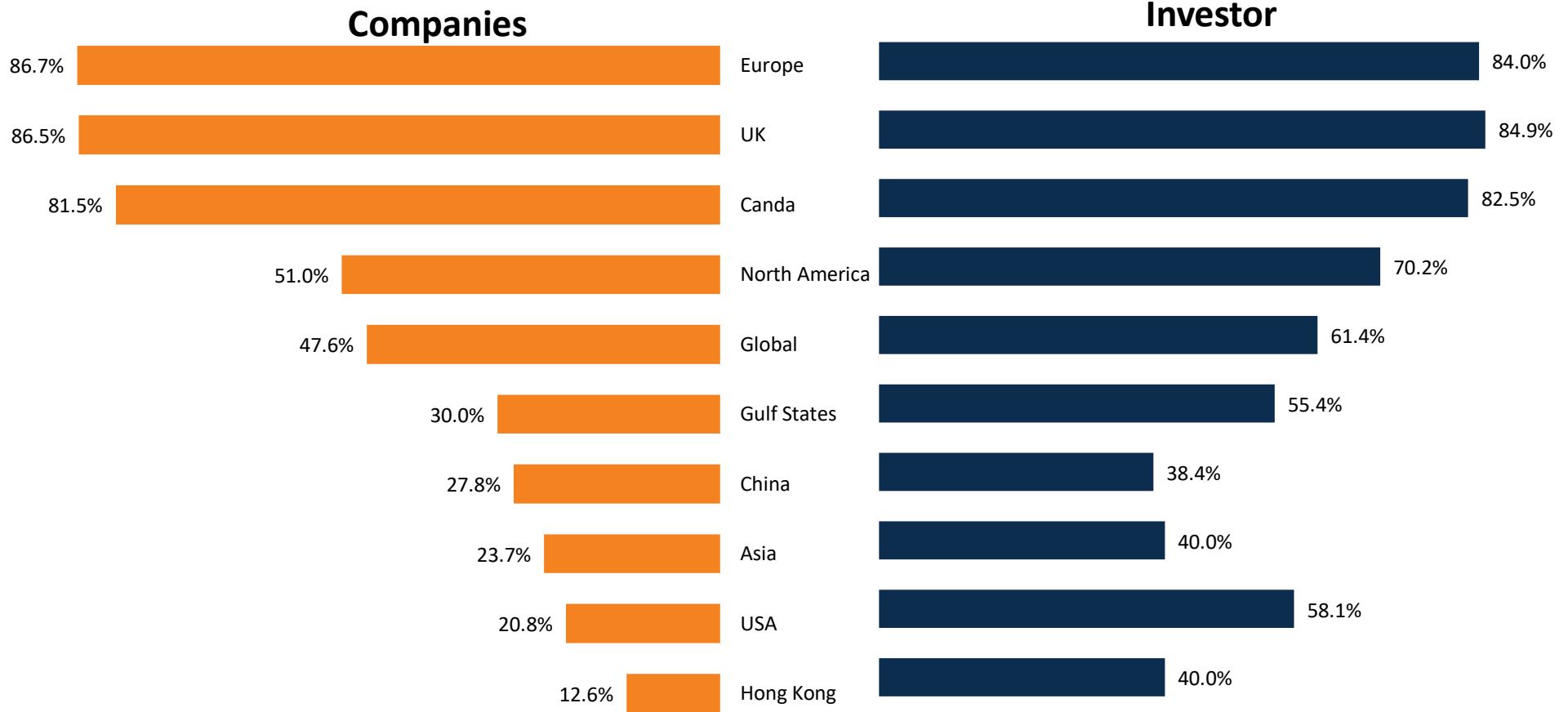
# Overall benefit has made sustainable investment huge globally



- Total sustainable investment has increased from US \$ 13.3 trillion to US \$ 30.7 trillion at the start of 2018.
- Europe continues to dominate the sustainable investment management across all the period.
- European countries predominantly adopt negative screening as ESG strategy. United states leads with ESG Integration and Japan indulges in ESG activities via corporate engagement and shareholder actions.

Source: Global Sustainable Investment Review Reports 2012, 2014, 2016 & 2018

# Companies and investors both are flocking for sustainable investments



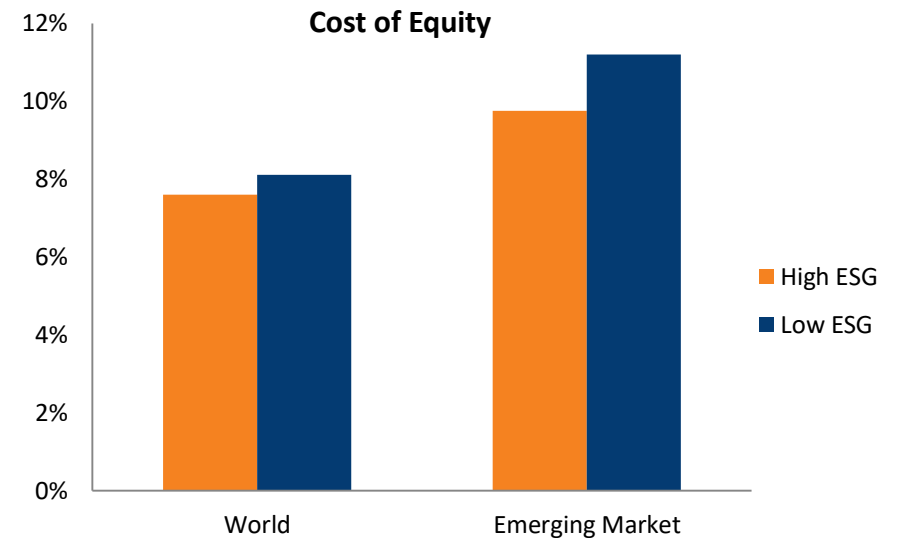
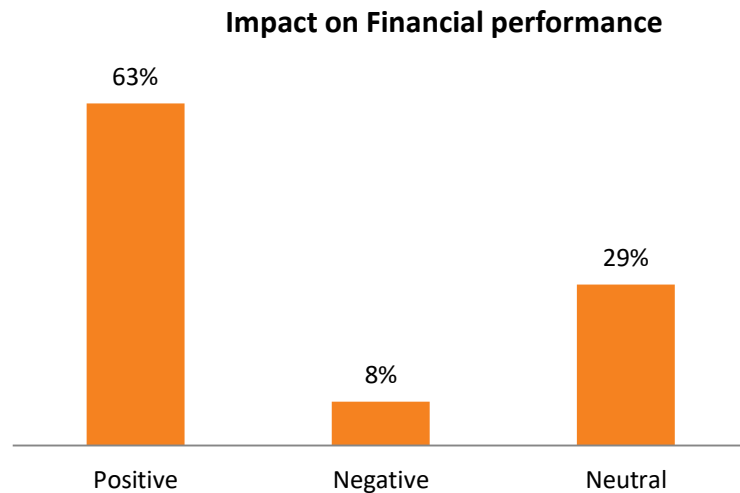
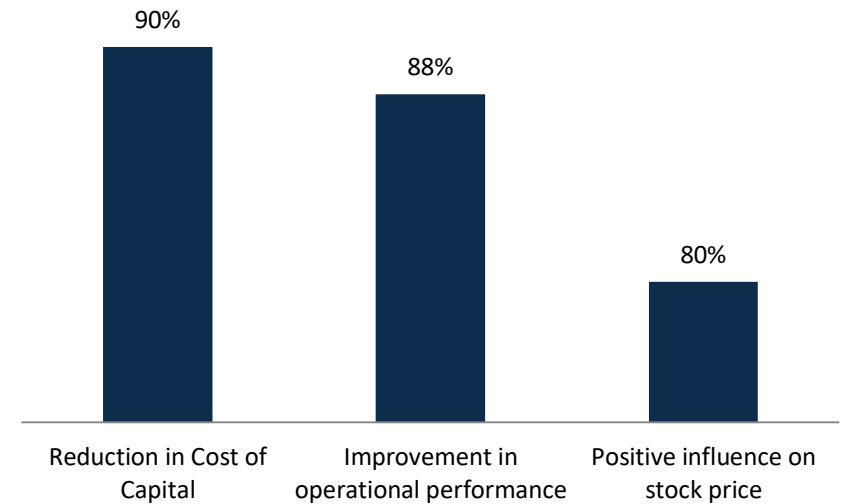
ESG has been adopted both by the investors and businesses globally



Does ESG create  
value for investor?

# Sustainable companies have shown better Financial and stock performance

- 80% of the studies analyzed by Oxford concluded that there is positive performance associated with ESG investing.
- 63% of studies indicated direct positive impact of ESG on Financial Performance
- ESG leads to significant reduction in cost of capital leading to premium valuation



Source :Gunnar Friede, Timo Busch & Alexander Bassen, 2015 ; Oxford report 'From stockholder to stakeholder' based on more than 200 academic studies , MSCI Foundation of ESG Investing

# ESG focused companies aim to create more wealth for Investor

## Lower Risk

- Above average risk control standard
- Less frequent severe incident
- Lower stock specific risk and volatility

## Improved financial performance

- More competitive advantage
- Better at developing long-term business plan
- Firm can leverage and generate higher level of profitability

## Improve Valuation

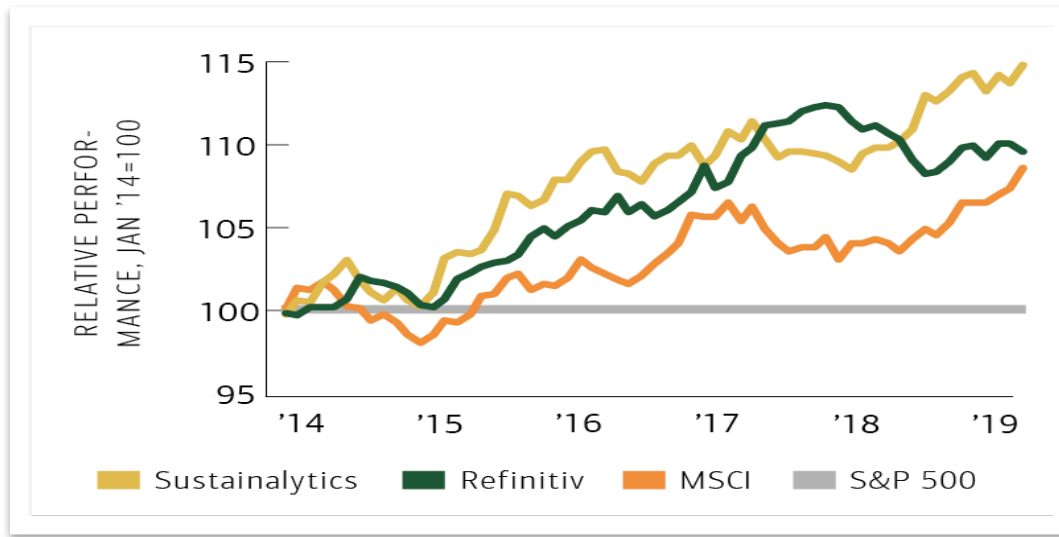
- Higher sustainable cash flows and profitability
- Strong ESG can decrease cost of capital and improve valuation
- Better brand image

## Potentially Higher Return to shareholder

- Potentially higher and stable return to shareholder
- Improved image & potentially higher valuation can help in commanding premium



# Sustainable ESG portfolio have delivered better performance



Period	S&P 500 ESG	S&P 500
10 Years	15.2%	14.8%
5 Years	18.3%	17.7%
3 Years	20.1%	18.7%
1 Year	40.7%	40.8%
6 Months	15.9%	15.3%
3 Months	9.2%	8.6%

- ESG variant of S&P500 has outperformed traditional index.
- Similarly, several known benchmarks have been outperformed by their ESG version over the long run
- This is believed to be driven by the fact that ESG portfolio have lower drawdowns, companies command higher valuation premium and lower cost of capital

Source : Bank of America research Report, S&P Dow Jones Indices Data as on June 30, 2021 , Past performance may or may not sustain in future

# Benefit of ESG Investing: Get ready for the future

- ✓ Chances of more stable and higher returns due to better practices
- ✓ Push companies to be answerable for any activity which has negative impact on society and environment
- ✓ Companies which integrate and develop strong ESG practice will reduce occurrence of severe events
- ✓ Companies that do not integrate ESG in long-run will lose competitive advantage which may have negative impact on companies growth, profit and sustainability
- ✓ Better brand image, better management of customer & employee relationship and operational process lead to increased productivity and competitive advantage

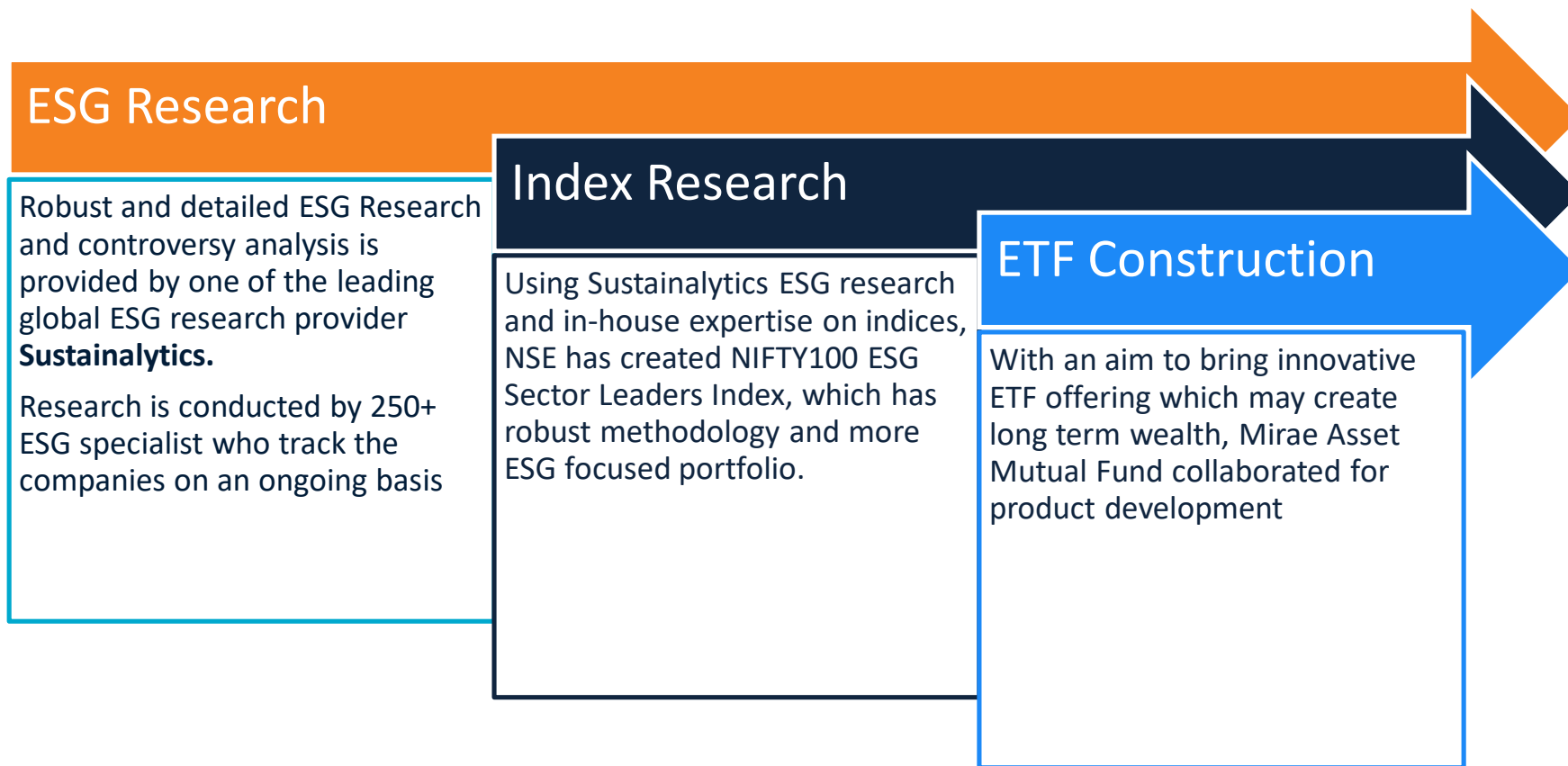
**Sustainable investing aims to generate long term wealth along with positive impact on the society**



Mirae Asset ESG Sector  
Leaders offerings

# Mirae Asset ESG Sector Leaders: Framework

Expertise of multiple specialized companies have got into the development of Mirae Asset ESG Sector Leaders ETF



A product created with expertise of multiple specialized entities.

# About NIFTY100 ESG Sector Leaders Index

The scheme will aim to track the performance of an Nifty100 ESG Sector Leader Index.

- New Index by NSE which incorporates the latest research methodology by Sustainalytics, one of the global leaders in ESG research
- Index comprises of companies which have scored well on management of Environmental, Social and Governance (ESG) Factors
- Avoid taking exposure into companies engaged in the business of tobacco, gambling, alcohol and controversial weapon.
- Avoid Investments in companies with controversies on E, S and G pillar
- Compared against the best of the world
- Aims to generate similar sector exposure as NIFTY 100 index with investment only in companies with leading ESG practices
- Aims to generate higher returns with lower volatility and drawdowns

# How is ESG Integrated in this product

## Controversy Analysis

Is the company facing any major environmental, social and governance controversy?



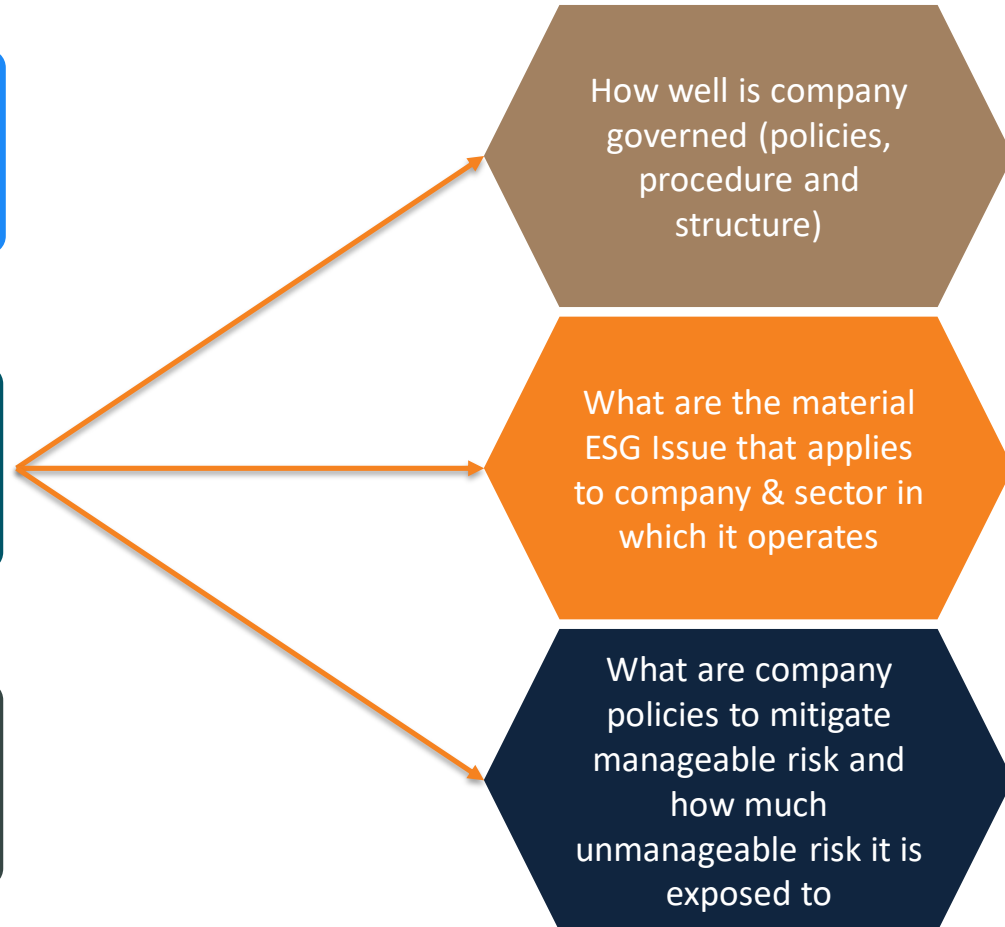
## ESG rating

What is ESG Risk rating score and how is it determined ?



## Product Involvement

Is company involved in a business which ethically questionable ?



Each company is assessed on E,S and G factors relevant to its industry and itself.  
Companies are also assessed for any controversy and product involvement

# How is Nifty100 ESG Sector Leader Index constructed ?

**Step 1: Select the parent index**



**Step 2: Exclude companies if they satisfy any of the following parameters**



**Step 3: Sector Agnostic selection**

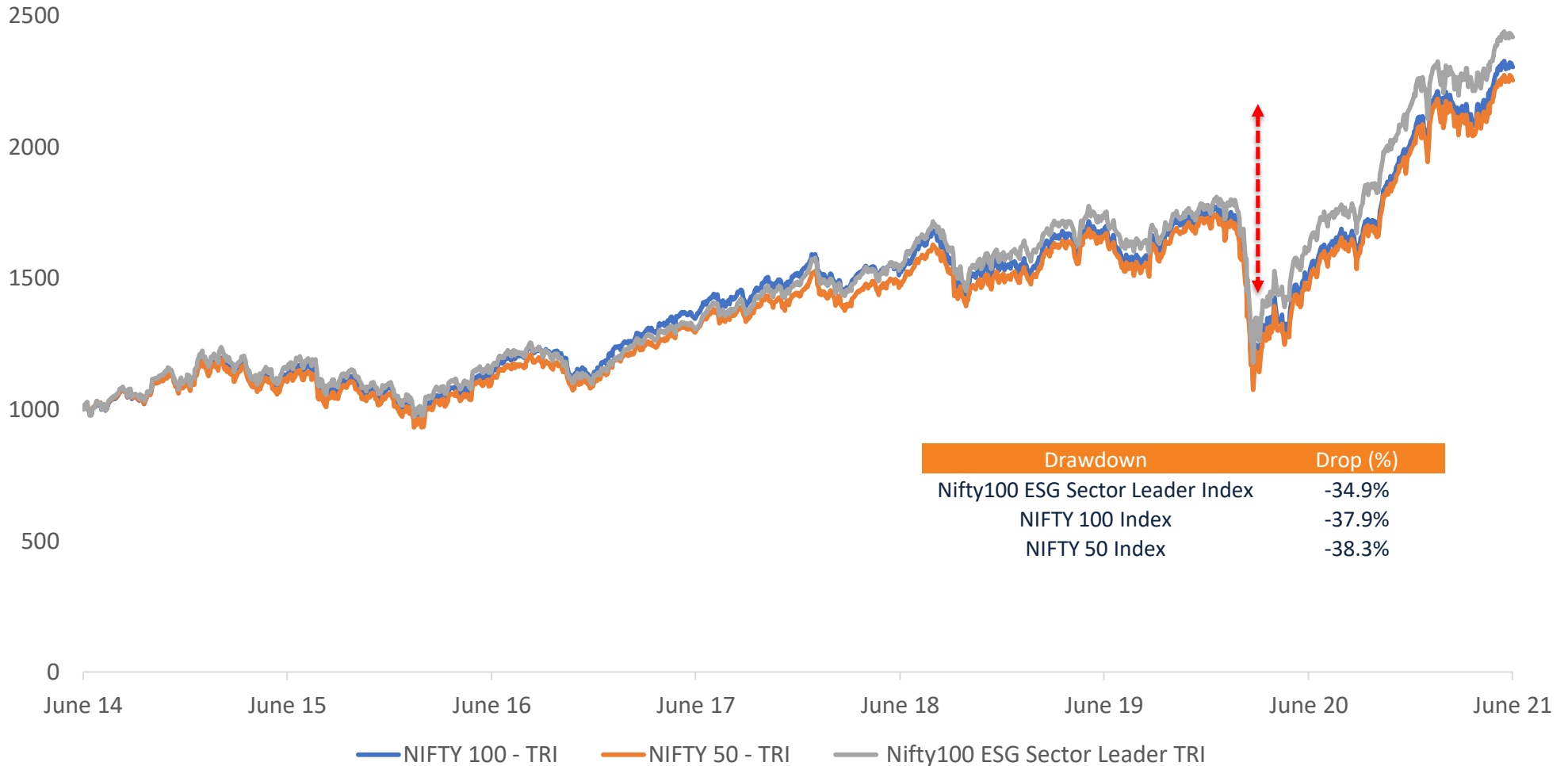


**Step 4: Select final list of stocks**



**A robust new methodology results in creation of portfolio with companies having superior ESG performance, no major controversy and no involvement in questionable businesses**

# ESG Sector leaders has an ability to outperform in long-run



**Historically, ESG Leaders Index has created more wealth than NIFTY 50 and NIFTY 100 index with lower volatility**

NSE data as on June 30, 2021, Past performance may or may not sustain in future. The index return are in Total Return Variant.



# More wealth creation with lower volatility historically

## Returns

Period	NIFTY 100 - TRI	NIFTY 50 - TRI	Nifty100 ESG Sector Leader TRI
Since Inception	12.7%	12.3%	13.4%
5 Years	15.1%	15.1%	15.7%
3 Years	14.6%	15.0%	16.0%
1 Year	54.0%	54.6%	50.7%
6 Mo	14.0%	13.2%	11.9%
3 Mo	8.2%	7.5%	7.3%

## Risk

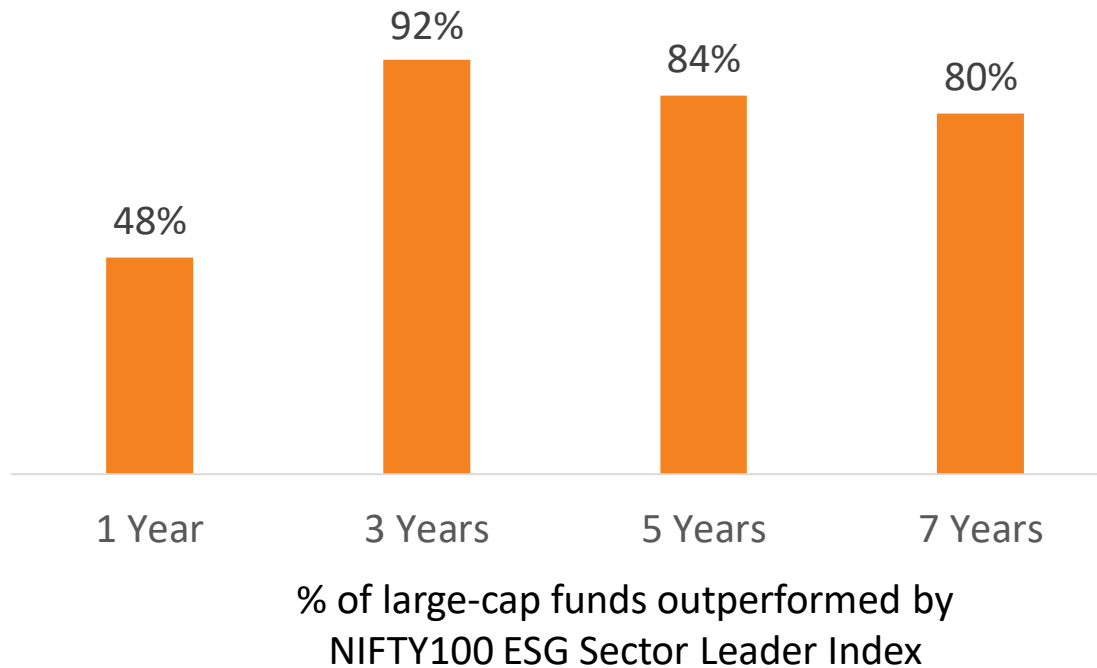
Period	NIFTY 100 - TRI	NIFTY 50 - TRI	Nifty100 ESG Sector Leader TRI
Since Inception	17.1%	17.3%	16.7%
5 Years	18.0%	18.2%	17.3%
3 Years	21.4%	21.9%	20.6%
1 Year	16.3%	16.8%	15.5%
6 Months	17.6%	18.1%	16.6%
3 Months	14.1%	14.4%	12.8%

CY	Nifty100 ESG Sector Leader Index	NIFTY 50 Index	NIFTY 100 Index
2014	37.3%	33.0%	34.8%
2015	-1.3%	-3.0%	-1.3%
2016	2.8%	4.4%	5.0%
2017	31.4%	30.3%	32.9%
2018	7.1%	4.6%	2.6%
2019	10.8%	13.5%	11.8%
2020	22.6%	16.1%	16.1%
2021 YTD	11.9%	13.2%	14.0%

- Nifty100 ESG Sector Leaders index has outperformed NIFTY 100 Index and NIFTY 50 Index in longer horizon with lower volatility
- In 5 out of 8 recent calendar years, NIFTY 50 Index has underperformed the NIFTY100 ESG Sector leaders Index

NSE data as on June 30, 2021, Past performance may or may not sustain in future. The index return are in Total Return Variant.

## Has Outperformed Large Cap Funds over several periods



**Historically, ESG Leaders Index has outperformed more than 80% of the large cap funds over investment horizon of 3,5,7 years**

Data sourced from ACE MF, June 30, 2021. The data shown above pertains to the Index and does not in manner indicate performance of any scheme of the Fund. Large Cap Mutual funds based on the SEBI circular on categorization and rationalization of Mutual Fund Scheme. Large cap funds are defined as minimum investment 80% of total assets in equity & equity related instruments of large cap companies.

## Sector Allocation in line with broad based indices

Top 10 Sector Holdings (in %)				Top 10 Holdings	Weight %
Sectors	Nifty100 ESG Sector Leader Index	Nifty 100 Index	Nifty 50 Index		
Financial Services	25.60	34.47	37.21	Infosys Ltd.	10.10
IT	20.08	15.15	17.43	Reliance Industries Ltd.	10.09
Consumer Goods	11.97	12.04	11.10	HDFC Bank Ltd.	9.95
Oil & Gas	11.91	11.02	11.69	HDFC	8.99
Pharma	5.47	4.87	3.59	Tata Consultancy Services Ltd	6.98
Automobiles	4.35	4.94	5.34	Kotak Mahindra Bank Ltd.	5.04
Metals	4.14	4.20	3.56	Hindustan Unilever Ltd.	4.45
Construction	4.00	2.49	2.66	Larsen & Toubro Ltd.	3.65
Cement & Cement Products	3.16	2.69	2.53	Asian Paints Ltd.	2.72
Telecom	2.89	1.80	1.82	Bharti Airtel Ltd.	2.50

- Stock weights are capped at 10% on a semi annual basis
- Currently index has less weightage to financial services as compared to Nifty50 Index
- ESG index tilts in favor of consumer goods and IT sector vis-à-vis Nifty50 Index

Source: NSE, Portfolio as on June 30, 2021 Note: The sector(s)/stock(s)/issuer(s) mentioned in this presentation do not constitute any research report/recommendation of the same and the Fund may or may not have any future position in these sector(s)/stock(s)/issuer(s).

# Why invest in Mirae Asset ESG Sector Leader ETF and FOF ?

- ✓ Companies incorporating ESG practices usually have lower business risk, better resource management & brand image and higher sustainable growth opportunity.
- ✓ Avoid controversial companies and the unsystematic price risk associated with it
- ✓ True to the label ESG focused portfolio with underlying research by Sustainalytics, one of the leading ESG research provider Globally
- ✓ Nifty100 ESG Sector Leader Index has outperformed Nifty100 and NIFTY 50 historically with lower volatility and draw down (i.e. better Return to Risk Profile)
- ✓ An opportunity to grow your wealth with sustainable investing
- ✓ Relatively Low cost option to participate into sustainable investing

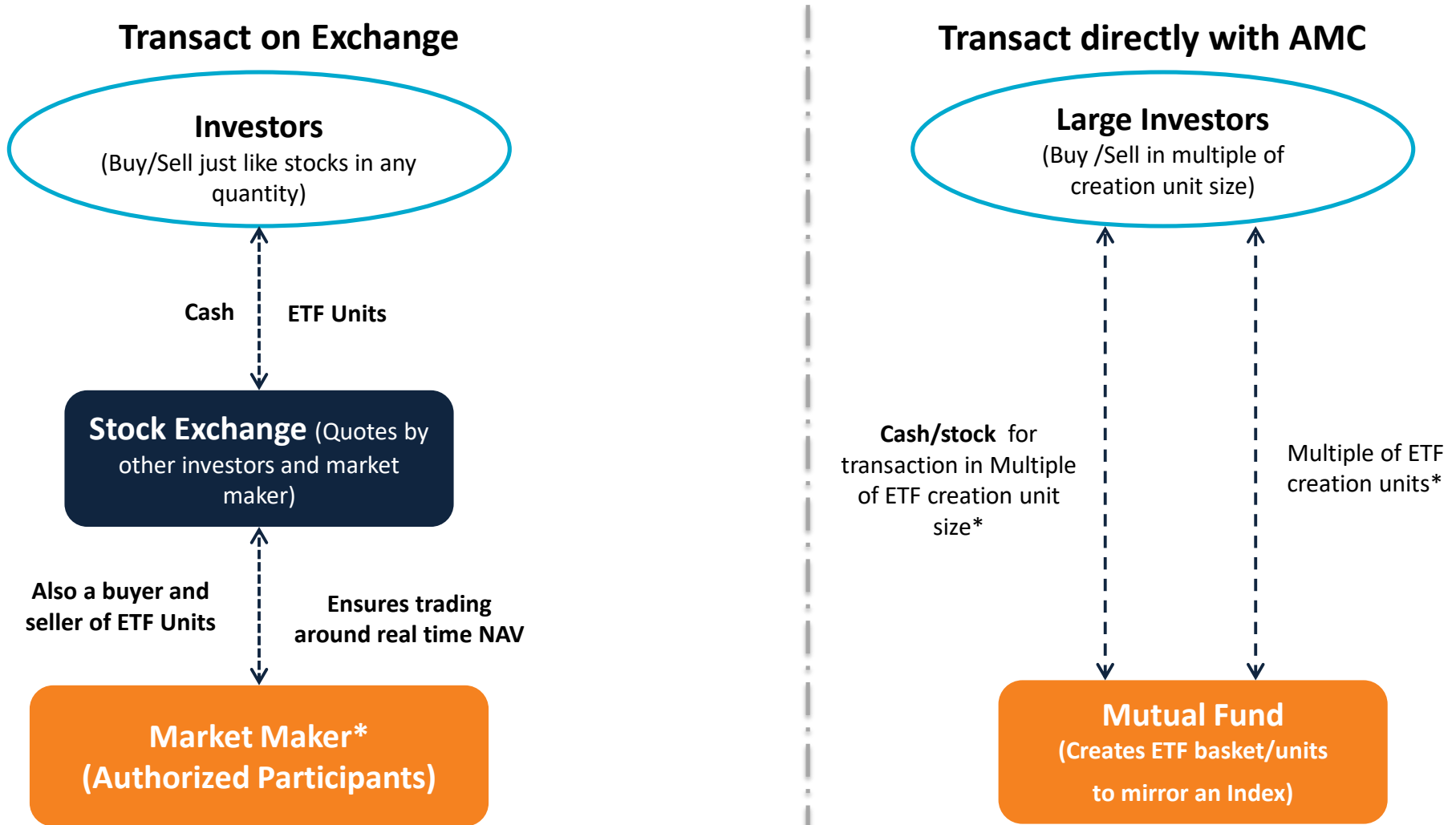
THANK YOU



# ANNEXURE

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# How to trade in an Exchange Traded Funds (ETF) ?



\* Authorized participants are assigned by the AMC to provide continuous liquidity on the exchange around real time NAV. They provide both buy and sell quotes like Banks in forex market.

\*Creation unit is the minimum portfolio size which the ETF deploy in the stocks of underlying index to create a replicable portfolio.

# Ways to Transact in Exchange Traded Funds (ETFs)

Client	Subscription/ Redemption	Features
Wants to trade in any no. of units	Through Stock Exchange via broker	<ul style="list-style-type: none"> <li>• Trades like a stock</li> <li>• Can trade as less as 1 Units</li> <li>• Unit credit on T+2</li> <li>• Transaction on Exchange traded price</li> <li>• Quotations provided by AP around iNAV</li> <li>• No paper work</li> </ul>
Wants to trade in multiple of 2,50,000 units	Through AMC or Authorized Participants	<ul style="list-style-type: none"> <li>• Can transact in multiples of creation unit size</li> <li>• Can happen in Cash or basket of stocks</li> <li>• AMC will directly credit the units in Demat</li> <li>• Application is required for purchase via AMC</li> </ul>



## Details for Mirae Asset ESG Sector Leader ETF

ETF Identifiers	Value
NSE Symbol	MAESGETF
BSE Code	543246
ISIN	INF769K01GS9
Bloomberg Code	MAESGETF IN Equity

Authorized Participants	Address
Mirae Asset Capital Markets (India) Pvt. Ltd	506, Windsor Bldgs., Off CST Road, Kalina, Santacruz (E), Mumbai – 400 098.

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**Statutory Details:** Trustee: Mirae Asset Trustee Company Private Limited; Investment Manager: Mirae Asset Investment Managers (India) Private Limited (AMC); Sponsor: Mirae Asset Global Investments Company Limited.

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**Mutual fund investments are subject to market risks, read all scheme related documents carefully.**

For further information about other schemes (product labelling and performance of the fund) please visit the website of the AMC: [www.miraeassetmf.co.in](http://www.miraeassetmf.co.in)

**Please consult your financial advisor before investing**

## Product Labelling

Mirae Asset ESG Sector Leaders ETF is suitable for investors who are seeking\*

- Returns that are commensurate with the performance of NIFTY100 ESG Sector Leaders Total Return Index, subject to tracking error over long term
- Investments in equity securities covered by NIFTY100 ESG Sector Leaders Total Return Index

\*Investors should consult their financial advisers if they are not clear about the suitability of the product



## Product Labelling

Mirae Asset ESG Sector Leaders Fund Of Fund is suitable for investors who are seeking\*

- To generate long term capital appreciation/income.
- Investments predominantly in units of Mirae Asset ESG Sector Leaders ETF

\*Investors should consult their financial advisers if they are not clear about the suitability of the product

