

## Workshop Training Guide Morningstar Direct



Using the Company-  
level ESG data add-  
on



**MORNINGSTAR** Direct



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## Using Company-Level ESG data add-on

For financial professionals looking to manage ESG risks and align to shifting investor priorities and regulatory requirements, Morningstar's Company Level ESG add-on provides reliable, independent metrics, as well as supporting end-to-end sustainable investing workflows.

When building portfolios with ESG considerations, you will need to understand which investments meet your portfolio's sustainability objectives. Company-level ESG data allows you to screen for investments that meet a compliance or preference-driven threshold, understand the holdings that have biggest impact on the total portfolio aggregate, and monitor changes in ratings.

In this exercise guide, you will discover how to leverage the Company-level ESG add-on to take a deep dive in portfolio holdings.

### [Scenario 1](#)

You are an investment analyst and need to monitor your firm's ESG commitment to certain exclusionary practices. funds which do not invest in tobacco. Create a search based on exemptions for tobacco = yes in a Morningstar Category, display data for tobacco, drill down to Company-level ESG data to identify the culprits.

### [Scenario 2](#)

You are a portfolio manager who needs to find a new stock in the Consumer Cyclical sector, and you want to ensure it does not have exposure to X (maybe animal testing). Create a search using the Stocks database to find undervalued candidates meeting this criterion.

### [Scenario 3](#)

You work for an asset management firm and have been asked to run a report on Global Large-Cap Equity funds and identify funds which not only outperform their peers over time, but also have a focus on sustainability and low carbon emissions. You will take a deep dive in the best performing funds to identify which stocks drove the overall carbon intensity of the funds.

You work as an Investment Analyst at an Asset Management firm and are tasked with monitoring your firm's ESG commitment to certain exclusionary practices, such as tobacco in this example.

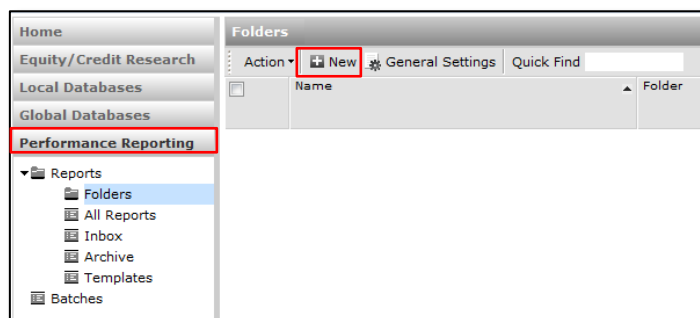
You will use Performance Reporting to create a search based on your firm's funds, display product involvement and exemptions data for tobacco, and drill down to company-level and use the Company-level ESG data add-on to identify the which stocks are involved in tobacco.

To create a search by criteria from the Performance Reporting module, do the following:

1. In Morningstar Direct, select the **Performance Reporting** tab. The **Folders** page is selected by default.
2. From the **Toolbar**, click **New**.

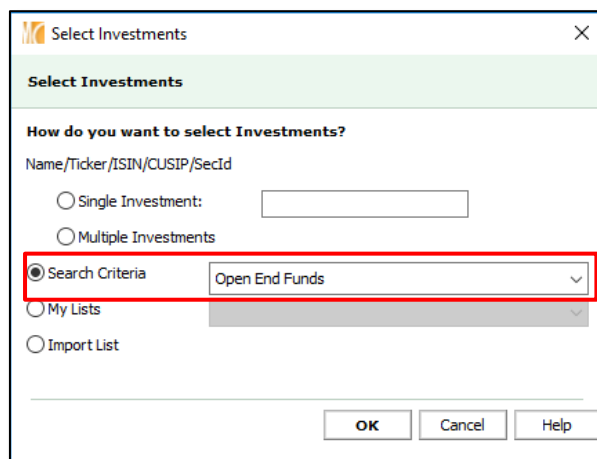
## Monitoring for your Firm's ESG commitment

### Exercise 1: Creating a Search by Criteria in Performance Reporting



Click **New**

3. Select the option for **Search Criteria**. Be sure the Open-End Funds option is selected from the drop-down menu.



Be sure to select this option to find investments based on the parameters you choose

4. Click **OK**. The **Search Criteria** dialogue box opens.

We want to see all Comgest funds managed by Comgest Asset Management Intl Ltd and use the User Defined Primary Class Only option.

1. Select the following criteria: **Branding Name = Comgest Asset Management Intl Ltd** (or any other fund company of your choice) and tick the check box for our **User Defined Primary Class Only** option.

	Rel	(	Field Name	)	Operator	Value
1	---		Branding Name		=	Candriam
2						
3						
4						
5						
6						
7						
8						
9						
10						

**View Field Name:**  
☒ By Category  
☐ Alphabetically

**Include:**  
☒ Only Surviving Investments  
☒ User Defined Primary Class Only

**Items Searched:** 0      **Items Found:** -      **Run Search**

Help      OK      Cancel

2. Click **OK**. The **Group Settings** window opens on screen.

The interest of this report is to see how the Candriam funds fair in terms of their ESG commitment to Tobacco. We want to display the funds as a single group.

## Exercise 2: Changing Group Settings

To change display the funds as a single group and not under their Morningstar Category as per our settings, do the following

1. Under the **Group By** section, select the **Search** radio button. Other drop-down options appear.
2. Under **Find Data Point By**, select the **Name containing** radio button. A search field appears.
3. Type “branding name” and click **Go**. **Branding Name** appears under the **Available Grouping** drop-down menu.
4. Click **Update**. A prompt warns you that peer group and benchmark settings will be lost.
5. Click **Yes** to continue.

Group By: ☐ Recently Used ☐ Custom Database ☒ Search

Universe: Open End Funds

Find Data Point By: ☐ View ☒ Name containing

branding name Go

Available Grouping: Branding Name Update

The dialogue box refreshes to display the investments under Candriam.

Group By	
<input type="radio"/> Recently Used	<input type="radio"/> Custom Database <input checked="" type="radio"/> Search
Universe:	Open End Funds
Find Data Point By:	<input type="radio"/> View <input checked="" type="radio"/> Name containing
	branding name Go
Available Grouping:	Branding Name Update

Current Grouping		Branding Name	
Display Groups/Investments	# of Investments in Display Group	Peer Group	# of Investments in Peer Group
1 Candriam	133	Display Group	133



Group Settings also allows the setup of indices but for this report, we actually don't want to compare with indices, so we will remove them from the report.

To do so, do the following:

1. From the toolbar, click **Report Settings**. The **Report Settings** window opens.
2. Under the **Group Display Settings** section, deselect the checkboxes for **Show display benchmark 1** and **Show display benchmark 2**.

**Group Display Settings**

Display benchmarks position ☐ Before funds ☒ After funds

☐ Show display benchmark 1

☐ Show display benchmark 2

3. Under **Summary Statistics Display Settings**, **Summary Statistics** and **Breakpoint Display Settings**, ensure all checkboxes are deselected.

**Summary Statistics Display Settings**

☐ Show peer group summary statistics

☐ Show display group summary statistics

☐ Show list summary statistics

---

**Summary Statistics**

☐ Average ☐ Sum

☐ Count ☐ Maximum

☐ Minimum ☐ Median

☐ Standard Deviation ☐ Average ex 5% outliers

☐ Weighted Average

---

**Breakpoint Display Settings**

☐ Quartile breakpoints ☐ 5th and 95th breakpoints

☐ Quintile breakpoints ☐ Decile breakpoints

☐ 1 to 100 Percentile breakpoints

☒ Descending ☐ Ascending

4. Click **OK** to return to the **Group Settings** window.
5. Click **OK**. The **Select Column** window opens.

Select Column

Choose a method to define the report columns.

**How do you want to define report columns?**

☒ User defined

☐ Morningstar Templates

☐ My Templates

Help OK Cancel

6. Select **User defined** and click **OK**. The **Performance Column Setup** window opens.
7. Click **OK** to move on to the **Supplementary Columns** window.

## Exercise 3: Hiding Benchmarks

At this stage we want to add the product involvement and exemptions data for Tobacco to ensure that the funds managed by your firm do follow their ESG commitments.

We also want to display the number of holdings involved in the said product.

Do the following:

1. Using the **Find Data Points By** drop-down menu, select the **Sustainability: Product Involvement (Fund)** section.
2. Select **Product Involvement % - Tobacco** and click **Add**.
3. Select **Product Involvement # of Holdings – Tobacco** and click **Add**.

Find Data Point By: ☒ View ☐ Name containing  
Sustainability: Product Involvement (Fund) ▼

**Available Supplementary Columns**

- Product Involvement # of Holdings - Military Contracting
- Product Involvement # of Holdings - Nuclear
- Product Involvement # of Holdings - Palm Oil
- Product Involvement # of Holdings - Pesticides
- Product Involvement # of Holdings - Small Arms
- Product Involvement # of Holdings - Thermal Coal
- Product Involvement # of Holdings - Tobacco**

**Add**

**Selected Supplementary Columns**

Name

- Product Involvement % - Tobacco
- Product Involvement # of Holdings - Tobacco

Manage Columns Settings Remove Remove All

4. Using the **Find Data Points By** drop-down menu, select the **Intentional Attributes: Employs Exclusion** section.
5. Select **Employs Exclusions – Tobacco** and click **Add**.

Find Data Point By: ☒ View ☐ Name containing  
Intentional Attributes: Employs Exclusion ▼

**Available Supplementary Columns**

- Employs Exclusions - Nuclear
- Employs Exclusions - Palm Oil
- Employs Exclusions - Pesticides
- Employs Exclusions - Small Arms
- Employs Exclusions - Thermal Coal
- Employs Exclusions - Tobacco**
- Employs Exclusions - Other

**Add**

**Selected Supplementary Columns**

Name

- Product Involvement % - Tobacco
- Product Involvement # of Holdings - Tobacco
- Employs Exclusions - Tobacco**

Manage Columns Settings Remove Remove All

6. Click **OK**. The report opens on screen.

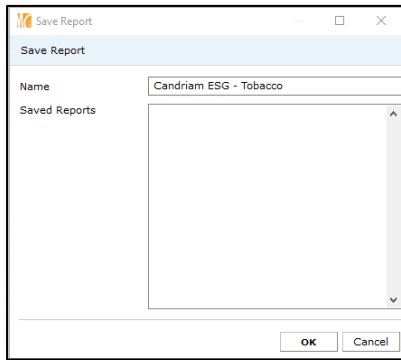
## Exercise 4: Selecting Product Involvement Data Points

We can now save our report and save it as a template. We will then calculate it to view the results.

### Exercise 5: Saving a Report

To save the report, do the following:

1. From the toolbar, click **Save**. The **Save Report** window opens.
2. Name is "Candriam ESG – Tobacco".
3. Click **OK**.



Saving a report as a template is useful when you want to recreate the same report with another list of investments.

### Exercise 6: Saving as Template

To save the report as a template, do the following:

1. From the toolbar, click the caret next to **Save**.
2. Click **Save as Template**. The **Save Template** window opens.
3. Name is "Tobacco check template".
4. Click **OK**.

The report is still empty, and we need to calculate it in order to retrieve data.

### Exercise 7: Calculating a Report

To calculate the report, do the following:

1. From the toolbar, click **Calculate**.

You are returned to the main Performance Reporting window while the report calculates.

2. On the prompt, click **Yes** to open the report.

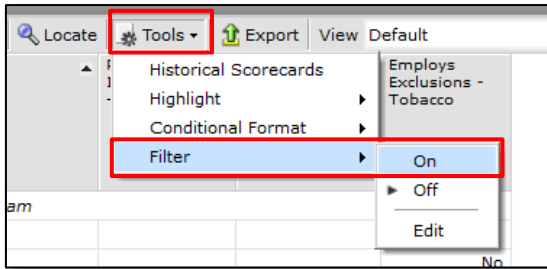
You can now easily see how well funds performed against their peers over the last 10 calendar years.

At this point in our report, we want an easy way to check if exemptions to Tobacco are correctly applied across the fund range. The Employs Exclusions – Tobacco will help identify funds that apply exclusions.

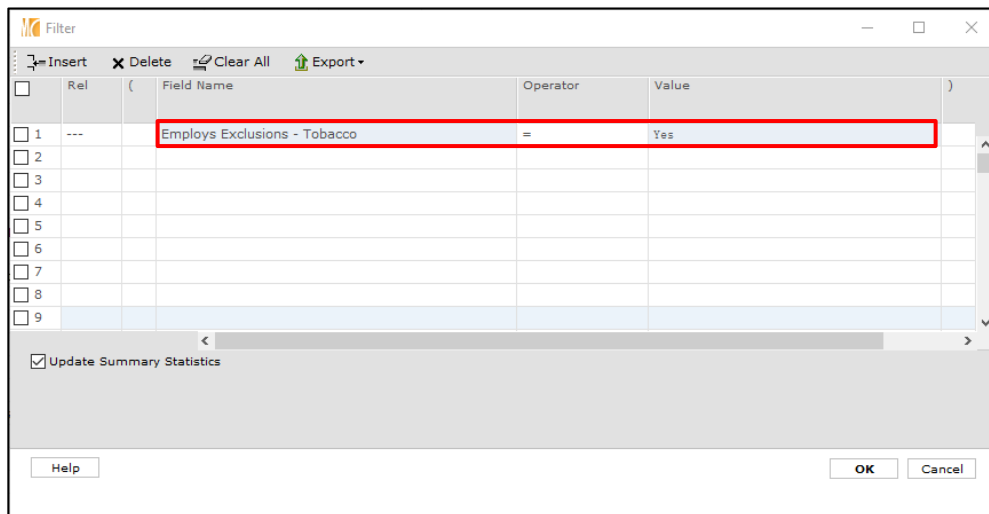
Rather than going through the list of funds, we want an easy way to display only those funds with an exemption. We can use the Filter option for that.

To apply a filter to our report, do the following:

1. From the toolbar, click **Tools > Filter > On**. The **Filter** window opens.



2. On row 1, click where it says "Click here to start a new filter".
3. Select **Employs Exclusions – Tobacco**.
4. Leave **Operator** as **=**.
5. Under **Value**, click in the cell and select **Yes**.
6. Click **OK** to validate our filter options.



You are returned to the report and your filters are applied. In the next step we will see how to find out which funds are actually involved with Tobacco.

## Exercise 8: Applying Filters to a Report

An easy way to find out which funds are involved with Tobacco is to sort on the Product Involvement % – Tobacco column. From there, we will be able to see if any funds are investing in companies involved in the Tobacco sector, identify how many holdings are affected, and take a dive at the company-level with the Company-level ESG data add-on from Morningstar to see by how much.

To proceed, do the following:

1. Double-click the **Product Involvement % – Tobacco** column header twice to sort the data in a descending order.

Notice how Candriam Risk Arbitrage C has a product involvement of 3.51% in Tobacco. The Product Involvement # of Holdings – Tobacco lets us know that only 1 holding is involved.

To identify which holding this is, do the following:

2. Right-click on Candriam Risk Arbitrage C and click **Investment Information > View Holdings > Detailed Holdings Analysis**. The **Holdings** window opens.

Name	Product Involvement % - Tobacco	Product Involvement # of Holdings - Tobacco	Employs Exclusions - Tobacco
Report Search Criteria: Branding Name = Candriam			
▼ Candriam			
Candriam Risk Arbitrage C	3.51	1	Yes
Candriam Sst Eq		1	Yes
Candriam Eqs L t		1	Yes
Candriam GF US		1	Yes
Candriam L Dyns		19	Yes
Candriam Sust H		1	Yes
Candriam L Balai		17	Yes
Candriam Sust M		1	Yes
Candriam L Cnstr			
Cleome Index Global Equities C EUR Inc	0.05		
Candriam L Defensive Asst Allic R2 Acc	0.04		
Candriam Sust Low C Cap	0.04		
Candriam L Mlt-Asst Inc & Gr C EUR Inc	0.03		
Candriam Sst Defesv Asst Allic C € Acc	0.03		
Candriam L Multi-Asset Inc C EUR Inc	0.02		
Candriam Abs Ret Eq Mkt Netrl C EUR	0.00		
Candriam Abs Ret Eq Mkt Netrl C EUR	0.00		

Right-click the fund name

Now that we are viewing the portfolio's holdings, we can modify the data displayed in the grid to display the product involvement data related to Tobacco.

To do so, do the following:

1. From the toolbar, click **Edit Data**. The **Select Data Points** window opens.
2. Using the View drop-down menu, select **Sustainability: Product Involvement (Company)**.
3. From the toolbar, click **Edit Data**. The **Select Data Points** window opens.
4. Under the **Selected Data Points** section, select all **Comp Prod Inv %** data points not related to Tobacco and click **Remove**.
5. Under the **Selected Data Points** section, select all **Comp Prod Inv** data points not related to Tobacco and click **Remove**.
6. Using the arrows to the right, move **Comp Prod Inv – Tobacco Products Production** to be below **Comp Prod Inv % – Tobacco Products Production**.
7. Using the arrows to the right, move **Tobacco Products Related Products/Services** to be below **Comp Prod Inv – Tobacco Products Related Products/Services**.

8. Click **Save** and name it **Tobacco Products**.
9. Click **OK** to return to the **Holdings** window.

10. Double-click each of the **Comp Prod Inv** column headers to identify any stocks marked with “Yes”.

Candriam Risk Arbitrage C											
Action View Portfolio		Tobacco Products		31/10/2020	Edit Data	Locate	Export	PDF	Refresh		
	Name	Detail Holding Type	Secid	Portfolio Weighting %	Comp Prod Inv % - Tobacco Products Production	Comp Prod Inv % - Tobacco Products Production	Comp Prod Inv % - Tobacco Products Related Products/Services	Comp Prod Inv % - Tobacco Products Related Products/Services	Comp Prod Inv % - Tobacco Products Retail	Comp Prod Inv % - Tobacco Products Retail	Comp Prod Inv % - Tobacco Products Retail
1	Ahlstrom-Munksjo Oyj	EQUITY	0P0000YXV0	0.50	None	No	0%-4.9%	No	None	No	No
2	Industria Macchine Automatiche SpA	EQUITY	0P0001HTLV	2.03	None	No	10%-24.9%	Yes	None	No	No
3	Advanced Disposal Services Inc	EQUITY	0P00018UCV	3.57	None	No	None	No	None	No	No
4	Varian Medical Systems Inc	EQUITY	0P00000SPX	3.11	None	No	None	No	None	No	No
5	Tiffany & Co	EQUITY	0P0000BKC7	2.73	None	No	None	No	None	No	No
6	NetEnt AB B	EQUITY	0P0001FTUQ	2.69	None	No	None	No	None	No	No
7	GCI Liberty Inc A	EQUITY	0P0000WNP7	2.51	None	No	None	No	None	No	No
8	Hudson Ltd Class A	EQUITY	0P0001CLL9	2.07	None	No	None	No	0%-4.9%	No	No
9	GrubHub Inc	EQUITY	0P00012IIX	2.02	None	No	None	No	None	No	No
10	Willis Towers Watson PLC	EQUITY	0P00000SYG	1.92	None	No	None	No	None	No	No
11	Wright Medical Group NV	EQUITY	0P0000SCP9	1.58	None	No	None	No	None	No	No
12	BMC Stock Holdings Inc	EQUITY	0P0000Z8AC	1.55	None	No	None	No	None	No	No
13	Shimachu Co Ltd	EQUITY	0P0000ECB5	1.53	None	No	None	No	None	No	No
14	AMAG Pharmaceuticals Inc	EQUITY	0P00000066	1.52	None	No	None	No	None	No	No
15	Acacia Communications Inc	EQUITY	0P00017YIX	1.37	None	No	None	No	None	No	No

Any holding marked with “Yes” is used at portfolio for portfolio product involvement calculations.

- Note:** Portfolio level calculations are rescaled to exclude cash, derivatives, short positions, and synthetic ETFs.

11. Close the **Holdings** window to return to your performance report.

You work as a Portfolio Manager who needs to find a new stock in the Consumer Cyclical sector, and you want to ensure it does not have exposure to Gambling.

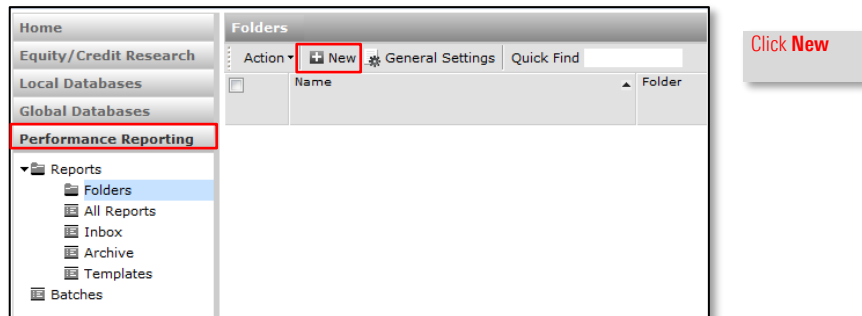
You will use Workspace to create a search using the Stocks database to find undervalued candidates meeting this criterion. (This could also be done in Performance Reporting.)

To create a search by criteria from the Workspace module, do the following:

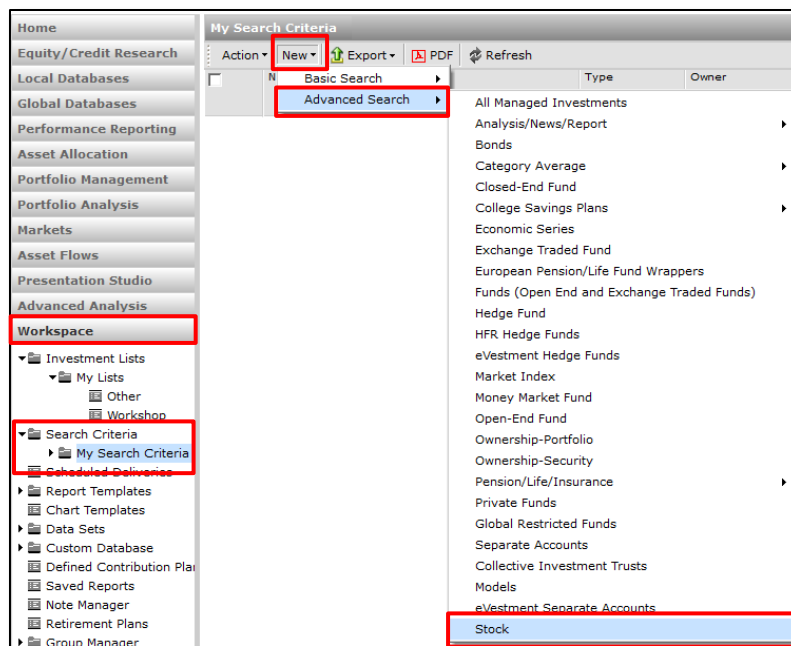
1. In Morningstar Direct, select the **Workspace** tab.
2. Click **Search Criteria > My Search Criteria**.
3. From the **Toolbar**, click **New > Advanced Search > Stocks**.

## Searching for a new Stock

### Exercise 1: Searching for Consumer Cyclical Stocks in Workspace



4. Select the option for **Search Criteria**. Be sure the **Stocks** option is selected from the drop-down menu.



4. Click **OK**. The **Search Criteria** dialogue box opens.



We want to select all stocks from the Consumer Cyclical sector listed in France and which do not have any product involvement in Gambling.

You will need to select the following criteria:

Rel	Field Name	Operator	Value
---	Comp Prod Inv % - Gambling Operations	=	None
And	Comp Prod Inv % - Gambling Specialized Equipment	=	None
And	Comp Prod Inv % - Gambling Supporting Products/Services	=	None
And	Sector	=	Consumer Cyclical
And	Exchange Country	=	France

Morningstar Direct -- Stocks

Open Insert Delete Clear All Export PDF Save As Feedback

	Rel	(	Field Name	Operator	Value	)
1	---		Comp Prod Inv % - Gambling Operations	=	None	
2	And		Comp Prod Inv % - Gambling Specialized Equipment	=	None	
3	And		Comp Prod Inv % - Gambling Supporting Products/Services	=	None	
4	And		Sector	=	Consumer Cyclical	
5	And		Exchange Country	=	France	
6						
7						
8						
9						
10						

View Field Name: ☒ By Category ☐ Alphabetically

Include: ☒ Only Surviving Investments ☐ User Defined Primary Class Only

Items Searched: 0 Items Found: -

Run Search

Help OK Cancel

3. Click **OK**. Our search results display in the grid.
4. From the toolbar, click **Save** and name it "Consumer Cyclical Stocks".

Now that we have our selection, we can display various ESG and Carbon metrics.

To do so, do the following:

1. From the toolbar, click **Edit Data**. The **Select Data Points** window opens.
2. Click **Remove All** to remove all data points from the **Selected Data Points** section.
3. Using the **Find Data Points By** drop-down menu, select **Sustainability: ESG Risk (Company)**.
4. Select **ESG Risk Exposure Score** and click **Add**.
5. Select **ESG Risk Managed Score** and click **Add**.
6. Select **Sustainalytics ESG Risk Score** and click **Add**.
7. Select **ESG Risk Management Classification** and click **Add**.
8. Click **Save** to save your data set, name it "ESG Risk data".
9. Click **OK** to return to the grid and view the data.
10. Double-click twice on the **Sustainalytics ESG Risk Score** column header to sort the data in an ascending order.

## Exercise 2: Selecting Company-level ESG data to analyse ESG Risk

My Search Criteria		Consumer Cyclical Stocks			
Action View ESG Risk data		Save	Save As	Search	Edit Data
	Name	ESG Risk Exposure Score	ESG Risk Managed Score	Sustainalytics ESG Risk Score	ESG Risk Management Classification
1	Valeo SA	37.25	27.33	9.92	Strong
2	LVMH Moet Hennessy Louis Vuitton SE	22.50	12.47	10.03	Strong
3	Lagardere SCA	21.30	10.07	11.23	Average
4	Hermes International SA	21.60	10.34	11.26	Strong
5	Kering SA	24.20	12.72	11.48	Strong
6	Fnac Darty SA	22.35	10.07	12.28	Average
7	Faurecia SE	37.85	25.41	12.44	Strong
8	Maisons du Monde France SA	24.75	12.20	12.56	Strong
9	Beneteau SA	21.00	7.42	13.58	Average
10	Trigano SA	21.00	6.50	14.50	Average
11	Verallia	30.00	15.13	14.87	Strong

In this instance, we notice that Valeo SA has the lowest ESG risk Score with 9.92%, and LVMH Moet Hennessy Louis Vuitton SE comes just after with 10.03%.

Even though they have almost the same Sustainalytics ESG Risk Score, we see that their ESG Risk Exposure is quite different. Valeo SA is exposed to more risk, however they are doing a better job at managing it, therefore their Sustainalytics ESG Risk Score is lower.

These data points are part of your Morningstar Direct subscription, but we can take a deeper dive with the Company-level ESG data add-on to find out where this risk is coming from.

To find out how much of the ESG Risk Managed Score is actually manageable or unmanageable, we need to add a couple of additional data points.

To do so, do the following:

1. From the toolbar, click **Edit > Supplementary**. The **Supplementary Columns** window opens.
2. Using the **Universe** drop-down menu, select **Stocks**.
3. Using the **Find Data Point By** drop-down menu, select **Sustainability: ESG Risk (Company)**.
4. Select **ESG Risk Manageable Risk Score** and click **Add**.
5. Select **ESG Risk Unmanageable Risk Score** and click **Add**.
6. Click **OK** to return to the report.
7. From the toolbar, click **Save** and name the report "Stock selection without Gambling".
8. From the toolbar, click **Calculate** to view the results.

Name Report Currencies: Euro	ESG Risk Exposure Score	ESG Risk Managed Score	Sustainalytics ESG Risk Score	ESG Risk Management Classification	ESG Risk Manageable Risk Score	ESG Risk Unmanageable ESG Risk Score	ESG Risk Management Classification
<b>▼ Unclassified</b>							
Stellantis NV	47.75	20.75	27.01	Average	46.67	1.09	Average
Renault SA	44.90	22.79	22.11	Strong	43.87	1.04	Strong
Pierre & Vacances	44.07	12.09	31.99	Average	40.10	3.97	Average
CDA (Compagnie des Alpes)	40.17	13.44	26.73	Average	36.55	3.62	Average
Faurecia SE	37.85	25.41	12.44	Strong	36.82	1.03	Strong
Valeo SA	37.25	27.33	9.92	Strong	36.25	1.00	Strong
SEB SA	36.60	17.32	19.28	Strong	34.43	2.18	Strong
Akwel	36.26	11.47	24.80	Average	35.17	1.09	Average
Plastic Omnium	36.15	18.73	17.42	Strong	35.20	0.95	Strong
Somfy SA	36.00	15.31	20.69	Average	34.56	1.44	Average
Elior Group SA	35.95	16.25	19.70	Average	34.26	1.69	Average
Cie Generale des Etablissements Michelin SA	32.05	16.87	15.18	Strong	30.18	1.87	Strong
Kaufman & Broad SA	31.03	9.74	21.29	Average	29.17	1.86	Average
Verallia	30.00	15.13	14.87	Strong	27.32	2.69	Strong
Hexaom	29.87	7.00	22.87	Weak	28.08	1.79	Weak

We previously saw that the stock with the highest ESG Risk Exposure Score is Stellantis NV with 47.75. From there, we have an ESG Managed Risk Score of 20.75 and a Sustainalytics ESG Risk Score (also called unmanageable risk) of 27.01.

Looking at the additional data points we added, this stock has an ESG Risk Manageable Risk Score of 46.67. This number is very close to the ESG Risk Exposure Score of 47.75, meaning that very little is unmanageable, as confirmed by the ESG Risk Unmanageable ESG Risk Score of 1.09.

The ESG Risk Management Classification states this stock is Average at managing ESG risk.

This is another way the Company-level ESG data Add-On can help you analyse the ESG risk of stocks and make a decision during your stock picking process.

In this exercise, you will learn how to create a report to pick funds within a category with a focus on sustainability and low carbon emissions. You will then learn how to take a deep dive in some of those funds to identify which stocks drove the overall carbon intensity of the funds.

## Searching for Low Carbon funds

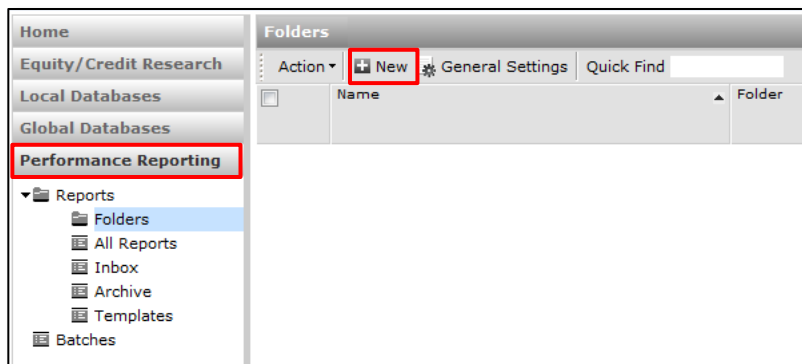
We will use the following criteria to create our report:

- ▶ The Global Category is Global Large-Cap Equity
- ▶ We are looking for funds defined as low carbon/fossil fuel free in their prospectus
- ▶ We will use the user defined primary share class only option
- ▶ We will include the Morningstar Rating Overall in our search to exclude funds without a rating. This also enables us to ensure we have funds with a minimum of 3 years history.

To create a search by criteria from the Performance Reporting module, do the following:

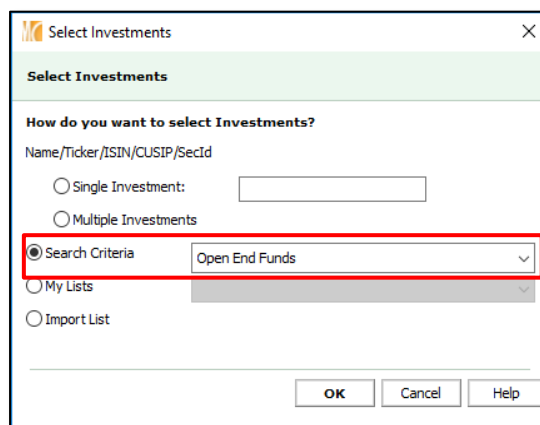
1. In Morningstar Direct, select the **Performance Reporting** tab. The **Folders** page is selected by default.
2. From the **Toolbar**, click **New**.

### Exercise 1: Creating a Search by Criteria in Performance Reporting



Be sure to select the correct tab and icon

3. Select the option for **Search Criteria**. Be sure the Open-End Funds option is selected from the drop-down menu.



Be sure to select this option to find investments based on the parameters you

4. Click **OK**. The **Search Criteria** dialogue box opens.

Set your criteria as shown in the following table:

Rel	Field Name	Operator	Value
--	Global Category	=	Global Equity Large Cap
And	Sustainable Investment – Low Carbon/Fossil-Fuel Free	=	Yes
And	Morningstar Rating Overall	Not =	NA

Morningstar Direct -- Open End Funds

Open Insert Delete Clear All Export PDF Save As Feedback

	Rel	Field Name	Operator	Value
1	---	Global Category	=	Global Equity Large Cap
2	And	Sustainable Investment - Low Carbon/Fossil-Fuel Free	=	Yes
3	And	Morningstar Rating Overall	Not=	NA
4				
5				
6				
7				
8				
9				
10				

View Field Name: ☒ By Category ☐ Alphabetically

Include: ☒ Only Surviving Investments ☒ User Defined Primary Class Only

Items Searched: 0 Items Found: -

Run Search

Help OK Cancel

Be sure your search reflects the inputs here

Select **User Defined Primary Class Only**

5. Select the **User Defined Primary Class Only** checkbox. This can be defined under **File > Set User Preferences > User Defined Primary tab**.
6. Click **OK**. The **Group Settings** dialogue box opens.

By default, when examining the performance of the funds in the search results, Morningstar Direct groups the funds by Morningstar Category (unless if you changed the default under General Settings).

In this case, we want to compare all funds at the Global Category level.

To do so, do the following:

1. Under **Group By**, click the **Search** radio button.
2. Using the **Find Data Point By** drop-down menu, select **Global Category**.

**Group Settings**  
The group settings dialog is used to organize a list of investments into groups for comparison against peer groups and select be defined using existing investment lists or search criteria.

**Group By** ☐ Recently Used ☐ Custom Database ☒ Search

Universe: Open End Funds

Find Data Point By: ☒ View ☐ Name containing

Snapshot

Available Grouping: Global Category

**Current Grouping** Morningstar Category

	Display Groups/Investments	# of Investments in Display Group	Peer Group	# of Investments in Peer Group
1	▶ EAA Fund Global Large-Cap Blend Equity	16	Display Group	16
18	▶ EAA Fund Global Flex-Cap Equity	7	Display Group	7
26	▶ EAA Fund Global Large-Cap Growth Equity	1	Display Group	1
28	▶ EAA Fund Sector Equity Ecology	1	Display Group	1

Select this option to group funds by Global Category

3. Click **Update**.

**Group Settings**  
The group settings dialog is used to organize a list of investments into groups for comparison against peer groups and select be defined using existing investment lists or search criteria.

**Group By** ☐ Recently Used ☐ Custom Database ☒ Search

Universe: Open End Funds

Find Data Point By: ☒ View ☐ Name containing

Snapshot

Available Grouping: Global Category

**Current Grouping** Global Category

	Display Groups/Investments	# of Investments in Display Group	Peer Group	# of Investments in Peer Group
1	▶ Global Equity Large Cap	25	Display Group	25

Funds are grouped by Global Category

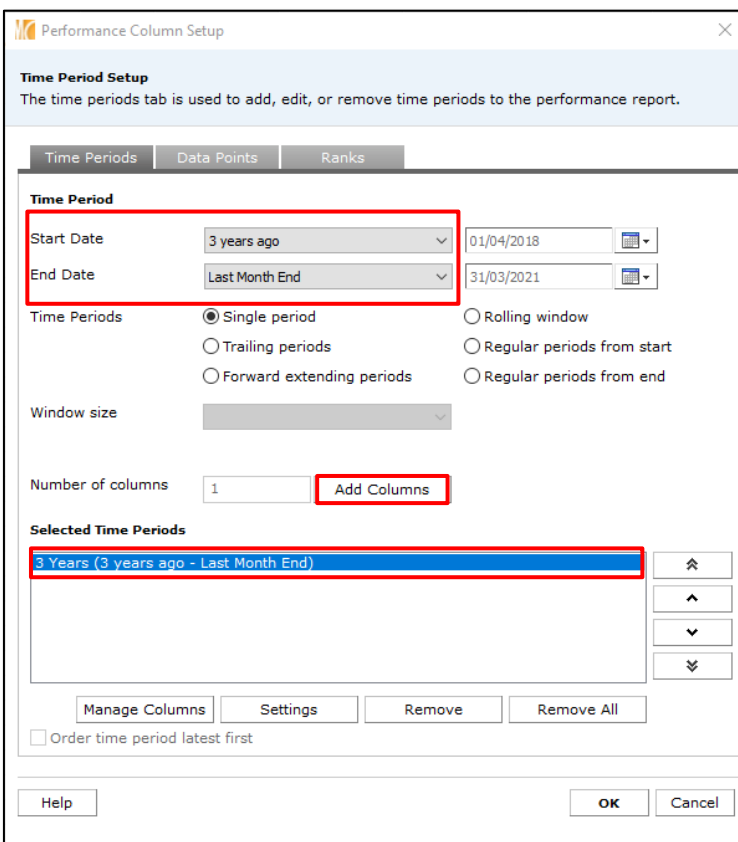
To see the consistent performance of this set of funds, you should examine multiple time periods. In this case, you will examine the funds' performance and how they fare against the category average for the trailing 6 months, 1 and 3 years.

### Exercise 3: Setting the Values for the Time Periods tab

To set the values for the **Time Periods**, do the following:

1. Ensure the option for **Single period** is selected.
2. From the **Start Date** field, select **5 Years ago**.
3. From the **End Date** field, select **Last Month End**.
4. Click **Add Columns**.
5. In the **Selected Time Periods section**, double-click the date to rename it.
6. You can double-click the added time period and change the label to "5 Years".

 **Note:** Do not click **OK** yet; the **Data Points** and **Ranks** tabs still need to be addressed.



**Performance Column Setup**

**Time Period Setup**  
The time periods tab is used to add, edit, or remove time periods to the performance report.

Time Periods | Data Points | Ranks

**Time Period**

Start Date: 3 years ago (01/04/2018)

End Date: Last Month End (31/03/2021)

Time Periods: ☒ Single period, ☐ Rolling window, ☐ Trailing periods, ☐ Regular periods from start, ☐ Forward extending periods, ☐ Regular periods from end

Window size: [dropdown]

Number of columns: 1 **Add Columns**

**Selected Time Periods**

3 Years (3 years ago - Last Month End)

Manage Columns Settings Remove Remove All

☐ Order time period latest first

Help OK Cancel

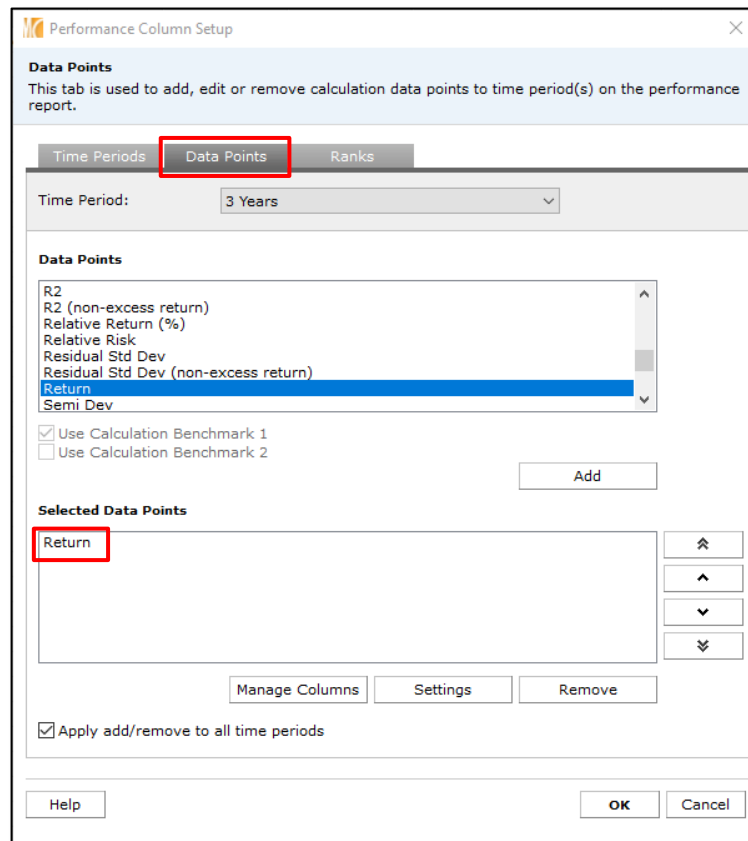
Use this button to add the time period

To set the values for the two remaining tabs in the **Performance Column Setup** dialogue box, do the following:

1. Click the **Data Points** tab; only **Return** is selected.

 **Note:** **Return** is already our default statistic for all time periods.

#### Exercise 4: Setting the Values for the Data Points and Ranks tabs



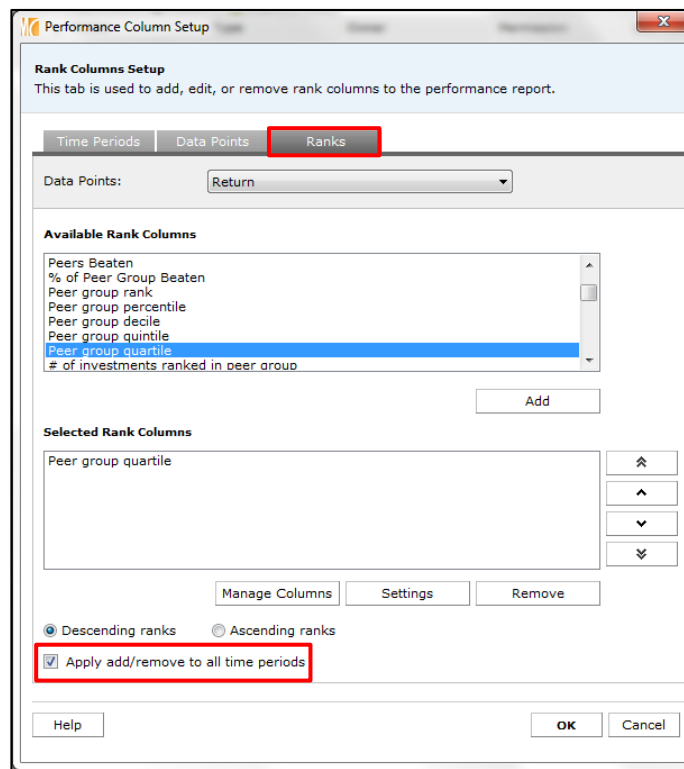
The image shows the 'Performance Column Setup' dialog box. The 'Data Points' tab is selected and highlighted with a red box. The 'Time Period' is set to '3 Years'. In the 'Data Points' list, 'Return' is selected and highlighted with a blue background. Below the list, the 'Selected Data Points' section shows 'Return' in a box, also highlighted with a red box. The 'Add' button is visible. At the bottom, there are 'Manage Columns', 'Settings', and 'Remove' buttons, and a checkbox for 'Apply add/remove to all time periods' which is checked. The 'OK' and 'Cancel' buttons are at the bottom right.

Be sure to select the correct tab

Return is the default statistic



- Click the **Ranks** tab; remove **Peer group percentile** and add **Peer group quartile**.



The image shows the 'Performance Column Setup' dialog box with the 'Ranks' tab selected. The 'Data Points' dropdown is set to 'Return'. In the 'Available Rank Columns' list, 'Peer group quartile' is highlighted. In the 'Selected Rank Columns' list, 'Peer group quartile' is already present. The 'Descending ranks' radio button is selected, and the 'Apply add/remove to all time periods' checkbox is checked. The 'Add' button is visible between the two lists. At the bottom, there are 'Manage Columns', 'Settings', and 'Remove' buttons, followed by 'Descending ranks' and 'Ascending ranks' radio buttons, the checked 'Apply add/remove to all time periods' checkbox, and 'Help', 'OK', and 'Cancel' buttons.

Be sure to select  
the correct tab

This option is selected by default  
and ensures the selected rank is  
added to the same statistics  
under all time periods

- Click **OK** to close the **Performance Column Setup** dialogue box. The **Supplementary Columns** dialogue box opens next.

In addition to seeing the name of a fund in the performance report, it will also be useful to include the fund's ISIN. To include a fund's ISIN in the performance report, do the following:

## Exercise 5: Selecting ESG and Carbon Data

- Using the second drop-down menu, select the **Sustainability: ESG Risk (Fund)** section and add the following data points:
  - ▶ Morningstar Sustainability Rating™
  - ▶ Historical Sustainability Score
- Select the **Sustainability: Carbon Risk (Fund)** section and add the following data points:
  - ▶ Low Carbon Designation™
  - ▶ 12 Month Average Carbon Risk Score
  - ▶ 12 Month Average Fossil Fuel Exposure
  - ▶ Emissions Scope 1
  - ▶ Emissions Scope 2
  - ▶ Stranded Assets Risk
- From the toolbar, click **Save** and name it "Low Carbon Global Equity Large Cap".
- Click **OK** to return to the report.
- From the toolbar, click **Calculate** to view the results.
- On the prompt, click **Yes** to open the report.

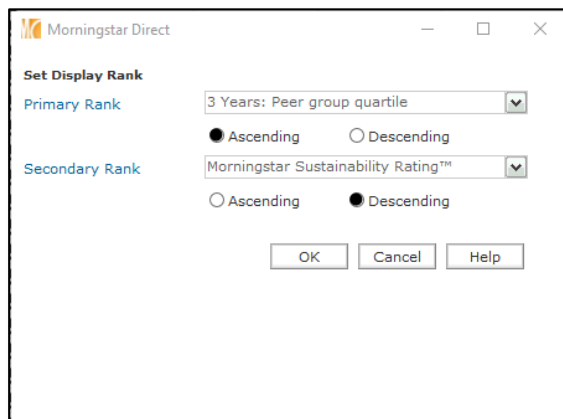
Action • Save • Calculate • Edit • Undo • Locate • Tools • Export • View: Default											
	Name Report Currency: Euro	Morningstar Sustainability Rating™	Historical Sustainability Score	Low Carbon Designati on™	12 Month Average Carbon Risk Score	12 Month Average Fossil Fuel Exposure	Emissions Scope 1	Emissions Scope 2	Stranded Assets Risk	3 Years 01/04/2018 - 31/03/2021 (Annualized)	31/03/2021 Last Month Return Peer group quantile
1	Report Search Criteria: Global Category = Global Equity Large Cap And Sustainable Investment - Low Carbon/Fossil-Fuel Free = Yes And Morningstar Rating Overall Not= NA										
2	Global Equity Large Cap										
3	Acadian Sus Wholesale Glb Equity	★★★★★	23.24	No	7.43	9.31	3,111,399.00	1,639,354.60	0.75	14.04	3
4	ACTIAM Duurzame Index Aand. Wereld	★★★★★	21.86	✓	6.51	5.16	1,636,570.00	964,254.06	0.40	15.40	2
5	ACTIAM Impact Wereld Aandelenfonds	★★★★★	21.33	✓	6.23	3.98	1,330,179.40	607,558.70	0.00	15.23	2
6	AGF Global Sustainable Growth Equity	★★★★★	21.22	✓	7.64	0.81	310,422.70	277,055.72	0.00	16.97	1
7	AGF Global Sustainable Growth Equity R6	★★★★★	21.26	✓	7.63	0.88	302,328.53	269,652.20	0.00	20.19	1
8	Amundi MSCI Wild Climt Trnstr CTB RE	★★★★★	21.92	✓	5.76	4.12	1,528,155.10	1,062,640.40	0.25	14.66	2
9	Ardevora Global Lng Only Eq SRI C GBPAcc	★★★★★	22.14	✓	7.02	2.63	1,011,664.06	659,931.80	0.00	16.55	1
10	Australian Ethical Intl Shr	★★★★★	19.58	✓	4.81	1.47	343,406.20	765,440.70	0.00	12.70	3
11	Australian Ethical Intl Shr WS	★★★★★	19.58	✓	4.81	1.47	343,406.20	765,440.70	0.00	13.90	3
12	Baillie Gifford Global Stwdsp Eqs Instl	★★★★★	23.21	✓	5.90	0.00	338,431.34	690,411.80	0.00	27.83	1
13	Blackrock ACS Wild LowCarbEqTrkrX2GBPAcc	★★★★★	22.25	✓	6.30	5.49	1,145,813.90	1,019,353.20	0.02	15.60	2
14	BMO Sustainable Opportunities Glb Eq F	★★★★★	17.90	✓	4.81	1.91	720,559.44	1,257,951.80	0.00	17.95	1
15	BNP Paribas Environmental Equity Trust	★★★★★	20.20	✓	8.49	0.71	1,437,650.20	905,100.44	0.00	15.59	2
16	BNPP Sust Global Mlt-Pac Eq CI USD Acc	★★★★★	21.20	✓	6.71	3.04	869,777.00	738,105.50	0.00	9.19	4
17	Calvert International Equity A	★★★★★	21.11	✓	6.15	2.33	2,053,682.40	582,799.80	0.00	12.99	3
18	Calvert International Responsible Idx A	★★★★★	21.36	✓	7.29	3.39	2,090,556.50	1,183,744.00	0.00	10.17	4
19	Candriam Sust World C EUR Cap	★★★★★	21.42	✓	5.80	5.25	1,653,424.00	998,569.56	0.70	13.90	3
20	Coeli Global Select R SEK	★★★★★	20.65	✓	4.93	0.00	918,392.70	626,295.75	0.00	15.97	2
21	Danske Invest Kestäv Arvo Osake K	★★★★★	19.83	✓	4.73	0.00	149,779.44	526,470.60	0.00	19.64	1
22	DO Equity A EUR Acc	★★★★★	19.91	✓	2.63	0.34	570,906.30	983,615.56	0.00	20.22	1
23	Desjardins SocieTerra Environmt A	★★★★★	19.35	✓	5.68	0.00	602,196.80	1,246,632.20	0.00	10.04	4
24	DFA Intl Sustainability Core 1	★★★★★	22.58	✓	7.89	2.34	520,166.40	399,719.70	0.00	8.65	4
25	Dimensional Gbl Sust Cor Eq GBP Acc	★★★★★	22.64	✓	6.61	1.57	600,107.06	684,281.60	0.02	14.98	2
26	DNB Global Lavkarbon N	★★★★★	21.75	✓	4.09	0.34	532,535.30	689,264.40	0.00	15.12	2

We now see the results of our report and want to sort to see the funds sorted by top quartile (ascending order) and Morningstar Sustainability Rating™ (descending order).

This will allow us to quickly identify 5-globes funds within the top quartile over the last 5 years.

To do so, do the following:

1. From the toolbar, click **Edit > Sort**.
2. Using the **Primary Rank** drop-down menu, select **3 years: Peer group quartile**.
3. Set the order to **Ascending**.
4. Using the **Secondary Rank** drop-down menu, select **Morningstar Sustainability Rating™**.
5. Set the order to **Descending**.



6. Click **OK**.

The report is now sorted on the funds in the 1<sup>st</sup> quartile over the last 3 years and their Morningstar Sustainability Rating™.

Name	Morningstar Sustainability Rating™	Historical Sustainability Score	Low Carbon Designation™	12 Month Average Carbon Risk Score	12 Month Average Fossil Fuel Exposure	Emissions Scope 1	Emissions Scope 2	Stranded Assets Risk	3 Years 01/04/2018 - 31/03/2021 (3 years ago - Last Month Return (Annualized))	Peer group quartile
Report Search Criteria: Global Category = Global Equity Large Cap And Sustainable Investment - Low Carbon/Fossil-Fuel Free = Yes And Morningstar Rating Overall Not= NA										
▼ Global Equity Large Cap										
BMO Sustainable Opportunities Glb Eq F	★★★★★	17.90	✓	4.81	1.91	720,559.44	1,257,951.80	0.00	17.95	1
Danske Invest Kestävä Arvo Osake K	★★★★★	19.83	✓	4.73	0.00	149,779.44	526,470.60	0.00	19.64	1
DD Equity A EUR Acc	★★★★★	19.91	✓	2.63	0.34	570,906.30	983,615.56	0.00	20.22	1
DPAM INVEST B Equities World Sust A Dis	★★★★★	19.13	✓	3.75	0.00	174,994.11	389,215.03	0.00	17.74	1
HSBC GIF Global Eq Climate Change AC	★★★★★	20.10	No	7.43	7.14	1,280,840.40	404,576.20	0.01	17.92	1
Janus Henderson Global Sust Eq E Inc GBP	★★★★★	18.66	✓	4.43	1.44	322,995.97	615,162.70	0.00	19.47	1
Janus Henderson Hrnz Glb Sus Eq HB2 EUR	★★★★★	18.65	✓	4.42	1.41	321,721.78	612,540.00	0.00	20.50	1
Trillium ESG Global Equity Fund Retail	★★★★★	19.72	✓	5.85	1.00	1,034,294.80	830,509.20	0.00	17.29	1
AGF Global Sustainable Growth Equity	★★★★★	21.22	✓	7.64	0.81	310,422.70	277,055.72	0.00	16.97	1
AGF Global Sustainable Growth Equity R6	★★★★★	21.26	✓	7.63	0.88	302,328.53	269,652.20	0.00	20.19	1
DPAM INVEST B Eqs NewGems Sust W Cap	★★★★★	21.74	✓	3.47	0.00	278,297.84	514,832.00	0.00	24.93	1
Metzler Global Equity Sustnby A	★★★★★	20.34	✓	3.41	4.20	761,642.70	1,048,957.40	0.00	18.19	1
Morgan Stanley Inst Global Sustain A	★★★★★	20.19	✓	2.38	0.00	298,023.75	769,826.10	0.00	17.11	1
SWC (LU) EF Sustainable AA	★★★★★	20.97	✓	5.45	1.97	516,881.03	976,301.40	0.00	18.22	1

Note how all 5-globe rated funds within the 1<sup>st</sup> quartile have the Low Carbon Designation™. With access to the Company-level ESG data add-on, we can take a deeper dive at these portfolios to see the holdings' carbon overall risk score, emissions, and much more.

To access a fund's holdings, do the following:

1. Right-click on the first fund in the list. A pop-up menu appears.
2. Click **Investment Information > View Holdings > Detailed Holdings Analysis**. The Holdings window opens.

Report Search Criteria: Global Category = Global Equity Large Cap And Sustainable Investment - Low Carbon/Fossil-Fuel Free = Yes And Morningstar Rating Overa

Global Equity Large Cap									
Janus Henderson Hrnz Glb S									
DD Equity A EUR Acc									
Danske Invest Kestävä Arvo									
Janus Henderson Global Sust									
DPAM INVEST B Equities Wor									
Trillium ESG Global Equity Fui									
DPAM INVEST B Eqs NewGen									
SWC (LU) EF Sustainable AA									
Metzler Global Equity Sustnb									
Coeli Global Select R SEK									
SPP Global Solutions A									
Lazard Global Thematic A Dist USD									
Jih Sun Anti-Glbl Warming									
Nanuk New World									
HSBC GIF Global Eq Climate Change AC									
Morgan Stanley Inst Global Sustain A									
AGF Global Sustainable Growth Equity									
Pax Global Environmental Mkts Inv									

Right-click on the fund name

3. From the toolbar, click the 2<sup>nd</sup> drop-down menu (where **Snapshot** is selected by default) and select **Sustainability: Carbon Risk (Company)**. The Carbon Risk data displays on the grid.

Janus Henderson Hrnz Glb Sus Eq H...

Action View Portfolio y: Carbon Risk (Company) 28/02/2021 Edit Data Locate Export PDF Refresh

	Name	Detail Holding Type	SecId	Portfolio Weighting %	Carbon Overall Risk Score	Carbon Overall Risk Classification	Carbon Overall Exposure Score	Carbon Overall Manageable Risk Score	Carbon Overall Managed Risk Score
1	adidas AG	EQUITY	0P00009QNK	1.87	0.00	Negligible Risk	0.00	0.00	0.00
2	Adobe Inc	EQUITY	0P0000005M	2.97	0.00	Negligible Risk	0.00	0.00	0.00
3	AIA Group Ltd	EQUITY	0P0000Q79U	2.46	2.16	Low Risk	7.50	7.50	5.34
4	Aon PLC	EQUITY	0P000000GK	2.37	0.00	Negligible Risk	0.00	0.00	0.00
5	Aptiv PLC	EQUITY	0P0000UNII	2.38	15.24	Medium Risk	30.20	30.20	14.96
6	ASML Holding NV	EQUITY	0P0000ALDL	2.13	0.00	Negligible Risk	0.00	0.00	0.00
7	Atlassian Corporation PLC A	EQUITY	0P000172LN	1.25	0.00	Negligible Risk	0.00	0.00	0.00
8	Autodesk Inc	EQUITY	0P000000LM	2.98	0.00	Negligible Risk	0.00	0.00	0.00
9	Avalara Inc	EQUITY	0P0001DH7E	1.85	0.00	Negligible Risk	0.00	0.00	0.00
10	Avery Dennison Corp	EQUITY	0P000000M6	1.14	8.82	Low Risk	18.00	18.00	9.18
11	Bill.com Holdings Inc Ordinary Shares	EQUITY	0P0001IUNO	0.83					
12	Borelex Inc Class A	EQUITY	0P00005RU1	1.61	0.00	Negligible Risk	0.00	0.00	0.00
13	Cadence Design Systems Inc	EQUITY	0P00000100	2.17	0.00	Negligible Risk	0.00	0.00	0.00

From there, you can see the Carbon Overall Risk Score (lower is better) of the constituents, their risk classification, manageable and managed risk scores, as well as carbon emissions amongst other things.

With the Company-level ESG data add-on, you can also access carbon involvement, which will identify which holdings are taken into account for the Fossil Fuel Involvement calculations.

To display the carbon involvement data, do the following:

1. From the toolbar, click the 2<sup>nd</sup> drop-down menu and select **Sustainability: Carbon Involvement (Company)**. The Carbon Involvement data displays on the grid.

Janus Henderson Hrazm Gbl Ssn Eq H...   Action • View Portfolio • Involvement (Company) • 28/02/2021 • Edit Data • Locate • Export • PDF • Refresh											
	Name	Detail Holding Type	SecID	Portfolio Weighting %	Comp Prod Inv % - Fossil Fuel	Comp Prod Inv % - Arctic Oil & Gas	Comp Prod Inv % - Oil & Gas Production	Comp Prod Inv % - Oil & Gas Products & Extraction	Comp Prod Inv % - Oil & Gas Generation	Comp Prod Inv % - Oil Sands Extraction	Comp Prod Inv % - Carbon Solutions
1	adidas AG	EQUITY	OP00009QNK	1.87	None	None	None	None	None	None	None
2	Adobe Inc.	EQUITY	OP0000005H	2.97	None	None	None	None	None	None	None
3	AIA Group Ltd	EQUITY	OP00000Q79U	2.46	None	None	None	None	None	None	None
4	Aon PLC	EQUITY	OP000000GK	2.37	None	None	None	None	None	None	None
5	Aptiv PLC	EQUITY	OP00000UNI	2.38	None	None	None	None	None	None	None
6	ASML Holding NV	EQUITY	OP0000ALDL	2.13	None	None	None	None	None	None	None
7	Atlassian Corporation PLC A	EQUITY	OP000172LN	1.25	None	None	None	None	None	None	None
8	Autodesk Inc.	EQUITY	OP000000LH	2.96	None	None	None	None	None	None	None
9	Avalara Inc.	EQUITY	OP0001DHTF	1.85	None	None	None	None	None	None	None
10	Avery Dennison Corp	EQUITY	OP000000M6	1.14	None	None	None	None	None	None	None
11	Bill.com Holdings Inc Ordinary Shares	EQUITY	OP00011JUNO	0.83	None	None	None	None	None	None	None
12	Boralex Inc Class A	EQUITY	OP00005RU1	1.61	0%-4.9%	None	None	None	0%-4.9%	None	50%-100%
13	Cadence Design Systems Inc	EQUITY	OP00000100	2.17	None	None	None	None	None	None	None

This data set provides the aggregated involvement percentage based on revenues for a company with involvement in Fossil Fuel areas. From there you can sort on the columns to see which holdings have the biggest involvement in a specific area and discover which holdings are the biggest driver for the Fossil Fuel Exposure at portfolio level.

2. Close the **Holdings** window to return to your performance report