MSCI

HOW DIFFERENTIATED INSIGHTS

Lead to stronger portfolios

How can wealth managers build better portfolios for a better world?

It all begins with the right insights.

Using risk & return analytics, along with climate and ESG considerations, wealth managers can:

- **Propose compelling solutions**
- **Build stronger portfolios**
- **Monitor portfolio performance**

Throughout the process, insights help clients understand the rationale behind portfolio recommendations.

Insights in action

Let's take a look at how these benefits take shape for a hypothetical client and their wealth manager.

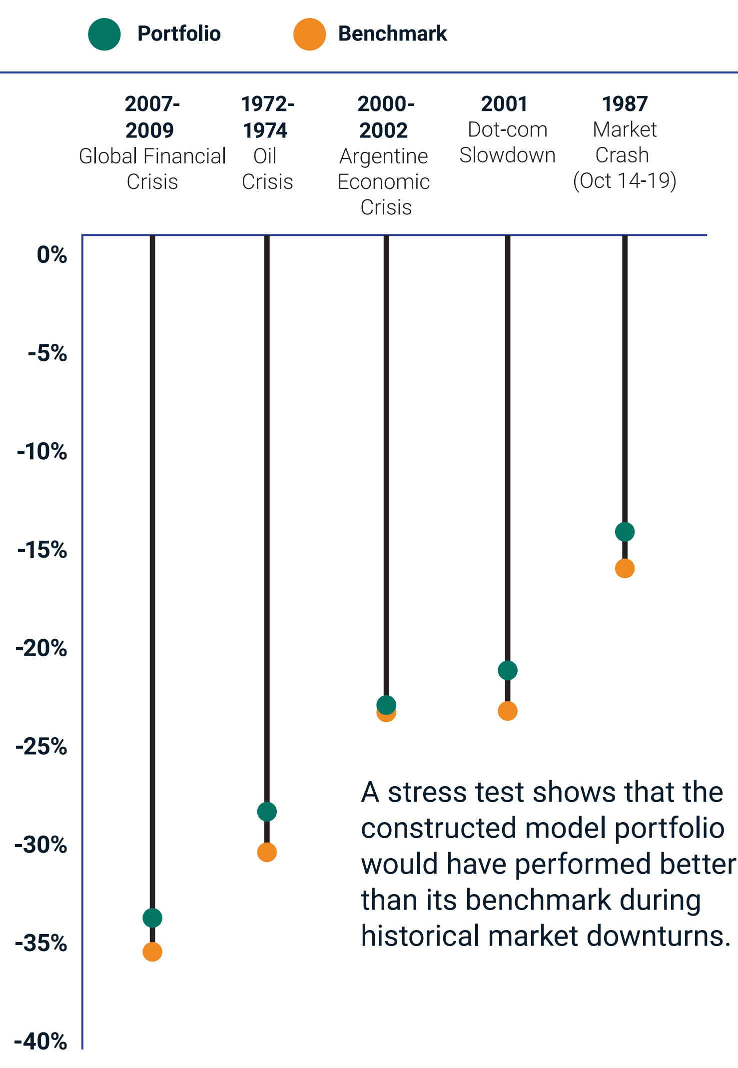
Client	Faye
Investable assets	$1M
Risk tolerance	Medium
Preferred strategy	ESG integration

Given this profile, a variety of portfolio insights will help Faye understand how a new solution meets her needs.

Build strong portfolios

Risk/return analytics

To begin building a model portfolio, the wealth manager will conduct research and risk analytics.



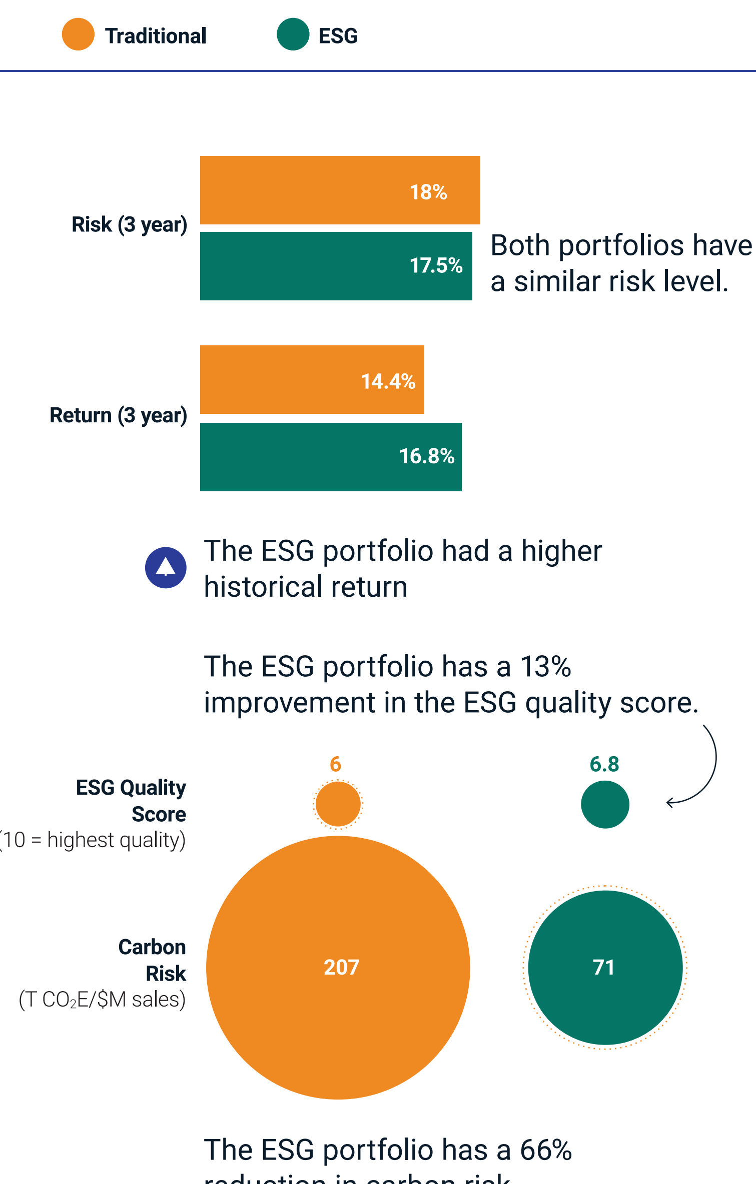
A stress test shows that the constructed model portfolio would have performed better than its benchmark during historical market downturns.

Portfolio construction can also include analyzing exposure to factors, or the investment characteristics that drive risk and return.

Source: MSCI (2021).

ESG considerations

The wealth manager compares an ESG model portfolio to one of their traditional model portfolios across various metrics.



Both portfolios have a similar risk level.

The ESG portfolio had a higher historical return

The ESG portfolio has a 13% improvement in the ESG quality score.

The ESG portfolio has a 66% reduction in carbon risk.

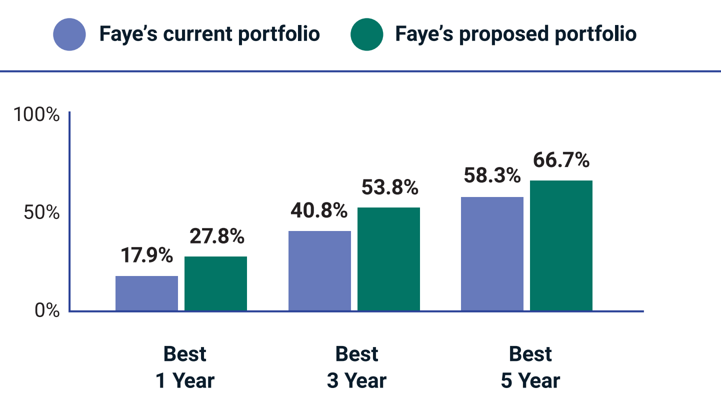
Source: MSCI IndexMetrics® (2021). Hypothetical data for illustration purposes only.

Propose compelling solutions

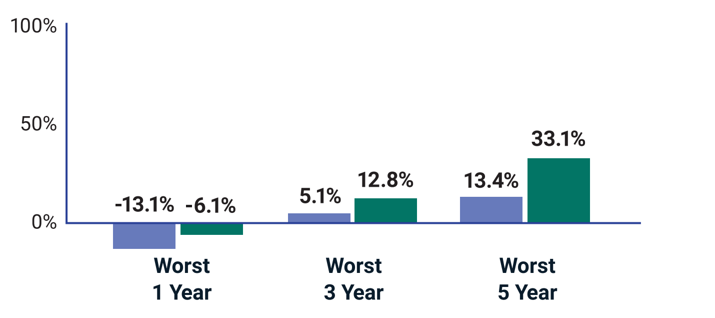
Risk/return analytics

Once the wealth manager has built the portfolio, the advisor can use data and analytics to propose the solution to Faye.

Best returns

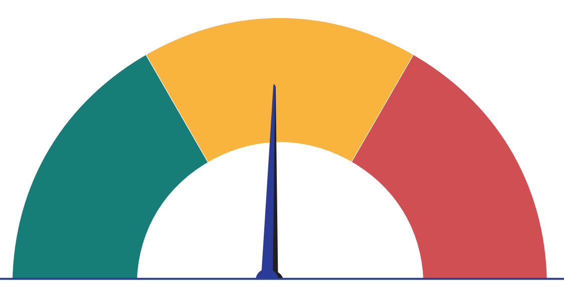


Worst returns



Relative to Faye's current portfolio, the proposed portfolio has had higher returns during its best years and a smaller loss during its worst year.

This is more in line with Faye's risk tolerance.

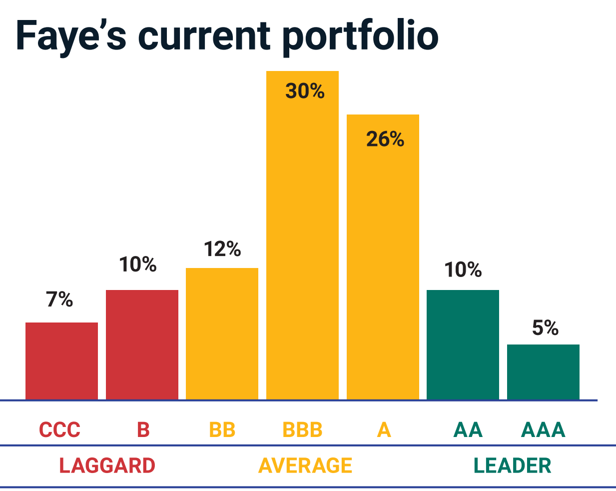


Source: MSCI WealthBench (2021).
Hypothetical data for illustration purposes only.

ESG considerations

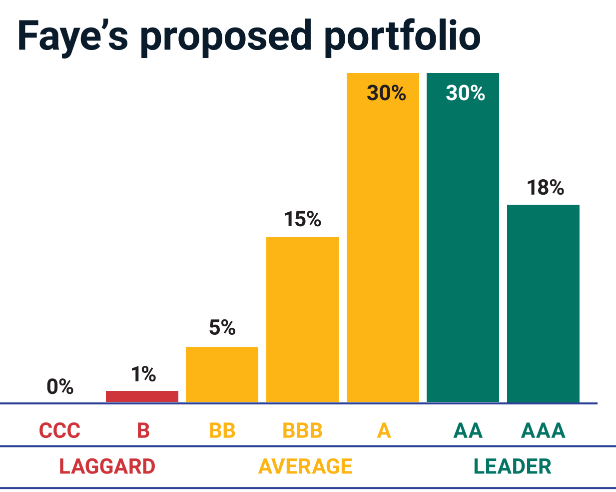
To highlight the ESG characteristics of the proposed portfolio, the advisor shows Faye the ESG ratings distribution for both portfolios.

Faye's current portfolio



Almost half of the proposed portfolio holdings are ESG leaders, compared to only 15% of Faye's current portfolio holdings.

Faye's proposed portfolio



The proposed portfolio also has a 53% lower carbon intensity than Faye's current portfolio, a reduction that is equivalent to:

- **406,843 miles** driven by average passenger cars
- **25 homes' energy use** for a year
- **18,679 gallons** of gasoline consumed

Source: MSCI (2021). The reduction equivalent is based on one million U.S. dollars invested in the proposed portfolio, which implies an annual emissions reduction of 166 tons of carbon dioxide equivalent (CO_2e) compared to the benchmark.

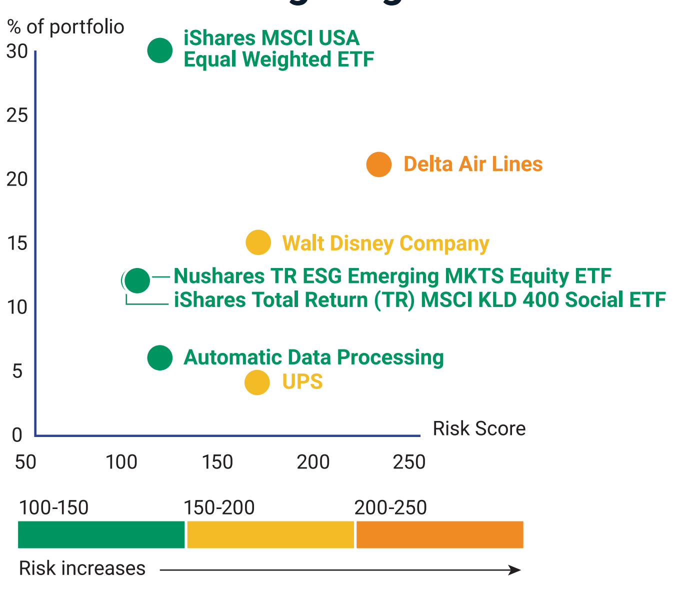
Monitor portfolio performance

Risk/return analytics

During portfolio reviews, Faye's advisor provides meaningful information in order to:

- Increase Faye's satisfaction
- Help make adjustments as needed

Investment weighting vs risk



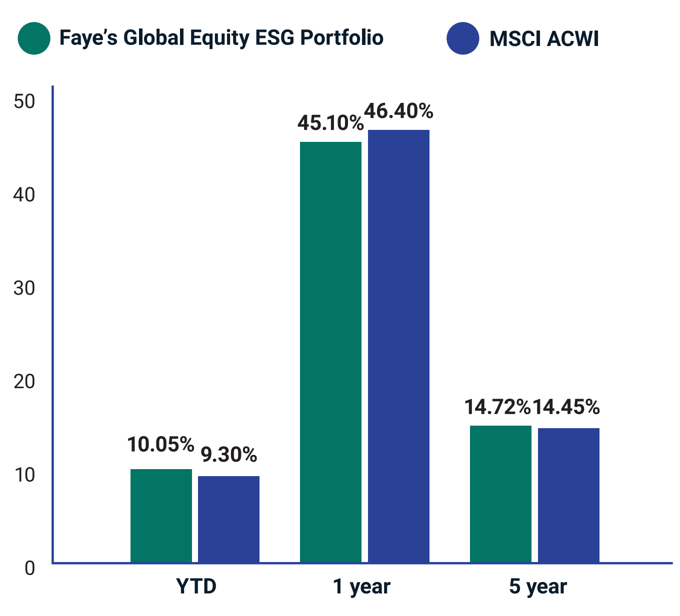
Given Faye has a medium risk tolerance, she may consider reducing her concentration in Delta Airlines.

Source: MSCI (2021). Hypothetical data for illustration purposes only.

ESG considerations

Faye's advisor can also demonstrate how her portfolio has been performing in relation to a traditional benchmark.

Faye's performance overview



Faye's portfolio has outperformed the non-ESG benchmark year-to-date, and over a 5 year timeframe.

Source: MSCI (2021). Hypothetical data for illustration purposes only.

Positioned for success

With insights tailored to their preferences, clients are more likely to understand and commit to their portfolios.

This means wealth managers are positioned to increase client satisfaction—leveraging the power of better portfolios.

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