

# Osmosis Resource Efficient Core Equity (ex-Fossil Fuels) Strategy



A smart divestment approach developed to help investors meet their ex-fossil fuel commitments in a sophisticated and risk-controlled developed markets equity portfolio. The Strategy significantly reduces the ownership of carbon, water & waste whilst targeting better risk-adjusted returns than the benchmark.

## A Smarter Approach to Fossil Fuel Divestment

Are you considering a fossil-free investment portfolio, or have you already allocated and think there might be a smarter way of managing the risk associated with divestment?

The Osmosis Resource Efficient (ex-Fossil Fuels) Strategy uniquely addresses both the supply side of fossil fuel energy generation through fossil fuel divestment, while addressing the demand side of fossil fuel energy consumption by reallocating the active divestment risk to the most highly correlated Resource Efficient companies across the whole economy.

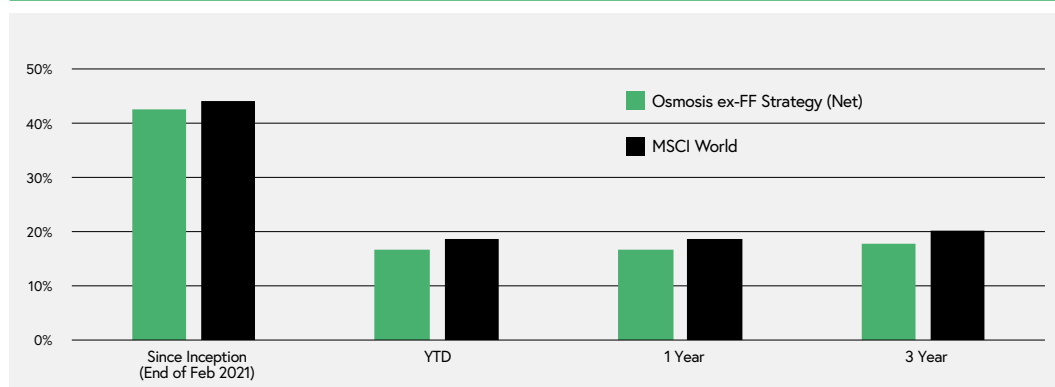
The Strategy was launched in February 2021 and has attracted assets of over \$1.7 billion. Osmosis' flagship Core Equity Range now manages over \$16.8 billion in assets as of 31 December 2024.

## Financial and Environmental Performance need not be mutually exclusive (as of 31 Dec 2024)

The Osmosis ex-fossil fuels Strategy was originally launched in February 2021. In a challenging period, marked by rising oil prices and increased geo-political volatility, the Strategy underperformed the MSCI World benchmark index by 1.55% on a net annualised basis.

Divestment decisions must be considered in the context of 'fiduciary duty', and the ability to weather asset price deflation in the energy sector as a result of rising oil prices was one of our primary goals in building the Strategy. Our models showed that the additional return derived from targeting resource efficient companies across the broader economy would help mitigate the effects of the fossil fuel exclusion policy adopted by the Strategy.

## Financial Performance (as of 31 December 2024)



## Reasons to Invest

- **Sophisticated approach excludes fossil fuel supply whilst addressing supply and demand** through the over and underweighting of Resource Efficient companies across the whole economy.
- **Unique "re-inclusion" criteria rewards positive change** by identifying energy companies on a meaningful transition path to cleaner energy sources (>50% revenue from renewable energy generation).
- **Strict environmental screens** prohibit investment in companies with >5% of their revenues from fossil fuels or nuclear power.
- **Social and Governance screens** exclude companies with any revenue from controversial weapons, civilian firearms, and tobacco manufacturing and those companies in breach of the UN Global Compact Principles.

## Environmental Performance (as of 31 December 2024)



### Carbon: -69% vs MSCI World

A company's ability to generate revenue from energy inputs measured in CO<sub>2</sub>e – normalised by sector.



### Water: -62% vs MSCI World

A company's ability to generate revenue from process water measured in litres – normalised by sector.



### Waste: -56% vs MSCI World

A company's ability to generate revenue relative to waste produced, measured in tonnes – normalised by sector.

The strategy overall is 62% more resource efficient (in Carbon, Water and Waste consumption) than the MSCI World benchmark and importantly this can be demonstrated across all sectors of the economy. See page 2.

## Key Facts

Currency	USD
Benchmark	MSCI World
Methodology	Systematic
Launched on	February 2021
Capacity	100m
Liquidity	Daily

## Exclusions

- Companies with ties to thermal coal or oil sands\*\*
- Companies with revenues from oil & gas (ex.petrochemical) >5% of total revenues
- Companies found to be in breach of the UN Global Compact
- Companies involved in the manufacturing of tobacco
- Companies that have any revenues from controversial weapons and civilian firearms
- Companies with >5% revenues from nuclear power generation

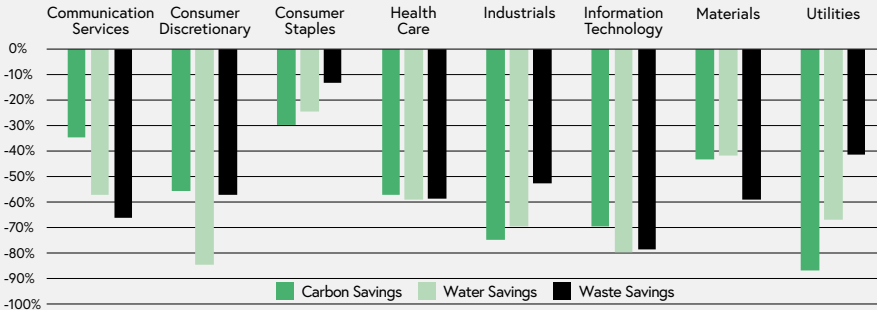
## Transition Screens

\*\*Companies in the utility sector with revenues from oil & gas (ex.petrochemical) >5% of total revenues but that have >50% energy generation from renewable sources (such as hydroelectric and solar/wind) can be included if they have a positive Resource Efficiency (RE) score.

Source: Osmosis IM, Bloomberg, Barra, LLC's analytics and data were used in the preparation of this report. Copyright 2015 BARRA, LLC. All Rights Reserved Osmosis Resource Efficient Core Equity ex-fossil fuel strategy is a systematic investment strategy. Returns represent the actual returns for the Core Equity ex-fossil fuels composite. Such returns are net of fees, costs and dividend withholding tax. Different fees apply to each share class and a client's returns will be reduced by the advisory fee and other expenses incurred in the management of its account. Please see the attached performance calculation disclosure language. Past performance is not an indication of future performance.

### Environmental Footprint Reductions by Sector from the least carbon intensive (Communications Services) to the most carbon intensive (Utilities)

Our environmental savings can be seen across all sectors of the economy.



Source: Source: Osmosis IM & Barra. Gross sectorial data is as of 31/12/24.

### MoRE – a proprietary, research driven approach to sustainability

In the absence of consistent environmental reporting standards, Osmosis has pioneered a proprietary approach to the standardisation of unstructured corporate environmental data. Our in-house research team are sector specialists and utilise decades of environmental experience to standardise carbon, water and waste data to environmental economic frameworks, within 34 independent sectors.

The standardisation of this data has enabled the creation of a Resource Efficiency Factor score for each company. Our approach gives context and comparability to corporate environmental disclosures, allowing for the objective measurement of a company's relative Resource Efficiency within all sectors of the economy.

Corporate sustainability performance is neither well understood nor efficiently priced by markets. Our research shows that Resource Efficiency can be used to target excess returns while having a low correlation to other common factors. This conclusion is backed by strong economic rationale, investment performance and academic research.

### Firm Overview & Philosophy

Osmosis launched in 2009 and is majority-owned by management and employees. The company currently manages USD \$17.1bn in sustainable assets and is headquartered in London, with a growing global presence.\*\*\*

Osmosis believes that targeting better risk-adjusted returns and delivering significant environmental impact do not need to be mutually exclusive endeavours. Through its unique Model of Resource Efficiency (MoRE), the company has demonstrated that sustainability metrics, if quantifiable and objective in nature, can be applied to mainstream equity portfolios to generate alpha. The Osmosis team of quantitative environmental analysts and portfolio managers is singularly focused on delivering three levels of impact:



**Better risk-adjusted returns.**



**Measurable environmental reductions: We define Resource Efficiency as the Carbon emitted, Waste generated and Water consumed, relative to value creation.**



**Active engagement programme to promote better corporate environmental disclosure.**

Osmosis counts Government Pension Funds, State Pension Funds, Insurance Companies, Foundations, Endowments, Family Offices, and Banks amongst its client roster spanning the UK, Europe, the Nordics, North and South America, Asia, and Australia.

\*\*\* As of 31 December 2024



Principles for Responsible Investment

**OSMOSIS ACHIEVED TOP SCORES IN THE LATEST ASSESSMENT**



**2024 Winner**  
Boutique investment manager of the year – Europe



**2024 Winner**  
Listed equities manager of the year

The Environmental Finance Sustainable Investment Awards are free to applicants and open to all organisations globally. These awards were given in June 2024 and relate to the annual period May 23 – May 24. Osmosis received top ratings in the Principles of Responsible Investing (PRI) 2023 Assessment Report given on 22 December 2023 and corresponds to the annual reporting period of 1/1/2022 to 31/12/2022. This assessment is free for all PRI signatory members, however, all signatories are required to pay an annual membership fee.

## Important information

### Global Investors (ex US)

This report is issued in the UK by Osmosis Investment Management UK Limited ("Osmosis"). Osmosis is authorised and regulated by the Financial Conduct Authority "FCA" with FRN 765056. This document is a "financial promotion" within the scope of the rules of the FCA. In the United Kingdom, the issue or distribution of this document is being made only to and directed only at professional clients (as defined in the rules of the FCA) ("Professional Clients"). This document must not be acted or relied upon by persons who are not Professional Clients. Any investment or investment activity to which this document relates is available only to Professional Clients and will be engaged in only with Professional Clients.

### US Investors

This document is issued by Osmosis Investment Management US LLC ("Osmosis US").

### Australian Investors

This document is issued by Osmosis Investment Management AUS Pty Ltd ("Osmosis AUS").

Osmosis UK, Osmosis US and Osmosis AUS are wholly owned subsidiaries of Osmosis (Holdings) Limited ("OHL"). Osmosis UK is regulated in the UK by the FCA. Osmosis US is a registered investor advisor with the SEC in the US and Osmosis AUS is a corporate authorised representative of Eminence Global Asset Management Pty Ltd (AFSL 305573). Registration with the SEC does not imply any level of skill or training.

This report is intended only for the use of clients who are professional clients or eligible counterparties under the rules of the FCA, and is not intended for retail clients. This report is not for public circulation and persons who do not fall within the categories described above may not act upon the information contained within it. The issuance of and details contained in this report does not constitute an offer or solicitation for, or advice that you should enter into, the purchase or sale of any security, commodity or other investment product or investment agreement, or any other contract, agreement or structure whatsoever.

You are solely responsible for making your own independent appraisal of and investigations into the products, investments and transactions referred to in this report and you should not rely on any information in this report as constituting investment advice. Neither Osmosis nor any of its officers, employees or agents are responsible for providing you with legal, tax or other specialist advice and you should make your own arrangements in respect of this accordingly.

### Performance

It is important to remember that the value of investments, and the income from them, can go down as well as up and is not guaranteed and that you, the investor, may not get back the amount originally invested. Any forecast, projection or target where provided is indicative only and is not guaranteed in any way. Osmosis accepts no liability for any failure to meet such forecast, projection or target. Past performance is not an indication of future performance. Investors and potential investors should read and note the risk warnings in the prospectus or other offering memorandum issued to them.

### Net Performance

Net returns are net of fees and in USD unless indicated otherwise. Net returns are net of fees, costs and dividend withholding tax. Different fees may apply to a client's account and a client's returns may be further reduced by the advisory fee and other expenses incurred in the management of its account.

### Gross Performance

Gross Returns are gross of fees and in USD unless indicated otherwise. Gross return results do not reflect the deduction of investment advisory fees. Gross performance results may include the reinvestment of dividends and other account earnings. A client's return will be reduced by the advisory fees and other expenses it may incur as a client. For example, the deduction of a 1% advisory fee over a 10-year period would reduce a 10% gross return to an 8.9% net return.

The charts, graphs and descriptions of investment and market history and performance contained herein are not representations that such history or performance will continue in the future or that any investment scenario or performance will even be similar to such chart, graph or description. Past performance is no indication of future returns. Total returns are based on the closing market price. Market returns are based on the midpoint of the bid/ask spread at market close and do not represent the returns an investor would receive if shares were traded at other times.

### Benchmarks

The historical index performance results for all benchmark indexes do not reflect the deduction of transaction, custodial, or management fees, the incurrence of which would have the effect of decreasing indicated historical performance results. Indexes are unmanaged and are not available for direct investment. The historical performance results for all indices are provided exclusively for comparison purposes only, and may or may not be an appropriate measure to provide general comparative information to assist an individual client or prospective client in determining whether Osmosis performance meets, or continues to meet, his/her investment objective(s). The referenced benchmarks may or may not be appropriate benchmarks against which an observer should compare our returns.

The MSCI World Index captures large and midcap representation across 23 Developed Markets countries. With 1,645 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in each country.

The MSCI World ex-Fossil Fuels Index has been selected for illustrative purposes only and is used as a comparison due to its fossil fuel exclusion. The MSCI world ex-Fossil Fuels Index is based on the MSCI World Index, its parent index, and includes large and mid-cap stocks across 23 Developed Market (DM) countries. The index represents the performance of the broad market while excluding companies that own oil, gas and coal reserves.

### ESG Criteria

Environmental, Social, and Governance ("ESG") criteria are incorporated into the portfolio construction of all Osmosis's products. Utilising ESG as an investment factor has risks including that it may not encompass all environmental, social, or governance issues, and as with all investment approaches, there are no guarantees that it will lead to greater portfolio performance. For more information on the Osmosis approach to ESG, please see our separate ESG disclosures.

Osmosis has based this report on information obtained from sources it believes to be reliable but which have not been independently verified. Osmosis is under no obligation and gives no undertaking to keep the information in this report up to date. No representation or warranty, express or implied, is or will be made, and no responsibility or liability is or will be accepted by Osmosis, or by any of its officers, employees or agents, in relation to the accuracy or completeness of this report or of any information contained within it. Accordingly, except in the case of fraudulent misrepresentation, neither Osmosis nor any of its officers, employees or agents shall be liable to any person for any direct, indirect or consequential loss arising from the use of this report.

This report is intended to be distributed in its entirety. Unless applicable governing law permits otherwise, you must contact an Osmosis member in your home jurisdiction if you wish to use the services of Osmosis in effecting a transaction in any investment mentioned in this report. Neither this report, nor any copy of it, may be taken into or transmitted in any jurisdiction where it would be unlawful to do so. Nothing herein excludes or restricts any duty or liability of Osmosis to a customer under the Financial Services and Markets Act 2000 or the rules of the FCA.

Under no circumstances is this report to be used or considered as an offer to sell, or a solicitation of any offer to invest in the Strategy. Any such offering may be made only by means of the confidential prospectus that will be furnished to prospective investors on request where permitted under applicable legislation.

Any views expressed are those of Osmosis only and should not be construed as investment advice or in any way recommending a specific security. Reference to a security in this report is no assurance that a security will remain in the Strategy's portfolio.

Osmosis Investment Management UK Limited (8422391) Registered Office: 36-38 Botolph Lane, London, EC3R 8DE Authorised and regulated by the Financial Conduct Authority.

FOR PROFESSIONAL USE ONLY

[www.osmosisim.com](http://www.osmosisim.com)

For more information please contact our investor relations team at [investorrelations@osmosisim.com](mailto:investorrelations@osmosisim.com) or 020 3559 6558