

Axiom Alternative Investments

The path to net-zero... progress?

Geneva Sustainable Investment Insights

04/06/2024



15 years

Track record investing in the financial sector



€ 2.3bn

Assets under management



32

People including 9 fund managers and analysts

4

Offices in Paris, London, Geneva and Milan



8

Countries¹ distributed



2016

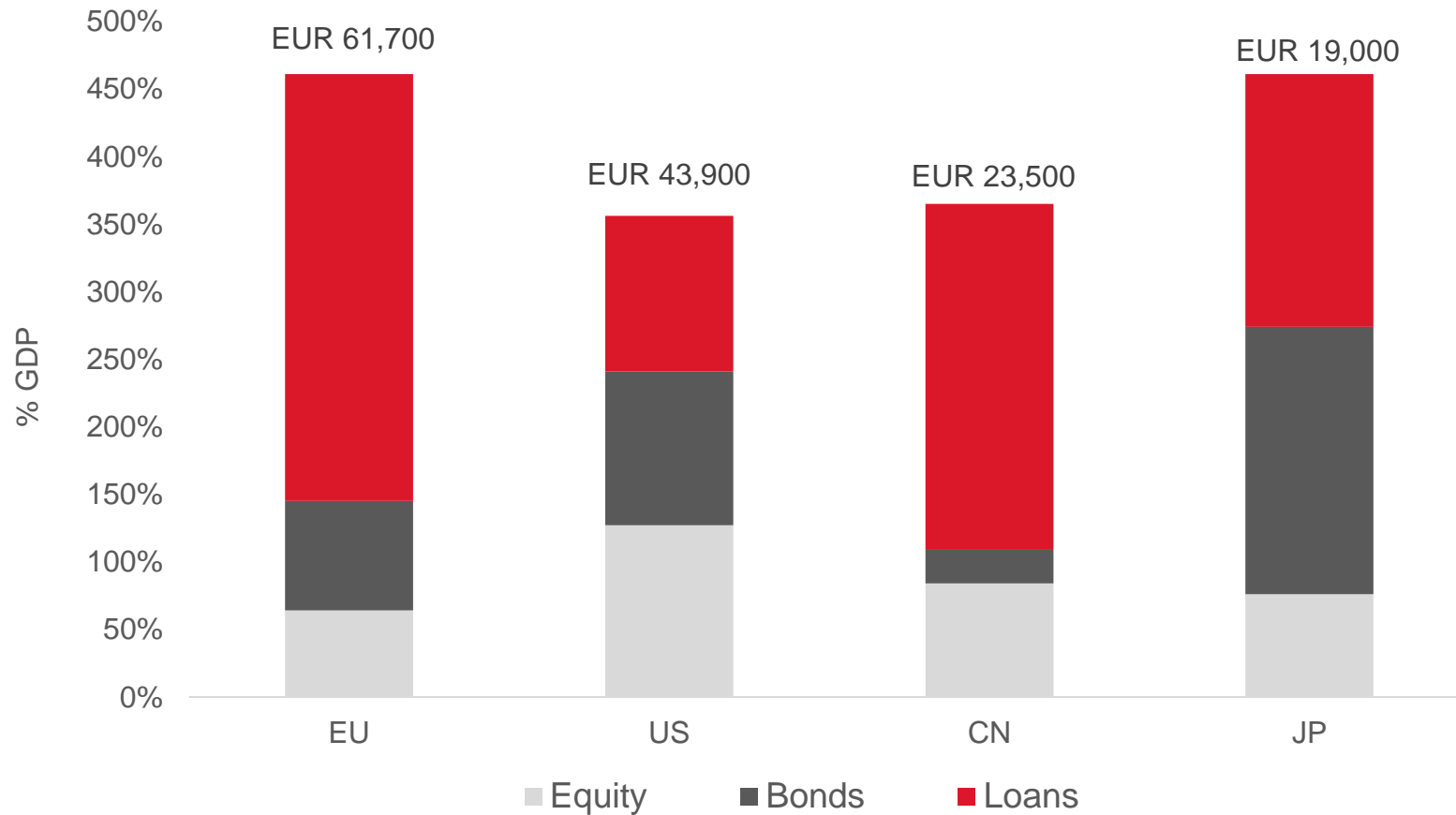
Signatory of the PRI



In Europe, banks matter (Stock)



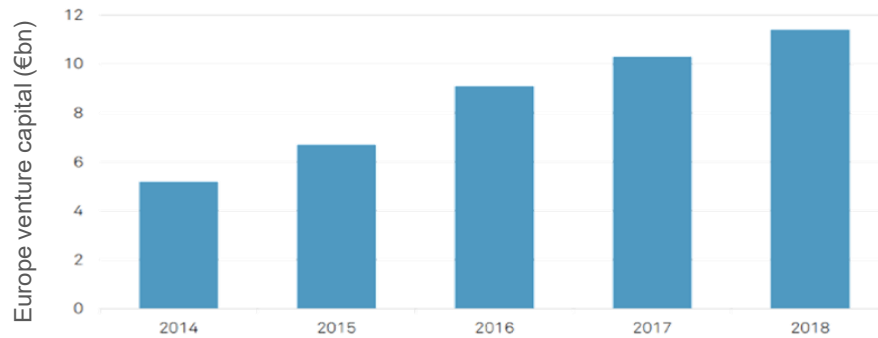
Bank's balance sheets (in €bn) and as % of GDP



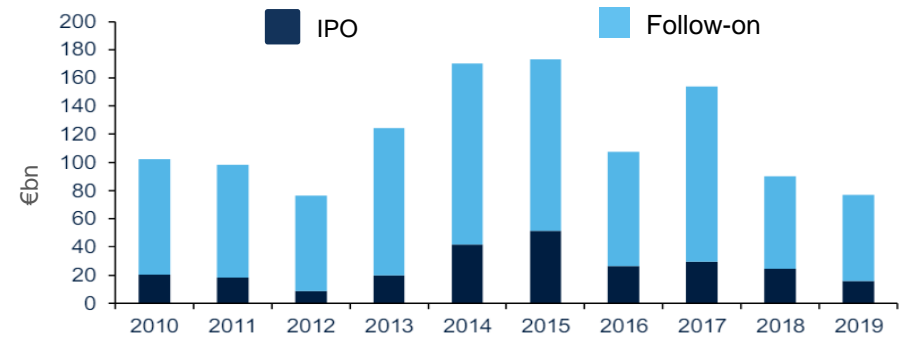
No, really, they do! (Flows)



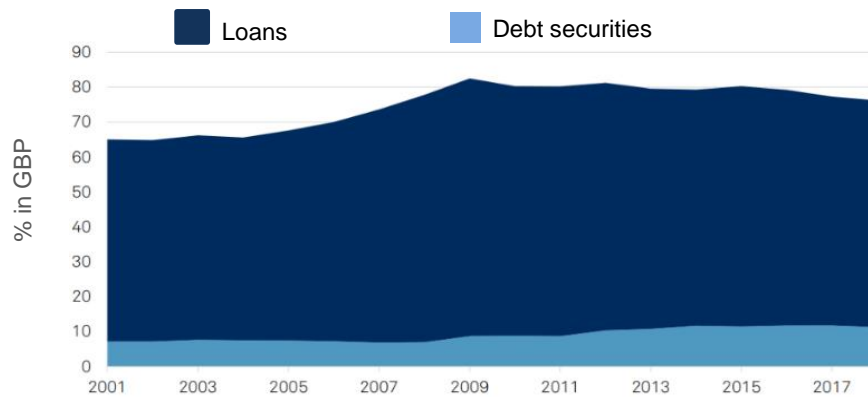
Venture Capital In Europe is less than 0.1% of EU-27 GDP



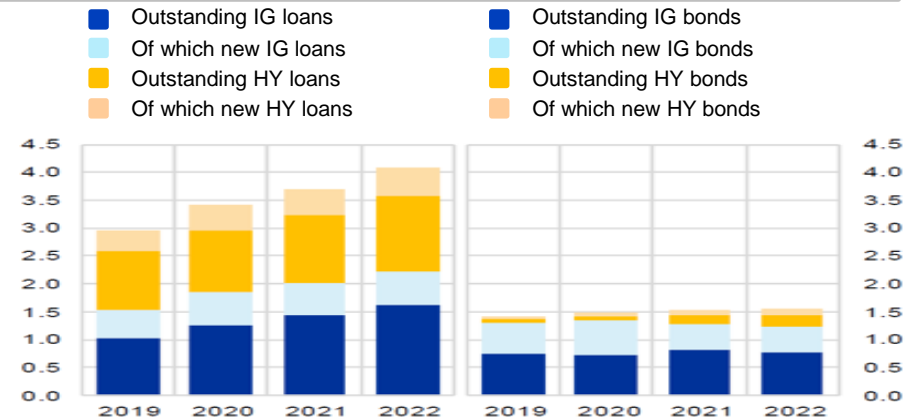
Primary and follow-on equity issuance on EU-28 exchanges (2010 – 2019)



Nonfinancial corporate financing is mostly loan based



New and outstanding loans and bonds of euro area NFCs, by rating group (2019 – 2022, € trillions)



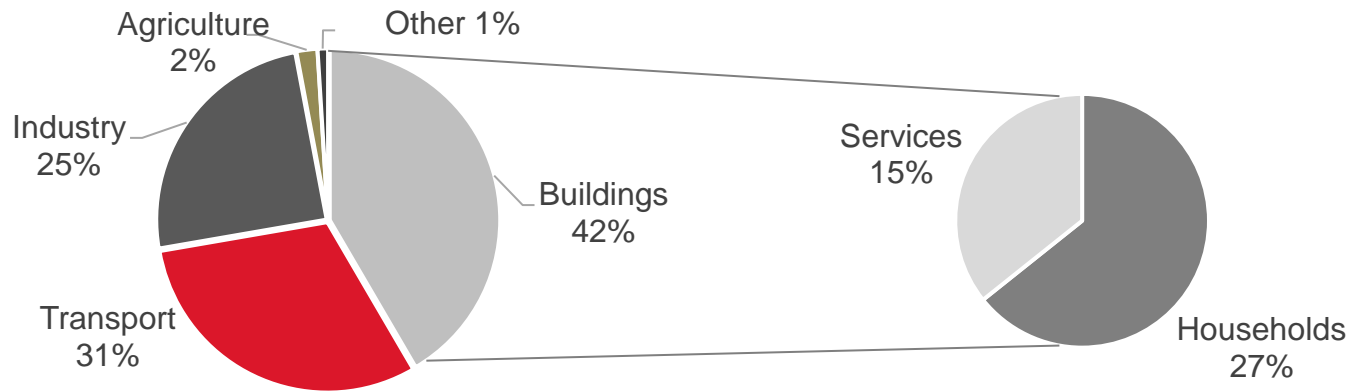
€520bn per year

Additional investment needed to achieve the EU Green Deal, according to the European Commission

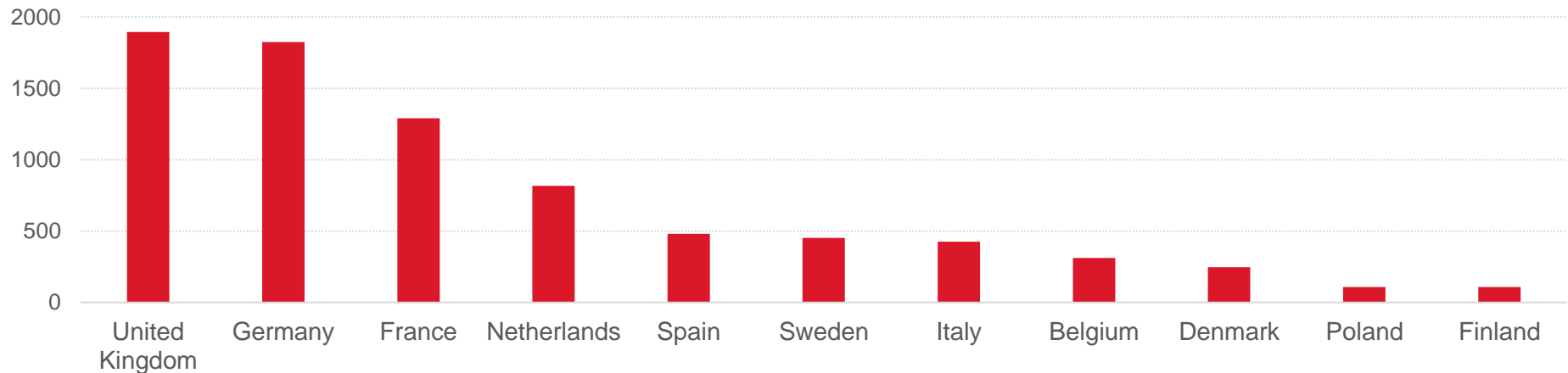
What about mortgages?



2017 Energy consumption by sector (% of total)



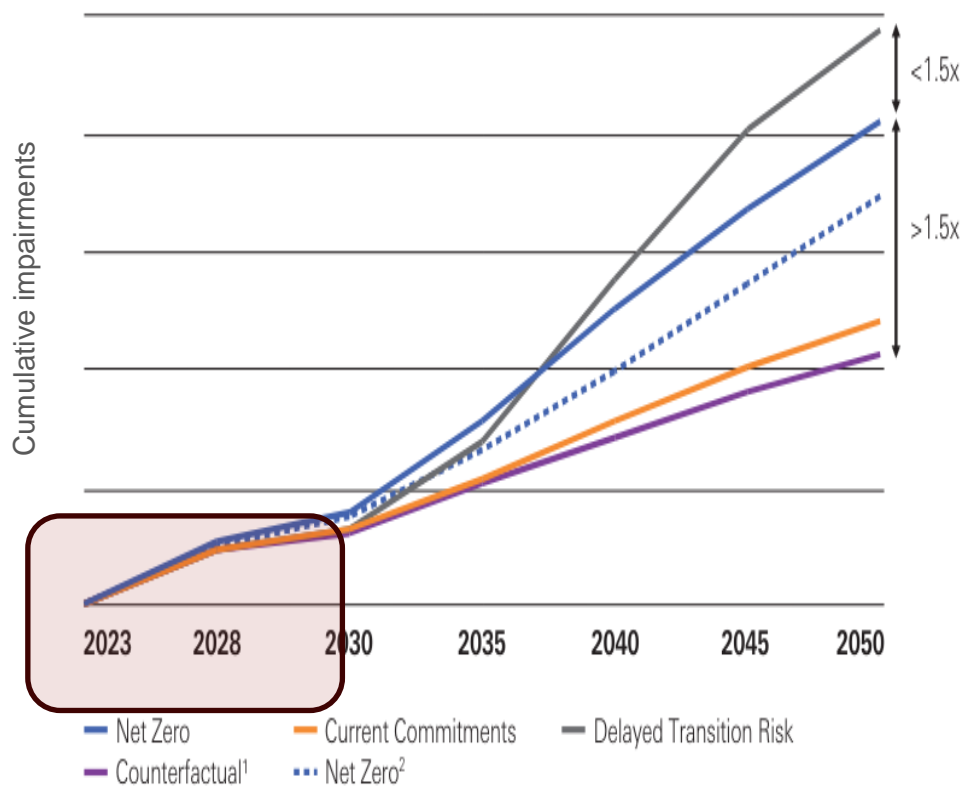
2017 Energy consumption by country



Credit losses: a strong incentive?



Climate risks under different transition scenarios

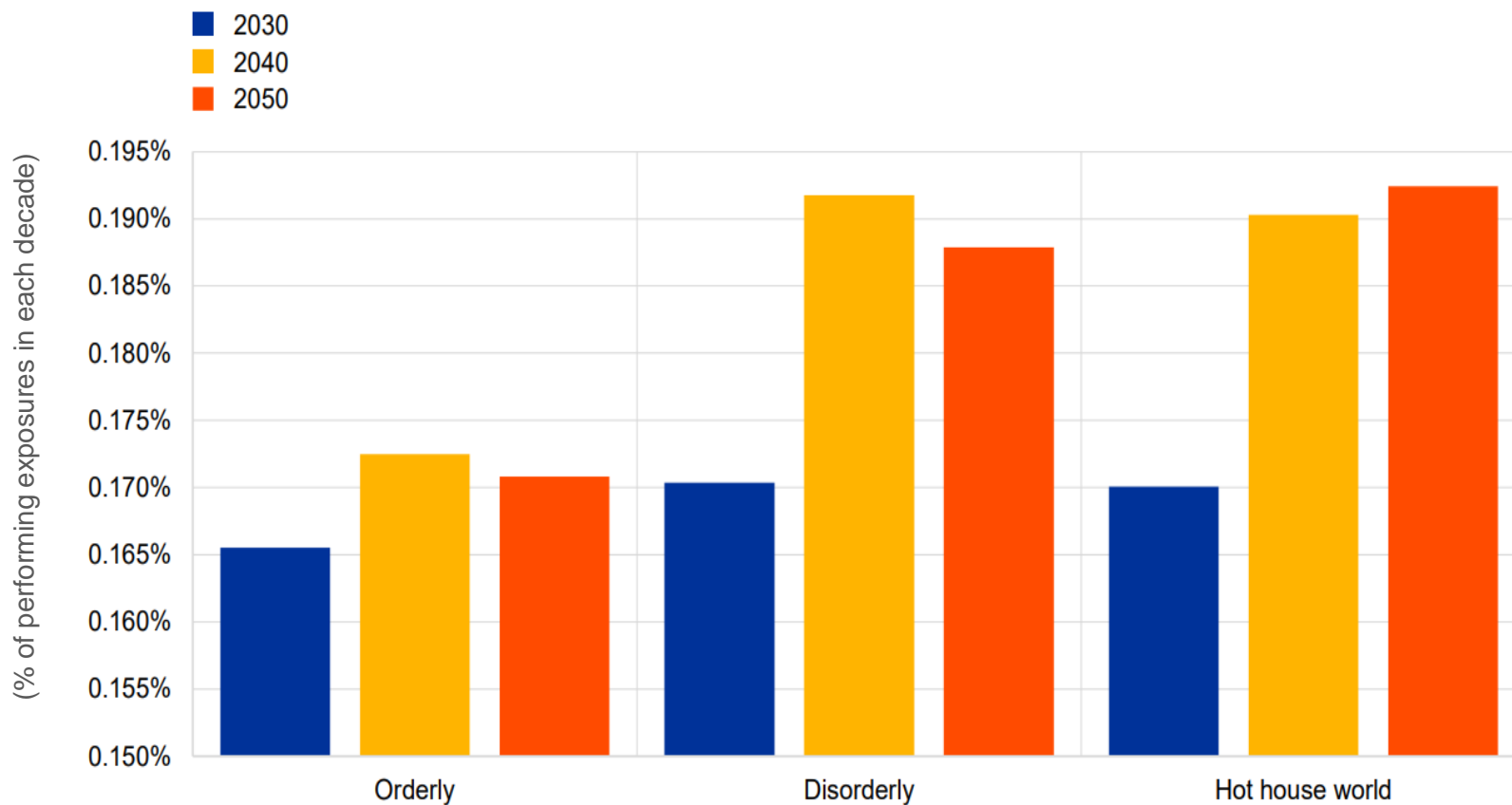


Impact on wholesale lending portfolios

Wholesale sectors	Exposure at default (2023)	ECL increase ¹	
		Current commitments	Net zero
Conglomerates and industrials	●	<1.1x	<2.75x
Construction and building materials	●	<1.25x	<2.25x
Chemicals	●	<1.1x	<1.75x
Power and utilities	●	<1.1x	<1.75x
Oil and gas	●	<1.1x	<1.25x
Automotive	●	<1.25x	<1.75x
Land transport and logistics	●	<1.1x	<2.75x
Agriculture & soft commodities	●	<1.1x	<2.5x
Metals and mining	●	<1.1x	>3x
Aviation	●	<1.1x	<1.5x
Marine	●	<1.1x	<1.5x



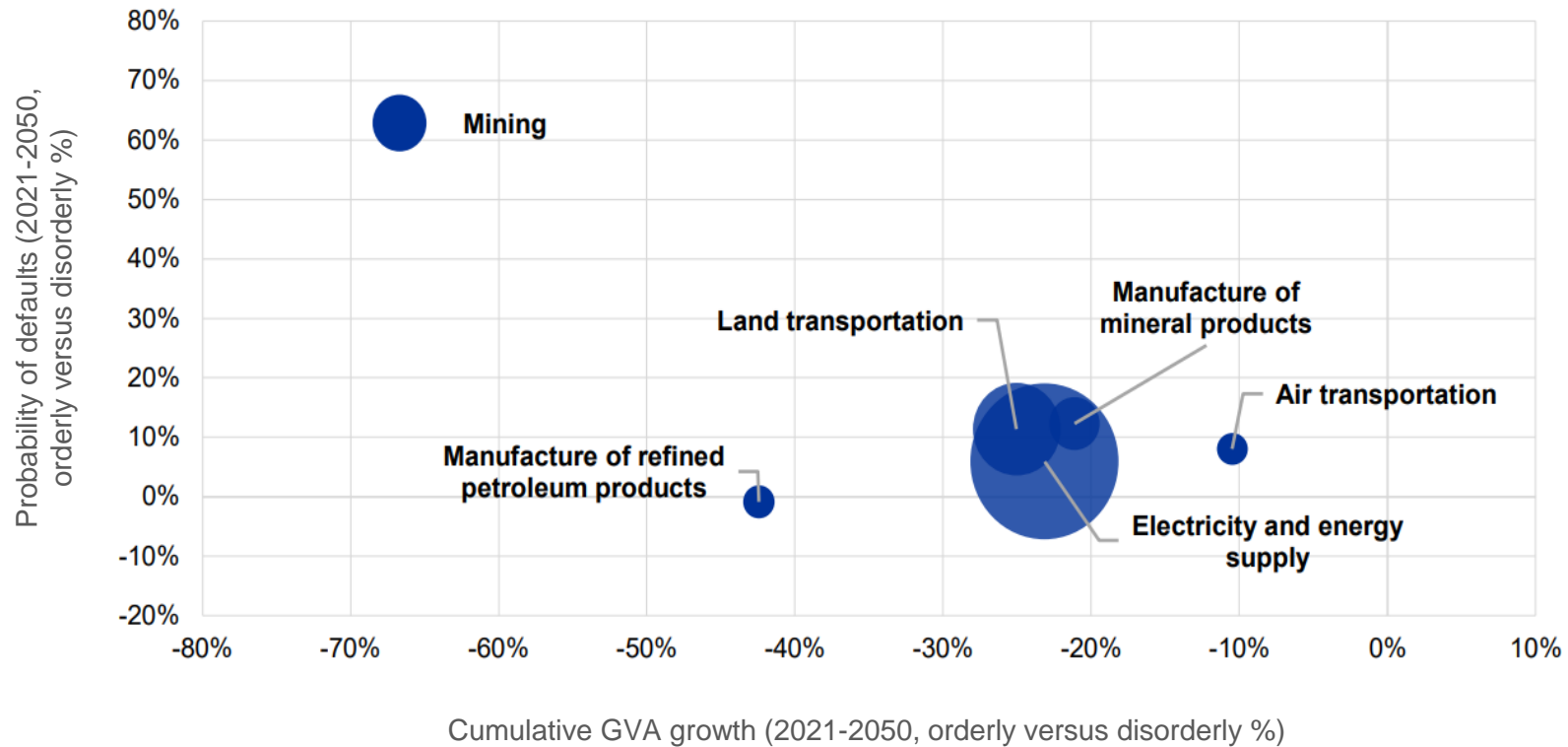
Projected loan losses per decade in the long-term scenarios



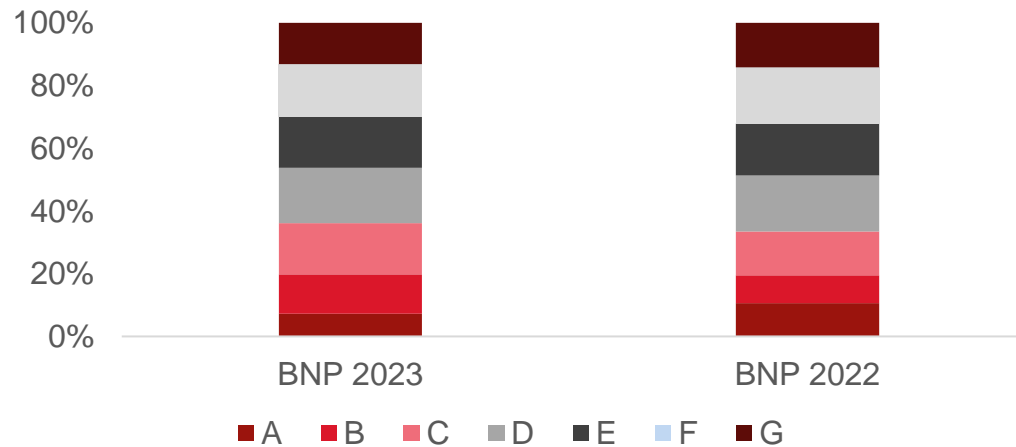
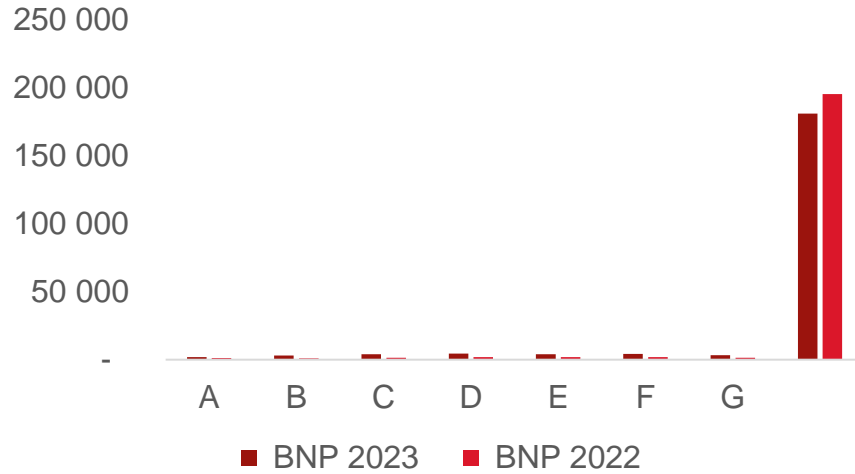
Banks in Lalaland?



Sectoral PD and GVA growth orderly vs. disorderly



Mortgages: where's my microscope?

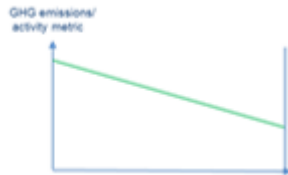


Axiom Climate Readiness Score | Rewarding companies' efforts in addressing climate change and the low carbon transition

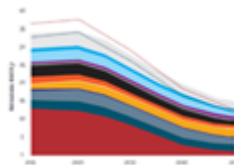




Trajectory of carbon intensity



- Physical carbon intensity (tCO₂/metric activity metric)
- Current year, past years and forward-looking trend



- Intensity trajectories per sector and geography



- Static alignment (% year N) and dynamic alignment (% trend/year) gap between company and benchmark
- Overbudget ratio of cumulated gap



- Impact on temperature of cumulated emission gap



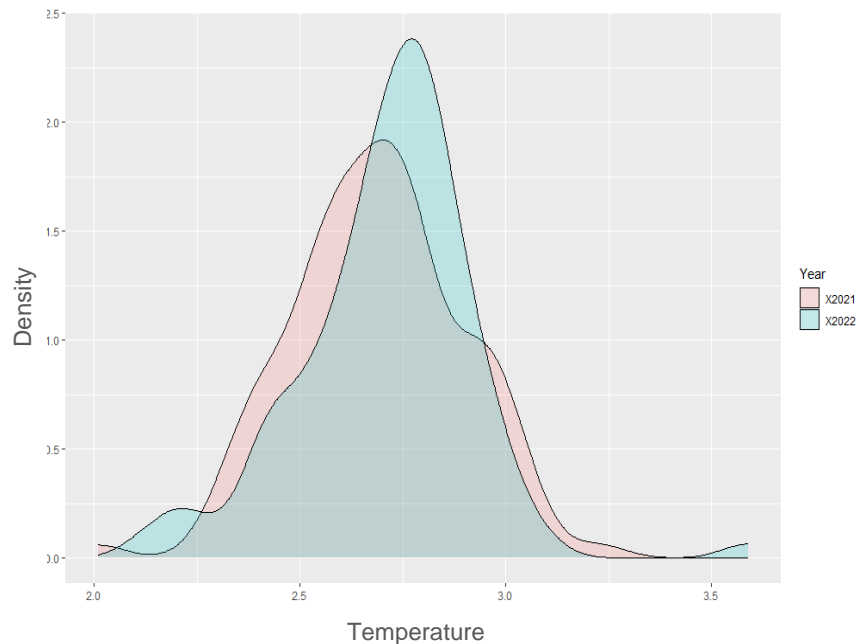
Global temperature rise



A gloomy message

The sector is still far from a 2°C target – not to mention 1.5°C
– with a slight increase compared to last year (~+0,1°C)

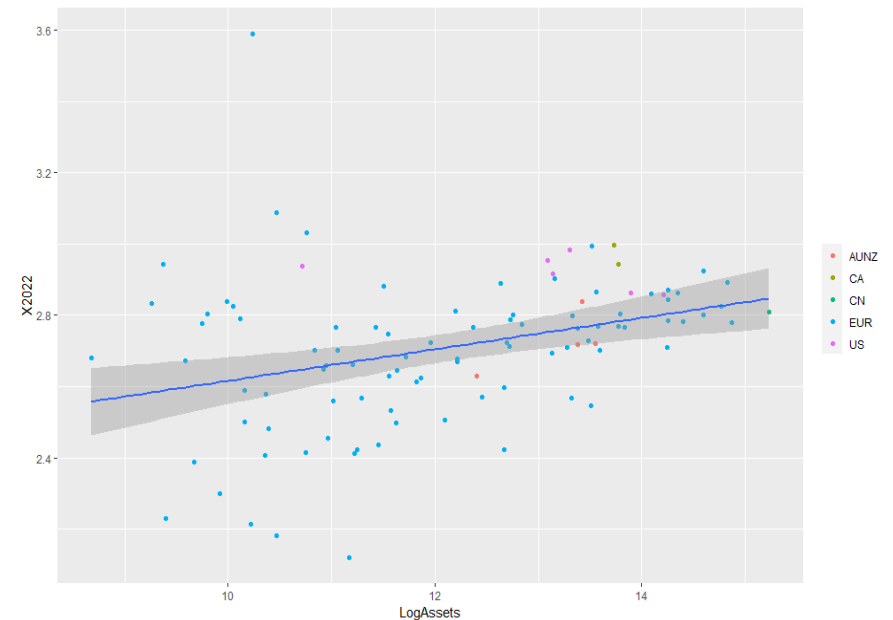
1Y-changes in loan book temperatures



Correlation with size

- The larger the portfolio, the warmer it is.

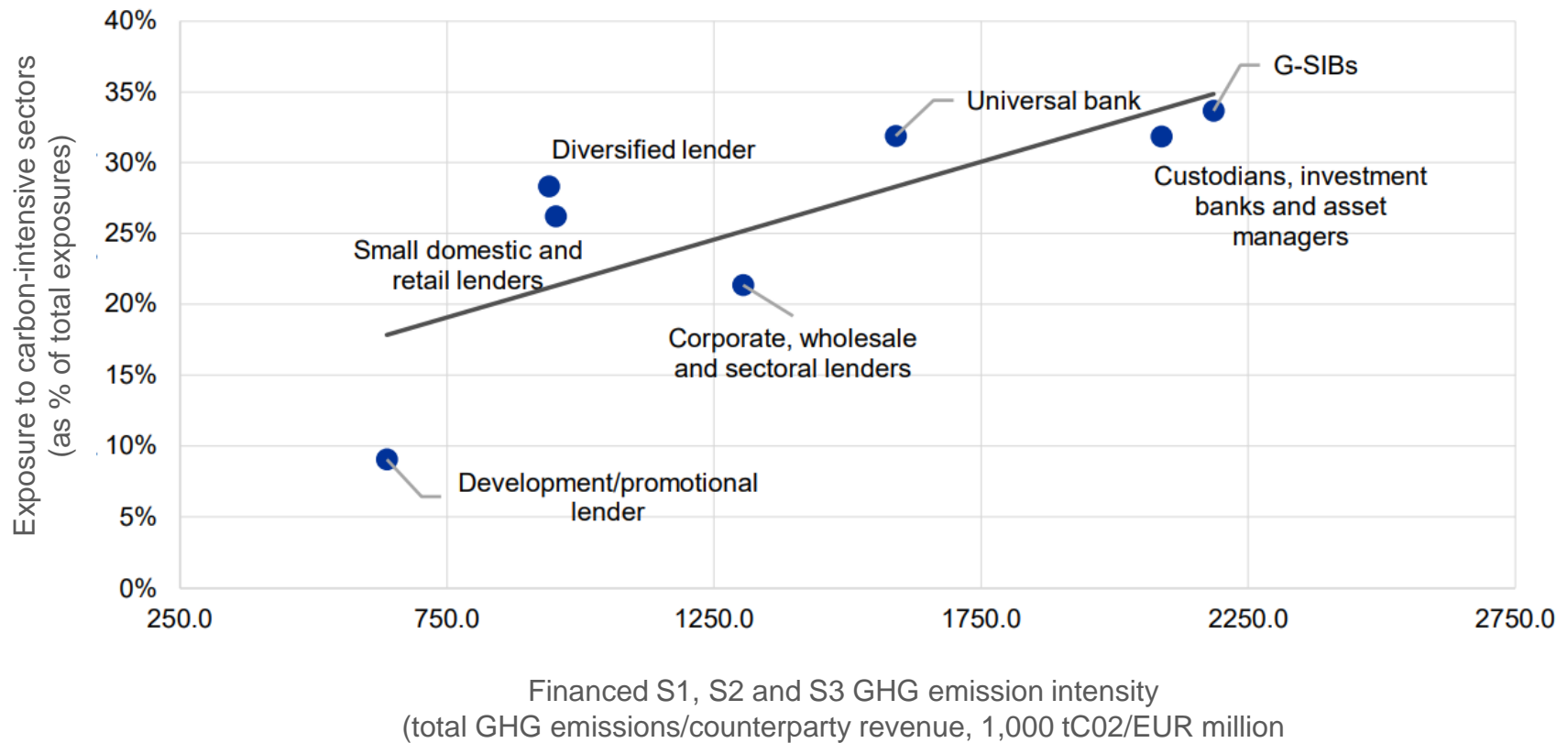
Portfolio's bank temperature according to their nationality



Size and business models matter



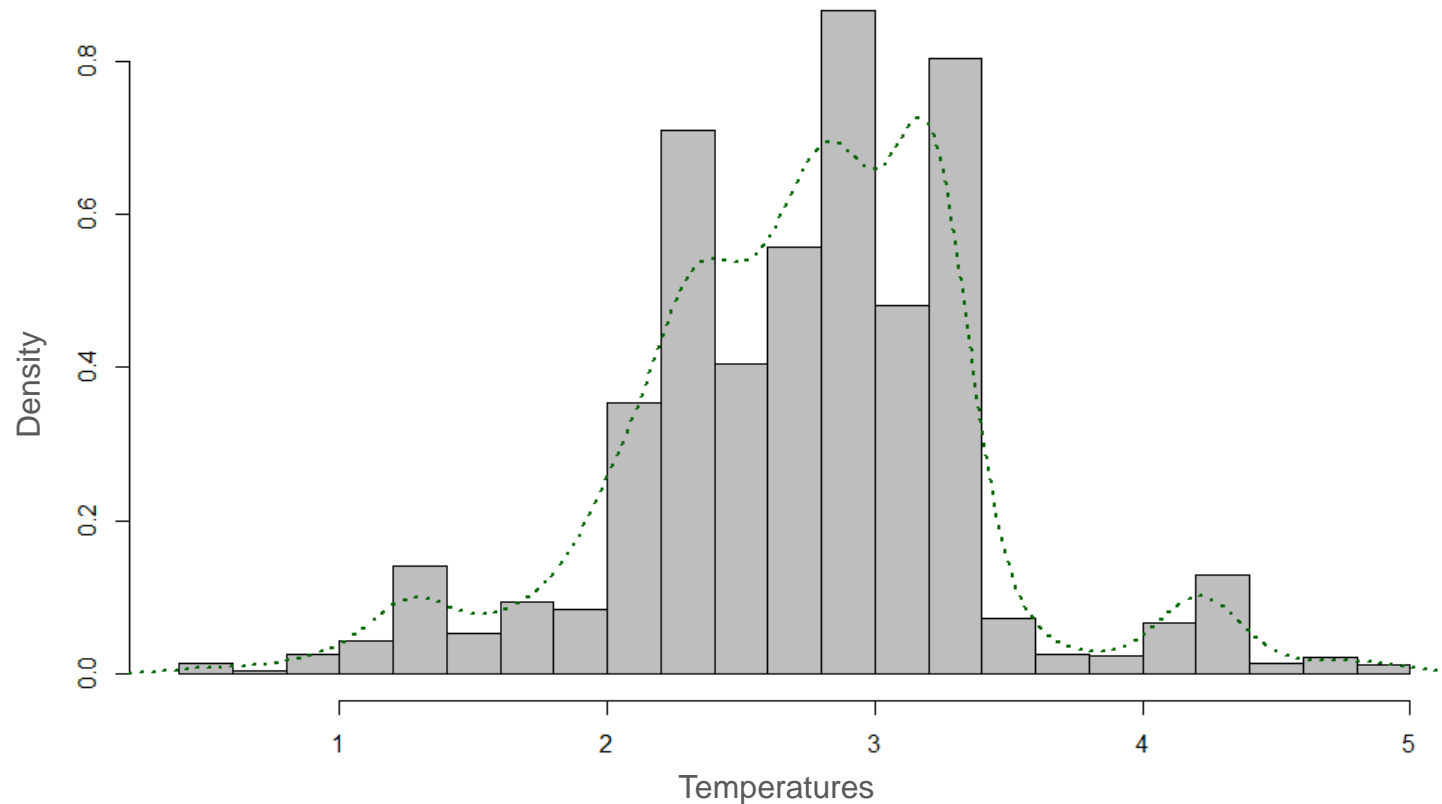
Business model differentiation by carbon intensity of the corporate portfolio and exposures to seven most carbon-intensive sectors



But whose fault is it?



Histogram of temperatures



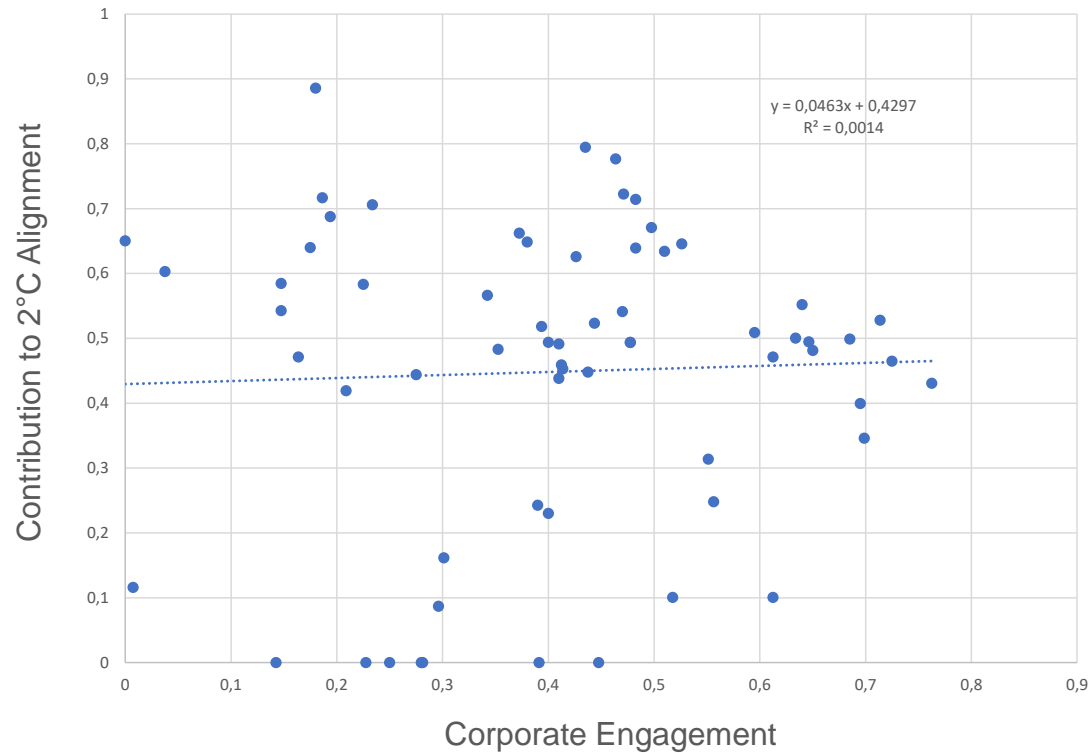
Whose fault is it? Average global temperature is 2.8°, vs. 2.7 for banks

Acts speak louder than words?



A depressing chart

- Close to 0 correlation between corporate engagement and effective contribution to Paris-aligned targets



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