Marketing material

Infographic: A snapshot of the world economy in August 2020

Schroders

How do you forecast the market impact of climate change?

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1 Temperature rise: countries with average temperature below 12°C may benefit from some warming

12°C

2 Mitigation efforts: e.g. tax on carbon emissions

3 Stranded assets: oil, gas and coal reserves left undeveloped

Global equities: we expect climate change to reduce annual returns to 3.8%[1], vs 4% without climate change

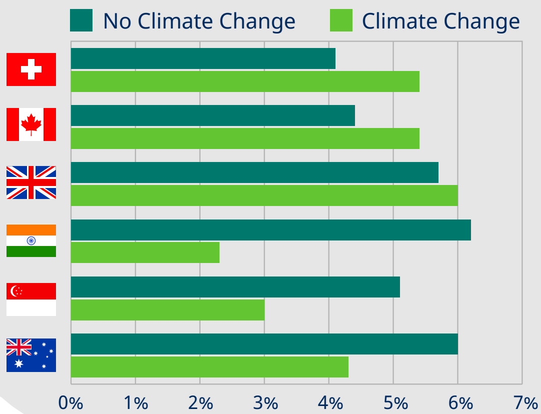
[1]30-year annualised return forecast for MSCI All-Country World index

3.8%

The uncomfortable truth about climate change

Over the next 30 years:

- climate change could boost stock market returns in colder countries
- but hurt returns in warmer countries



But, **temperatures could rise by 4°C** by 2100 if there is no mitigation effort

2100

4°C

This would bring **negative consequences for all markets**

Source: Schroders, February 2020. 30-year forecast returns annualised. "Climate change" forecasts assume: 1) 0.04 degrees warming per year; 2) tax of $50 per tonne of carbon emitted, imposed in 2030; 3) 60% of oil & gas reserves and 80% of coal reserves are left in the ground.

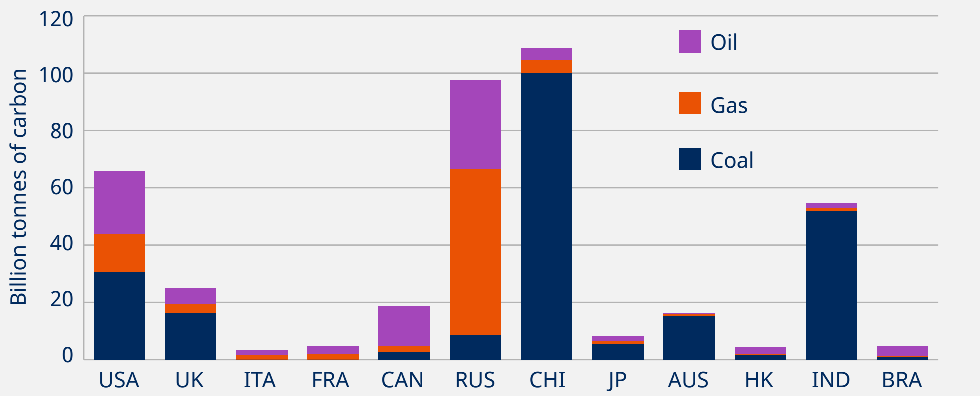
Which markets face greatest risk of stranded assets?

Coal, oil and gas reserves are **"stranded"** if they must be left in the ground to limit temperature rises

The **value of companies** who own these reserves **could shrink** if they cannot develop them

China, Russia, the US and India have the **highest fossil fuel reserves**

Carbon emissions in reserves of listed companies



Source: MSCI, Refinitiv Datastream, Schroders, February 2020

Source: Schroders as at August 2020. CS2785.