Module 2 Case Handout

Three Products, Three Mechanisms

Cross-Faculty Curriculum for Sustainable Finance

University of Liechtenstein | University of Kassel | University of Luxembourg

Module Alignment

This case handout supports **Module 2: Investment Approaches, Product Types, and Sustainability Profiles**. It is designed to match the logic of the four lectures in sequence:

- **Lecture 1:** sustainability-related investment approaches;
- **Lecture 2:** primary and secondary markets and channels of influence on the real economy;
- **Lecture 3:** product types, wrappers, liquidity, and costs;
- **Lecture 4:** the return–impact spectrum as a classification tool.

Aligned Module Learning Outcomes

By the end of this case study, students should be able to:

- distinguish central sustainability-related investment approaches used in products;
- understand the difference between primary and secondary markets and relate this difference to plausible influence channels;
- distinguish different product types and explain how structure and costs affect investment outcomes;
- locate financial products along a spectrum from financially oriented to impact oriented.

Aim of the Case Study

This case study examines three real investment products that all use sustainability-related language, but do so in very different ways. The goal is **not** to decide which product is "best." The goal is to analyse, in a structured way:

- what each product claims to do;
- which sustainability-related investment approach it actually uses;
- how it is connected to primary or secondary markets;
- which channels of influence on the real economy are plausible;
- how the product is structured as a financial wrapper;
- which cost layers matter; and
- where the product can be placed on the return–impact spectrum.

The case therefore follows the same sequence as Module 2 itself: **approach first, mechanism second, wrapper and cost third, spectrum placement last**.

Core Case Question

How do the three products differ in terms of sustainability approach, market mechanism, wrapper structure, cost logic, and expected position on the return–impact spectrum?

Format and Timing

This handout is designed for a case-based session of approximately **2 × 45 minutes**. It works best in small mixed groups.

Suggested Session Structure

Session 1 (45 minutes) Focus on Lecture 1 and Lecture 2:

- identify the dominant sustainability-related investment approach;
- distinguish primary vs. secondary market relevance;
- identify plausible channels of influence;
- note what should not be overstated.

Session 2 (45 minutes) Focus on Lecture 3 and Lecture 4:

- analyse wrapper, pricing, liquidity, and costs;
- place the products on the return–impact spectrum;
- prepare a short plenary summary.

Products Used in the Case

Use the product materials provided by the instructor. The links below are reference entry points.

Product A – Screening-Based Listed-Equity ETF

iShares S&P 500 Scored & Screened UCITS ETF
Reference link: https://www.ishares.com/uk/individual/en/products/327794/ishares-s-p-500-scored-and-screened-ucits-etf?switchLocale=y&siteEntryPassthrough=true

- Likely wrapper: UCITS ETF;
- likely strategy logic: screened index exposure in listed U.S. equities;
- likely market setting: mainly secondary-market investing;
- likely classroom value: example of a sustainability-labelled product with a clear index/screening logic and high liquidity.

Product B – Sustainability-Oriented Active Equity Fund

Lombard Odier sustainability-oriented listed-equity fund
Reference link: https://myfunds.lombardodier.com/FirmGateway/api/v1/documents/LL/LL_18204_CH_DE.PDF?dt=1761936144647

- Likely wrapper: open-ended fund;
- likely strategy logic: actively managed sustainability-oriented equity strategy;
- likely market setting: mainly listed-equity investing with manager discretion;
- likely classroom value: example of a sustainability-oriented active fund that can be contrasted with the screened ETF.

Product C – Private-Market Impact Strategy

3XP Global – Impact Investing Strategy
Reference link: https://www.3xpglobal.eu/vertical/impact-investing

- Likely wrapper: private-market / closed-end style structure;
- likely strategy logic: impact-oriented investing with stronger outcome intent;
- likely market setting: more direct capital allocation / primary financing logic;
- likely classroom value: example of a product whose sustainability narrative is more closely linked to intentionality and direct financing.

Important Reminder Before You Start

Keep the following four questions separate throughout the exercise:

1. What does the product **claim**?
2. What does the product **actually do** in terms of strategy and structure?
3. Through which mechanism could it **plausibly** matter?
4. What remains **uncertain**, unclear, or easy to overstate?

Do **not** assume that a sustainability label, an ESG label, or a disclosure category is by itself proof of high impact.

Task 1 – Investment Approach Identification (Lecture 1)

For each product, identify the dominant sustainability-related investment approach or combination of approaches.

Questions

1. Which approach is dominant?
   - exclusions / screening
   - best-in-class selection

- ESG integration
- thematic investing
- stewardship
- impact-oriented strategy

2. What is the **main decision lever** of the product?
3. What does the product label suggest, and what does the strategy **actually** do?
4. Which two products are easiest to confuse if one only reads the marketing language?

Short Recording Table

Criterion	Product A	Product B	Product C
Dominant approach			
Secondary approach (if any)			
Main decision lever			
Possible label misunderstanding			

Task 2 – Primary / Secondary Markets and Real-Economy Channels (Lecture 2)

For each product, analyse how it is connected to the real economy.

Questions

1. Is the product mainly connected to **primary markets**, **secondary markets**, or a hybrid structure?
2. Where does cash flow when an investor buys the product?
3. Which of the following influence channels are most plausible?
   - financing conditions
   - capital allocation
   - ownership influence
   - information and incentives
4. What condition would have to hold for each chosen channel to matter?
5. What should **not** be overstated about the product's influence on the real economy?

Short Recording Table

Criterion	**Product A**	**Product B**	**Product C**
Primary / secondary / hybrid			
Where cash flows			
Most plausible mechanism 1			
Most plausible mechanism 2			
Condition(s) required			
Main overstatement risk			

Task 3 – Wrapper, Pricing, Liquidity, and Costs (Lecture 3)

Now analyse the products as financial wrappers rather than as sustainability narratives.

Questions

1. What does the investor actually own?
2. Is the product bought and sold via NAV, via exchange trading, or via a private-market commitment structure?
3. How liquid is the product?
4. Which headline cost is visible?
5. Which additional cost layers or frictions may matter?
   - ongoing charges / TER / OCF
   - transaction and implementation costs
   - bid–ask spread
   - brokerage / platform fees
   - tracking difference
   - performance fees / carry
6. Why is looking only at the headline fee not enough?

Short Recording Table

Criterion	**Product A**	**Product B**	**Product C**
Wrapper type			
What the investor owns			
Pricing model			
Liquidity model			
Headline cost term			
Additional cost layer 1			
Additional cost layer 2			
Why headline fee is not enough			

Task 4 – Return–Impact Spectrum Placement (Lecture 4)

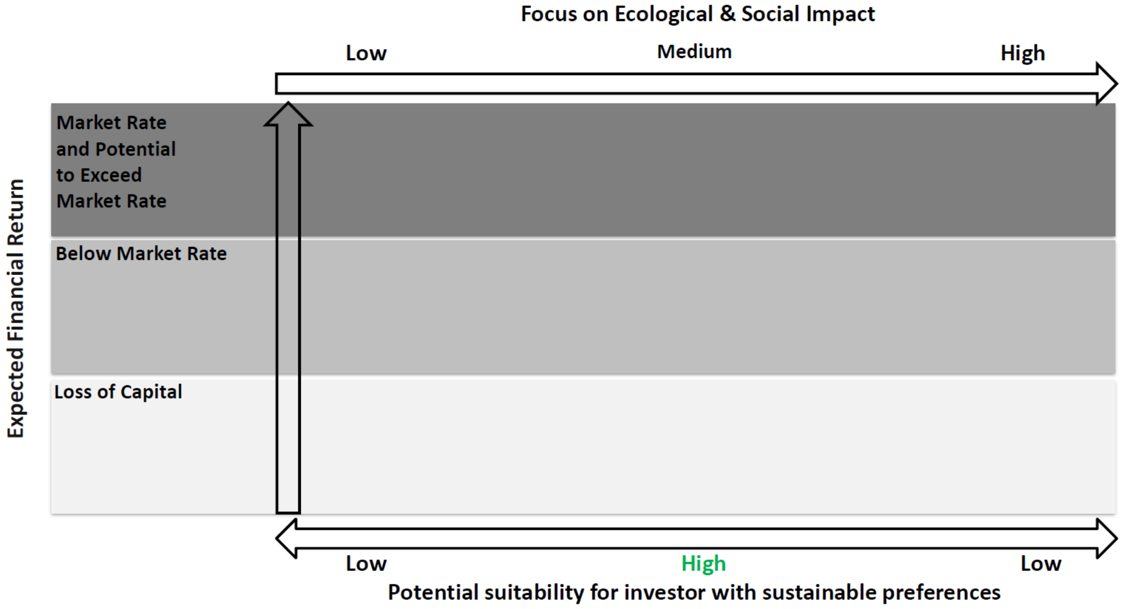
Place the three products on the return–impact spectrum.

Instructions

The purpose is **not** to find one single correct placement. The purpose is to justify a plausible placement using:

- expected financial return;
- likely sustainability / impact focus;
- the product's main mechanism;
- the degree of uncertainty in the classification.

Spectrum Figure



Placement Notes

Product A: ______________________________

Product B: ______________________________

Product C: ______________________________

Questions

1. Which product is closest to a market-rate return product with relatively low direct impact logic?
2. Which product appears furthest to the right on the impact axis?
3. Which product carries the highest classification uncertainty, and why?
4. Why should labels or disclosure categories not be treated as an impact score?

Comparative Synthesis Table

Complete the table below using short, concrete statements.

Criterion	Product A	Product B	Product C
Dominant approach (Lecture 1)			
Main decision lever (Lecture 1)			
Primary / secondary market relevance (Lecture 2)			
Plausible influence mechanism(s) (Lecture 2)			
Wrapper type (Lecture 3)			
Pricing / liquidity model (Lecture 3)			
Main cost layers (Lecture 3)			
Likely spectrum placement (Lecture 4)			
Main uncertainty or overstatement risk			

Group Summary for Plenary

Prepare a short summary of approximately **120–150 words** that includes:

1. one sentence on how the three products differ in their **approach logic**;
2. one sentence on how their **market setting** changes the connection to the real economy;
3. one sentence on why **wrapper structure and cost layers** matter even when sustainability language sounds similar;
4. one sentence explaining your **spectrum placements** and naming the most uncertain placement.

Debrief Notes for the Plenary

Keep the following distinctions explicit in the discussion:

- A sustainability label is not the same as a clearly identified investment mechanism.
- A secondary-market product does not automatically provide direct financing to companies or projects.
- A product wrapper and an investment approach are different analytical objects.
- Headline fees are not the same as total investor cost.
- A product can have strong sustainability language without strong evidence of high real-world impact.
- A spectrum placement is a **classification judgement**, not a proof of impact.

Materials Needed for the Exercise

- this handout;
- the three product excerpts provided by the instructor;
- the return–impact spectrum figure;
- optional supporting documents such as factsheets, KIDs/KIIDs, sustainability disclosures, stewardship notes, or methodology excerpts.

Optional Reference Links

- iShares S&P 500 Scored & Screened UCITS ETF
  https://www.ishares.com/uk/individual/en/products/327794/ishares-s-p-500-scored-and-screened-ucits-etf?switchLocale=y&siteEntryPassthrough=true
- Lombard Odier product factsheet
  https://myfunds.lombardodier.com/FirmGateway/api/v1/documents/LL/LL_18204_CH_DE.PDF?dt=1761936144647
- 3XP Global impact investing
  https://www.3xpglobal.eu/vertical/impact-investing
- EU SFDR legal text
  https://eur-lex.europa.eu/eli/reg/2019/2088/oj

- EU PRIIPs regulation
  https://eur-lex.europa.eu/eli/reg/2014/1286/oj