

Published October 2020

# The Good Investment Review

*#FindingGood*



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## About Good With Money

Good With Money is a money website with a difference: it is all about how your money can do more good, as well as how you can be better at managing it. With blogs, webcasts, podcasts, downloadable guides and a weekly newsletter, you can stay up to date with the latest ways to line your pocket and look after the planet.

## About 3D Investing

3D investing has a distinctive investment philosophy that seeks to maximise the positive impact of a portfolio, whilst minimising exposure to controversies and leading change. In short, our mantra is “do good, avoid harm and lead change”.

Our aim is to help investors, advisers and managers to identify and manage investments to achieve these aims. We also endeavour to demonstrate the impact of investments in a transparent and systematic manner so that investors can see exactly how their social aims are being delivered.

3D Investing is an evidence-based approach that analyses the constituent holdings of each and every investment, so that investors can be confident that their money is being used in a way that really does make a positive difference (whilst meeting their financial needs).

We have analysed every fund registered for sale in the UK that has some form of ethical, responsible, sustainable or impact mandate and this analysis forms the basis of this review. We rate and certify funds according to the 3D Investing framework, profiling funds that truly “do good, avoid harm and lead change”.

3D investing is part of Square Mile Consulting and Research, an independent investment research business that works in partnership with regulated professional financial services firms. Focusing first and foremost on in depth, qualitative fund research, Square Mile provide tailored support and investment services for financial advisers, institutions and asset managers.

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## Who's who in the review

This review is a collection of market statistics, commentary and information about some of the best responsible and sustainable funds and fund managers in the UK. It is supported by sponsors – asset managers who support the work of the review by contributing valuable insight and helping to promote it.

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## Foreword

Welcome to the ninth edition of the Good Investment Review - an overview of the responsible and sustainable investment industry with a focus on a different area in each issue. This is our first issue under the ownership of Square Mile Consulting and Research. With Square Mile's backing, 3D Investing will be able to develop its services further, whilst existing services will be enhanced and made available to a much wider audience.

With the additional resource from Square Mile, we have been able to enhance the 3D Investing methodology. We discuss some of the changes in this issue and have taken the opportunity to focus on the different approaches to responsible and sustainable investment and to try to clear up some of the confusion over terminology. We also look at the importance of assumptions and how responsible investment metrics are evolving as more data becomes available.

The theme of developing methodologies is explored further by our sponsors:

UBP discusses how its methodology has evolved to meet the challenge of investing for impact in listed markets, and in particular in emerging markets.

In the same vein, Liontrust discusses how it has reviewed the different frameworks for measuring impact and how its measurement is evolving.

Long-time impact investor, WHEB, reveals how it is measuring the intensity of impact with its Impact Engine.

Wellington makes the distinction between the enterprise and investor contributions to impact within the framework of the Impact Management Project.

Montanaro considers the challenge of ESG data and ratings within the context of small and mid-cap investing.

In a Q&A, Rathbones describes how the different approaches of its Ethical Bond and Global Sustainability funds complement each other.

Pictet explains what constitutes meaningful data to determine water efficiency.

ASI examines the net zero emissions claims of companies and questions the degree to which these are meaningful.

On the climate theme, Impax explains how its methodologies have evolved to better capture the climate impacts of their portfolios.

Ninety One continues with the climate theme, contending that we are seeing an acceleration in the carbon transition despite the Covid epidemic.

M&G explores climate change but from a very different perspective, looking at the circular economy as a climate change solution.

Triodos looks at other implications of the resetting of the economy due to the Covid crisis.

Last, but not least, Pennine Wealth Solutions details how they are helping IFAs to move from being part of the problem, to becoming part of the solution.

As always, please contact us if you'd like to discuss any aspects of this review.

**John Fleetwood**

3D Investing Founder and Director of Responsible and Sustainable Investing at Square Mile

An aerial photograph of a dense forest during autumn. The trees display a variety of colors, including deep reds, oranges, yellows, and some remaining greens. A narrow, light-colored path or road winds through the center of the forest. In the upper left corner, a small, circular green area, likely a golf course, is visible through the trees.

# 3D Investing market update

Assets under management (AUM) in the 3D Investing universe of Responsible Investment funds as at 31st August 2020

# £158 Billion

This represents a £19 billion increase since the last issue, a 14% increase over six months. Given the financial disruption over the period, this continues the explosion of interest in ESG and impact investing over the last year.

# 293 Funds

There has been a net gain of 25 funds over the period, with 26 funds being added to the universe. A wide range of funds is evident amongst the new funds which include passive funds tracking ESG indices, impact funds, and bond and infrastructure funds. There has only been one fund that has been removed, and this is due to the fund closure.

Below are the 26 Responsible Investment funds which have been added to the 3D Investing universe.

	3D Investing summary
Architas Positive Futures	A fund of funds with exposure to impact funds, but also to ESG ETFs with high controversy levels.
BNY Mellon Sustainable Global Dynamic Bond Fund	This fund has a heavy weighting in government bonds with no clear sustainability advantages.
Foresight Global Real Infrastructure	This is a fund of funds, largely investing social and environmental infrastructure.
Foresight UK Infrastructure Income	This is a fund of funds, largely investing social and environmental infrastructure and with a 5% income target.
Goldman Sachs Global Environmental Impact Equity Portfolio	Clearly focussed on environmental impact with good metrics.
HSBC Europe Sustainable Equity	Tracks the FTSE Developed Europe ESG Low Carbon Select Index which focuses on reduction in carbon intensity but has exposure to oil and gas stocks.
HSBC Japan Sustainable Equity	Tracks the FTSE Japan ESG Low Carbon Select Index which focuses on reduction in carbon intensity but has exposure to oil and gas stocks.
HSBC USA Sustainable Equity	Tracks the FTSE USA ESG Low Carbon Select Index which focuses on reduction in carbon intensity but has exposure to oil and gas stocks.
Invesco MSCI Europe ESG Universal Screened UCITS ETF	Based on an index of companies with 'robust ESG' and that are improving Exposure to high negative impact companies including mining.
Invesco MSCI USA ESG Universal Screened UCITS ETF	Based on an index of companies with 'robust ESG' and that are improving Exposure to high negative impact companies including oil.
Invesco MSCI World ESG Universal Screened UCITS ETF	Based on an index of companies with 'robust ESG' and that are improving Exposure to high negative impact companies including mining.
Lyxor MSCI EM ESG Trend Leaders	Uses MSCI ESG scores and requires better than average performance Reports on ESG scores and engages with investee companies.

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	3D Investing summary
Lyxor MSCI EMU ESG Trend Leaders	Uses MSCI ESG scores and requires better than average performance. Reports on ESG scores and engages with investee companies.
Lyxor MSCI Europe ESG Leaders	Uses MSCI ESG scores and requires better than average performance. Reports on ESG scores and engages with investee companies.
Lyxor MSCI USA ESG Trend Leaders	Uses MSCI ESG scores and requires better than average performance. Reports on ESG scores and engages with investee companies.
Lyxor MSCI World ESG Trend Leaders	Uses MSCI ESG scores and requires better than average performance. Reports on ESG scores and engages with investee companies.
Impax Global Equity Opportunities	Invests in companies benefiting from the transition to a more sustainable economy, with clear themes and few controversies.
Lyxor Green Bond ETF	The fund provides a low cost way of accessing green bonds and also has public impact reporting.
Nordea Global Climate and Environment Fund	The fund is invested in renewable energy technologies, resource efficiency and environmental protection. A significant share of the fund is invested in enabling technologies rather than direct solutions.
Royal London Emerging Markets ESG Leaders Equity Tracker	This tracker fund invests in the MSCI Emerging Markets ESG Leaders Index with exposure to a number of high impact industries.
Royal London Global Sustainable Equity	A global equity fund with clear sustainability themes, but some have a lower positive social and environmental impact.
Schroder ISF Global Energy Transition	Invests in multiple aspects of renewable energy transition whilst avoiding fossil fuel production.
Twenty Four Sustainable Short Term Bond Income	Positive and negative ESG scoring with preference for higher ESG performers.
UBAM Positive Impact Emerging Equity	This is a highly distinctive fund that makes a true impact in emerging markets.
Vanguard ESG Emerging Markets All Cap Equity Index	An ETF with comprehensive exclusion criteria.
Wellington Global Impact Bond	Each bond has a direct positive social impact and this is substantiated through a comprehensive impact report.

One of the more distinctive recent funds is Wellington's Impact Bond fund, which unlike most ethical bond funds, has a clear focus on investing in solutions to social and environmental challenges. Likewise UBP's UBAM Positive Impact Emerging Market fund is differentiated from the majority of responsible emerging market funds in that it invests in companies that are providing solutions to social and environmental challenges.

Lyxor's Green Bond ETF is distinguished by detailed impact reporting, as is Goldman Sachs's Global Environmental Impact fund, with stocks substantiated by detailed justifications.

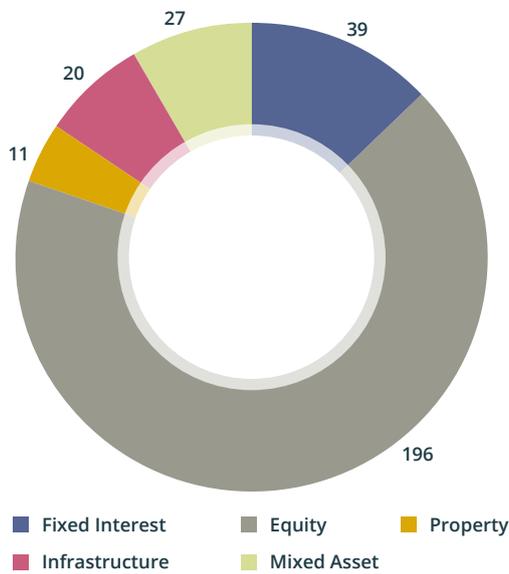
The picture, in terms of the distribution of funds by asset class, remains broadly the same. Two thirds of the funds remain invested in equity, but when considered by funds under management, this falls to 60%, since property and infrastructure are more significant (20% between them).

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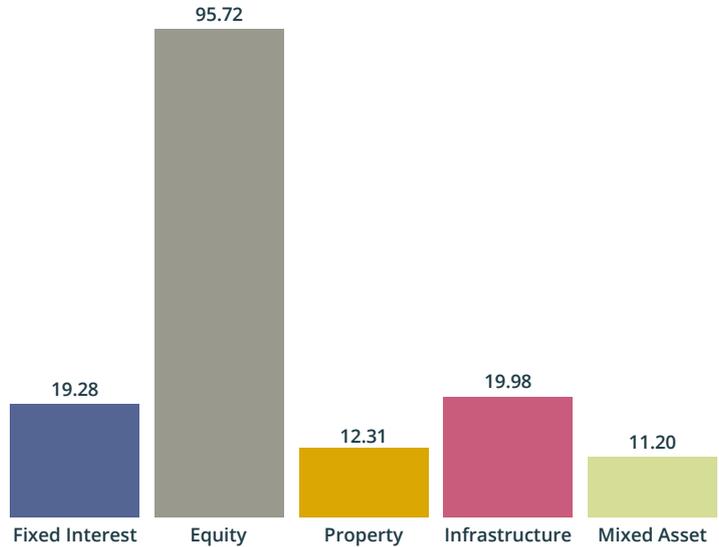


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### Fund Distribution by Asset Class (No. of funds)

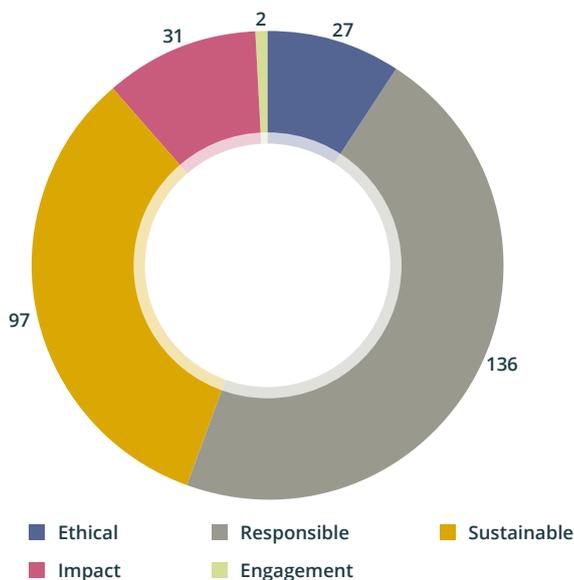


### Fund Distribution by Asset Class (AUM £billion)

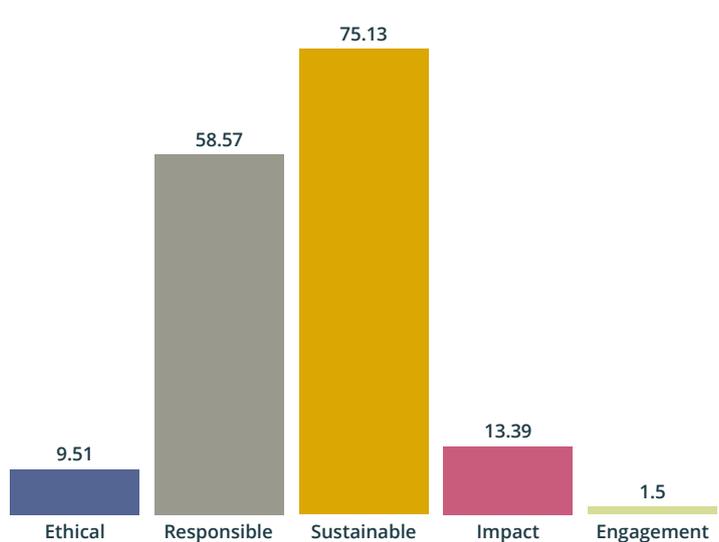


There is little change in the distribution of funds by approach. Responsible and sustainable investments are by far the most prevalent, both in terms of funds under management and by number of funds, as shown below.

### Fund Distribution by Approach\* (No. of funds)



### Fund Distribution by Approach\* (AUM £billion)



\***Approaches:** **Ethical** – avoiding companies on the basis of pre-determined ethical criteria. **Responsible** – mitigating harmful impacts by supporting social and environmental best practice. **Sustainable** – focus on investment in environmental or social themes. **Impact** – must be intentional and measure the impact as well as investing in companies that make a positive impact. **Engagement** – effecting change through dialogue with management.

# Evolution of 3D Investing

The 3D Investing ratings have recently undergone a refresh. Square Mile's Senior Investment Consultant, Jake Moeller (JM) interviewed 3D Investing's founder, John Fleetwood (JF), to find out the background to these changes, what they are, and why they were made.

## **JM: How did the 3D Investing ratings originate?**

JF: The 3D Investing star ratings were developed as a response to growing concerns over 'greenwashing' and the apparent disconnect between the claims of some funds and the reality of what they were investing in. They gave a simple answer to the question of which funds best delivered on the 3D Investing strapline of 'do good, avoid harm and lead change'.

## **JM: Why have you changed the methodology?**

JF: Since the ratings were first launched in 2013, the investment universe of responsible and sustainable funds has grown both in number and diversity, creating challenges both of resource and complexity. The 3D Investing ratings need to respond to a changing market and to ensure that the ratings remain relevant and sustainable into the future.

## **JM: Why make changes now?**

JF: For some time, we have considered making changes to the methodology but now that 3D Investing is part of Square Mile, we finally have the resource to implement these changes.

## **JM: Are you changing the 3D Investing philosophy?**

JF: The fundamental focus on social impact remains the same, but we have decided to fully concentrate on the social and environmental impacts of funds. Financial analysis is considered separately by Square Mile and others and we wanted to recognise the importance of investment managers in leading change. This is being assessed in terms of advocacy in the wider community; collaboration with other parties; and engagement with investee companies.

## **JM: Are there any other changes to how you implement the 3D Investing framework?**

JF: We have removed the 'Positive Practices' category from the 3D Investing Classification of Companies in order to make the classification less subjective. ESG ratings vary widely and accurate assessment is very difficult to implement at scale.

## **JM: Will the star ratings stay the same?**

JF: We are replacing the star ratings with an A to AAA rating. Broadly speaking, a 5 star fund rating will correspond to an AAA rating; 4 stars to AA; and 3 stars to A. Funds rated as 1 or 2 stars won't qualify for an impact rating but will be eligible for certification.

## **JM: What is certification? Is this something new?**

JF: Yes, we are introducing certification to allow us to analyse a wider range of funds without watering down the criteria. Many funds in the 3D Investing universe are not primarily concerned with positive impact so we wanted to have a means of assessing the degree to which they delivered what they promised in terms of their Responsible Investment policies. We still look at the evidence and assess each fund against the 3D Investing framework, but don't assign an overall rating. A report is produced so it could be thought of almost like an audit.

## **JM: Are you certifying or rating all funds in the 3D Investing universe?**

JF: No, such detailed analysis of funds is a time consuming and costly exercise. However, we will continue to conduct an initial review of every fund that qualifies for the 3D Investing universe and will provide a summary opinion on each fund.

## **JM: Will the fund profiles change?**

JF: Yes, we are capturing a lot more information to enhance the fund profiles. This will include data such as carbon metrics, voting records and exclusion criteria.

## **JM: When are the changes taking place?**

JF: The new methodology took effect in October and existing licensees will be re-assessed at the next renewal date.

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# 3D-licenced funds

## 3D-licenced funds

3D Investing rate funds across the investment universe, however some asset managers choose to licence the ratings.

Fund	Rating	Summary
Aegon Global Sustainable Equity		This fund is distinctive for its focus on investing in positive change.
ASI Global Equity Impact		Mixes ESG with a clear focus on positive impact in line with the UN Sustainable Development Goals.
Baillie Gifford Positive Change		A concentrated impact fund with sophisticated impact reporting and an exposure to emerging markets.
Fidelity Sustainable Water & Waste		Has a pure focus on water and waste and also seeks above average ESG performance whilst reporting on key impacts.
Hermes Global Equity Impact Opportunities		8 core impact themes with incorporation of ESG and active engagement.
Impax Environmental Markets PLC		A specialist, small & mid cap global environmental solutions fund.
Jupiter Global Sustainable Equities		Low carbon global fund with fully integrated ESG. Clear focus on business practices and positive impact.
Liontrust Monthly Income Bond		A relatively high monthly income and demonstrates a preference for companies with strong ESG credentials.
Liontrust Pan European Growth		This fund is a leader amongst sustainable European equity funds and is the Euro denominated version of the fund.
Liontrust SF Absolute Growth		A global growth fund which balances thematic investment with an ESG approach, and flexible asset allocation.
Liontrust SF Cautious Managed		A mixed asset fund with a 60% allocation to global equities that benefits from good ESG management.
Liontrust SF Corporate Bond		Like other ethical corporate bond funds, there is a high weighting in financials and a relatively low social impact but the fund benefits from strong ESG analysis.
Liontrust SF Defensive Managed		A mixed asset fund with a 45% allocation to global equities that benefits from good ESG management.
Liontrust SF European Corporate Bond		One of only a few funds to provide exposure to European bonds with evidence of 'best of sector' ESG selection.
Liontrust SF European Growth		A leader amongst responsible European equity funds.

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## 3D-licenced funds cont.

Fund	Rating	Summary
Liontrust SF Global Growth		A global equity fund which balances thematic investment with an ESG approach.
Liontrust SF Managed		A mixed asset fund with a 20% allocation to fixed interest and the remainder in equities.
Liontrust SF UK Growth		Some themes evident as well as a best of sector approach.
Liontrust UK Ethical		Similar to the SF UK Growth fund but avoids animal testing.
M&G Multi Asset Sustainable Allocation		An 'all in one' fund combing multiple assets with 30% dedicated to impact equities and the rest undergoing an ESG screen.
M&G Positive Impact		A concentrated impact fund with a bespoke impact reporting app.
Montanaro Better World		A global equity fund with 6 core themes and a focus on impact.
Ninety One Global Environment		A concentrated fund with a wholesale focus on environmental solutions and positive carbon impact.
Ninety One UK Sustainable Equity		A UK equity fund that is differentiated by its' positive impacts.
Pictet Global Environmental Opportunities		An environmental fund that seeks to keep within sustainable limits.
Rathbone Ethical Bond		A UK corporate bond fund with rigorous exclusion criteria and a small amount in charity bonds.
Rathbone Global Sustainability		A high conviction fund that combines ethical screening with a thematic approach based on the Sustainable Development Goals.
Sarasin Responsible Corporate Bond		A UK corporate bond fund with a clear thematic approach.
Sarasin Responsible Global Equity		A large cap fund which combines a thematic approach with ethical exclusions and ESG integration.
Sarasin Sustainable Equity - Real Estate Global		An open ended fund investing in global property shares with good ESG management.

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## 3D-licenced funds cont.

Fund	Rating	Summary
Storebrand Global ESG Plus		An indexed global equity fund that incorporates rigorous climate change criteria.
TM Home Investor		Invests in residential property at the lower end of the affordability spectrum and with specific sustainability criteria.
Triodos Global Equities Impact		A global equity fund investing in large cap stocks with a 'best of sector' approach.
Triodos Pioneer Impact		A thematic fund investing in multiple social & environmental themes.
Triodos Sterling Bond Impact	RATING PENDING	A bond fund with a focus on positive impact.
UBAM Positive Impact Equity		A concentrated impact fund that benefits from a partnership with the Cambridge Institute for Sustainability Leadership.
UBAM Positive Impact Emerging Equity		This is a highly distinctive fund that makes a true impact in emerging markets.
VT Gravis Clean Energy		A clean energy fund largely investing in clean energy infrastructure.
Wellington Global Impact		One of the earlier impact funds with significant emerging markets exposure.
Wellington Global Impact Bond		Each bond has a direct positive social impact and this is substantiated through a comprehensive impact report.
WHEB Sustainability		A thematic equity fund investing in sustainability themes with excellent impact reporting.

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# Financial performance

# Financial performance

We believe that it's important to compare like with like, so we've analysed actively managed funds which are not just focussed on one theme, looking at the three of the most commonly used sectors – namely Global Equity, UK All Companies and Sterling Corporate Bonds. We compare funds within their sectors and look at discrete annual periods to give a better picture of the consistency of performance, as well as the cumulative five year performance. The green shading indicates outperformance of the sector average.

The evidence continues to show that positive impact need not come at the expense of financial returns, and if anything, investing for positive impact can improve returns.

## UK Equities

Fund Name	YTD	2019	2018	2017	2016	2015	5 years
Aegon Capital Ethical Equity	-10.81%	30.33%	-18.03%	12.66%	-1.01%	12.77%	12.61%
ASI UK Ethical Equity	-21.75%	32.45%	-14.81%	23.99%	-0.48%	14.80%	12.39%
ASI UK Impact - Employment Opportunities	-18.81%	41.13%					
ASI UK Responsible Equity	-11.53%	32.19%	-6.27%	12.29%	21.22%	-3.38%	48.06%
BMO Responsible UK Equity	-14.94%	22.14%	-7.81%	18.71%	7.45%	6.40%	26.60%
Castlefield BEST Sustainable UK Sm Companies	-8.85%	25.46%	-13.84%	30.62%	9.08%	18.07%	48.54%
Castlefield BEST UK Opportunities	-14.04%	17.07%	-0.80%	9.79%	3.82%	7.44%	16.43%
EdenTree Amity UK	-15.43%	25.60%	-12.89%	11.88%	3.60%	7.60%	9.33%
Jupiter Responsible Income	-16.84%	21.02%	-13.11%	8.43%	6.96%	0.87%	1.57%
Liontrust SF UK Growth	-9.10%	30.21%	-6.65%	20.74%	8.05%	9.75%	48.83%
Liontrust UK Ethical	-12.83%	37.83%	-7.31%	22.52%	4.53%	10.56%	47.73%
Ninety One UK Sustainable Equity	-4.73%	33.62%					
Premier Ethical	-9.43%	37.62%	-17.44%	17.88%	3.20%	13.30%	30.74%
Schroder Responsible Value UK Equity	-27.20%	10.40%	-0.14%	6.45%	27.28%	-4.23%	6.24%
Threadneedle UK Sustainable Equity	-11.41%	21.13%	-7.38%	13.52%	6.26%		
IA UK All Companies	-17.02%	22.24%	-11.19%	13.99%	10.82%	4.86%	16.52%
Average RI UK Equity Fund	-13.85%	27.88%	-9.73%	16.11%	7.69%	7.83%	25.76%

 Outperform sector average

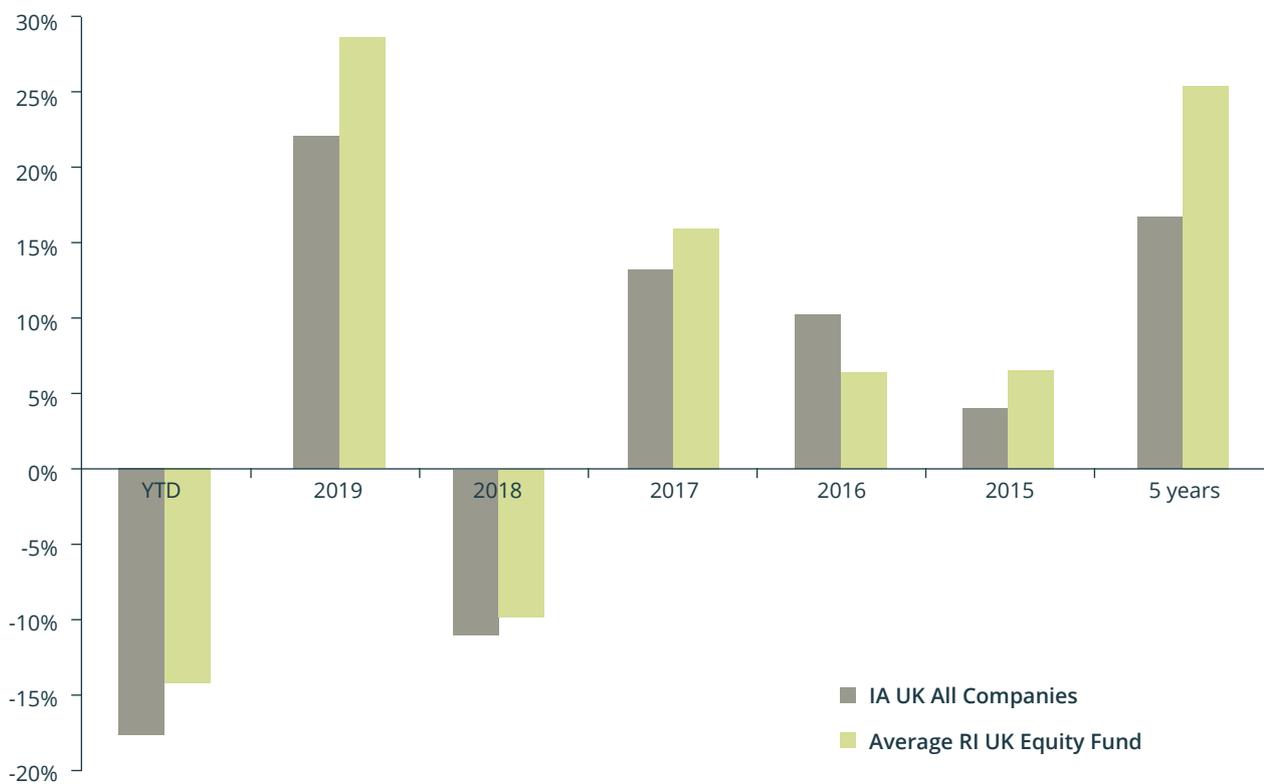
\*As at 31 August 2020. Total return with net income re-invested. Source: Financial Express

The relative performance of responsible and sustainable (RI) UK equity funds compared to the UK equity market as a whole has, by and large, been strong with continued relative outperformance since the Covid pandemic. The absolute performance of UK equity funds has been somewhat disappointing over the past 5 years, with concerns over Brexit and, more recently Coronavirus, hanging heavy on the market. However, RI funds have delivered significantly better returns on average over this period. It is also notable that funds with a 3D Investing impact rating have done even better, although the small sample size must be treated with caution and the outperformance can be, to some extent, explained by the large underweight in large fossil fuel companies which make up a significant portion of the FTSE100 Index but which are largely absent from RI funds in the sector.

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\*As at 31 August 2020. Total return with net income re-invested. Source: Financial Express

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## Global Equities

Fund Name	YTD*	2019	2018	2017	2016	2015	5 years
AB Sustainable Global Thematic	16.47%	23.90%	-8.03%	32.33%	14.57%	0.49%	115.37%
Aegon Global Sustainable Equity	29.63%	38.16%	-8.11%	20.24%			
Allianz Global Sustainability	9.93%	27.50%	-3.53%	14.59%			
ASI Global Equity Impact	10.70%	23.33%	-10.16%				
ASI Global Ethical Equity	4.42%	19.59%	-5.67%	12.96%	30.46%	-10.59%	71.24%
Baillie Gifford Positive Change	54.00%	25.86%	5.38%				
BMO Responsible Global Equity	11.57%	28.37%	-4.45%	16.64%	22.20%	8.36%	104.31%
BMO SDG Engagement	0.56%						
BMO Sustainable Opportunities Growth	10.97%	29.52%	-1.80%	17.94%	21.86%		
BNP Paribas Climate Impact	6.21%	29.44%	-7.36%	13.51%	34.59%	4.96%	109.60%
BNP Paribas Global Environment	7.94%	22.24%	-8.88%	15.52%	32.34%	2.97%	96.62%
Brown Advisory Global Leaders Sustainable	7.28%						
BSF Impact World Equity	7.42%	24.62%	-4.10%	14.78%	27.78%		99.37%
Candriam SRI Equity World	5.63%	21.72%	-4.40%	6.89%	27.84%	3.67%	78.73%
Carnegie Worldwide Global Equities Ethical	11.92%	26.75%	-0.24%	16.72%	8.44%	10.84%	93.43%
Davy ESG Equity	7.79%	23.69%	-0.55%	11.27%			
EdenTree Amity International	1.37%	18.14%	-10.51%	13.46%	23.48%	-3.40%	57.83%
Fidelity Funds - Sustainable Water & Waste	-1.74%	25.98%					
FP WHEB Sustainability	7.32%	21.03%	-6.00%	16.07%	19.43%	7.06%	80.95%
Goldman Sachs Global Equity Partners ESG	6.63%	25.27%	-1.96%	11.68%	20.56%	1.81%	82.51%
GSI Global Sustainable Value	-1.16%	20.21%	-7.09%	8.60%	27.82%		
Hermes Global Equity ESG	7.25%	21.29%	-8.21%	12.94%	26.29%	6.37%	81.99%
Hermes Impact Opportunities Equity	12.75%	25.60%	0.77%				
Impax Environmental Leaders Fund	8.41%	22.95%	-9.04%	14.60%			
Impax Environmental Markets Fund	4.13%	26.49%	-8.85%	12.59%	34.07%	3.99%	92.42%
Impax Global Equity Opportunities	7.31%	26.97%	0.33%	21.19%	19.38%		105.95%

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## Global Equities cont.

Fund Name	YTD	2019	2018	2017	2016	2015	5 years
Janus Henderson Global Sustainable Equity	17.31%	32.57%	-6.32%	18.73%	21.81%	3.91%	118.63%
JP Morgan Funds Global Socially Responsible	20.00%	25.50%	-5.79%	10.74%	24.51%	0.24%	105.71%
JSS Sustainable Equity - Global	3.63%	22.20%	-5.62%	7.15%	25.12%	-0.85%	64.67%
Jupiter Ecology	2.92%	26.06%	-14.55%	12.87%	20.25%	3.77%	59.00%
Jupiter Global Sustainable Equities	11.08%	29.18%					
Kempen Global Sustainable Value Creation	6.81%	27.64%					
Liontrust SF Global Growth	18.37%	29.45%	1.27%	18.81%	17.28%	6.46%	128.83%
M&G Positive Impact	5.83%	28.73%					
Mirova Global Sustainable Equity	15.55%	26.87%	-1.48%	17.81%	18.29%	11.41%	117.36%
Montanaro Better World	16.22%	29.80%					
Newton Sustainable Global Equity	12.76%	28.08%					
Ninety One Global Environment	13.65%						
NN (L) Global Equity Impact Opportunities	8.42%	22.81%	-6.18%	21.29%	14.72%	3.32%	83.11%
Nordea Global Climate and Environment Fund	11.56%	32.03%	-12.14%				
Pictet Global Environmental Opportunities	13.69%	34.54%	-11.92%	21.50%	23.47%	5.48%	119.53%
Quilter Investors Ethical Equity	-0.23%	27.21%	-15.45%	11.96%	28.99%	2.88%	64.65%
Rathbone Global Sustainability	16.78%	24.81%					
RobecoSAM Global SDG Equities	2.32%	18.73%	2.64%				
Sarasin Responsible Global Equity	5.46%	30.40%	-9.48%	21.39%	-1.02%	1.78%	53.60%
Schroder ISF Climate Change Equity	21.01%	19.70%	-5.87%	18.52%	21.81%	7.22%	113.58%
Schroder ISF Global Sustainable Growth	12.95%	28.03%					
Sparinvest Ethical Global Value	-10.90%	14.83%	-9.79%	12.92%	31.74%	9.04%	44.35%
Stewart Investors Worldwide Sustainability	6.24%	11.49%	-0.27%	13.77%	26.63%	5.38%	78.79%

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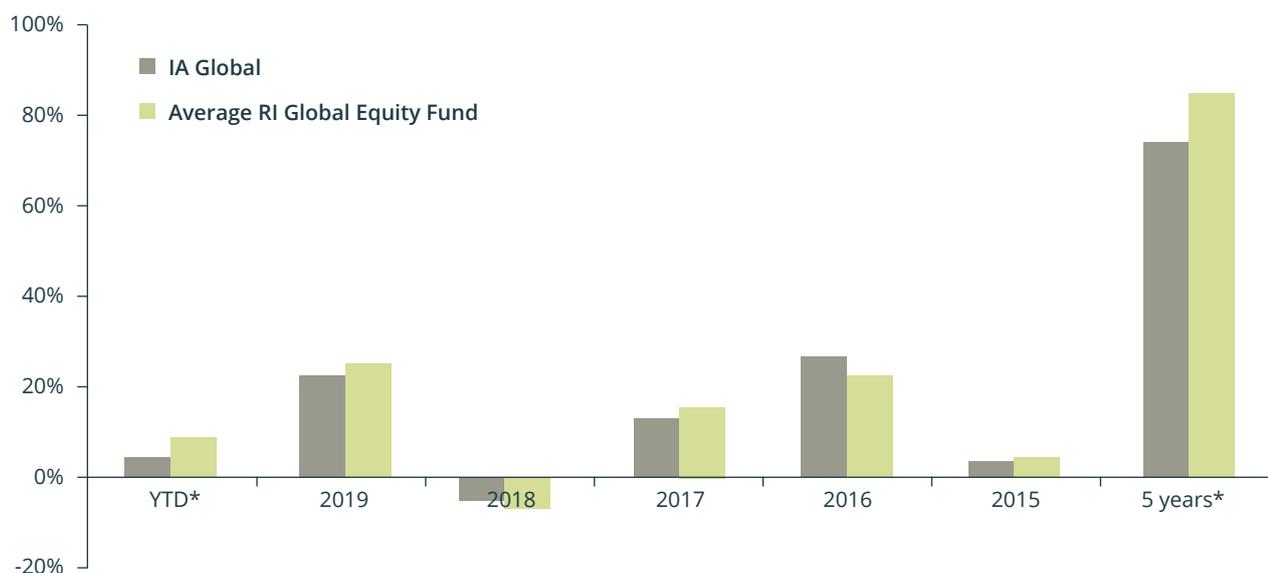
## Global Equities cont.

Fund Name	YTD	2019	2018	2017	2016	2015	5 years
Storebrand Global Solutions	11.37%						
Triodos Global Equities Impact	0.91%	17.72%	-0.87%	13.75%	12.72%	10.37%	60.05%
Triodos Pioneer Impact	7.55%	28.31%	-10.32%	15.48%	8.05%	12.13%	68.75%
UBS (Lux) Equity Fund - Global Sustainable	1.80%	23.33%	-2.47%	13.31%	28.68%	-0.33%	77.36%
UBS (Lux) Equity SICAV - Global Impact	-2.39%	17.42%	-8.91%				
Vontobel Sustainable Global Leaders	2.26%	21.68%	-15.02%	21.41%	-12.19%		13.68%
Wellington Global Impact	5.25%	24.88%	-12.25%				
IA Global	4.66%	21.92%	-5.72%	14.02%	23.33%	2.77%	76.12%
Average RI Global Equity Fund	9.16%	25.05%	-5.98%	15.57%	21.27%	4.24%	85.23%

 Outperform sector average

\*As at 31 August 2020. Total return with net income re-invested. Source: Financial Express

Like their UK equity counterparts, global equity RI funds have outperformed the sector average over the last 5 years and in particular, since the start of the Covid pandemic. The sustainability focused funds have benefited from a focus on healthcare, although not all sustainability themes have proven to be as resilient. It's telling that the more thematically driven funds have yielded the best returns and that there is no trade-off between positive impact and financial returns. If anything, the reverse appears to be the case, with sustainability-driven funds benefitting from long-term tailwinds and avoiding some of the environmental and social headwinds.



\*As at 31 August 2020. Total return with net income re-invested. Source: Financial Express

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## Sterling Corporate Bonds

Fund Name	YTD*	2019	2018	2017	2016	2015	5 years*
Aegon Capital Ethical Corporate Bond	3.17%	8.09%	-2.38%	3.96%	7.71%	0.84%	21.96%
ASI Ethical Corporate Bond	2.95%	9.91%	-3.34%	4.79%	9.14%	-0.39%	24.80%
BMO Responsible Sterling Corporate Bond	3.79%	8.09%	-2.53%	3.56%	8.52%	-0.81%	23.02%
EdenTree Amity Short Dated Bond	1.40%	2.88%	-0.39%				
EdenTree Amity Sterling Bond	1.94%	8.01%	-2.80%	8.07%	4.79%	0.04%	20.45%
Liontrust Monthly Income Bond	1.36%	9.42%	-3.02%	8.81%	9.49%	1.46%	29.71%
Liontrust SF Corporate Bond	2.35%	11.77%	-3.65%	7.25%	10.47%	0.89%	31.05%
Newton Sustainable Sterling Bond	3.77%	8.82%					
Rathbone Ethical Bond	3.58%	12.27%	-3.08%	10.54%	7.07%	1.58%	34.23%
Royal London Ethical Bond	2.84%	10.02%	-1.27%	6.78%	8.79%	0.55%	30.23%
Royal London Sustainable Managed Income	3.28%	9.28%	-0.93%	5.46%	8.87%	0.36%	28.94%
Sarasin Responsible Corporate Bond	4.02%	9.36%	-2.33%	4.89%			
Threadneedle UK Social Bond	2.16%	5.57%	-0.50%	3.68%	9.21%	-0.01%	22.11%
IA Sterling Corporate Bond	3.55%	9.49%	-2.22%	5.06%	9.08%	-0.27%	27.20%
Average RI Sterling Corporate Bond Fund	2.82%	8.73%	-2.18%	6.16%	8.40%	0.45%	26.65%

 Outperform sector average

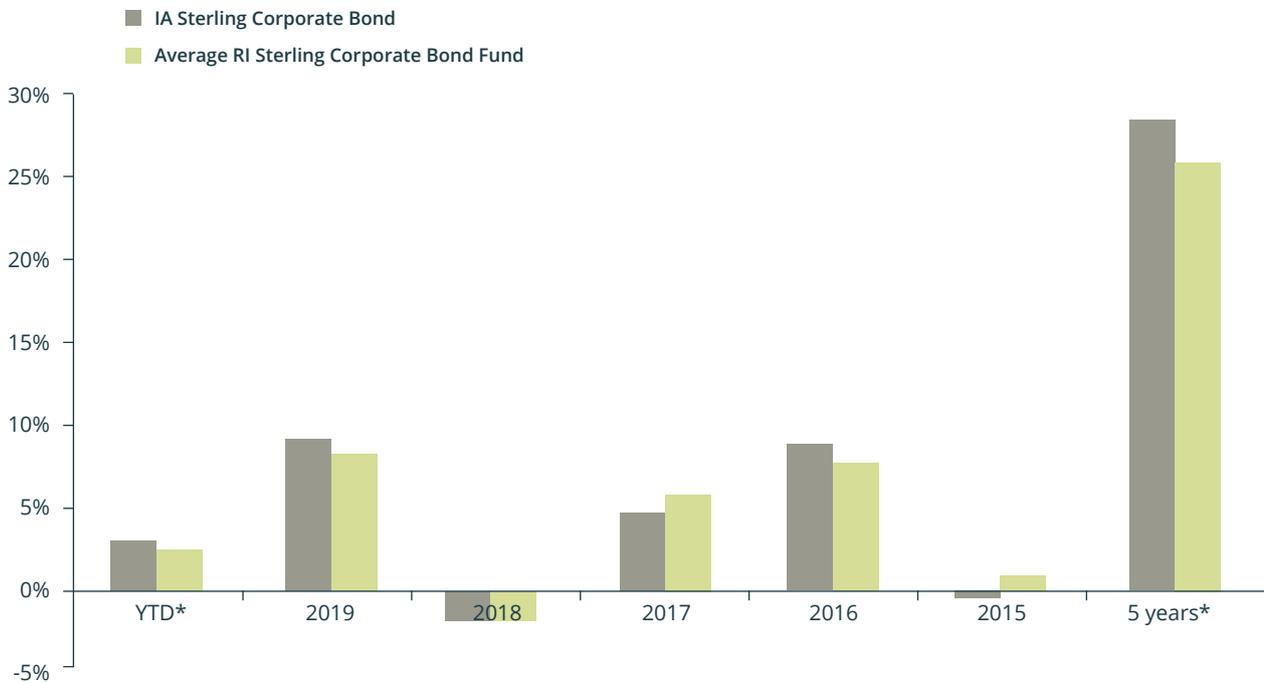
\*As at 31 August 2020. Total return with net income re-invested. Source: Financial Express

The performance of RI UK corporate bond funds has been more mixed with relatively weak returns over the past year. However, in absolute financial terms there is very little to distinguish RI Sterling Bond funds from conventional UK corporate bond funds.

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\*As at 31 August 2020. Total return with net income re-invested. Source: Financial Express

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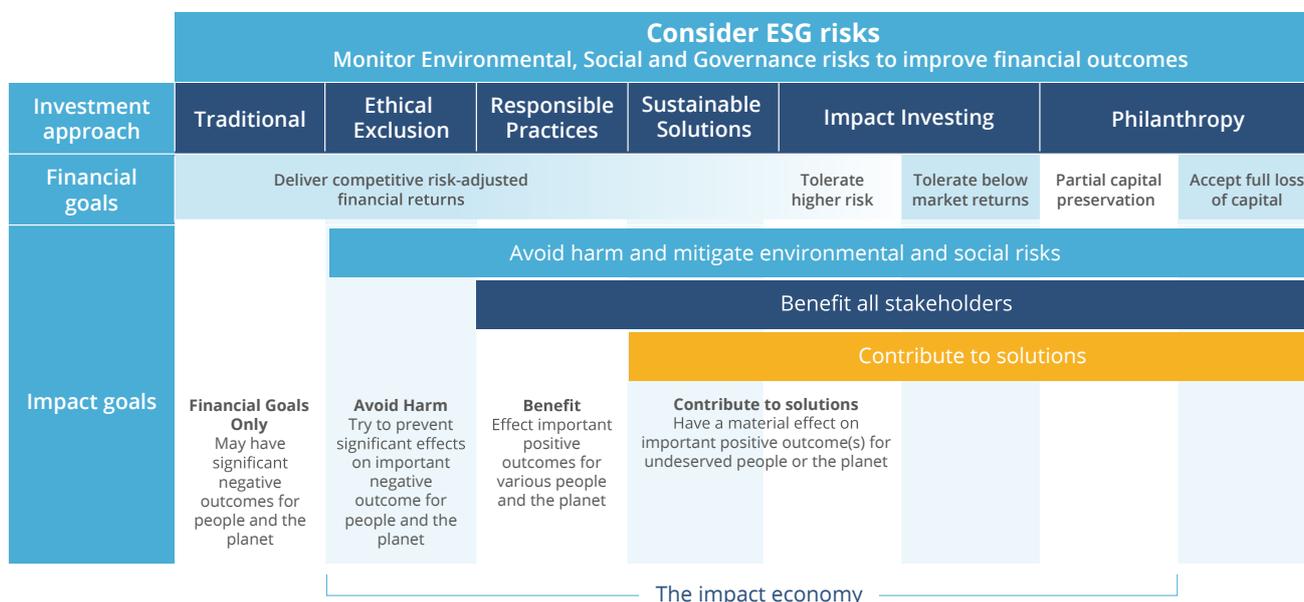
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# Reading the label

## Making sense of Responsible Investment

Responsible Investment (RI) is the umbrella term used by the Investment Association (the asset management industry body) as a catch-all for funds using investment for a positive force for change. However, with multiple definitions being applied in very different ways across the industry, it has become highly confusing. Possibly, the most helpful way of thinking about it is to consider investment capital as a spectrum, from conventional investment where the only considerations are financial, to philanthropy at the other extreme, where the financial returns are -100%. RI lies in the middle ground between these extremes, with all investments seeking to generate a competitive financial return whilst considering social and environmental concerns.

### The Spectrum of Capital



Thanks to: UK National Advisory Board On Impact Investing, 2017 & Impact Management Project 2017

Given the confusion over terminology, it might be helpful to define what 3D Investing means when we talk about ESG, ethical exclusion, responsible practices, sustainable solutions and impact investing.

**ESG** - The acronym is short for Environmental, Social and Governance, and is generally taken to mean consideration of environmental, social and corporate governance factors in investment decision making. Typically, it is used as a risk management tool rather than as an agent of social or environmental change, with ESG factors being incorporated into financial modelling. Viewed in this light, ESG is part of conventional investment, but it can mean more than this if used purposefully to encourage societal change.

**Ethical exclusion** - Avoids industries and company practices that cause harm to people or the planet.

**Responsible practices** - Considers the operational practices of the companies in which they invest and supports 'best practice' in their respective industries, as well as

encouraging them to improve their environmental and social performance.

**Sustainable solutions** - Seeks to invest in companies that are providing solutions to social and environmental challenges and believes in the long-term financial benefits of doing so.

**Impact investing** - Wants to use their money to make a wider positive social or environmental impact as well as meeting their financial needs and wants to see evidence of the social and environmental impact.

These approaches are not mutually exclusive, with many funds demonstrating several of these characteristics. However, a fund is usually typified by a single approach which helps to determine what type of fund may be suitable for a specific type of investor. Language does matter, so how we communicate the different types of RI is critical to reducing the confusion that has arisen over terminology. Ethical exclusion isn't impact investing and neither are responsible practices. Let's talk about the same thing!

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An aerial photograph of a lush, rolling landscape, likely in Tuscany, Italy. The foreground is dominated by a dense, dark green forest. A dirt road winds through the middle ground, leading to a small farmstead with a stone building and several tall, slender cypress trees. The background shows rolling green hills under a soft, hazy sky, with a few scattered trees and a small body of water visible in the distance.

# Feature Article: Lies, Lies and Statistics

# Lies, Lies and Statistics

## Why assumptions matter

As the ESG world has evolved, so has reporting. The traditional statements of ethical criteria are no longer enough and funds have moved to report on their positive impacts in ever more detailed and comprehensive ways. Whilst this is to be welcomed, a certain degree of healthy scepticism is needed to examine some of the data. As the saying goes, there's lies, lies and statistics. Can you trust the data and what aren't they telling you?

Let's look at some examples. The most common way of demonstrating impact is to map portfolio holdings to the Sustainable Development Goals (SDGs), or to positive themes. This all looks good, with nice pie charts showing that most, if not all, of the portfolio is invested in positive social and environmental themes. No one has the time and few have the expertise to examine these charts in any detail, but the assumptions matter. They really do. For example, a stock might be mapped to a sustainable finance theme, but what does this mean? It could be a microfinance bank that is addressing a major structural issue of access to finance for the world's poor; or it could be a large investment brokerage in the US that is bringing down the cost of dealing. The first seems eminently defensible as a solution to a social challenge, but the second? Who benefits is a question that needs to be asked and what level of disadvantage is addressed?

Furthermore, the SDGs were originally designed as a framework for government policy, so care is needed in applying them as a framework for measuring the impact of listed equities. Some of the SDGs are more about operational practices than they are about goods and services, for example, the fifth SDG is Gender Equality, and so some of the mapping is somewhat tenuous, particularly on poverty reduction.

Another means of demonstrating impact is the use of ESG scores. This involves the comparison of a fund with the benchmark index with reference to ESG scores issued by one of the major ratings agencies. Whilst useful as an indicator and a starting point for engagement, this is not a demonstration of impact. In fact, it can simply be an outcome of a certain bias toward particular sectors with a higher preponderance

of stocks that score relatively well on ESG. Not only this, but there is significant variance between different ratings agencies in how they score the same companies on ESG and the ratings themselves are chiefly concerned with how well companies mitigate their harmful impacts, rather than the extent of their positive impacts.

Other forms of 'foot-printing' are equally fraught with difficulty. Carbon foot-printing is one of the most common ways of reporting on the impact of a portfolio, but what does it actually tell you? Just because you can measure it, doesn't make it useful. The emissions of a portfolio are typically compared with those of the benchmark index, but is that useful in itself? The fund may be weighted toward technology and banking companies that have relatively light carbon footprints, but this doesn't necessarily mean that the portfolio is making an impact – it just tells you that it avoids some of the more carbon intensive industries.

So what do you do? You aren't a specialist in the area, and even if you were, you haven't got the time. I think it comes down to trust and transparency. Who do you trust to make the decisions on assumptions – large ratings agencies, fund management companies or others? Having a clear, detailed statement of assumptions is a good starting point. Acknowledgement of any shortfalls in the data is also re-assuring as is some form of independent verification. An independent committee of reference to oversee the process can also lend credibility to the data.

Nor should the data be ignored. The move to impact reporting is a valuable and much needed development. As more data becomes available, standards will rise and initiatives such as the EU Taxonomy will help to standardise reporting. This is an initiative to require firms to report in a certain way and to validate environmental claims with hard evidence. Similar developments are taking place in other areas and reporting is improving all the time.



UBP

# The challenges and evolution of an impact fund methodology



UNION BANCAIRE PRIVÉE

# The challenges and evolution of an impact fund methodology

By Victoria Leggett, Head of Impact and Co-Portfolio Manager of UBAM – Positive Impact Equity

The complexities of impact investing in listed markets presented a significant challenge at the design stage of our process. Cognisant that we must deliver both financial and impact performance – in a measurable way – we wanted to create a methodology which would run through our decision-making, from idea generation to impact measurement. In recent years, the United Nations Sustainable Development Goals have become a de facto blueprint for the impact investing community. The goals are not without their flaws, but they certainly represent the most comprehensive attempt at mapping the areas in most need of attention and, perhaps more importantly, they have widespread buy-in and a sense of ownership across sectors.

The distillation of these 17 goals into six clear themes (three environmental, three societal) was an exercise undertaken by the Investment Leaders Group ('ILG', facilitated by the Cambridge Institute of Sustainability Leadership and of which UBP is a member). This thematic approach made sense to us and enabled us to participate in the ongoing work the ILG was conducting in the area of footprint and impact measurement.

Our six themes (Climate Stability, Healthy Ecosystems, Sustainable Communities, Basic Needs, Health & Well-being and Inclusive & Fair Economies) quickly became the fulcrum of our process. Each theme represents a number of SDGs, sub-goals and industrial verticals. This allows for a real efficiency in the investment approach as the hunt for ideas is led from these areas, rather than the more traditional 'GICS' sector or geographic breakdown.

UN GOAL	UBP THEME	Industrial vertical
	<b>BASIC NEEDS</b>	Water Supply Education Nutrition  Financial inclusion Sanitation
	<b>HEALTH &amp; WELLBEING</b>	Healthcare financing Pharmaceuticals Healthcare infrastructure  Medtech & Life sciences Healthcare services Fitness and safety
	<b>INCLUSIVE &amp; FAIR ECONOMIES</b>	Testing and certification Enabling technologies Financial stewardship  SME Finance Automation
	<b>HEALTHY ECOSYSTEMS</b>	Ecotourism Sustainable Aquaculture Sustainable Agriculture and Forestry  Ecosystem pollution reduction Management of natural capital Plant-based diet
	<b>CLIMATE STABILITY</b>	Renewable energy production Renewable energy equipment Energy efficiency  Energy storage and distribution
	<b>SUSTAINABLE COMMUNITIES</b>	Resource efficiency Affordable housing Personal transport  Infrastructure and public transport Waste management and recycling

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This approach has not come without challenges. The UN SDGs are designed to work together and consequently they overlap! Approaching them in six distinct sectors means that it's sometimes difficult to assign stocks or industrial areas to just one theme. It's also arguably reductive to see climate and people as two distinct areas. All this makes assessment and reporting of progress more complicated.

By far the most significant challenge to this, or any other methodology in the impact investment universe, is negotiating the data gaps. Disclosure of non-financial data is limited, not standardised and rarely audited. At UBP we negotiate this with a combination of top-down aggregate data where it is available and bottom-up KPIs extracted from companies through bilateral engagement.

We recognise this is an intermediate solution, but must participate in the push for improvement. Our multilateral engagements are a vital part of this development work. We participate in a number of initiatives with the purpose of evolving the measurement landscape.

Shortly after the launch of the fund, one such initiative, as part of our membership of the ILG, was the development and launch of a sustainability dashboard. This colour-coded dashboard was designed to help investors easily understand and measure the sustainability footprint of their investments (as shown in the image below, which relates to a US\$ 1 m investment in the UBAM – Positive Impact Equity fund). The first industry-wide framework, the dashboard targets the common inefficiencies that surround sustainability data. Indeed, we observed disparities in measurement, different disclosure requirements across industries and geographies but also different levels of resources that companies can allocate to calculating and disclosing data. Even generally accepted metrics such as GHG emissions displayed surprising disclosure levels. The result was a sub-optimal level of data availability leading to a lack of comparability between funds and products.



To accommodate current data availability and disclosure, a key metric was determined for each theme accounting for the ease of association with economic activity, the importance to governments and the resonance with the general public. On that basis, and because the ultimate aim is for broad adoption of these metrics across all funds regardless of investment approach or asset class, the framework currently uses these 'basic' metrics. Over time, they will give way to the 'ideal' metrics which allow comparison of performance with the levels indicated by the SDGs, therefore giving a more accurate picture of impact at asset and fund levels.

UBAM Positive Impact Equity was used as the sample fund in the report published alongside the framework - "In Search of Impact – Measuring the Full Value of Capital". This allowed us to test and experience the framework first-hand and assess the fund's positive impact on the defined criteria against various relevant indices.

On top of being easy to extract thanks to the wide availability of the data used for the basic metrics, the framework proved to be simple to interpret thanks to the raw data input and outputs. This differs from scores and other indicators developed throughout the industry which tend to have black-box methodologies and subjective calculations. It enables asset managers to present clear and comparable data on the sustainability of their products. Being scalable, it is in line with the ILG's ambition that this framework becomes a compass bearing for impact measurement along the investment supply chain and across stakeholders.

The hope is that as data disclosure improves, the framework will be able to evolve from measuring the footprint of companies' operations with the basic data points, to efficiently capturing their revenue streams and more appropriately reflecting their positive impact.

In the two years since the project began, much progress has been made in solving the extremely complex reporting challenge surrounding non-financial and impact data, with key initiatives such as the Impact Management Project gaining traction. However, the question of data and measurement is still live and illustrates the need for a flexible, yet robust methodology. All the collaborative work we have undertaken is underpinned by strong engagement and voting strategy at fund level.

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An aerial photograph showing a dense green forest in the upper half of the frame. Below the forest, there are terraced rice fields with a golden-brown hue, indicating they are harvested. A small stream or path winds through the fields. In the bottom right corner, there is a small white rectangular object, possibly a building or a vehicle.

UBP

# Global emerging equities: Is there room for impact?



UNION BANCAIRE PRIVÉE

## Global emerging equities: Is there room for impact?

By Mathieu Nègre, Co-Portfolio Manager of UBAM – Positive Impact Emerging Equity

As an emerging market team, we started our impact journey over two years ago. We started by providing analytical support on specific stocks to the existing UBP Impact Team. We ended up building a research library of stocks, IMAP scores (as per the image below) and themes specific to our markets. But along that path, we had a few questions to answer for ourselves before we could be convinced that impact investing could be a strategy in an emerging equities context.

Our first question was about the size of the universe. We could think of a few “obvious” candidates for an impact portfolio. But being able to identify a dozen stocks does not mean you can build an investment universe. We had to grow our research universe from there. We used two main techniques to do that. One was to start from the UN SDGs and look at the actual targets, trying to think which of the companies we already knew could help reach those targets. The second was to find competitors, suppliers and customers of the impact firms we had already identified. Two years later, and following the launch of our UBAM – Positive Impact Emerging Equity fund on 7 May 2020, we now have a list of 290 stocks that are in our investment universe or on the research list, which is enough for us to build a proper portfolio.

### The UBP IMAP system

Measuring Impact Intensity (minimum threshold: 12/20)



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Of course, the opportunity set in emerging markets is different from that in the developed world. If we take just a few examples, there are more companies that target education, clean energy or financial inclusion. In education, many developed countries have benefited from early investments in state education and a strong higher education sector. In many EM countries, those investments were late, or more modest, which led the private sector to play a more important role, as is particularly obvious in Brazil. In clean energy, the sector benefited from the regional concentration of capital-intensive industries, and the low cost of manufacturing in a certain number of our markets. China has numerous global champions in solar and wind energy. South Korea is home to some of the most innovative companies in the battery sector. Finally, most of the financial services requested by consumers in, say, Western Europe are offered by banks and trendy (usually unlisted) fintech companies. But in lower income countries, it is easier to get exposure to companies specialised in microcredit or the financing of very small enterprises. Those companies tend to have a higher Materiality score (as per our in-house methodology) and a greater impact per dollar invested thanks to the purity of their business models.

Symmetrically, it is more difficult for an emerging market investor to find opportunities in biotechnology and in our Healthy Ecosystems thematic. As far as biotechnology is concerned, we have to accept that certain research-intensive sectors will, for the time being, be hard to reach for emerging market investors: these sectors require a level of cumulative research and access to capital that is rarely present in emerging markets (with notable exceptions, such as technology hardware or internet services). Regarding ecosystems, we will need to see more local regulation and an increase in consumer demand for sustainability for this sector to develop outside high-income countries.

The second big question was about governance. The governance and regulatory standards are generally less robust in emerging countries. At corporate level, sustainability reporting can be unavailable, or less comprehensive than one would expect in London, Geneva, Tokyo or New York. That is both a challenge and an opportunity. The challenge is that we sometimes struggle to establish a genuine dialogue about sustainability with the companies we research. Therefore, we regretfully have to exclude certain companies with great impact potential as they don't reach our governance standards. On the plus side, it is easier for us to make a difference. Many of the companies we engage with are at an early stage in their sustainability strategy and are happy to take suggestions from investors. In the most extreme cases, we have talked to companies with a genuine positive impact, but who had never thought of it as such.

As impact investors in public markets, we have to be modest about the impact we can potentially have compared to, say, a venture capitalist providing primary capital to a new biotech start-up. But if we can help redress the governance imbalance on sustainability issues, we will be happy with the outcome. It is important for those companies to know that at least some of their shareholders care enough about their impact on the environment or society to ask for better reporting on those issues, prompting them to try to come up with an estimate themselves. We try to send that message during every interaction with the companies we meet, regardless of their starting point. Just like it was difficult to find companies with a good sustainability report 20 years ago, we struggle to find good impact data nowadays, but we hope that the standards will rise globally and there is no reason why emerging market companies could not do better as well.

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An aerial photograph of a dense forest. A path or road winds through the trees, leading to a clearing. The trees are dark green, and the clearing is a lighter shade of green. The overall tone is natural and serene.

Liontrust

# Measuring the impact of sustainable investing



## Measuring the impact of sustainable investing

**By Mike Appleby, Investment manager, Liontrust Sustainable Investment team**

Sustainable investing continues to push its way into the mainstream and the new normal that is widely anticipated once the Covid-19 pandemic recedes is likely to favour businesses contributing to the shift towards a cleaner, healthier and safer world.

But with greater prominence comes greater scrutiny and investors are rightly keen to know precisely what impact their investments are having. Simple ad-hoc commentary about investment returns is no longer enough and clients increasingly want to see alignment with decarbonisation, health outcomes and diversity targets met. Alongside the question 'How much has my investment delivered?' will be 'What impact have these investments had on people and the planet?'

Fund managers need to answer both and we therefore continue to work on better ways to measure and disclose the environmental and social performance of our investments. This is even more vital against a rising tide of greenwashing, where asset managers say they take a sustainable or ESG approach to investing when it actually has a very limited influence on decisions as to where capital is directed.

But while this extra-financial performance has grown in importance as people want to understand the contribution their money makes towards a more sustainable economy, measuring 'impact' can be challenging as there is no standard framework.

The strict traditional definition of impact investing describes an approach designed to generate positive, measurable and typically pre-determined social and environmental impacts alongside a financial return. While this form of investing continues, the term is also evolving to encompass a wide range of sustainable

approaches. Ultimately, however, the terminology used is not that important; call it impact or not as it continues to develop. What is important is how asset managers communicate it and how it guides their investment process.

Over recent months, we have assessed a number of frameworks for disclosing the impact of the investments in our Sustainable Future (SF) funds. While there are many initiatives emerging, our conclusion was that none of the frameworks we tried was useful – yet. They were a good starting point but too blunt a tool: they missed nuances due to mapping entire industries to the UN's Sustainable Development Goals (SDGs), for example, which fails to capture the divergence between companies within industries. It is exactly this divergence that helps us find companies on the right side of our sustainable investment themes.

This is moving quickly, however, and we have seen good progress with some methodologies (such as Impact Cubed) that are now able to show the multi-dimensional aspect of themes and impacts.

We appreciate these frameworks are still being refined and look forward to seeing them become increasingly useful in future. There is also regulation coming (EU Taxonomy, for example, which is part of the Green Finance initiative) on how funds articulate their aims in relation to sustainability, as well as what information they need to disclose.

While this is welcome, it will be some time before it enables investors and advisers to fully understand how funds are run. Ongoing additional due diligence will be needed to ensure a fund's interpretation of sustainable suits the end client and is influencing investment decisions to an appropriate degree.

In the meantime, our funds continue to contribute to sustainable development and we want to quantify this and communicate it to clients. We believe the best way to show the impacts is in the following ways and have started to highlight these at fund level across our range:

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- Clearly articulate how the portfolios are invested by both mega trend — Better resource efficiency (cleaner), Improved health (healthier) and Greater safety and resilience (safer) — and our 20 underlying themes within those.
- Show how these themes contribute to the United Nations' SDGs at specific performance indicator level. The SDGs are an internationally recognised set of goals to aim for by 2030, which will help the world develop in a more sustainable way. They have captured many progressive investors' interest as a more comprehensive way of thinking about and reporting on sustainable investing. Each of our themes is limited to one SDG, although, in reality, there are overlaps and most companies are exposed to more than one.
- Engage with companies in which we are invested to measure the primary impacts of the products or services the business provides, as well as how it is managing the main impacts from operations. Engagement can be on company-specific issues as well as broader societal areas such as gender diversity, treatment of staff and management of global supply chains. It is also worth recognising that while we want more disclosure on positive impacts, you cannot ignore the negative and we continue to encourage companies to manage their operations and strategy to reduce any such negative externalities.
- Independent analysis of how the SF funds compare to the markets in which they are invested in terms of carbon emitted, investments in solution providers and exposure to fossil fuels (which is zero). This is in line with our commitment to do so in 2012.
- We are also stepping up our engagement with companies to increase the pace of change on emissions, which is often slower than the science is telling us is required. While there have been major advances in reducing carbon in some sectors, global emissions remain high, and we are concerned the change is not happening quickly enough. We are engaging with companies to encourage them to dial up their ambition to reduce greenhouse gas emissions this decade. We launched our One and a Half Degree Transition Challenge in January 2020 and will be reporting on our findings in the last quarter of this year.

We have started going beyond our Annual Review and disclosing more sustainability-related data for each fund, which includes all of the above.

Measuring impact is a challenging and evolving area but any asset manager seeking to promote its sustainable credentials has to be committed to developing an appropriate framework. In doing so, they will be better placed to satisfy increasing demand from clients who want to quantify the impact their investments are having on the real world.

#### Key Risks:

**Past performance is not a guide to future performance. Do remember that the value of an investment and the income generated from them can fall as well as rise and is not guaranteed, therefore, you may not get back the amount originally invested and potentially risk total loss of capital.**

Investments should always be considered as long term. Some of the Funds managed by the Sustainable Future Equities team involve foreign currencies and may be subject to fluctuations in value due to movements in exchange rates.

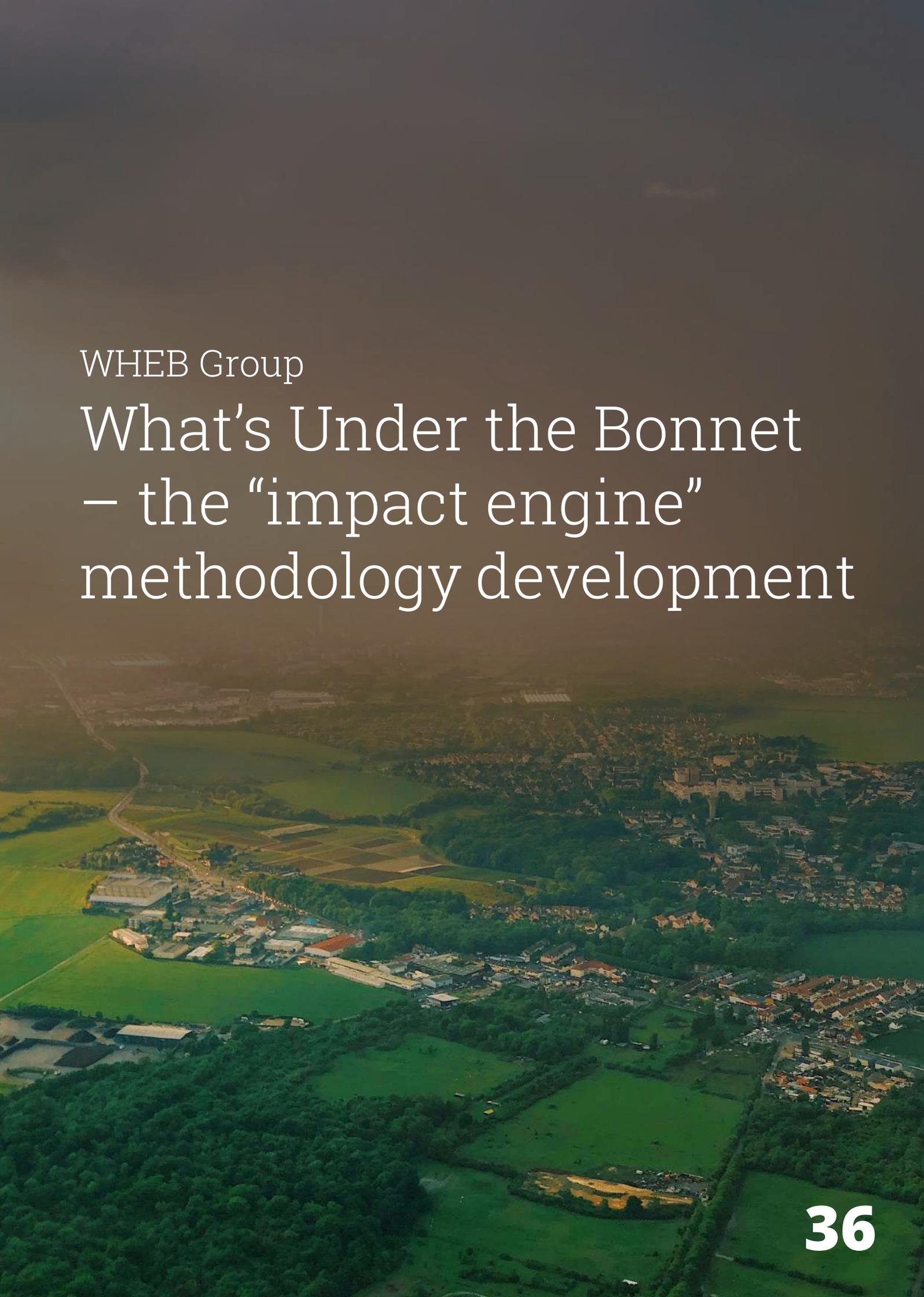
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An aerial photograph of a town and its surrounding landscape. The town is nestled in a valley, with a mix of residential buildings, commercial structures, and green spaces. The foreground is dominated by lush green fields and dense forests. The background shows a hazy horizon, suggesting a distant city or industrial area. The overall tone is soft and atmospheric, with a warm, golden light filtering through the haze.

WHEB Group

# What's Under the Bonnet – the “impact engine” methodology development



## What's Under the Bonnet – the “impact engine” methodology development

By Seb Beloe, Head of Research & Partner

WHEB is founded on a belief that asset managers have a critical role to play in enabling society to transition to a zero carbon and more sustainable economy. To do this effectively, we need to be able both to assess the positive impact of our investments and then also communicate this to clients.

We want to build critical mass within the investment community in accelerating the adoption of impact measurement and reporting tools. In the past year, we have developed and deployed a set of tools to deliver against this ambition. This work builds upon previous WHEB innovations that are now replicated across the market.

### The impact ‘engine’ – assessing impact intensity

Over the last twelve months we have developed a methodology to systematically assess the impact ‘intensity’ of different investments. This tool, called the ‘Impact Engine’, was rolled out across WHEB’s investment portfolio during 2019/20. The Impact Engine draws on the work of the Impact Management Project<sup>1</sup> and the Future Fit Foundation<sup>2</sup>, both of which we participate in and contribute too.

All products and services have an impact. For some, it is a negative impact – harming or undermining the social and environmental systems on which life depends. For others, the impact is positive, helping to support or even restore these systems. At WHEB, we believe that understanding and assessing ‘impact’ is becoming

a third dimension of investment expertise alongside established disciplines in assessing investment risk and return. The Impact Engine rates the impact ‘intensity’ of the products and services offered by companies. This tool is intended to capture the different dimensions of positive impact that are created by products and services. The impact engine serves as a key input into our investment decision-making, formalising the impact ‘intentionality’ of each investment. The key dimensions of impact that we capture in the impact engine are briefly described below:

1. How vulnerable or underserved is the client purchasing the product or service (ranging from well-served/resilient to under-served/ vulnerable)?
2. How important is the impact to the client’s survival or future fitness (ranging from beneficial but non-critical to meeting a critical need)?
3. How ‘central’ is the product/service contribution in making the change happen (ranging from enabling to directly delivering the outcome)?
4. How large is the impact compared to what would otherwise have happened (ranging from ‘incremental’ to ‘breakthrough’)?
5. How unique is the company’s contribution? How likely would the outcome have been without the company’s contribution (ranging from a minor to a major contribution)?

The intensity of the product impact is rated from one to three on each question (three being more impactful). These are then multiplied to give an overall impact score that is then fed into the next part of the process. The impact engine is directed at assessing the impact intensity of products and services: what a company does. A second step in the investment process assesses the fundamental quality of the business: how it operates. This analysis considers different aspects of operational quality including a company’s competitive position, the quality of the management team and how

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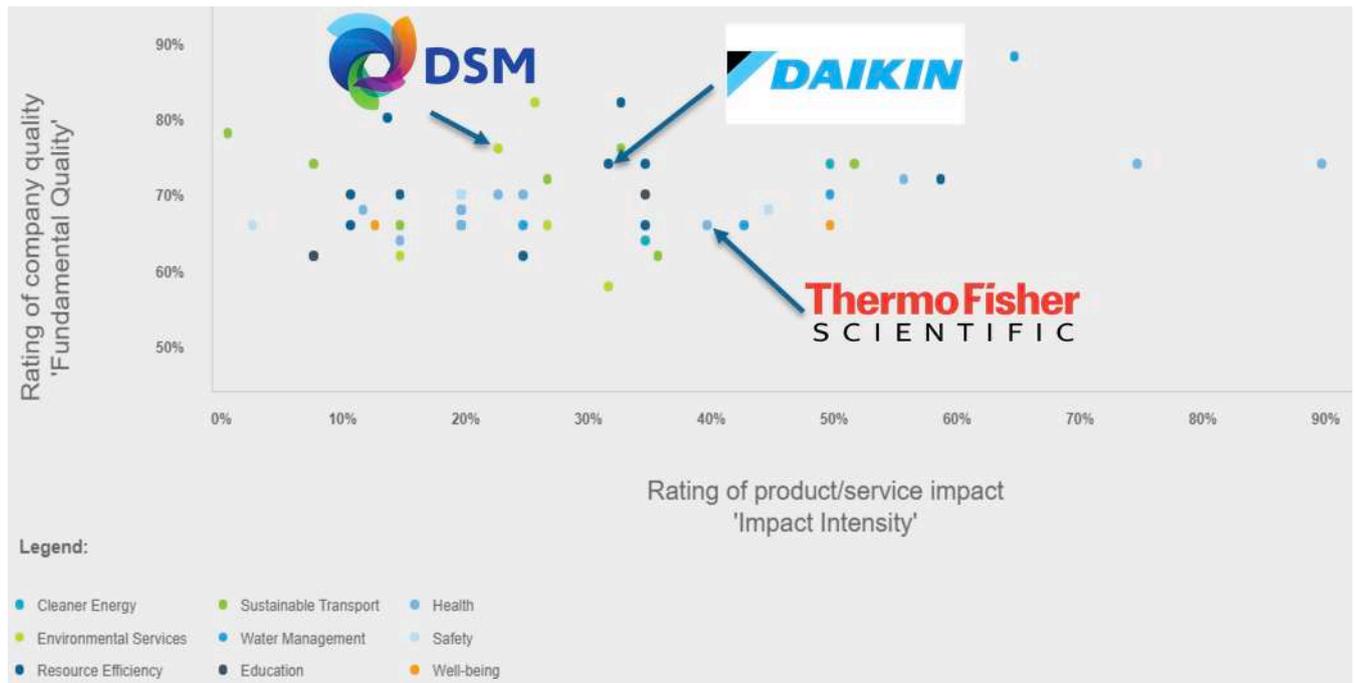


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the company manages critical ESG issues. This analysis generates an overall quality rating. The two dimensions are plotted together on an 'Impact Map' showing the fundamental quality rating on the y-axis and the impact intensity rating on the x-axis.

Only companies with a positive impact are considered for investment. More than 80% of listed companies receive negative scores in the impact engine and are not candidates for investment.

### Impact Map - a holistic approach to sustainability



### Strengthening confidence in the data

This year we also worked with The Carbon Trust to peer review our impact measurement methodology. This review focused primarily on the underlying calculations behind the impact figures in our impact reports and that serve as the basis for WHEB's 'impact calculator'<sup>3</sup>. Investors are increasingly interested in the environmental and social impact of their investments and are factoring impact into their allocation decisions. An independent review provides improved confidence in the data and the integrity of the impact reporting.

The impact engine is genuinely novel. No other listed equity asset managers have publicly, and systematically reported impact data associated with their investments. Adding the impact engine into our investment process

has allowed us to gain a much clearer picture of how impactful a given investment is. It also allows us to give our investors a much clearer picture of their impact as well. The output of all this can be found on our impact microsite along with our Impact Calculator and Impact Reports. We believe the impact engine, report and calculator, are innovative tools that help investors and intermediaries understand and explain the link between investments and real-world outcomes to their underlying clients. In so doing, we hope to further our ambition of making positive impact a more central part of investing for all types of investors.

Please see [www.whebgroup.com/impact](http://www.whebgroup.com/impact)

<sup>1</sup> <https://impactmanagementproject.com/>

<sup>2</sup> <https://futurefitbusiness.org/>

<sup>3</sup> <https://impact.whebgroup.com/impact-calculator/>



Wellington Management  
Enhancing impact:  
investor and enterprise  
contribution

# WELLINGTON MANAGEMENT®

## Enhancing impact: investor and enterprise contribution

By Marjorie Winfrey, Sustainable Investment Research Analyst, Campe Goodman, CFA, Fixed Income Portfolio Manager and Jake Otto, CFA, Investment Specialist

Impact measurement and management (IMM) is a cornerstone of our approach to impact investing. Robust IMM allows us to know if we are making progress towards the impact half of our objective of outperforming market indices by investing in companies and issuers whose core products and services help to solve the world's biggest social and environmental problems.

We see innovative impact solutions as the key to creating both financial value and a tangible impact. Hence, investors must be able to analyse, track and measure impact outcomes as thoroughly as financial outcomes. As our impact approach evolves, we have found that the multi-dimensional framework provided by the Impact Management Project (IMP) — a forum seeking to build consensus on how to measure, assess and report impact — gives us a more holistic, balanced understanding of how the securities we own are addressing these global challenges.

The IMP distinguishes between two forms of contribution to the overall effectiveness of an impact investment. The **enterprise contribution** refers to the benefits and consequences of the products and services provided by a company or issuer. The **investor contribution** refers to the value added by the impact portfolio manager and team. We think it is valuable to define impact across both dimensions for our clients. Enterprise contribution measures the impact our investments are making in the real world related to our impact themes, which we report to our clients every year. Investor contribution helps to clarify how our clients' own financial investments contribute to the positive impact.

This introduction to the IMP framework is meant to show its benefits and how we have begun to incorporate elements from it into our impact investing approaches.

### Enterprise contribution

The IMP framework defines enterprise contribution across five dimensions of impact<sup>1</sup>:

- **What** outcome is the activity contributing to?
- **Who** is benefiting from the activity?
- **How much** — what is the size and duration of the impact and how many stakeholders will benefit?
- **Contribution** — how is the outcome better than what would have happened anyway?
- **Risk** — what is the likelihood that the impact will differ from expectations?

We have always analysed these elements when assessing impact. However, we think they also represent a valuable framework for reporting to our clients.

In particular, expressing the elements of contribution and risk helps to provide a well-rounded picture of both the positive and the negative potential implications of each impact activity. For example, a manufacturer may sell good-quality, low-cost air conditioners to underserved markets in hot climates. But the air conditioners may run on electricity generated by fossil fuels or use refrigerants which are harmful to humans or the environment. We seek to invest in companies whose technologies provide environmental advantages such as less harmful coolants and greater efficiencies.

Similarly, while a provider of affordable housing may increase the number of low-cost units each year, we would assess the quality of construction and any significant environmental costs incurred by development or renovations. And a mortgage originator may lend to first-time home buyers or customers in low-income areas, but we would need to verify that the interest rates charged on loans are competitive and affordable and the loans are structured so that the benefits accrue to the communities we identified for investment. In our view, portfolio investments within our affordable housing theme have demonstrated quality and cost advantages over the market average.

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## Investor contribution

We believe the basis of strong investor contribution is a repeatable process for defining an impact investment, setting impact objectives and identifying risks. The market for impact investing is growing, and we feel it is important to help ensure it does so with integrity. We do this through engagements with portfolio issuers and by participating in industry bodies and discussions.

We believe our investor contribution across our impact equity and impact bond funds comes through:

- **Allocating capital to solutions that address major social or environmental challenges** – We look for investments with scale and long runways for growth, and we seek to avoid significant risk that investments won't deliver the impact we are aiming for. The first criterion for inclusion in our portfolios is whether over 50% of a bond's proceeds (or 50% of a company's revenues for an equity investment) are being used for an impact activity. We also set boundaries to mitigate unintended consequences, establishing thresholds for the quality and quantity of each enterprise's contribution. For example, are a health care provider's patient outcomes improving along with access to or affordability of services? We seek to limit exposure to negative impacts. If an environmental services company's customers are mostly petrochemical businesses, we would exclude their securities as the negative consequences would likely outweigh the positive<sup>2</sup>.
- **Engaging with companies** – Active engagement can help the investment team identify where enterprises can make improvements and measure and report impacts, both positive and negative. As a large asset manager with decades of experience, we can also share our perspective on the industry landscape or best practices, drawing on lessons from more mature companies to help support companies facing temporary challenges early in their life cycle.

- **Growing undersupplied markets** – By investing in companies early in their life or in the public debt of private companies, we can increase the flow of capital to fund impact activities at lower cost for enterprises creating value for society. For example, a privately held packaging company whose products had a high proportion of recycled content lacked access to sufficient capital. But it issued publicly traded bonds, which we bought for our fixed income portfolio.
- **Providing patient capital** – Investors with long time horizons provide liquidity to entities that may take time to reach steady-state performance but whose impact case and fundamentals show promise. Active managers can measure and monitor impact progress and engage with companies to help them enhance and sustain potential long-term value. Patient capital can also encourage new business categories where the enterprise contribution may be currently underappreciated but has immense potential.

Investor contribution varies by asset class. For example, in fixed income we can't vote proxies and so are unable to influence outcomes in that way. However, in fixed income, the emphasis is on primary market issuance, which means the invested assets go direct to the issuer, whereas most of our equity investments are in secondary markets, so the assets are paid to another investor.

## Conclusion

We are committed to high-integrity impact investing, with transparency and accountability for our investor contribution, as well as the enterprise contributions of our investments. We believe the IMP provides a robust framework to help us achieve those goals and is setting standards in the industry. We believe the more consistently we can set goals, monitor impact contributions and be transparent about our roles in the impact ecosystem, the greater chance we have of achieving the type of impact that can help put humanity on the path towards a sustainable future.

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<sup>1</sup> For more information, see [impactmanagementproject.com](https://www.impactmanagementproject.com)

<sup>2</sup> To improve transparency, we are adapting our reporting to include more detailed description of negative consequences or most probable impact risks. This is something we have consistently considered in our analysis of companies/issuers as well as in our ongoing engagement efforts. However, we emphasized simplicity historically and had not found a presentation format that accommodated detailed accounting for negative impacts.

A dark, moody photograph of a rocky coastline. The foreground shows a steep, textured rock face sloping down towards the water. The water is dark and calm, reflecting the dim light. The sky is a deep, dark blue, suggesting twilight or night. The overall atmosphere is somber and contemplative.

Montanaro Asset Management

# Mind the Gap: The ESG data & ratings challenge in Small & MidCap Investing



# MONTANARO

ASSET MANAGEMENT

## Mind the Gap: The ESG data & ratings challenge in Small & MidCap Investing

**By Ed Heaven, Deputy Chairman of the Sustainability Committee, Impact Investing**

At Montanaro, we often say that *“you need to do your own homework when investing in Small & MidCap”*. This is true for the financials of a business and it is also true when considering the ESG profile of a company. This is not easy. The world of ESG is increasingly noisy. Data sources grow ever larger, while providers offering new ratings methodologies seem to pop up with the frequency of technology start-ups in Silicon Valley.

This is creating a couple of challenges for investors who seek to consider ESG factors as an integral part of company analysis. The first is a lack of consistent data, a problem experienced across the investment landscape but one that is particularly acute for investors in smaller companies. Another is how to make sense of the different “ESG scores” that are applied to companies by ratings agencies.

The data problem is something that we confront in the “Mind the Gap” section of our annual Impact Report for the Montanaro Better World Fund. In 2019, fewer than half of our companies fully reported their carbon footprint, while less than 20% reported water and waste intensity figures. The problem this causes is obvious: it is difficult to assess a portfolio’s footprint without information on every company. Yet like so many problems, opportunities arise.

When we identify a “data gap”, we speak to the company and encourage them to improve disclosure. Most are willing to listen to us. For example, we have seen a marked improvement in the reporting

of certain social metrics over the last three years, especially around gender diversity. We are also using data gaps today to introduce more ambitious ideas: conversations about carbon reporting are leading to discussions about setting Net Zero Carbon targets. Some companies just require a bit of direction. Many ask us *“who do you see as the gold standard when it comes to reporting?”* We share our thoughts and have found that fostering a bit of healthy competition goes a long way to improving things!

We have recently developed an automated tool that helps us to identify which companies have ESG metrics estimated by data providers. Estimations are based on the reported numbers of other companies in the same sector. We exclude such data from our own analysis. We do not want estimated data. We want actual real data. We explain to our companies that unless they actively publish data, there may be information that investors are using that is inaccurate or not wholly relevant. As more and more investors pay attention to such numbers, it is imperative that companies make sure that the right information is out there.

This brings us on to the second issue: the influential role of ratings agencies that publish ESG company level scores. These scores are often available online and can lead to swift conclusions being drawn about a company’s ESG profile: an “A” rating is deemed good, a “C” rating less so. Things may not be so obvious, however. Typically, these scores are derived from responses companies give to questionnaires, or information that ratings analysts unearth in annual reports. We have found that smaller companies may not be aware of the need to respond to such questionnaires; they may have no idea that such a rating exists; or understand how a score has been calculated. Many simply lack the human resources to deal with an ever increasing volume of questionnaires.

One company in the Better World Fund that we had assessed as having a strong ESG profile and very impactful product, scored poorly with a certain ratings provider. We spoke to the company in question, a small business listed in the US. They informed us that they

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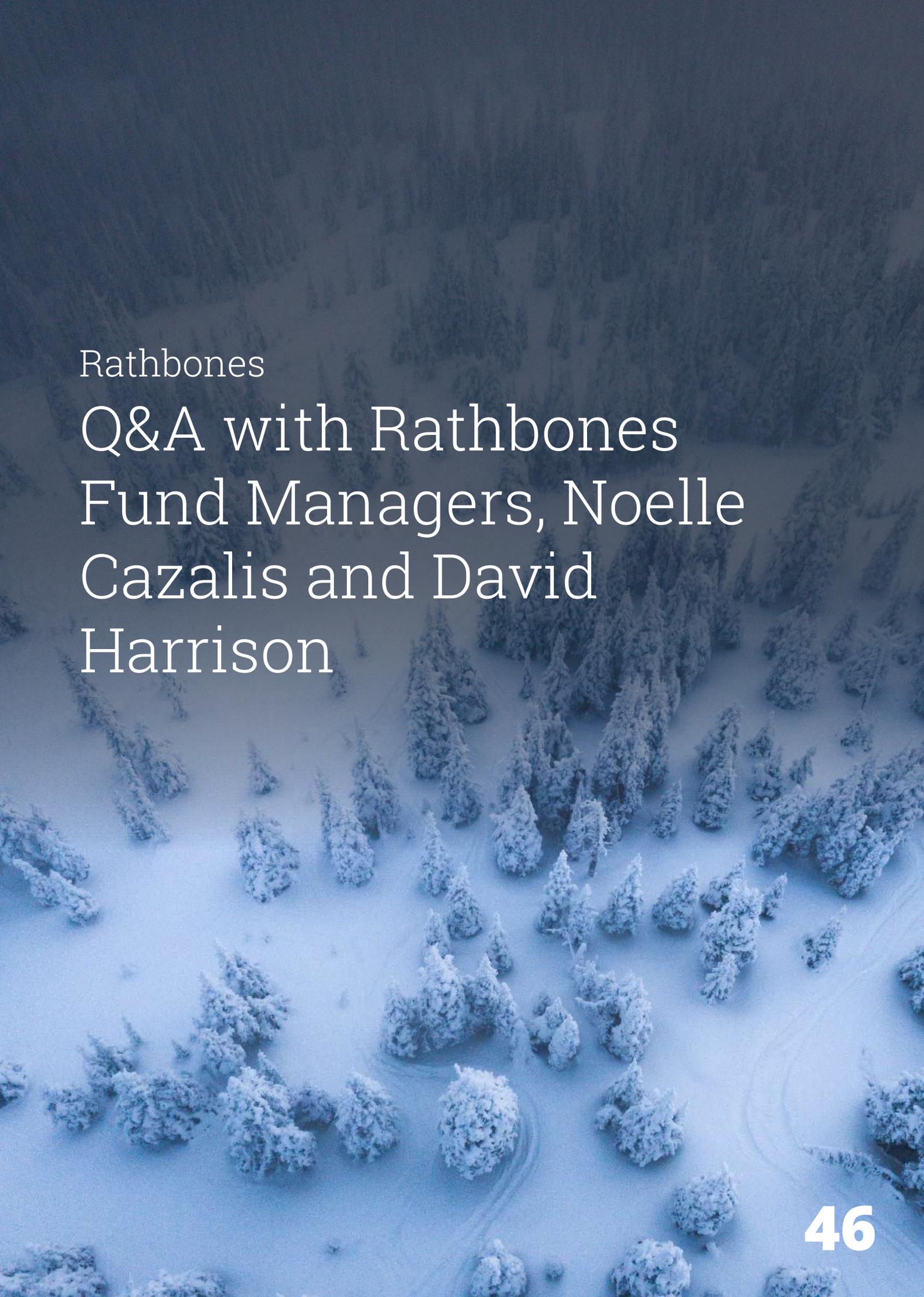


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get so many questionnaires they do not have time to respond to all of them. They were not sure which ones to prioritise. They also said that the concerns raised in the report were inaccurate: the company did publish the necessary information, just not where the analyst had been looking.

Ratings providers try to cover the whole market – and this can stretch their own resources. The company wished that they were given the opportunity to challenge the findings of the ratings company before their conclusions went public. Companies are also left scratching their heads when one ratings provider scores them well and another scores them poorly. The correlation between certain ratings agencies remains low.

This growing focus on ESG data and the increasing influence of ratings agencies is causing something of a headache. It is why we always go to the source: we speak to our companies and try to understand how we can use ESG data to augment our view of a company. You must work out which ESG factors are material to that company and by extension, the investment case. Data is useful and ratings are worth glancing at, much in the same way that consensus forecasts can help when building a financial model. Ultimately, however, there are no shortcuts. If you want to use ESG to enhance your understanding of a company, you need to do your own homework.



Rathbones

Q&A with Rathbones  
Fund Managers, Noelle  
Cazalis and David  
Harrison



# Rathbones

## Look forward

Noelle Cazalis (Rathbone Ethical Bond Fund) and David Harrison (Rathbone Global Sustainability Fund) discuss how their approaches to ethical and sustainable investing complement each other.

### What challenges do you face as ethical and sustainable investors when looking for opportunities to add to your portfolio?

**NC:** The most obvious is that ethical investing creates a smaller investment universe, but as active managers, we see benefits to having a process that allows us to be selective with our investments. As bond investors, our downside risk is 100% if a company fails. So, taking into account risks like bad corporate governance or the impact of climate change on certain industries, having ethical screening has actually helped to protect the fund from this downside risk and add to performance.

**DH:** There are two factors here. The first is that our sustainability screen gives us a very clear moral mandate when investing. It's true that when we invest, we exclude about 15% of the global index, but this still leaves us with 3,000 companies to invest in. As active managers, we have the freedom to find opportunities anywhere in the world, so in no way does our approach restrict us when it comes to portfolio construction and meeting investment objectives.

### What kind of investors are you trying to attract? Are your funds designed to have broad appeal in the ethical and sustainability space, or are you more narrowly focused with more of a niche appeal?

**DH:** We're very clear about our definition of sustainable investing, the different sectors we won't invest in, and how we describe that to investors. While some funds focus on trying to encourage companies with poor ethical track records to improve, our approach is to invest in companies that are rated good to better from a sustainability point of view. We're looking for high-quality companies that already have a strong track record and are driving continuous improvement.

### How has your approach to ethical investing evolved over years, particularly from the Ethical Bond Fund's inception up to when the Global Sustainability Fund was launched?

**NC:** The Rathbone Ethical Bond Fund was first launched when the market for these types of investment were fairly niche, so most of the evolution in ethical investing has taken place over the past few years. Because the fund was designed with a strict process from launch, its approach hasn't needed to evolve quite so much. But markets have developed over the years and we are seeing new opportunities that align with our philosophy that didn't exist when the fund was launched, such as green bonds.

### How do you ensure you avoid companies that are presenting themselves as ethical or sustainable, but in reality might not be what they say they are?

**DH:** The research team at Rathbone Greenbank Investments does valuable work around looking at data sources, supply chains and engagement with companies. As a fund manager, the best way to do this is by meeting the company management. I want the CEO of the business to explain to me how sustainability links back to their core business. If a company says it is ESG-focused, I will ask them to explain how this links back to financial performance and executive pay. This is a great way to find out if they're walking the walk or if it is very much greenwashing.

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## Given the disruption that the pandemic has caused, what sustainability or ethical theme has become most important to investors or portfolio managers such as yourselves?

**NC:** For much of the past seven or eight years, there has been a lot of talk about the green bond market. Within the past year we start hearing more about social bonds, which help to fund social projects, such as decreasing inequalities. That market started booming during the pandemic. The first few days of the credit crisis, we started to see development banks like an African development bank's and Inter-American development banks issuing billions into the market of social bonds to finance their response to COVID.

## What role do you think that sustainable and ESG investing will play in rebuilding the economy following the pandemic?

**NC:** From a fixed income perspective, I think social bonds will help to avoid a further rise in inequalities, which can be a consequence of the pandemic. On the infrastructure side, there was already a lot of talk in terms of the need for more green infrastructure spending from governments before the pandemic, so I think we will see more spending directed towards this area.

**DH:** I would echo the point about infrastructure. We are already seeing it and we think this might translate into a faster adoption of renewable energy and improving efficiency. This is the perfect time to accelerate investment into the renewables and the circular economy. This kind of infrastructure not only provides an economic benefit, but it also has an environmental and social benefit.

For more information, please visit [Rathboneinvestments.com](https://www.rathboneinvestments.com)

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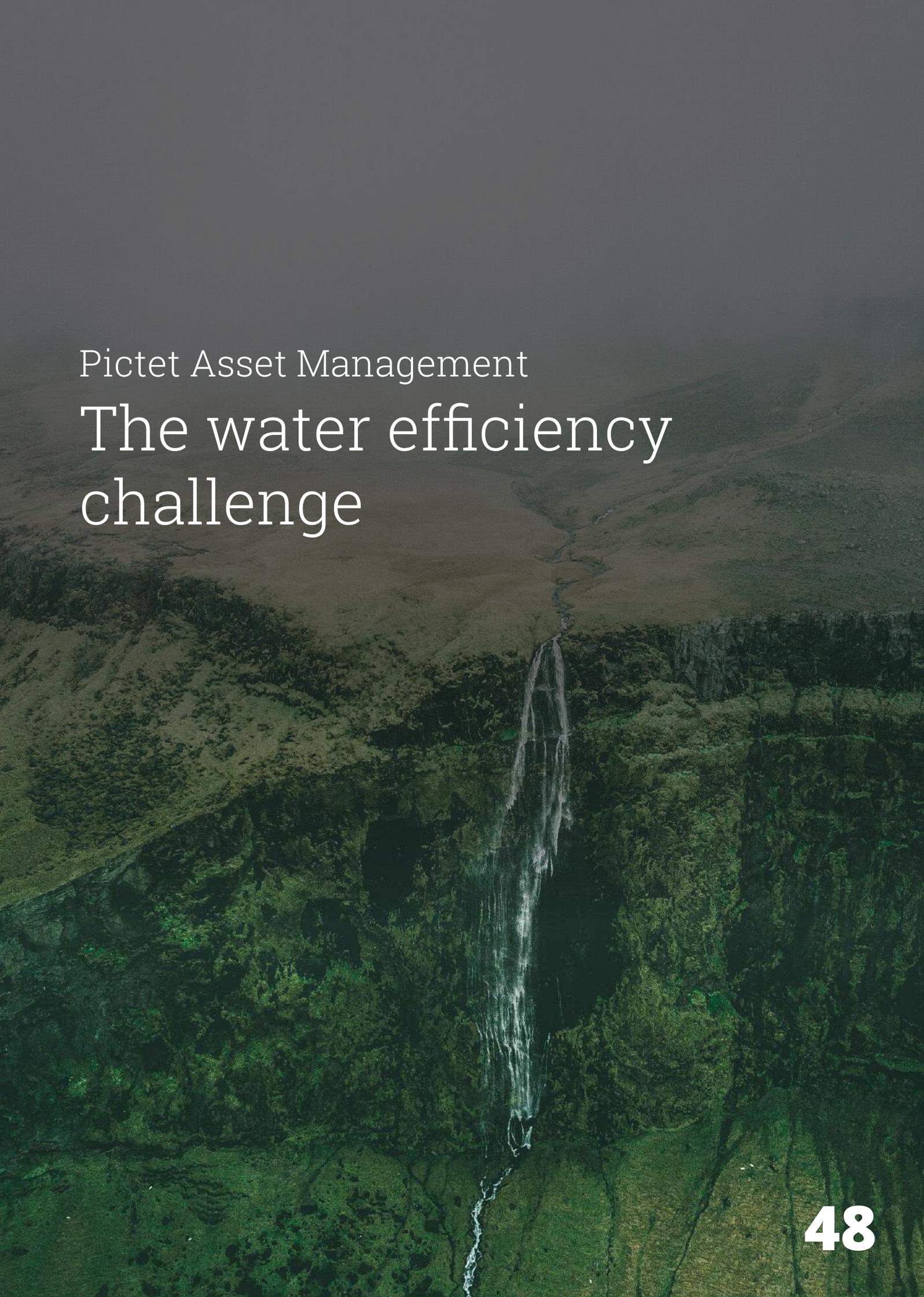
This is a financial promotion relating to a particular fund. Any views and opinions are those of the investment manager, and coverage of any assets held must be taken in the context of the constitution of the fund and in no way reflects an investment recommendation.

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**GOOD WITH MONEY**

An aerial photograph of a waterfall cascading down a rocky cliff into a lush green valley. The waterfall is the central focus, with water flowing down a narrow, rocky path. The surrounding landscape is a mix of green vegetation and brown, rocky terrain. The sky is a dark, overcast grey.

Pictet Asset Management

# The water efficiency challenge



## The water efficiency challenge

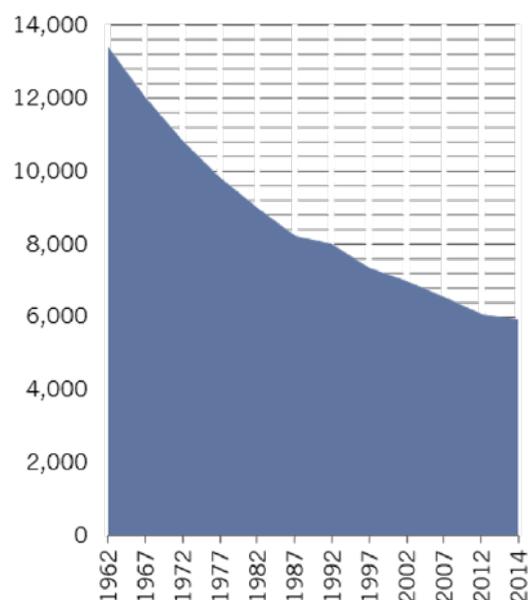
By **Marc-Olivier Buffle, Senior Product Specialist** and **Cédric Lecamp, Senior Investment Manager**

In an era of scarce resources and increased environmental awareness, businesses should do more than reduce their carbon footprint. It's essential they cut their water use, too.

The world is waking up to the need to protect the environment for future generations. Cutting carbon emissions is one step in the right direction – one for which businesses are increasingly being held to account, whether that's by regulators, consumers or shareholders. But it is not the only step we need to take. Water efficiency is another battleground in the fight for sustainability.

**Fig. 1 Running out of water**

Global renewable fresh water resources per capita (cubic metres)



Source: Our World In Data, World Bank

Measuring and comparing water use across industries is the first priority. One starting point is the Planetary Boundaries framework, a model that establishes numerical limits for the nine most damaging environmental phenomena facing the planet, from climate change and freshwater use to biodiversity loss and land use.

The framework, developed by the Stockholm Resilience Center, suggests we can sustainably consume up to 4,000 billion cubic metres of freshwater per year – broadly in line with current use levels, according to some estimates. But by 2030, world water demand is forecast to reach 6,900 billion cubic metres, far exceeding accessible and reliable supplies.<sup>1</sup>

Around a fifth of all the water used is consumed by industry, which means businesses have a major role to play in rethinking how we use and recycle this precious resource. For the world to stay within the sustainable boundaries, research shows that businesses should use no more than 52,915 cubic metres of water for every million dollars of revenue they generate.<sup>2</sup>

Companies that restrict their use in this way are rewarded through cost savings and the reduced risk of exposure to water shocks. They are also more likely to win favour among increasingly environmentally conscious consumers and regulators.

### Fair comparison

As with the fight to cut carbon emissions, investors have a key role to play, both by encouraging companies they invest in to embrace water efficiency, and by actively seeking out businesses which have shown particular innovation and progress in this regard.

Ceres, a research and advocacy group focused on sustainability issues, has launched a toolkit to help investors understand water risks and incorporate them in the portfolio allocation process, identifying sectors by high, medium or low exposure to water-related threats. The Boston-based group also suggests that investors make a concerted effort to influence companies' water risk through shareholder engagement.

The United Nations, meanwhile, has created the CEO Water Mandate and, through its Sustainable Development Goals (SDG), is pushing for universal access to safe water and sanitation. Big names such as Coca Cola, Nestlé, Unilever and Siemens been involved with those initiatives. Investors have the opportunity to encourage the companies they invest in to follow suit.

The UN focuses on a metric it calls water use efficiency (WUE) – a measure that calculates the gross value-added economic activity per unit of water consumed by a country, industry or company.

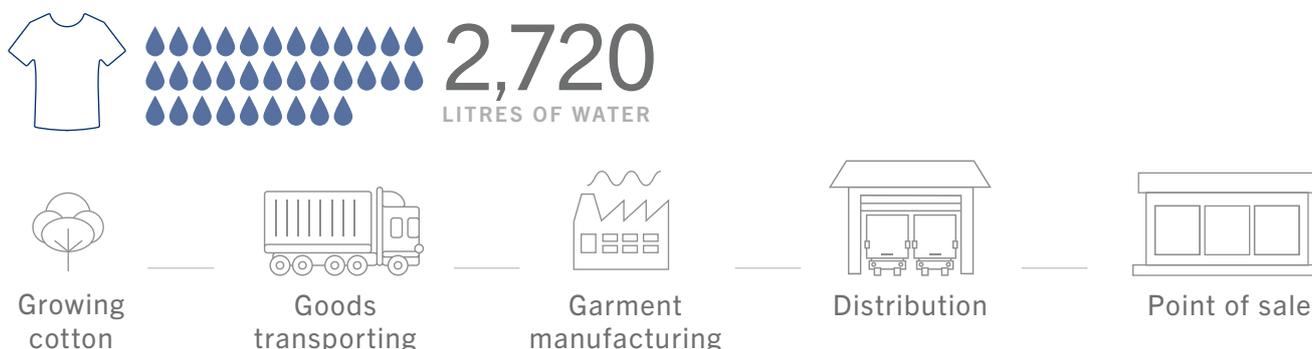
Before WUE scores can be used to inform investment decisions, however, it is essential that they are both comparable and give a true reflection of each company's exposure. For now, this is probably not the case. WUEs range widely even for companies in the same sub-sector, let alone industry.

Take brewing, a big water user. Overall, the industry produces some 1.9 billion hectolitres of beer a year,<sup>3</sup> and – from crop cultivation to consumption – uses at least 60 times as much water in the process.<sup>4</sup> Yet within the industry there are huge variations in water consumption from one brewer to another. One international brewer, for example, has reported a WUE score of USD1,850 of gross value-added economic activity per cubic metre of water consumed, while its rival only manages USD270.

The issue is that while the better-scoring brewer is clearly further advanced on the water efficiency path, it is at present hard to do a fair comparison as the calculations can vary widely.

**Fig. 2 The full story**

Global average water use in production of a t-shirt and the stages involved



Source: UNESCO-IHE Institute for Water Education, Pictet Asset Management.

For the data to be meaningful, companies must consider their water use across the whole production chain – something which many currently do not do. A typical clothing retailer, for example, will use relatively little water. That ignores the fact that the cotton, from which the garments are made, is very water intensive to produce. Looking at the operation in isolation of its supply chain and products usage downplays the role the company can have in global water efficiency (in this case by raising the issue with their suppliers). It also downplays the extent to which it could be negatively effected in case of a water shock.

What makes the issue even more complicated is the fact that water is a local problem – large reserves in one country cannot effectively be transferred to deal with a drought in another. The location of a company, therefore, can strongly affect the likelihood of it being subjected to water risk and the degree to which it sees water efficiency as a priority.

Investors can help establish standards and promote accountability. It is in our interests to do so – businesses which do not embrace water efficiency face increased risks not just from water shortages, but also from changes in regulation and from increasing environmental consciousness among consumers. Much as the carbon footprint is today becoming a consideration in portfolio construction, water use can in future be an important input.

## Circular approach

Being water efficient means not only using less, but also reusing more. Some of the world's leading industries are already adopting a circular economy approach, treating wastewater as a resource rather than as something to be disposed of. As our society – from politicians to consumers – becomes more aware of environmental challenges, companies that are in a position to demonstrate a circular approach to water use will benefit from improved perception and reduced reputational risk.

Some industries clearly use more water than others, and thus have more scope to push through change and to benefit. Companies involved in food production are obvious candidates. In some regions, too, there is greater impetus for change than in others due to local water conditions. However, the problem is a broad one – everyone uses water and, in an increasingly interdependent and interconnected world, virtually all major businesses are exposed to water scarcity risk at some point in their operations. Investors with deep insight into water use and efficiency thus have the potential to identify hidden risks and opportunities.

Good environmental management is a useful metaphor for a soundly run business. That is true for carbon emissions, and it is also true for water efficiency.

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<sup>1</sup> 2030 Water Resources Group, "Charting Our Water Future"

<sup>2</sup> "Towards defining an environmental investment universe within planetary boundaries", C. Butz et al, 2018

<sup>3</sup> BarthReport Hops 2018-9

<sup>4</sup> "Water Futures", WWF, SABMiller, GTZ, 2010

An aerial photograph of a beach. The top half of the image shows the dark, turbulent ocean with white foam from waves crashing onto the shore. The bottom half shows the golden sand of the beach, marked with numerous footprints and some dark spots, possibly seaweed or rocks. The overall scene is captured from a high angle, looking down at the coastline.

Aberdeen Standard Investments  
Net zero, idle promises?



## Net zero, idle promises?

By Eva Cairns, Senior ESG Investment Analyst

Companies' pledges of 'net-zero' emissions are only meaningful if backed by credible action plans that do not rely heavily on offsetting.

### A wave of pledges

Growing numbers of countries, cities and companies have pledged to become net zero by 2050 to meet the goals of the Paris agreement. Estimates suggest, collectively, these net-zero pledges represent nearly 25% of world emissions and 50% of global output.

### Why net, not absolute, zero emissions?

In some sectors, cost-effective technologies exist to cut greenhouse gas emissions to zero through electrification. However, for industries like aviation, construction materials and agriculture, reducing emissions to zero will be technically complex, impossible or prohibitively expensive, and so residual emissions will remain.

### Race to net zero

Actors committed to net zero targets, June 2020	
Businesses	992
Universities	505
Cities	449
Investors	38
Regions	21

Source: UN Race to Zero campaign, June 2020, <https://unfccc.int/climate-action/race-to-zero-campaign>

The concept of net zero means these residual emissions need to be removed from the atmosphere through negative-emission technologies, including carbon capture and storage, or natural carbon sinks such as forests. However, many negative-emission technologies cannot currently operate at scale, so companies may pledge net zero to signal their future intentions. This makes it difficult to hold companies to account for emission reductions.

Moreover, the extent of negative emissions required to satisfy the Paris agreement depends on the climate change scenario chosen, and assumptions about policy and technological developments. Hence, there is huge uncertainty on how exactly we might attain net zero.

### Are company pledges meaningful?

Three questions can help investors understand the substance behind net-zero pledges.

#### 1. Scope?

Most businesses pledge net zero on their Scope 1 and 2 emissions - the direct emissions from their operations and energy consumption. But Scope 3 emissions, which include upstream supply chain emissions and downstream emissions from products sold, must also be considered. In sectors like oil and gas, automobiles and financial services, most of the emissions are Scope 3. These can be significant. For instance, 85% of oil and gas emissions are Scope 3. Companies have no direct control over these emissions and largely rely on policymakers to set the right incentives.

#### 2. Genuine emission reductions versus offsets?

Net zero means any residual emissions can be offset. But to what extent is offsetting acceptable?

Some companies choose to offset their emissions through voluntary offsetting schemes. Indeed, the voluntary carbon offset market more than doubled between 2017 and 2018. Credibility is crucial: any offsetting scheme must meet specified criteria to be externally verified.

One issue is that it's currently far cheaper to offset emissions than to invest in sustainable long-term solutions that will genuinely reduce carbon. In 2018, the average price of voluntary offsets was US\$3 per tonne of carbon dioxide (CO<sub>2</sub>), much cheaper than the US\$75 Paris-aligned price recommended by the International Monetary Fund. However, expected growth in demand for offsets should ultimately push up the price to the optimal Paris-aligned figure.

For example, in 2019, EasyJet announced it was offsetting its flight emissions over three years for £25 million per year. This equates to £3 per tonne of CO<sub>2</sub> - a cheap way out. While arguably better than nothing, could the £25 million be spent more effectively on advancing decarbonisation solutions for the industry?

Another problem is that around 60% of all offset schemes require land. Shell estimates that, for the energy sector alone, an area about the size of Brazil would need to be reforested to reach net zero by 2070. There are also social implications, given people may need to be displaced to enable such large-scale planting.

Clearly, carbon offsetting is not a viable, scalable, long-term strategy - it should be considered alongside, not instead of, substantive reductions.

### **3. Are pledges reflected in today's actions?**

To be credible, long-term pledges must be reflected in short-term targets, capital expenditure, research and development plans, and remuneration. Otherwise, they are worthless.

Research from energy think-tank Carbon Tracker suggests that between 2018 and September 2019, the largest western oil and gas companies approved an estimated \$50 billion of investments that are inconsistent with the Paris agreement. The choice of

climate scenario for target-setting matters greatly. For instance, in setting their climate goals, oil and gas companies may assume substantial negative-emission technologies and a late peak of fossil fuels, which would help justify continued investment in fossil fuels.

Active investors have an important role in challenging the alignment of projects to net-zero pledges by asking how targets have been factored into capital investment decision-making. It's imperative companies show how their net-zero targets are split into actual emission reductions (Scope 1, 2 and 3) versus negative emissions, including the role of voluntary offsetting schemes. And, critically, how their capital expenditure plans are aligned to those targets.

### **What does it mean for investors?**

The recent wave of net-zero commitments is encouraging, as is the increasing inclusion of Scope 3 emissions in targets. However, we need to seek more detail on companies' long-term pledges and their reflection in today's investment plans. Offsetting emissions at cheap prices, limiting the scope of targets or cherry-picking climate scenarios that support current investment intentions will not get us far in decarbonising the economy.

Those invested in companies with empty pledges face stranded-asset, carbon and reputational risks. Taken alongside inadequate country commitment, the biggest risk of empty pledges is the effect on our planet and future generations. All these pledges create the sense that much more is happening than actually is, but we cannot limit global warming without credible action plans. And, if we think targets are not credible, we must hold companies to account through active engagement and voting.

**The value of investments, and the income from them, can go down as well as up and you may get back less than the amount invested.**

An aerial photograph of a tropical bay with clear turquoise water. Numerous small, traditional outrigger boats are scattered across the water. The surrounding land is lush green and hilly, with a large, rounded mountain peak in the background under a dark, overcast sky.

Impax

# Impact @ Impax: why we report on the impact of our portfolios



## Impact @ Impax: why we report on the impact of our portfolios

By Meg Brown, Executive Director, Marketing & Business Development

At Impax, every strategy is designed to intentionally allocate clients' capital towards those companies we expect to flourish as the global economy transitions to a more sustainable model. We also aim to reduce or eliminate exposure to potential losers from that transition. Our annual impact reporting provides post-investment evidence of this intentionality.

The measurement of impact is an evolving discipline, with a proliferation of methodologies and techniques, and none of the consistency that regulation and international standardisation has brought to financial accounting. It is therefore important to set our impact reporting in context, especially with regard to the sustainability challenges that our portfolio companies are confronting. We find two external frameworks particularly helpful in this regard: the Paris Climate Agreement, and the UN Sustainable Development Goals (SDGs).

### Assessing companies' climate impacts against the objectives of the 2015 Paris Agreement.

It aims to hold the rise in global average temperatures to no more than 2°C above pre-industrial levels, with the ambition to keep this temperature rise below 1.5°C. To understand this in the context of the global economy, these goals can be translated into figures for maximum allowable emissions per unit of investment and a portfolio's carbon footprint compared against these. At Impax, all our strategies fall well within the ambition of the Paris agreement.

We measure the CO<sub>2</sub> impact of our portfolio by reference to the carbon-intensity of the power grids in which they operate. As renewable energy and natural gas-fired generation displaces coal-fired power plants, these grids are becoming less carbon-intensive. For example, according to the IEA, the electricity grid in the US saw the carbon emissions produced for each unit of power generated fall by 5% year on year. In Europe, emissions intensity fell by 6% over the same period.

This means that the incremental environmental benefit of a new wind farm, for example, is lower than it was in previous years: although 1GWh of renewable electricity produced in 2019 was just as 'clean' as in 2018, the improvement in comparison to the broader electricity network – the baseline against which we measure impact – is smaller.

One additional development relating to renewable energy involves a notable increase in the number of companies outside the power generation sector that reported installing renewable energy generating capacity and selling surplus clean energy into the grid. While the environmental impact of these sales is marginal compared to that of large-scale dedicated power producers, it illustrates a trend that we believe is likely, over time, to have a material impact on power generation markets. Namely the evolution of power systems from centralised to decentralised models as companies take action to secure the low carbon energy supplies to meet their own climate risk management plans.

The effect of improving baselines can be seen across the environmental metrics that we track. As efforts to improve energy and natural resource efficiency deliver, the magnitude of incremental benefit delivered by environmental technologies reduces. Ultimately, this is good news. It is evidence of our investment thesis playing out – i.e. that the use of environmental technologies will become more common over time as they are adopted by companies and individuals globally to reduce their pollution and improve natural resource efficiency.

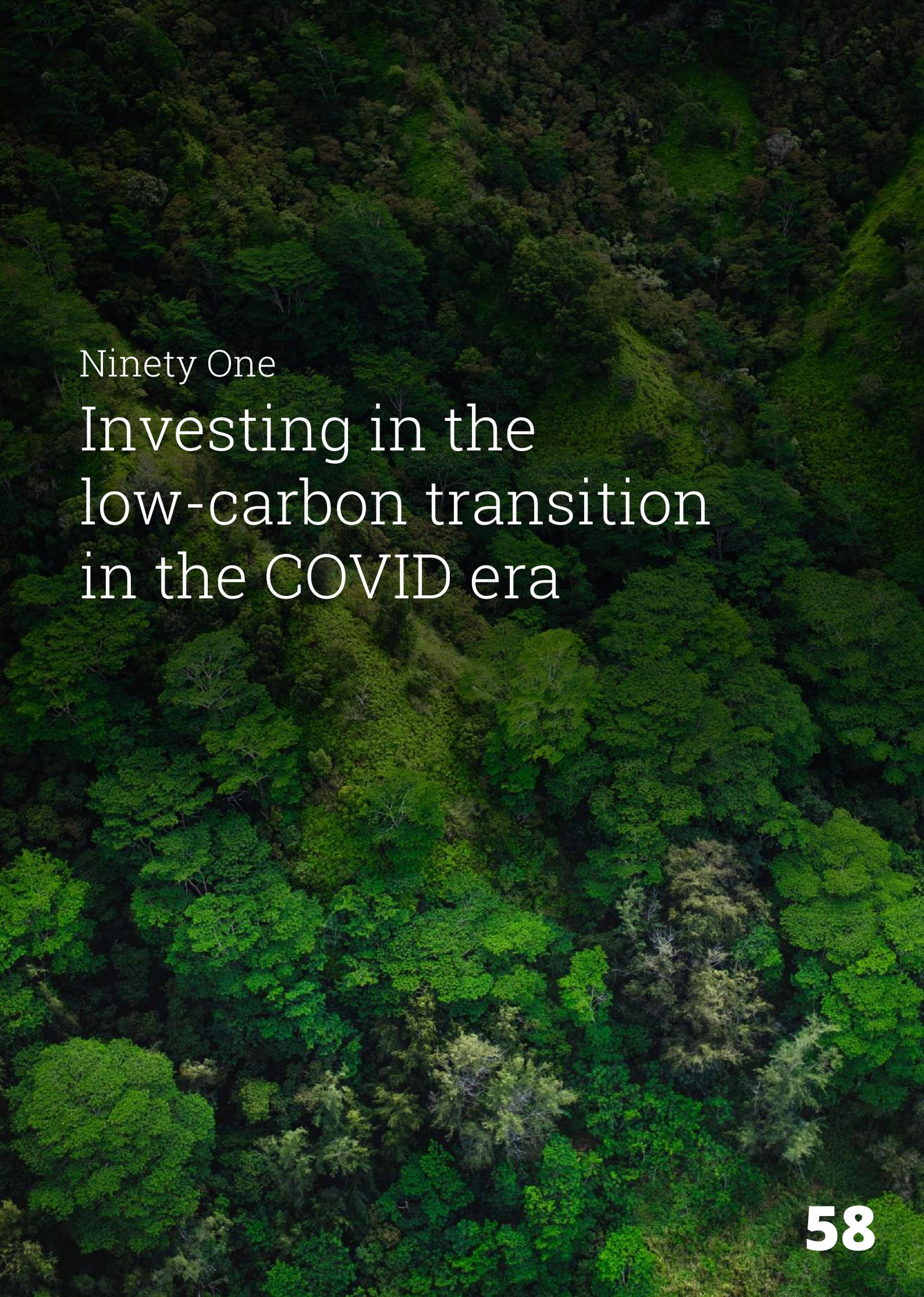
## Assessing portfolio exposure to the UN SDGs

The SDGs are a series of 17 social and environmental goals, comprising 169 targets, agreed by the 193 member states of the UN in 2015 and which set development objectives out to 2030. Unlike the previous Millennium Development Goals, which applied to developing countries, the SDGs are universally applicable.

Investors are increasingly interested in understanding the extent to which their investments are contributing to the attainment of the SDGs. However, given the large number of targets, and the fact that some of them are aimed at government and public sector actors rather than private sector companies, it is challenging to quantify the extent to which investment in a portfolio of companies is contributing to meeting the SDGs. What we are able to do is map the degree of revenue exposure our strategies have towards meeting those goals which are relevant to private sector investment opportunities. At Impax, all our strategies have over 50% exposure to UN SDG.

In big picture terms, however, the UN has judged that, a third of the way to the 2030 deadline, the world is not on track to achieve the goals. At the start of what the UN has called the “Decade of Action” to meet the SDGs, UN Secretary-General António Guterres has called for “renewed ambition, mobilisation, leadership and collective action” as part of a global effort to meet the goals and in response to the Covid-19 pandemic.

Indeed, ‘building back better’ in the wake of the pandemic is likely to be a central preoccupation of policymakers in the months and years to come. To the extent that sustainability considerations are successfully incorporated into pandemic recovery programmes, this will support the sustainability transition, the companies in which we invest, and the environmental impact that those companies are able to deliver to our clients.



Ninety One

Investing in the  
low-carbon transition  
in the COVID era



—  
Previously Investec  
Asset Management

## Investing in the low-carbon transition in the COVID era

**By Deidre Cooper, Co-portfolio manager of Ninety One Global Environment**

Does investing in the low-carbon transition make sense in a world battling COVID-19? Deidre Cooper, co-portfolio manager of Ninety One Global Environment, says the rationale for an environmental portfolio may be stronger than ever.

### **What does the pandemic mean for sustainable investors?**

When the coronavirus struck, there was widespread speculation that environmental plans would be delayed, which was perhaps concerning for investors with a sustainable focus. But now it looks like the opposite may be happening. For example, the European Union has put clean transport and energy at the heart of its recovery plan, expanding its Green Deal. In the US, the presidential challenger is betting on a radical green agenda to help him win power. And companies like BP are accelerating their clean-energy plans in response to the pandemic.

### **What lessons should investors draw from this?**

I think it indicates that the structural growth trend of decarbonisation is very much intact. The world still has a massive task ahead to transition from today's unsustainable economy to one based on cleaner energy and transport, more efficient industrial production and more energy-efficient buildings. The

products and services of select companies will be crucial in enabling that transition – providing those businesses, we believe, with a structural growth tailwind for years. That may prove a lifeline for investors in a growth-challenged world.

### **Besides policy, what's driving the growth?**

There are three main drivers of decarbonisation: regulation, technology and consumer behaviour. In some places there has been a big acceleration of the regulatory driver in the wake of the pandemic. We're seeing no let-up in the technology driver, for example in terms of the falling cost of renewable energy and in the number of sustainable product launches. As for consumer behaviour, the jury's still out. But there is encouraging evidence that people are thinking much more about their carbon footprints. All in all, we think that companies exposed to decarbonisation are well positioned for above-market growth as we come out of this crisis.

### **Where can investors find companies with the potential to benefit from the decarbonisation growth trend?**

The three pathways to a lower-carbon economy are renewable energy, electrification and resource efficiency. We believe decarbonisation will fuel growth along the supply chains of businesses in each of those pathways. Consequently, the universe of decarbonisation-exposed companies is hugely diverse and spread across regions and sectors. It includes renewable-energy companies, logistics firms, software companies, chemicals and biotech businesses, and many more.

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GOOD WITH MONEY

## What did you learn about investing in decarbonisation in this year's market turmoil?

First, we learned that the decarbonisation sector lends itself to diversification. In the brutal global equity sell-off in the first quarter of this year, the defensive utilities in our universe – i.e., providers of renewable energy – did their risk-mitigating job, helping to offset the heavy falls in cyclically exposed companies, such as auto-sector businesses that are enabling the shift to electrified transport.

It was also encouraging to see the resilience of the businesses we invest in. The Ninety One Global Environment strategy launched in 2018, but as portfolio managers we have been holding many of the companies we are currently invested in for a long time. We were with them through the 2008 Global Financial Crisis, and their results in the immediate aftermath of the Q1 sell-off showed they are generally stronger this time around. Even so, market conditions are extremely tough and a careful approach to building a portfolio is essential.

## How so?

Although we were encouraged by the performance of leading decarbonisation-exposed businesses through the turmoil and their subsequent bounce back, these are uncertain times. As McKinsey has pointed out, the coronavirus and climate change are both 'risk multipliers', in that they exacerbate existing vulnerabilities in the economy.

To us, that argues more than ever for an active and selective approach to investing in the decarbonisation growth opportunity – one that focuses on quality businesses with competitive advantages and strong, defensible market positions.

All investments carry the risk of capital loss.



M&G Investments

# The circular economy as climate change solution



## The circular economy as climate change solution

**By Ben Constable-Maxwell, Head of Sustainable and Impact Investing**

As global society battles the Covid-19 pandemic, the physical manifestations of climate change are hard to ignore.

Apocalyptic images of wildfires in California, where more than two million acres have been engulfed in flames so far this year, contrast with retreating Arctic sea ice as the region registers record temperatures.

The five-year period since the 2015 Paris Agreement on climate change is expected to be the hottest on human record. Paris committed governments to limit the global average temperature increase to as close to 1.5°C above pre-industrial levels as possible. This translates into net zero global greenhouse gas (GHG) emissions by 2050.

If we fail to make deep emissions cuts, the Intergovernmental Panel on Climate Change makes clear that we risk catastrophic and irreversible damage to global ecosystems, and the global economy.

So, there is an urgent need to identify and implement solutions. Until now, attention has focused on decarbonising the energy system by moving towards renewable energy and improving energy efficiency.

Yet another answer to the challenge, which has so far been overlooked, is the circular economy.

*“Switching to renewable energy plays a vital role in addressing climate change, but this alone will not be enough. In order to achieve targets on climate, it is critical that we transform how we design, make, and use products, and food.”*

Dame Ellen Macarthur, founder of the Ellen Macarthur Foundation

### Reduce, reuse and recycle

The circular economy is an alternative to a traditional linear economic model of ‘take, make, dispose’ in which resources are extracted, used, and then disposed of at the end of their life.

The circular economy’s three principles – designing out waste, keeping materials in use for as long as possible, and regenerating natural systems – form a template for solving many pressing global challenges.

It is estimated that the world generates two billion tonnes of solid waste a year. ‘Closed-loop’ processes based on these three principles can enable the global economy to decouple long-term economic development from the extraction of resources, as well as reduce unnecessary waste and mitigate the risks of resource scarcity.

Critically though, moving to a circular economy can play a major role in addressing climate change by supporting the transition to a resource-efficient, low-carbon economy.

While roughly 55% of GHGs come from the energy sector, through burning fossil fuels for power, heat and transportation, the remaining 45% come from the way we produce our goods and food. Without addressing the latter, we cannot get near to meeting the Paris goals.

### Closing the loop for the planet

The principles of circular processes can be applied to reduce emissions across the economy, but inevitably have a particularly major impact in certain sectors.

Cement and steel production, for instance, are two of the most carbon-intensive industries, contributing an estimated 12%-14% of global carbon emissions combined<sup>1</sup>. For steel, replacing iron ore and coal with recycled scrap metal can limit resource extraction, as well as deforestation and pollution. For cement, using carbon emitted by industry as an input into the cement manufacturing process can reduce emissions.

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A landscape photograph of a valley with a railway track running through it, under a cloudy sky. The track is in the foreground, leading into the distance. The valley is filled with green fields and some small buildings. The sky is overcast and grey.

Triodos Investment Management  
Resetting the  
economy with a  
swifter sustainable  
transition



## Triodos Investment Management

# Resetting the economy with a swifter sustainable transition

By William de Vries, Director Impact Equities & Bonds

The arrival of Covid-19 brought about tremendous economic impact, uncertainty in outlook, and massive market volatility. However, responding quickly to these declining economic developments and challenging equity market valuations, our fund managers took prudent steps early on to minimise the impact of the Covid-19 pandemic on our funds.

This defensive positioning proved to be a successful strategic move – on a relative performance basis we did tremendously well, and we continue to do so.

Indeed, this has been seen across other ethical investment funds. So far industry analysis suggests that environmental, social and governance (ESG) investments were more resilient during the Covid-19 market crash. Our Triodos Pioneer Impact Fund even outperformed its benchmark by some 7% in the first half of 2020.

We believe this strong performance is due to a carefully screened and selected portfolio of sustainable companies, and that what you do invest in matters just as much as what you do not invest in.

In general, we select companies with sustainable business models, solid management teams and strong balance sheets; and these have proven to be more resilient, less risky and less volatile during the market downturn. When the pandemic hit in March, there was an abrupt halt to economic activity due to immediate lockdowns, which coincided with a crash in oil prices.

As unemployment rose and consumption ground to a halt, governments had to step in, announcing massive monetary and fiscal stimulus plans. Central Bank bond

buying programs put downward pressure on interest rates, which was reflected in poor performance of banks and insurers stocks; and as oil prices collapsed, energy companies suffered too. Since Triodos doesn't invest in traditional hydrocarbons there was no exposure to oil prices, and as there are also very few financials in the portfolio, the fund was not affected by weak performance from banks and insurance companies.

There is clear societal awareness that we need to look at the world differently. We are not expecting high unemployment and economic weakness to abate anytime soon either. The economy is fragile and GDP growth expectations might prove to be too optimistic. We don't think the economy will see the V-shaped snap back economists are hoping for, but rather a more protracted recovery trajectory.

However, that doesn't mean a slowing down in building greener economies. As the recovery continues, governments are focusing on how to build greener, more sustainable economies. There is also clear societal awareness to look at the world differently and finance the world differently. Many companies have proven to be good corporate citizens during the pandemic as well, putting worker safety and continuity of income before profits, which is something we have not seen in previous times of crisis.

Sustainably motivated investors like Triodos Investment Management are well-positioned to play their part in the economic reset. Sustainable investment funds are seeing inflows outpace those of traditional funds, and stocks of more sustainable companies have begun to command a premium in equity markets.

Companies with good ideas and those that behave responsibly are being rewarded. For example, bicycle components manufacturer Shimano is included under our 'Clean Planet' theme for inclusion in the Triodos Pioneer Impact Fund and aligns with five UN Sustainable Development Goals.

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GOOD WITH MONEY

The company provides products for environmentally friendly transportation, which reduces energy use and air pollution. They also have specific guidelines for suppliers encouraging them to develop products with a reduced environmental impact.

When Covid-19 lockdown restrictions were eased in Europe and Asia this saw significant increase in people choosing to cycle. With social distancing in mind, cycling was encouraged as it is the most suitable, safe and sustainable way of transport. This led to a sharp increase in cycling for travel, exercise, and leisure. Couple that with governments across Europe promoting cycling as a mode of transport for commuting to work and school as a substitute for public transport where it's more difficult to socially distance.

Shimano increased R&D spending to fulfil the expected demand for high quality bicycles. The company also has specific guidelines for its suppliers encouraging them to develop products with a reduced environmental impact. The stock price of Shimano increased sharply in Q2 2020 reflecting the increase in short-term and long-term demand for bicycles.

As well as encouraging this resetting of the economy our focus is on growth with the introduction of our Sterling Impact Bond Fund to bolster our UK portfolio providing more choice and diversity for our investors. This in turn will help to scale impact investing as a whole in the UK by offering impact through Bonds where the majority of investments are held.

Using the same sustainably themed approach to selection the new Bond Fund offers a greater level of stability due to government bonds being included in its make-up and is therefore rated as lower risk/return 3/7. We hope its introduction, along with the growth of our other funds encourages more people to explore impact investing as a viable and effective investment option, and one that helps to tackle the key challenges our planet and its people face by delivering environmental and social impact.

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Triodos Investment Management (Triodos IM), the investment arm of Triodos Bank. Triodos Impact Investment Funds invest in a range of stock market listed companies and bonds that have a positive impact on society and the environment. Invest in the funds directly or via the tax-efficient Triodos Stocks & Shares ISA. For more information visit: <https://www.triodos.co.uk/impact-investments>

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GOOD WITH MONEY



Pennine Wealth Solutions  
Skirting around ESG  
Investing



## Skirting around ESG Investing

By **George Critchley, Senior Partner at Pennine Wealth Solutions**

For 30 years or more, most IFAs have skirted around the subject of ESG (Ethical, Social and Governance) investing. Probably hoping it would just wither and die. Why is this?

It's a challenge being an IFA, full stop. They are drowning in regulation. ESG just means more research, more questions that need answering, and what for, when the majority of clients just want to make money. When asked in informal surveys, IFAs stated that not more than 10% of their clients had even the vaguest interest.

Unfortunately for them, and their clients, most IFAs are behind the times. Even before Coronavirus, client's views were changing rapidly. Younger IFAs seemed more open to the new way of thinking. Us oldies were oblivious to the changing perceptions of investors young and old.

Model Portfolio Manager, Pennine Wealth Solutions (PWS) created and launched their POSITIVE PENNINE PORTFOLIO RANGE in 2016. We very quickly needed to know that our suspicions were correct. We believed that a substantial portion of investors wanted ESG solutions.

### The Survey

In 2017 we arranged a retail client survey. We supported 3 experienced IFAs to survey their current clients. The results were amazing.

### The Main Results

The major finding was that 76% of all survey responders wanted some or all of their investments in ESG. Even assuming all non-responders were not interested, the figure supporting ESG still sits at 43.1% in favour. An interest 4 times greater than IFAs own estimates.

### A Bit More Detail

We surveyed 167 current IFA investor clients, from 3 IFAs; (2 male and 1 female). The survey was done by post, and online. The postal response rate was 5x higher; than the online response rate. The investors were aged 33-81 years old with the average being 60.8 years.

Overall, we received 72 returns. A response from 43.1%. I am not a survey expert, but believe this is a very high response rate. To investors the subject must be EMOTIVE. Of the 72 returns, 40 were from males and 32 from females.

We invited respondents to add additional comments. We collated these. Investors have little trust in big business. Corporate greed, poor environmental policies, shady tax arrangements, shareholders needs paramount, were just some of the themes.

Most of all, investors indicated that they didn't know where to go to ESG invest. They didn't realise their regular IFA could help. It had never been previously discussed. Our conclusion was that in 2017, the IFAs were part of the problem, not the solution.

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GOOD WITH MONEY

## What Had PWS Done About This

We immediately set about training IFAs from scratch. Numerous sessions were put together featuring both ourselves, and leading guest speakers. We have to thank George Latham of WHEB, Peter Michaelis of Liontrust, Sean Fisher at PWS, David Connor from the 2030 HUB, and especially John Fleetwood of Square Mile.



We run Investment Seminars every 13 weeks. These enable clients to listen directly to the experts. Over 400 attendees per year. These investors are the clients of our supporting IFAs. An IFA cannot utilise our portfolios till they have been trained by us.

We created a new specialist website, with reams of supporting information for interested parties. We utilise digital marketing techniques to attract traffic to this new website. We created portfolio fact sheets that include qualitative data as well as the usual financial stuff. We have even sponsored some well-known local business awards to further strengthen our regional message.

Our IFA supporters are utilising fact finds that include more questions, to gauge the clients ESG views. Our IFAs understand how Impact Investing differs from general ESG constituents. We've even become a 'GOOD EGG', as recognised by the people from Good with Money.



## The Results

Although a small Model Manager when compared to some of our competition, Pennine Wealth Solutions has a big kick. The POSITIVE PORTFOLIOS have a very strong 4-year track record. They have loyal investor and IFA supporters, and the numbers of both are growing quickly.

This report is for professional advisers and other regulated firms only. The content of this report is provided for general information purposes only and should not be construed as an offer of, or as solicitation of an offer to purchase, investments or investment services or a personal recommendation to any one investor. The investments mentioned above may not be suitable for all investors. If you have any doubts as to suitability, you should seek professional advice. Your attention is drawn to the following risk warnings which identify some of the risks associated with the investments which are mentioned above:

- The value of investments and the income from them can go down as well as up and you may not get back the amount invested.
- The investments may not be suitable for all investors and you should only invest if you understand the nature of and risks inherent in such investments and, if in doubt, you should seek professional advice before effecting any such investment.
- Past performance is not a guide to future performance.
- Changes in legislation may adversely affect the value of the investments.
- The levels and the bases of the reliefs from taxation may change in the future. You should seek your own professional advice on the taxation consequences of any investment.

This is not a recommendation to buy or sell any funds mentioned or to engage in investment activity with any particular fund managers.

We make no warranties or representations regarding the accuracy or completeness of the information contained within this report.

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