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The Good Investment Review 2017

#FindingGood

3D investing
Powered by Ethical Money

GOOD WITH MONEY
MORE MONEY, FEWER PROBLEMS

Contents

About Good With Money

Good With Money is a website that empowers people to make more responsible choices with their money, from where they borrow to where they invest. Through daily blogs, guides and videos, it informs, educates and inspires those who given the option, would prefer good value to have some values and profit to have some principles.

Founded in October 2015, the intention was to make information about financial services companies' commitments to impact more transparent, so that informed buyers of products help to increase the demand for more responsible products, raising standards overall in financial services.

The site launched the Good Egg, the UK's first responsible money kitemark, in May 2017 and has a free-to-list directory for firms it believes are on the right road towards making a positive impact, for customers, the industry, the environment and society.

About 3D Investing

3D investing is a distinctive investment approach that seeks to maximise the social impact of a portfolio, while minimising exposure to ethical controversies and delivering on financial expectations. Our mantra is "do good, avoid harm and make money".

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

3D Investing is an evidence-based approach that analyses the constituent holdings of every investment, so 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. This approach means that, not only can investors be assured of successful financial outcomes, they can be equally confident in maximising the social impact of their portfolio.

We have analysed every fund registered for sale in the UK that has some form of ethical, sustainability or environmental and social governance (ESG) mandate and this analysis forms the basis of this review.

We attribute a star rating to each fund as a short-hand for identifying the 'best' funds according to the 3D Investing criteria. The best funds in each sector form the basis of the 3D Portfolio, a shortlist of funds approved for use in managed portfolios that truly "do good, avoid harm and make money".

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#Findinggood
- a personal journey

Finding Good - a personal journey

By John Fleetwood, founder and director of 3D Investing

I've been advising on 'ethical' investments since 1991. Since then, the number and variety of funds has proliferated and the ability to construct a balanced portfolio with a clear social impact is higher than it has ever been.

However, the multiplicity and diversity of funds has created its own problems. Many have been driven by institutions keen to track benchmarks and without an obvious empathy with investors wanting to make the world a better place.

This has resulted in strange anomalies whereby highly controversial companies are held (think Monsanto, Exxon, Bayer) in seeming contradiction of the mandate of the fund.

At the same time, positive criteria have tended to be aspirational rather than mandatory, meaning that the actual positive impact of portfolios can be disappointing. This has been compounded by a lack of clear impact reporting with piecemeal reporting of social impacts.

3D Investing is a response to this lack of clarity, aiming to identify those investments that actually do good, avoid harm and deliver on financial expectations.

Our ratings aim to make the identification of the 'best funds' simple and to enable the construction of balanced portfolios that actually achieve our threefold aims.

This doesn't always make us popular, as only the top 30% of funds achieve a rating of 3 stars or more, but then not every fund can be good. We don't aim to be everything to every man (or woman). – instead, we set out to demonstrate the funds that best meet our definition of what constitutes a good fund.

This isn't traditional ethical investment, nor is it just about corporate responsibility – it's about investing in solutions to real world challenges whilst avoiding the companies that contribute to the problems in the first place.

3D Investing is starting to have an impact. We are part of a movement of positive investing, using listed investments to make a positive impact in the real world.

A growing number of fund partners have chosen to work with us including Columbia Threadneedle, Foresight, Impax, Pictet, Sarasin, Triodos and WHEB, whilst we have helped Pennine Wealth Solutions and King & Shaxson to develop 3D portfolios.

Most encouragingly, the star rating has acted as a tool to drive improvement in impact reporting, with funds having been awarded a better rating following satisfied requests for more transparency in reporting.

I regard 3D Investing as a journey. There will never be a perfect solution and we will never get to the final destination, but hopefully, we advance with time. This review is just the latest snapshot of where we have got to on that journey. Bon voyage!

John Fleetwood
John Fleetwood, 3D Investing Founder

"It's about investing in solutions to real world challenges whilst avoiding the companies that contribute to the problems in the first place."

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Funds update

£87 Billion AUM

3D Funds Update

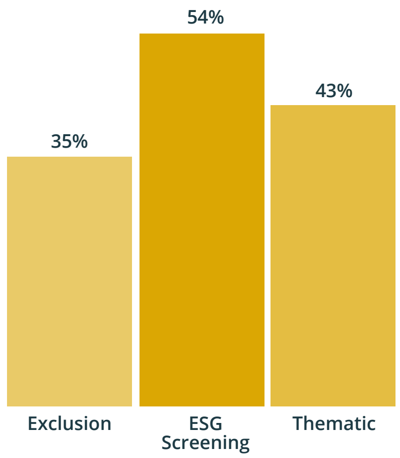
There are now 201 funds with some form of sustainability/ethical mandate, which are registered for sale in the UK (not including Life & Pensions & offshore funds).

These total more than £87 billion in assets under management, still a relatively small proportion of the whole market but a meaningful amount nevertheless.

They follow one or more of the following methodologies:

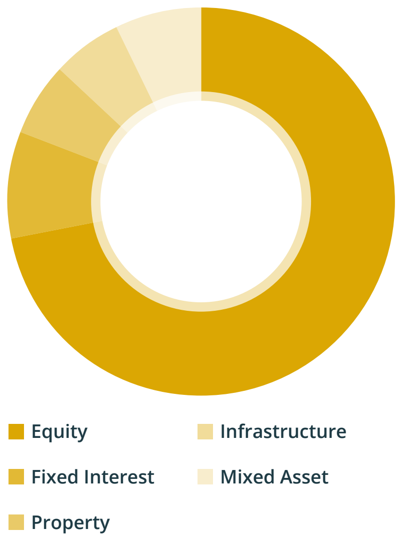
Negative Screening – avoiding companies on the basis of pre-determined ethical criteria

Best of Sector – Preference for companies that exhibit 'best practice' in terms of environmental and social management within their sector



Thematic – focus on investment in environmental or social themes

Of these, most are invested in equities, but there are a significant number of fixed interest, property and infrastructure funds, as well as mixed asset funds.



2.37 Average Star Rating for non-infrastructure funds

3.64 Average Star Rating for Infrastructure and Real Estate

Rating Upgrades
Who were the risers in 2016/17?

From three to four stars

Since the last 3D review in November 2016, we've upgraded the Henderson Global Care Growth Fund to a four-star rating, as the fund manager has now released a paper justifying each holding in the portfolio and the commitment of the fund manager to demonstrating impact is much clearer.

The Quilter Cheviot Climate Assets fund was previously downgraded because of a lack of confidence in the application of their sustainability strategy arising from the inclusion of Rio Tinto, a mining company, in their portfolio. It now appears that this was a mistake in their report and accounts. We have therefore restored the fund to a four-star rating.

Having conducted detailed analysis of the Columbia Threadneedle Ethical UK Equity Fund, we've upgraded it to a four-star rating as it has the highest proportion in solutions to social and environmental challenges of any UK equity fund and it's clear that the fund manager is personally committed to this fund.

INPP, the infrastructure fund goes from a three to a four-star rating as the proportion of the fund in projects that are of direct environmental or social benefit merits the upgrade.

Four to five stars

Assura takes top honours in the form of a five-star ranking, thanks to its much improved financial performance. This gives us much more confidence in its ability to deliver the expected returns, and its social impact reporting.

Rating Downgrades

In the normal course of events, we wouldn't anticipate downgrades unless there is a fundamental change in policy at the fund, or if we lose confidence in its ability to deliver financial returns in-line with expectations.

Most of the downgrades over this period have been due to a normalisation process rather than fundamental changes.

Four to three stars

Ishares Water – No ESG policy and some exposure to ethical controversies.

Liontrust Sustainable Future Absolute Growth – limited exposure to ethical controversies and average impact and performance ratings.

Three to two stars

Royal London Sustainable Managed Growth – Significant exposure to ethical controversies and limited impact.

Royal London Sustainable Diversified – Significant exposure to ethical controversies and limited impact.

New funds

Eight funds have been added to the universe of funds assessed including five which have made it into the 3D portfolios.

Civitas Social Housing is a new real estate fund that was launched to invest in social housing assets, whilst fund manager Sarasin has launched a responsible corporate bond fund on the back of a successful existing mandate.

Phaunos Timber is a fund that has been around for some time but was very poorly managed for many years. The current managers seem to be turning this around so we've added this as a specialist fund.

Just over a year ago, Jupiter soft-launched a multi-asset fund called the Jupiter **Global Ecology Diversified fund**, seeding the fund from existing funds. Our analysis shows this to be more thematically driven than their competitors and our rating reflects this.

The Sarasin Responsible Corporate Bond Fund was launched in December of 2016 based on a proven strategy, run over more than five years for an existing mandate. The fund has a higher focus on solutions than most other bond funds and as a result, makes it on to our portfolio selection.

The **SQN Asset Finance Income Fund** invests in business-essential, revenue-producing (or cost-saving) equipment, leasing this equipment to companies to provide an income for the fund. The fund currently has significant exposure to solar manufacturing equipment and anaerobic digestion facilities.

Triodos has run a microfinance fund for some time, but we've only just added it to our fund universe. Strictly speaking, it's not a retail fund as it's only available for experienced investors with £10,000 or more to invest, but we thought that we should include it as it is one of the very few ways of investing in microfinance via a listed and tradable fund.

Finally, thematic investor, **Robeco SAM** has launched two specialist funds in the form of the **Robeco SAM Healthy Living** and **Robeco SAM Global Gender Equality** funds. These funds are not sufficiently focused on positive solutions to make it on to our preferred shortlist.

Other changes

Liontrust has bought Alliance Trust Investments with the investment team moving across to Liontrust. At this stage, we are not aware of any major changes beyond renaming the funds, but will be meeting with fund management once the transfer has gone through.

One of the objectives of the 3D Star Rating is to encourage improvements over time in the way funds are run. We've been delighted that this seems to be bearing fruit with a number of companies having contacted us to see how they can improve their star rating.

It's difficult to attribute a given change to anything we've said or done, but what matters is the end result and more companies now publish descriptions of the holdings and the reasons for holding them, something we've championed for some time.

The infrastructure funds detail all of their holdings, whilst Impax, Triodos, WHEB, Columbia Threadneedle (for their UK Social Bond Fund) and now Henderson (for their Global Care Growth Fund) describe their holdings.

We're also keen that funds prove their positive impact and most of the five star funds do just that, but progress toward all funds demonstrating their positive impact is slow. Only WHEB, Columbia Threadneedle, Impax, Foresight and Assura actually document their impact in a measured and consistent way, so there's plenty of scope for improvement amongst the other funds.

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Q&A Jon Forster, Impax

Q&A with Jon Forster, co-manager, Impax Environmental Markets plc

Who are Impax Asset Management?

Impax is an investment firm that manages £5.7 billion for institutional clients and wealth managers. Our funds focus on investing in environmental markets and resource efficiency across energy, water, waste, and food and agriculture.

2016 was a vintage year for performance and we are seeing increasing interest from investors who are now recognising the strong drivers of these markets (population growth, urbanisation, climate change, ever tighter environmental regulation) and catalysts such as the Paris Climate Agreement.

Tell us a bit about yourself – what gets you out of bed in the morning?

My young children – and evaluating and acting on the huge amounts of data and insight my team generates. It is a daily challenge that I look forward to every day. It is a very stimulating environment in which to work.

What makes your fund distinctive?

We specialise in "pure play" small and mid-cap solution providers, diversified across key sectors, with the aim of delivering superior long term investment returns.

Impax Environmental Markets plc ("IEM") recently passed its fifteenth anniversary, and with net assets of some £460 million, that makes it one of the oldest and largest funds of its type in the market.

IEM has always had a strong positive intention built into the investment process and we believe it is the first listed equity product to quantify its net environmental impact.

While our primary investment objective is long term investment growth for investors, we can use these additional reporting metrics to decarbonise their portfolios, offset high emissions in other strategies, or simply improve their understanding of the extent of the positive outcomes of their investment decision.

This holistic reporting approach resonates with many investors who seek strong financial returns over the longer term and want to see a positive impact from their investment.

It also appeals to investors who understand that "carbon footprinting" only provides limited insight into carbon risk – particularly when investing in environmental solution providers.

"We have delivered superior long term investment returns which demonstrates that even against a more volatile backdrop, the fund has proved its resilience and delivered robust returns for investors."

How do you measure the impact of your fund?

We have assessed the positive impact at company level and attributed a portion to the portfolio based on our percentage equity ownership. Our impact metrics focus on C02 emissions and avoidance, renewable energy generation, water treatment and materials recovery and recycling.

We continue to develop and refine our impact analysis and methodology. Through our engagement with our investee companies we have obtained significant additional disclosures.

For example, last year we were able to include the Scope 3 emissions of 17 companies, compared to six the year before. We can also work out the impact per £10 million invested, as well as that of IEM overall. Our methodology has been independently assured by EY.

How do you engage with the companies in which you invest?

We are an active shareholder and take a company's environmental, social and governance (ESG) policies and structures very seriously. We were one of the first signatories to the UK Stewardship Code. We exercise our votes by proxy to ensure that our investee firms align with our investors' own principles and disclose a summary of this activity on a quarterly basis.

We also regularly engage with investee companies regarding specific ESG issues that may be of concern, both independently and on behalf of clients, as well as through joint representations with other investors.

What's your biggest concern for the next year?

Actually I am feeling very positive about the prospects for the markets in which we invest. It cannot be denied that we are living in an age of heightened geopolitical tension. We have seen protest voting on a big scale with Trump and Brexit, and this year we could see several significant political shifts across Europe, accompanied by economic uncertainty and currency and equity market volatility. There are also concerns about US trade protectionism and its ongoing issues with North Korea.

However, recent elections in France and the Netherlands have shown that things can be calmer than many expect, and on the subject of the United States, it is worth keeping in mind that many investors thought the incoming Trump administration spelt a death knell for US environmental markets. Not so. The White House cannot arrest technological innovation. Trump has pledged his commitment to improving air and water quality and the investment in infrastructure that this will require. Furthermore, US renewables are becoming less reliant on government subsidies and are also creating large numbers of new jobs.

Additionally, a huge part of Trump's electioneering platform centred on delivering substantial amounts of investment in America's infrastructure, which would drive the sector forward as well as create plenty of new jobs, for example, the solar industry created jobs 12 times faster than the overall rate of job creation in the US in 2015.

What's been your most successful investment?

In the last year or so, investments in sustainable food and agriculture have been noteworthy. The United Nations estimates that the world population will exceed 9 billion by 2050, and most of this growth will occur in developing markets, where incomes are on the rise. With this tends to come increased demand for protein-rich, high calorie diets, and providing these is resource intensive and has significant environmental impact.

These challenges, those on the supply-side, as well as concerns centred on pollution worries, drive tremendous amounts of innovation and economic growth. The parts of this market that we are investing in have been successful and provide us with diversification across sectors, and we are continuing to find interesting investment opportunities. This development looks set to gain momentum.

What's been your biggest investment disappointment?

Our timing with solar energy. We avoided the sector bubble in 2007-08, but unfortunately, our holdings in this sector under-performed last year. This is because of short term oversupply problems and a temporary slowdown in key markets. It looks as if we increased our modest exposure just a bit too early. However, a combination of falling technology costs and cheap valuations leads us to believe that opportunities will emerge as these short term issues are resolved.

What would you like your fund to be identified with?

The words that spring to mind immediately are "growth" and "positive environmental impact". We have delivered superior long term investment returns which demonstrates that even against a more volatile backdrop, the fund has proved its resilience and delivered robust returns for investors.[1]

[1]In line with market standards, the strategy returns are calculated including the dividends reinvested, net of withholding taxes, gross of management fee and are represented in Sterling. MSCI indices are total net return (net dividend reinvested). FTSE indices are total return (gross dividend reinvested).

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3D-rated funds

The 3D star ratings are intended to enable quick and easy identification of the best 3D funds that make a positive social impact, avoid ethical controversies and deliver decent financial returns.

The funds listed below are those that have been approved for inclusion in 3D Portfolios based on their leadership in their sector. The ratings are designed to be demanding. It should be noted that a three-star rating is far from average and in fact means the fund is likely to be among the best in its sector. A five-star rating is reserved for the very best funds and is an aspirational standard.

In summary the star ratings mean the following:

The fund is a real pioneer in the industry. It has delivered financial returns in line with expectations, excellent levels of transparency, a high social impact and is not exposed to ethically controversial companies.

The fund carries a high level of conviction for the same reasons as five star funds, but with a relative weakness in impact, transparency, or sustainability management.

The fund is positively rated where the advantages outweigh the disadvantages, and where the fund might be considered for inclusion in the 3D Portfolio.

The fund may be worth considering, but there are significant weaknesses in terms of financial track record, social impact or avoidance of ethical controversy.

The fund is negatively rated because of major concerns over its financial track record or stock selection that fundamentally undermines our confidence in the fund.

Further information on the 3D Star Ratings and the 3D Methodology can be viewed at www.3dinvesting.com.

The funds listed below are those that make our shortlist of funds for inclusion in 3D portfolios. The funds are listed by fund sector to enable easy identification of the most suitable funds in each asset class.

The full ranking of 201 funds assessed by 3D Investing is available at www.3dinvesting.com/ethical-funds.

Fixed interest

Most fixed interest funds invest the majority of their assets in financials and real estate, with limited positive impact. Our preferred funds demonstrate a more thematic approach or in the case of the Rathbone Ethical Bond Fund, have more rigorous exclusion criteria coupled with an important allocation to charity bonds with a high social impact.

Fund	Star rating	Summary
Columbia Threadneedle UK Social Bond		Some themes evident as well as a best of sector approach
AXA WF Planet Bonds		Similar to the SF UK Growth fund but avoids animal testing
Sarasin Responsible Corporate Bond		A UK corporate bond fund with a clear thematic approach
Rathbone Ethical Corporate Bond		A UK corporate bond fund with rigorous exclusion criteria and a small amount in charity bonds

UK equity

Like the fixed interest funds, most UK equity funds have a low proportion of the total assets allocated to positive solutions. Our selected funds have a relatively high proportion invested in positive solutions, combined with a good level of exclusion screens and ESG management.

Fund	Star rating	Summary
Columbia Threadneedle Ethical UK Equity		A leader amongst UK equity funds by virtue of its higher impact
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
Henderson Global Care Income		An equity income fund with a better than average impact

European equity

There are few funds focused on European equities for the UK investor, and our choices have a relatively high proportion in positive solutions.

Fund	Star rating	Summary
Liontrust SF European Growth		A leader amongst European equity funds
Mirova Europe Environmental Equity		A European fund with a strong environmental focus

Global equity

This sector offers the most choice and our preferred funds are thematically driven with a clear focus on solutions to social and environmental challenges. This is complemented by funds that exhibit less of a thematic approach but provide a wider exposure to large cap companies and can demonstrate excellence in ESG management.

Fund	Star rating	Summary
Impax Environmental Markets PLC		A specialist, small & mid cap global environmental solutions fund
Triodos Sustainable Pioneer		A thematic fund investing in multiple social & environmental themes
WHEB Sustainability		A thematic equity fund investing in sustainability themes with excellent impact reporting
Liontrust SF Absolute Growth		A growth fund with freedom to invest without reference to asset allocation benchmarks
Henderson Global Care Growth		A multi thematic global equity fund with a good track record
Impax Environmental Leaders Fund		A global equity fund combining thematic environmental investment with a best of sector approach
Jupiter Ecology		A pioneer in environmental investing in the UK
Old Mutual Ethical		A global equity fund that invests in solutions to environmental challenges
Pictet Global Environmental Opportunities		A global equity fund investing in environmental solutions
Triodos Sustainable Equity		A global equity fund investing in large cap stocks with a 'best of sector' approach
Vontobel Clean Technology		A global equity fund investing in environmental themes
Liontrust SF Global Growth		A global equity fund which balances thematic investment with an ESG approach
Jupiter Green		A closed ended fund investing in environmental themes
Stewart Investors Worldwide Sustainability		Invests in developed and emerging markets with a focus on revenues from emerging markets.

Emerging market equity

A more pragmatic approach needs to be taken to gain exposure to emerging markets. Although we include one thematically-driven fund, the others are all run on a sustainability mandate by Stewart Investors, with corporate governance the most important factor. These funds all have a relatively good level of avoidance of controversies when compared with other funds in the sector.

Fund	Star rating	Summary
Impax Asian Environmental		An Asia Pacific fund investing in companies for whom environmental technology is important
Pacific Assets Trust		A closed ended fund managed by Stewart Investors on a sustainability mandate
Stewart Investors Asia Pacific Sustainability		A soft closed fund with a very good track record and strong ESG management
Stewart Investors Global Emerging Markets Sustaina-bility		A soft closed fund with a very good track record and strong ESG management

Single theme/ specialist funds

We have identified a number of funds focused on specific industries that have a strong rationale in terms of social or environmental impact. These include water, agriculture, healthcare, timber, clean energy and P2P funds.

Fund	Star rating	Summary
ishares Global Water UCITS ETF		An ETF investing in water companies
ishares US Medical Devices		An ETF investing in medical equipment manufacturers in the US
JSS Sustainable Water		A water fund with a sustainability overlay
Pictet Water		A water fund with a sustainability overlay
Robeco SAM Sustainable Water		A water fund with a sustainability overlay
Impax Food & Agriculture		A sustainable food & agriculture fund with strong sustainability policies
Ishares Global Clean Energy UCITS ETF		An ETF investing in renewable energy
Phaunos Timber		A timber fund with strong certification
SQN Asset Finance Income		A closed ended fund investing in large assets and leasing them to companies as an alternative to bank finance. This fund has considerable exposure to solar and anaerobic digestion assets.
Funding Circle Income		A closed ended fund investing in P2P loans that provide an alternative to bank finance

Real estate

We focus on special purpose property that confers a social benefit. This includes medical property, student accommodation, social housing and care homes. We have also selected more general commercial property funds that demonstrate the highest stands of ESG.

Fund	Star rating	Summary
Assura	★★★★★	A closed-ended real estate fund investing in healthcare property
Civitas Social Housing	★★★★☆	A closed-ended fund investing in UK social housing assets
British Land	★★★☆☆	A REIT investing in office and retail property with very strong ESG management
Empiric Student Accommoda-tion	★★★☆☆	Invests in purpose built student accommodation
GCP Student Living	★★★☆☆	Invests in purpose built student accommodation in London
Legal & General UK Property	★★★☆☆	An open-ended fund investing in UK commercial property with very strong ESG management
MedicX	★★★☆☆	Invests in purpose built medical property
Primary Healthcare Properties	★★★☆☆	A REIT investing in purpose built medical property
Sarasin Sustainable Equity - Real Estate Global	★★★☆☆	An open-ended fund investing in global property shares with good ESG management
Target Healthcare	★★★☆☆	A closed-ended fund investing in UK care homes

Infrastructure

Infrastructure plays a key role in 3D portfolios, delivering clear social and environmental benefits in the provision of schools, hospitals, law courts, libraries, railways, clean energy and energy efficiency. These funds tend to be closed-ended companies with attractive yields underpinned by predictable, long-term revenue streams.

Fund	Star rating	Summary
Foresight Solar	★★★★★	A closed-ended fund investing solely in ground mounted solar assets
Bluefield Solar	★★★★☆	A closed-ended fund investing in solar assets
Brookfield Renewable Power	★★★★☆	A Canadian income fund investing in run-of-river hydro and some wind
Greencoat UK Wind	★★★★☆	A closed-ended fund invest in operational UK wind farms
Hannon Armstrong Sustainable Infrastructure	★★★★☆	A US infrastructure fund investing in environmental efficiency assets
International Public Partnerships	★★★★☆	A closed-ended fund investing in social infrastructure
John Laing Environmental Assets	★★★★☆	A closed-ended fund investing in environmental infrastructure
NextEnergy Solar	★★★★☆	A closed-ended fund investing in solar assets
The Renewable Infrastructure Group	★★★★☆	A closed-ended fund investing in operational wind farms
HICL	★★★☆☆	A closed-ended, diverse social infrastructure fund

Mixed asset

Mixed asset funds tend to be most suitable for investors wanting a single solution in one fund. The funds selected tend to be a simple combination of fixed interest securities and equities with the exception of the Quilter Cheviot Fund that also includes infrastructure and other types of asset. Some of the funds include government debt which largely funds education, pensions and the health service, but also uses a minority for defence.

Fund	Star rating	Summary
Jupiter Global Ecology Diversified		A mixed-asset fund with clear positive criteria for both bonds and equities
Quilter Cheviot Climate Assets		A mixed-asset fund with the majority in global equities that invests in companies providing solutions to climate change issues
Liontrust SF Managed		A mixed-asset fund with a 20% allocation to fixed interest and the remainder in equities
Liontrust SF Cautious Managed		A mixed-asset fund with a 60% allocation to global equities that benefits from good ESG management
Liontrust SF Defensive Managed		A mixed-asset fund with a 45% allocation to global equities that benefits from good ESG management

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Q&A George Critchley, True Bearing

Q&A George Critchley, managing director of True Bearing, chartered financial planners

Tell us about yourself and your firm

I started my advisory career in 1991 and launched my first IFA firm in 2000 which grew quickly and was sold in 2002. I spent the following year as Regional Director for a very large national IFA, but soon realised that I was much happier building a new business from scratch which led to the launch of True Bearing in July 2003. Five of my original team of seven are still with me. The other two were, until they retired. True Bearing Chartered Financial Planners has grown over the ensuing 13 years to become one of the leading IFAs in the north west. We employ 60 people in total, of which 21 are IFAs. We advise on more than £300mn of client investments, using both active and passive fund management, but we are very active when it comes to asset allocation.

What prompted you to advise on positive investments?

Using positive investments has been on our radar for several years. Like many IFAs we bought into the concept: "Who doesn't want a better world?" but struggled in this manically regulated environment to find or create the right investments.

We were then fortunate to meet Simon Leadbetter, the founder of Blue & Green Tomorrow. He introduced us to John Fleetwood who has been working with one of our Centralised Investment Propositions to bring ESG investing to life for clients. This gave us the confidence and education to help our clients achieve their goals through the Positive Pennine range of model portfolios.

How do you introduce clients to positive investing?

It has now become part of the normal fact finding process. We find that the majority of our clients have an interest. Some extra, pre-prepared questions are asked of the client.

We can access substantial detail for the inquisitive client. The majority of our clients are everyday investors with sums of £50,000 to £500,000 to invest. They will typically consider positive investing for 10-25 per cent of their portfolio.

"Investors in the north west have typically worked very hard for their money. They like to have an understanding of what is happening to it."

What sort of clients are interested in positive investing?

To be honest, the majority will consider positive investing, for a portion of their overall funds.
Our clients are not fanatics. They come from all backgrounds.
They understand the benefit of financial advice, and the majority welcome ongoing servicing.

Investors in the north west have typically worked very hard for their money. They like to have an understanding of what is happening to it. Many of them (in their 50's, 60's and older) can see the wisdom of investing and protecting our environment. Like me, many are grandparents and want to do their bit.

Why did you decide to work with 3D Investing?

Initially the attraction was their expertise in this field. Our investigations found that there were very few organisations that had this track record. More recently, John Fleetwood has presented directly to our clients. This has created even more interest. We shall continue down this path, in the near future.

Their grading of ESG funds is invaluable in sorting out the wheat from the chaff. 3D has decades of experience in positive investing, and we get the benefit of that. Like many IFAs, we previously struggled with the technicalities of ESG investments. Now we can confidently recommend positive investments following some basic IFA training. This type of solution is really helpful. It will enable positive investing to become more mainstream.

What one thing would you like to see happen in the field of positive investing?

That's easy to answer. The average IFA should take a couple of hours to investigate the latest offerings in this area. The donkey work has been done. ALL IFAs can now get involved. Together we might just start to improve the world.

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Performance review

UK equity

Source: www.fundlibrary.co.uk. Performance figures show total return with no initial charge and net income reinvested, except for Offshore funds which show gross income reinvested. Cumulative and Discrete performance figures are calculated to 31 March 2017.

Fund	2012 - 2013	2013 - 2014	2014 - 2015	2015 - 2016	2016 - 2017	2012 - 2017	Rank
Aberdeen Responsible UK Equity	17.75%	4.34%	3.39%	-6.40%	22.39%	47.08%	15
Edentree Amity UK	20.57%	13.44%	7.20%	0.72%	9.80%	64.12%	10
F&C Responsible UK Equity Growth	19.90%	12.63%	8.69%	-1.54%	15.87%	70.36%	7
Henderson Global Care UK Income	21.65%	15.74%	13.87%	-0.12%	9.28%	77.63%	6
Jupiter Responsible Income	20.83%	14.05%	6.14%	-6.40%	13.50%	56.68%	13
Kames Capital Ethical Equity	22.05%	20.54%	6.97%	0.98%	5.65%	69.47%	8
Legal & general Ethical Trust	19.94%	15.70%	9.97%	-2.32%	8.69%	64.52%	9
Liontrust SF UK Growth	17.82%	18.00%	10.29%	0.24%	18.15%	85.43%	2
Liontrust UK Ethical	18.29%	19.08%	9.59%	-0.20%	15.00%	81.83%	3
Premier Ethical	22.81%	28.03%	7.51%	1.31%	12.99%	99.51%	1
Royal London Sustainable Leaders Trust	20.28%	15.90%	12.81%	-1.91%	17.22%	80.28%	4
Royal London UK Ethical Equity		20.44%	7.75%	-8.83%	15.56%		
Scottish Widows Environmental Investor	20.67%	12.90%	6.01%	-4.62%	14.12%	60.20%	12
Scottish Widows Ethical	14.80%	12.53%	4.36%	-5.03%	15.23%	49.83%	14
Standard Life Investments UK Ethical	23.25%	18.59%	2.29%	3.74%	13.33%	80.11%	5
Threadneedle Ethical UK Equity					14.88%		
IA UK All Companies	16.83%	13.87%	5.73%	-3.35%	18.07%	62.21%	11
Average ethical UK equity fund	20.04%	16.13%	7.79%	-2.03%	13.85%	70.50%	
Average outperformance of ethical fund	3.21%	2.26%	2.06%	1.32%	-4.22%	8.29%	
Average 3d portfolio fund	19.25%	17.61%	11.25%	-0.03%	14.33%	81.63%	
Average outperformance of 3d funds	2.42%	3.74%	5.52%	3.32%	-3.74%	19.42%	

= OUTPERFORM SECTOR AVERAGE

= 3D PORTFOLIO

Global growth

Fund	2012 - 2013	2013 - 2014	2014 - 2015	2015 - 2016	2016 - 2017	2012 - 2017	Rank
Aberdeen Ethical World Equity	13.86%	-0.38%	9.50%	-10.73%	31.11%	46.79%	14
EdenTree Amity International	19.97%	0.52%	9.95%	-6.45%	26.67%	56.02%	12
F&C Responsible Global Equity	14.69%	5.03%	22.06%	-1.88%	28.79%	83.84%	6
Stewart Investors Worldwide Sustainability		5.77%	15.26%	1.85%	29.36%		
Halifax Ethical	19.36%	7.93%	16.71%	-9.93%	31.93%	77.34%	9
Henderson Global Care Growth	13.78%	16.12%	17.94%	-4.08%	26.76%	89.68%	4
Impax Environmental Leaders					32.24%		
Impax Environmental Markets	11.63%	15.03%	4.50%	4.61%	29.95%	86.60%	5
Jupiter Ecology	13.45%	12.40%	9.53%	-1.42%	22.79%	71.69%	10
Liontrust SF Global Growth	16.83%	8.81%	17.25%	-1.94%	27.11%	83.29%	7
Old Mutual Global Investors Ethical	19.97%	11.27%	9.25%	1.57%	27.61%	91.18%	3
Pictet Global Environmental Opportunities	17.95%	5.98%	16.54%	0.71%	30.14%	91.95%	2
Sarasin Responsible Global Equity	15.46%	12.39%	11.74%	-8.51%	12.42%	50.57%	13
UBS Global Sustainable	11.18%	16.84%	7.93%	-12.19%	17.39%	46.42%	15
Vanguard SRI Global Stock	17.55%	7.72%	18.57%	-0.92%	31.25%	94.70%	1
WHEB Sustainability	13.34%	8.50%	17.88%	-1.60%	24.73%	79.20%	8
IA Global	14.40%	6.43%	14.35%	-2.71%	26.29%	71.46%	11
Average ethical global equity fund	15.64%	8.93%	13.64%	-3.39%	26.89%	74.95%	
Outperformance of average ethical global fund	1.24%	2.50%	-0.71%	-0.68%	0.60%	3.49%	
Average 3d portfolio fund	15.28%	10.49%	13.52%	-0.04%	27.85%	84.80%	
Average outperformance of 3d funds	0.88%	4.06%	-0.83%	2.67%	1.56%	13.34%	

= OUTPERFORM SECTOR AVERAGE

= 3D PORTFOLIO

UK corporate bonds

Fund	2012 - 2013	2013 - 2014	2014 - 2015	2015 - 2016	2016 - 2017	2012 - 2017	Rank
EdenTree Amity Sterling Bond	12.48%	3.03%	7.12%	-1.96%	6.46%	30.68%	8
F&C Responsible Sterling Bond	11.12%	-0.08%	11.38%	-1.05%	7.59%	32.76%	7
Kames Capital Ethical Corporate Bond	11.47%	0.36%	10.52%	-0.08%	7.52%	33.52%	6
Liontrust SF Corporate Bond	12.48%	2.57%	11.06%	-1.79%	12.34%	42.96%	1
Rathbone Ethical Bond	12.56%	5.09%	10.15%	-1.32%	9.24%	42.53%	2
Royal London Ethical Bond	13.46%	2.06%	12.07%	-0.84%	8.97%	41.72%	3
Royal London Sustainable Managed Income		1.37%	12.28%	-0.95%	9.39%		
Standard Life Investments Ethical Corporate Bond	11.30%	2.33%	10.63%	-2.04%	9.24%	36.48%	4
Threadneedle UK Social Bond			11.99%	0.41%	8.33%		
IA Sterling Corporate Bond	10.76%	0.98%	10.81%	-0.95%	8.78%	34.73%	5
Average ethical sterling corporate bond fund	12.12%	2.09%	10.80%	-1.07%	8.79%	37.24%	
Outperformance of average ethical bond fund	1.36%	1.11%	-0.01%	-0.12%	0.01%	2.51%	
Average 3d portfolio fund	12.51%	3.56%	10.08%	-1.17%	9.09%	38.72%	
Average outperformance of 3d funds	1.75%	2.58%	-0.73%	-0.22%	0.31%	3.99%	

= OUTPERFORM SECTOR AVERAGE

= 3D PORTFOLIO

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Q&A Seb Beloe, WHEB

Q&A with Seb Beloe, head of research & impact reporting, WHEB Asset Management

Who are WHEB?

WHEB is a specialist fund management boutique, focused on the opportunities created by the global transition to more sustainable, resource and energy efficient economies. Specifically, it invests in companies that make a positive sustainability impact.

WHEB is independent and owner-managed and a certified B Corporation, and believes this structure makes it easier to take genuinely long-term investment and business decisions. They believe this is an important difference as it leads to better alignment with clients' long term interests and values.

Tell us a bit about yourself – what gets you out of bed in the morning?

The world is genuinely at an inflexion point in how society addresses the long term social and environmental challenges that face us. These challenges have the potential to undermine the ecological and societal foundations on which stable economic systems are based.

In recent years, we have seen extraordinary growth in the technologies, business models and consumer appetites that address these challenges, providing more sustainable outcomes in which people can flourish. WHEB's role is to invest in businesses that both benefit from and enable this shift. I really can't think of a more exciting job to have.

What makes your fund distinctive?

WHEB's mission is to advance sustainability and create prosperity through positive impact investments. But such a claim needs to be backed up. Clients are rightly cynical about any business that purports to help solve the world's problems. And you might say that this is particularly true for companies operating in financial services!

We understand this scepticism and seek to address it by being 'radically transparent' about what we do and how we do it. In addition to the range of regular disclosures we make about the work that we do, we have also recently developed a methodology for measuring the social and environmental impact of the fund.

> *"Clients are rightly cynical about any business that purports to help solve the world's problems."*

How do you measure the impact of your fund?

It is not an easy question because there is no one size fits all methodology or single metric that can tell you everything about the impact of an investment fund. Life is just too complex for that. So, the challenge is to make something that is highly complex both meaningful and relevant by communicating it well. It is like the principle of a 'true and fair' view in accounting, where you need to review balance sheet, profit and loss and cash flow to start to make financial sense of a company.

However, often there is less environmental, social and governance (ESG) information available and standards vary across companies and regions. We have boiled this information down into some key environmental metrics that capture the positive impact of the fund's investments; such as the avoided carbon emissions, renewable energy generated, waste water treated and waste materials recycled. We have also mapped the Fund against the UN's Sustainable Development Goals which is increasingly widely used as a framework for reporting social and environmental impact.

How do you engage with the companies in which you invest?

We have a relatively long-term approach to investment – typically holding investments for between four and six years. Given this average holding period, we believe that it makes sense to engage with the management of businesses to encourage them to take more long-term, progressive positions on key ESG issues.
While WHEB is still relatively small, we often lead coalitions of investors to emphasise the importance of changes that we propose. We report on the impact of this stewardship activity and typically consider that just under half of our engagements with companies achieve positive outcomes.

How often do investors ask you about the negative side of your sustainability themes and investments?

This is a good question. Quite often a technology solution to one issue, creates negative impacts elsewhere. For example, solar module manufacturing can, if done poorly, lead to significant quantities of hazardous wastes as well as negative impacts on workers and local communities. These sorts of issues are best addressed, we believe, through engagement.

In the case of solar module manufacturing we have worked with a leading US NGO to develop a scorecard that assesses manufacturers on their approach to these and other ESG issues.

Such initiatives raise the profile of specific questions and have driven significant improvements in many solar module businesses. Another example is the role of robotics and automation across many industries. There are huge benefits in deploying more intelligent robotics and automation in many industries including in minimising energy use and improving safety.

However, these technologies also have an impact on employment. Among others, we will be addressing such topics at our annual investor conference in June.

Not many funds report on their impact. Why do you think this is?

For most mainstream funds this is a difficult agenda. Most large mainstream businesses have some level of negative impact on the environment and/or society. This is most obviously the case with most extractive and fossil fuel companies, but even consumer products businesses will have a net negative impact stemming from their operations.

Each smart phone may have a relatively small impact individually, but when hundreds of millions are produced, the overall impact is substantial. Funds that focus primarily on these larger listed companies struggle to tell a good impact story and so choose not to address it.

Do you think impact reporting makes you a better business?

Absolutely, we are convinced about that. Our focus is on companies that increase their positive impact in lock step with their growth. In some cases this might be relatively modest improvements, for example in the energy efficiency of buildings, but it also includes more visionary companies that are creating breakthrough solutions.

We believe that measuring and understanding the extent of this impact more explicitly helps us to identify high quality companies operating in structural growth markets, and therefore to make better long-term investment decisions and provide our clients with a positive investment solution.

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Sector spotlight: UK equity

The first ethical fund in the UK was a UK equity fund and the sector remains an important part of the 3D investing universe. We have assessed 22 funds in the UK equity sector, with assets under management worth a total of £3.8bn.

Most of the funds tend to be run on a traditional ethical basis with negative exclusion screens. This means that most of the funds invest relatively little in solutions to social and environmental challenges, with a few notable exceptions. Three funds are run on an indexed basis, whilst six have an income mandate.

Overall, the sector does not score highly on the 3D rating, due to the relatively low level of investment in solutions to social and environmental challenges and also, the level of ethical compromise evident in the funds. The average star rating is less than two, which reflects the focus on limited exclusion criteria.

Fund	Star rating	Summary
Aberdeen Responsible UK Equity	★☆☆☆☆	A very limited exclusion screen is applied and this is a fund to avoid
BMO F&C Responsible UK Equity Growth	★★☆☆☆	This was the first ethical fund in the UK but has exposure to fossil fuels and there are now better funds
BMO F&C Responsible UK Income	★★☆☆☆	This fund also invests a portion in corporate bonds to help meet the income mandate.
Castlefield BEST Income	★☆☆☆☆	This fund was designed for charities and generates income, with a limited ESG research capacity.
Columbia Threadneedle Ethical UK Equity	★★★★☆	A leader amongst UK equity funds by virtue of its higher impact.
Edentree Amity UK	★★★☆☆	This is one of the original ethical funds and just fails to make it on to our shortlist by virtue of the lack of positive impact.
Family Charities Ethical	★☆☆☆☆	This fund mirrors the FTSE4Good 50 Index and has considerable exposure to ethically controversial companies.
Henderson Global Care UK Income	★★★☆☆	An equity income fund with a better than average impact.
Jupiter Responsible Income	★★☆☆☆	This fund does not share the positive focus of the Ecology Fund and makes significant ethical compromises.
Kames Capital Ethical Equity	★★☆☆☆	This is a long-standing ethical fund which has a predominantly negative screen that is light on environmental issues.
L&G Ethical	★☆☆☆☆	The fund operates like an index tracking fund and makes many ethical compromises.

Fund	Star rating	Summary
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.
Premier Ethical		Stock selection raises significant ethical concerns.
Royal London Sustainable Leaders		This fund has some merit but other funds have a higher positive impact.
Royal London UK Equity Ethical		The fund contains stocks that raise significant ethical concerns.
Scottish Widows Environmental		The content fails to live up to the name of the fund.
Scottish Widows Ethical		This is an ethical fund with little to recommend it.
Standard Life UK Ethical		This fund has some merit but has little positive impact.
Troy Trojan Ethical Income		This is an income fund employing exclusion criteria with very little positive impact.
UBS MSCI UK IMI Socially Responsible UCITS ETF		This tracking fund has significant exposure to mining and oil and other stocks raising ethical concerns.
Unicorn UK Ethical Income		This is an income fund employing exclusion criteria with very little positive impact.

Most of the funds have exposure to banks and other financial companies that have no meaningful restrictions on lending in terms of the sectors to which they lend.

With only a few exceptions, the funds allow investment in healthcare companies that test products on animals, although the better funds only invest in companies that have a policy of reducing, replacing and refinement. Many of the funds hold potentially controversial stocks including mining, oil and gas.

Fund	Animal Testing	Arms	Banks	Tax & Ethics	Fossil Fuels	Intensive Agri	Mining
Aberdeen Responsible UK Equity	⚠		⚠		⚠		⚠
Castlefield BEST Income	⚠		⚠				
Columbia Threadneedle UK Ethical Equity	⚠						
Eden Tree Amity UK Equity	⚠					⚠	
F&C Responsible UK Equity	⚠		⚠		⚠		⚠
F&C Responsible UK Income	⚠		⚠				⚠
Family Charities Ethical	⚠		⚠		⚠		⚠
FTSE100	⚠	⚠	⚠	⚠	⚠		⚠
Henderson Global Care UK Income	⚠		⚠				
Jupiter Responsible	⚠		⚠		⚠		⚠
Kames Ethical Equity					⚠		⚠
Legal & General Ethical	⚠		⚠		⚠		⚠
Liontrust SF UK Growth	⚠		⚠				
Liontrust UK Ethical			⚠				
Premier Ethical	⚠		⚠		⚠		
Royal London Sustainable Leaders	⚠		⚠	⚠			
Royal London UK Ethical Equity	⚠		⚠		⚠		⚠
Scottish Widows Environmental Investor	⚠	⚠	⚠				
Scottish Widows Ethical	⚠		⚠				
Standard Life UK Ethical Equity			⚠		⚠		
Troy Trojan Ethical Income	⚠		⚠	⚠			
UBS MSCI UK IMI Socially Responsible	⚠		⚠		⚠		⚠
Unicorn Ethical Income			⚠				

We have also compared each fund according to the 3D Investing classification system to see which funds have most positive impact and we have also compared the funds with the FTSE100 Index (see below). Each stock held by the funds is classified as follows:

Limited Positive Impact
Core activity confers few clear social or environmental benefits.

Best of Sector
Social and/or environmental practices are amongst the best in its sector.

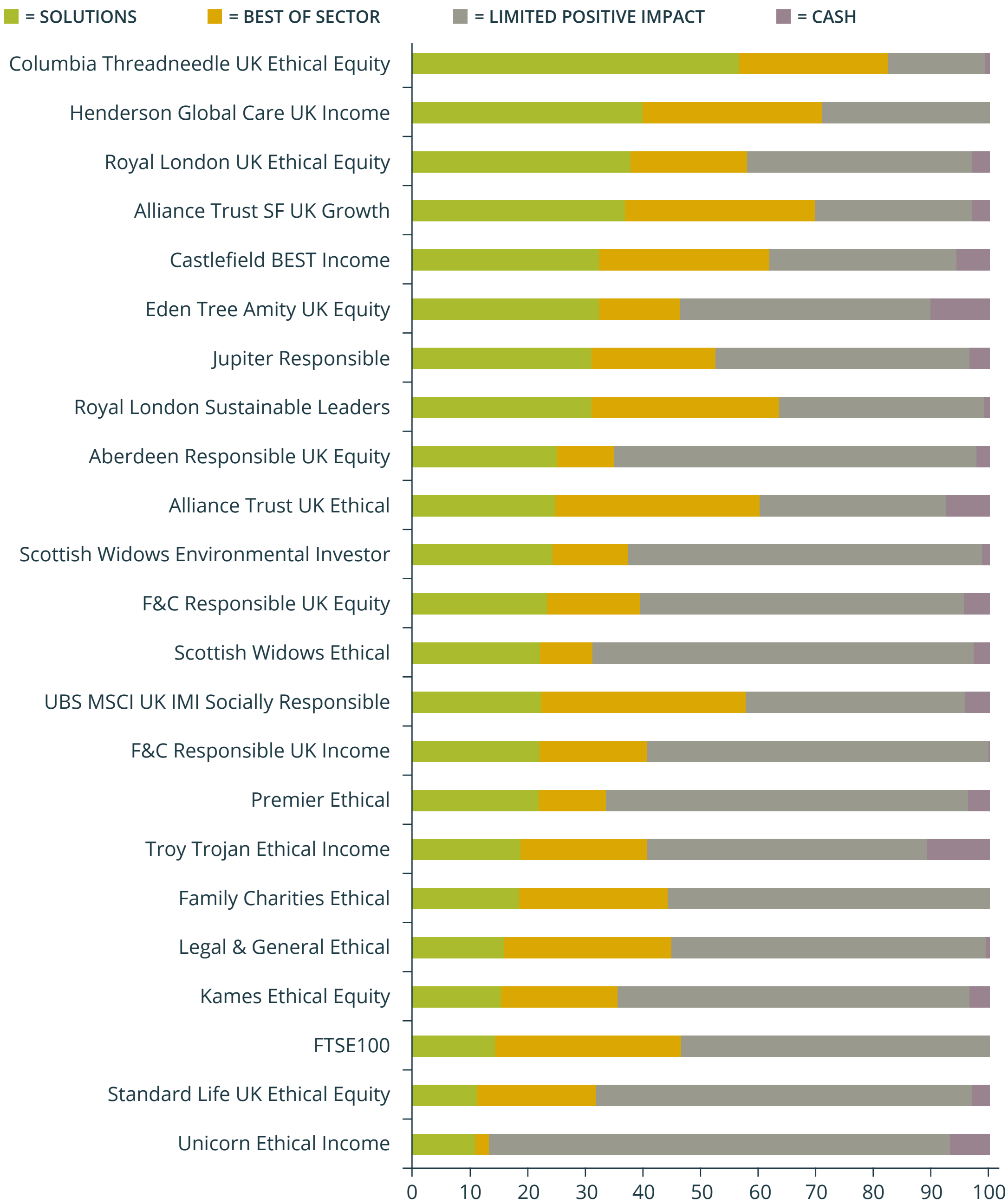
Solutions-based
Core products and services are of direct social or environmental benefit.

Solutions include clean energy, resource efficiency, clean air and water, healthcare, education, public transport, safety, sustainable food and agriculture, social housing and inclusive finance. These are cross-referenced with the United Nations' Sustainable Development Goals.

Solution	Sustainable Development Goal
Clean Energy	7 – Sustainable Energy
Education & Learning	4 - Education
Environmental Services	12 – Sustainable production & Consumption
Healthcare	3 – Healthy Lives
Inclusive & Ethical Finance	9 – Resilient Infrastructure, 1 - Poverty
Low Carbon Transport	11- Sustainable Cities
Natural Capital (Clean Air, Water & forests)	6 – Clean Water, 3 – Healthy Lives, 15 – Ecosystems
Resource Efficiency	12 – Sustainable Consumption & Production
Safety	11- Sustainable Cities, 16 – Peaceful Societies
Social Infrastructure (eg schools, hospitals, social housing)	9 – Resilient Infrastructure, 11 – Sustainable Cities
Sustainable Food	2 – End Hunger

It's interesting to see that nearly all the funds have a higher percentage in solutions to social and environmental challenges than the FTSE100, which also contains a high percentage in stocks which we consider to be unsustainable.

Our preferred funds head the table along with a few other funds. The latter don't exhibit the same quality of management of Environmental and Social Governance issues, and in some cases include ethically controversial stocks that undermine our confidence in the fund.



Our preferred funds include the Columbia Threadneedle Ethical UK Equity, Henderson Global Care UK Income, Liontrust SF UK Growth and Liontrust UK Ethical funds, all of which demonstrate a higher than average focus on positive solutions and avoid the most contentious ethical areas, which in the case of the Liontrust UK Ethical Fund, includes animal testing.

The Liontrust team has a particularly good internal research team and adopts a thematic approach. The fund manager of the Columbia Threadneedle Ethical UK Equity Fund is personally committed to the principles of the fund and the stock selection is indicative of the desire to make a positive difference. The Henderson Fund is a good choice for those seeking income, given its income mandate and yield.

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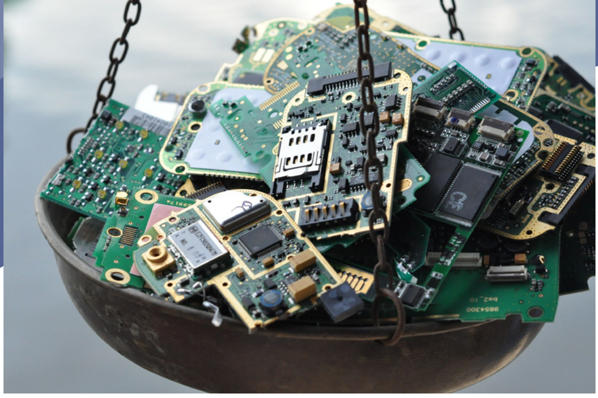
Socially responsible investing, Triodos Bank



Used phone parts: photo courtesy of Fairphone

The future of socially responsible investing A perspective from Triodos Bank

This year could very well be the year of the activist investor. Both individuals and organisations are taking a more proactive approach when it comes to investment portfolios, both in shifting their assets into more socially responsible investment vehicles and using more sophisticated techniques to pressure boards into responsible action. From climate change to executive compensation, companies are feeling the force of a more engaged and passionate investor base.

As a result, the demand for Socially Responsible Investments (SRIs) is rising. In a survey undertaken by Triodos Bank in October 2016, 62 per cent of British investors said that they would like their money to support companies which are both profitable and make a positive contribution to society and the environment.

"The long-held view that sustainability and profitability are diametrically opposed is starting to crumble: in the future, the most profitable companies will also be the most sustainable."

Even more encouraging, almost half of respondents (47 per cent) believed that companies trying to make a positive contribution to society and the environment are more likely than traditional companies to succeed in the long run. This is a significant step-change in investor perception. The long-held view that sustainability and profitability are diametrically opposed is starting to crumble: in the future, the most profitable companies will also be the most sustainable.

The Triodos Investment Management (Triodos IM) SRI portfolio is built around this fundamental assumption. As such, Triodos IM applies a two-pronged approach to maximise the social and financial performance of its 1.3bn EUR in managed SRI funds: a rigorous selection process that clearly defines the investment universe and an active shareholder stance that encourages companies to move in a more sustainable direction. The result is a method that invests only in companies that achieve and advance positive impact.

The Sustainable Investment Universe

As an investor, Triodos IM seeks to serve as a catalyst in the transition to an economy where people and planet come first. At the heart of this goal lies the belief that businesses must achieve the right balance between their social, environmental and economic performance. The companies that do this well are the ones that will deliver the greatest value to all of their stakeholders, including their shareholders.

As a result, the Triodos IM SRI funds consist of only companies that fulfil strict environmental, social and governance (ESG) criteria. These criteria constitute the Sustainable Investment Universe, which is created by the research team to maximise both the sustainability impact of the funds as well as long-term profitability. Currently, 287 medium and large publically-traded companies have been selected, of which 137 are investee companies.

Triodos Research chooses companies using a three-stepped approach. The first two steps actively seek out companies whose primary business is actively contributing to the health and well-being of people and planet (step 1) and companies that are best-in-class sustainability performers (step 2).

Finally, all companies in the Sustainable Investment Universe must meet the Triodos minimum standards which ensure that companies that offer unsustainable products, like weapons and nuclear power, and have unsustainable production processes in place, such as the violation of human rights and environmental damage, are excluded from our Sustainable Investment Universe.

Minimum standards are dynamic and evolving, reflecting the latest developments in research and society. In practice, this means that they are being continually tightened to ensure that the investment universe only includes companies that are setting the pace in sustainability.

Rosl Veltmeijer, head of research at Triodos IM, says: “The Sustainable Investment Universe is populated with companies that have the potential to effectively balance current sustainability needs of people and planet and long-term profitability for the Triodos SRI funds themselves.

“Our starting point is always the sustainability performance because we want our funds to invest exclusively in companies that deliver the greatest added value to society and therefore are best equipped to perform well in the long run.”

“Using ESG criteria as the basis of our decision-making is much more forward looking than basing decisions on financial figures which mostly look backward,” she explains.

It is on the foundation of robust ESG criteria that a number of different retail products are built, each reflecting different risk profiles—a key consideration. Because capital is at risk and the value of an investment may go down as well as up, investors may not get back the amount they invested.

Similarly, due to the international nature of the funds, currency fluctuations may affect the value of the investments. But by using a long-term outlook to evaluate companies in the Sustainable Investment Universe, Triodos IM seeks to deliver a more stable absolute return than funds trying to beat short-term benchmarks.

Building the Sustainable Investment Universe: Healthcare

Triodos IM is proactive in pursuing investment opportunities that will have positive impact on the UN's Sustainable Development Goals (SDGs). Published in September 2015 and signed by 195 countries, the SDGs highlight universal health coverage as a key target for 2030.

Teladoc is an American healthcare company that provides telephone and video technology for on-demand remote medical care. With 24/7 services, the platform improves accessibility to healthcare by being available whenever and wherever the patient chooses. Teladoc also reduces healthcare costs as an estimated one third of ambulatory care visits can be treated through telehealth.

Active engagement

Defining the Sustainable Investment Universe is only one side of the Triodos investment strategy. Once companies have been selected, Triodos defines a strategy for engaging in active dialogue with each company, aiming to raise awareness of sustainability, to stimulate action and to create lasting positive change.

Triodos IM is an active shareholder and strongly believes in exercising voting rights to positively influence both the sustainability and financial performance of a company's long-term strategy. This includes both regular dialogue with investee companies as well as the more formal processes voting at AGMs. In 2016, the research team had dialogue with a total of 215 companies on 467 occasions with a response rate of 91 per cent. Triodos IM voted at 109 shareholder meetings, particularly focusing on how to create equity regarding remuneration policies.

Engaging for impact: conflict minerals

Last year, Triodos IM engaged with German wind turbine producer **Nordex** because the company had no detailed overview of the amount and origin of conflict materials in their supply chain. In response, Nordex decided to look into the types and volumes of potential conflict minerals used and will report back on the results from this assessment when they are available.

"The dialogue about conflict minerals with Triodos expanded our understanding of possible human rights risks in our supply chain," said Angela Bauschke, head of sustainability management at Nordex. "We appreciated the dialogue with Triodos that encouraged us to asses our exposure to the minerals of concern and to consider appropriate steps to mitigate that risk."

SRIs: a promising future

In 2017, Triodos IM will push forward its sustainable objectives in a number of areas, including board diversity, living wage and water scarcity. "It is imperative that we scale up impact investing," says Rosl. "We need a paradigm shift in the investment industry, from mostly thinking in short-term financial gains to long-term investment, creating real value and adding to a better quality of life."

"There is much reason for optimism. Time and again I am struck and inspired by the entrepreneurs who want to make a difference in this world. And also by the growing number of people who want to invest their money according to their values."

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Positive investing, Ethex

Out of carbon and into positive investing

Rachel Mountain, head of marketing and communications for Ethex, the positive investing platform

The carbon divestment movement has grown significantly in momentum since its infancy in 2012 when 350.org initiated its first anti fossil fuel campaign. The success of such campaigns was further enhanced with the signing of the Paris Climate Change Agreement in 2015 – providing a clear and much needed policy signal that the world would rapidly move to a low carbon economy in order to avoid catastrophic climate change.

As a result, a growing number of larger investors such as universities, churches, charities and family offices have actively started to remove their investments (stocks, bonds and investment funds) from companies involved in the extraction of fossil fuels, as they start to address the financial risks of stranded assets within their investment portfolios.

But how does this work from a retail investment perspective? How does the average person ensure that their savings and investments are not financing the carbon economy? If you've never thought about this then now is a good time to start.

A recent research study commissioned by Charity Bank concluded that 74% of people were unaware of what their savings were supporting. In contrast, 71% of people would like their bank to make it clearer where their money is invested. With around some £762 billion of UK savings sitting in cash, then if invested appropriately this could be a powerful force for good.

Wherever money is saved and invested it makes a journey. This journey can result in money sometimes doing good and sometimes not e.g. financing fossil fuel extraction. A recent campaign by Greenpeace highlighted just how opaque the journey of money can be. Despite Europe's largest bank HSBC having seemingly comprehensive sustainability policies in place they were still found to have been part of a banking syndicate that made loans of US$ 16.3 billion to six companies whose palm oil operations have destroyed vast areas of rainforest, peatland and orangutan habitat in Indonesia.

And it's not just an isolated case, BankTrack a leading NGO that tracks, campaigns and supports organisations focused on banks and the activities they finance, has also highlighted how some banks are also still involved in financing coal plants and other forms of high carbon infrastructure through their corporate lending.

According to a recent UK consumer survey by Triodos Bank, 67% of people think that banks need to be more transparent when it comes to disclosing where customers' savings are lent.

A growing number of ethical funds, banks and investment platforms are now providing customers with a choice. A choice that enables customers to align where the save and invest their money with their values in order to have positive impact and make the world a better place – this is what is known as 'Positive Investing'. Positive investing is the antithesis of investing in fossil fuel extraction or other such sectors that can have a negative impact on the planet and society as a whole.

However, if customers want to go further and really embark on the positive investing journey, then organisations like Ethex – the positive savings and investment platform that makes it easy to make money do good and 3D Investing provide investment opportunities for those people who want to maximise social impact and minimise ethical compromise, while generating a financial return.

As the UK moves towards the EU exit door, then this provides an ideal opportunity to look at how positive investment can really help cushion some of the impacts of Brexit. Although renewable projects can often be very popular choice for some investors – as the social and environmental benefits are clear to see, some other sectors such as farming also provide other social and environmental investment opportunities.

New approaches for farming in a post Brexit, post subsidy world could once again encourage the rise of small scale farming. Small scale farming and agriculture is particularly important for the UK as it provides many important benefits such as providing young people with access to land (the average age of a farmer in the UK is currently 55), encourages a type of farming that is in harmony with nature and above all else supports the production of great quality, low impact local food. As the political environment and consumer tastes continue to change, then positive investing could play a very critical role in helping to support new, sustainable ways of doing things.

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Q&A Helen Lupton, Pennine Wealth

Q&A with Helen Lupton, partner at Pennine Wealth Solutions

Portfolio management was historically the preserve of the wealthy. Now, there are a multitude of portfolio managers offering model portfolios for those with more modest sums to invest. Yet, very few of these focus on investments with a demonstrable positive impact. The Positive Pennine Portfolios are amongst the few that do. We interviewed Helen Lupton to find out more.

What are the Positive Pennine Portfolios?

The Positive Pennine Portfolios are a range of multi-asset, risk mapped model investment portfolios. This means they have a wide range of holdings you and I couldn't ordinarily access; follow a journey so you know what the ups and downs are likely to be; and are managed by experts without the specialist price tag. The difference is they aim to invest in those companies with good morals and a desire to create growth through 'doing good in the world'.

Who are Pennine Wealth Solutions?

Pennine Wealth Solutions was established in 2011 by a financial adviser, for financial advisers. Today, the independent company offers 36 multi-asset portfolios covering a wide range of retail client needs. As a North West based firm, it has at its heart the core values of clear communication, value for money, the preservation of capital, and choice.

Managing over £100mn of retail client assets, via a number of advisory firms, we keep at our roots the fact that each investor, regardless of how much they invest, wants the most from their money now and in the future. We aim to deliver that in a controlled manner.

Tell us a little bit about yourself and what motivates you?

Having been born and brought up in the North West of England, spending time with my family outside of work keeps me fulfilled. I have a respect for the beautiful environment we live in, and like nothing better than walking along our coastline with our dog. As a mother to a teenage son, I have concerns about what sort of planet we are leaving for future generations, and yet when it comes to investing, the financial services industry seems to have been slow to the fact that many of us have the same concerns.

You have to believe in what you do, be truthful to your values, and this is the motivation for me, behind the Positive Pennine range.

How do the Positive Pennine Portfolios differ from conventional portfolios?

They were created because we were frustrated at the lack of multi-asset, socially positive investment solutions available for financial advisers. They are designed for the general adviser out there who wants to recommend a solution their clients can feel good about, without getting tied up in the intricacies of positive and negative screening associated with specialist ethical investments. In the past, advisers had to choose between ethical investing, which was designed for people with only large sums to invest and carried higher charges, and chasing a positive return for their clients; not anymore thanks to the Positive Pennine range! They are easy to understand, transparent in their charging structure, and combine investing for a better world with investing for growth.

How do you manage the portfolios?

We are delighted to work with John Fleetwood of 3D Investing whose passion and enthusiasm for what we were trying to achieve is only exceeded by his industry credentials.

John's detailed research creates a universe of holdings that our chosen Investment Manager, SmartIM, then uses to fill the range of portfolios to match the differing levels of risk. These layers of research, asset management, and risk controls are overseen by Pennine Wealth Solutions to ensure that the portfolios do what they should be doing. We believe it is this structure that make them unique in the investment world.

Asset holdings are regularly reviewed, and discussed to make sure each portfolio is operating as it should be so that the results are in line with what advisers and investors expect.

Who are the portfolios for?

The portfolios were specifically created for the general investor. The starting point was to create a range that a non-specialist financial adviser could be trained on, understand, and then pass that message clearly on to their clients. With a range of seven portfolios on offer, with differing levels of investment risk, and a low minimum investment amount, there is something for everyone.

How can investors and advisors find out more?

All the senior management team at Pennine Wealth Solutions have long and varied careers in the financial industry and therefore believe passionately in the benefit of investors getting the right financial advice.

The PWS range, is therefore only available through a qualified financial adviser and you can find out more by visiting www.penninewealthsolutions.co.uk. Advisers can also attend one of our quarterly investment seminars and meet the team by contacting Sean Fisher, our Business Development Manager on 0844 770 7721 or mobile: 07583 241 668


Pennine Way
Pennine Wealth Solutions
A contemporary investment proposition
designed for Financial Advisers by an IFA
Created and Launched in 2011.
Over £100 million invested so far.
Only available via Financial Advisers.
Strong performance record.
36 Portfolios.
Mapped to Distribution Technology.
4 Fund Houses; Liontrust, City Financial, Momentum and SmartIm.
Actively and Passively Managed Investments.
Risk Controlled.
Ground breaking Positive Portfolios.
Launched in August 2016.
Utilising 3D Investing Research.
Doing good for the planet without sacrificing returns.
Pennine
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The backbone of your investment strategy
Call us on: 0844 770 7721,
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