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The Good Investment Review

#FindingGood

3D investing
Powered by Ethical Money

GOOD WITH MONEY
MORE MONEY, FEWER PROBLEMS

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 is a distinctive investment approach that seeks to maximise the social impact of a portfolio, whilst minimising exposure to ethical controversies and delivering on financial expectations. In short 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 endeavour to demonstrate the social impact of investments in a transparent and systematic manner so that investors can see exactly how well 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. The evidence-based approach means that, not only can investors be assured of successful financial outcomes, but 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".

Who's who in the review

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

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Contents

Foreword

By John Fleetwood,
founder and director of 3D Investing

Welcome to the eighth edition of the Good Investment Review - an overview of the sustainable and ethical investment industry with a focus on a different area in each issue. In the current edition, we focus on the issue that's been dominating all of our lives – the coronavirus crisis. You might well be well past the point of saturation on this particular topic, but there's no doubting the impact that it will have on the global economy and society, and not just in the short term. In the midst of the crisis sustainability has taken a back seat, but we argue that the crisis might actually be a catalyst for action on other existential threats.

All the doom and gloom can be quite depressing, so we start off with a positive message from Baillie Gifford. This looks at the reasons to be optimistic whilst not ignoring the very real pain and disruption that we are seeing. UBP make the distinction between the immediate policy responses to the crisis and longer-term structural shifts, whilst also identifying headwinds as well as opportunities. WHEB argues that the current crisis is likely to increase the disparity in growth rates between industries which cause society harm and those which build social capital over the long term. Pictet build on this theme by making the case for their Planetary Boundaries Framework. Similarly, Ninety One (formerly Investec), explain why renewables and low carbon technologies are likely to flourish in the longer term. On a different theme, Hermes examine the huge growth in plant-based foods and what this might mean for investors.

There is no doubt that we live in very uncertain and fluid times. This is likely to make the strong stronger and the weak, weaker. This causes investors to refocus on the quality of companies including their governance and social management – a theme explored by Rathbones.

Aberdeen Standard Investments look forward, identifying five key ESG trends that will shape the future, specifically looking at some of the current weaknesses in the application of ESG and how these will be addressed in the years ahead. Liontrust also consider some of the dangers of a rush toward ESG and how greenwashing can be identified and avoided. On a similar theme, M&G describe how investors can determine which investments deliver real impact.

Many investors use model portfolios to spread the risk of investment amongst multiple funds in different types of investment. Pennine Wealth Solutions look at how their portfolios have held up over the crisis and why the case for sustainable investing has just been made very real.

Finally we take a look at a promising new fund from UBP (shortly to be launched) investing in emerging markets. In a Q&A with the fund manager, we seek to learn how this fund will be managed and what makes it different from other comparable funds.

I wish all of you well during this difficult time.

John Fleetwood

John Fleetwood,
3D Investing Founder

6

3D market update

Assets under management (AUM) in the 3D universe of sustainable and ethical funds as of 28/2/20 was

£139.6 Billion

This represents a £33 billion increase since the last issue, a 31% increase over six months. This is representative of the surge in interest in ESG and impact investing over the last year.

271

4 funds have been removed from the universe and 10 have been added, with a net gain of 6 over the period. The four deleted funds are no longer available for retail investors or have been closed.

Montanaro has launched a SICAV version of its Better World Fund. This is a mirror fund of the existing fund.

Green bonds have become increasingly popular in the fixed interest market, offering targeted finance for environmental initiatives. This is evidenced by the iShares Green Bond Index Fund, an ETF investing wholly in green bonds. The fund follows the Bloomberg Barclays MSCI Green Bond Index, predominantly investing in the fixed income securities that make up the Index, the proceeds of which are used to fund projects with direct environmental benefits. Given the low returns, a low cost approach is to be welcomed, but like other green bonds, there is precious little impact reporting and it's nigh on impossible to verify how capital is actiually being employed.

Heartwood are a discretionary asset manager who run a series of model portfolios incorporating ethical and sustainability criteria. These are now available via an OEIC structure with four funds, differentiated by risk profile and asset allocation. These make considerable compromises and there's no real impact reporting or evidence of how the sustainability policy is implemented in practice.

Brown Advisory have added a Global Leaders Sustainable Fund to their US Sustainability fund. This follows a similar investment philosophy, but with a global remit, and was launched in response to demand from existing investors.

The Octopus Renewables Fund became the latest renewables infrastructure fund when it launched last year, Octopus Renewables fund was launched last year with a focus on projects in Australia and Europe. The ongoing demand for this type of asset was evident by the fund going to a significant premium, but like all clean energy infrastructure funds, the valuation has come under question after Bloomberg New Energy issued a report raising serious doubts over long term power prices that have a major influence on the share price of these trusts.

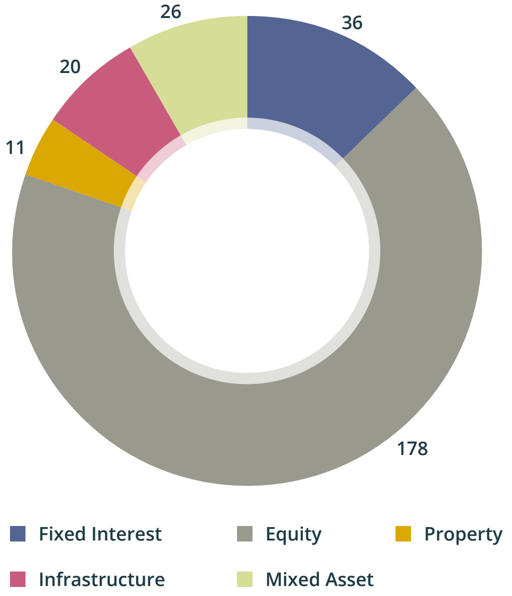
Biopharma Credit PLC dates back to March 2017, but has only recently been added to the 3D universe. This invests in biopharmaceutical companies, providing new capital to finance their development, the need for which has never been clearer.

Similarly, the Home Investor Fund run by Hearthstone is not a recent entrant, but has only relatively recently been added to the 3D universe. This fund invests in residential property, but unlike similar funds, has good metrics on their energy efficiency and environmental management. Properties are upgraded to ensure better environmental and social performance. The fund is now licenced to carry the 3D rating.

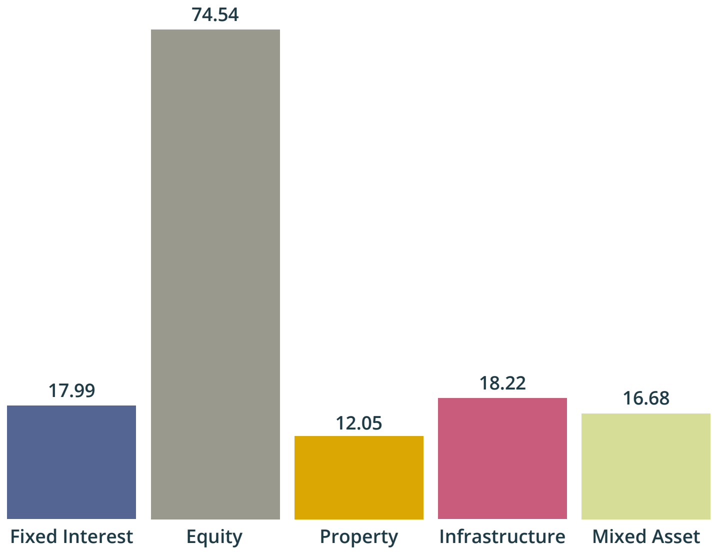
Fund Name	3D star rating
Biopharma Credit PLC	4
Brown Advisory Global Leaders Sustainable Fund	3
iShares Green Bond Index	4
LF Heartwood Balanced Sustainable Multi Asset	2
LF Heartwood Cautious Sustainable Multi Asset	2
LF Heartwood Defensive Sustainable Multi Asset	2
LF Heartwood Growth Sustainable Multi Asset	2
Montanaro Better World SICAV	5
Octopus Renewables	4
TM Home Investor	3

The picture in terms of the distribution of funds by asset class is little changed. Two thirds of the funds remain invested in equity, but when considered by funds under management, this falls to just over half (53%) since property and infrastructure are more significant (30% between them).

Fund Distribution by No. of funds in Asset Class

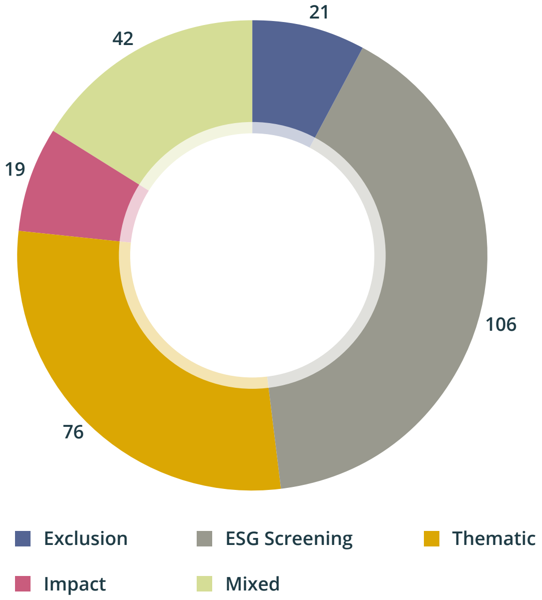


Fund Distribution by Asset Class (AUM £billion)

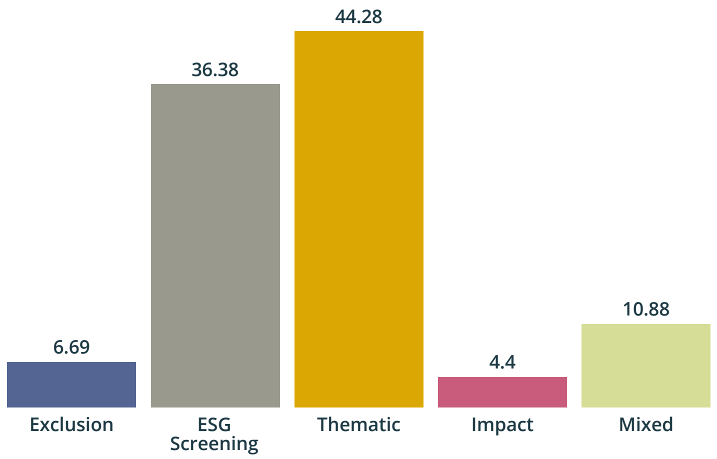


There is little change in the distribution of funds by approach. ESG screening and thematic investment are by far the most prevalent, both in terms of funds under management and by number of funds.

Fund Distribution by Approach (No. of funds)



Fund Distribution by Approach (AUM £billion)



* Approaches: **Exclusion** – avoiding companies on the basis of pre-determined ethical criteria. **ESG Screening** – Consideration of Environmental and Social Governance in assessing companies. Thematic – 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.

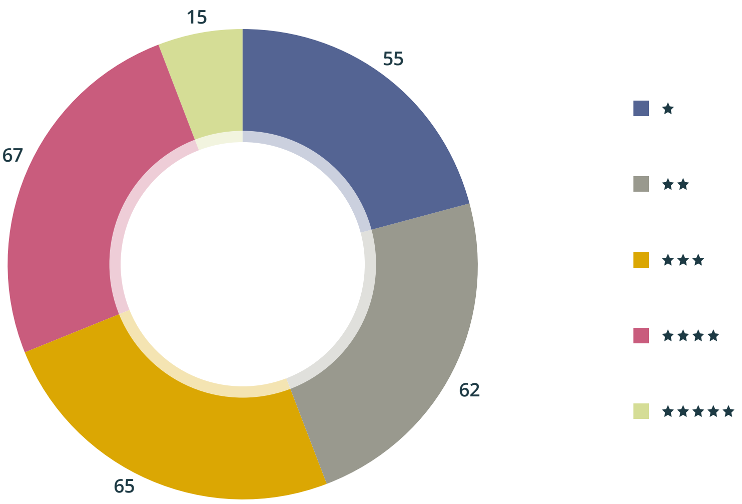
3D star ratings

Given the increasing complexity and extent of the ethical/sustainable investment market, 3D Investing has developed the 3D Star Ratings to facilitate quick and easy identification of the best funds that make a positive social impact, avoid ethical controversies and deliver decent financial returns. These ratings are designed to be demanding, so a three star rating is far from average and in fact means the fund is likely to be amongst the best in its sector. A five star rating is reserved for the very best funds and is an aspirational standard.

2.7

Average 3D star rating

44% of funds carry one or two star ratings, with around 25% of funds being rated at 3 and 4 stars respectively, and just under 6% being awarded the top rating.



Star Rating Distribution (no. of funds)

There have been few changes in ratings and a number of these involved funds where the decision was marginal. Overall, there have been 2 upgrades and 3 downgrades.

Fund Name	3D star rating	Change
Lombard Odier Climate Bond	4	↓
Pictet European Sustainable Equities	3	↓
Pictet Timber	4	↑
RobecoSAM Smart Energy	3	↑
Stewart Investors Worldwide Sustainability	3	↓

11

3D-licenced funds

What the ratings mean

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.

For more information on the star ratings visit www.3dinvesting.com/3d-star-ratings

3D-licenced funds

Although we rate funds without prejudice, a number of the better rated funds have paid to licence the marketing of the Star Ratings. These funds are listed below together with the rating.

Fund	Star rating	Summary
Aberdeen Standard 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		9 core impact themes with incorporation of ESG and active engagement
Impax Environmental Markets PLC		A specialist, small & mid cap global environmental solutions fund
Investec Global Environment		A concentrated fund with a wholesale focus on environmental solutions and positive carbon impact.
Investec UK Sustainable Equity		A UK equity fund that is differentiated by its' positive impacts.
Jupiter Global Sustainable Equities		Low carbon global fund with fully integrated ESG. Clear focus on business practices and positive impact.
Kames Global Sustainable Equity		This fund is distinctive for its focus on investing in positive change.
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 growth fund with freedom to invest without reference to asset allocation benchmarks
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 European equity funds
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

Continued on next page

3D-licenced funds cont.

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
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.
Montanaro Better World	★★★★★	A global equity fund with 6 core themes and a focus on impact
Pictet Global Environmental Opportunities	★★★★☆	An environmental fund that seeks to keep within sustainable limits
Rathbone Ethical Corporate 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
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
UBAM Positive Impact Equity	★★★★★	A concentrated impact fund that benefits from a partnership with the Cambridge Institute for Sustainability Leadership
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.
WHEB Sustainability	★★★★★	A thematic equity fund investing in sustainability themes with excellent impact reporting

The full rankings of funds assessed by 3D Investing is available for financial professionals through our partner Worthstone.

15
Financial performance

Financial performance

The events of the past few months have clearly had a large negative impact on the performance of nearly all investment funds, with considerable volatility. However, it should come as no surprise that ethical and sustainable equity funds have largely outperformed the market by a considerable margin over the last 12 months, demonstrating resilience in a bear market. Typically, these funds are overweight in healthcare and underweight in sectors including resources that fared particularly poorly. Ethically screened and sustainable funds continue to demonstrate that adopting a sustainable or ethical policy need not be at the expense of financial returns, although as for the wider market, there is considerable discrepancy between funds. The data over the last 5 years is quite compelling. Of the 16 ethical UK equity funds monitored, 11 have outperformed the sector average (69%). 11 out of 19 global ethical funds have outperformed the sector average (58%). Ethical UK Corporate bond funds have fared less well over the last 12 months and this has fed through to 5 year performance figures where only 4 out of 10 funds have outperformed the sector average (40%). The absolute differences are small, however, with the average 5 year returns only differing from the sector average by 0.16%.

We believe that it's important to compare like with like, so we've analysed funds within their respective sectors, looking at the three of the most commonly used sectors – namely Global Equity, UK All Companies and Sterling Corporate Bonds. We look at discrete annual periods to give a better picture of the consistency of performance, as well as the cumulative five year performance. Green shading indicates outperformance of the sector average.

We've also compared the performance of those funds rated 3 Stars or higher to see how higher rated funds perform relative to conventional funds, and to ethical and sustainable funds as a whole. 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.

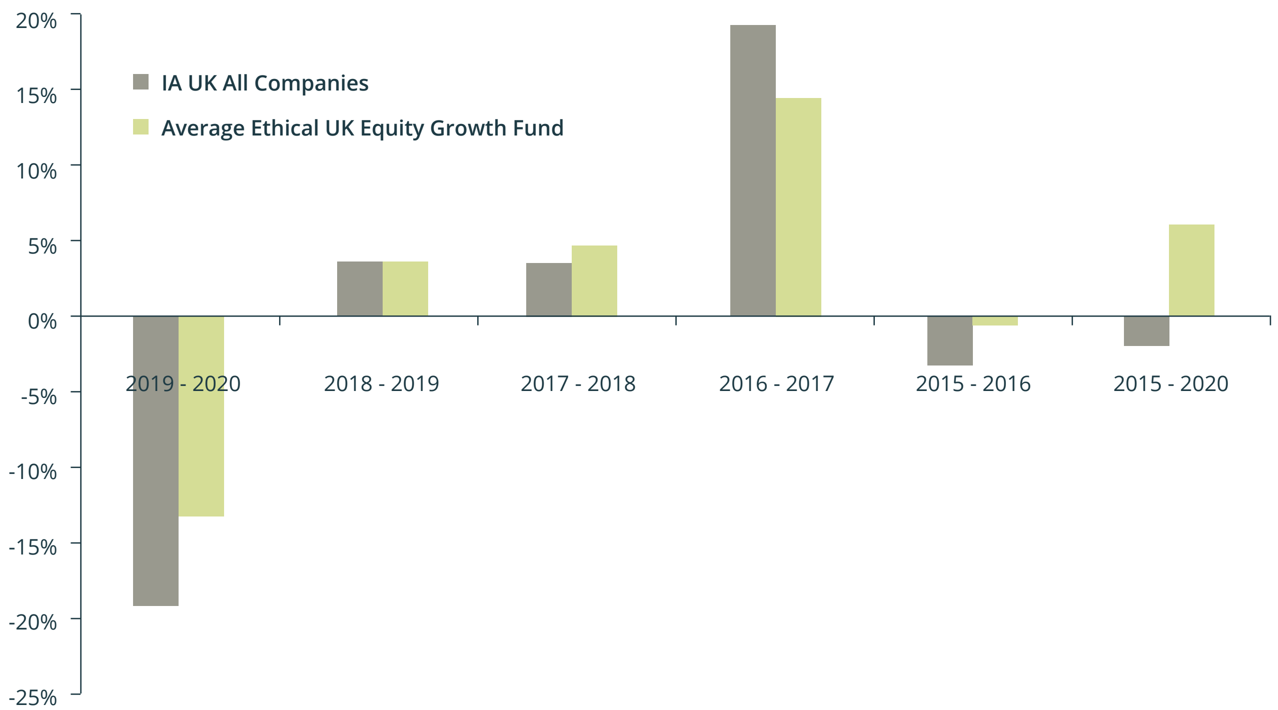
UK Equities

Fund	2019 - 2020	2018 - 2019	2017 - 2018	2016 - 2017	2015 - 2016	2015 - 2020
ASI Responsible UK Equity	-9.51%	8.31%	3.39%	22.39%	-6.40%	16.07%
ASI UK Equity Impact Employment	-17.41%	7.52%				
ASI UK Ethical Equity	-22.54%	-0.64%	10.11%	13.33%	3.74%	-0.37%
BMO Responsible UK Equity	-17.23%	5.15%	6.77%	15.87%	-1.54%	5.99%
Castlefield BEST Sustainable Income	-13.40%	-0.23%	-3.53%	7.14%	-0.80%	-11.41%
Castlefield BEST Sustainable UK Opportunities	-17.37%	5.45%	6.11%	9.25%	-0.72%	0.29%
Castlefield BEST Sustainable UK Smaller Companies	-10.84%	-3.83%	14.62%	20.73%	7.49%	27.54%
Edentree Amity UK	-14.39%	-0.29%	2.28%	9.79%	0.72%	-3.45%
Investec UK Sustainable Equity	-0.18%					
Janus Henderson UK Responsible Income	-13.40%	3.19%	1.32%	9.28%	-0.12%	-1.17%
Jupiter Responsible Income	-15.03%	0.79%	-3.30%	13.50%	-6.40%	-12.02%
Kames Capital Ethical Equity	-9.96%	-4.15%	3.31%	5.65%	0.98%	-4.89%
Legal & General Ethical Trust	-18.70%	5.21%	1.11%	8.69%	-2.32%	-8.19%
Liontrust SF UK Growth	-9.25%	6.86%	10.31%	17.67%	-0.20%	25.63%
Liontrust UK Ethical	-7.61%	6.59%	10.89%	15.00%	-0.20%	25.33%
Premier Ethical	-11.31%	-3.82%	6.79%	12.99%	1.31%	4.28%
Royal London Sustainable Leaders Trust	1.03%	9.61%	4.45%	17.22%	-1.91%	33.00%
Schroder Responsible Value UK Equity	-26.37%					
Threadneedle UK Sustainable Equity	-12.19%	3.14%	1.03%	14.43%		
UBS MSCI UK IMI Socially Responsible	-14.11%	3.47%	0.73%	17.93%	-1.53%	3.97%
IA UK All Companies	-19.15%	2.87%	2.74%	18.13%	-2.48%	-1.57%
Average Ethical UK Equity Growth fund	-12.99%	2.91%	4.49%	13.58%	-0.49%	6.29%
Average 3 Star+ Fund	-9.83%	4.68%	3.85%	13.84%	-1.35%	11.22%
Average outperformance of ethical fund	6.16%	0.04%	1.75%	-4.55%	1.99%	7.86%
Average Outperformance of 3 Star+ Fund	9.32%	1.81%	1.11%	-4.29%	1.13%	12.79%

GREEN = OUTPERFORM SECTOR AVERAGE

Fund	2019 - 2020	2018 - 2019	2017 - 2018	2016 - 2017	2015 - 2016	2015 - 2020
IA UK All Companies	-19.15%	2.87%	2.74%	18.13%	-2.48%	-1.57%
Average Ethical UK Equity Growth Fund	-12.99%	2.91%	4.49%	13.58%	-0.49%	6.29%

The relative performance of ethical UK equity funds compared to the UK equity market as a whole has become even stronger, with a particularly significant outperformance since the downturn in markets. This continues the trend which has seen ethical funds outperform the sector in all but one of the last five years. The absolute performance of UK equity funds has been poor over the past 5 years, with concerns over Brexit and now Coronavirus, hanging heavy on the market. The sector average now shows a loss over this period and ethical funds are not immune from this. However, ethical funds have at least made a modest positive return in comparison with a slight loss. The difference is even more marked for funds with a 3D Star Rating of 3 or more. Higher rated funds deliver a higher positive impact, so this positive correlation between performance and impact is especially notable.



Global Equities

Fund	2019 - 2020	2018 - 2019	2017 - 2018	2016 - 2017	2015 - 2016	2015 - 2020
ASI Global Ethical Equity	-7.67%	6.40%	1.48%	31.11%	-10.73%	16.67%
Allianz Global Sustainability	3.73%	13.48%	1.72%			
Baillie Gifford Positive Change	15.93%	11.01%	29.27%			
Baillie Gifford Responsible Global Equity Income	0.63%					
BMO Responsible Global Equity	0.87%	11.90%	4.61%	28.79%	-1.88%	49.22%
BMO SDG Engagement						
BMO Sustainable Opportunities Global	1.13%	13.58%	4.91%	28.06%	-8.42%	41.33%
EdenTree Amity International	-7.93%	-1.67%	3.57%	26.61%	-6.45%	11.05%
FP WHEB Sustainability	-5.18%	4.72%	6.56%	25.54%	-0.96%	31.56%
Hermes Global Equity ESG	-4.54%	5.88%	2.52%	29.92%	-1.22%	32.98%
Hermes Impact Opportunities	-1.66%	13.05%				
Impax Environmental Leaders	-8.50%	9.15%	3.22%	32.12%		
Impax Environmental Markets	-9.95%	6.96%	3.42%	29.95%	4.61%	35.43%
Janus Henderson Global Sustainable Equity	7.19%	8.98%	8.47%	27.87%	-3.28%	56.71%
Jupiter Ecology	-6.20%	-0.11%	2.24%	22.79%	-1.42%	15.95%
Jupiter Global Sustainable Equities	3.55%					
Kames Capital Global Sustainability	8.83%	11.60%	5.03%			
Liontrust SF Global Growth	3.27%	18.95%	6.92%	26.66%	-2.34%	62.46%
M&G Positive Impact	0.54%					
Montanaro Better World	2.42%					
Quilter Investors Investors Ethical Equity	-5.94%	2.14%	-1.41%	27.61%	1.57%	22.78%
Pictet Global Environmental Opportunities	1.71%	7.03%	7.63%	30.14%	0.71%	53.57%
Rathbone Global Sustainability	2.15%					
Sarasin Responsible Global Equity	-2.35%	3.11%	11.67%	12.42%	-8.51%	15.65%
Schroder ISF Global Climate Change Equity	-4.92%	8.98%	7.38%	26.13%	-0.81%	39.20%

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GREEN = OUTPERFORM SECTOR AVERAGE

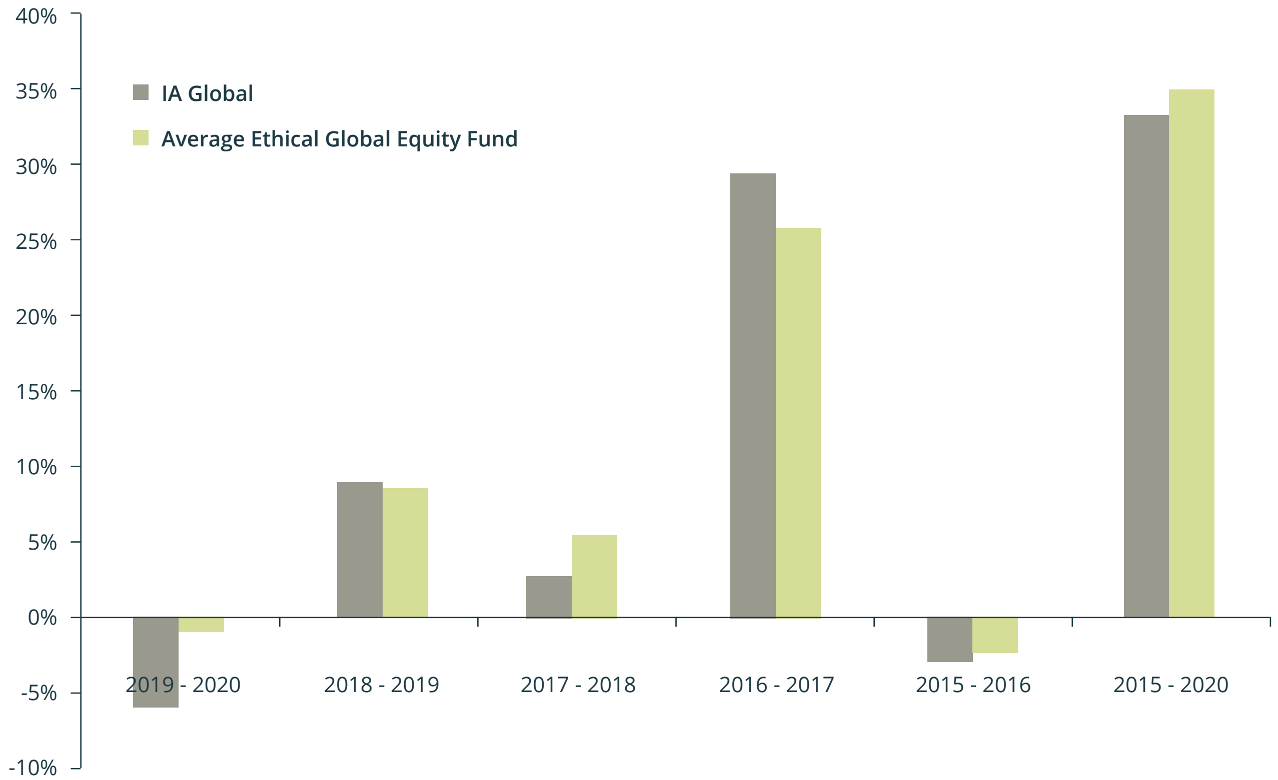
Global Equities cont.

Fund	2018 - 2019	2017 - 2018	2016 - 2017	2015 - 2016	2014 - 2015	2014 - 2019
Stewart Investors Worldwide Sustainability	-1.58%	8.47%	1.64%	29.36%	1.85%	42.96%
Triodos Global Equities Impact	-4.52%	12.77%	2.20%	20.20%	-1.32%	30.53%
Triodos Pioneer Impact	-5.02%	4.64%	4.87%	15.07%	-0.26%	19.62%
UBS MSCI World Socially Responsible	-1.26%	12.25%	2.21%	30.39%	-0.47%	47.00%
Vanguard SRI Global Stock	-5.65%	10.88%	0.86%	31.25%	-0.68%	37.54%
IA Global	-5.63%	8.77%	2.86%	29.24%	-2.75%	32.70%
Average Ethical Global Equity fund	-1.07%	8.51%	5.26%	26.60%	-2.11%	34.85%
Average 3 Star+ fund	-0.51%	8.13%	6.17%	25.55%	-1.86%	34.92%
Outperformance of average ethical global fund	4.56%	-0.26%	2.40%	-2.64%	0.64%	2.15%
Outperformance of average 3 Star+ Fund	5.12%	-0.64%	3.31%	-3.69%	0.89%	2.22%

GREEN = OUTPERFORM SECTOR AVERAGE

Fund	2019 - 2020	2018 - 2019	2017 - 2018	2016 - 2017	2015 - 2016	2015 - 2020
IA Global	-5.63%	8.77%	2.86%	29.24%	-2.75%	32.70%
Average Ethical Global Equity fund	-1.07%	8.51%	5.26%	26.60%	-2.11%	34.85%

Like their UK equity counterparts, ethical global equity funds have significantly outperformed the IA Global average over the last 12 months and in particular, since the downturn in world markets. In all but one of the last five years, ethical global equity funds have done better than the sector average. The sustainability focused funds have benefited from a focus on healthcare, but also suffered from exposure to industrials (resource efficiency theme). There is little difference between funds rated 3 Stars or more and those with lower ratings.



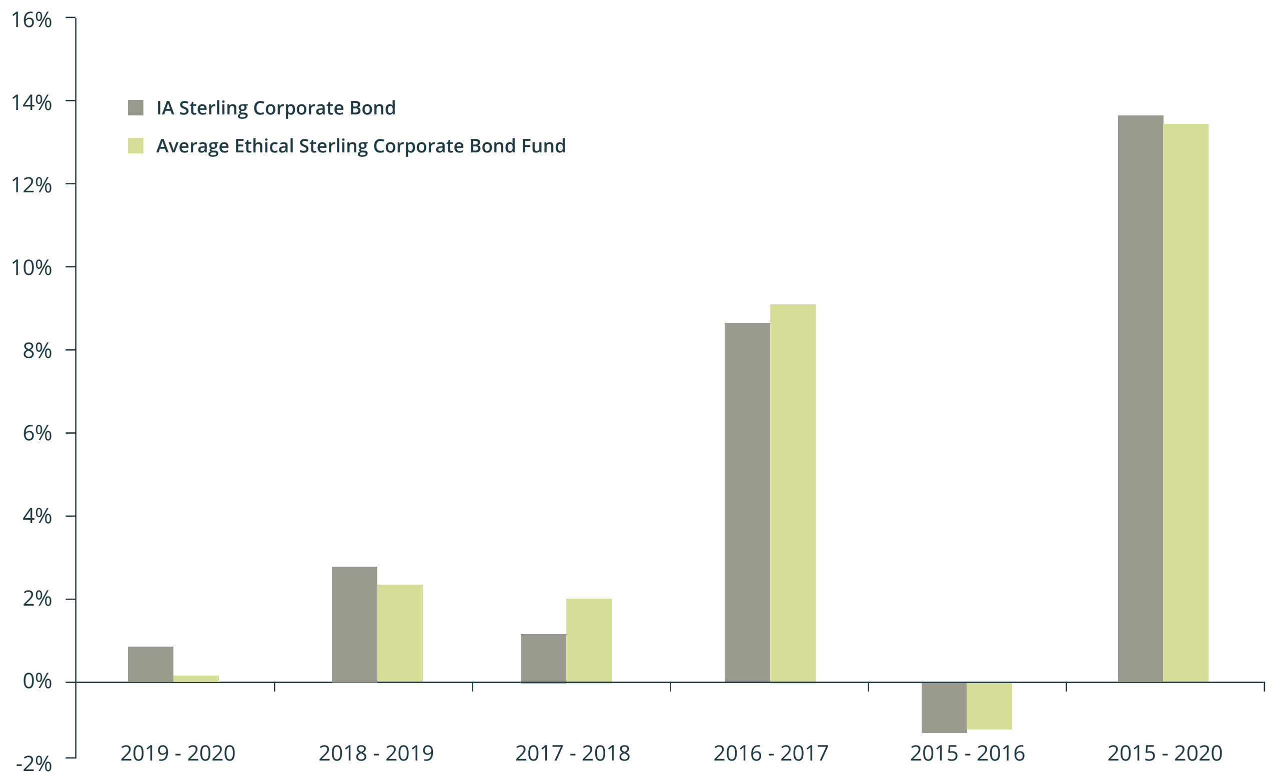
Sterling Corporate Bonds

Fund	2019 - 2020	2018 - 2019	2017 - 2018	2016 - 2017	2015 - 2016	2015 - 2020
ASI Ethical Corporate Bond	0.18%	2.34%	1.10%	9.24%	-2.04%	10.93%
BMO Responsible Sterling Bond	0.68%	2.33%	0.59%	7.59%	-1.05%	10.33%
EdenTree Amity Sterling Bond	-1.69%	1.19%	4.56%	6.63%	-1.96%	8.74%
EdenTree Amity Short Dated Bond	-0.08%	1.35%				
Kames Capital Ethical Corporate Bond	0.90%	2.54%	0.45%	7.52%	-0.08%	11.65%
Liontrust Monthly Income Bond	-2.98%	1.07%	4.20%	11.96%	-3.08%	10.88%
Liontrust SF Corporate Bond	-1.44%	2.61%	1.74%	12.34%	-1.80%	13.50%
Rathbone Ethical Bond	1.00%	3.26%	5.26%	9.92%	-0.69%	19.84%
Royal London Ethical Bond	1.37%	3.59%	3.09%	9.46%	-0.42%	18.00%
Royal London Sustainable Managed Income	2.25%	3.90%	1.91%	9.39%	-0.95%	17.31%
Sarasin Responsible Corporate Bond	0.83%	3.42%	0.77%			
Threadneedle UK Social Bond	-0.09%	2.38%	0.67%	8.33%	0.41%	11.99%
IA Sterling Corporate Bond	0.84%	2.97%	1.67%	8.78%	-1.19%	13.48%
Average Ethical Sterling Corporate Bond Fund	0.08%	2.50%	2.21%	9.24%	-1.17%	13.32%
Average 3 Star+ Fund	-0.15%	2.55%	2.45%	9.44%	-1.16%	13.42%
Outperformance of average Ethical Bond Fund	-0.76%	-0.47%	0.54%	0.46%	0.02%	-0.16%
Outperformance of average 3 Star+ Fund	-0.99%	-0.42%	0.78%	0.66%	0.03%	-0.06%

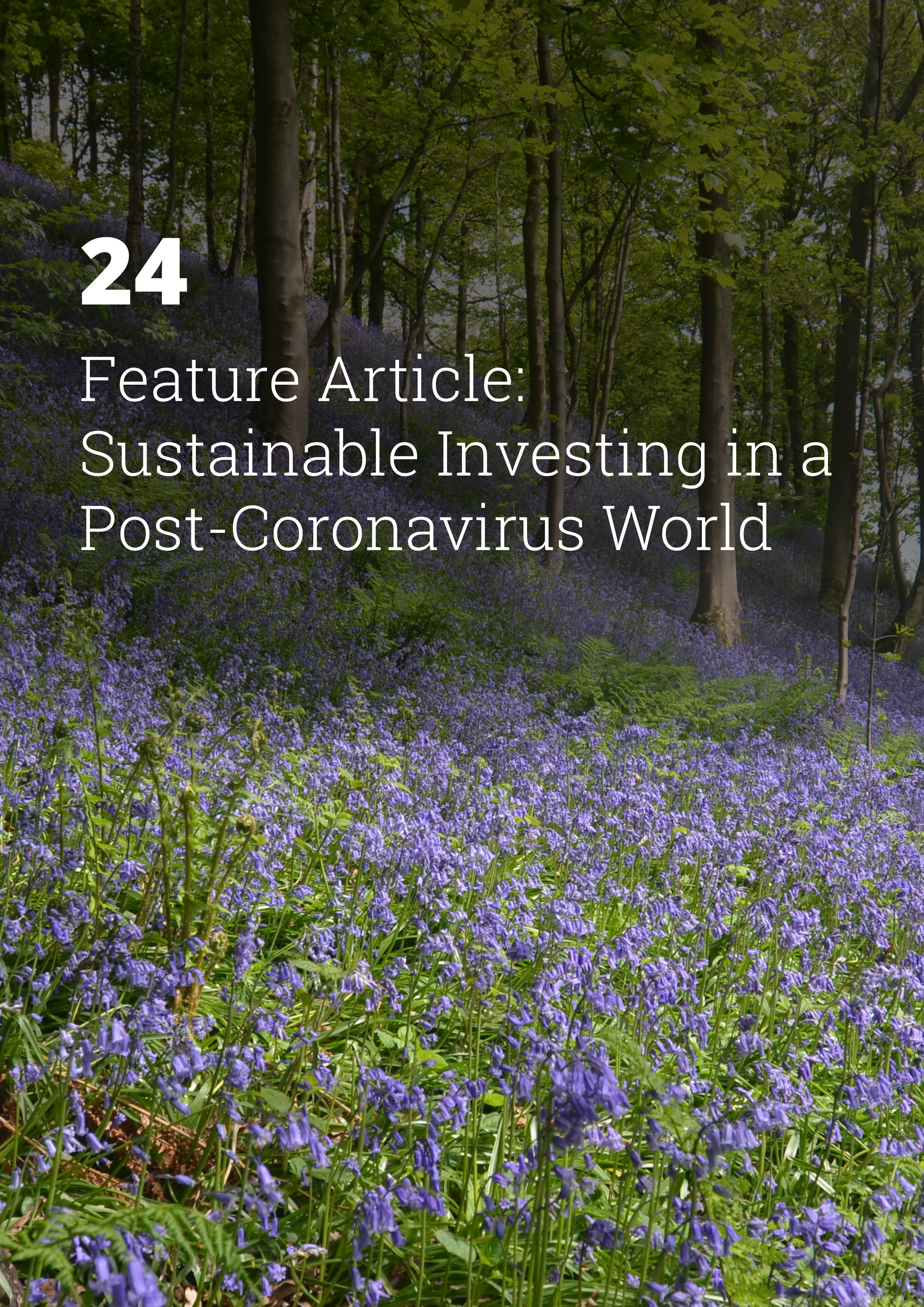
GREEN = OUTPERFORM SECTOR AVERAGE

Fund	2019 - 2020	2018 - 2019	2017 - 2018	2016 - 2017	2015 - 2016	2015 - 2020
IA Sterling Corporate Bond	0.84%	2.97%	1.67%	8.78%	-1.19%	13.48%
Average Ethical Sterling Corporate Bond Fund	0.08%	2.50%	2.21%	9.24%	-1.17%	13.32%

The performance of ethical 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 ethical from conventional UK corporate bond funds. There is also little difference in performance between funds with a higher 3D rating and those with a lower rating.



All data to 31 March 2020. Total return with net income re-invested. Source: Funds Library



24

Feature Article: Sustainable Investing in a Post-Coronavirus World

Sustainable Investing in a Post-Coronavirus World

We are all probably saturated with depressing news associated with the 'C' word, but the unfolding crisis has re-shaped our world and the investment landscape. The long-term outcomes of the crisis are not likely to be clear for some time to come, but they are almost certain to be profound and significant. Whilst the environmental agenda has largely fallen out of the public eye, these issues are not going to go away. Once the dust settles and we stop fire-fighting, the case for sustainable investing looks stronger than ever.

So what might we learn from the current crisis in respect to sustainable investing? Firstly, it's served as a reminder that we are not masters of the universe. Though we like to think we are in control, we're not – we've become very good at limiting the impact of existential threats in the developed world, but we haven't removed them entirely. Poor people in more hostile environments are already aware of this, but the crisis has been a big wake-up call to those of us that have been largely insulated from such things.

Furthermore, we've been exposed to the downside of globalisation and just-in-time manufacturing. This has brought great benefits, but increases our vulnerability to shocks to one part of the system as we are reliant on global supply chains for some of the basics of life.

It's also been a reminder of just how much we are connected and reliant on the health of the planet, not just our small bit of it. As we know, the virus is thought to have originated in animals, and according to the Institut Pasteur, 75% of the emerging infectious diseases that have affected humans over the last three decades are known to have a zoonotic (harmful germs spread from animals to people) origin. The corollary of this is that disease is also an environmental issue. An article in the New York Times said: "We cut the trees; we kill the animals or cage them and send them to markets. We disrupt ecosystems, and we shake viruses loose from their natural hosts. When that happens, they need a new host. Often, we are it."[1] We can't do these things without consequences.

"We disrupt ecosystems and we shake viruses loose from their natural hosts"

On the positive side, some towns and cities have experienced cleaner air and much lower levels of noise pollution, reminding us of the value of such things. Communities have had to work together and we've rediscovered the value of community and working for the common good. Differences have largely been put aside and we've worked together to tackle a deadly foe. Perhaps most significantly, we've learnt that people can change their behaviour when faced with an existential threat. We've also employed technology and used information, both to seek solutions and to mitigate the impacts. This holds promise for the changes we need to make elsewhere.

In the short-term our world has been turned upside down. Financial markets have plummeted and sustainability has taken a back seat. We are all adapting to the new normal, but sooner or later, the other big issues of our time will re-emerge and I believe that sustainability will become ever more part of the investment landscape. Here's why.

1 - Existential threats have become real

It's all very well being told about something – it's quite another thing to experience it. The natural tendency is to ignore something if it's far enough in the future, but once it's happening on our doorstep there's no ignoring it. This isn't something on the news in a far-off country that we can forget about, but a real tragedy unfolding amongst us, affecting people we know and care about. The emotional scars won't heal quickly and will leave an indelible mark on many of us. The current crisis is one of health, but there are others – notably climate change and biodiversity loss. Now that we've seen the real-life impacts of one crisis, the impending climate crisis may not seem so remote after all, prompting real and radical action.

2 - The rules have changed

Who would have thought that a right-wing Tory government would introduce by far the most radical socialist policies in living memory? These are truly extraordinary times and a clear demonstration that where there's a will there's a way. If the Conservative government can abandon all the normal fiscal rules and pump staggering amounts of money into the economy to counter a potential disaster, there's no reason why we can't act in what might previously have been considered unthinkable ways. Investors who have seen their pension funds, ISAs and portfolios shrink, will no doubt want to know more about how their money is invested, moving beyond the traditional metrics of risk and return to questions of how returns are generated and the resilience of these returns. The rationale for investing in solutions to social and environmental challenges can only be strengthened.

3 – The culture has changed

For so many years, we've morphed into a society of individualism and rights over responsibilities. In the face of crisis, this has been shown to be utterly inadequate and misguided. The value of the common good has never been more apparent. This isn't going to disappear overnight. A rediscovered ethic of doing things for the public good as well as self, will translate into wanting to use money to make a positive difference. And as sustainability funds continue to demonstrate their financial as well as societal value, they will become increasingly core to investment strategies. Resilience to existential threats and exposure to long-term sustainability drivers will be seen to be an important part of this changed investment landscape.

4 - Priorities have changed

When faced with a threat to life and society as we know it, our priorities can scarcely fail to be profoundly changed. What seemed significant suddenly seems trivial and we remember what it is to be human. Health and well-being of all has very quickly become the number one priority. Uncertainties over the future are bound to linger, so health and the global environment will remain uppermost in people's minds. This includes the financial sector, which is wholly dependent on a sustainable planet for its long-term future. Delivering, or at the very least maintaining, societal benefits, is sure to be further forward in the investing public's mind.

5 - The world has changed

In the immortal words of Charles Dickens in a Tale of Two Cities, "It was the best of times, it was the worst of times". Like any profound experience, millions of us will have been emotionally impacted at a very deep level. This won't evaporate as normality resumes. The world will be a changed place. It will be a place where there is a greater awareness of the real-life impacts of global issues, and an increasing recognition of the importance of investing in solutions to those challenges. It will also be a place where we can't ignore what's happening on the other side of the world, or in other parts of our community, because, directly or indirectly, it impacts us. All of us will have suffered in some way - lost loved ones, lost jobs, lost freedoms that we took for granted, lost the contact of others – and we will be more aware that these things can't be taken for granted. It will take time to rebuild our lives, but there is the hope that the world might be just a little more kind, more equal, more ready to take the sort of action that will lead to regeneration of an exploited planet.

[1] The New York Times, 20/1/20

28

Baillie Gifford

Staying positive

Staying positive

The value of your investment and any income from it can go down as well as up and as a result your capital may be at risk.

In a time of great uncertainty, staying positive is easier said than done. Amidst the personal and professional challenges we all face, it can be hard to remain optimistic.

Optimism is at the core of our Positive Change strategy which invests in around 30 companies whose core products and services address key global challenges. Not only do these businesses help to solve big problems, we believe they can generate attractive investment returns over the long term.

So how are we staying positive? Well, it's buoyed us up to see the contributions to beating the pandemic from companies we invest in. At a time of great need, they are rising to the challenge.

Moderna is an innovative biotech company whose shares we purchased at IPO in 2018. It set up a rapid response team, worked non-stop to respond to the virus, and has become the first company to start trialling a vaccine, just 42 days after the coronavirus genome was first sequenced. Moderna's heavy investment in research and development, and its ability to harness new tools such as Artificial intelligence, has enabled this unprecedented speedy progress.

Teladoc, the Telemedicine company, reported a 50 per cent increase in virtual appointments in just one week in March thanks to its ability to provide accessible, affordable and safe consultations to patients. Sysmex, the diagnostics company, has developed an in-vitro diagnostic test for coronavirus (Covid-19), the first to be approved in its home market of Japan. Illumina's next generation sequencing equipment also allows for virus detection'.

Aside from these companies on the frontline, imagine dealing with this pandemic without the information available on Google, via devices powered by the chips enabled by ASML and TSMC's relentless focus on more power at a lower cost. Ecolab's sanitisers, widely used in industrial and institutional settings, will also be playing a role.

It will be the multifaceted contributions of these companies and many more combined that will allow us to beat coronavirus. As we have always said, global challenges are complex and require a holistic mindset.

Maintaining Broad Horizons

Amid the single-issue rolling news coverage, it is all too easy to become blinkered. We are certainly not underestimating the gravity of the current crisis, but we stay focused on broad horizons.

According to Johns Hopkins University, coronavirus has claimed over 70,000 lives at the time of writing. This is an immense tragedy, but sadly not unrivalled: the World Health Organisation estimates that 17.9 million people die each year of cardiovascular disease; in 2016 1.4 million people died of diarrheal diseases (ie poverty); 250,000 additional deaths per year are projected between 2030 and 2050 if we fail to address climate change. The broad set of challenges we set out to address with Positive Change persist, as does our faith in humanity's ability to address them.

So, our research effort remains diverse, and our zeal to find great companies that can improve the status quo is stronger than ever. In recent weeks our team has continued work on sustainable agriculture, plastics recycling and waste management companies, and medical equipment companies. Our pipeline of ideas remains rich.

Structural Trends and a Silver Lining

We have also been thinking long term. We think there is a chance that this difficult and uncertain time could hasten structural trends we had already foreseen, forcing behavioural changes and allowing novel solutions to present themselves.

Wider technological adoption, which we have long seen as a key enabler of change, has clearly already accelerated. Even the luddites among us are embracing new ways to connect with colleagues, friends and family. We expect we will all be using Zoom more, and long-distance flights less over the next decade.

For the first time in living memory for most of us, we face a serious curtailment of everyday liberties. This serves as a stark reminder that governments cannot control nature, and that a lack of respect for the planet can carry consequences. This may shift the mindset with which we address climate change and allow us to embrace some of the consumption habit shifts required to tackle serious global warming.

At a more abstract, but no less significant, level, the impact of individual actions on the collective is being thrown into sharp focus, and physical distance is ironically prompting a closer community connection for many of us. This could underpin a hastening of the economic shifts we already believe in, away from a model of capitalism that enriches the wealthy, towards one for the benefit of all.

We certainly don't claim to have all the answers, and it is far too early to draw definitive conclusions, but we remain confident and optimistic that we are invested for the future.

The case for investing for Positive Change is more important, and more powerful now than ever.

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31

UBP

COVID 19 and Sustainable Investing - Common allies or Incompatible bed fellows

UNION BANCAIRE PRIVÉE

COVID 19 and Sustainable Investing - Common allies or Incompatible bed fellows

There is no doubt that the enforced disruption to modern living caused by the Coronavirus outbreak will have sharp environmental benefits of a size that few activists could have hoped for in the modern-day economy. The question now is how long this green living environment can continue and whether some of these positive attributes can provide building blocks for a world that will never be quite the same.

There are certainly some indications that the market believes in the long-term potential of listed market champions of sustainability.

An investor preference for sustainability champions is probably not the whole picture. Since the beginning of the year (to 23rd March) the list of best and worst sectors is predictable. Using the MSCI ACWI as a benchmark, Consumer Staples have fallen 22.4% and Telcos 22.8% whereas Energy is down 54.5% and Financials down 40.1%.These short term, sharp moves cannot be attributed entirely to a sustainability pecking order and indeed it would be surprising if during a period of such intense crisis the world prioritised long-term adjustments of (over) short-term support.

The key beneficial outcomes caused by this unprecedented interruption to modern living fall particularly on emission levels. The number of stark anecdotal observations grow by the day. For example, one of the globe's busiest toll roads, the 407 ETR in Toronto, Canada, reported a fall of as much as 66% in traffic year on year. This global change in economic activity is having significant organic health benefits. For example, the number of lives saved through lower air pollution in major Chinese cities is estimated at twenty higher than those lives lost to COVID 19 (Stanford University).

However, not everything is quite so supportive of the green economy. Policy makers are currently forced to prioritise stimulus that can alleviate the worst ofthe current stresses in society. Consequently, fiscal and monetary measures are unlikely to be aimed at green industries where the payoff tends to be slower to come through. Yet, whilst an increase in green incentives is not a priority and indeed some major policy moves like the EU Green Deal may see delays, these measures are being substituted by other socially supportive policies, for example unemployment benefit and debt forbearance. Some commentators have noted the contrast in the response to the Coronavirus versus the Global Financial Crisis in terms of the social standing of the intended beneficiaryand the directness of that response. To some degree the financial response to the GFC most significantly impacted the wealth of those that needed it the least whilst consigning the man on the street to a near decade of flatlining or declining financial prospects. The response to this crisis has clearly focused on support (supporting) individuals and small businesses, in some cases at the expense of big business and markets.

In other words, therefore it is important to differentiate between necessary steps made by governments and central banks in a crisis and structural shifts that may see their timeframes altered, either shortened or lengthened by these unprecedented times.

One of the key frustrations of the green movement is the slow pace of serious structural change. To an extent this is a natural consequence of the plethora of different stakeholders that are involved. A large sovereign wealth fund, a non-governmental organisation and a major investment management firm, to list three of many players, will have very different priorities when it comes to the green agenda. The sovereign wealth fund may wish to report the impacts its investments are creating whereas the investment manager is focused on building scale of AUMs. These differences in priorities have led to the creation of a number of bodies, all of which have credible terms of reference and memberships but through multiplication of approaches have slowed down the pace of change.

Equally, approaches to measurement can be broadly categorised into systems that aim at achieving the largest number of respondents through the employment of basic impact measurements on the one side. Often these are criticised for being too elementary. On the other side lie a number of frameworks focused on more precise data points but whose demands are too onerous for many investee companies currently not set up to disclose in such granularity. In this fluid environment, a large number of companies have reached out to consultants to map their operations to Sustainable Development Goals and produce favourable measurement criteria. This is something of a concern as the proliferation of data points with little oversight or standardisation does not help propel the financial system to a higher plane of disclosure. Some initiatives are, however, more constructive, for example the Science Based Target Initiative provides a clear roadmap for companies wishing to develop their sustainability disclosure. Equally, certification as a B corp gives a company the necessary incentive to reassess every aspect of their corporate footprint as 3,300 companies before them have already demonstrated.

In summary, the current environment provides both opportunities and headwinds to the sustainability and impact industries. The pace of regulatory change will no doubt slow whilst the coronavirus crisis rages; data disclosure will probably not improve at the same speed as may have been expected six months ago. But the natural forces of change are likely to see profound support drawn from some of the organic consequences of this global pandemic. It will take some time to understand whether society will permanently embrace these changes for the better.

34

WHEB

Sustainability is about resilience

Sustainability is about resilience

By George Latham, Managing Partner, WHEB

We live in extraordinary times. In January we were observing the spread of Coronavirus in Asia at a distance. Any notion that London, Paris, Berlin and New York would soon be in 'lockdown' involving massive restrictions on movement and that whole industries would be mothballed overnight, were still almost unimaginable. Yet here we now are in the middle of what is perhaps the most dramatic event of our lifetimes.

What we are seeing today is on a totally new scale in terms of global reach and pace of transmission, but the risk of pandemics has been on the rise for some time.

There are four reasons for this.

First, the world is migrating into urban areas. Whether in carefully planned, established cities or dense and chaotic urban sprawls. These are places where humans have encroached on habitats until recently dominated by nature.

Second, the world is more connected than ever before. Air travel has increased by 5.5% a year for a decade[1]. For a pathogen, these are opportunities like never before.

The third big challenge is climate change. Warmer climates increase the liveable ranges of pests, parasites and pathogens. Extreme weather events provide opportunities for diseases to spread. Seasonal variations, that used to provide natural "disease breaks", are disrupted.

Finally, our response systems are underprepared. Bill Gates' TED talk from 2015[2] is stunningly prescient, seen now with the benefit of hindsight. But there is an antidote. The world could be better primed and more able to cope with such outbreaks. It is likely to become so after this pandemic has subsided. This is partly through preparation, and partly through technology.

These are sustainability challenges. WHEB's core premise is to invest in companies whose products are solutions to sustainability challenges.

Much of the response to COVID19 is enabled by the private sector. Lots of companies that we invest in are playing their part.

Looking through the portfolio, Premier is immersed in securing critical supplies of drugs and personal protective equipment for hospitals across the US. Steris is a world leader in hospital sterilisation. Danaher, Thermo Fisher and Agilent all make diagnostic equipment that helps identify pathogens. Their life sciences kit also helps develop cures. Cerner's healthcare data and analytics help to find the right response to epidemics.

Intertek, in our Safety theme, tests products and raw materials as they move around the globe. Even Ecolab, in our Water Management theme, plays a role in prevention with its technology-led approach to sanitation.

Lessons are already being learnt. More focus on prevention must surely play a role in future. Even so, more new diseases are certain to emerge. Our strategy is to invest in the companies at the forefront of enabling solutions.

The other side of the coin.

A focus on solutions means that we avoid the companies which cause harm. Global stock markets have seen sharp falls as a result of the coronavirus pandemic. Some of those most exposed are industries with negative externalities.

The oil price has also fallen steeply, as a result of the sudden reduction in demand and because of a breakdown in discipline over supply between Russia and Saudi Arabia. The dramatic fall in prices may well accelerate parts of the industry towards stranded asset status.

We also tend not to invest in Financials, which are caught in the centre of the current market turmoil. Following the financial crisis of 2008-2009, we've had more than a decade of loose monetary policy. The debt markets have responded. Total indebtedness by US corporates has run back up to nearly 50% of GDP, above where it was before that crisis. The unfolding economic crisis will be particularly hard felt by companies who have greater leverage as their ability to service their debt is impaired with falling revenue. The depth of the economic downturn is likely to pile pressure onto banks which are vocally under pressure to 'repay their debt' to society, having been seen by the public as the villain of the last economic crisis a decade ago.

Sustainability is fundamentally about resilience.

For some years consultants have delighted in talking about how we live in a "VUCA" world, standing for Volatile, Uncertain, Complex and Ambiguous. Now VUCA really is today's reality! We aren't in control of the immediate environment, so we need to be set up to be sustainable in the face of exogenous shocks.

Warren Buffet famously said that "you only find out who is swimming naked when the tide goes out." [3] A core part of WHEB's investment process aims to identify higher quality companies. And for us higher 'quality' generally means companies that are sustainable in every sense of the word, with strong management, lower leverage and stronger cashflow. We therefore hope and expect that such companies will be in a stronger position to weather the current storms than most.

Our strategic lens is to focus on companies whose product has a positive impact on the environment or society, because it helps us to identify markets which have structural growth in the longer term. The crisis we currently face is likely to increase the disparity in growth rates between industries which cause society harm and those which build social capital over the long term.

[1] https://home.kpmg/ie/en/home/insights/2019/01/aviation-industry-leaders-report-2019-state-of-aviation-industry.html
[2] https://www.ted.com/talks/bill_gates_the_next_outbreak_we_re_not_ready?language=dz#t-465913
[3] https://www.berkshirehathaway.com/2001ar/2001letter.html

37

Pictet

The green frontier

The green frontier

By Luciano Diana, Senior Investment Manager, Pictet Asset Management

In times of market turbulence, it is important for investors to maintain a sense of perspective. The next few weeks and months will be volatile and unpredictable. The coronavirus outbreak is proving to be a major challenge for governments and central banks, who have yet to find right mix of policies to contain, and ultimately overcome, its economic effects. We're confident they will and that markets will eventually recover.

In the meantime, investors should try to resist the urge to take drastic action. A more rewarding approach, experience tells us, is to focus instead on the trends that will power portfolios over the long run.

One such trend is environmental change and humanity's response to it. Tellingly, equities that score well on sustainability appear to have been holding up better than the broader market in recent weeks. While our investment process is completely benchmark agnostic, the MSCI ACWI SRI index – which gives exposure to companies with outstanding Environmental, Social and Governance (ESG) ratings –outperformed the benchmark MSCI ACWI by 1.7 percentage points between the start of the year and March 16.

In our view, corporations, consumers and governments are increasingly recognising the need to do more to protect our planet and limit our environmental impact. We expect such efforts will strengthen further in the future.

For investors, this presents risks to manage, and opportunities for capital growth. As the world sits up and takes notice, companies that waste resources and pollute will become increasingly risky investments. Conversely, the prospects for businesses who are developing innovative solutions to environmental challenges facing our planet will brighten. Such firms form the core of our Global Environmental Opportunities portfolio.

We estimate that the global environmental products are already a USD2.5 trillion industry, and, once the global economy has stabilized from the shock it is experiencing, can grow by about 6-7 per cent per year – more than double the pace at which the world economy as a whole has been expanding in recent years.

No greenwashing

The problem investors face, however, is that there is no universally accepted method for measuring a company's environmental footprint. Much of the environmental auditing that currently takes place is either too subjective or too narrow in scope: knowing how much carbon a business emits is useful but does not give the complete picture. The lack of universal standards also leaves the door open to greenwashing by businesses and investors alike.

This is why we have developed a distinctive process for the Pictet Global Environmental Opportunities that deploys a scientific, rule-based framework to measure the environmental footprint of each of the 100-plus industries that make up the global economy.

First, we look the Planetary Boundaries framework, developed by scientists at the Stockholm Resilience Centre. It quantifies a set of boundaries, which, if breached, would endanger the environmental conditions that have been instrumental to human prosperity over thousands of years. Of the nine areas measured, four have already exceeded their boundaries, including climate change and loss of biodiversity.

We combine the Planetary Boundaries with data on the emissions, resource usage and other environmental impacts of each industry that makes up the global economy in order to pinpoint industries with the smallest environmental footprint.

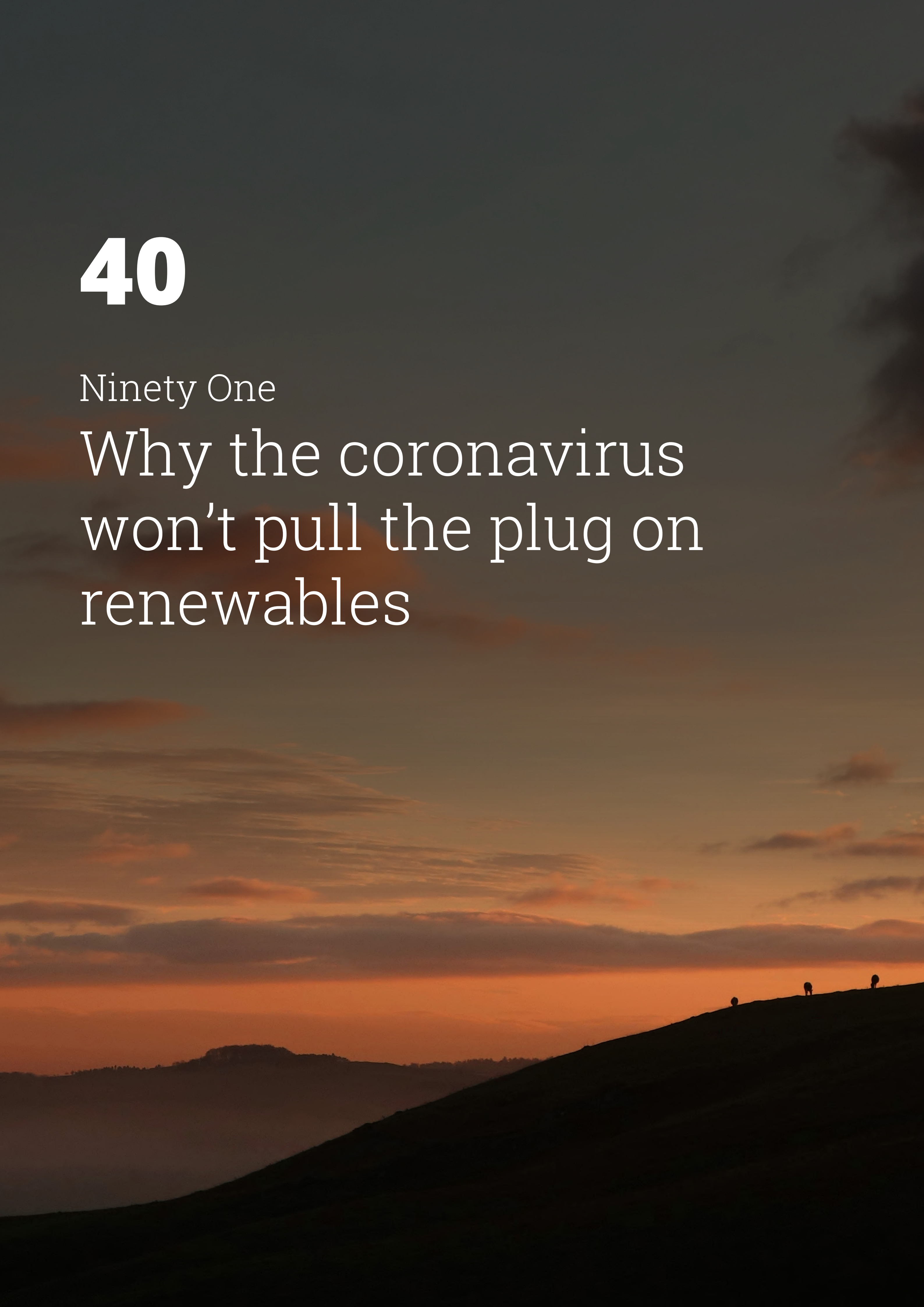
These include precision agriculture, renewable energy, energy efficiency, and pollution control. Within each segment, the set of opportunities is very wide. Renewable energy, for example, is not just about producing power in a clean way – be that from solar, wind or water – but also about transmitting and storing that energy and reducing the environmental footprint of batteries.

Crucially, an environmentally friendly approach often comes with efficiency gains. For example, sensors which measure pressure inside water pipes can identify leaks as soon as they happen or even predict them in advance, thus saving time and money on repairs. Improving efficiency will become an ever bigger priority as businesses recover from the current economic slump. Furthermore, given the focus on the environment, some of the fiscal stimulus may well be targeted towards projects in this area.

Technology will play a key part in the green revolution. Global environmental technology patents tripled between 2010 and 2015, according to WIPO data. Successful green tech – such as smart meters or high-tech recycling plants – is readily being embraced by corporates, consumers and governments.

Investments focused around the environment can also have defensive characteristics – a reassuring trait in the current market environment. Naturally, this segment includes industries which are traditionally considered defensive, such as utilities and water management. These defensive holdings should dampen market volatility while providing steady cash flow, especially when global economic growth is weak. Conversely, there is limited exposure to cyclical and consumer driven sectors.

At Pictet Asset Management, we have been investing in thematic equities for a quarter of a century, and our experience testifies to the long-term potential of such an approach. We believe that investing in environmental opportunities can boost returns over the long-term, improve diversification and also offer the benefit of some defensive characteristics during short-term market volatility.



40

Ninety One

Why the coronavirus won’t pull the plug on renewables

Why the coronavirus won't pull the plug on renewables

By Graeme Baker, Portfolio Manager, and Deirdre Cooper, Portfolio Manager.

The COVID-19 outbreak – and, more specifically, the consequent decline in the oil price – have sparked the usual arguments about the commercial viability of renewable and low-carbon technologies. The debate highlights some common misunderstandings about what is driving the transition to cleaner energy.

Foremost among them is the notion that changes in fossil-fuel prices are a major influence on the energy mix. They aren't. Oil is not typically used to generate electricity, so the fact it now costs less is irrelevant to most power producers. And, in many parts of the world, renewables are so much cheaper than coal and gas that the fossil fuels aren't close to being competitive.

Even in sectors that currently depend on oil, the crude price is rarely the main determinant of the speed of the energy transition. Take transport. Cheaper oil will not derail the move towards electrified vehicles, any more than a big price rise for the black stuff would have accelerated it much.

That's partly because the price of oil has a limited impact on fuel-pump prices. This is especially true in Europe, where taxes account for the lion's share of the cost of filling up.

But pump prices don't matter that much anyway, as the cost of fuel is rarely a major influence on car choice. Performance and brand are far more important at the luxury end of the passenger-vehicle market. Does anybody opt for a US$100,000 Tesla because they can save US$1,000 a year on fuel?

Neither are fuel prices – and, by extension, the total cost of ownership – key determinants of mass-market car sales. EV automakers have been finding it extremely difficult to get retail buyers to look beyond sticker prices — which is why the latest mass-market EVs are being priced much closer to comparable internal-combustion-engine models.

Ninety One

Previously Investec Asset Management

The markets for delivery trucks and buses are different, with the commercial and public-authority buyers of these vehicles giving more weight to total costs (i.e., including fuel costs). However, regulation and changing values are becoming more influential here as well, and propelling a shift towards cleaner vehicles.

By far the most important driver of EV sales growth in Europe is regulation, especially since the EU this year began requiring car makers to reduce average CO_2 emissions across their ranges to 95g/km. It also plays an important role in China, where many big cities operate registration-plate quotas, with tighter limits (relative to demand) for traditional cars. Regulation is less influential on EV sales in the US. But with high-end automaker Tesla dominating the US electric car market, few of its necessarily wealthy customers are likely to care much that already-cheap gasoline costs less.

Which is not to say that EV makers do not face challenges, including the risk of backing the wrong technologies and the inadequate charging infrastructure in most countries — not to mention the impact of the coronavirus on overall car sales. But after a torrid 2019, the medium-term prospects for the EV value chain – from battery makers to car distributors – are brightening as regulation and mounting climate concern, along with a rapidly widening choice of electric models, increase the appeal of EVs for more consumers.

There could even be a twist in the tail of the coronavirus. We wouldn't be surprised if the stimulus programmes to combat the slowdown emphasise clean technologies, particularly outside the US. If that happens, the recent market turmoil may ultimately turn out to be a boon for EV adoption.

All investments carry the risk of capital loss.

43

Federated Hermes

A growing appetite for plant-based foods

A growing appetite for plant-based foods

By The Impact Opportunities Equity Team at the International business of Federated Hermes

Food for thought: According to the UN, if today's dietary consumption patterns continue, the world will need to produce as much food in the next 40 years as it has in the last 10,000 years. It is therefore unsurprising that the food sector is growing – and food waste is a major challenge both in terms of value lost and food security.

Ensuring a sustainable food supply and productive farmlands for future generations

By 2050, the world population is expected to reach 9.8bn – and meat demand is projected to double[1]. However, meat is extremely inefficient to produce: according to the Food and Agriculture Organisation (FAO) of the UN, beef cattle alone contribute about 6% of the global total CO_2 equivalent greenhouse gas (GHG) emissions every year – an equivalent of about three times that of the aviation sector[2].

In comparison, plant-based foods can help ensure food security without adversely affecting the environment. Today, the increased awareness of climate change and sustainability concerns is leading to a significant shift in consumer preferences. For example, in the 52 weeks ending April 2019, sales of plantbased foods in the US grew by 11% to reach $4.5bn – that's more than five times the dollar sales growth of the overall retail food market, which rose by 2% in the same period[3]. Furthermore, there has been a dramatic increase in investment in plant-based foods: in 2017 and 2018, more than $13bn was invested in plant-based meat, egg and dairy companies in the US[4].

A growing appetite for plant-based foods[5] :

- According to the World Resources Institute, the average person across the world eats 68g of protein per day, but we only need 56g.
- Chicken and pork are more resource-efficient than beef – but still require three times more land and emit three times more GHG emissions than beans. There is a plethora of ecologically friendly protein alternatives available – and customer preferences are shifting.
- For example, in the US, 5% of the population identifies as vegetarian or vegan, and about 10% of dairy sales are plant-based alternatives.
- There has been an unprecedented level of investment made in plant-based and cell-based meat companies. For example, Beyond Meat, the vegan burger maker, raised $240m when it made its stock market debut in May 2019, while Quorn, a British food group selling meat-free alternatives, recorded a 7% rise in sales in 2018.

Some companies the team have invested in are focusing on answering to these changes in production and consummation. One example is a food-sorting solutions company. As every year, approximately 1.3bn tons of food is thrown away, including 45% of all fruit and vegetables and 20% of all meat[6]. The company's sensor-based food-sorting solutions inspect millions of individual pieces of produce (from fresh to processed foods) every hour, helping to divert 5%-10% of this material from going to waste – that's equivalent to 25,000 trucks of potatoes every year. As such, the company's sorting machines not only help to maximise yields, they reduce food waste and are more energy-efficient and cost-effective than alternative methods.

Another example is a company delivering innovative food safety technologies. Today, food supply chains are complex. Spanning country borders and oceans, now more than ever, the need for proper food sanitation as well as the prevention of foodborne illnesses is essential. This company delivers real impact in this regard: it provides products, services and technologies that eliminate foodborne pathogens, improve food cleanliness and sanitation, and keeps food safe in processing plants, restaurants and food retail businesses.

The growth of food-sorting solutions has been driven by food security regulation as well as recycling infrastructure requirements. Indeed, the need for such technologies is becoming increasingly important. For example, in 2018, China introduced a waste policy which imposed a ban on 24 types of waste coming into the country, forcing countries that had previously exported their waste to reconsider their national recycling infrastructure. Since then, unsurprisingly, investments in this space have increased, particularly in developed markets. In addition, the European Union is also taking a tough stance on waste: the European Commission's Plastics Strategy aims to make all plastic packaging recyclable or reusable by 2030. For this to happen, Europe's capacity to sort and recycle waste would need to rise fourfold.

As the world continues to tackle the fight against food waste and more stringent food-quality requirements are introduced, food-sorting solutions will play an integral role in creating positive and sustainable change.

The value of investments and income from them may go down as well as up, and you may not get back the original amount invested. Past performance is not a reliable indicator of future results.

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[1] "World population projected to reach 9.8bn in 2050, and 11.2bn in 2100," published by the UN in June 2017.
[2] "Time for a Protein Portfolio to Meet Tomorrow's Demand," published by the World Economic Forum in January 2018.
[3] "US plant-based retail market worth $4.5bn, growing at 5X total food sales," published by Plant Based Food Association in July 2019.
[4] "New GFI reports show accelerating investment for plant-based and cell-based industries," published by GFI in May 2019.
[5] Source: Federated Hermes, FAO, World Economic Forum, Bloomberg, as at December 2019.
[6] Source: FAO.

46

Rathbones

Sustainable investing amidst a global crisis

Rathbones
Look forward

Sustainable investing amidst a global crisis

During times of crisis, the way companies respond can have a major impact on society as a whole, not just their balance sheets. Rathbone Global Sustainability Fund manager David Harrison discusses why he believes companies with strong sustainability principles have a greater potential to weather the pandemic.

To say that our world has been turned upside down may seem like hyperbole, but the COVID-19 pandemic has plunged us into a global crisis. Attempts to control the outbreak have been unprecedented. Borders are shut, much of the aviation sector is grounded, countries have entered lockdown one by one, and governments have pressed the pause button on their economies.

Inevitably, this triggered a sell-off in stock markets that brought an end to the decade-long bull run. In an attempt to stem the tide and prop up economies, central banks and governments are resorting to monetary and fiscal stimulus measures that make the response to the 2008 global financial crisis appear meagre by comparison.

Sustainability is about more than being green

With the situation changing by the hour, only one thing is clear: we're in uncharted territory. As sustainable investors, we're not immune to falling stock markets. However, we feel a degree of comfort about the companies in our portfolio precisely because of our ESG screening process.

There's been much talk lately about so-called greenwashing in our industry and whether some funds are truly aligned with ESG principles, or whether they are making false claims. Much of the focus here has been on the E – environmental factors – perhaps because climate change is a hot topic right now. But sustainable investing is more than being environmentally conscious and it is during the coronavirus crisis that we are seeing the true importance of the S and the G – social and governance factors – coming to the fore.

One thing I have noticed about the current crisis is the way companies prove their mettle and adapt, as well as how they manage people and deal with adversity. When we invest in companies, we select them for several qualities that stand out: we want them to be cash generative, have no financial stress and be long-term thinkers. But we also want them to have quality management teams, good corporate governance and a strong culture that benefits employees and society.

The philosophy behind the Rathbone Global Sustainability Fund is to create long-term value for investors, society and the environment by investing in companies with strong ESG principles. Given the crisis we are currently facing, these qualities are perhaps even more important now than ever. There have been news reports of profitable companies refusing to pay staff or wrongly insisting on keeping their doors open during the economic shutdown. However, the backlash was strong and they quickly reversed course. This further supports why companies like that are not our portfolio. While they are cash-generative, their management teams and short-term thinking clash with our values. Instead, I believe companies that have a positive and sustainable approach stand a greater chance of survival than those with short-term views.

Positioning for uncertainty

Throughout the pandemic and subsequent stock market volatility, we have analysed every company in our portfolio, examined their profit margins and the extent to which they are leveraged. Following this exercise, we are comfortable with the stocks we own and feel the portfolio is in a strong position for this period of uncertainty. We cannot escape the fact that every company will be affected one way or another: earnings and profits will be impacted.

It's important to say that what we are likely to face is not a recession in the traditional sense and one factor that will help see companies through the current period is the quality of their management team. For instance, we have seen companies adopt a "we're all in it together" approach by suspending dividends, reducing executive pay and trimming salaries across the board to avoid laying off employees.

Companies like this embody the social and governance ideals that are at the core of sustainable investing and, for me, are more attractive over the long term. The falls we have seen in the stock market recently mean many companies are trading on lower valuations, which has created an opportunity to make selective investments in our fund.

It's not over until it's over

The situation we are in is not simply unprecedented, it is extraordinary. The path for recovery once the pandemic draws to a close and the economy begins to rebuild is uncertain. We also cannot promise that companies with strong ESG principles are guaranteed to fare any better than other businesses. Nevertheless, we do know that qualities like good management teams, responsible allocation of capital and low leverage tend to place companies in a stronger position than those with siloed short-term views.

During times of crisis, the way companies treat their employees and society as a whole is just as important to sustainability investors as their financial performance. Those that ignore their social and governance responsibilities during these uncertain times may benefit in the short term, but at what long-term cost?

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

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49

Aberdeen Standard Investments

ESG makeover for the investment industry

ESG makeover for the investment industry

Growing concern about environment, social and governance issues – allied to a potential flight to quality amid the COVID-19 pandemic – look set to accelerate adoption of ESG analysis worldwide. Here we outline five ESG trends that we believe are set to reshape investing in coming years.

By David Smith, Head of Corporate Governance, Asia Pacific, Aberdeen Standard Investments

The COVID-19 pandemic has added to our expectations that environment, social and governance (ESG) investing is poised to move from the fringes of the asset management industry to mainstream.

The overarching driver behind this is growing concern about ESG issues. We think increasing demand for disclosure, data and information will compel asset managers to integrate ESG analysis more explicitly into their due diligence and portfolio construction. For some, it will require a major shift.

At the same time, we anticipate that the worldwide coronavirus crisis will drive an investor flight to quality, by which we mean companies with strong balance sheets and good governance. In that respect, it could also act as a catalyst for ESG investing.

As a rule, quality companies are better positioned to sustain earnings growth in the face of macroeconomic headwinds, including ones caused by a global health pandemic. Owning quality remains the best way for equity investors to mitigate risk, in our view.

There's plenty of research to suggest that companies with high-quality ESG standards outperform over the long term. After all, it should be intuitive that well-managed companies which look after their E, S and G should prosper.

In irrational, liquidity-driven markets, high-beta, lower-quality stocks can do well. That's when a 'quality' portfolio (i.e. one that incorporates ESG analysis) can lag. But, longer term, we believe understanding and integrating ESG risks and opportunities is a source of alpha rather than a constraint on returns.

Whether driven by societal expectations or recognition that ESG analysis can add meaningfully to returns, increasing ESG adoption would enhance engagement between companies and investors. That would be a major plus for the sustainability of both investment portfolios and the planet.

Here we outline the five ESG trends that we believe are set to reshape investing in the coming years.

1 - Environmental impact

Severe weather phenomena such as cyclones, hurricanes, floods and fires have infused global news coverage and social media over the past year. With climate change forecast to heighten the intensity of weather events further in future, it will become crucial for corporates, institutional investors and asset management companies to answer two key questions: 1) how does my business/investment impact the environment; and 2) how does the environment impact my business/investment. This will likely accelerate investment into renewable energy, and divestment from firms that deal in fossil fuels. It could also sharpen investors' focus on the resilience of infrastructure – roads, railways, ports and airports – to climate change, prompting a shift in the composition of investment portfolios.

2 - Mainstream integration

While interest in ESG investing has developed in recent years, asset managers and institutional investors adopt different approaches. Some purchase ESG data from third-party providers to help inform portfolio decision-making, while others hire ESG analysts to engage companies only after they've bought them, or outsource ESG capabilities entirely to an external party. But as the narrative shifts from "how much does ESG cost" to "how do we do this", increasingly asset managers will look to embed ESG capabilities into their own teams to strengthen their pre-investment due diligence. This will drive the mainstreaming of ESG integration over the next two years in recognition of the value it can bring in safeguarding the sustained success of portfolio companies.

3- Data drive

We expect to see a meaningful improvement in the quality and consistency of ESG data. We anticipate that stock exchanges and regulators will strengthen disclosure requirements. That will compel corporates to improve the breadth and granularity of information they provide. We also expect to see investors push ESG data providers to improve their coverage of companies and consistency of their methodology. Investor demand will compel them to provide less, but more meaningful data. At the same time we anticipate a shift from quantitative to qualitative data. Investors will want more than basic data points. They will want to understand the sustainability of companies' strategies and the improvements these firms could make to enhance their value. The ESG data industry has evolved from one fixated on screening and tolerance limits. In future it will need to focus more on performance.

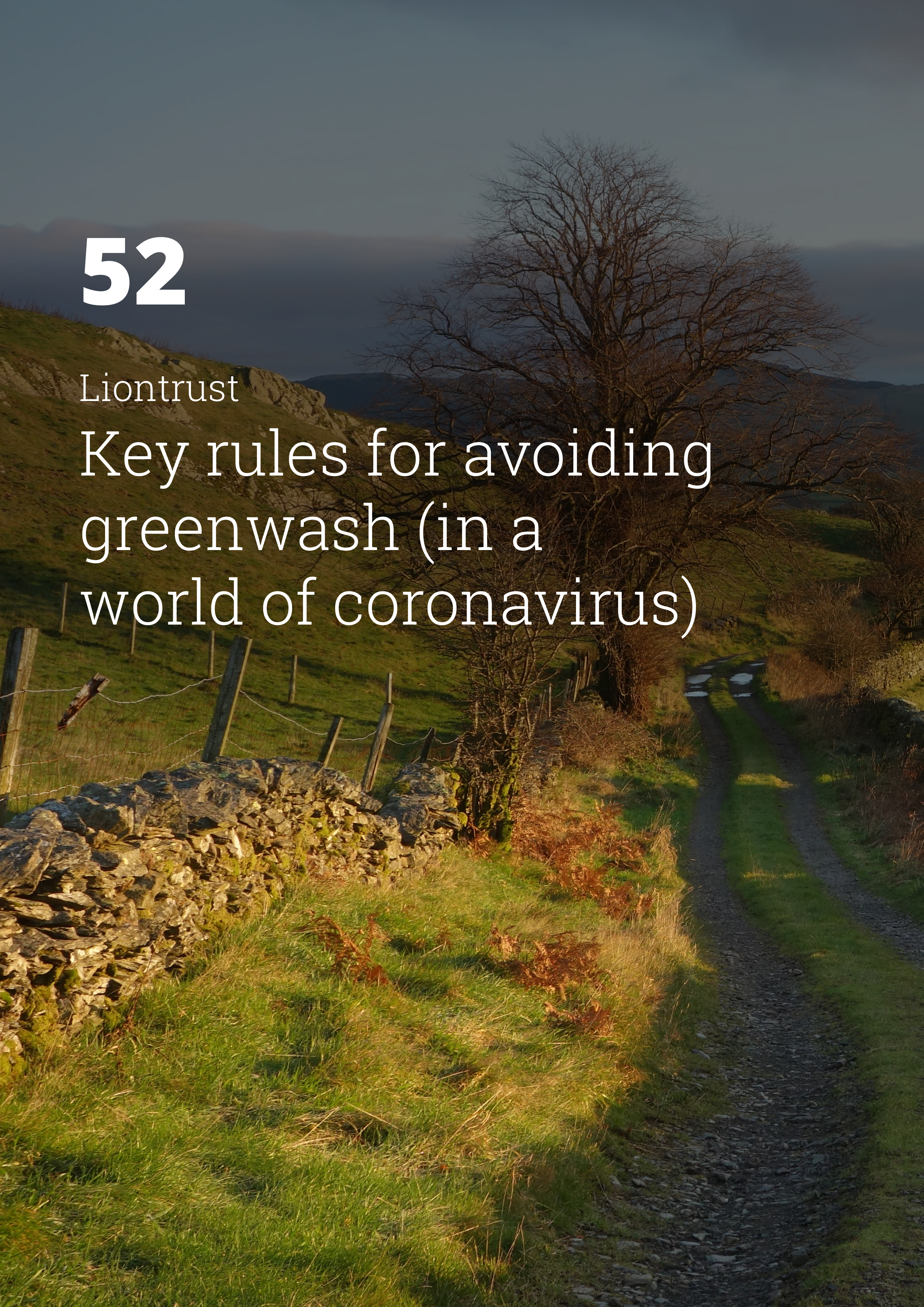
4 - Corporate profitability

Even now some companies regard ESG as more of a PR activity than a business imperative. That will change as they come to view factors such as corporate disclosure and resilience to climate change as essential to the sustainability of their business. Management teams will need to know, and be able to demonstrate to their boards of directors and investors, how their business models will remain valid in 10 years' time. To do that they will need to identify and guard against ESG issues that could cause disruption, from data breaches to supply-chain risks to discontent among staff that prompts turnover of key personnel and loss of knowhow. The game-changer will be seeing ESG as a means not only to manage risk, but also to drive returns. Firms able to showcase how they safeguard customer data, prioritise environmental sustainability, foster a good staff culture and maintain standards among their supply chain will resonate with consumers. That will drive profitability, and consequently investor interest.

5 - Defined mandates

ESG-related questions that institutional investors have directed at their asset management partners traditionally have centred on stock selection and portfolio construction. Increasingly we believe institutions will define ESG parameters that fund houses must adhere to in managing portfolios. We expect to see a marked increase in such mandates over the next few years. While they will feature traditional performance requirements, mandates may also require investment partners to work within a carbon budget; or manage a portfolio of companies that achieve a minimum ESG score; or build a portfolio with quantified environmental or societal impacts. While this is underway in parts of Europe, growing concern about ESG issues among governments and societies more broadly will dictate that it accelerates across Asia and the rest of the world in the next few years.

Important information:
Investment involves risk. The value of investments, and the income from them, can go down as well as up and an investor may get back less than the amount invested. Past performance is not a guide to future results.



52

Liontrust

Key rules for avoiding greenwash (in a world of coronavirus)

Key rules for avoiding greenwash (in a world of Coronavirus)

By Mike Appleby, Investment Manager, Liontrust Sustainable Investment team

While sustainable investing might come in many guises – and many initialisms – its move from the fringes to the mainstream of the financial world in recent years in undeniable.

But this is not something we are just coming to realise. We can point to a two-decade track record of sustainable investing, during which time we have continued to research and develop the 20 sustainable themes that shape our investment, focusing on companies making the world a cleaner, safer and healthier place to live.

The impact of Covid-19 on our health, livelihoods and economy does not change our view that companies exposed to these areas will continue to see strong growth in the coming years. Indeed, longer term, we can expect investment in areas such as healthcare to be prioritised.

Our team have been working through scenarios to model the impact of Coronavirus on each of our holdings, 2020 revenues, the ability of companies' balance sheets to withstand it and tentatively what the likely earnings will be in two to three years. There are many unknowns but it does highlight stocks that are beginning to look compelling over the longer term.

It is ultimately impossible to know what impact the current crisis will have on sustainable issues. On the one hand, we would hope the current 'uniting against a common enemy' trend could be directed against climate change in the future; on the other, we may find governments have used much of their firepower fighting economic slowdown and will not be spending money on sustainable projects for some time to come.

Our base case, however, remains that sustainable companies have better growth prospects and are more resilient than businesses not prioritising ESG (environmental, social and governance) – and these advantages remain underappreciated by the wider market.

With popularity comes proliferation, and as we continue to see more and more asset management companies launching into this market, it is important to identify 'greenwashing' in practice. Greenwashing is when asset managers say they take a sustainable or ESG approach to investing when they do not.

While the spread of coronavirus continues to dominate everyone's thoughts, here are five attributes that will show you whether funds, and the teams behind them, are capable of meeting investors' sustainable expectations.

1 - Transparency

Genuinely sustainable fund managers should be transparent about how they invest, as well as being open to be challenged. This should include clear and simple information explaining how the team manages funds: what companies they look for under the sustainable approach and what they avoid. It should not be generic greenwash, with little more than meaningless 'brochure' comments like "sustainability is in our DNA".

A sustainable manager should be able to provide a full list of all the companies in which a particular fund invests rather than just the standard top 10 that appears on factsheets. If they are unable or unwilling to do this, it is a red flag.

Investors should expect to see frequent communication giving an update on what is going on in the fund, relating back to the investment decisions and companies held. Anyone can write a generic report on climate change but how is the portfolio positioned in light of the huge challenges that combating this will entail?

The manager should respond to queries about companies they are invested in and explain why they like them.

2 - Experience and resource

We believe the experience and depth of a team is important when it comes to sustainable investing. There is nothing to say a new fund will not be a good investment and there are interesting products coming to market. But to use a simple analogy, if you need a plumber, you are likely to choose one with experience over a novice.

3 - Knowledge and ongoing training

Sustainable investing is a specialist area and subjects like climate change are fast moving so investors need to be confident that their chosen managers have the required knowledge to run money in this way. This can be anything from members of the team having specialist qualifications to a general focus on training to ensure people understand the latest sustainability trends. Again, if managers cannot display this, that represents a red flag.

4 - Activism

We believe managers should be able to highlight a track record of holding companies to account and encouraging them to improve. Fund managers should be able to talk in detail about their engagement priorities – whether diversity, tax transparency or plastic pollution – rather than just making sweeping statements. It is also worth looking at managers' AGM voting records: do they just vote with company management or actually challenge the businesses in which they invest to improve?

5 - Evidence

Ultimately, you are looking for all this knowledge and experience in sustainability being applied to investment decisions – giving meaningfully different exposure compared to more conventional funds. Are managers able to show how their sustainability views are reflected in their decisions: is it simply ESG data and reporting for the sake of it or is it actually making a difference to investments? Can fund managers provide concrete examples of where, if you removed the sustainability aspects from a business, they would not have invested in it?

M&G Investments

Investing for good: How to target ‘real’ impact in equities

Investing for good: How to target 'real' impact in equities

By Ben Constable-Maxwell, Head of Sustainable and Impact Investing at M&G Investments

A quick Google search for "impact investing" reveals more than 300 million results. Interest in this previously niche part of the investment universe is growing fast, reflecting a desire by investors to help address the world's major social and environmental challenges. The current coronavirus pandemic, while understandably dominating the world's thoughts, is just one of a long list of such challenges – and there are an increasing number of options for those looking to invest for purpose as well as profit.

The proliferation of products, however, does present a problem. With so much choice, how can you pick the right one for you? Before this, there is another challenge to overcome. How can you differentiate genuine impact funds from those that are simply masquerading?

When you're looking to pursue real impact with an investment, there are a few key qualities that you can look for, in my view.

Look at intentions

There are worse places to start than looking at a fund's objectives. A bona fide impact fund should have its non-financial goals hard-coded into its DNA. Impact funds should by design seek to address the world's major social and environmental challenges. Rather than being an afterthought, or a secondary consideration, impact-related objectives should at least be on a par with financial goals.

This focus on achieving impact should of course then be reflected in what the fund invests in. When it comes to approaches that invest in listed company shares, the impact for fund investors will largely be a function of the impact delivered by companies in the portfolio.

To pick impactful stocks, fund managers need to gauge the extent to which a company's purpose is genuinely focused on addressing key societal and environmental issues. Its impact must be intentional, not accidental, and should be reflected in deeds as well as words.

Consider the process

Like any investment strategy, there should be a robust and repeatable framework to consistently evaluate the case for potential investments. When investing in equities for impact, while intention sets the agenda, design and process are the functional tools that actually enable the delivery of the impact.

Importantly, it is always about more than simply excluding certain sectors that cause harm, like tobacco or weapons, or companies whose practices rate poorly on non-financial measures, like pollution or corruption. Such "screening" is useful, but it is only a first step.

Impact investors need to consider how most effectively to deliver the desired impact. It helps to focus first on the challenge at hand and then invest in the solutions. The solution can be assessed by clearly identifying and measuring the positive impact that a company generates. One way is to map impact against the United Nations Sustainable Development Goals (SDGs). These are a universally recognised articulation of the most pressing challenges facing people and the planet, from addressing poverty to combatting climate change.

We can map a company's activities to a primary Goal, as well as any relevant secondary Goals, and quantify their contribution towards achieving them. I believe we can look not only at the progress companies make against the SDGs through their own products and services, but also at how they enable other companies to deliver a positive impact.

It requires a lot of extra work; but by combining this impact investment case with the financial investment case, fund managers can pick companies that have the potential to deliver profitable growth alongside positive impact. We believe it is a powerful combination.

Focus on outcomes

Measuring the impact of your investments is a central tenet of impact investing. I believe investors should expect impact fund managers to evaluate and report the impact that is being delivered – and also articulate what they themselves are doing to drive that impact forward.

Measuring impact from investing in equities isn't an exact science, however, and there are a number of approaches. Some attempt to distil the impact you can have – litres of water saved, for instance, or even lives – with every £10,000 invested in a fund. I think there is a danger here of oversimplification and overclaiming. Unless you are investing to target one specific impact goal, such as cutting carbon emissions, we question the validity of aggregating multiple companies' impacts at portfolio level, and then allotting them to a specific amount invested. While admirable as a strategy for communicating impact, to do so tends to be overly reliant on assumptions.

I believe it's more accurate to focus on each given company's impact, assessing how it is performing against the relevant sustainability goal. By establishing key performance indicators that are pertinent to that company's delivery of an impact outcome, we can assess how the business is making a positive contribution to the SDG and use our investment to push for progress over time. We believe that companies with a clear and impactful purpose are more likely to remain dedicated to these goals over the long term.

However fund managers measure impact, transparency with our investors is all-important, and never more needed than in times like these. By sharing what we see as impact, by continuing to develop our tools for measuring and managing it, and importantly by flagging when it falls short, we can shine a light on how investors can deliver "real" impact where it is most needed.

58

Pennine Wealth Solutions

Doing good is not a millennial issue: it's an everyone issue

Doing good is not a millennial issue: it's an everyone issue

By George Critchley, Senior Partner at Pennine Wealth Solutions

We launched the 7 Positive Pennine Portfolios in August 2016. My professional background indicated the time was right, my trusted advisers agreed, but what would the investors think.?

The portfolios took many months to put together. It was all about the quality/integrity of underlying asset, blended with highly skilled asset allocation techniques. Our investment manager had to work to volatility and risk controls.

Education and training for Independent Financial Advisers (IFAs) came next. Followed quickly by investor research. IFAs have such a huge role and responsibility. Now we are in lockdown with the Coronavirus, even the slow adaptors, are getting the picture.

Invested assets are growing. We have accepted c.400 account openings to date.

The older investor is just as passionate as the younger ones. Doing good is not a millennial issue, it is an everyone issue.

We have presented many times to large audiences of investors. Utilising leading expertise: John Fleetwood, who creates our fund universe. George Latham of WHEB, and David Connor of 2030 HUB. Thousands of North West Investors are now getting the message.

Pennine Wealth Solutions are Discretionary Fund Managers. Since our launch in 2011, we have always considered ourselves a *Firm of Endearment. Yes, you read that correctly. We knew what we were. We just hadn't got a name for it. Fortunately, a book, with that very title, was published. A firm of endearment endears itself to its stakeholders, by bringing the interests, of all stakeholder groups into strategic alignment. No group: clients, employees, suppliers, business partners, shareholders, society, wins at the expense of the others.

John Fleetwood's thought piece at the beginning of this investment guide, brings this thinking into our new 2020 post Coronavirus world. I believe that society's discovery, that we are all connected as a part of a bigger community, will accelerate the need for pensions, ISAs, investments, that do good and avoid harm.

Infact I would go further, and predict that the majority of investments In the future will be impact and ESG. Many have regarded capitalism as an economic concept without a soul. Milton Friedman, Nobel Prize - winning economist, in 1970 laid out the foundation for shareholder primacy. However, 200 years earlier, the father of capitalism, Scottish economist and philosopher Adam Smith wrote in "The Wealth of Nations" that the interest of the company should always be secondary to that of the consumer.

The Coronavirus Crisis makes our future investment decisions, blindingly obvious. We must all invest for a peaceful, healthy, caring, and sustainable world.

Good versus performance

In some minds, a potential drawback of investing for GOOD, is the belief that investment performance can't be as attractive. **Various historical studies in many markets have disproved this theory. More recently, many observers have commented that ESG investments have fallen less during the pandemic.

The Janus Henderson Global Sustainable Equity Acc Fund fell 16.10% between 24th February - 27th March 2020. Sector average fell 17.41%.

Kames Ethical Corporate Bond B Acc Fund fell 7.26% over the same period. Sector average fell 8.26%.

Liontrust Sustainable Future Global Growth 2 Acc Fund fell 16.13% over the same dates.

Sector average fell 17.41%.

Over the same period the FTSE 100 fell 25.58%

We can't make general inferences from just 3 examples. But investment industry opinion is starting to shift. Are firms with good corporate governance, ethical practices inside the firm, and sustainable environmental controls, better investment propositions?

I mentioned asset allocation and control of volatility earlier on. This is the reduction of risk by spreading our client's investments across several asset classes. We measure risk on a scale of 1-10 where 1 is extremely low risk (cash) and 10 is very high risk. (100% equities).

In the low/medium risk category is Positive Pennine Portfolio 4. At the end of February 2020, its asset allocation was Global Equity 27%, Corporate Bonds 33%, Absolute Return/Hedge 19%, Property 8%, and Cash or Equivalent 13%. The effect of this spread is to preserve more of the client's capital in a market downturn.

All our investment managers believe you make money by not losing it. Sounds boring, but boring can be quite rewarding in the world of investment returns. During the huge fall in stockmarkets from Feb 24th to March 27th the Positive Pennine Portfolio 4 fell by just 9.07%.

Visit the Positive Pennine website for more information
www.positivepennine.co.uk

Positive Pennine
Investments that don't cost the earth
www.positivepennine.co.uk

Later this year the Positive Pennine Brand are the Lead Sponsor for the Lancashire Business View sub 36 Business Awards.

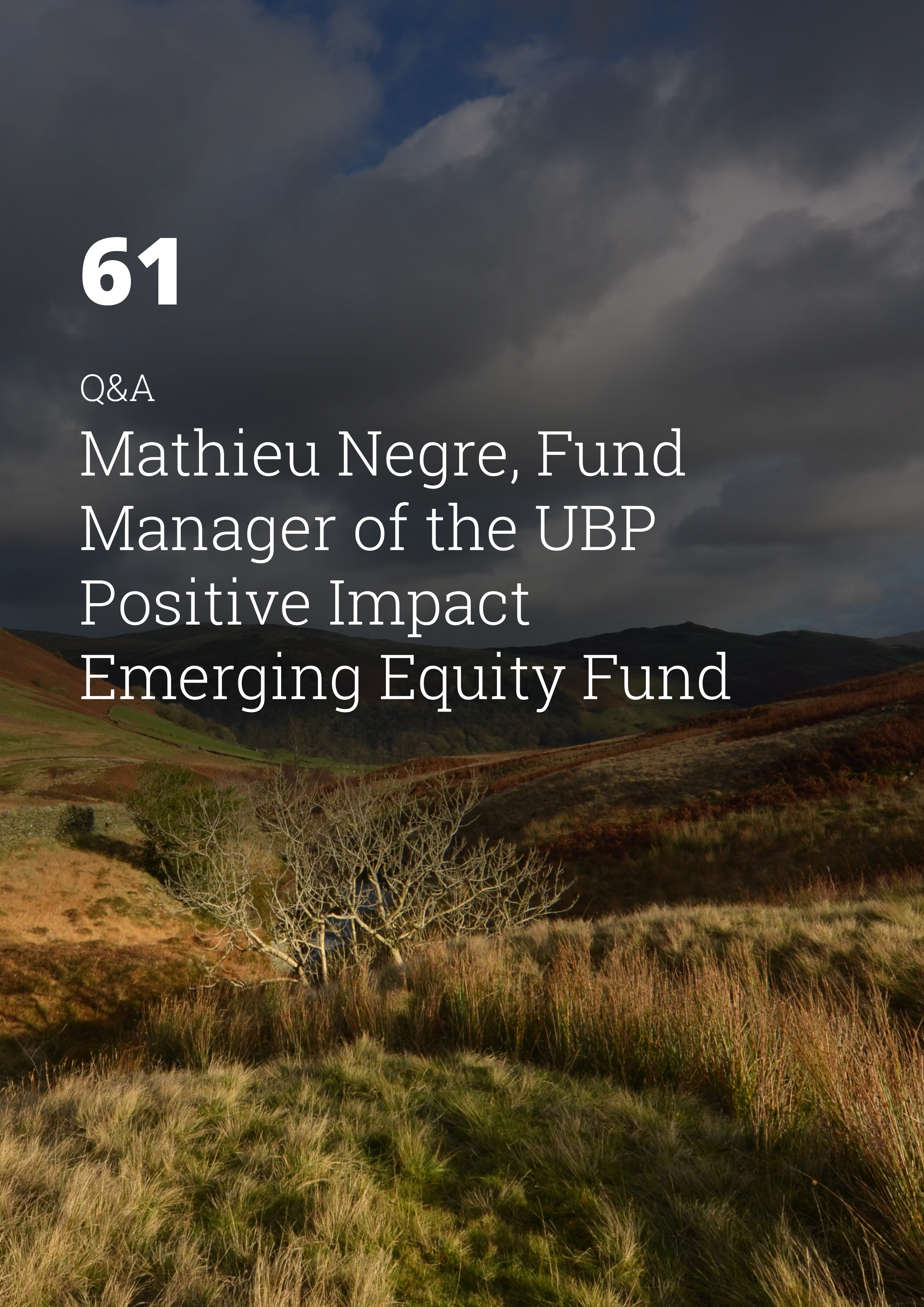
We have linked, by percentage of our firm's turnover, a monthly support payment to Brian House Children's Hospice, on the Fylde coast.

We are joint sponsors of the 2020 Lancashire "Last Choir Singing" Competition. For all junior schools in the county. This is our 6th year supporting this event.

Achieved the Good Egg Award from consumer website Good With Money 2018-19, 19-20.

Source

* Firms of Endearment: How world class companies profit from passion and purpose. By Rajendra Sisodia (Pearson FT Press, 2015).
** Does socially responsible investing hurt investment returns? (RBC Global Asset Management, 2012)



61

Q&A

Mathieu Negre, Fund Manager of the UBP Positive Impact Emerging Equity Fund

Q&A – Mathieu Negre, Fund Manager of the UBP Positive Impact Emerging Equity Fund

What is the objective of the new UBP Positive Impact Emerging Equity Fund?

The Fund intends to generate a measurable social and environmental impact alongside a financial return by investing in listed companies in emerging markets.

How do emerging markets differ from developed markets from an impact perspective?

Emerging countries tend to be further away from reaching most of the Sustainable Development Goals. A significant part of their populations does not have access to water, secondary and higher education etc. Their institutions tend to be less resilient and the regulatory framework less comprehensive. However, this also implies that the potential for improvement in SDG performance that can be captured as an investor is much higher in emerging markets. For instance, many water utilities we look at are still in the process of investing towards reaching universal coverage. This is an exciting goal for any company and its investors.

Regarding environmental goals, emerging countries do better than their developed counterparts if we look at their level of emissions per capita. But their population and economies grow much faster, which is a big challenge that we will have to tackle collectively through more efficient energy use and renewable energy production.

We believe that companies which help to solve emerging markets' problems could well experience faster growth, a stronger regulatory tailwind and potentially superior profitability. A higher education provider in a country with low education levels is likely to see strong demand far into the future. Similarly, the demand for clean energy is extremely strong, and renewable energy producers are likely to find favorable regulatory incentives to make the required investments.

What is the fund's approach?

The fund uses a thematic approach, inspired by its collaboration with the Cambridge institute for Sustainability Leadership. The 17 sustainable Development Goals (SDGs) are distilled into 6 investment themes: 3 societal (Basic needs, Health and Wellbeing, Inclusive & Fair Economies) and 3 environmental (Healthy Ecosystems, Climate Stability, Sustainable Communities).

The companies are analyzed using our in-house methodology called "IMAP" that consists in scoring the 4 dimensions of impact that we think are relevant: Intentionality, Materiality, Additionality and Potential. The final score gives a good view of the overall impact that the company can have on the wider society and on the portfolio.

Engagement is also a key pillar of our process. It is part of the impact we are having as fund managers. We have an ongoing dialogue with every company we invest in, and we try to push the companies to do more to address the issues the can profitably tackle.

Why does UBP launch an Emerging Market Impact Fund?

We have already launched one impact fund (UBAM Positive Impact Equity) in 2018. That had generated a lot of interest among our clients and had led us to establish an investment process that could be used in other areas. We were convinced that Emerging Markets were a logical next step. It makes sense from an asset allocation point of view, as there will be a need for more focused products. But it also makes sense from an impact point of view. Companies in emerging markets tend to lag beyond their European or American counterparts if we look at their sustainability reporting, but many have an opportunity to develop strategies that will have a positive impact. By engaging with them, we can encourage that process and the reporting standards will hopefully follow.

How do these opportunities translate into the fund?

The largest industries represented in our impact universe are water treatment, waste management, renewable energy production, renewable energy equipment, financial inclusion, batteries, healthcare and education.

If we compare ours to the developed impact universe, there are fewer technology and biotech companies, but more companies targeting what we call "basic needs" (SDGs 1, 2, 4 and 6).

Geographically, we find opportunities in most emerging markets, with Brazil, China, South Africa, India and Thailand being the largest sources of opportunities.

Could you provide a stock example?

Cipla is an Indian healthcare company that played a historic role in the development of antiretroviral therapies in emerging markets, particularly in Africa. To this day, it remains committed to provide affordable drugs for major diseases in low-income countries through a program called Global Access, and through an extensive presence in Africa, that was recently reinforced by a strategic acquisition. It is also trying to gain market share and maintain profitability in higher income countries.

We believe the strategy make sense, and give the company an IMAP of 14, slightly below the portfolio average but well above the sector average and our minimum investing threshold of 12. The challenge for Cipla will be to maintain its historic commitment to affordable drugs, something that can be forgotten in its pursuit of better profitability. In November 2019, they announced that had developed a child-friendly HIV drug, the first of its kind. It was developed in partnership with the Drugs for Neglected Diseases Initiative. This is the kind of announcements that reinforces our impact investing case.

UBP EM Impact team

64

Impax

What we look for during a crisis

What we look for during a crisis

By Ian Simm, CEO of Impax

The five key scores that matter when investing in times such as these

COVID-19 is creating a tragedy of exceptional proportions. If left unchecked it could lead to more than 40 million deaths worldwide, i.e., approaching the total casualties during the Second World War, the deadliest conflict in history. The bold public policy response, with a focus in many countries on national lockdowns, has been unprecedented but essential and is already sending shockwaves through the economy, with large-scale layoffs and business collapses that can only be partly mitigated by rapid fiscal intervention.

Against this backdrop, those managing investments need to ensure that a third potential disaster is averted — the permanent destruction of value for the pension funds and the savings of wide swathes of the population. Simply put, investors need to be holding the right securities through the crisis.

At Impax, based on the lessons from financial crises over 20 years or more, we are seeking to invest in companies that score well in five key areas.

The first two are being vigorously tested right now. Resilience: Although no one appears to have anticipated the COVID-19 shock, those companies with low levels of debt, redundancy in supply chains, diversified customer bases and effective business continuity plans have performed relatively well. As for stakeholder management, yes, staff and customers should come first, but we believe those companies with well-developed government relations, connections to community groups and other NGOs and proactive social media policies are at an advantage.

The third and fourth dimensions will be assessed over a longer time frame. Take strategy: Few business investments pay off in fewer than five years, so most companies need to articulate a plan that will be successful in the world of the late 2020s. By then, the direct and indirect effects of environmental damage, social inequality, political dislocations and demographic change, including urbanization, will have stressed many business plans, but also underpinned countless new business opportunities, for example in personalized healthcare, smart materials and fintech. COVID-19 is an early example of the type of shock that may be in store.

And in terms of leadership: COVID-19 is ruthlessly separating the leaders from the managers, giving those who can inspire and nurture their teams the impetus to adapt quickly, while exposing those who look to the spreadsheets first as “not up to the task.”

Finally, governance: Those businesses with effective boards that have systematically provided constructive challenges to management, ensured that risk analysis is rooted in real-world scenarios rather than theoretical box ticking, and checked that business continuity arrangements, including succession plans, are effective are likely to be in better shape today than those that are stumbling in these areas.

At a time of global crisis, talk of how to preserve investment value can sound discordant or even insensitive. However, without effective action in this area, we’re at risk of compounding the problems of large numbers of ordinary people by exposing them to long-term financial distress.