



The Honorary Treasurers Forum Summer Symposium 2018

Developments in sustainable investing

"The Sustainable Revolution is the single largest investment opportunity in history"

Al Gore, at the UBS Global Investment Summit in Davos 2018



A few questions to consider

Your own view

- Do you think that we should invest in responsible companies?

Your charity's portfolio

- Do your investments reflect these values?

Your advisers

- Do they share your values?

Your charity

- Does it value environmental and social issues?

Your stakeholders

- Do they share your values?
- Are they worried about future returns?

Your fellow Trustees

- Do they understand the opportunity?
- Are they worried about the risk of change?

What is sustainable investing?

Sustainable investing is an investment approach that incorporates environmental, social and governance (ESG) considerations into investment decisions.

	Integration	Exclusion
Description	Integrating ESG factors into traditional investment processes to improve portfolio risk/return	Excluding companies or industries from portfolios where they are not aligned with an investor's values
Motivation	Improve the risk/return characteristics of the portfolio	Align investments with personal values

How do charities' investments have an impact?

All your investments have an impact, whether positive or negative. There are three main ways they do:

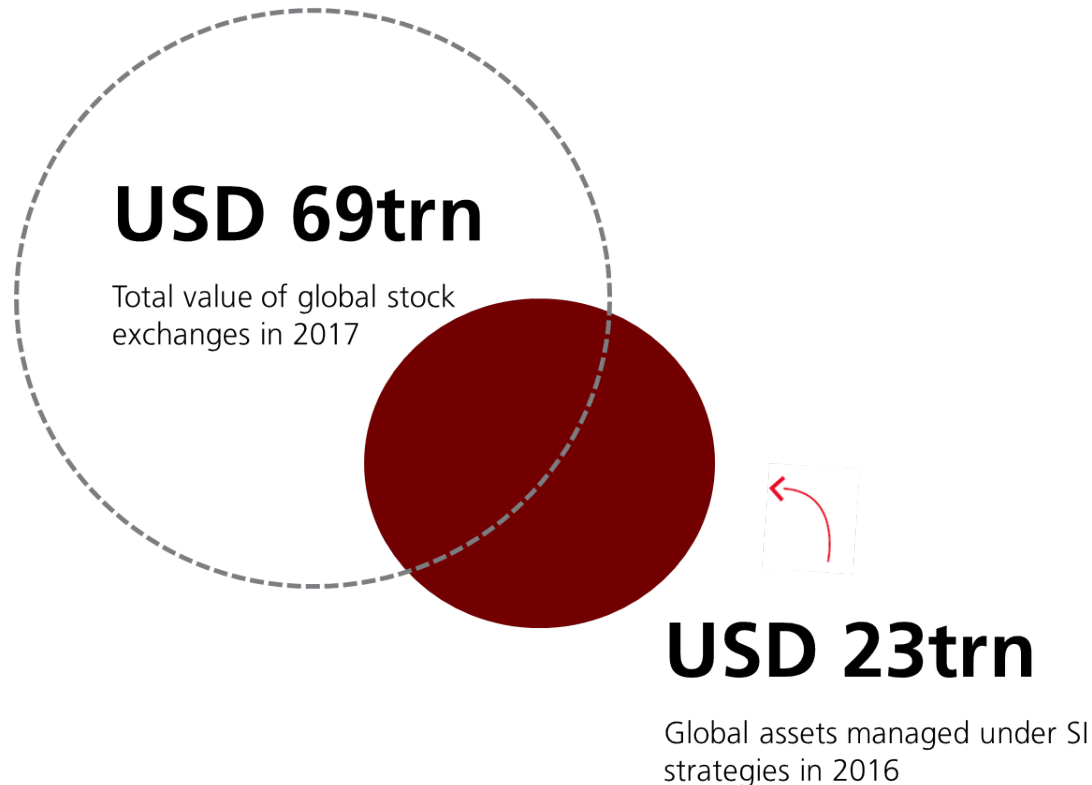


1. **Invest:** Directly investing in intrinsically impactful companies (or projects).
2. **Stewardship:** Beyond the provision of capital, investors can influence the companies they invest in in order to maximise environmental or social good.
3. **Disinvest/Invest:** Finally, simply by investing in companies you believe are having a positive impact on people and planet, and divesting in companies that are not.

How big is the market?

Sustainable investing is no longer a niche investment theme.

It is important to note however that investor definitions of what constitutes a sustainable investment can differ significantly.



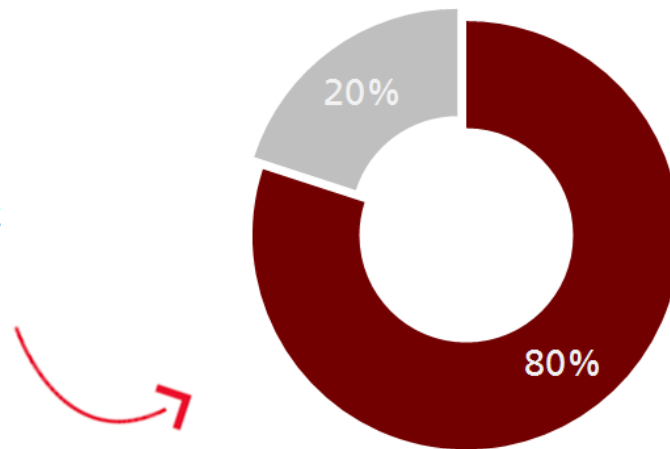
How active are institutional investors?

Institutional investors have played a major role in driving demand for sustainable investing.

According to a 2017 survey of institutional investors, 80% considered environmental, social and governance (ESG) criteria to be a major component of their investment strategy

80%

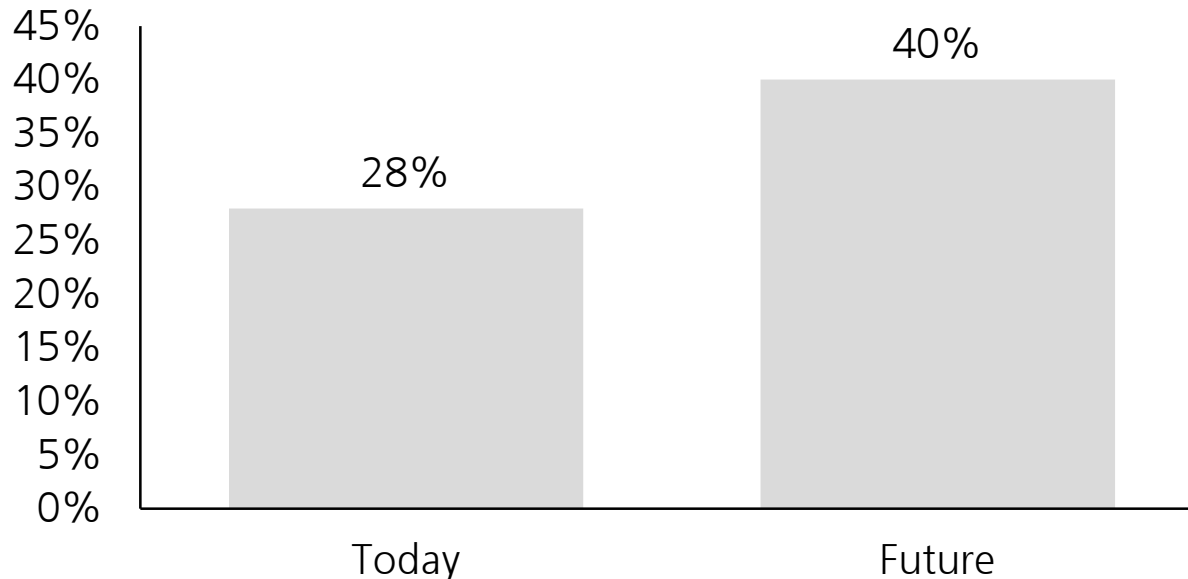
Consider ESG to be a significant component of their investment strategy



How active are private investors?

But it is not just institutional investors who are driving demand for sustainable and impact investing.

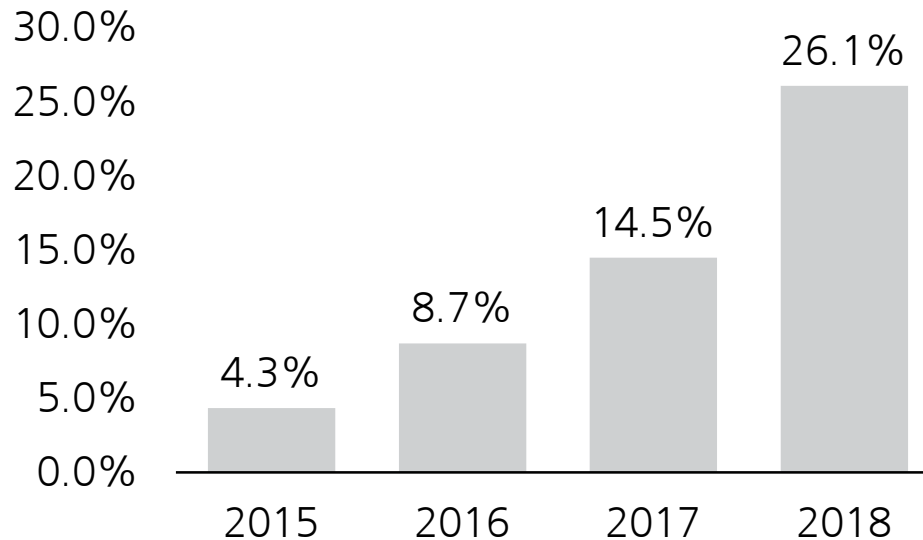
28% of family office clients have engaged in impact investing, according to a 2017 survey. 40% expect to increase their allocation over time.



How active are charities?

But it is not just institutional and private investors who are driving demand for sustainable investing.

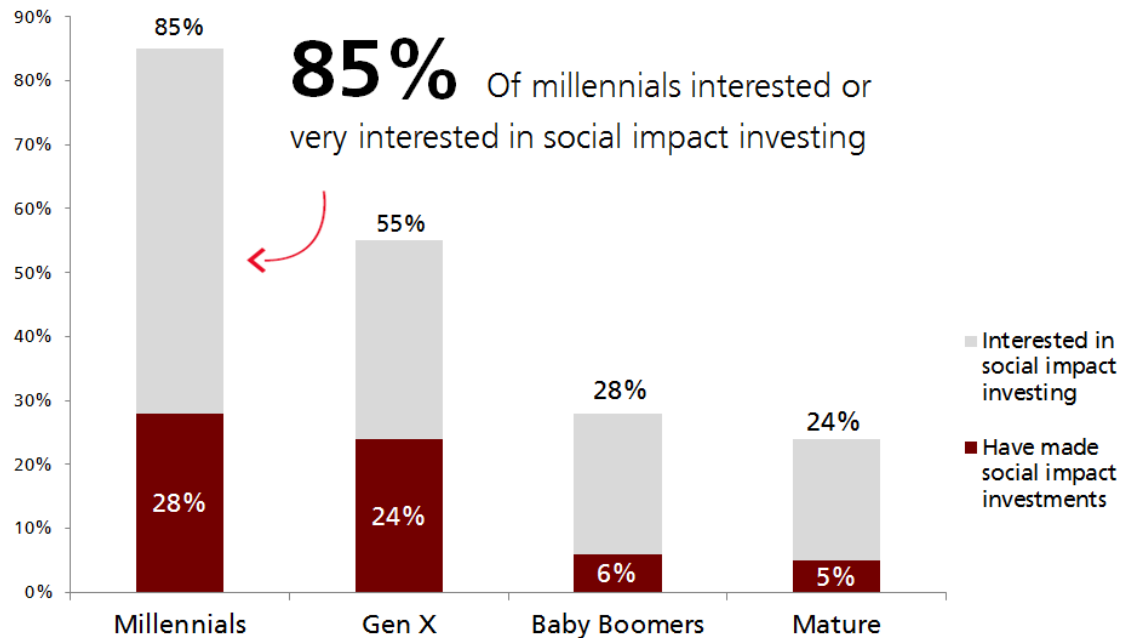
26% of our charity clients are now invested in our Sustainable Strategy. We have seen an 80% increase in 2018 so far.



What are the demographic growth drivers?

Millennials will be benefiting from one of the largest wealth transfers in history – USD 7 trillion between 2015 and 2020.

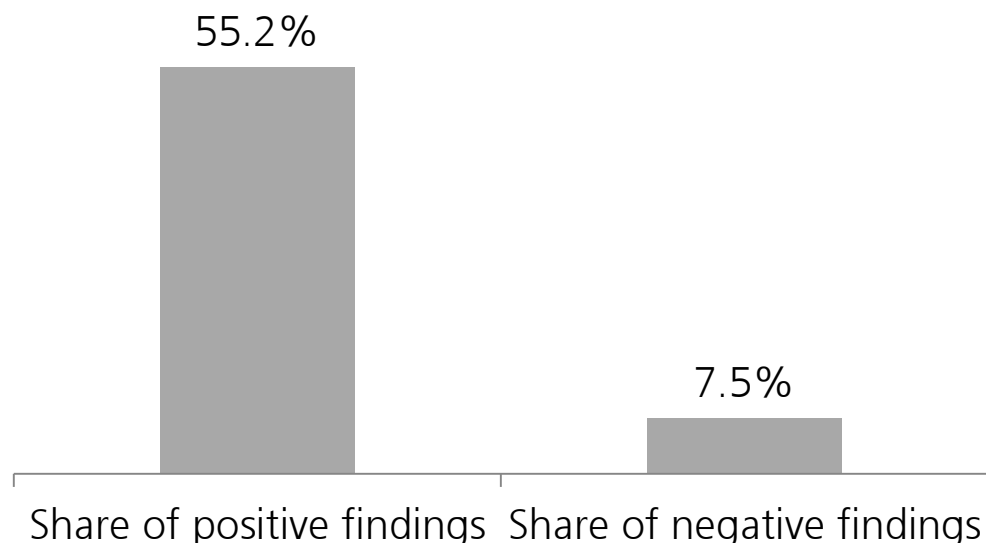
Numerous surveys have shown that, compared to previous generations, millennials lead in participating in sustainable and impact investing.



Will investing sustainably impact returns? (1/2)

Interest in sustainable investing is also being driven by growing evidence that financial returns need not be compromised.

Since the 1970s, over 2,200 empirical studies have been conducted on the relationship between ESG criteria and corporate financial performance. More than half reported positive findings, compared to just 7.5% pointed to a possible negative correlation.



Will investing sustainably impact returns? (2/2)

"There have been more than two thousand academic studies on factors related to Sustainable Investing over the last 40 years (Friede et al, 2015). Systematic reviews of the literature conclude that integrating sustainable factors either improves financial returns, or causes no detriment to them, across all asset classes."

Professor Timo Busch, 2017. School of Business, Economics and Social sciences, University of Hamburg, and Senior Fellow at the Center for Sustainable Finance and Private Wealth of University of Zurich. Source: Interview, 2017.

UBS UK Charity Sustainable Investment Strategy Performance to 28th February 2018

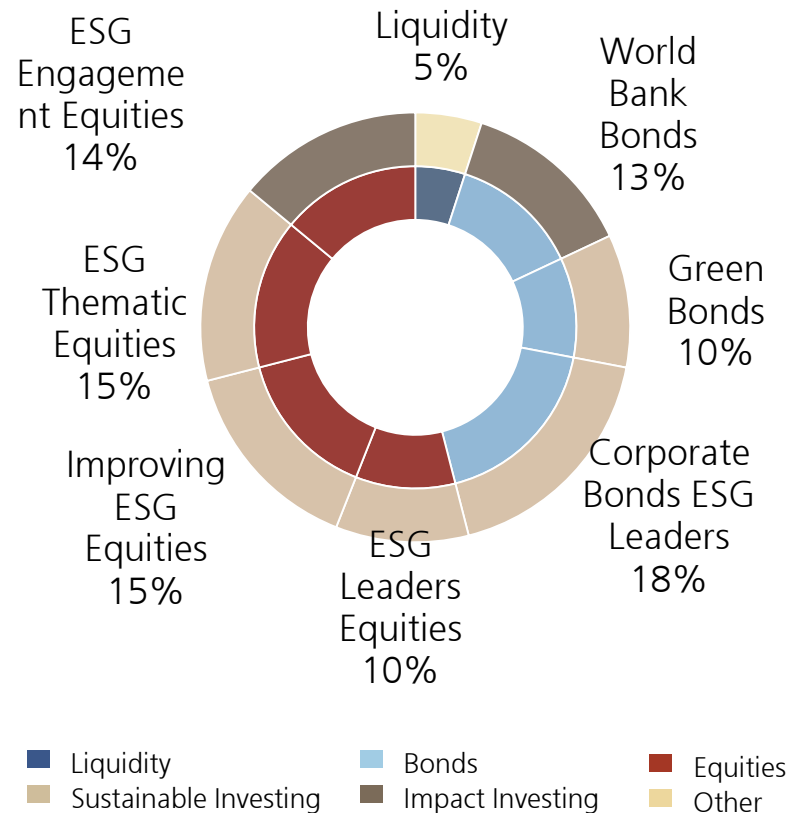
Period	Portfolio (net)	Peer Group* (net)	Benchmark (gross)
2014	4.6%	4.4%	5.8%
2015	7.6%	2.1%	2.2%
2016	14.2%	12.6%	18.3%
2017	11.0%	12.6%	11.5%
3 years annualised	9.0%	6.5%	7.8%
Since inception (31-8-13)	9.0%	7.3%	8.7%

*Peer group: Asset Risk Consultants (ARC) Charity Sterling Steady Growth PCI; Source: UBS Wealth Management. Annualised return for all periods greater than one year. UBS and ARC Performance numbers are shown net of fees. Past performance is not a reliable indication of future results



Can we integrate sustainability across our portfolio?

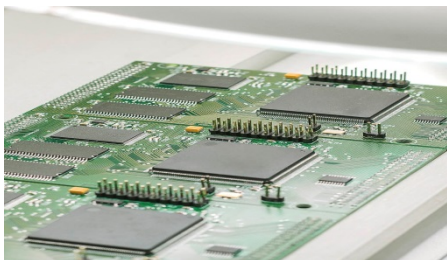
The example below highlights how UBS integrates sustainability across asset classes in our Sustainable Investing Strategy.



How could we invest sustainably in equities?

ESG Engagement

- Taking equity stakes in order to engage management to improve performance on specific ESG themes.



Improving ESG Equities

- Investing in companies that are getting better at managing ESG issues



ESG Thematic equities

- Investing in companies that are tackling particular ESG themes



ESG Leaders Equities

- Investing in companies that manage ESG issues better than their competitors.



How could we invest sustainably in fixed income?

World Bank Bonds

- Support the World Bank in achieving its twin goals of ending extreme poverty and promoting shared prosperity. .



Green bonds

- Fixed income instruments in which use-of-proceeds are used to finance projects that benefit the environment.



Corporate Bond ESG Leaders

- Issued by companies that manage a range of critical ESG issues and opportunities better than their competitors.

Who do we need to convince?

The Strength of Civil Society ...depends on the practices our charities and social enterprises adopt, and above all on the public trust they command." (Prime Minister Theresa May 9th January 2017)

- The average age of Trustees is:
 - 55 - 64
 - 64% are male
 - 92% are white
- On average they give 4.88 hours per week
- The main motivators are an interest in the aims of the charity and that they have the relevant skills to give something back

The Sustainable Revolution is the single largest investment opportunity in history"
- Al Gore, at the UBS Global Investment Summit in Davos 2018

Source: Taken on Trust, CASS Business School

Key takeaways

- ✓ Sustainable Investing already has attracted large amounts of monies from investors already
- ✓ Its usage in the charity sector is accelerating
- ✓ There is clear evidence that it does not negatively impact financial returns

Disclaimer

This material is intended for information and marketing purposes only. It is not to be regarded as investment research, a sales prospectus, an offer or solicitation of an offer to enter into any investment, to conclude an agreement or to conduct other activity. The general explanations included in this presentation cannot address your personal investment objectives, your financial situation as well as your financial needs.

Availability of described services and products: Please note that UBS retains the right to change the range of services and the products at any time without prior notice and that all information and opinions indicated are subject to change. Certain services and products are subject to legal restrictions in some countries and cannot therefore be offered worldwide on an unrestricted basis.

Accuracy and completeness of information: Although all information and opinions expressed in this document were obtained from sources believed to be reliable and in good faith, no representation or warranty, express or implied, is made as to its accuracy or completeness. All information and opinions indicated are subject to change without notice and the asset classes, the asset allocation and the investment instruments are only indicative. Information displayed in this document may be referring to your personal situation as known to your UBS client advisor at the present time. Please note that UBS is under no obligation to revise this document or inform you otherwise should your personal situation change or should other employees of UBS be or come to be in possession of other or additional information.

Separate agreements and further documentation: Some products and services mentioned in this document may require agreements to be signed. Please note that only the terms and conditions of such specific agreements apply to these products and services. We kindly ask you to carefully read such agreements and revert to your UBS client advisor in case of unclarity. Please also consult further documentation on specific products and services mentioned in this document.

Legal and tax advice: We recommend that you obtain appropriate independent financial, tax or legal advice on the implications of investing in or making use of any of the products and making use of the services mentioned herein, including tax matters. Tax treatment depends on the individual circumstances and may be subject to change in the future. UBS does not provide legal or tax advice and this document does not constitute such advice. UBS further makes no representations as to the tax treatment of assets or the investment returns thereon both in general or with reference to your specific circumstances and needs. You should obtain independent tax advice on the suitability of products, assets or instruments before investing and as you may consider appropriate.

UBS's role: At any time UBS and other companies in the UBS Group (or employees thereof) may have a long or short position, or deal as principal or agent, in relevant securities or provide advisory or other services to the issuer of relevant securities or to a company connected with an issuer.

Use of this information material:

This material is not intended for distribution into the US and/or to US persons or in jurisdictions where its distribution by us would be restricted. Source of all information is UBS unless otherwise stated. UBS specifically prohibits the redistribution of this material in whole or in part without the written permission of UBS and UBS accepts no liability whatsoever for the actions of third parties in this respect.

Investment risks: Please be reminded that all investments carry, depending on their nature, a degree of risk. Some investments may be subject to sudden and large falls in value and on realization you may receive back less than you invested. Some investments may not be readily disposable since the market in such securities is illiquid or because of minimum holding periods and therefore identifying and quantifying the risk to which you are exposed may be difficult. You should consult your UBS client advisor on the nature of any specific investment you are interested in **and carefully consider whether such investment is appropriate for you before making any decision on an investment or transaction.** For further information on the risks of specific types of investments and transactions we refer to the brochure "Special Risks in Securities Trading" and the document "Additional Risk Information" previously sent to you. Please ask your UBS client advisor for further copies of these documents if you deem necessary. The information contained in this presentation on investment strategies and asset classes in general is in abbreviated form. It is not intended to provide the sole basis of an evaluation of an investment and should not be considered a recommendation by UBS that an investment is suitable for you. UBS shall have no responsibility for the performance of investment instruments or an asset class selected by you and shall assume no liability for the selection and decision you may take.

© UBS 2018. The key symbol and UBS are among the registered and unregistered trademarks of UBS. All rights reserved.