



# 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

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## **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?

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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?

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



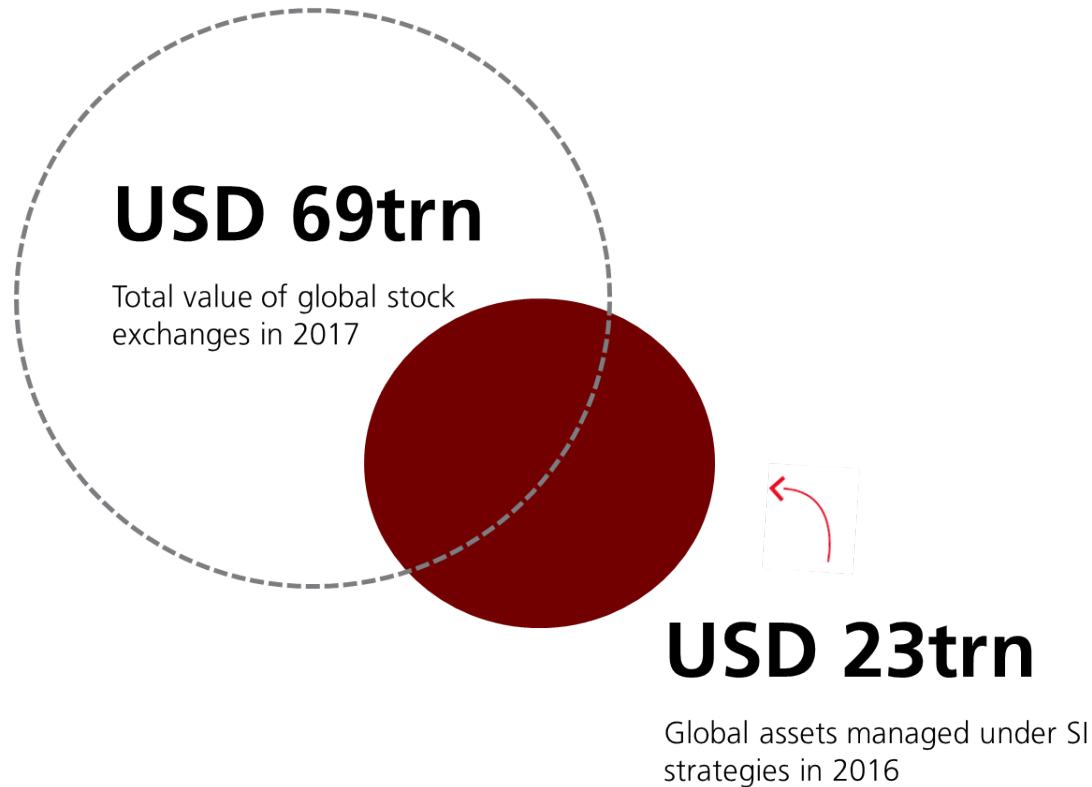
1. **Invest:** Directly investing in intrinsically impactful companies (or projects).
2. **Stewardship:** Beyond the provision of capital, investors can influence the companies they invest in in order to maximise environmental or social good.
3. **Disinvest/Invest:** Finally, simply by investing in companies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

# How big is the market?

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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?

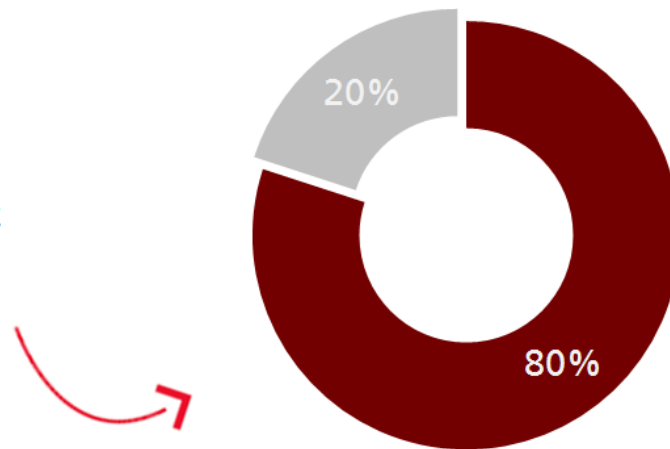
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Institutional investors have played a major role in driving demand for sustainable investing.

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

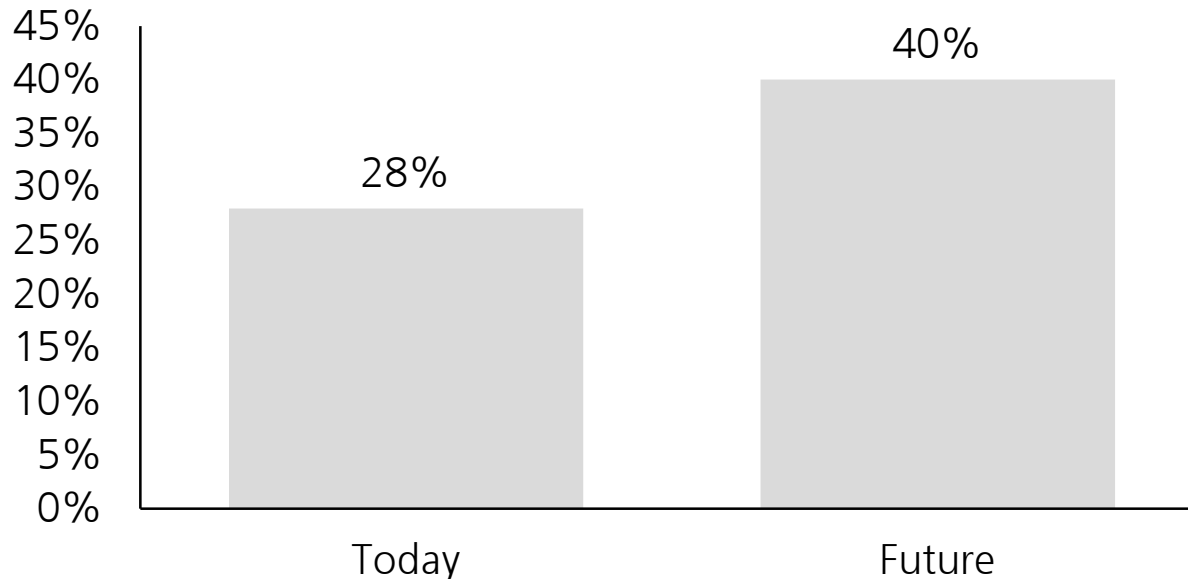


# How active are private investors?

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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.

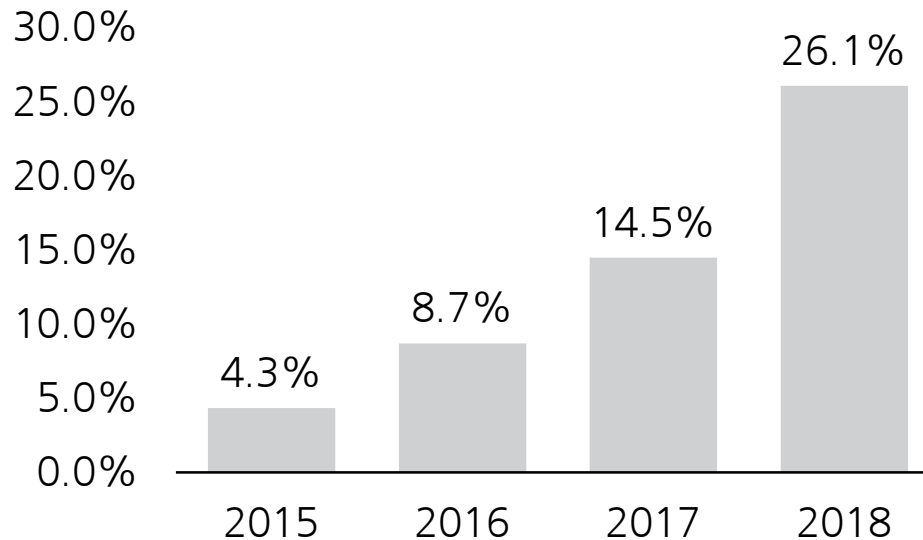


# How active are charities?

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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.

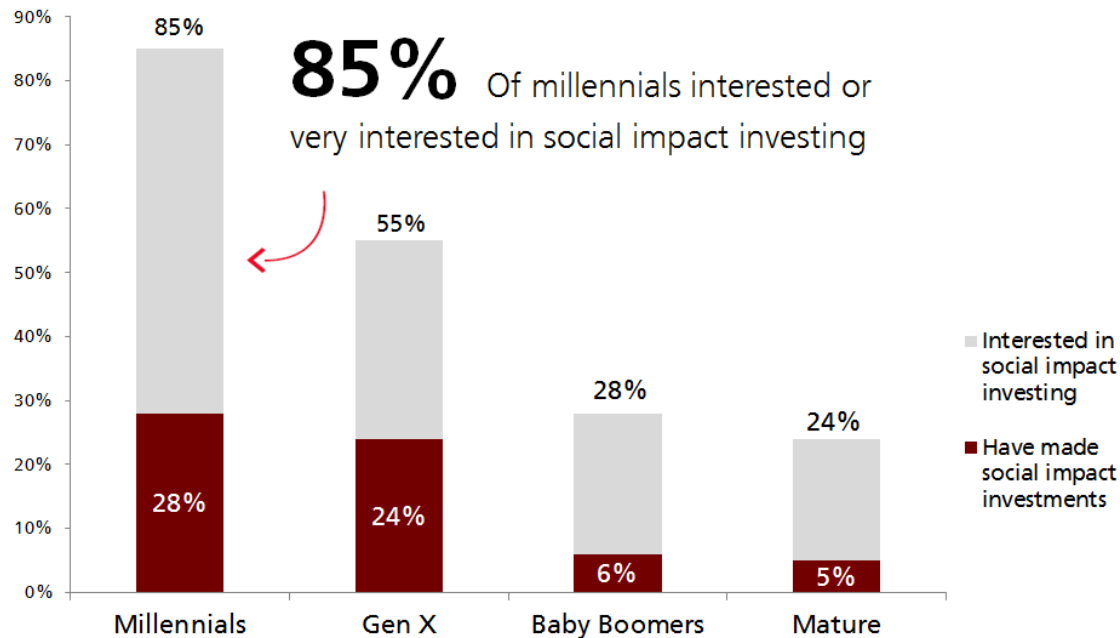




# What are the demographic growth drivers?

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.

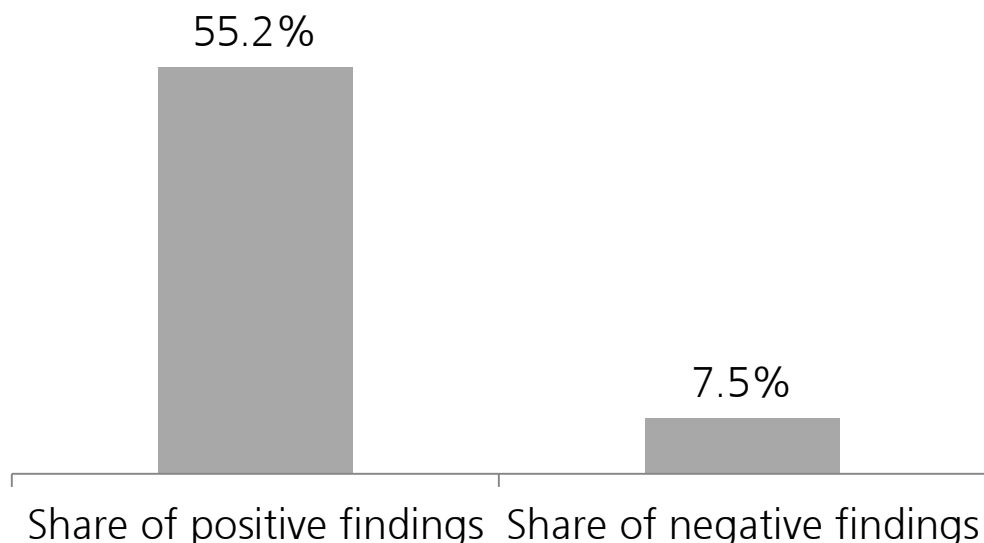


# Will investing sustainably impact returns? (1/2)

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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)

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"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.

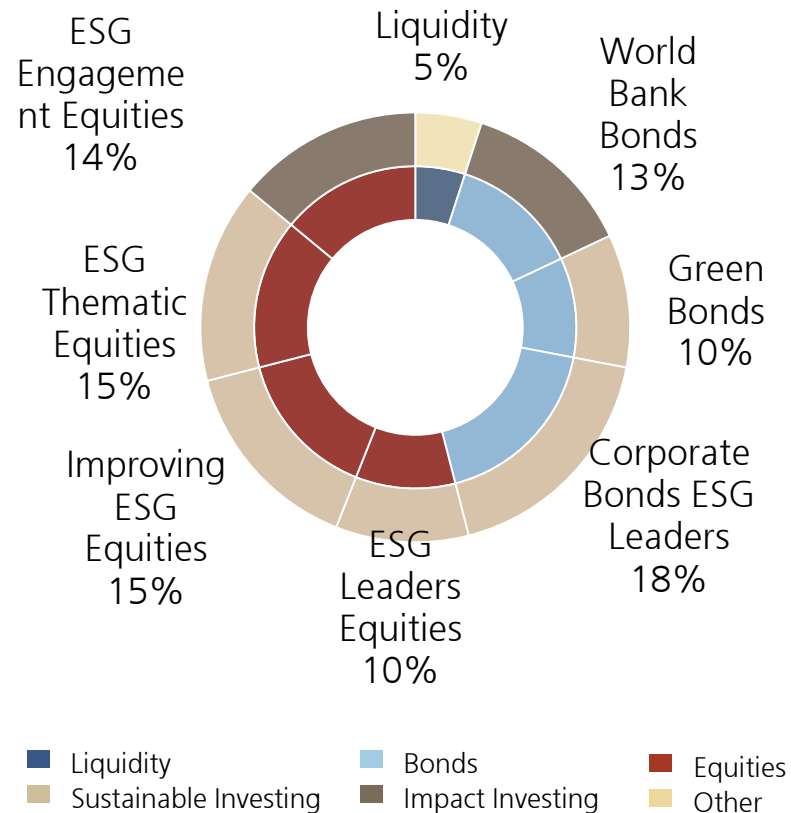
## UBS UK Charity Sustainable Investment Strategy Performance to 28<sup>th</sup> February 2018

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?

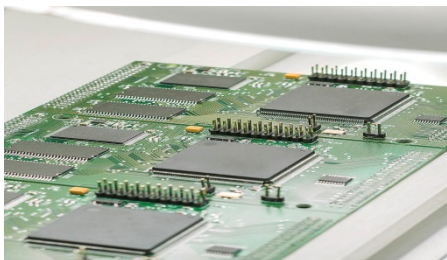
The example below highlights how UBS integrates sustainability across asset classes in our Sustainable Investing Strategy.



# 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?

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## 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?

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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

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- ✓ 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



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