PHOTO ©ELLA IVANESCU

Sustainability
Where there's a will, there's a way

By George Fisk

The need and demand for responsible investing is more prevalent than ever. Caring about the planet we inhabit is no longer exclusively for hardline environmentalists or hemp-wearing hippies. Shareholders are demanding accountability through good corporate governance, with the worst perpetrators being visibly scrutinised by the media and public alike.

We believe that climate change will become a distinguishing feature in the future outlook of companies across the world. In May 2019, after environmental protests gripped the country, the UK became the first country to declare a Climate Emergency. Teenage activist Greta Thunberg rose to fame for her straight talking, no nonsense approach to climate change, earning her the accolade of *Time* magazine's Person of the Year.

A total of 479 green bonds were issued globally in 2019, up 25% on the previous year. In January 2020, it was estimated by Linklaters that 2020 will be a 'bumper year' for more green bonds, with global standards improving.

The EU Council President announced in his address of 20 July 2020, the earmarking of 30% of both the EU budget and a new 750bn euro coronavirus recovery fund for climate protection, with all spending having to comply with a principle of 'do no harm' to EU green goals.

The bottom line is that the facts are pretty astonishing and worrying;

- Figures published in May 2019 by the World Health Organisation exposed that 7 million people die each year from air pollution.
- According to NASA, 2019 was the second warmest year on record – in fact, the five warmest years between 1880–2019 have all occurred since 2015.

It seems as though these facts have not fallen on deaf ears, as demonstrated by a 2018 report by the Morgan Stanley Institute for Sustainable Investing, entitled 'Sustainable Signals', which highlighted that 79% of individual investors are interested in considering sustainability factors when making investment decisions.

Vote with your capital

The world seems to be waking up to the ramifications of turning natural capital into financial capital; a theme that was discussed by Kenneth Boulding in his foresightful 1966 essay, 'The Economics of the Coming Spaceship Earth'. The question posed in this essay was whether mankind will transition to the 'Spaceman' economy from a 'Cowboy' economy, with the analogy of a Cowboy being used because a Cowboy takes his cattle from field to field, exhausting natural resources, for financial gain in the form of some well-fed cows being sold at market. A 'Spaceman' economy, however, looks at our planet as having finite resources which should, where possible, be reused or used in a sustainable manner, in the same way you would use resources if you were on an intergalactic space mission. A catalyst for moving towards a 'Spaceman' economy would be investing in companies that do not exhaust or destroy the earth's resources – a vote with your capital.

Don't miss out on the 'only free lunch in investing'

In 2013, MASECO was the first UK Wealth Manager to achieve the status of a Certified Benefit Corporation (B-Corp) – we know the importance of investing sustainably but, being a Wealth Manager, also appreciate the importance of diversification within an investment portfolio to reduce concentration risk; the idea that keeping all of your 'investment eggs' in one basket could be detrimental to the performance of your portfolio. Our sustainable portfolios include a range of funds which celebrate companies with a good ESG standing, whilst maintaining a focus on the only free lunch in investing; diversification, as coined by Nobel Prize winning economist Harry Markowitz.

Our sustainable allocations are diversified through asset class, geography, size and value, with a sustainable overlay. Investors shouldn't have to accept unnecessary concentration risk in their portfolios as an unwanted bi-product of wanting to invest with a conscience, and they don't have to with our sustainable allocations.

There is more good news on the horizon, with MiFID II requiring Financial Advisers to ask clients their stance on sustainability, from 2021. Advisers will also be required to demonstrate that they have a process in place to address any sustainable needs from a client perspective.

Small fish in a big pond

It is interesting to note, and fair to argue, that the investment markets are dominated by Institutional Investors; according to a report published in April 2018 by PI Online, Institutions own about 80% of the Russell 3000 index – the 3,000 largest publicly held companies in America. One could ask, 'How would my savings make any difference to the status quo?' With that said, SEC Chairman Jay Clayton noted in his May 2018 speech that there are over $12 trillion in retail client assets under management by SEC regulated firms, as at April 2018; a figure that should not to be overlooked by investors. Retail investing with a conscience could pave the way to an even greener world; a world that is cleaner for our children, their children and generations to come. ★

George Fisk is a Wealth Manager at MASECO Private Wealth. He is a Chartered Fellow of the CISI and focuses on providing investment and planning advice to high net worth Americans in the UK, incorporating a sustainable investment solution where appropriate and suitable

Risk Warnings and Important Information

If you would like a full copy of MASECO's '39 Steps to Smart Living in the UK' or more information about MASECO's services please visit www.masecoprivatewealth.com or contact enquiries@masecopw.com. The information in this article is provided for information purposes only and does not take into account the specific goals or requirements of any particular individual. For full details go to masecoprivatewealth.com

Disclaimer

Use of information:

• Nothing in this document constitutes investment, tax or any other type of advice and should not be construed as such.
• The investments and strategy noted in this document may not be suitable for all investors and making available the information in this document is not a representation by MASECO that any investment strategy is suitable for any particular client.
• This document is provided for information purposes only and is not intended to be relied upon as a forecast, research or investment advice.
• This document does not constitute a recommendation, offer or solicitation to buy or sell any products or to adopt an investment strategy.

Risk Warnings:

• All investments involve risk and may lose value. The value of your investment can go down depending upon market conditions and you may not get back the original amount invested.
• Your capital is always at risk.
• Fluctuation in currency exchange rates may cause the value of an investment and/or a portfolio to go up or down.
• Alternative strategies involve higher risks than traditional investments, such as speculative investment techniques, which can magnify the potential for investment loss or gain.
• Although the information is based on data which MASECO considers reliable, MASECO gives no assurance or guarantee that the information is accurate, current or complete and it should not be relied upon as such.
• Certain products which may be used within a portfolio in order to give exposure to particular investment strategies may not be regulated in the UK and therefore will not have the benefit of the protections afforded by the UK regulatory regime.
• Information about potential tax benefits is based on our understanding of current tax law and practice and may be subject to change. The levels and bases of, and reliefs from, taxation is subject to change. The tax treatment depends on the individual circumstances of each client and may be subject to change in the future.

Performance:

• Past performance is not a reliable indicator of future results.

MASECO LLP (trading as MASECO Private Wealth and MASECO Institutional) is a limited liability partnership registered in England and Wales (Companies House No. OC337650) and has its registered office at Burleigh House, 357 Strand, London WC2R 0HS. MASECO LLP is authorised and regulated by the Financial Conduct Authority for the conduct of investment business in the UK and is an SEC Registered Investment Advisor in the US. For your protection, telephone calls are usually recorded.