

ESG INVESTING

GLOBAL SUSTAINABLE INVESTMENT PORTFOLIOS




STONEHAGE
FLEMING

THE INTERNATIONAL FAMILY OFFICE

INCREASING YOUR SOCIAL AND FINANCIAL CAPITAL

Investing in a sustainable investment portfolio is one of the simplest ways a family can find a common purpose and employ their wealth to the benefit of the wider community.

As a business, our focus is on preserving wealth through the generations, so it is only natural that we address ourselves to the concept of intergenerational fairness. And doing good does not have to come at a price; we believe that adopting an ESG framework for investment decisions can lead to better risk-adjusted returns.

When we asked our clients, 75% of respondents told us they want their values to be reflected in their investments.

Socially responsible investing

Investments affect the world around us. As investors, we have the opportunity to effect positive change in the way companies engage with the environment, communities and their shareholders.

Historically investors have been primarily concerned with the end rather than the means, with portfolio performance being the primary focus. This, however, is changing and investors increasingly want to reflect their values in their portfolios.

Socially Responsible Investing (SRI) aims to generate specific social or environmental benefits in addition to financial return. Significant interest in this approach appears in part to be driven by the influence of ‘millennials’* and Generation Z** who are considered to have a more acute social conscience and a stronger commitment to sustainability.

WHAT IS ESG?

The term ESG refers to three extra-financial factors – environmental, social and governance – used to measure the sustainability of an investment.

ESG investing is a broad term that captures a number of investment techniques. In its widest sense, it includes these three factors to build a wider picture beyond financial returns. At its most basic it is a risk management tool but more sophisticated use of the data has allowed investors to have a positive effect on society and the planet while also accreting value.

* people born between the early 1980s and the mid – 1990s

** people born between 1995 and the early 2000s



ESG: A spectrum of opportunity

We blend an approach that integrates ESG considerations into portfolios, but also engages with management to judge their commitment to a socially responsible approach and evaluates the probability of long-term positive impact.

Our sustainable offering is rooted in real world pragmatism. Few companies or governments are all good or all bad, and we do not exclude a significant proportion of the investment universe; instead we implement our philosophy by using managers who focus on engaging with companies to increase disclosure and set socially responsible milestones. This in turn means that mediocre or less sustainable companies incrementally improve.

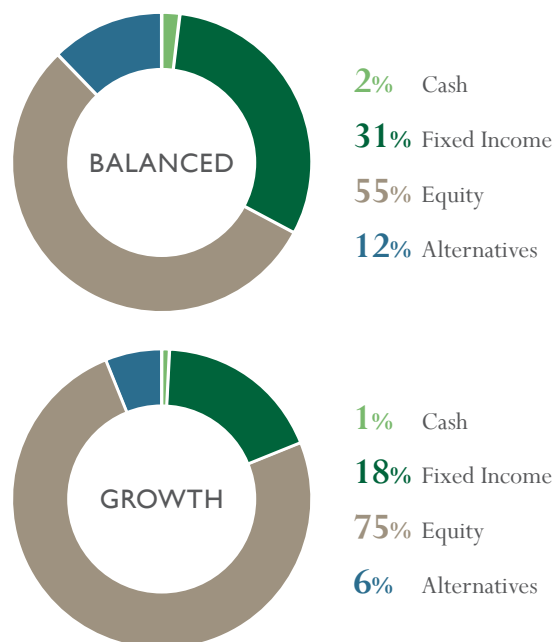
Sustainable investments focus on generating good long-term, risk-adjusted financial returns while having a positive ecological, social and ethical impact.

OUR APPROACH

The Stonehage Fleming Global Sustainable Investment Portfolios (GSIP) are balanced or growth-orientated portfolios of equities and bonds in which investment processes have been integrated with environmental, social and governance factors. This offering enables you to express your values through your investments.

Our philosophy

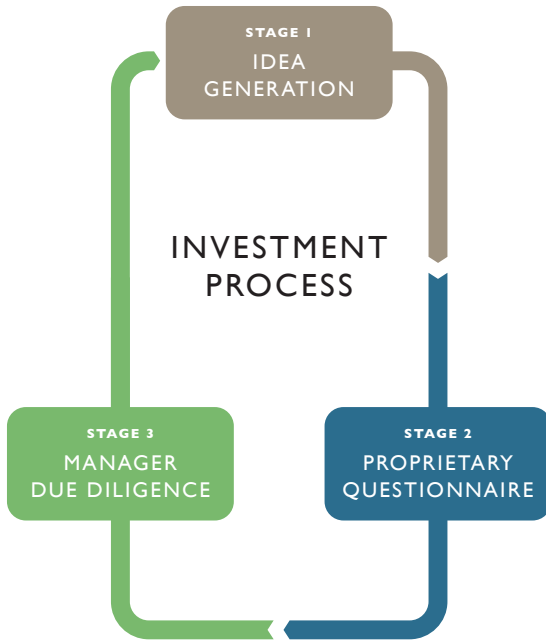
- ▶ We believe that values based investing need not compromise returns
- ▶ We help you achieve your maximum impact potential in line with your values
- ▶ We avoid repackaging existing investments as environmentally friendly. We focus on where meaningful impact can be delivered and avoid “greenwashing” – where a company’s sustainable credentials have been massaged for presentational purposes
- ▶ We reward tomorrow’s winners - companies who actively target sustainability rather than those already ranked best in class for ESG practices
- ▶ We scrutinise Governance and voting to ensure managers prioritise sustainability in their investment decisions



Our three step process

We seek out managers who look beyond the quantitative metrics and analyse risk from a qualitative perspective too.

When it comes to asset allocation, we construct portfolios holistically, balancing risk and reward by apportioning funds across a mix of asset classes. Our goal is to ensure equity and fixed income complement not conflict with each other.



STAGE 1: IDEA GENERATION

We have built short lists of funds with positive credentials in each sector.

STAGE 2: PROPRIETARY QUESTIONNAIRE

We apply our proprietary questionnaire to the shortlist, asking about ESG ratings, proxy voting, UN PRI membership, exclusions, impact methodology and approach to stewardship.

STAGE 3: MANAGER DUE DILIGENCE

The final group of managers are assessed to determine if they are lucky or skilled, and to find the most appropriate manager for inclusion in our clients' portfolios.

The shift toward values based investing does not mean sacrificing performance. Evidence (Oxford University, 2017) has shown that companies adopting ESG practices may perform better over the long-term and are better positioned for the future.

Measuring impact

There are recognised data points to measure the impact of ESG factors and we have focused on 12: three environmental, six social and three governance. Using ESG Portfolio analysis tools, we can drill down to compelling data points such as offsetting carbon emissions, the percentage of women on boards and number of microfinance projects achieved. This means we can formally report to you how investment of your capital has made a positive contribution to society.

CONTACT US

If you think we may be able to help you and your family with the management of your investments, then please contact us for a discussion.

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