

DEMYSTIFYING ESG



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Important Information

Nothing in this presentation is intended to constitute advice or a recommendation, and readers should not take any investment decision based on its content. Remember that the value of investments can fall as well as rise and investors may not get back the full amount originally invested.

Agenda

- 1 Why are we even having this conversation?
- 2 Simplify the jargon
- 3 Portfolio Construction: Approach with caution
- 4 What are the options available to you, and how can we help?

Our credentials



Top 5 ESG Statements according to MSCI

“**33%** of professional investors surveyed still feel they have insufficient knowledge for considering ESG issues”

“**Perception that ESG comes at the expense of investment performance**”

“Investors talk about ESG but don't invest in it”

“ESG Investment strategies eliminate entire sectors”

“ESG investing is only for millennials”

Source: MSCI ESG Report November 2021, www.msci.com

Why are we even having this conversation?



Why are we even having this conversation?

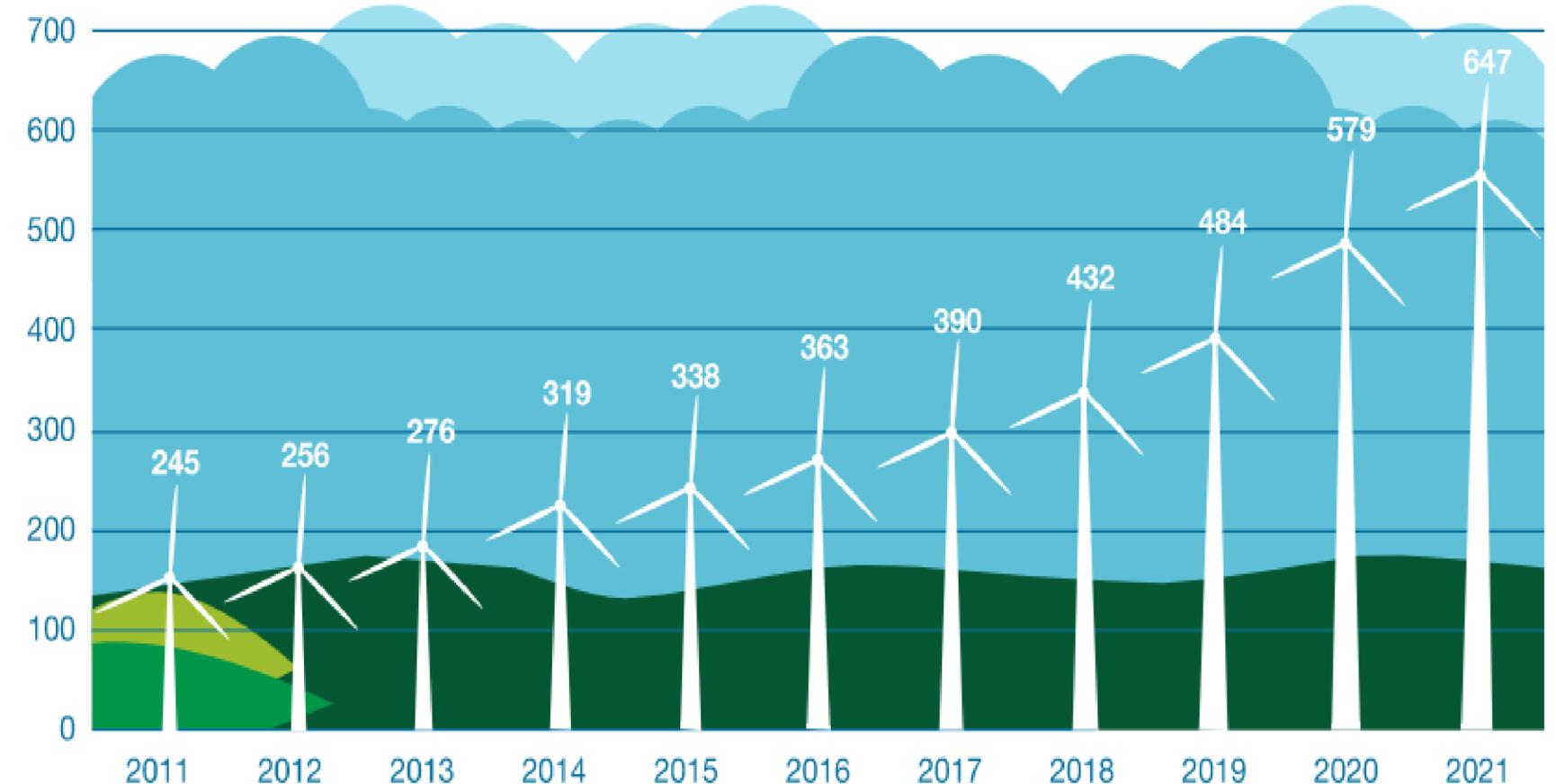
Market Growth

- Morningstar: ESG fund assets reached \$1.65 trillion at the end of 2020.
- 300+ “new” fund launches in Morningstar’s European “sustainable” fund universe taking the total to over 3000 to select from.
- Calastone: ESG funds have taken \$84 out of every net \$100 flowing into equity funds in the last two years, a total of \$15.1bn out of \$18.1bn.
- Growth also in the number of underlying companies that pass screens, as new markets develop and ESG disclosures improve.

Hard to ignore the performance of this sector

Clients may have strong views and prefer to invest this this way

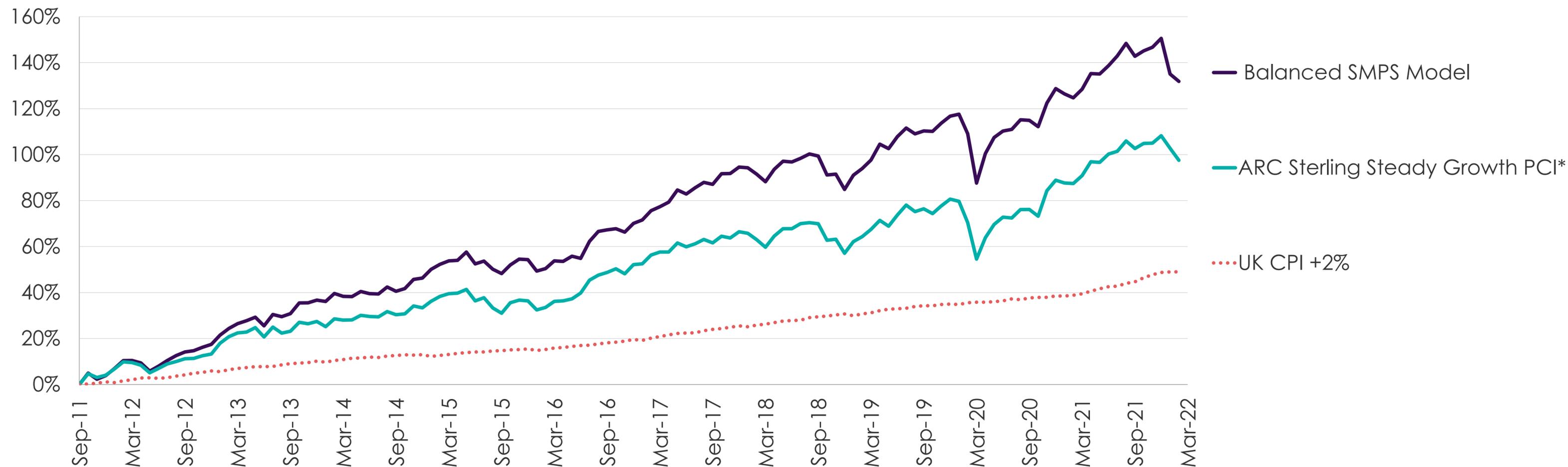
Number of ESG funds available in the UK



Source: Lipper for Investment Management, 01/01/2021

Why are we even having this conversation?

Market Growth



As investments may go down in value as well as up, you may not get back the full amount invested. Past performance is no indication of future performance. This is not a recommendation to invest in this fund.

All data as at 28 February 2022 and rounded to nearest 0.1%. *This benchmark has been displayed for comparative purposes only and is not a benchmark for the Model. Each Evelyn Partners Sustainable Managed Portfolio has a benchmark of UK CPI. Net of underlying fund fees but do not include Evelyn Partners' Investment Management Fee of 0.30%. The performance shown for the Balanced Model is from launch on 30 September 2011 to 28 February 2022 Source: Evelyn Partners Asset Management Limited and Morningstar. *ARC Asset Risk Consultants Private Client index (ARC PCI) comprises real private client returns submitted to ARC by UK private client investment managers. These returns are unaudited by a third party, based on an average of client portfolio returns.

For further information on ARC, their Private Client Indices and their methodology please visit www.assetrisk.com



Simplify the jargon

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Sustainable Investment

ENVIRONMENTAL (E)

E

- Climate change risks
- Raw materials and water scarcity
- Pollution and waste
- Innovation

SOCIAL (S)

S

- Labour policies and relations
- Product liability, cyber security
- Supply chain sourcing
- Social impact reporting

GOVERNANCE (G)

G

- Shareholder rights
- Diversity
- Business ethics
- Transparency



ESG investment research

E ENVIRONMENTAL

Key Issues:



Climate Change



Biodiversity



Forestry & Land Use



Water Stress



Pollution



Waste



Marine Resources



A Positive Message

- Unilever is a fast-moving British multinational consumer goods company.
- Unilever has over 400 brands (13 of these have sales of over €1 billion, 81% are in the top two of their market) and sells its products in more than 190 countries.
- Unilever has an ambition to be the global leader in sustainable businesses putting plant-based foods at the heart of their strategy.



“An eye to the future”

- Smurfit Kappa Group is a provider of paper-based packaging products, operating in Europe and the Americas.
- Smurfit Kappa currently have 254 solutions which can be used across a wide range of sectors & industries
- Smurfit Kappa aim to develop sustainable packaging solutions that are renewable, recyclable and will biodegrade naturally.

ESG investment research

S SOCIAL

Megatrends:



Globalisation



Automation & AI



Inequality



Changing Demographics



Urbanisation



Digital Disruption

boohoo



The impact of a negative message

- Faced allegations that clothes from factories and warehouses in Leicester have poor health and safety records.
- Pay their staff less than the minimum wage (as little as £3.50 per hour).
- Supply chain allegations wiped more than £1.5 billion off its stock market value.

ESG investment research

G GOVERNANCE

Measures:



Board
Composition



Corruption &
Bribery



Exec
Compensation



Political
Contributions



Audit Committee
structure



Whistle-blower
schemes



How bad can it get?

- One of Germany's largest financial services companies collapsed in spectacular style in 2020
- In March 2020, Wirecard fought hard to convince a jury they were not committing fraud
- After a long trial a verdict of 'Guilty' was declared and the company crashed into insolvency with debts of more than €3bn
- This spectacular accounting scandal disgraced the country's banks, investment funds, regulators, auditors and police.
- Markus Braun, chief executive of Wirecard, has now swapped his life as a paper billionaire, flying on private jets between his mansions at Saint Tropez, Kitzbühel, Vienna and Munich, for a nine-square-metre Bavarian jail cell on the edge of Augsburg.



Portfolio construction:
Approach with caution

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The problem with relying on quant analysis alone

- Not forward thinking
- Quant analysis does not offer a strong view on the fund managers conviction towards ESG investing
- Quant analysis does not replace meeting the manager
- Clever marketing can mask how non-ESG friendly a fund really is (greenwashing)
- Your investment proposition could be exposed



The problem with relying on passives alone

It is dangerous to believe that all ESG passive funds are truly aligned to the principles of ESG investing

- Passive vehicles could have exposures in companies that are unwelcome in an ESG portfolio.
- By choosing a passive approach you may miss out on more forward-looking opportunities which generate performance and positive change.
- ESG data without significant scrutiny creates the risk of greenwashing.





What are the options available to you,
and how could we help?

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What are the options available to you?

The market has evolved and includes

- Mixed asset single manager ESG Fund
- Multi manager ESG Fund of Fund
- Sustainably Managed Model Portfolio Solution
- Bespoke DFM



Do you have a clear statement of principle?

Investment criteria

 **The portfolios will focus on funds which invest in companies that operate in areas such as:**

-  The conservation of energy or natural resources and resource efficiency
-  Sustainable transport and infrastructure
-  High-quality products and services of long-term benefit to society such as healthcare and affordable housing
-  Sustainable food and water management
-  Companies supportive of the United Nations' Sustainable Development Goals through practices such as strong equality and human rights policies, good employee relations, training and education of staff, and a commitment to community involvement



Do you have a clear statement of principle?

Investment criteria

 **The portfolios will aim to limit their exposure to investments involved in:**

-  The production of weapons and weapons systems
-  Avoidable environmental damage, unsustainable resource depletion, water and air pollution and land contamination
-  Casinos or gambling businesses
-  Contributing or benefitting from the violation of human and workers' rights
-  Producing and distributing pornographic material
-  Producing alcohol for human consumption
-  Growing tobacco or the manufacture of tobacco products



Evelyn Partners Sustainable Model Portfolios on Platforms

Summary of Portfolios

- ✓ **6** Risk Rated Model Portfolios
- ✓ Available on third party platforms
- ✓ **0.30%** (no vat)
- ✓ Portfolios are **risk profiled** to the following:



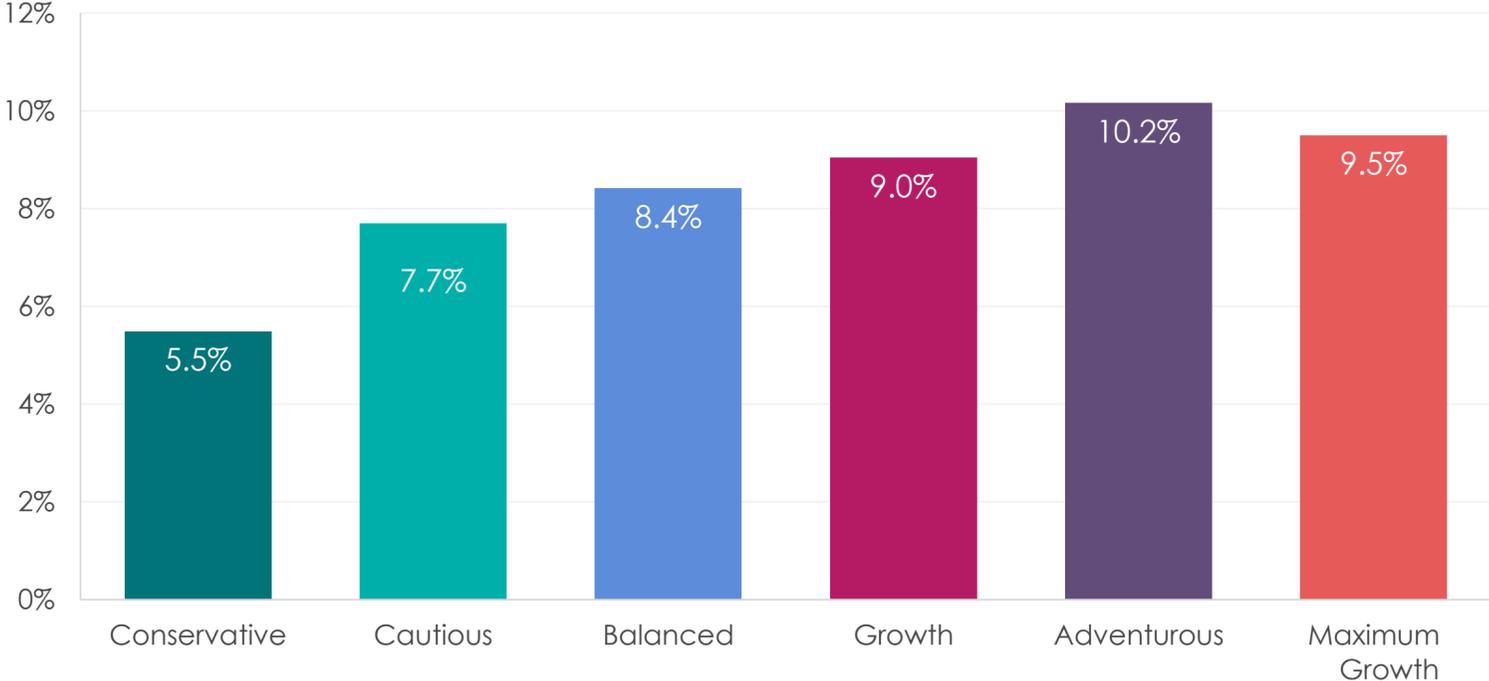
- ✓ Available on the following **platforms**:



These logos belong to the relevant companies.

Portfolio	Guideline Equity Ceiling
Conservative	40%
Cautious	50%
Balanced	60%
Growth	70%
Adventurous	80%
Maximum Growth	100%

Annualised Returns Since Launch (to 28 February 2022*)



*Source: Evelyn Partners Investment Management Services Limited. All performance figures are net of underlying fund fees but do not include Evelyn Partners' Investment Management Fee of 0.30%. The annualised performance shown is from launch on 30 September 2011. Performance shown for the Conservative and Maximum Growth models is from launch on the 31 October 2014.

Past performance, or any yields quoted, should never be considered a reliable indicator of future returns.

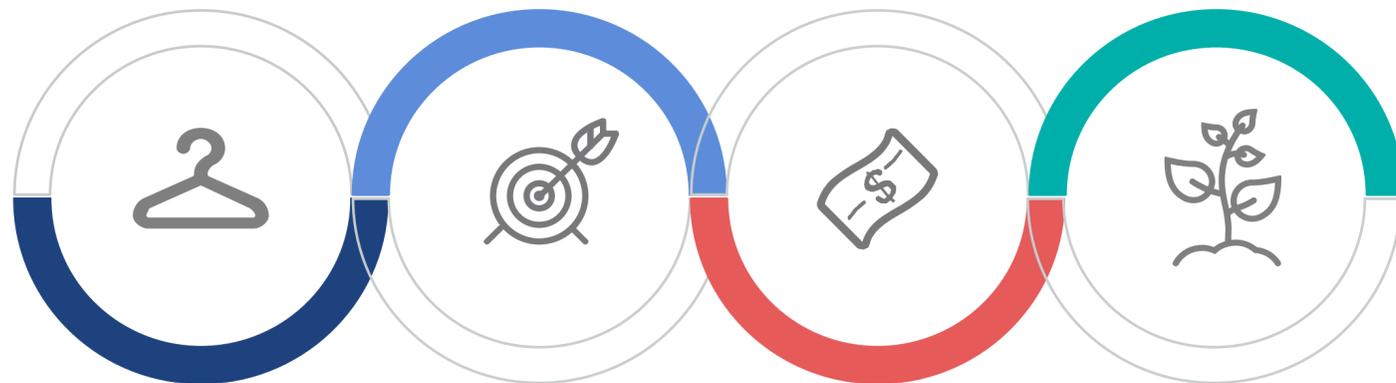


Final thoughts...

- If you are not outsourcing are you incorporating all the research factors that we spoke of within your research process in order to avoid greenwashing?
- Are you ready for potential new regulations that will require you to ask questions relating to ESG?
- Have you thought about implementing a clear set of guiding principles to help you describe your ESG CIP?
- The concept of ESG may be new to your clients but would a 10 year track record reassure them?

Our core investment solutions

BESPOKE INVESTMENT MANAGEMENT



DPS

Discretionary
Personalised
IM Service

AIM

Portfolio
Service

US

Connected
Service

Ethical

Portfolios
Service

MODEL PORTFOLIO SOLUTIONS



Core

Managed
Portfolio
Service

Sustainable

Managed
Portfolio
Service

Active

Managed
Portfolio
Service

Bespoke

Managed
Portfolio
Service

Always remind your clients

The value of investments and the income derived from it can go down as well as up and investors can get back less than they originally invested.

Past performance is not a guide to the future.

Different funds carry varying levels of risk depending on the geographical region and industry sector in which they invest. Investors should make themselves aware of these specific risks prior to investing.

Please note that some ethical funds may, by definition, have a limited investment universe; this may affect performance.

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