All things Green

All things Green

2017, Blue Planet II and David Attenborough have a lot to answer for when considering current investment trends. As you may recall, one program showed the damage that we are all doing to our planet specifically highlighting the dangers of plastic waste – bottled water, plastic packaging, electrical tape etc.
The realisation of the effects of our buying patterns has not only enforced change upon us, an example being the phasing out of single use plastic cups by certain supermarkets and coffee shops in favour of multi-use cups (bring your own cup). But also, a growing recognition from consumers that everyday choices made now will impact not only on our lives but almost certainly upon our children's lives and future generations.
Wingate is starting to see an increase in interest from clients for investments that not only provide a decent long-term return but also care about how this return is secured. When discussing possible alternative investment approaches, I focus on three types of investment strategies:

Environmental, Social and Governance (ESG) Funds

ESG investing is a rules-based method to assessing companies based on their commitments to positive environmental, social and governance (ESG) business practices. An ESG approach can help investors gather non-financial but pertinent data to aid their investment decision.
The aim is to invest into companies with strong potential for growth but where ESG factors play an important role in the company's long-term performance.
An example might be a manufacturing company with its workforce predominantly based in India where a maximum number of working hours have been put in place and are fully implemented. Taking ESG factors into account can help fund managers avoid potential issues / bad press or PR. So, in our example above, there is a much lower prospect of "slave" working conditions being cited against the company and so potentially avoiding a negative impact upon the company's share price or dividend.

Sustainable and Impact funds

Sustainable investing actively selects companies that have a positive bearing on the world. No area of investing will be specifically off limits. Investment could be as diverse as recyclable products, to supporting social projects such as job creation in deprived areas. It recognises that companies are often neither all good nor all bad, an example might be an oil company that invests in clean energy.
Impact funds develop this concept a step further, they actively select companies whose positive impression on the world can be measured. This can be anything from a company's commitment to specifically reduce their carbon footprint by recycling or saving a certain amount of water.

Ethical funds

Ethical investing actively avoids companies or industries that are perceived to have a negative impact on society and the environment. Industries or sectors will often be screened out (negative screening). Examples of sectors that could be precluded are animal testing, gambling and tobacco companies.
So, investing with a conscience merits a robust conversation to ensure that the correct parameters have been agreed before a strategy is implemented.
My personal view is that companies employing an ESG approach will be the companies both to invest through now and in the future.
For more information on an alternative investment approach, please speak to one of our Financial Planning advisers.