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ESG investing – *the future or now?*

TAM Asset Management provides an overview.

Environmental, Social and Governance (ESG) investing is becoming a mainstream term used by investors, both professional and retail.

On the 30th April 2019 the European Securities and Markets Authority (ESMA) published their final report on their technical advice to the European Commission on integrating sustainability risks and factors in MiFID II ESMA35-43-1737.

Three primary goals were established:

- reorient capital flows towards sustainable investment in order to achieve sustainable and inclusive growth;
- assess and manage relevant financial risks stemming from climate change, resource depletion, environmental degradation and social issues; and
- foster transparency and long-termism in financial and economic activity.

While a final date has not been established for the implementation into MiFID II regulations, ESMA have indicated that firms should have an outlined process by the end of 2020.

When TAM launched their range of risk-graded ESG model investment portfolios in July 2013, the stock of suitable funds was few and far between, meaning it was difficult to reflect one's asset choice to return a macro view of the markets. Now, however, we have some of our biggest and best fund managers offering ESG fund options.

Establishing a client's ESG stance will soon become more than just good practice, it will become a regulatory requirement. Therefore, providing the client with a choice of ESG funds is a fantastic start, but providing them with the option of a fully managed, diversified ESG investment portfolio is, in our opinion, even better. As recent times have shown, ESG funds are not only performing in line with their mainstream counterparts, but they have proved more resilient in bear markets.

The ever-growing ESG fund universe now makes the choice just as complex as its mainstream counterpart. Does one invest in a climate change fund? A carbon neutral property fund? A socially responsible fund? A vegan fund? The honest answer could be all of the above, or indeed none of the above. It is entirely dependent on the markets at that period and just like any other investment - diversification is key.

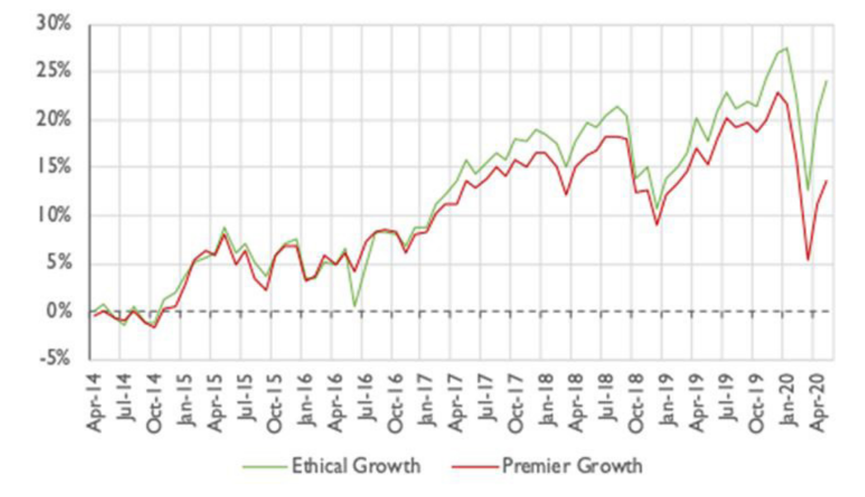
To help save the planet we cannot save just one ocean, one city or one species, we have to help globally. So, in the case of ESG, it is not only important to diversify a client's portfolio in their best interest, it is also important to diversify to make sure ESG can work globally and make a difference in every aspect of the earth's future.

When choosing an ESG investment manager, there are several import factors to consider:

- How long they've been active .
- What they invest in.
- How they're rated.
- Their performance track record.

TAM's ESG model portfolios have been running for just shy of 7 years and are made up entirely of UCITS compliant daily traded ESG funds. They boast a 5 Star Defaqto rating and have outperformed our mainstream investment portfolios in the year to date (31/5/20), refuting the dated view that to invest ethically means you must compromise on performance.

Recent events with lockdowns and the sobering news reports of the global effect of COVID-19 have been a catalyst to increasing the use of technology, and has certainly increased the world's empathy. To help investors make an even bigger difference to society, TAM's You Give We Give charity scheme allows investors to donate a percentage of their annual gains to charity, and TAM will match that donation with an equal percentage from our fees.



Source: TAM Asset Management Ltd. TAM ESG and Premier Growth portfolio return from 1/4/14 to 31/5/20 net of fees. Past performance is not a guide to future returns. The value of an investment can go up as well as down and may fall below the amount originally invested.

Investors have become much more aware of ESG investment options in the last few years. At the pinnacle of many socially responsible business practices are some of the large tech companies. As technology becomes more and more integrated into everyone's daily lives, it is evident that companies who have media exposure to the masses and are seen to be doing the right thing when it comes to making the world a better place, will become more popular with investors.

To address the title, ESG investing is not the future, it's now.

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Editorial Comment

Summer time!

This may be one of the strangest summers that any of us have seen, but I hope that you are able to stay safe and well, and enjoy it.

It has been a busy time for FEIFA over the last month.

We launched an ESG survey (in conjunction with FECIF).

If you haven't yet been able to complete this, please do so asap. It quite literally takes a maximum of 5 minutes and will be hugely beneficial in providing data and information that is of real value (ultimately to you and your clients) – **see here**.

There have been a couple of new Partnerships and yet another new IFA member firm; our membership is larger than ever before.

In addition, the planning for our annual Conference continues (for Nov 2nd).

Regards

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