DID YOU SEE...?

In this section we highlight any developments at FEIFA over the last month or more, where relevant, which you may have missed - plus any potentially relevant and useful articles from our Associate Members and/or other appropriate sources. For articles in the Member's Hub, you will, of course, need your usual password.

Masterclass Seminars & Webinars Q1 2023

- Hub home page
- Webinar recording and presentation slides
- CPD for the webinars
- Synopses of the webinar presentations

ESG Platform

- New ESG info: Pacific Asset Management
- ESG update: regulation, legislation and the industry
- Investors interested in ESG are fighting against the backlash

Media articles

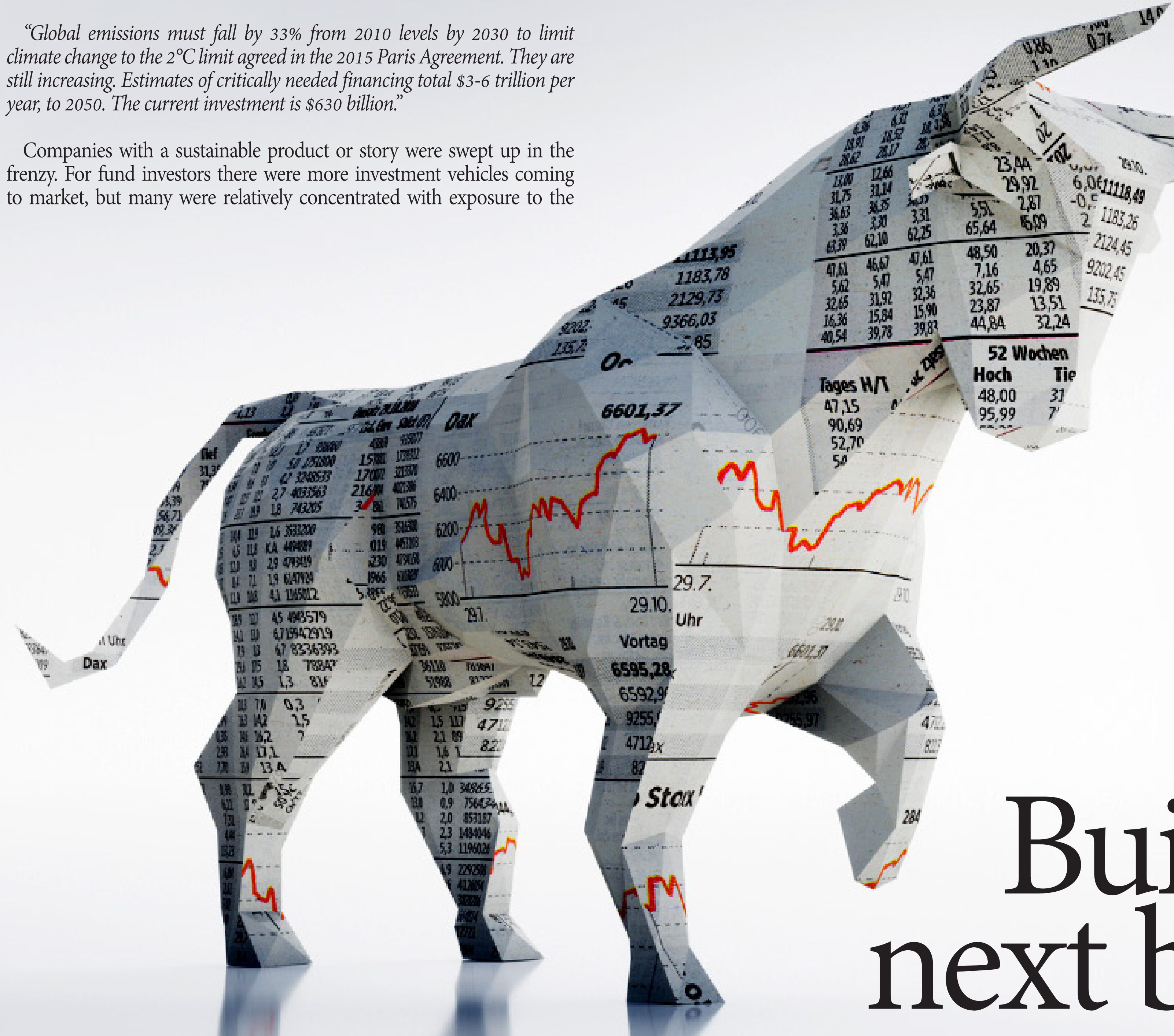
- ESG update
- International cross-border industry in 35 years

Masterclass Seminars & Webinars Q4 2022

- Hub home page

Building the next bull market

TAM Europe Asset Management discusses.



We are now looking back on over a decade of artificially low interest rates put in place by developed country central banks, sparked by the financial crisis and a battle against deflation, thanks to China exporting low prices as globalisation took off. This period of easy money culminated in 2021 with unprecedented levels of stimulus during the pandemic. With interest rates anchored, investors borrowed money at minimal cost, acquiring assets instead of the tiny interest accruing on savings. Couple this with stimulus cheques in the US and furlough payments in the UK when lockdowns left people with little to do but pump this cash into the equity rally and valuations were driven even higher.

All this coincided with the ESG story garnering mainstream attention, summarised below by an extract taken from our 2022 review.

"Global emissions must fall by 33% from 2010 levels by 2030 to limit climate change to the 2°C limit agreed in the 2015 Paris Agreement. They are still increasing. Estimates of critically needed financing total $3-6 trillion per year, to 2050. The current investment is $630 billion."

Companies with a sustainable product or story were swept up in the frenzy. For fund investors there were more investment vehicles coming to market, but many were relatively concentrated with exposure to the same companies. The gains of those commonly referenced as driving the Covid-rally (20/03/2020-31/12/2021) were:

Amazon: 82% | Apple: 214% | Google: 173% | Meta: 130% | Microsoft: 151% | Tesla: 1151%

After years of free money, the pandemic and the energy crisis, economies inevitably succumbed to inflationary pressure. Central banks claimed it would be transitory – this proved false, in spectacular fashion. Interest rates rose, and long-dated investments, such as those above, valued on their future prospects, discounted by a negligible cost of capital, saw the ebullient narrative surrounding them unwind, and with it their valuations.

The market correctly viewed the funding as a necessity but was limited by believing the transition was achievable through a subset of companies Investors are adapting and so is the opportunity set.

The shakeout in valuations has coincided with an expansion in what is available for those looking to invest in ESG. Now, the universe encompasses a greater portion of the investable opportunity across countries, sectors, styles, and asset classes. We can now invest across diverse themes which, we believe, are best characterised by the six environmental objectives of the EU's Taxonomy:

1. **Climate change mitigation**
2. **Climate change adaptation**
3. **Sustainable use and protection of water and marine resources**
4. **Transition to a circular economy**
5. **Pollution prevention and control**
6. **Protection and restoration of biodiversity**

The EU Taxonomy remains difficult to map due to its incredibly stringent 'do no significant harm' (DNSH) criteria, but we see the framework as a thematic guide. Alongside the broadened understanding of what is needed to save our planet, there is an increased understanding that you cannot just invest in a result – you can also invest in the transition to get there. There is now an acceptance that you cannot just build and invest in sustainable sectors, you must also make the unsustainable sectors sustainable.

So, there has been no panic on our part as markets have sold off, rather we have taken the opportunity to build a portfolio of quality companies primed to benefit from these diverse, resilient trends.

In the last year we have added two equity funds to our ESG proposition targeting EU taxonomy objectives 1 & 2, one targeting 3 & 5, and one targeting 4 and 6. So, not only are the opportunities for investing sustainably becoming more compelling because we can spread our exposure over a wider range of different themes which are, we believe, primed for substantial capital investment - but these opportunities have become cheaper over the past 18 months. All this while the investment case has actually strengthened, amid huge regulatory strides made by the US.

To protect our world and its climate, with every day that goes by without action, the speed at which we will need to act grows. It is the job of TAM to sift through these opportunities, providing exposure to the winners of a sustainable future, and protection from false dawns.

For further information contact **Tom Worthington – tom.worthington@tameurope.com** or tel: **+34 688 988 686**.