

MARKET INSIGHT



Ethical investing: The gift that keeps on giving

As we approach the festive season, and the end of what has been an action-packed year for investors, TAM's Ethical portfolios have risen above the ranks to deliver some of the strongest returns over their long-term tenure on both an absolute basis and even relative to our 'mainstream' portfolios.

Putting some figures to this bold declaration, an Ethical Balanced portfolio has returned in the region of 11% so far this year, while an Ethical Adventurous portfolio, with a higher allocation to equities, has returned upwards of 17% over the same time period. This performance is in line with mainstream for Balanced portfolios, but notably higher than mainstream for higher risk portfolios.

Portfolio	TAM Ethical Returns %					
	3 Month	6 Month	1 Year	3 Year	5 Year	2019 YTD
Defensive	-0.20	2.04	3.53	7.06	11.51	4.54
Cautious	1.06	3.20	5.21	9.84	12.67	7.37
Balanced	1.90	4.83	7.59	16.13	20.85	10.83
Growth	3.19	6.61	9.49	18.92	25.40	14.36
Adventurous	3.76	7.67	11.34	23.36	35.53	17.30

Portfolio	TAM Focus Returns %					
	3 Month	6 Month	1 Year	3 Year	5 Year	2019 YTD
Defensive	-1.26	3.88	7.52	8.98	13.16	7.72
Cautious	-0.54	4.16	7.27	10.21	17.79	8.85
Balanced	-0.75	3.77	5.93	11.94	24.34	8.81
Growth	0.08	3.32	5.30	13.49	22.83	9.78
Adventurous	1.07	2.66	3.51	14.33	25.53	8.93

Source: TAM Asset Management Ltd. TAM Ethical and TAM Focus portfolio returns from 1st December 2014 to 30th November 2019 net of TAM fees. Past performance is not necessarily a guide to future returns. The value of investments, and the income from it, may go down as well as up and may fall below the amount initially invested.

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When considering whether we are comparing apples to oranges in the above assessment of performance, we would firmly disagree, as all our portfolios are run on exactly the same premise. This begins with an initial analysis of the macroeconomic environment, followed by a rigorous bottom-up analysis of individual sectors and funds. The only difference is the universe of funds in which we are fishing, which for ethical portfolios, is a narrower subset of funds adhering to an investment process with an SRI focus.

We are of course aware that this year's market environment has very much suited ethical investing, as some of the big players in mainstream indexes such as oil, mining and tobacco stocks have suffered, while growth companies, many with an SRI and ethical mantra, have led the market rally. Ethically orientated investments can often be early stage, fast growing companies tackling current sustainability issues and taking advantage of new and innovative technologies.

However, as with all investment funds, delivering outperformance comes from skilful stock picking, a robust investment process and strong risk management. Ethical funds are no different from mainstream in the sense that there are good ones and bad ones. The difference is that the added layer of monitoring sustainability criteria to avoid 'greenwashing' makes a thorough fund research and selection process even more important.

Making use of a DFM such as TAM, who can perform this detailed analysis for you and construct a well-diversified portfolio of socially responsible funds delivering on performance and ethical credentials, could indeed enhance your client's investment returns.





The move of ethical investing from niche to mainstream has definitely accelerated in recent times, with the likes of high-profile campaigners such as Greta Thunberg and Extinction Rebellion shining a spotlight on key issues that governments are being forced to take action on – for us as investment managers, we are alert to the significant investment opportunities this creates. With performance also matching the strength of acceleration in this investment theme, it is clear from these statistics that for some time now, being ethically minded in investment choice is not necessarily to the detriment of investment return.

So, while you're filling your shopping baskets with Christmas gifts, consider ethical investments which could well be the gift that keeps on giving into the new year and beyond.

Watch the latest instalment in our Through The Lens video series

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TAM ASSET MANAGEMENT

 City Tower, 40 Basinghall Street, London, EC2V 5DE  +44 (0) 207 549 7650  info@tamassetmanagement.com  www.tamassetmanagement.com



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