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focus

Reflecting your values in your investment portfolio



Incorporating a sustainability lens when considering investments is growing in popularity. Globally, we are seeing more and more investors wanting to align their investment portfolios with their values. Increasingly the request is to allocate capital towards positive solutions that are tackling environmental or social problems. But, in reality, these types of investment options can be limited and everyone's values are different. In this article we discuss how you can reflect values in your portfolio while also meeting your investment objectives.

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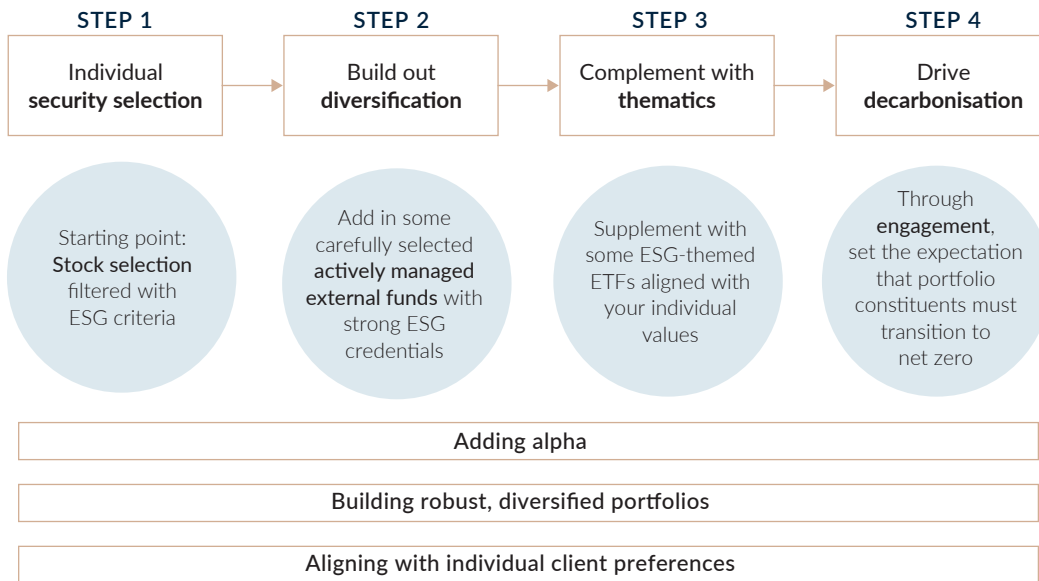


Defining your values

The first step to being able to reflect values in investment portfolios is to clearly define them. The starting point is usually to decide what you don't want to invest in. This is a task that is often easier said than done. For example, a common area that people often want to exclude from portfolios is tobacco. But where do you draw the line? Is it those companies that manufacture cigarettes or is it also those that make filters or provide the packaging? And what about those that sell it – this would include hotels, airports, and supermarkets. If you go too broad it starts to eat into your investable universe. Navigating these complexities and communicating clearly to your adviser on what you don't want to invest in is an important part of your relationship with Forsyth Barr.

On the flip side, flavouring your portfolio with investments that meet certain sustainability criteria might also be important to you. For example, some investors may want to invest in companies that do good for society and the environment. Others may want to, for example, invest in companies that create products or services to tackle the challenge of climate change. Signalling areas of particular interest to your adviser can help to ensure that expectations within your portfolio are met.

REFLECTING YOUR VALUES IN YOUR INVESTMENT PORTFOLIO



How would such a portfolio look?

At Forsyth Barr, we believe that you don't have to give up returns to invest in a way that aligns with your values. Yes, there are some parameters needed to ensure a well-diversified and constructed portfolio that will meet your risk profile, and income or liquidity requirements – that's the service we provide. Your adviser can ensure that your portfolio meets all your needs – both investment objectives and your values.

We've been building an investment solution to help navigate these nuances. It contains a mix of individual company investments, sustainability themed funds, and thematic exchange traded funds (ETFs).

How can it be tailored to reflect my individual values?

1. Avoid certain companies that produce goods and services that you don't agree with

There are a range of products and services that you can choose to avoid in your portfolio. Some of the common examples include tobacco, weapons, fossil fuels, animal testing, or gambling. These are just a sample of the options. We recommend you talk to your adviser about creating a list that is specific to you.

2. Know that every direct company in my portfolio meets, at least, a minimum set of ESG

For individual company investments, these criteria include for example, limits on carbon dioxide emitted or a minimum rating level to indicate how it is positioning itself for a low

carbon future. For funds, we have a selection of managers, for example, that have a net zero carbon commitment in place.

3. Invest in sustainability related themes

Accessed predominantly through external funds that we have chosen which provide sustainability-themed options. Examples include, a global equity fund that is designed to invest in companies that sell products and services that contribute to advancing the United Nations Sustainable Development Goals, a fund that invests in companies that are seeking to curb or mitigate the long-term effects and challenges of global climate change, and an ETF that is constructed after assessing a company's biodiversity footprint.

4. If you are concerned about the risk that climate change poses to your investment portfolio, tap into Forsyth Barr's resources to build awareness on how the companies in your portfolio are preparing for a future that is likely to be very different to today

We have until 2030 to halve global emissions if we want to be on track to keep global warming well below 2 degrees.

Most large listed global companies have now made a commitment to meet this target. The next step is to turn these commitments into clear targets with credible, robust 'Climate Transition Plans'. The Forsyth Barr team will be engaging with management of portfolio companies to drive progress and greater transparency in this area.

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United Nations Sustainable Development Goals (SDGs) – The SDGs were adopted by the United Nations in 2015 as a universal call to action to end poverty, protect the planet, and ensure that by 2030 all people enjoy peace and prosperity. There are 17 goals that recognise all future development must balance social, economic, and environmental sustainability.



Katie Beith
Head of Environment,
Social and Governance
(ESG)

Please note – The ESG strategies discussed in this document may be implemented differently depending on whether the investment is an individual security, an externally managed fund, or an ETF. Please read the full methodology document (available on request) to gain deeper insight on the details of implementation for this investment solution.

Contact your adviser if you would like to discuss this article and start the ESG conversation.

If at any time you want to discuss investment options and opportunities, your Forsyth Barr Investment Adviser is available to provide you advice and assistance.

0800 367 227

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