



Investing for good: passing on more than your wealth to the next generation

Issues around climate, pollution and corporate behaviour have moved from the periphery of public consciousness to the mainstream - and they are not going back. Increasingly we are trying to consume responsibly, whether that be a reusable coffee cup or an electric car, in order to create a better world for current and future generations. Now, buying responsibly can, and arguably should, extend to your investment portfolio.

Moreover, changing attitudes and lifestyles generate a wide range of positive impact investment opportunities, whether that be renewable energy or the multitude of companies now putting purpose at the centre of their business model.

“The world is confronted by many challenges, but by investing sustainably your investments can contribute to a healthier planet and more sustainable societies,” says Matt Toms, co-manager of the multi asset sustainable funds at Heartwood Investment Management (Handelsbanken’s UK investment manager).

Matt points out that the options to invest responsibly have risen markedly in recent years: “We see demand for sustainable investment products growing across all demographics, and especially from investors with smaller amounts to invest, a trend we expect to continue. We find that investors increasingly want their portfolios to do more than just avoid nasty companies; they want their portfolios to be actively doing good.”

Historically, investing sustainably was primarily limited to bespoke portfolios for charities or individual clients with large sums to invest. Today, it is effectively available to all, regardless of risk preferences or wealth. Once seen as a mere box-ticking exercise, to be glossed over or left virtually unmentioned, sustainable investing is now a key part of conversations with customers.

Matt explains: “Putting their money to work for good causes has made investing more relevant to our customers and their lives. Investing sustainability links investing to ‘real life’, often directly connecting to issues that they are hearing more about and which matter to them. It’s making investing interesting.”

“The world is changing and higher standards around environmental, social and governance issues are good for both businesses and investors. Investment plays a significant role in shaping the world and is ideally placed to promote positive change. Our investments today can help to make a better world for our families tomorrow.”

In building the Heartwood sustainable investment portfolios, Matt and co-manager Ben Matthews look for investments that offer both the potential for strong financial returns together with a measurable impact around key social and environmental issues, such as climate or demographic changes. That means investing in companies or governments that can demonstrate strong or improving environmental, social and governance practices, as well as in solutions-based endeavours that have a positive impact and often help to solve a problem, such as in healthcare or social housing.

In the past, taking an ethical approach was often presented as a compromise on investment performance, but as Matt explains, investing sustainably can be achieved without compromising on performance, or increasing the risk and cost of the underlying investments.

“This is especially true as the investment space evolves to include ever more cost-effective portfolio building blocks,” he says. “There are obvious parallels between prudent corporate behaviour and sustainable principles, and a growing body of evidence suggests that sustainable business practices can create a range of benefits. These could include lower borrowing costs, improved operational performance, and better risk management. Taken together, this can also have a positive influence on share prices. In addition, for investors, sustainable credentials can offer a sense of assurance in the potential strength and longevity of their underlying portfolio investments.”

Sustainable investing remains a relatively fragmented area in which industry definitions, rules and views on various investment approaches vary enormously. While efforts are underway to create industry-wide standards, sustainable investment credentials can be quite subjective and this is likely to remain an ongoing challenge.

Matt concludes: “Looking to the future, we expect to evolve our sustainable proposition as market opportunities, industry standards, and sustainable practices develop. We look to work with other investors to press for sustainable change and maximise our impact on behalf of our customers. We are members the UK Sustainable Investment and Finance Association and our parent, Handelsbanken, is a signatory to the United Nations Principles for Responsible Investment, which supports international initiatives for corporate sustainability.”

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To find out more about investing sustainably please visit our website at:

www.heartwoodgroup.co.uk/our-multi-asset-solutions/sustainable

The value of investments and any income from them can fall and you may get back less than you invested.

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