



# “ESG is Future Proof Investing”

## How You Can Have A Greater Impact In The World Whilst Making A Better Return On Investment

### DOING WELL BY DOING GOOD

Investors do want a good outcome from their investments and increasingly the impact and role their assets can have in promoting global issues such as climate action is part of that good outcome.



Environmental



Social



Governance

*“Investors would do better to pick ESG funds rather than their non-sustainable counterparts, according to research by fund supermarket interactive investor. Morningstar data analysed by the firm reveals that funds taking environmental, social and governance factors (ESG) into account in their investments have performed better than their non-ESG sister funds” – Morningstar*

### WHAT IS AN ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) FUND?

ESG funds are funds that align with ethical investing. Ethical investing has become more mainstream and the number of ESG related investment options have grown immensely. This is not just about being ethical or socially conscious, but about futureproofing your savings. After all, there’s no point in having lots of investments if there’s no planet to live on!

As a better understanding of how a good investment is improved by measuring the company’s approach to the environment, social and governance is a compelling reason for following the philosophy.



**Trust,**  
**Confidence,**  
**Professionalism**



## WHY DO ESG INVESTMENTS WORK?

As you likely already know, fund managers look to invest your portfolio based on whether an asset has a strong and sustainable performance. However, by applying an ESG rating to assets provides an assessment on the sustainability and future proofing of the business model through their positive environmental and social impact.

An investment manager using an ESG framework will identify potential assets using the traditional methods involving strong sustainable profit potential. The ESG factors are then used to finesse the process identifying the companies that can be seen to best address them.

## SRI VS ESG INVESTMENTS

Social responsibility investments (SRI) started in the 1970s and had a reputation for requiring a trade-off on the investor's part, they provided a narrow view of the investment universe and as such was an obstacle to building a fully diversified investment portfolio.

More recently, however, some investors have come to believe that environmental, social, and governance criteria have a practical purpose beyond any ethical concerns. By following ESG criteria they may be able to avoid companies whose practices could signal a risk factor— as evidenced by BP's 2010 oil spill which resulted in billions of dollars in associated losses.

## UTILISING ESG FRAMEWORK TO BUILD A SUSTAINABLE, HIGH PERFORMING PORTFOLIO

ESG investing is the integration of environmental, social and governance factors into the fundamental investment process. Using ESG factors or an ESG framework, a fund manager can select companies in which to invest. ESG factors such as environmental friendliness are considered factors in the longevity of a company. In other words, companies that follow high quality environmental, social and governance standards are more likely to outperform their peers in the long-run.

## WHY YOU SHOULD BE LOOKING TO INVEST INTO AN ESG FUND

Companies that are showing to be more focused towards environmental and social responsibilities are the companies who will likely be around for the long run. As stated by Morningstar, ESG funds are a better choice than their non-sustainable counterparts. By investing into these funds, you are investing into companies that have already demonstrated better performance than non-ESG funds, thus providing a higher ROI for your investments.

Rutherford Hughes Ltd offer portfolio management services to provide an optimal diversified investment strategy making use of the ESG advantage. We believe it to be the compelling way forward for investors who care how their money is invested and who would like to be rewarded for doing so.

If you would like to learn more about ESG Investing or how Rutherford Hughes Ltd can help you invest your financial wealth in intelligent ways, contact us now on 0191 229 9600 for more information and start making a difference today.

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