

NABTRADE WEBINAR

**MAKING A POSITIVE IMPACT
WITH YOUR INVESTMENTS**

**GEMMA DALE – MODERATOR
24 JULY 2018**

Information in this presentation is current as at 24 July 2018



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AGENDA



GEMMA DALE (MODERATOR)

Director
SMSF and Investor Behaviour,
nabtrade



SIMON O'CONNOR

Chief Executive Officer,
Responsible Investment
Association Australasia



SALLY-ANNE CAMPBELL, CFA

Executive Director, Consulting –
Portfolio Construction

Opening remarks and what we'll discuss

- An overview of the responsible investing market and key trends
- How Environmental, Social and Governance (ESG) issues can impact returns
- The ethical issues that Australian investors care most about
- Setting your own responsible investment philosophy as well as key tips and traps



45 minutes

Q&A and closing remarks

- **Don't forget, you can submit questions at any time**
- **You can also download the presentation**



15 minutes

NABTRADE WEBINAR

MAKING A POSITIVE IMPACT
WITH YOUR INVESTMENTS

SIMON O'CONNOR
CEO, RESPONSIBLE INVESTMENT ASSOCIATION AUSTRALASIA

24 JULY 2018



@RIANews
www.ResponsibleReturns.org
www.responsibleinvestment.org

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'Ethical' investment funds outperform mainstream counterparts: study



Ethical investing comes of age



'Staggering' rise in demand for ethical investments



NZ Embraces responsible investing with record growth in 2016



Clients increasingly seeking ethical investments

What is responsible investing?

Responsible investing takes into account ESG and ethical issues during the investment decision-making process.



Environmental



Social



Governance



Responsible and ethical investment spectrum



ESG integration
(including shareholder
engagement and voting)



**Thematic/sustainability
themed investments**



Negative screening
(and norms based)



Impact investing
(market rate)

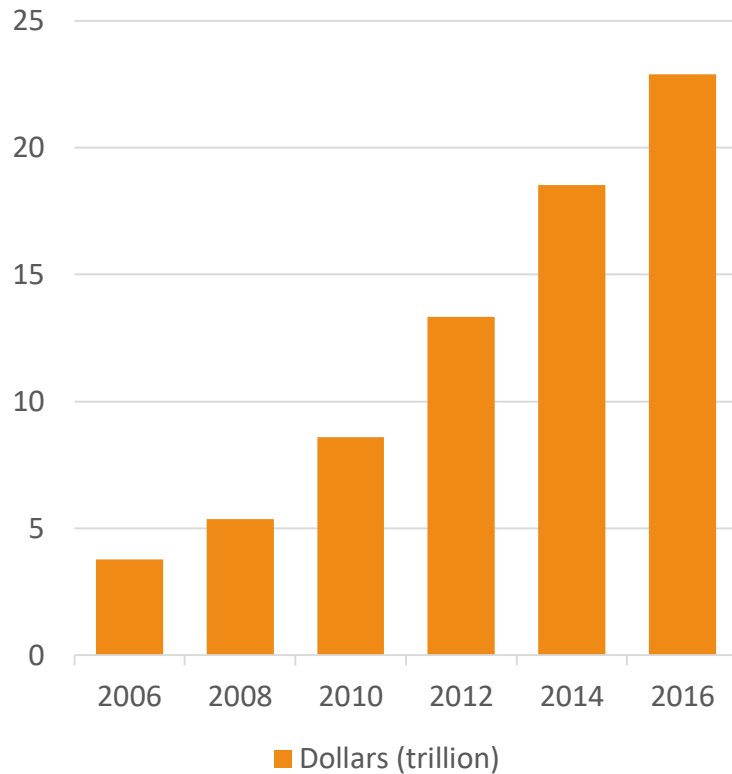


**Positive, best-in-class and
norms screening**
(and norms based)

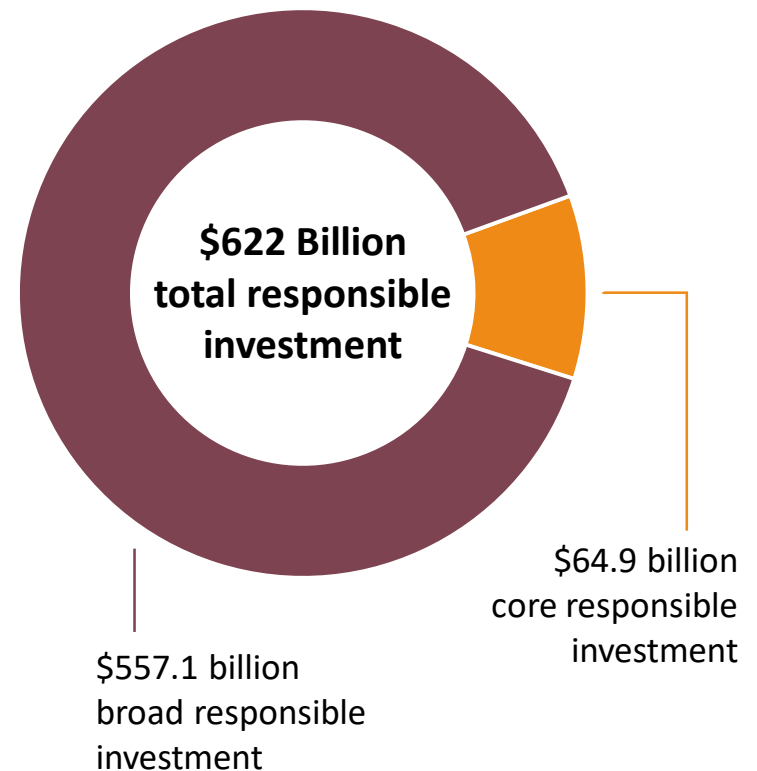


Impact investing
(concessionary rate)

Growth of global responsible investment assets



Responsible investing in Australia



Sources: Global Sustainable Investment Alliance 2017, RIAA (2017), Responsible Investment Benchmark Report Australia



9 in 10 (92%) Australians expect their super or other investments to be invested responsibly and ethically

The top 3 issues Australians find important when thinking about investing are:



Renewable energy (48%)



Healthcare and medical products (45%)



Sustainable practices (44%)

The top 3 things Australians want to avoid investing in are:



Animal cruelty (69%)



Human rights violations (62%)



Pornography (56%)

Performance of Core RI funds

Australian share funds	1 year	3 years	5 years	10 years
Average responsible investment fund (between 20-39 funds sampled depending on time period)	7.0%	7.0%	13.0%	6.3%
Large-cap Australian share fund average	8.8%	5.4%	10.8%	3.8%
S&P/ASX300 Accumulation Index	11.8%	6.6%	11.6%	4.4%
International share funds	1 year	3 years	5 years	10 years
Average responsible investment fund (between 6-23 funds sampled depending on time period)	4.3%	10.3%	14.2%	4.3%
Large-cap international share fund average	5.6%	9.6%	16.8%	3.8%
MSCI World Index	7.9%	11.5%	18.6%	4.7%
Multi-sector growth funds	1 year	3 years	5 years	10 years
Average responsible investment fund (between 6-9 funds sampled depending on time period)	3.3%	8.0%	12.3%	4.8%
Multi-sector growth fund average	6.3%	5.9%	9.7%	3.7%



ESG is the best signal we have found for future risk.

Bank of America Merrill Lynch



Portfolios providing material ESG metrics provided superior returns.

Harvard University



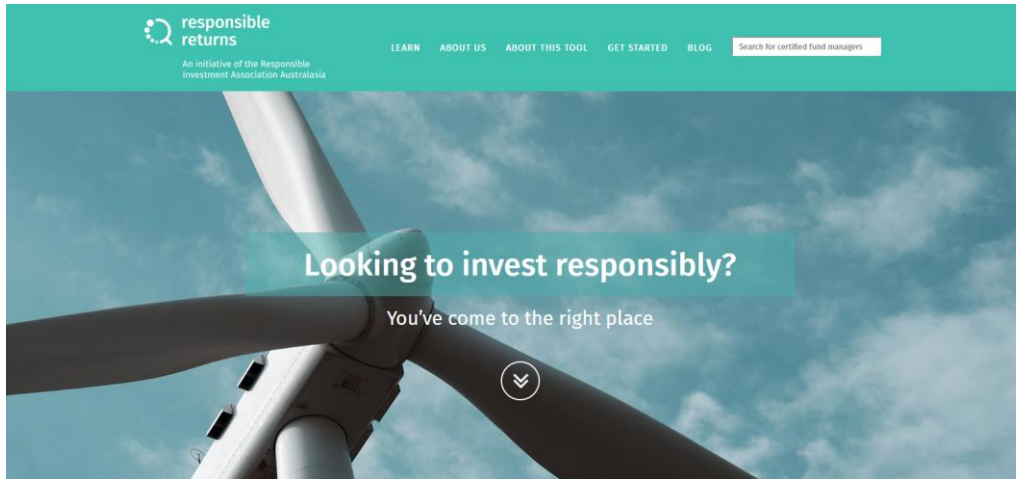
Socially responsible investing does not come at a detriment to financial returns. Indeed, the incorporation of ESG factors into the investment process might result in an outperformance effect.

NAB and Monash University Centre for Financial Studies

Volkswagen share price performance (€)



Source: nabtrade (as at 20 July 2018). Past performance does not guarantee future results.



The Responsible Returns web-tool has been created by the Responsible Investment Association Australasia (RIAA) to help you to find, compare and choose responsible and ethical superannuation, banking and investment products that best match your interests.

Choose the issues you want to support



Renewable energy



Healthcare and medical products



Sustainable water

Choose the issues you don't want to support



Human rights abuses



Armaments



Genetic engineering

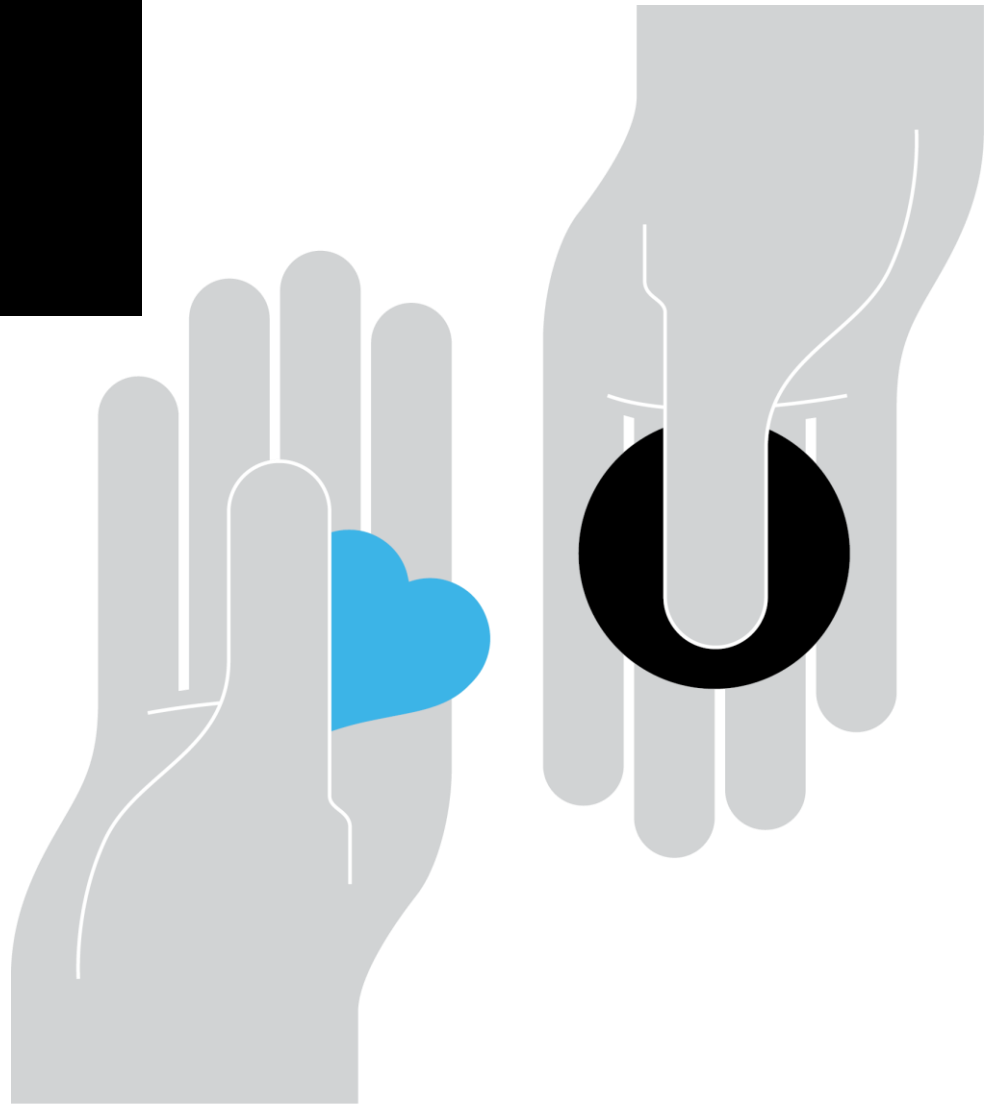
[Visit the Responsible Returns site](#)

nabtrade webinar— Making a positive impact with your investments

Sally Campbell

Executive Director, JBWere

JBWere



Important information

JBWere

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Why are ESG and SRI considerations important?

JBWere

Our Purpose: Give clients confidence to do what matters



Our clients want to make an impact



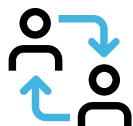
ESG factors impact returns

“Firms with **good ratings** on material sustainability issues **significantly outperform** firms with poor ratings on these issues.”

Source: Mozaffar Khan, George Serafeim and Aaron Yoon, “Corporate Sustainability: First Evidence on Materiality”, The Accounting Review, 9/11/2016.

Incorporating ethics (values) into investment

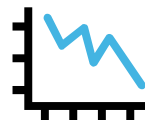
JBWere



Clients are increasingly aligning the management of their investments with their values – it remains the most popular responsible investment approach.



This can include the exclusion of specific companies, entire sectors, industries or geographic regions.



Use of such 'negative' screens can reduce potential returns.



We recommend that any 'negative' screens be clear, pragmatic and directive.

- All exposure or direct exposure only?
- Zero exposure or another number (e.g. 10% of all revenue)

What can you screen?

JBWere

At JBWere we have access to the MSCI Business Involvement Screening Tool which enables Advisers to screen client portfolios for exposure across the below industries/activities. Companies undertaking such activities may be excluded from the investment universe.



Alcohol



Tobacco



Gambling



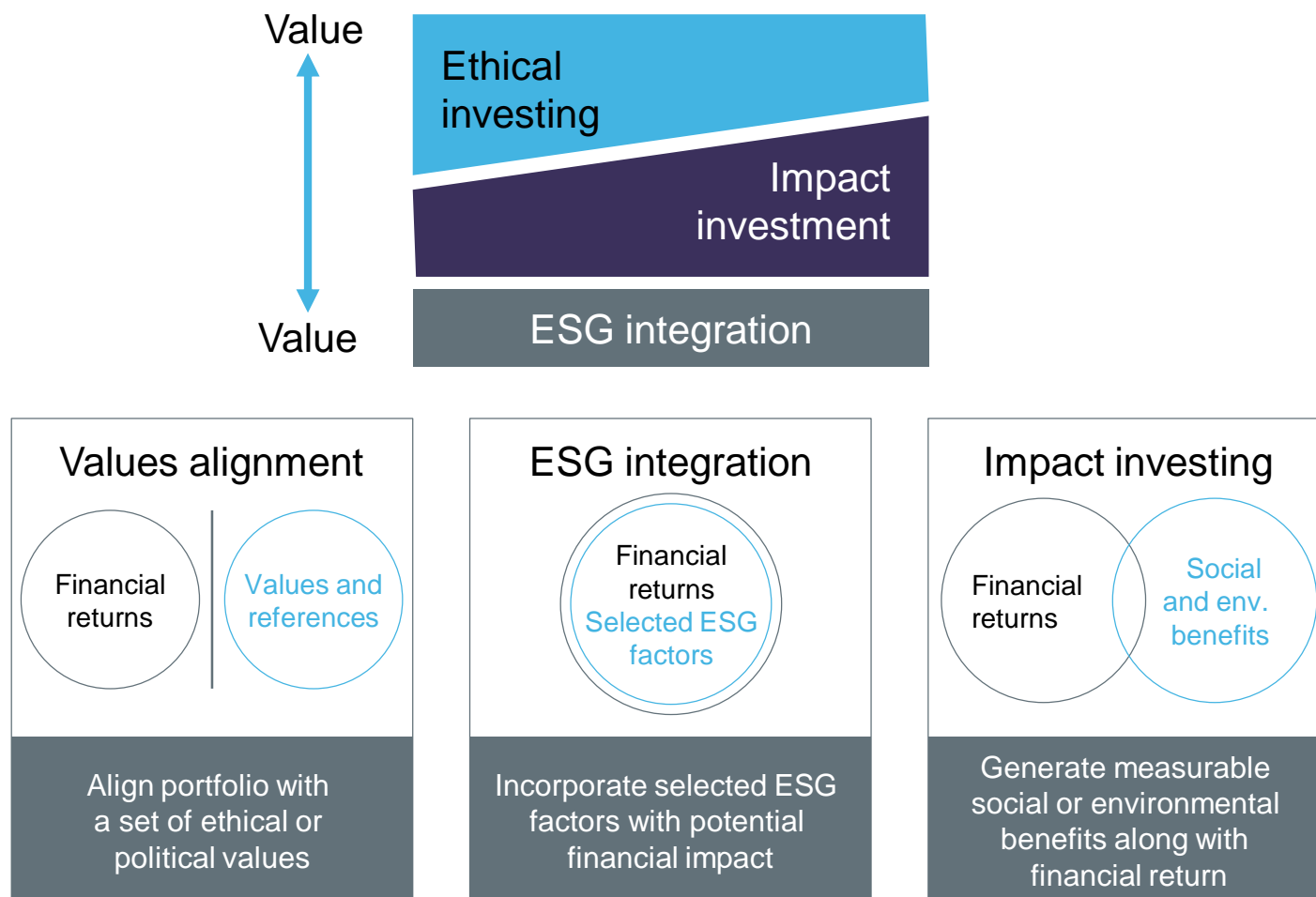
Fur



Civilian
firearms

The JBWere SRI Framework

JBWere



Setting your own socially responsible investment philosophy

JBWere



What is important to you?

- Negative screens / hard limits
- Monitoring exposures over time / flexible approach
- Targeting positive ESG rated investments



How actively do you want to manage your exposures

- Do you want to manage and review your own screens?
- Will you actively review the contribution certain activities may have to the overall profitability or revenue of a business?
- Are you comfortable to allocate to a professional manager in this area?



Be practical

- The more you exclude industries, the more you restrict your investable universe. This can have an impact on your potential returns.

Direct strategies



Outright Exclusions

- Gaming – Aristocrat Leisure
- Tobacco – Amcor (packaging)



Filter for Highly Rated Companies

- Lend Lease (AAA MSCI ESG Rating)

Managed strategies



Ethical Funds

- Pandal Ethical Share Fund



Alternative Approaches

- Magellan's range of international funds
- Platinum's range of international funds

About JBWere

JBWere

Our heritage

The principles of integrity and trust upon which our business was founded in 1840 still hold true today. Combined with our unwavering focus on building and maintaining strong relationships – with our clients, our strategic alliances and our community – these form the cornerstones of our business philosophy.

Contact us

Call 1300 366 566

Enquire online

Our advisers

22 years
of experience
(on average)

12 years
with JBWere
(on average)

Our clients

31% of client
relationships
>10 years

30% of assets held relate to
client portfolios
>\$20m

Our strength

\$50b
Of Assets Under Advice

\$5b
Of NFP Assets

Our strategic alliances



MOELIS & COMPANY

LOMBARD ODIER



NABTRADE CHARITY TRADING DAY



2 AUGUST 2018 (MARK YOUR DIARIES!)



**Alannah & Madeline
Foundation**

Keeping children safe from violence



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CHARITY TRADING DAY



Alannah & Madeline Foundation

Keeping children safe from violence



On 2 August 2018!

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