

# HOW TO: SELECT SUSTAINABLE FUNDS



WHAT TWITTER THINKS



**Jeannie Boyle, director,  
EQ Investors:**

Carry out the same due diligence as for non-ethical funds. Also include 'green card' scoring to measure a fund's impact. There should be no free passes just because it is green.



**Dan Old, co-founder,  
Purposeful.Money:**

I agree with Jeannie that you need to do the same due diligence as with a standard fund. Also look at ethical screening (negative/positive), its impact and its themes (megatrends). Also check for greenwashing. We look all over the place.



## QUINTIN RAYER

HEAD OF RESEARCH AND ETHICAL INVESTING,  
P1 INVESTMENT MANAGEMENT

The challenge facing ethical investors, and their advisers, is to select companies and monitor their performance in ethical and sustainability terms. But environmental issues, social responsibility and governance quality are not easy to measure.

Utilise the expertise of fund managers running ethical strategies, either as specialists or as part of their broader offering.

### BEWARE OF CHARLATANS

Some managers, who lack ethical investing experience, jump on the bandwagon by launching a fund to appeal to the ethical market. Some funds' ethical credentials may be slender, potentially including holdings that would make ethically minded clients uncomfortable.

Inexperienced providers may launch ethical funds that fail to deliver expected performance. This can erode interest in the fund, which may lead to a merger with a conventional fund or dropping ethical objectives.

### DIG DEEPER

As well as the performance aspects of a fund, ethical requirements can be difficult to determine. Checking corporate standards can help, confirming specific activities have been conducted to defined levels.

Advisers must dig beneath managers' claims. Many managers desire a green makeover, while remaining reluctant to absorb the associated costs. But the complexity of ethical investing means advisers can also benefit from their expertise.

#### TOP TIP:

**Draw on the knowledge of fund managers, but always question ethical measures.**



## TANYA PEIN

INVESTMENT SPECIALIST,  
IN2 PLANNING

There are between 200 to 300 retail funds in this space: Oeics unit trusts and investment trusts.

Some good examples are the Jupiter Ecology and Impax Environmental Leaders funds, which have been strong performers. There are some other good ones to consider, including EdenTree, as well as the Wheb, Liontrust Sustainable Futures and Royal London funds. Wheb is equities. EdenTree is fixed interest and equities, and it also has a multi-asset offering.

You want a fund house that has been doing it for a while. What has been really useful in making sure we have long-term, stable and strong returns is a research team that has been going for a long time. Not to mention, an approach to sustainability that is infused throughout the investment process.

#### TOP TIP:

**Use ratings systems to help with the search and client meetings. But be wary of their tilt towards bigger companies.**

### WISE UP ON RATINGS

Using sustainable rating scales is useful. More information is always good. Every adviser and client meeting is time-constrained, so ratings can help speed things up. However, as with any ratings system, they have their faults. It is important there is transparency in the process underlying the ratings.

Ratings tend to tilt towards big companies that produce a lot of data. They often tilt towards companies subject to environmental regulations and data requirements. They will be tilted towards the EU, a bit less to America and get a bit thin in Asia Pacific.

■ **CHRISTINE DAWSON AND NATASHA TURNER**