

Highwood

GUARDIANS OF YOUR WEALTH

INVESTING FOR A SUSTAINABLE FUTURE

A Guide to ESG Investing with Highwood

Independent Financial Advisers & Wealth Managers





WHAT DOES ESG MEAN?

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E

Environmental

CONSERVATION OF THE NATURAL WORLD.

Climate change and carbon emissions; Air and water pollution; Biodiversity; Deforestation; Energy efficiency; Waste management; Water scarcity.

CONSIDERATION OF PEOPLE AND RELATIONSHIPS.

Customer satisfaction; Data protection and privacy; Gender and diversity; Employee engagement; Community relations; Human rights; Labour standards.

S

Social

G

Governance

STANDARDS FOR RUNNING A COMPANY.

Board composition; Audit committee structure; Bribery and corruption; Executive compensation; Lobbying; Political contributions; Whistle blower schemes.

WHY INVEST IN ESG PORTFOLIOS?

- To satisfy your values and preferences
- To effect meaningful change in an ESG topic
- To generate a financial benefit



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Why ESG Investing is on the rise

Many investors are not only interested in the financial outcomes of their investments but are also interested in the role their assets can have in supporting positive global change.

ESG investing is about doing well by doing good, investing in a portfolio that reflects your values such as fighting climate change or supporting social agendas.

While investing in companies with sustainable business practices is worthy on its own, there's a long-held misconception that doing so comes with a price of lower investment returns when this is not necessarily the case. ESG investing is gaining momentum as research is increasingly showing that this method of investing can generate competitive investment returns, and help investors feel good about the stocks they own.

If you are interested in finding out more about ESG investing with Highwood please get in touch.



It's crazy that our banks and our pensions are investing in fossil fuels when these are the very things that are jeopardising the future that we are saving for.

[DAVID ATTENBOROUGH, A LIFE ON OUR PLANET]





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Our ESG Portfolios

- When choosing an ESG portfolio with Highwood the investment process will only include companies that have a positive impact from an ESG perspective.
- When selecting an ESG portfolio we will continue to use many of the same fund managers – such as Vanguard, L&G, Schroders and Dimensional – but we will invest in funds of theirs that satisfy ESG criteria.
- The performance of an ESG portfolio will be different when compared to our standard model portfolio. We cannot say whether it will be better or worse, just that it will be different.



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How do the funds we hold achieve their ESG aims?

The equity funds either track an ESG/ethical index (usually the full index, adjusted by an external agency to exclude the shares of companies whose business does not meet a range of ESG guidelines) or use their own processes to tilt their portfolios away from those companies that score poorly on ESG factors and towards those that achieve a higher ESG ranking. We are still able to retain a tilt towards value stocks as in our core portfolios.

The fixed interest funds either invest solely in UK Government gilts, invest in corporate bonds whilst screening out those from tobacco and arms companies, or use a more complex process to underweight bonds from low scoring ESG companies and tilt towards bonds from companies considered to have a more positive ESG approach. We are still able to retain a focus on high-quality, short-dated bonds as in our core portfolios.

ESG Investing Q&A's

Does investing sustainably mean making less money?

This used to be largely true of 'ethical funds', but times have changed and many sustainable funds are now outperforming their non-sustainable alternatives. We cannot say whether the performance of your portfolio will be better or worse, just that it will be different.

Are sustainable funds always higher risk and more volatile?

In short, no. As with all our investment portfolios you are able to choose the level of risk you are comfortable with. Just because your investment is sustainable doesn't make it more volatile.

How do I know my investments are really having a positive impact?

As your financial adviser we have a responsibility to act in your best interests, which includes investing in line with your values as well as investing to build your wealth. If you choose to hold an ESG portfolio with us we will only invest in funds that have a commitment to ESG investing and we will share with you their approaches to doing so.

I'm about to retire, is it too late to start investing sustainably?

No matter your age, even if you have already retired, you can choose to invest sustainably and this extends to your pension fund. Contact your adviser to discuss your options.

Contact us to book a complimentary consultation:

T: 01923 479850 | E: ENQUIRIES@HIGHWOOD.CO.UK

WWW.HIGHWOOD.CO.UK

READY TO SWITCH?

Switching to Highwood from your existing financial advisers is straight forward and stress-free. Book your complimentary Discovery Meeting with us today and find out how Highwood can help you reach your financial goals more efficiently.

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