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Inconsistencies in ethical investing

It's widely known in the investment industry that the world of ethical and/or sustainable investing is full of potential inconsistencies. There are the obvious differences in people's views about what is ethical and what is not. There is also sometimes a lack of scrutiny, either through ignorance or otherwise, of the businesses that are connected to those deemed inappropriate to invest in. For example, tobacco companies are excluded on moral grounds but not the banks that help finance them or the companies in the supply chains involved, such as delivery firms and retailers. In addition, there are the unintended consequences of an ethical or sustainable approach. As an example, consider green energy policies which, in the short term at least, increases prices for those that can least afford them (think gilets jaunes in France, "you worry about the end of the world, we worry about the end of the month"). There are many other examples within the investment industry where ethical and or sustainable investing can start to struggle. This is particularly true when we dissect the companies that we invest in or explore the wider impact of environmental policies that seek to do environmental good but can cause social harm. The result of these inconsistencies is that clients wanting to invest in an ethical and sustainable way are often left disillusioned by what is actually available to them. High net worth individuals may be able to create a highly bespoke portfolio tailored to their exact requirements, but this is beyond the reach of most retail investors. So, what can the investment industry do?

First and foremost, we must be completely transparent with what our investment offerings actually hold and what their limitations are. For some investors, any allocation to fossil fuel companies will be a big no, whilst for others, limiting exposure to this sector and only investing in those ones that mitigate their impact might be enough. We need to be clear about the rules that are applied to the creation and management of our offerings. We shouldn't make perfection the enemy of the good and we shouldn't mislead clients into thinking what they are invested in is wholly ethical given the complexities involved. If we are transparent, clients can make up their own minds as to whether the ethical and or sustainable investments we promote are in keeping with their beliefs and views. The growth of sustainable and ethical investing can only have a positive impact in the long term, but we must not sacrifice the present for the future.

At iFunds we accept that there can't be a 'one size fits all' approach to this field of investment. Our sustainable portfolios may not reach some investors' high expectations. However, we believe by being completely transparent in what we do, we can help investors make informed decisions whilst providing them with a portfolio that places a much greater emphasis on sustainability.

Our ethical portfolios make use of passive investment products with clearly defined rules regarding what is eligible to be invested in and what is not. These rules can be found here. We also provide a complete list of the underlying companies we hold (not just the top 10), the sectors they are in and the allocations to each of them, helping investors to make a more informed choice. A complete list of the companies invested in can be found here.

For more information on our ethical portfolios, please visit www.ifunds.co.uk or contact Chris Baynes;

E; chris.baynes@ifunds.couk
T; 02476 236 223