

Climate change action driving responsible investment growth: Australian Ethical

Australian Ethical responds to 2016 RIAA Benchmarking Report

13 July 2016 – Australia is on the crest of an ethical investment wave, as the amount of money allocated to ‘core’ responsible investment has doubled in the last two years, Australian Ethical said today, responding to the launch of the sector’s annual benchmarking report.

The 2016 *Responsible Investment Benchmark Report* by the Responsible Investment Association of Australia (RIAA) shows that the core responsible investment (RI) segment, to which Australian Ethical belongs, has grown by 65% in one year and is now worth \$51.5 billion.

This segment adheres to a more rigorous approach to RI than broad ESG integration, and RIAA attributes its rapid growth to increasing interest in sustainability themed funds, ongoing growth in screened funds as well emerging interest in impact investment and community finance in the banking sector.

Core responsible investment Australian equities funds outperformed both the ASX 300 and the average large cap Australian equities funds across one, three, five and ten years. Core responsible multi-sector growth funds also outperformed their equivalent mainstream multi-sector growth funds over one, three, five and ten years.

The report also found that around 47% of the total professionally managed assets under management in Australia adhere to the broader RI principles. This constitutes approximately \$633.2 billion assets under management.

The results reflect Australian Ethical’s own experience in the past year, with funds under management increasing 31% since 1 July 2015 to \$1.53 billion at 17 May 2016.

Australian Ethical said that one of the factors driving the growth of ethical investing is a desire among investors to fight climate change – especially in the face of government inaction.

Australian Ethical Managing Director, Mr Phil Vernon, said, “The RIAA report shows that investors are taking action on climate change and other ethical issues. They are moving their money to asset managers who pay attention to the environmental and social impact of their investments, whether that’s through ESG screening used by mainstream managers, or the more robust ethical approach used by Australian Ethical. Moreover, investors want to ensure that asset managers are mindful of minimising the risks that climate change poses to their investments.

“Overall, there is a clear demand for the finance sector to get serious about how it responds to climate change.”

The RIAA report reveals that an ethical approach to investment drives investment performance. Australian Ethical has also recorded strong performance over a number of time periods.

“Australian Ethical continues to outperform the market, an outcome that is typical of the RI sector. It’s the result of a disciplined, active investment style, coupled with the fact that we support growing, sustainable sectors and companies,” Mr Vernon said.

While the urgency of climate change is one issue on the minds of investors, Australian Ethical’s broad, ethical screening process covering a range of issues like human rights and gambling is also attracting investors.

“We use a negative screen to rule out investments that harm the environment, people or animals, as well as a positive screen to invest in companies that improve them. This holistic approach resonates with a growing number of conscious consumers who want to know that their money is being put to good use, in a way that aligns with their values.”

The results of the RIAA benchmark report suggests financial advisers will need to step up their offerings of RI and ethical products. Australian Ethical has observed a growing demand in this area.

“We’ve experienced strong growth in enquiries from advisers over the last year, and as a result, have developed dedicated materials for this sector. We’ll continue to grow this bank of resources and continue to educate both advisers and their clients about ethical investment,” Mr Vernon said.

The RIAA report notes the growing range of RI products on the market, across asset classes and styles. Australian Ethical welcomes the growth and believes there is much work still to be done on educating ethical investors.

“As with any investment decision, consumers need to consider a range of products and educate themselves about the differences. With a proliferation of RI choices, it’s more important than ever for consumers to understand the different ‘shades of green’.

“Some RI funds simply run a ruler over mining companies to screen out the worst practices, while Australian Ethical screens out all fossil fuels and analyses over 200 points of impact to ensure every investment does in fact deliver a benefit to the planet, people and animals. It’s important that our sector is transparent about the different approaches to RI, and that investors understand their options when making an ethical investment decisions,” Mr Vernon said.

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About Australian Ethical

Australian Ethical is Australia’s leading ethical wealth manager. Since 1986, Australian Ethical has provided investors with wealth management products that align with their values and without compromising returns. Investments are guided by the Australian Ethical Charter which both shapes its ethical approach, and underpins the Company’s culture and vision.

Australian Ethical has approximately \$1.5 billion in funds under management, across superannuation and managed funds.

Visit: www.australianethical.com.au