

## Sustainable investing: our approach to energy

Sustainability is a subjective area. There are no firm rules around it and much of what we do as sustainable fund managers ventures into uncharted territory. We have to make decisions in grey areas and we have to be transparent about those decisions, so that our investors are clear about how, why, and where their money is being invested.

As a reminder, our Sustainable strategies are designed to achieve two sustainable goals, alongside their financial targets:

- ▶ Incentivise corporates and governments to improve their environmental, societal and governance impact.
- ▶ Make investments which contribute to solving problems and align with the United Nations Sustainable Development Goals (UN SDGs).

### Why we still invest in some traditional energy

While it might be a small proportion of their business activity, some energy companies are investing in renewable energy and/or carbon capture technology. As these companies are large, their investments are large. We want to encourage those firms that are transitioning quickly and penalise those who are not.

At the moment, the global economy still needs traditional energy (oil, coal, gas etc.) in order to operate. If traditional energy production were to halt overnight, economic activity would collapse and we would not have the resources to address the outstanding issues facing society.

Logically, if we were to screen out all traditional energy providers, we would also have to screen out all companies that use traditional energy as an input - this would include vast swathes of the investable market.

In our Sustainable strategies we invest less in traditional energy than our unscreened strategies and when we do invest, it is only in those companies who have the highest environmental, societal and governance (ESG) scores in their sector. We think this approach will incentivise energy companies to invest in cleaner technology. We access our energy company investments through screened ETFs (exchange traded funds) and third-party funds.

### Why we invest heavily in renewable energy

Using renewable as opposed to traditional energy massively reduces carbon emissions, so by investing in renewables infrastructure, we are supporting UN SDG 7: Affordable and clean energy and UN SDG 13: Climate action.

Renewable energy infrastructure investment trusts offer relatively high yields, at a time where income is difficult to achieve. From a financial perspective, this is extremely attractive. Renewable energy projects help to diversify our portfolios. How much the wind blows or the sun shines can affect the performance of our investments, which is a different factor compared to our other holdings.

All our sustainable portfolios invest in renewable energy infrastructure through investments trusts, which include exposure to wind farms, solar parks and battery storage units.



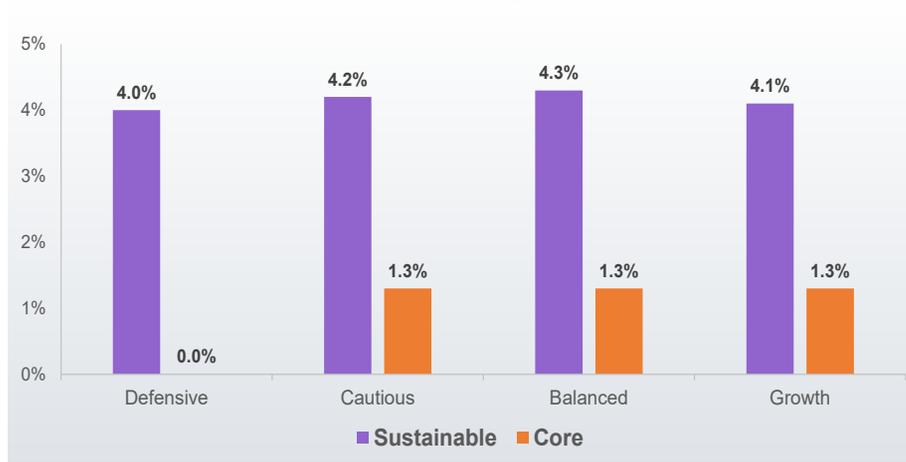


## Contact

To find out more about the Heartwood Sustainable strategies, visit our website or contact your local representative.

### Renewable energy exposure in our core and sustainable funds

As at 31 July 2019



Source: Heartwood

### Driving change pragmatically

To recap, our sustainable strategies invest heavily in renewable energy, less in traditional energy, and then, only in the best-in-class companies. Our portfolios will inevitably evolve as policies, opportunities and risks in this space evolve, but we will always be committed to driving positive change and hope other investors will join us in this journey.

**Matt Toms and Ben Matthews**  
Investment Managers

### Important Information

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