Cornerstone
Asset Management

A guide to Cornerstone's sustainable investment services

Many more people are choosing to invest using sustainability as a factor in their decisions. With Cornerstone's Responsible Futures portfolios, you can too.

Our Responsibility to you

At Cornerstone, we believe that wealth should be used to deliver positive outcomes for you, your family and your future generations. It's therefore our responsibility to look to the long term and ensure that you are aware of any risks ahead. We also take pride in providing our clients with tailored financial planning and investment solutions that can help them meet their personal and financial goals and deal with any setbacks along the way.

Our Responsible Futures portfolios were designed with this principle in mind but also take into account the future challenges that the world, society, businesses and governments face. This means addressing the issue of sustainability, as well as more traditional investment considerations such as the risk of loss, inflation and the need for diversification.

Where do Cornerstone's Responsible Futures portfolios sit within the world of sustainable investing?

The term sustainable investing is a broad one and covers a number of different approaches:

- **Ethical investing** excludes certain companies, for example tobacco companies or weapons manufacturers, from an investment fund or portfolio on moral grounds.
- **ESG** (Environmental, Social and Governance) investing involves making selections based on the environmental and social impact of a company and the quality of its governance. It may include companies that would not be included in an ethical portfolio, as it recognises that a company can have a positive impact in certain areas while still needing to improve behaviours in others.
- **Impact investing** actively selects companies whose products and services aim to create a positive impact rather than just avoiding a negative one. Impact investing also requires the ability to measure the effect of the investment. This could involve, for example, a company that develops infrastructure connected with electric vehicles, thereby reducing CO2 emissions from transport.

Our Responsible Futures portfolios combine these approaches in order to provide diversity and to benefit from potential positive returns offered by a wide range of investment types and themes. Each of the investments held within the portfolios has been selected because it has potential to benefit one or more of the United Nations Sustainable Development Goals (such as zero hunger, clean water and sanitation, good health and well-being, responsible consumption and production, sustainable cities and communities) and a number of related themes.

You may have heard people talking about climate change

We are repeatedly reminded that we use too much plastic, eat too much intensively farmed produce and rely on polluting transport, not forgetting the effects that extreme weather patterns have on people and world communities.

Some of us have already started taking some personal steps to reduce our carbon footprint, while others ponder what that they can do to make a difference. It's therefore important to be aware that your investments could have a positive impact on the future of the planet and its people.

Reasons to Invest Responsibly

Climate change is an investment risk, potentially threatening traditional investments in a number of ways. Company profits and investor returns may be adversely affected by consumer disapproval, government-imposed restrictions and even physical risk to supplies and infrastructure as a result of flood or forest fire for example. Fossil fuels, mining and utilities are areas that have already faced problems and are forecast to continue to do so, according to the *Investing in a Time of Climate Change* report published by Mercer in 2015.

To cap climate change in line with the Paris Agreement, it is necessary for trillions of dollars of capital to be diverted from fossil fuels to the renewable energy sector. How will this sea change affect your investments?

Sustainable Investing is becoming mainstream

At the end of 2018, $12 trillion was reported to be invested sustainably in the US. The level of investment grew at a 38% compound annualised rate between 2016 and 2018, more than twice the rate of U.S. investments overall, as confirmed in Bloomberg's 2018 report *U.S. Sustainable, Responsible and Impact Investing*. It is also pertinent to note that millennials are twice as likely to seek out sustainable investment as older investors, according to the Institute for Sustainable Investing's 2017 *Sustainable Signals* report.

From banks, to pension schemes, to government bodies, many major influencers in the finance industry have built sustainability into their strategic planning and look to guide others to do so. As an example, the UK government has imposed a requirement on all pension schemes with more than 100 members to state their policy on taking account of "financially material" considerations, including ESG factors, such as climate change.

Underpinned by long-term government policy, Cornerstone believe that now is a sensible time to consider sustainable investment.

Principles and Profits

The traditional ethical investment approach, which excluded certain types of company, could result in lower investment returns and increased risk. However, where investments are selected positively, we believe that there is potential for improved returns. A study by Harvard Business School found the following:

If you invested a dollar 20 years ago in a portfolio of companies focused just on growing their businesses, that dollar would have grown to $14.46. However, if you'd invested the same dollar in companies that also focused on the most important environmental and social issues, that dollar would have grown to $28.36.

Sustainable investing is about recognising that companies which seek to solve the world's greatest challenges can also provide good returns for investors.

More bang for your buck

By pooling their savings and capital via collective investment funds, investors can help to create a body of money and voting rights that can have real clout with businesses. Managers of the funds held in the Responsible Futures portfolio can engage with the boards of the companies in which they are investing, taking the business executives to task on various issues, from equal opportunities, to health and safety, to environmental impact.

Investors really can make a difference.

Many goals to consider…..

While climate change dominates the headlines it is important to remember that the Responsible Futures proposition does not just concern itself with environmental challenges alone.

The 17 United Nations Sustainable Development Goals also cover many other issues including hunger, access to education, inequality of gender and the demands of urbanisation. By considering many of the 17 areas for change, the Responsible Futures portfolios will be rich with a diverse range of investment themes and types and avoid concentration in a narrow range of industrial sectors.

….including your own

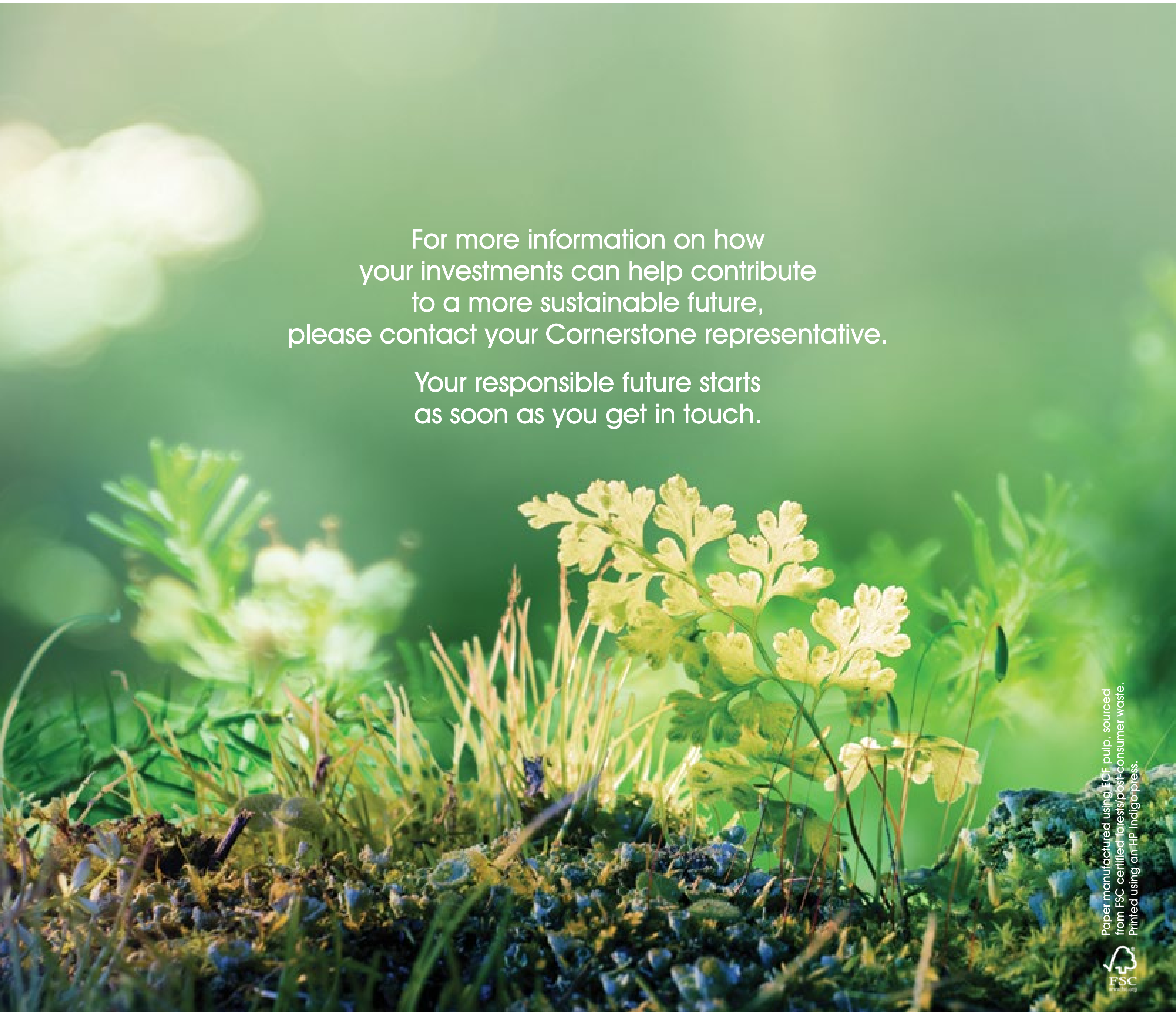
Importantly, the portfolios are benchmarked to aim for inflation plus returns and seek to keep reductions in value within a certain threshold. It is essential to remember that your personal needs and goals come first and must be considered when deciding whether investment in these portfolios is suitable.

When you invest in our Responsible Futures portfolios, you are getting the same robustly managed investment portfolio as you would with any other Cornerstone investment strategy. That means a focus on risk, diversification, monitoring and upkeep, with the entire process overseen by our Investment Committee.

In tandem with the investment strategy, our financial planning service helps you manage your wealth responsibly through budgeting, tax planning, saving and, where appropriate, gifting to others. This will potentially enhance the financial future and quality of life for you and your family.

For more information on how
your investments can help contribute
to a more sustainable future,
please contact your Cornerstone representative.

Your responsible future starts
as soon as you get in touch.



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