



Positive Change

Positive Change is a discretionary strategy for clients who would like environmental, social and governance considerations to be a key driver of investment selection, alongside a focus on long term financial returns.

Strategy overview

The strategy is implemented on the basis that our world is facing challenges that need to be urgently addressed to build a more sustainable and better future. The strategy invests across industries with a focus on the underlying fund managers' engagement with companies to encourage change, rather than a focus on exclusions. Several of the underlying fund holdings favour companies with more sustainable business practices or products or services that help address environmental or social challenges.

Investment approach

Positive Change is a funds-based strategy investing in global equities, fixed income and alternatives. It takes a pragmatic and diversified approach, combining different types of funds:

Sustainable:

The strategy has exposure to several sustainable investment funds. These include funds investing across different industries in companies that have leading sustainable business practices, for example, companies that treat their workforce well or that are working to reduce their waste. Other funds may favour companies making a positive contribution to the environment and society through their products or services such as companies leading healthcare advances or new technologies to increase energy efficiency.

ESG Integration:

The strategy invests in funds that formally consider environmental, social and governance (ESG) risks and opportunities within their investment approach alongside traditional financial criteria. This contributes to risks and opportunities relating to the environment and society being valued appropriately by markets. These funds do not have a sustainability focussed mandate and help add diversification to the portfolio.

Exclusions & Engagement:

The strategy favours investments in active and passive investment fund houses that are striving for meaningful engagements with company managements to become more sustainable in how they operate. Some of the funds have formal exclusions (i.e. they avoid investing in certain industries or companies on the basis of the fund's screening policy), but others have limited, if any, exclusions on the basis that you cannot engage with companies if you do not own them.

What does fund manager/investor engagement with company management really achieve?

The more investors speak to company management and boards about concerns over policies and practices, including those that impact on society and the planet, the higher these issues move up corporate agendas. In a number of cases investor engagement is contributing to companies setting challenging targets and it is important that shareholders hold them to account as well as encourage others to follow their lead.

Examples of investor engagement

Investor engagement with company management can encompass a range of issues, including:

- Company or sector specific issues like labour practices, deforestation in supply chains or carbon emissions
- Executive remuneration
- Diversity of boards and senior management
- Environmental disclosures such as carbon intensity and water usage
- Social considerations such as working conditions and operating in a safe environment

Is Positive Change right for me?

Positive Change is intended to be a diversified, pragmatic approach where environmental and social considerations are a key driver of investment selection. Positive Change is suitable for those who want their investments to align with their concerns about climate change or other challenges facing society and the planet, without limiting their portfolio exclusively to sustainable investments or putting in place strict investment exclusions. The strategy gives investors some exposure to sustainable investments but may also appeal to those with an interest in influencing corporate behaviour more broadly. With performance still a key objective, the strategy may also hold some investments for the diversification they provide within the portfolio, where we see their ESG footprint to be acceptable. This includes government bond funds.

Fund research at Quilter Cheviot

The strategy benefits from Quilter Cheviot having one of the largest dedicated fund research teams amongst our UK peers with eight analysts specialising in different regions and asset classes, working alongside our Responsible Investment team. We are also one of the largest fund buyers in the UK and have unrivalled access to fund managers on a one-to-one basis. We are able to ask fund managers directly about their approach to sustainable investing and encourage them to place due consideration of environmental and social issues within their investment process and engagements with companies.

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