

# INSIGHTS

## For the Mainstream Investor

WEEK ENDING APRIL 13, 2018 EDITION 240



### DATA HANDLING

*All-important to asset managers*

Is the most likely cause of an investment manager's dismissal beating or equaling the benchmark, or charging reasonable fees, or providing investment reports which are easy to understand? Although all are important none of these top the list. In first place for institutional investors was 'has reliable security measures to protect my data'.

On satisfaction levels, protecting data scored 74%, higher than the costs disclosure at 71% and acting in an ethical manner at 73%. For retail investors protecting data was joint number one alongside fee and cost disclosures. This is according to a [survey](#) by the [CFA Institute](#) which focused on trust – 'The next generation of trust; A global survey on the state of investor trust'. Survey respondents included 3,127 retail investors and 829 institutional investors.

### ESG FACTOR

*Identifiable at last?*

MSCI, the index and analytics company, has released a factor model used for portfolio construction and optimization, which identifies ESG as a factor in its own right. This places the ESG factor alongside better know factors such as volatility, momentum, value, size and growth. MSCI has announced that 'for the first time, the ESG factor makes the cut'.

This is now being used in the fundamental risk model for Europe and ESG was identified as an identifiable factor which helps explain the volatility of stocks. If proven correct, this will help investors understand the contribution of ESG to the performance of funds. An analysis of active returns demonstrated about one-third came from the ESG factor, for the MSCI Europe ESG Leaders Index.

### THIS WEEK IN NUMBERS

2048

is the date that gender pay parity will be reached in the UK, if the present trend from 1971 continues

100

percent SRI compliant by 2020 is the aim of La Banque Postale Asset Management, France's fourth largest AM

80

million of US\$ green bonds were issued by emerging markets in 2017; it's expected to be much higher this year

25

year study shows that number of plastic bags found in the seas around Britain has more than halved

14

States have sued the US EPA for failing to issue regulations for curbing methane from existing oil and gas operations as required under the Clean Air Act

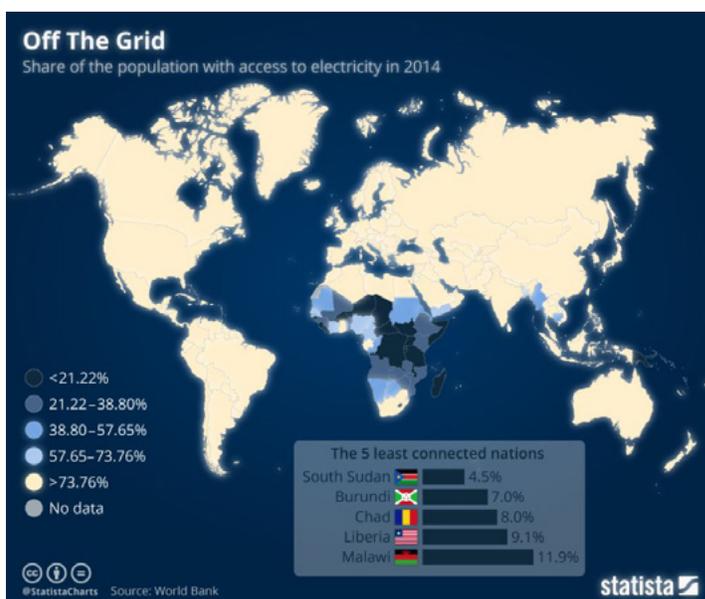
2.6

million people per year are estimated to die from household smoke

2

women are being nominated by Elliott Management to the board of software company Commvault Systems to address board diversity

### INFOGRAPHIC OF THE WEEK



Source: [Statista](#)

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### AGM SEASON

*Shouting the cause*

We are moving into the season of the shareholders' annual general meetings. Ironically, these meetings could raise uncomfortable questions for ESG supporters. They may struggle to be heard because of the proliferation of demands. Furthermore, how far do corporates who do respond have to go? An example of this is playing out with Royal Dutch Shell which has released a [strategy document](#) – the [Sky](#) scenario – to meet the Paris Agreement targets.

However, Friends of the Earth in the Netherlands is prepared to [sue the company](#) over its failure to address the Agreement's targets. And should companies set a nation's policies, on [firearms](#) for example. Citi is having a go.

### DID YOU SEE?

The UK's sugar tax came into effect last week in a drive to combat [obesity levels](#). The drinks industry started adjusting two years ago when it was first announced by reducing sugar content and shrinking the size of their bottles. The tax is forecast to raise GBP240m (US\$338m) annually.

### GOOD NEWS

A [report](#) by the [American Chemical Society](#) suggests that it is 13 times cheaper to recover gold, and copper from electronic waste as opposed to mining the material. Recycling costs from China were used in the analysis.

### QUOTE OF THE WEEK



A virtuous cycle will be created where more and better information creates the imperatives for others to adopt the TCFD\* and for everyone to up their game on the quality of information they provide.

– Mark Carney, Chair of the Financial Stability board and Governor of the Bank of England, April 6th 2018

\*Task Force on Climate Related Financial Disclosure (TCFD)



### GENDER PAY

*In come the UK's results*

Last week was the UK's deadline for reporting the [gender pay gap](#) to the [Equality and Human Rights Commission](#), for companies employing at least 250 employees.

In 2017, the median pay gap (from data collected so far) was 9.7%, but construction (23%), financial (22%) and education (20%) sectors having even higher pay gaps. Eight out of ten companies and public sector bodies revealed they were paying women less than men.

### MORE TO COME

Canadian regulators – the Canadian Securities Administrators (CSA/ACVM) – has published a [report](#) summarizing its findings on the disclosure of the risks and financial impacts associated with climate change as well as its future intentions. Will more regulators follow?

### WE'RE WATCHING

The EU is considering a range of green initiatives. At the end of last week, the central banks of England, France and the Netherlands organised a follow-on conference for the [Central Banks and Supervisors Network](#). Everything from green mortgages and favourable EV loans to lowering risk weightings of green investments was debated.

### WATCH LIST



▶ *What is Sugar Tax?* [Independent](#)

▶ *From bust to boomtown: Life in a comeback city* [Wall Street Journal](#)

### READING LIST

*2018 Global Trends in Corporate Governance*  
[Parient Advisors & GECN](#)

*Household smoke may be the world's deadliest environmental hazard* [The Economist](#)

### LISTENING LIST



*Sea Levels Rise: Living on the edge*  
[The Compass](#)

*Garbage patches:  
How gyres take our trash out to sea*  
[NOAA Ocean](#)

### BELIEVE IT OR NOT

Seaweed to the rescue. An injectable bandage which uses a gelling agent derived from seaweed is being developed to control internal bleeding. [READ MORE](#)

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