

# INSIGHTS

## For the Mainstream Investor

WEEK ENDING JUNE 1, 2018 EDITION 247



### HEDGE FUNDS

*Becoming responsible*

Is the hedge fund industry embracing responsible investing? A [report](#) by the Alternative Investment Management Association (AIMA), which represents the alternative investment industry, claims that ‘different forms of responsible investment are now increasingly becoming more widely adopted across the hedge fund industry’.

The number of hedge funds which have noted an increase in investor interest in responsible investment in the last 12 months was 55%. The report concludes that ‘the confluence of investor demand, improving data, and technological capacity will likely push...a greater level of responsible investment’.

### DID YOU KNOW?

May 31 is ‘World No Tobacco Day’, every year and is observed by all UN Member States. This year the focus was on tobacco and heart disease. The WHO estimate that ‘tobacco use and second hand smoke exposure contribute to approximately 17% of all heart disease deaths’.

### BIG FOOD

*Is it risky?*

Are listed food companies risky investments? The Farm Animal Investment Risk & Return (FAIRR) Initiative, an initiative to put factory farming on the ESG agenda, has released a [report](#) on the largest global animal protein companies, covering ESG issues including GHGs, water use, food safety and animal welfare.

The findings indicate that 60% of companies, worth US\$ 152 billion, in the FAIRR Index are ranked as high risk on sustainability management. On antibiotics, the worst of all the sustainability risk factors, 77% (US\$240 billion) are deemed high risk. A total of 46 companies were found to have no policies or process in place to eliminate the routine use of antibiotics. At the other end of the scale, 50% of companies were ranked as low risk on waste and pollution management.

### THIS WEEK IN NUMBERS

28,446

US\$ is the median annual compensation for Amazon employees

4,645

4,645 is the estimated number of deaths in Puerto Rico caused by Hurricane Maria, as calculated by Harvard, against the government estimate of 64

1,750

sustainability reporting provisions across 60 countries have been identified

455

votes in favour, 87 against and 92 abstentions in the European Parliament voted to adopt a resolution to scale sustainable finance

233

China large cap A shares joined the MSCI Emerging Markets Index at the end of May

78

% of S&P 500 companies which have released first quarter earnings reported actual EPS above the mean EPS estimate, the highest percentage since FactSet began tracking data in 2008

45

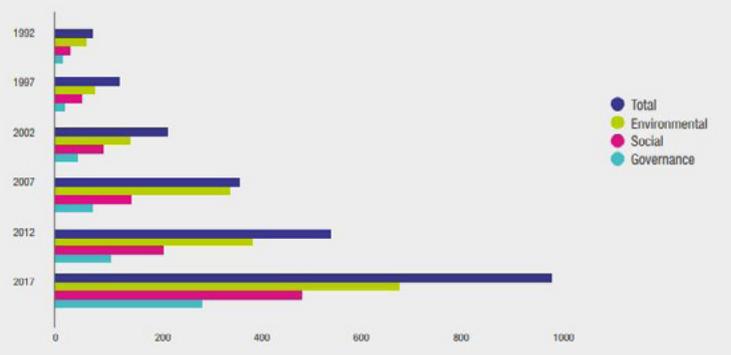
percent of investors voting at Chevron’s AGM backed a resolution requiring the oil company to report on methane emissions

3.7

percent growth in the world’s real GDP was recorded in 2017 and is expected to be 3.8% in 2018

### INFOGRAPHIC OF THE WEEK

**Figure 1:** The past 25 years of reporting requirements for sustainability information as well as the growth of reporting requirements for environmental, social and governance topics.



Source: [Insights from the Reporting Exchange: ESG reporting trends by wbcSD & CDSB](#)

The above research materials are for informational purposes only. They are not an offer or solicitation for any security or investment product managed by SICM and should not be construed as investment advice. Investment strategies implemented by SICM on behalf of its clients may or may not trade or hold positions in the securities referred to above. Further, investment accounts managed by SICM may or may not employ strategies based on or related to the above research.

# INSIGHTS

## For the Mainstream Investor

WEEK ENDING JUNE 1, 2018 EDITION 247



### IPCC

*Examining diversity*

[Carbon Brief](#) has analyzed the diversity of those writing the next assessment report (AR6) for the Intergovernmental Panel on Climate Change (IPCC). In this report, the most dominant nationality was the US with a total of 74 authors, followed by the UK and Germany, with 45 authors each.

Europe is the [most represented](#) continent with Asia second and North America third. South America has the least. Of the AR6 authors, 44% are from developing countries and economies in transition. On a gender perspective, males dominate accounting for 67% of all 721 authors of AR6.

### GOOD NEWS

The European Commission is moving ever closer to the [banning](#) of single-use plastic products such as plastic straws. Proposals, which require European Parliament and Council approval, aim to ban plastics which have readily available alternatives and require countries to collect 90% of single-use drink bottles by 2025. Producers will be expected to cover waste management costs.

### DID YOU SEE?

The [UNEP Finance Initiative](#) is working with [26 banks](#) to align the sector with the UN Sustainable Development goals and the Paris Climate Agreement. The discussions aim to 'set the global benchmark for sustainable banking' as well as ensuring 'accountability and transparency on banks' impacts'. The target is to have similar principles as [PRI](#) provides for asset managers and [PSI](#) for the insurance industry.

### QUOTE OF THE WEEK



If you want grown-ups to recycle, just tell their kids the importance of recycling, and they'll be all over it.

– [Bill Nye \(The Science Guy\)](#), American science educator and presenter



The above research materials are for informational purposes only. They are not an offer or solicitation for any security or investment product managed by SICM and should not be construed as investment advice. Investment strategies implemented by SICM on behalf of its clients may or may not trade or hold positions in the securities referred to above. Further, investment accounts managed by SICM may or may not employ strategies based on or related to the above research.

### DEFINING ESG

*Problematic*

A [white paper](#) from [Invesco](#), a global asset manager, questions the authenticity of some ESG approaches. It warns that when 'ESG Integration' is disconnected from the investment process 'something vital is lost in translation'.

The authors argue for authenticity, but also for 'clarity in the approaches, strategies and methods used by investors and asset managers'. It notes that there are 400 sustainability reporting instruments worldwide of which 65% are mandatory. The paper is well-timed as the [PRI](#) has begun to place 185 signatories on the watch list, challenging their ESG

### MORE GOOD NEWS

A 'plastic' bag made of cassava [has been created](#). Once used it can be dissolved in water without causing further harm. Cassava, a root vegetable, is widely grown in Africa, Asia and Latin America.

### WE'RE WATCHING

At ExxonMobil's AGM, the CEO commented that he hopes the newly-appointed attorney general in New York 'takes an objective look...and comes to a different conclusion' to her predecessor on a [climate change investigation](#) into the company. Eric Schneiderman, who resigned last month, alleged that ExxonMobil withheld information on climate change and misled the public.

### LISTENING LIST



*How is pollution affecting our health?*  
[Financial Times](#)

*CEO Pay: A lot more than meets the eye?*  
[The Wall Street Journal](#)

### READING LIST



*Insights from the Reporting Exchange:  
ESG reporting trends*  
[WBCSD & CDSB](#)

*ESG: Ever So Good?*  
[Financial Times](#)

*Electric vehicle outlook 2018*  
[BNEF](#)

*Large potential reduction in economic damages under  
UN mitigation targets*  
[Nature](#)

### BELIEVE IT OR NOT

Walmart has filed a patent for 'pollination drones' – i.e. robot bees – which will use cameras and sensors to pollinate crops.

[READ MORE](#)