

INSIGHTS

For the Mainstream Investor

WEEK ENDING JUNE 22, 2018 EDITION 250



RESPONSIBLE INVESTING

The drivers behind its growth

Aon, the professional services company, has written a report called *Global Perspectives on Responsible Investing*. The company surveyed 223 institutional investors globally and ‘found that 68 percent consider responsible investing to be important to their organization to some degree’.

As to why organizations implements RI policies, 39% claimed it resulted in better investment decisions and 26% because it permitted them to influence certain global issues. For RI to be more accessible, 53% of respondents wanted better ESG data, 50% ‘compelling research on return profiles’ and 49% requiring agreement on definitions and the materiality of ESG factors.

INVESTMENT RISKS

Climate change

The *European Asset Allocation Survey* (2018) by Mercer, the investment consultant, makes particular reference to ‘stewardship in the 21st century’ being one of the key themes.

A survey of 912 institutional investors across European 12 countries indicated ‘a material jump in the number of investors considering investment risks posed by climate change’ albeit from a low level of 5% last year to 17%.

On a wider ESG basis, Mercer noted that 40% of surveyed asset owners consider ESG risks. The researchers believe that ‘regulatory nudges’ played a role, whether it was the UK Pension Regulator, EU Commission or the Financial stability Board.

THIS WEEK IN NUMBERS

941

billion US\$ of sales in publicly listed companies is dependent on commodities linked to deforestation

815

million people in 2016 were undernourished, the first rise in a decade, reports the UN

115

million people globally rely on solar lights while a further 25 million have a higher level of energy services through solar home systems or solar mini grid

59

percent of research analysts have buy recommendations for IT, Health Care and Energy sectors for the S&P 500 for Q2 2018

38

percent of human capital wealth can be attributed to women while men account for 62%

26

June is the date on which GE will be removed from the Dow Jones Industrial Average Index, the final original member

25.4

million refugees in the world today with a further 40 million forced to flee their homes but live in their country

18

June every year is Sustainable Gastronomy Day

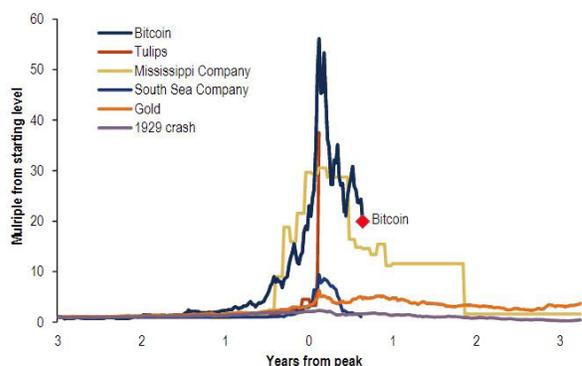
TERM OF THE WEEK

Disease X

An unknown pathogen that threatens to be a worldwide pandemic which emanates from birds

INFOGRAPHIC OF THE WEEK

Chart 2: The greatest asset price bubbles in history



Source: BofAML Global Investment Strategy, Bloomberg, GFD, Garber (2000), Frehen (2012)

Source: BofAML

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CAPITAL MANAGEMENT

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CRYPTOCURRENCIES

Environmental costs

An [analysis](#) of cryptocurrencies by the [Bank for International Settlements](#) highlights the energy requirements that this form of digital transaction requires. Cryptocurrencies all have three basic elements: a set of rules (protocol) for transactions; a ledger that stores transactions; and a decentralized network that 'update, store and read the ledger of transactions following the rules of the protocol.' This decentralized system of trust comes at a significant cost. 'Miners' – the bookkeepers – compete to add new blocks through proof-of-work and the individual facilities that they operate 'can host computing power equivalent to that of millions of personal computers'. For bitcoin alone, the report estimates its equivalent to the total power use of a mid-sized economy like Switzerland.

DID YOU KNOW?

Have you heard of 'plogging', an activity that started in Scandinavia. It is a combination of jogging while picking up litter. The idea is to go running while clearing up the environment at the same time. A number of citizens from different countries have taken up this activity, from France to Thailand.

DID YOU SEE?

[MSCI](#), the index and portfolio construction and risk tools company, has announced [changes](#) to some of its indices. Saudi Arabia is to be included in the MSCI Emerging Markets Index, as well as other global and regional indices. Furthermore, Argentina moves from Frontier Markets to Emerging Markets. These changes will take effect in June 2019. Whether to reclassify Kuwait from Frontier to Emerging Markets status is still under review. The full market classification may be seen [here](#).

START-UPS

Gender bias

According to [Pitchbook](#) – the M&A, private equity and venture capital database – female founders received \$1.9 billion of the \$85 billion total invested by VCs last year, a mere 2% of what was on offer. Although there were a number of mixed gender teams that secured [financing](#) (12%), the majority of \$66.9 billion went to all-male teams (79%).

A [study](#) by BCG found that companies founded or co-founded by women averaged \$935,000, less than half the \$2.1 million for male entrepreneurs. So are women the losers? When examining returns women are the winners. Over a five-year period, females generate '10% more in cumulative revenue' while for [every dollar](#) of funding, the female start-ups 'generated 78 cents, while male founded start-ups generated less than half that – just 31 cents'.

WE'RE WATCHING

[American Outdoor Brand Corp](#) (AOBC US), formerly known as Smith & Wesson holding Corp, reported a [25% decline](#) in net sales for the fourth quarter of fiscal 2018. In the company's report it noted the 'actions of social activists' as a risk factor and [commented](#) that consumer demand has declined to 'new lower levels'. It commented that 'certain activists could pressure our financial institutions, our customers, our vendors, or other businesses... to adopt actions that are not in the best interests of our company'.

DIDN'T EXPECT THAT

While many are watching rising levels of CO₂ in the atmosphere, some businesses are worrying about a [shortage of the gas](#). In the UK, poultry suppliers and drink manufacturers are experiencing supply disruption of CO₂ as ammonia production, the main source of food-grade CO₂ – has been affected by shutdowns for plant maintenance.

LISTENING LIST



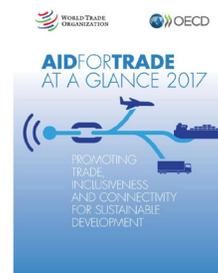
The Southern Ocean – Where sport, diplomacy and Marine Protected Areas Meet
[After the Fact](#)

Edie Live review

[Edie](#)

Q1 2018 Earnings Season: Key Takeaways
[FactSet](#)

READING LIST



2018 Atlas of Sustainable Development Goals
[OECD](#)

'Next Gen' clients seek greener, leaner wealth managers
[Mercer](#)

Boosting Africa's solid
[SEI](#)

BELIEVE IT OR NOT

When there is not enough rain, Chileans are catching water in nets, otherwise known as harvesting fog. [READ MORE](#)

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