



crestone.

SOCIALLY RESPONSIBLE INVESTING

Aligning your investments
with your values



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Like any investment decision, we believe the first and most important step in aligning your investments with your values starts with you. That's why, at Crestone, we take the time to not only understand your individual circumstances and goals—but to also understand your values, your beliefs and your priorities.

The desire to invest responsibly has never been stronger among investors—and in line with this trend, a growing number of our clients are looking to align their investments with their values. While investing responsibly can take on many forms, it generally involves integrating some combination of environmental, social and governance (ESG) factors, ethical values, or investing in a way that impacts or promotes global sustainability.

At Crestone, we work with a wide range of investors, including high-net-worth clients, family offices, not-for-profit and faith-based organisations. Some of our clients wish to fully align their investments with their values, while others are looking to progressively shift their portfolios onto a more responsible footing.

Whatever your approach, we believe that socially responsible investing (SRI) doesn't have to come at the cost of diversification. So, whether you're considering investing in managed funds that are ESG-aware or sustainably focused, or individual securities, we can select products and analyse holdings based on your specific ESG and values criteria.

More data. More context. More informed

To ensure we have the best data and insights available to help you and your adviser make the right decision, we have engaged the services of MSCI ESG Research Inc., a world leader in responsible investing analytics.

This research provides critical insights that can help investors identify risks and opportunities that traditional investment

research may overlook. A global team of 170 research analysts rates over 6,400 companies and more than 400,000 equity and fixed income securities globally. The team assesses thousands of data points across 37 ESG issues, focusing on the intersection between a company's core business and the industry issues that can create significant financial risks and opportunities for the company.

WORKING WITH MSCI—A WORLD LEADER IN ESG RESEARCH



HIGH COVERAGE THRESHOLDS

Requires 65% or more coverage of the fund's underlying holdings.



STRONG METHOLDODOLOGY

Employs a quantitatively-driven methodology to consider the most material, industry-specific ESG issues.



BREADTH OF TOPICS

Provides over 100 scores and metrics.



BROAD COVERAGE OF ISSUERS

Rates over 6,400 companies and more than 400,000 equity and fixed income securities globally.

Source: MSCI ESG Research Inc.



Delivering superior financial and social return

In today’s constantly shifting investment landscape, a diverse range of terms is often applied to different styles of ‘values-based’ investing. The similarity in each case, however, is that various non-financial factors are incorporated into the investment process with the intent of delivering superior financial as well as social return.

Reflecting the common ground among these terms, we consider SRI to be the canopy that covers four different approaches—ESG factors, ethical investing, sustainable investing and impact investing. This framework allows us to clearly and rigorously tailor your portfolio to help align your investments with your values.

A FRAMEWORK THAT ALLOWS US TO CLEARLY AND RIGOROUSLY TAILOR YOUR PORTFOLIO

Socially responsible investing			
ESG factors	Ethical investing	Sustainable investing	Impact investing
MAXIMISING FINANCIAL PERFORMANCE	FOCUSING ON YOUR PRINCIPLES	SOLVING GLOBAL CHALLENGES	MAXIMISING CHANGE
While there is an overlay of social consciousness, the main objective is financial performance, as well as protecting you from reputational and operational risk. Having an in-depth knowledge of the ESG dimensions of a company will give you invaluable insight into that firm’s strengths and weaknesses.	Ethical investing goes one step further than ESG by actively eliminating or selecting investments according to specific ethical guidelines. Your ethical principles, such as religious or personal values, become the primary filter for the selection of investments. While ESG factors are typically used as a positive screen, your values are often applied as a negative screen to the investment universe.	Sustainable investing can be a broad term for investments that typically consider ESG factors, but also their impact on society. Increasingly, sustainable investing focuses on identifying investments that are consistent with achieving the sustainable development goals outlined by the United Nations in 2015. Themes include affordable and clean energy, alleviating poverty and hunger, reducing inequality and industry innovation.	With impact investing, positive outcomes are of the utmost importance. Investments are made into companies and funds with the intention of generating environmental and social impact as well as a financial return. Return expectations can range from risk-adjusted market returns through to below-market returns, where achieving significant measurable results involves sharing of financial outcomes. Impact investing is sometimes considered an extension of philanthropy.

Environmental

Climate change, carbon emissions, water stress, waste, biodiversity, renewable energy, green building and clean technology.

Social

Human capital, labour standards, product and chemical safety, privacy and data security, controversial sourcing, access to healthcare and finance.

Governance

Board and leadership structure, pay equality, ownership, ethics, corruption, taxation transparency and anti-competitive behaviour.

Our approach—not at the cost of diversification

UNDERSTAND YOUR GOALS AND YOUR PRIORITIES

We work with a wide range of investors and understand that there are different approaches to investing responsibly. Some of our clients wish to fully align their investments with their values, while others are looking to progressively shift their portfolios onto a more responsible footing.

Whatever your goals, factoring ESG and other ethical values at the overall portfolio level is a complex process and can vary significantly depending on your beliefs, values and priorities. As such, we believe the first and most important step is to fully understand your individual circumstances, as well as your values, so we can best advise you how to achieve your goals.

IDENTIFY THE RIGHT INVESTMENTS

Once we have a clear understanding of your goals, your ESG and ethical values sit alongside more traditional objectives of risk and return, and help guide asset allocation, portfolio construction and security selection. We can also work with you to write an ESG investment policy.

With best-in-class analytics, across ESG factors, values-based screening and sustainable goals, we can work with you to

capture the benefits of responsible investing. We draw upon the analytics of MSCI ESG Research Inc. to ensure you and your adviser have the best data and insights to make these decisions.

Where positive screens are applied to your portfolio, this requires an analysis of complex issues, such as pollution, workplace practices, diversity, and product safety. Analytical tools can be used to identify these issues, so you can be confident that your portfolio is being managed in line with your values.

Where holdings are excluded from your portfolio, we will work closely with you to redirect exposure, so we can build an appropriately-diversified portfolio within the constraints of the exclusions.

NOT AT THE COST OF DIVERSIFICATION

Importantly, we believe that SRI doesn't have to come at the cost of diversification, and we consider ESG factors across a variety of asset classes and sectors, both domestically and internationally. Whether you're considering investing in managed funds that are ESG-aware or sustainably focused, or individual securities, we can select products and analyse holdings based on your specific ESG and values criteria.



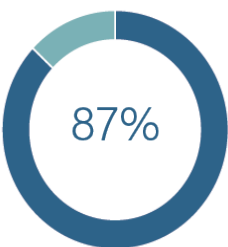
Driving forces behind the rise in responsible investing

THE DESIRE TO INVEST RESPONSIBLY IS GROWING

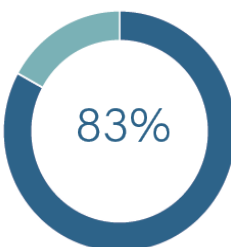
Globally, there are now more than \$22 trillion of assets being professionally managed under responsible investment strategies—an increase of 25% since 2014¹.

In Australia, that growth is even more significant with responsible investments more than quadrupling since 2014, now at \$622 billion. This equates to 44% of all investments that have some form of responsible investment strategy².

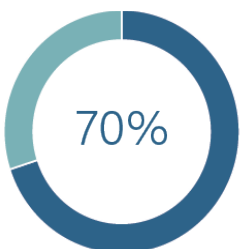
According to the Responsible Investment Association Australasia, 87% of Australians have important issues they avoid investing their money into, and 83% of Australians consider important social issues when investing. The top three issues Australians find important are renewable energy, healthcare and medical products and sustainable practices³.



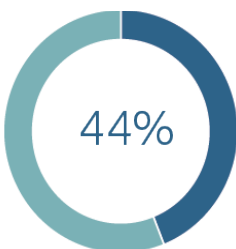
Australians who have important issues they avoid investing their money into



Australians who consider important social issues when investing



Millennials who want ESG factors incorporated into their investments



Investments that have some form of responsible investment strategy

THE WORLD IS FACING SUSTAINABILITY CHALLENGES

There is a significant shift towards more socially and environmentally-responsible investing as investors recognise sustainability challenges of global population growth and stressed resource availability. According to the latest Factset research, 70% of millennial high-net-worth investors expect their wealth managers to screen for ESG factors, while MSCI highlights US Trust research shows 67% of millennials believe investments “are a way to express social, political or environmental values” versus 36% of baby boomers.

COMPANIES ARE FACING PRESSURE TO LIFT STANDARDS OF OPERATION

This is no longer confined to manufacturing and industrial sectors. In financial services, companies are being asked to do more to incorporate climate change scenarios in their own risk assessments.

LONG-TERM RISK CAN BE REDUCED AND RETURN ENHANCED

A growing body of research is showing that an eye to responsible investing doesn't negatively impact client returns and instead may enhance long-term portfolio performance. Not only can ESG signals identify future risks that are not otherwise evident, but companies striving for excellence in this space also possess a natural drive towards innovative behaviour. According to a recent report drawing together 2,000 separate empirical studies, “roughly 90% of studies find a non-negative” relationship between ESG alignment and corporate financial performance. More importantly, “the large majority of studies report positive findings”⁴. Similarly, a recent study by Morgan Stanley⁵, which evaluated more than 10,000 funds and managed accounts, shows that “investing in sustainability has usually met, and often exceeded, the performance of comparable traditional investments.”

MORE INVESTMENTS TO CHOOSE FROM

Investing responsibly is no longer confined to equities. Awareness of responsible investing is broadening beyond thinking only about equity investments to also considering fixed income as well as credit investments.

1 Global Sustainable Investment Alliance, 2016 Global Sustainable Investment Review

2 Responsible Investment Association Australasia's 2017 Responsible Investment Benchmark Report

3 Responsible Investment Association Australasia's report, From values to riches, November 2017

4 Friede, G., Busch, T. and Bassen, A., 2015: ESG and financial performance: aggregated evidence from more than 2,000 empirical studies. Journal of Sustainable Finance and Investment, 5(4), pp. 210-233.

5 <https://www.morganstanley.com/sustainableinvesting/pdf/sustainable-reality.pdf>

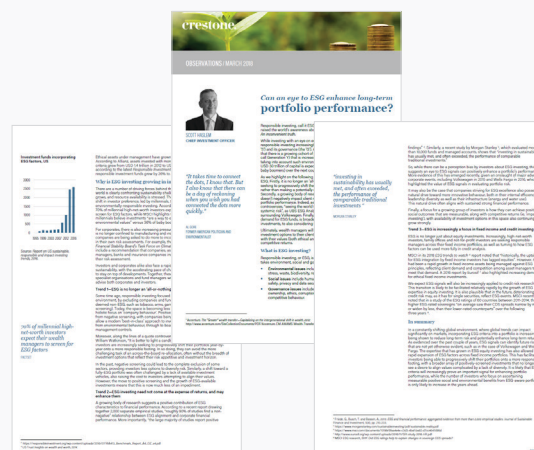
A commitment to *responsible investing*

At Crestone, we provide wealth advice and portfolio management services to high-net-worth clients and family offices, not-for-profit and faith-based organisations and financial institutions. With an increasing number of our clients showing an interest in responsible investing, we believe we are well placed to work with you to find the best way to align your investments with your values.

We have approximately 200 employees, including 75 investment advisers, and we work with best-in-class strategic partners to deliver one of the most comprehensive and global product offerings in Australian wealth management.

We draw on research provided by MSCI ESG Research Inc., a world leader in responsible investing analytics, so we have the best data and insights to help you and your adviser make the right decision.

To learn more about how we can help you, or to evaluate your current portfolio positioning, please contact your investment adviser.



To read more about how investing responsibly can help mitigate risk and potentially enhance return in your portfolio, please visit crestone.com.au/news

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About this document

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