

Sustainable and Ethical Investing with Cave & Sons

Whilst all clients want their portfolio to perform well, increasingly some also prefer the underlying investments to be in areas of the market that match their view of the world and, furthermore, have a positive impact on a variety of environmental and social fronts.

Ethical or sustainable investing has greatly evolved over the years, and today we are blessed with many different strategies to explore; positive and negative screening, ESG (Environmental, Social & Governance) investment and impact investing, to name a few. Whilst the investment process is different for each strategy, it's our responsibility as investment managers to build a portfolio that enables the interested client to combine their ethical aspirations with their portfolio objectives.

As everyone's definition of 'ethical' is different (it can be a very personal choice), it's important to spend some time understanding how we define it at Cave's. We are confident that our approach will provide most ethically minded investors with the investment solutions they have been looking for.

Firstly, it means avoiding investments in companies with products or services that may be considered to have a negative environmental or social impact. We call this negative screening and the sectors we therefore aim to avoid are:

- Tobacco
- Alcohol
- Gambling
- Fossil Fuels
- Armaments

By using negative screening, the investable universe is smaller when compared to a traditional portfolio. There is still a large amount of the market to target, however overall portfolio risk

is largely determined by the underlying allocation to different asset classes such as bonds, property and equities.

Secondly, we look for funds offered by management groups where ESG and sustainability characteristics are integrated and actively monitored throughout all stages of the investment process when they are evaluating which equities or bonds to buy. This approach may help to reduce risk, as it can highlight opportunities or risks that may not have otherwise been considered.

As owners of a business, it's also important for fund managers to make your vote count. Share ownership can be used to engage and actively pressure companies to employ better policies and push for positive change within an organisation.

Finally, we will look to invest in a variety of environmental, social, and sustainability themes. These may include areas such as:

- Renewable energy
- Infrastructure
- Water and waste management
- Energy efficiency
- Healthcare

As the need for action has never been greater and capital is increasingly being allocated, there is the potential for investment gains as we transition to a low carbon and more sustainable economy, while maintaining the levels of productivity to deliver the goods and services that growing and ageing populations require. Investing in an ethical and sustainable manner provides both exposure to this growing space and comfort in the knowledge your money is invested in companies which meet your ethical considerations.

Key Risks: Past performance is not a guide to future performance. The value of an investment and the income generated from it can go down as well as up, and is not guaranteed, therefore you may not get back the amount originally invested.

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