

Australian
Ethical



Ethical investing masterclass

Brought to you by The Inside Network

A black and white photograph of a herd of zebras, showing their heads and necks in profile, facing left. The zebras are standing close together, and their distinctive black and white stripes are clearly visible. The background is a soft, out-of-focus grey.

Investing with heart
Summary Report

Investing with heart

Responsible, ethical, sustainable... however you define it, the future is clear: the corporate world is embracing the shift to more sustainable business practices with governments set to follow.

At the same time, investors are demanding greater levels of action and transparency from the companies and causes they support (and those they avoid), introducing a unique challenge for fund managers and advisers alike.

For advisers, responding to a new diversity of client needs and their effect on portfolios, as well as assessing new opportunities, can be a challenge in this rapidly developing sector.

Yet the opportunity remains significant and real. While much of the attention in recent times has been paid to forward-looking themes like climate and 'net zero', many of the best solutions and investment opportunities are closer to home. Building a more sustainable economy will require trillions in annual investment over the next decade, with both incumbent old-world companies and emerging, innovative ones central to the solution.

SUMMARY:

Australian Ethical, the longest standing ethical investment manager in Australia, and The Inside Network partnered to deliver the industry-leading 'Ethical investing masterclass'.

Welcoming more than 200 financial advisers from across Australia and New Zealand, the masterclass was designed to provide first-hand insights and support to the growing pool of advisers seeking to invest more responsibly.

According to the Responsible Investment Association of Australasia (RIAA), consumers and investors across the country are not only demanding but expecting their financial planners to be able to advise on responsible and ethical investing.

Delivered across two separate 90-minute sessions and welcoming 14 individual speakers from across the finance sector, the masterclass delivered ethical investment insights and lived experiences of how others are evolving their own businesses and portfolios.

Give them what they want



SIMON O'CONNOR
RIAA

Opening the masterclass, Simon O'Connor, chief executive officer of RIAA, set the scene, delivering a keynote address that covered the evolution of responsible investing, emerging expectations from investors and the trends within superannuation and investment management.

Owen Raszkievicz offered his unique insights into the consumer expectations and growing interest in ethical investing from his position as the leading personal finance podcast host in Australia.

James O'Reilly reflected on the journey of his business in embracing responsible investment across client portfolios.



JAMES O'REILLY
North East Wealth

KEY LEARNING OUTCOMES:

1. Investors are not only ready for a responsible investment ethos in their portfolio, they are demanding it.
2. Advisers must be comfortable to talk about investment and product selections they make with this in mind.
3. ASIC's renewed focus on greenwashing places more importance on the role of advisers as gatekeepers of capital.



OWEN RASZKIEWICZ
Australian Investor Podcast

Great expectations



LEAH WILLIS
Australian Ethical



ROB DA SILVA
SQM Research



DEANNE BAKER
Lonsec

Among the biggest challenges facing advisers is navigating the significant amounts of greenwashing that occurs within the investment industry. Being the client-facing part of the entire finance industry, advisers must be able to deliver recommendations and information to clients with the utmost confidence that what an investment says on the label is true.

In this session we welcomed researchers from asset consulting firms, as well as Rob da Silva from SQM Research and Deanne Baker from Lonsec, to discuss the trends, red flags and the additional considerations advisers should be aware of when selecting investments.

KEY LEARNING OUTCOMES:

1. Advisers are expected to articulate how they are making responsible investment product recommendation.
2. Build a checklist of what is required from an internal perspective (e.g. ratings, benchmarks, exclusions).
3. Style, sector and size bias must remain a focus of allocators, with qualitative active management still key.

Front of mind



CLAIRE O'ROURKE
Author



TREVOR THOMAS
Ethinvest

With most advisers managing the wealth and expectations of as many as 100 clients, the role of storytelling to get across often complex messages around investing across is among the most challenging tasks.

This session welcomed renowned author, Claire O'Rourke, who offered insights into the incredible power of community action in dealing with the climate challenge, whilst also reflecting on the importance of clear messaging.

Trevor Thomas of Ethinvest offered his own views on the evolution of the industry, the most challenging questions he has faced as an adviser and the pain points that everyone should be considering.

KEY LEARNING OUTCOMES:

1. All advisers must consider how they will talk about responsible investing with clients.
2. Understanding your client base is central to identifying those stories and examples that will resonate most.
3. Build a checklist of ethical and responsible investment-related questions into the client discovery process.

Redefining success



STUART PALMER
Australian Ethical



VICTORIA LINDORES
Koda Capital

Having identified the surging demand and embedded expectations from clients for a better way of investing and doing business, the final part turned towards the investment implications of a more ethical approach.

Welcoming Stuart Palmer, Australian Ethical head of ethics, advisers were offered insight into the diverse range of opinions that must be considered and the inherently personal nature of ethical investing. Palmer highlighted the differing expectations placed on investment managers and the manner through which certain assets can be seen in a both a positive and negative light from an ethical vs. ESG perspective.

Victoria Lindores of Koda Capital offered insight into the expectations of philanthropic and HNW investors, and the key questions all advisers should be asking clients.

KEY LEARNING OUTCOMES:

1. We must understand our own views and ethical position on key issues before seeking to advise others.
2. With most products now implementing ESG in some way, advisers are responsible for ensuring they understand the approach of each product.
3. Responsible, ethical and ESG investing are not mutually exclusive, but can result in very different outcomes.

Looking under the hood



NATHAN FRADLEY
Ethos



JOHN WOODS
Australian Ethical

This penultimate session welcomed Nathan Fradley, an experienced financial adviser and ESG researcher via the Ethos ESG platform, and John Woods, head of multi-asset at Australian Ethical, to look a little deeper at the investment side.

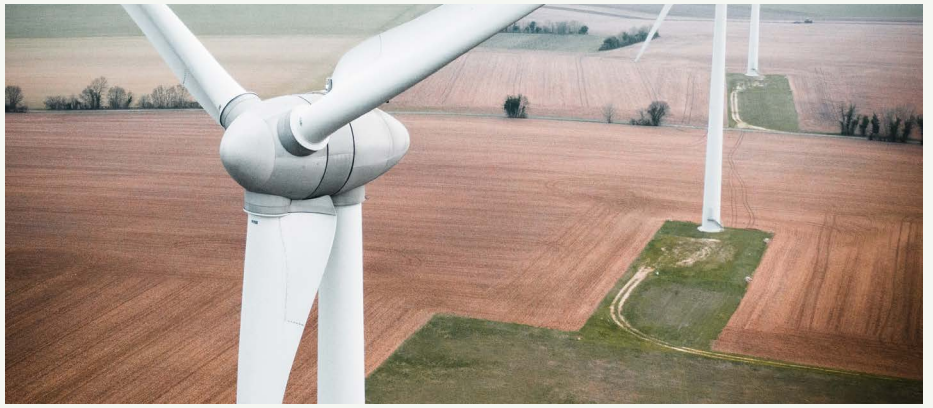
Able to offer an insight from his position as an investor across multiple asset classes, Woods highlighted the challenges that come with an ethical approach, including factor exposures, but also the important role that alternative assets can play in both portfolio construction as well as having a positive impact.

Fradley discussed the growing importance of data and the need to improve the reporting we provide to clients as expectations evolve.

KEY LEARNING OUTCOMES:

1. Access to data is among the most important inputs into any investment analysis, whether ethical or financial.
2. The personal and complex nature of ethical investing is such that it demands from a qualitative, actively managed approach.
3. Ethical investing is possible in Australia, but we must be clear on the thresholds, sectors and policies we are comfortable with.

Navigating the energy transition



ARRON WOOD AM
Clean Energy Council



PERSEPHONE FRASER
Australian Ethical



TIM BUCKLEY
Clean Energy Finance

In this final session, advisers Arron Wood, Tim Buckley, and Persephone Fraser offered their perspectives on the opportunities and threats emerging from the energy transition.

Wood highlighted the incredible growth in net-zero carbon commitments from the corporate sector, the massive need for investment and where the most attractive opportunities lay.

While the speed of the transition is clear, it will not be orderly, with Fraser highlighting the difficulty of hastening the transition and the ethical implications of doing so for incumbent, employment-rich sectors including materials.

Buckley delivered insights into the growing threat of greenwashing and why the acceleration in climate-focused government policy was a positive sign for the future.

KEY LEARNING OUTCOMES:

1. The energy transition will not be orderly but is ripe with investment opportunities.
2. Nothing is linear in capital markets, let alone in the energy sector. Every decision has implications both positive and negative on the incumbents.
3. Ultimately, the advice and wealth management industry can play an important role in guiding capital to where it is able to have an impact.

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