

How ethical/sustainable are the YOU Multi-Asset Blend Funds?

Social and environmental change is happening faster than ever. As a result, people are looking to invest in a way that reflects these personal values.

The investment management industry has met this demand with a 70% increase in new fund launches in 2021.

However, a lack of common language and framework with which to describe responsible investment can make it difficult for advisers and their clients to gain a true understanding of what they are investing in.

In this guide we explore the key terms, some of the challenges involved when investing in ESG, Sustainable and Ethical Investment Funds, and put forward a solution that could fit the majority of clients' needs in this area.

What is Ethical or ESG investing?

The term 'Ethical' investing has been around for decades and is one of several terms used to identify sustainable approaches to investing. Others include Sustainable, Impact, and Environmental, Social and Governance (ESG).

ESG is a set of standards that investors can hold corporations to, with the aim of fighting negligent business practices.

- **Environmental** – deals with conservation and pollution, aiming to ensure that the company is not harming the environment.
- **Social** – covers the relationship between the business and the community in which it operates. It focuses on human rights, working conditions for employees, and customer satisfaction.
- **Governance** – aims to assess the standards by which a company is run. Factors to consider include issues such as the pay of executives and gender equality.

While many asset managers and investment companies now offer ESG options, there is no 'one size fits all' approach to responsible investment. Goodness is in the eyes of the investor, and what you think might be a grievous corporate sin may not even register on someone else's radar of issues.

When considering an Ethical fund be aware that:

- They have significant exposure to growth-led companies with little exposure to value, resulting in a less diversified portfolio.
- This is an area of the market that has seen significant rise in new fund launches. We have already seen examples of investment managers misleading or making unrealistic claims about how 'green' they are.
- Although the investment may have 'ESG' in the title, it may not offer the level of diversification you need, have the wrong risk profile, or simply be unsuitable for your needs.
- Deciding on what is ethical or not ethical can be complex. For example, one of the biggest investors in renewables are oil companies. These sorts of dilemmas occur across the spectrum of companies.

We believe that more responsible / sustainable / ethical behaviours from companies will come from government legislation and from good Boards' governance. Specialist Ethical Funds may disappear with time. Ultimately companies are already moving towards sustainable criteria, and core funds, like the YOU Multi-Asset Blend Funds could provide sufficient ethical and sustainable characteristics to satisfy most clients' preferences without sacrificing the benefits of a multi-asset, fully diversified investment approach.



In June 2022, the YOU Investment Team further enhanced the YOU Multi-Asset Blend Fund ethical credentials by introducing an allocation to www.sparkchange.io that actively offsets carbon pollution (emissions).

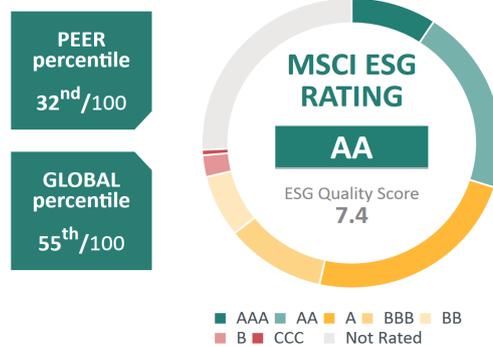
The YOU Multi-Asset Blend Carbon-Offset Programme

To cap pollution in Europe, the EU Commission forces firms to obtain "permits to pollute", called carbon allowances or European Union Carbon Allowances (EUAs).

We hold an allocation in each YOU Multi-Asset Blend Fund to the www.sparkchange.io for two reasons:

1. The supply of carbon allowances is reduced annually. Their scarcity value increases, creating potential for an attractive returns profile.
2. It helps clients make a direct environmental impact. A £100,000 investment into a YOU Multi-Asset Blend Balanced Fund, held over three years reduces emissions equivalent to 9 flights from London to New York or 8 tonnes of CO2. The 1% holding in SparkChange mitigates 41% of the carbon generated.

The YOU Multi-Asset Blend Funds have also received external validation from MSCI which has rated them AA for their ESG qualities.



IFSL YOU Multi-Asset Blend Balanced Fund

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