LONDON & COLONIAL
INNOVATION IN PENSIONS

Press Release

Adam Wrench, Head of Product & Business Development at London & Colonial reflects on the growth of ethical investment

It was not so many years ago that ethical and socially responsible funds were seen by most people as underperforming niche curiosities within a crowded investment market. They were by far more popular with the likes of church pension funds, in addition to perhaps a tiny minority of principled individuals whose preference was to put their own moral conscience ahead of any opportunity for gaining a healthy return on their investments and savings.

These days this has now all changed, and changed completely.

Socially responsible investing is now one of the fastest growing sectors within the market and there is every indication that it will continue to grow. Ethical funds are no longer the poor relation in the investment world having already proved that they can deliver a similar performance to that of their more widely invested counterparts. Most investors, if asked, would probably say they would prefer not to be part of a fund that invested in arms manufacture or tobacco perhaps, but it is very difficult for any one individual to carry out the depth and extent of research necessary when attempting to ensure that every investment within a fund of funds falls in line with their own personal ethical stance and preference for socially responsible behaviour.

It is for this very reason that advisers need to ensure that for those clients wishing to have an entire or partial socially responsible portfolio, that they choose an investment manager who can demonstrate a rigorous attention to detail when it comes to its research and stock selection.

As London & Colonial works closely with TAM Asset Management we are able to offer access to a wide range of risk profile portfolios that have been actively screened, and are continuously monitored, for their ethical credentials.

Whilst no two investors alike will have identical ethical beliefs, they can choose to invest in a portfolio that has been developed with both a positive and negative screening process. Their fund manager should be avoiding investing in companies which negatively impact on society, such as those involved in tobacco, alcohol or gambling for example.

Now aside from these somewhat more obvious examples, the ethical spectrum can be divided into three broad categories - animal welfare, social responsibility and the environment.

A specific fund should not just be avoiding those companies involved with animal testing, or selling products that have been tested on animals, but should be pro-actively seeking out those companies who place animal welfare at the very top of their agenda.

Good socially responsible investment should be all about actively supporting companies who are good corporate citizens, companies who invest heavily in their staff development, and who choose to play an active part within their local business and social community.

Ideally, an environmentally friendly investment portfolio should be looking to invest in those companies that are taking real and measurable steps to reduce and manage their environmental impact, and at the same time excluding those that have no clear policy on environmental issues.

In future, ethical investments will inevitably start to form an ever increasing sub-section within the existing financial landscape, and as such advisers need to ensure that they always pick their fund managers with the utmost of care, so as to ensure their clients are getting exactly the portfolios they both require and deserve.

-ENDS-

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Notes to Editors

About London & Colonial
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The London & Colonial Group includes

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(3) London & Colonial Assurance PLC which is regulated by the Gibraltar Financial Services Commission (matching UK standards) and which offers Open Annuities, QROP Annuities and Open Offshore Bonds
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