

TOM MATTHEWS

SUSTAINABLE INVESTMENTS SENIOR MANAGER



What Darwin can tell us about sustainable returns:

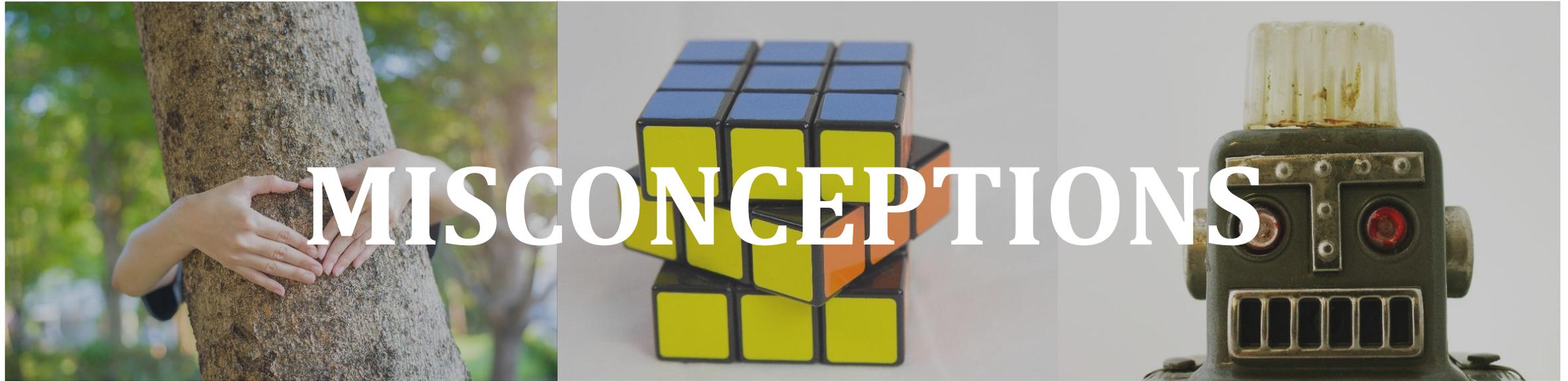
Evolutionary theory, the folly of 'ESG' and delivering real-world impacts

Sustainable Investments

Tom Matthews

What is sustainable investing?

A term that is confusing the industry!

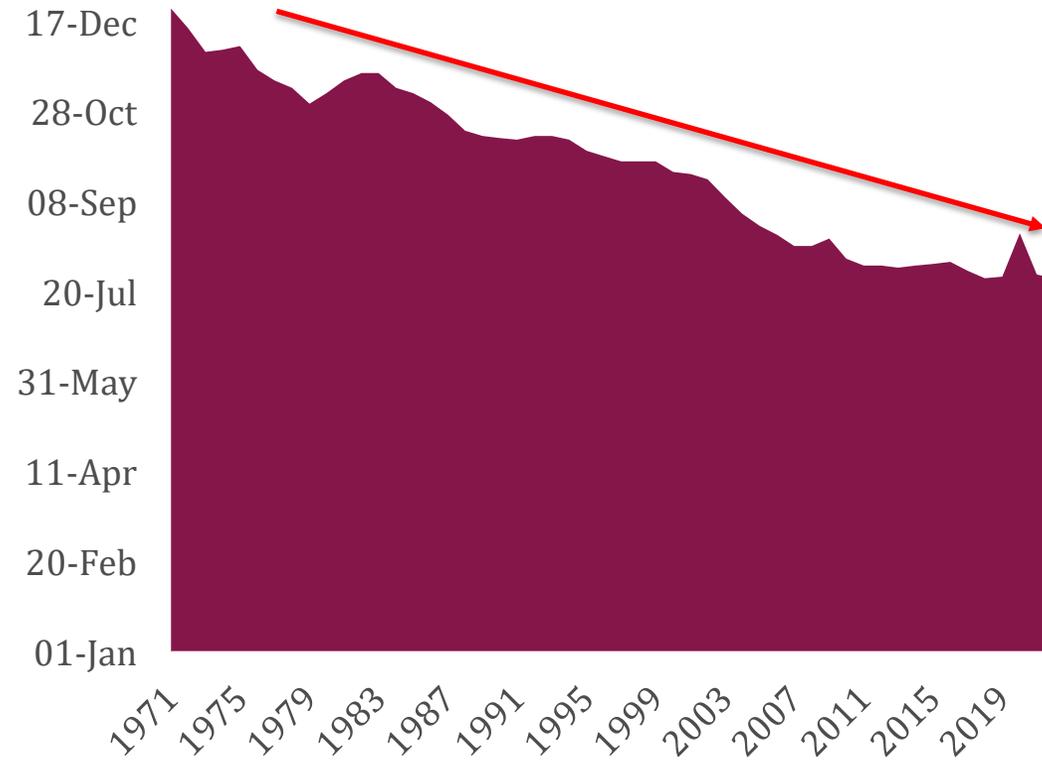


Is something investors must come to understand

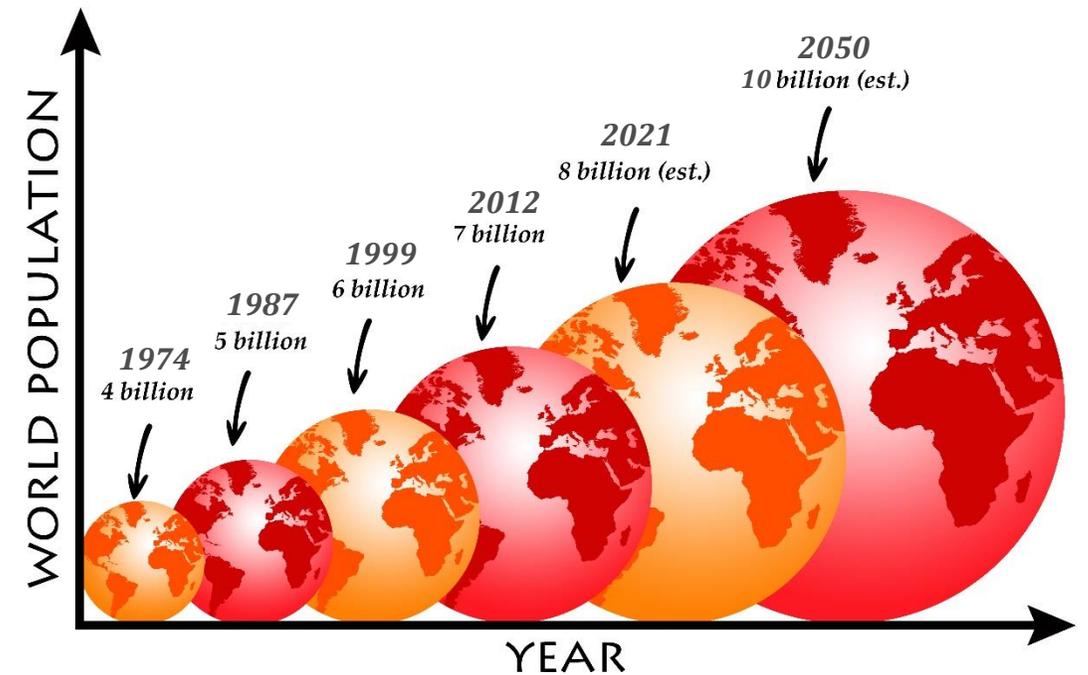
The world is currently unsustainable

And set to degenerate further

Earth Overshoot: In 2021 the world consumed its annual resource production by 29 July*



Population Growth: it's estimated there will be 2bn more people by 2050**

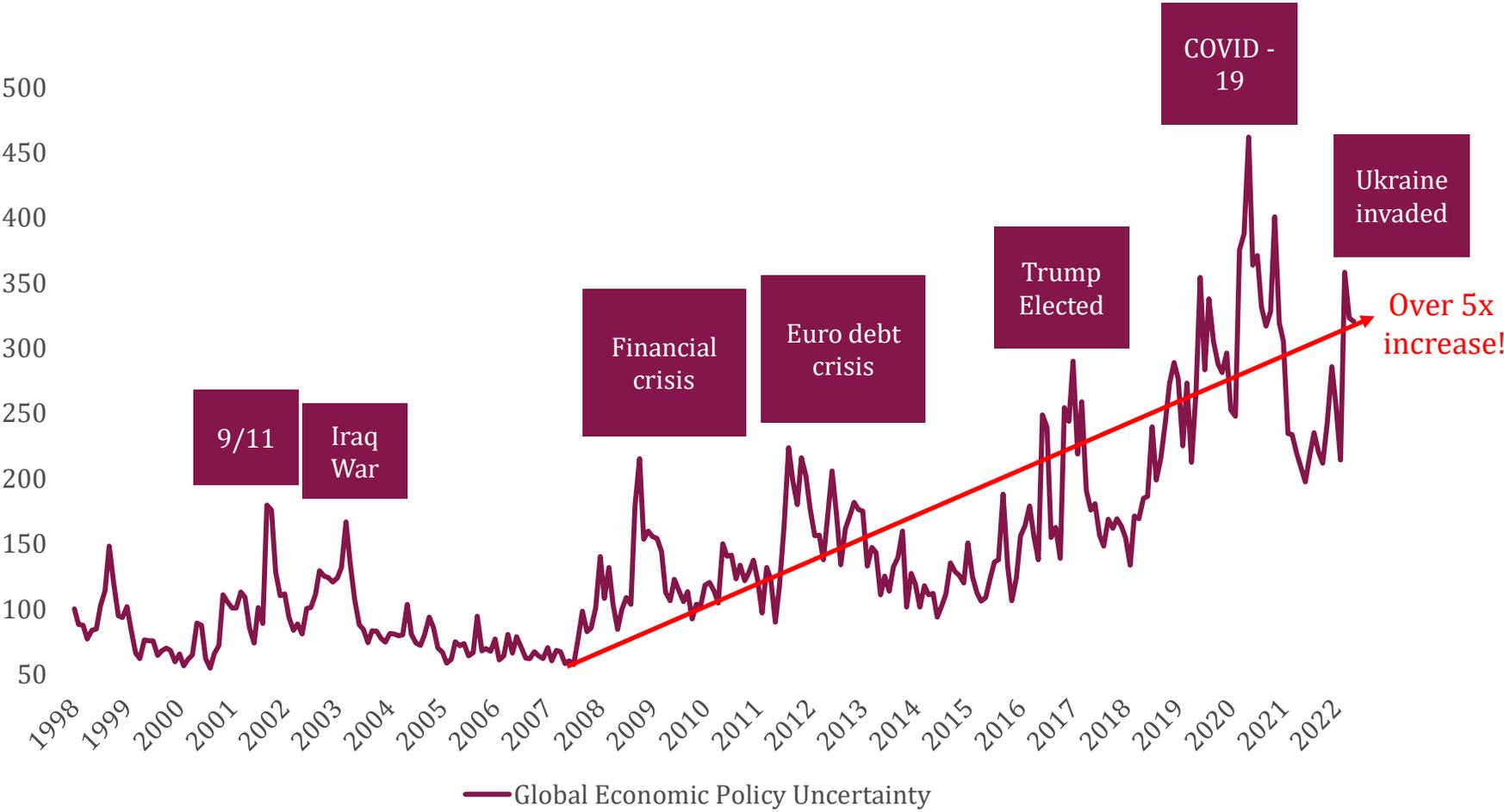


Source: *Earth Overshoot Day marks the date when humanities demand for ecological resources and services in a given year exceed what Earth can generate in that year (www.overshootday.org).

**United Nations.

Greater pressure leads to greater uncertainty

A troubling back-drop for investors



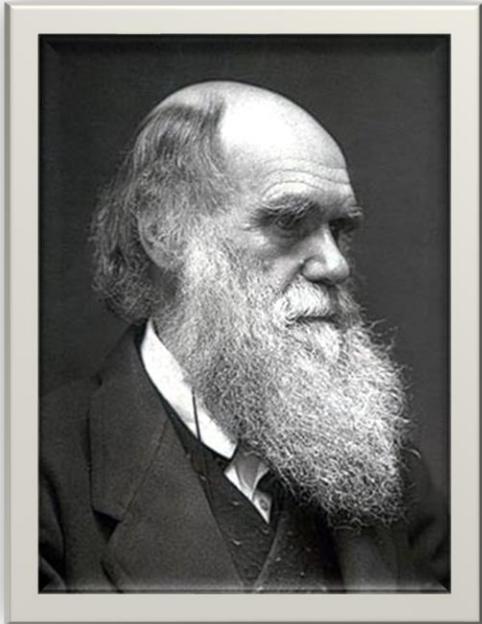
A growing need to identify *sustainable* future returns

Source: www.policyuncertainty.com.

MISCONCEPTION #1

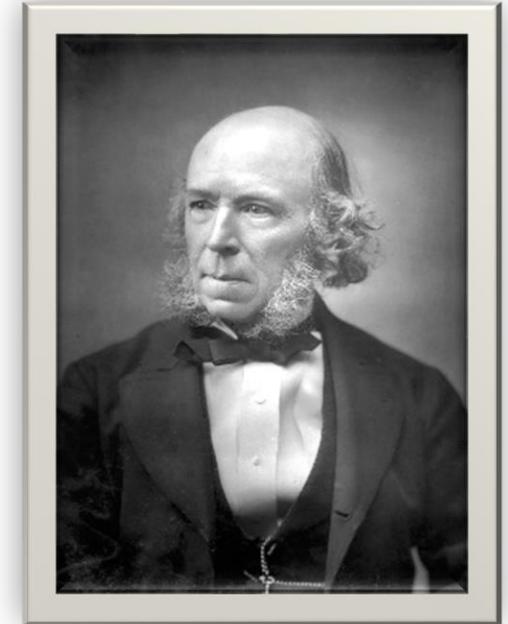
Sustainability is *not* an abstract subset

Evolutionary theory is steeped in its thinking



SURVIVAL OF THE FITTEST

**Those better adapted for the
immediate, local environment***



*"That is to say, it cannot but happen that those individuals whose functions are most out of equilibrium with the modified aggregate of external forces, will be those to die; and that those will survive whose functions happen to be most nearly in equilibrium with the modified aggregate of external forces. But this survival of the fittest, implies multiplication of the fittest. Out of the fittest thus multiplied, there will, as before, be an overthrowing of the moving equilibrium..." Principals of Biology – Herbert Spencer (1864). Charles Darwin did not use the term until the 5th edition of The Origin of Species in 1869.

The fittest understand their *eco-systems*

Systems are complex by design, but can be simple to understand

Yellowstone
National Park



UK
High Street



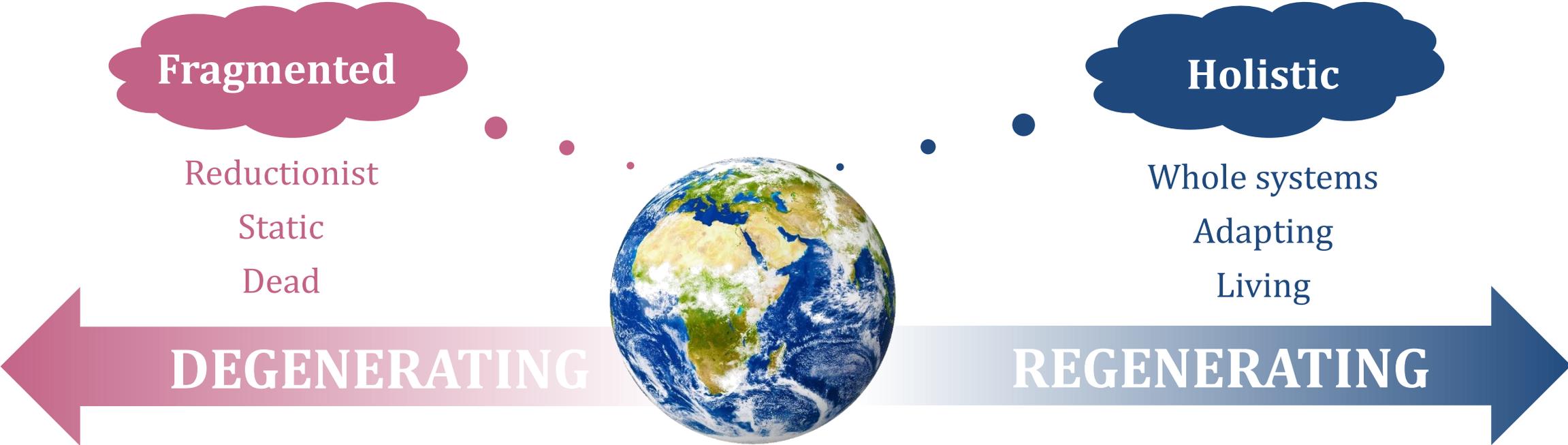
A round of drinks



“What goes around comes around”

Sustainability is a by-product of systemic health

When eco-systems are sufficiently healthy to remain stable or regenerate



Sustainable investing is thinking holistically

MISCONCEPTION #2

ESG is *not* sustainable investing

It is not holistic in its approach



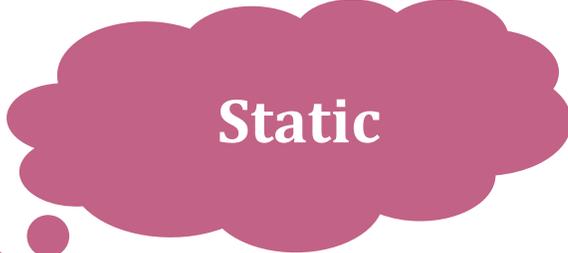
Fragmented

attempts to divide a complex system into **E, S & G** factors



Reductionist

replaces the interplay of complex dynamics with simple scores



Static

uses backward looking data to predict forward looking changes

All factors must be considered including financial

MISCONCEPTION #3

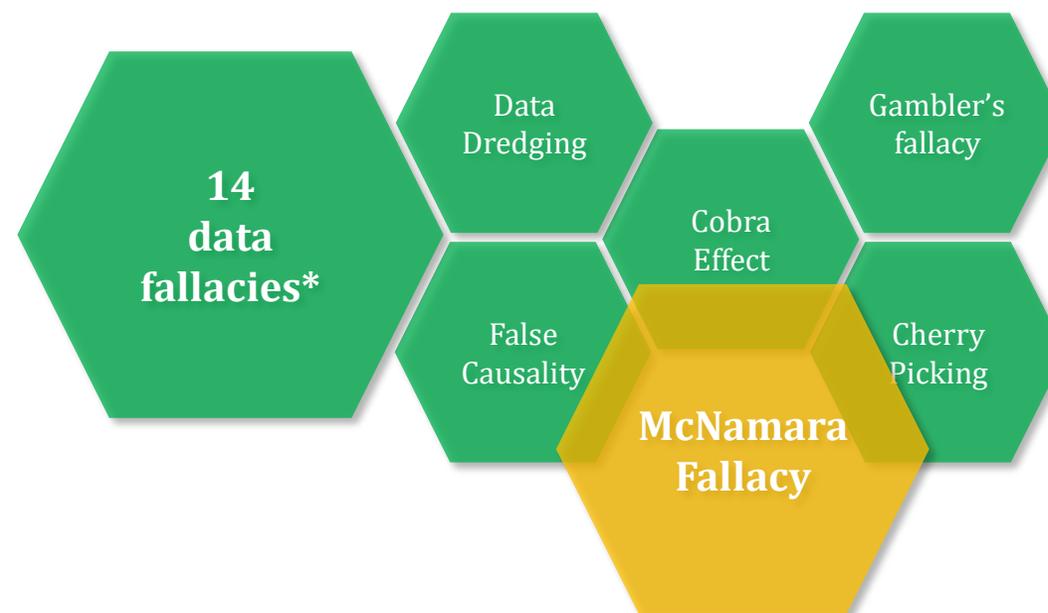
Data is *not* the same as the truth

At best it is information about an output, at worst it is an opinion

Issues with ESG data completeness currently...

PAI ¹ #	Indicator type	FTSE All-share coverage	Proxy?
1	GHG emissions	94%	
2	Carbon footprint	94%	
3	GHG emission intensity	94%	
4	Fossil fuels exposure	95%	
5	Non-renewable energy	53%	Proxy
6	Energy intensity	45%	
7	Biodiversity impact	95%	Proxy
8	Emissions to water	14%	Proxy
9	Hazardous waste	27%	Proxy
10	UNGC violations	95%	
11	UNGC compliance	94%	Proxy
12	Gender pay gap	24%	
13	Board diversity	95%	
14	Controversial weapons	95%	
Average		72%	36%

... but interpretation issues will always remain



“Making the measurable important rather than the important measurable”

Source: ¹Principle Adverse Impact (PAI) indicators as prescribed by the EU's Sustainable Finance Disclosure Regulation (SFDR). The 14 listed are mandatory inclusion for financial market participants who state they consider principle adverse impacts of investment decisions.

*For a comprehensive list of data fallacies visit: <https://www.geckoboard.com/best-practice/statistical-fallacies/>

Sustainable investing is full of misconceptions ...

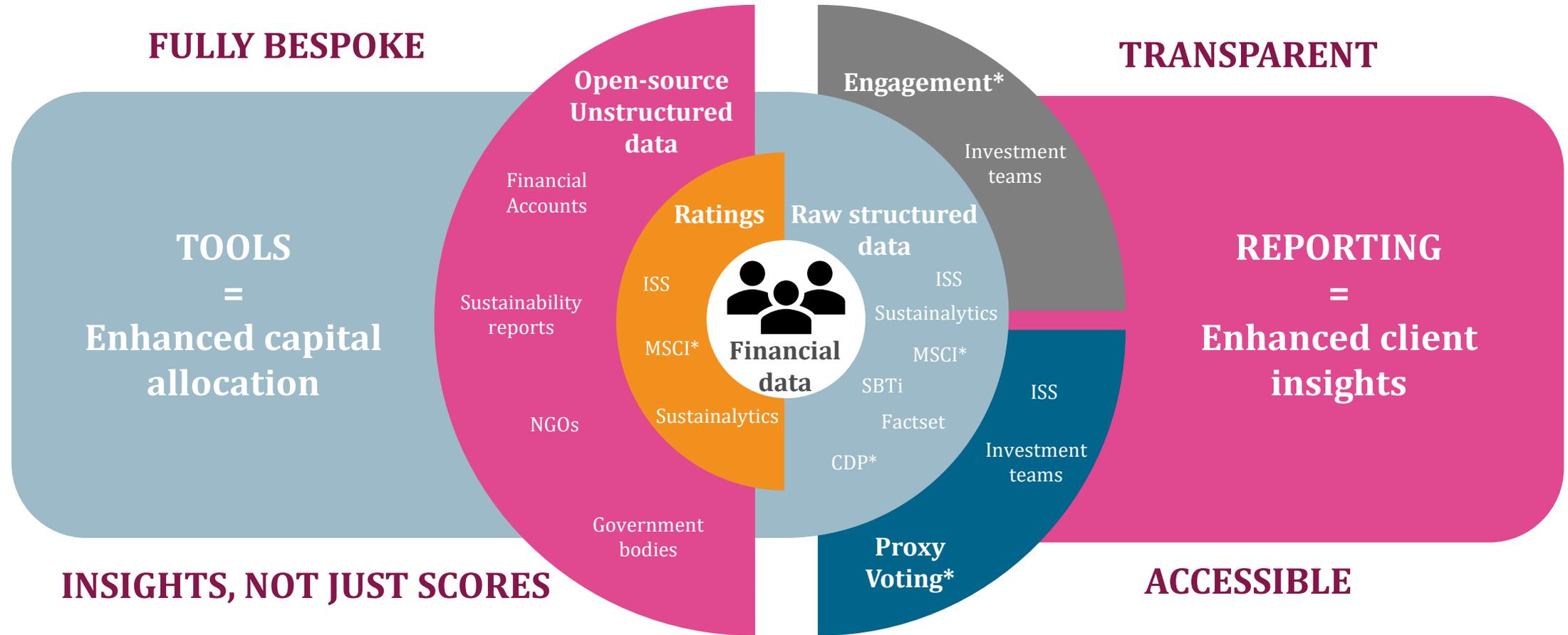
... but navigating this is just *good* fund management ...

... and so is delivering *sustainable* returns!

FACT #1

JOHCM take a holistic approach to data

A platform that empowers managers to identify the fittest companies

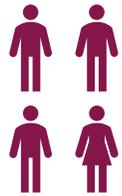


*Currently in testing/roll-out

FACT #2

JOHCM are integrated within the UK eco-system

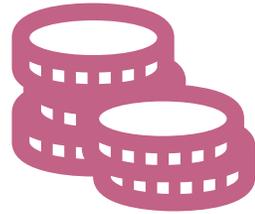
Able to drive change towards better businesses and more sustainable returns



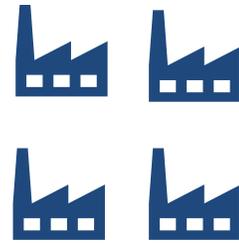
4
Funds



25 Years
average
experience



£5bn
AUM



152
companies



£1.5tn
Gross market
capitalisation



56%
of the
FTSE All-share

FACT #3

JOHCM are delivering real-world changes

We are already Building Back Better!

Aggreko launches new energy transition strategy

Ashtead commits to industry leading emission targets

Morrisons subject of bidding war

Tesco announces new healthy food targets

Diversified Energy Company commits to plugging more wells

Rio Tinto announces new heritage accountabilities

Barrick Gold increase pay linkage to ESG factors

Essentra puts Filters up for strategic review

Barclays lays-out net zero ambitions

Ricardo CEO steps down

Blackstone raises price for St Modwen

Rothermere increases price for DMGT

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