



01:
Erica Hall
director of asset manager
solutions
Morningstar Australasia

Sustainable investing: In the interest of clients

Financial advisers who know the latest in this subject are rewarded with deeper client connections

Sustainable investing can offer a tremendous opportunity for financial advisers and asset managers alike. Interest in the field is significantly growing among investors—particularly investors who are young, female, or more affluent. And Morningstar Research has shown that sustainable investments can perform as well as, if not better than, conventional investments, and may be especially effective at helping to reduce portfolio risk.

Developing an understanding in sustainable investing can significantly help you connect with your clients on a deeper level, potentially leading to greater client satisfaction and retention. Plus, it can help you differentiate your practice and perhaps add additional meaning to your work.

“The challenge is that there’s a lot of mis-held beliefs around what sustainable investing is and isn’t – and the industry needs to do a better job in helping advisers understand the significant benefits in incorporating sustainable investing strategies into their advice and client value propositions”, says Erica Hall, Director of Asset Manager Solutions in Morningstar Australasia.

To help, we’ve compiled four simple but powerful tips to progress your knowledge and application of sustainable investing with your clients.

Four ways to get started with sustainable investing:

1. Get up to speed on the topic

To help, Morningstar has created a simple guide that provides a great overview of sustainable investing. You can also refer to the Principles for Responsible Investment or Responsible Investment Association Australasia. Also, check out what some of your preferred asset managers are saying about the topic, like Emma Pringle from BT. Many asset managers address sustainable investing in some way. Compare what they say and do with those who focus exclusively on sustainable and impact investing.

2. Use a description that will connect with your clients

People often use a variety of terms to describe this type of investing approach: sustainable, ESG, impact, responsible, and so on. It can

be confusing. The good news is that these terms are typically used interchangeably. Pick a term that resonates with your clients, then develop an elevator pitch describing what you mean by it.

At Morningstar, we prefer the term “sustainable investing” as it connects with the broader concept of sustainability. Specifically, we define sustainable investing as follows: The incorporation of environmental, social, and corporate governance (ESG) considerations into investment decisions designed to help generate long-term, competitive financial returns, along with positive societal impact.

3. Know where your clients stand on sustainable investing

Some clients may already be knowledgeable about and committed to sustainable investing. For these clients, you’ll likely need to demonstrate an expertise in the field to give them the confidence that you’re the one who can build and monitor an investment program that aligns with their commitment and values.

Other clients may have a general interest in sustainable investing but aren’t particularly knowledgeable or even committed to investing that way. They might want your advice about whether to take this investing approach at all. For these clients, you may need to spend more time exploring what’s motivating their interests and educating them about the range of possibilities – and keep in mind that most clients just want to be “sustainable enough”, says Emma Pringle from BT.

4. Explore your clients’ interest in sustainable investing—even if they aren’t asking

Does your client have the profile of someone who may be interested in sustainable investing? Are they particularly concerned about social inequality, public policies or environmental issues? Are they younger or have a lifestyle that suggests a connection to sustainability? Armed with your developing knowledge of the field, you can now explore their personal interests and goals. In so doing, you can demonstrate that you “get” who they are and ensure you are aligning with their personal values.

For a long time, sustainable investing has been a segment of the market that’s hard to monitor and measure. It’s also been a hotly-debated topic rife with misconceptions and inconsistent data.

That is no longer the case thanks in part to some serious work behind the scenes at Morningstar Australasia. In my latest video interview, Erica Hall, director of asset manager solutions, talks about what’s new and the comparison tools available to financial advisers interested in this area.

In this article, Hall also provides simple but powerful tips on how to deepen client connections by improving their knowledge on the subject. Watch the video and read the article to find out more.

Michelle Baltazar

Michelle Baltazar
Director of Media & Publishing

Putting sustainable investing into practice

“Advisers who can help clients make a positive social or environmental impact with their investments can develop much deeper and long-standing client relationships”, says Brendan Burrows, a senior financial adviser and partner at PSK Financial Services in Sydney, who has successfully incorporated ESG into his client advice strategies for the past 10 years.

Burrows agrees that by helping clients invest in ways that are meaningful to them, you’re also giving them an identity as an investor and a way to relate to their investments. Such a connection may also help make them better investors, more likely to focus on the long term, and stay the course when markets inevitably turn volatile.

If you have an established practice, adding sustainable investing expertise may also help you position your business for the inevitable intergenerational wealth transfer – helping you retain assets as your older clients pass money and investments onto their younger family members.

Still building your practice? Developing an expertise in sustainable investing can help you attract new clients—those who are choosing advisers for the first time, as well as those who are moving away from their parents’ or spouses’ advisers who just don’t “get” them.

Sustainable investing is already entrenched among most institutional investors and significantly growing in importance among retail and high-net-worth investors. With approximately \$866 billion in assets under management (AUM) in Australia at 31 December 2017*, representing over 50% of total AUM, and USD \$23 trillion globally at the start of 2016[^], it’s clear that sustainable investing is much more than just a ‘feel good’ exercise and it isn’t going away. **FS**

Learn more at morningstar.com.au/ESG

* Responsible Investment Benchmark Report, 2018, Responsible Investment Association Australasia

[^] Global Sustainable Investment Review, 2016, Global Sustainable Investment Alliance

© 2018 Morningstar, Inc. All rights reserved. Any general advice or ‘class service’ have been prepared by Morningstar Australasia Pty Ltd (ABN: 95 090 665 544, AFSL: 240892) and/or Morningstar Research Ltd, subsidiaries of Morningstar, Inc, without reference to your objectives, financial situation or needs. Refer to our Financial Services Guide (FSG) for more information at www.morningstar.com.au/s/fsg.pdf.



The quote

The industry needs to do a better job in helping advisers understand the significant benefits in incorporating sustainable investing strategies into their advice and client value propositions.



Watch the video
on www.fsitv.com

Brought to you by

MORNINGSTAR[®]