



Media release

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ESG: Progressive Aussie fund manager backs Trump ... on 'E' and 'S' but not 'G'

Melbourne: ESG (Environmental, Social and Governance) is one of the fastest growing trends in investing globally.

It has become part of the funds management zeitgeist, aided, in part, by research pointing to better performance by fund managers that favour companies with good ESG policies and practices.

The recent decision by the Trump administration to restrict the ability of US pension funds to invest in companies espousing ESG principles has thrown a spotlight on the issue once again.

<https://www.bloomberg.com/news/articles/2020-07-08/trump-s-plan-to-block-pensions-from-esg-won-t-help-fossil-fuels?sref=j6QxjYRv>

Unabashedly progressive fund manager, Damien Klassen, head of superannuation and wealth manager Nucleus Wealth, and fund manager who predicted the COVID-19 crash in March - and took his clients out of the equity market beforehand - has a special interest in ESG.

His firm gives individual investors and SMSF trustees the option of filtering investment portfolios to avoid investing in more than 30 ESG categories, including tobacco, armaments, fossil fuels, gaming, fast food and even genetically modified food

“We recognise ESG is not a one-size-fits-all notion.

“One investor may have a disdain for tobacco companies and be happy to own gaming company stocks, while another may not care about either but have a strong view about not investing in fossil fuels or armaments manufacturers. Nucleus Wealth is a rare fund manager that allows a totally bespoke and individual approach to ESG.

“With funds of \$US9 trillion (\$13 trillion) under its control, the US Department of Labor says that fund managers acting on behalf of American workers should only follow ‘objective risk criteria’ when buying stocks and bonds,” notes Klassen.

“The language of the proposed policy reaffirms the standard interpretation of fiduciary guidelines that only financial risks and returns can be considered in the management of US employer-provided pension funds; ‘non-pecuniary goals,’ for example relating to political or public policy, should not guide pension investments.

“Rarely if ever do I agree with Donald Trump but there are strong arguments that the ‘E’ and the ‘S’ are factors better suited to other actions by investors, such as making a donation to a cause, lobbying government on an issue or not taking up new capital raising.

“Not buying a firm’s shares on the secondary market has virtually no impact on a company. Boycott a company product by all means – but company management cares much more about product sales than who buys their shares. For instance, groups like Mad F-----g Witches and Sleeping Giants in Australia are said to have played a role in the decision by Nine Radio and Alan Jones to part company due to consumer boycotts they promoted on his show’s sponsors.

“Further, our review of the growing body of research data shows that’s its G - Governance – is the key variable of performance (<https://www.tandfonline.com/doi/abs/10.1080/14697680903373676>).

“On the issue of climate change, activists would, I believe, be better advised lobbying governments to join the list below than avoiding buying the shares of a fossil fuel producing company.

Country	Ban announced	Status and proposed commencement	Scope	Selectivity
 Canada	2017	2040 (climate plan) ^[10]	Emitting	New vehicle sales
 China	2017	researching a timetable ^[7]	Gasoline or diesel	New car sales
 Costa Rica	2019	2050 ^{[11][12]}	Gasoline or diesel	New car sales
 France	2017	2040 (climate plan) ^[13]	Gasoline or diesel	New car sales
 Iceland	2018	2030 (climate plan) ^[14]	Gasoline or diesel	New car sales
 Ireland	2018	2030 (private members bill, not passed) ^[15]	Gasoline or diesel	New car sales
 Israel	2018	2030 ^[16]	Gasoline or diesel	New imported vehicles
 Netherlands	2017	2030 (coalition agreement) ^[17]	Gasoline or diesel	All cars
 Norway	2017	2025 (tax and usage incentives) ^[18]	Gasoline or diesel	All cars
 Singapore	2020	2040 (incentives on electric vehicles) ^[19]	Gasoline or diesel	All vehicles
 Slovenia	2017	2030 (emission limit of 50 g/km) ^[20]	Gasoline or diesel	New car sales
 Sri Lanka	2017	2040 ^[21]	Gasoline or diesel	All vehicles
 Sweden	2018	2030 (coalition agreement) ^[22]	Gasoline or diesel	New car sales
 United Kingdom	2020	2035 or 2032 (proposed dates) ^[23]	Non-electric	New car sales

“Getting your country on this list or reducing the time to phase out will have far more effect than convincing a fund manager not to buy the stock.

“Don’t get me wrong. I want investors to avoid buying shares in companies where they don’t agree with the ethics. But if they truly want to make an impact, don’t stop there. And if they are avoiding buying solely for performance reasons, the primary spot to focus on, we believe should be ‘G’ – governance,” says Klassen.

About Nucleus:

Nucleus Wealth was formed to bridge the gap between investment solutions for people looking for the middle ground between cookie-cutter robo advice and high-cost financial planning. Actively managed portfolios, which are limited to blue-chip international and Australian stocks, cash and government bonds, are tailored for risk, income, retirement timeframe, superannuation, and ethics.

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