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Time for contemplation

Looking forward to better times ahead

ALSO IN THIS ISSUE:

The latest market updates

ESG – more important now than ever

Causes for cautious optimism

Canaccord Genuity Wealth Management

Contents

Investment features

Contributors

David Esfandi, Chief Executive Officer

Richard Champion, Deputy Chief Investment Officer, UK

Michel Perera, Chief Investment Officer

David Goodfellow, Head of UK Financial Planning

Patrick Thomas, Head of ESG Investments

David Esfandi,
Chief Executive
Officer

We will be by your side throughout the crisis

At Canaccord Genuity Wealth Management, the long-term wellbeing of you, our clients, is our top priority. In this difficult time, we believe it is vital for you to be in touch with our investment experts. They can give you their view of what is happening in the markets, and let you know about the actions we are taking as a result.

The world is changing daily, so what we say today may change tomorrow. However, we will do our utmost to continue providing you with the updates you need, as often as you need them, in the way that suits you best – whether it is by phone, email, video or on our website.

For investors, this is going to be one of those situations where navigating the crisis could be very challenging but the benefits on the other side could be exceptional. Change like this also brings great opportunities.

As we watch the indicators very carefully and continue to look at all aspects of our clients' investments, please rest assured that we at CGWM are doing all we can in our power to moderate the negative consequences of this crisis. Above all, we should remember that the economy will be resilient and will in time overcome the virus.

We are fully functioning as a business: trading, executing, settling and carrying out valuations. Looking after your wealth.

Your Investment Manager or Wealth Adviser will be in touch with you. If you have not yet heard from them, please do not hesitate to pick up the phone or email them. Please remember, you can check your portfolio value at any time, through Wealth Online or by getting in touch with your Investment Manager. Alternatively, if you have any general questions, please email us at questions@canaccord.com and we will answer you as soon as we can.

Richard Champion,
Deputy Chief
Investment
Officer, UK

Keep calm and carry on

These are dark times. Yet, shining through the darkness there are shafts of light, and these we should cherish and build upon; throughout the world, the calamity of this pandemic is bringing out the best in human nature as all of us fight in solidarity and strength against the coronavirus. We are at war with it, and the nearest equivalent period in history to what we are living through today is World War Two. Just as then, we shall prevail.

There's a perception that we Brits are a uniquely stiff upper lip crew. However, this seems to be based more on theory than practice, as shown by the panic-buying of toilet paper and stripping supermarket shelves bare of cleaning products and tinned food. In that regard we seem to be not dissimilar to Australia or the US, or a myriad of other countries. As human beings, that which makes us the same far outweighs that which makes us different.

The famous UK Ministry of Information poster, 'Keep calm and carry on', was produced in summer 1939. It was a response to the fear of aerial bombardment engendered in 1937 and early 1938 following the Nazi bombing of Guernica, the Italian bombing of Barcelona in the Spanish civil war, and the Japanese bombing of Nanjing and Shanghai in the Chinese war of resistance against Japan. In fact, the blitz proper didn't start until September 1940, and the poster was almost never used.

It feels as if a similar public morale effort would be appropriate now, for once again we are afraid – not of death from the air, but of the unknown, the random and the seemingly inescapable.

Amongst the turmoil caused by COVID-19, the collapse in the oil price and the plunge in share prices around the world, we remind ourselves in this article that all is not entirely bleak in the UK.

Healthcare

In the past, some people may have seen the National Health Service (NHS) as a sclerotic and inefficient behemoth. But right now, it seems unutterably precious – a beacon of light and hope in an uncertain world. For other nations, the NHS is an exemplar of a cost-efficient universal healthcare system. Just ask an uninsured or uncovered American, when they go into their local hospital to take a coronavirus test. Here in the UK, it's free. In the US, that'll be US$3,000 please. Imagine testing your entire family. The NHS also happens to be one of the world's largest employers, with some 1.7 million workers, even before the current recruitment drive brought back many retirees.

It's not just the UK's health service that gains plaudits. The UK benefits from some of the highest quality medical research anywhere, bolstered by the academic prowess of its universities, charitable endowments like the Welcome Trust and world-leading pharmaceutical companies. Research and prowess for which we will be very grateful if they help to stem the tide of COVID-19.

Finance

The City of London may not be everyone's favourite 'best of British' right now, but we should not get defensive about the benefits of hosting one of the world's leading financial centres. Whether it is in banking, foreign exchange trading, equities and fixed income, asset management, wealth management, legal services, accountancy or consultancy, the UK is a leading provider of professional advice across the world, bolstered by the much-admired benefits of English law.

Sport

The current dearth of sport to watch or take part in reminds us of what we're missing. The UK is one of the most fertile countries for sport anywhere, with many global sports originating or administered from these shores. Whether this is Premier League football (soccer to our American friends), Formula 1 and motor sport, rugby union, cricket or athletics, the UK punches above its weight, as our haul of medals from the Olympic Games in 2012 (at home, of course) and 2016 (away) illustrates perfectly. We may not be able to add to it in Tokyo this year, but our athletes are no doubt all training fiercely in isolation, ready for when sport returns to our lives.

Specialist technology

Although the UK stock market does not include any of the global technology titans, we do have clusters of excellence in a variety of significant technology niches. In financial technology (so-called 'fintech') and education technology ('edtech'), the UK has a leading presence, with a strong group of thriving companies in London's Shoreditch and based around our top universities for example. We enjoy a strong position in artificial intelligence, and Google's Deep Mind business is based here. We head the competition in the roll-out of open data, which allows individuals and companies to interact with government and company information more intimately and more easily than any other major economy.

According to emarketer.com, an online digital market research company, we enjoy the highest penetration of internet retailing anywhere. Despite having less than 1% of the world's population, we rank number three in the absolute number of online shoppers, number four for the aggregate volume of internet sales by value and number three for the proportion of the population that shops online. We may well be increasing our ranking during the current crisis, as more people turn to internet orders for home deliveries.

London

The UK is lucky to have one of the world's foremost cities as its capital. London is one of the most cosmopolitan places on earth and is blessed with probably the most beautiful open spaces of any comparable city. Let's look forward to a time when its restaurants, nightlife, theatres, museums and art galleries can reopen, restoring it to the vibrant, creative city we know and love.

> *Despite having less than 1% of the world's population, we rank number three in the absolute number of online shoppers.*

Three of the top 10 universities in the world, as categorised by the Times Higher Education World Universities Ranking of 2019, are British.

Green initiatives

There was a time when Britain was known as the 'dirty man of Europe', dumping acid rain on the continent and polluting the Irish Sea with radioactive discharge from Sellafield's nuclear site. Today, however, the UK leads the world in carbon emissions reduction. We also have one of the fastest-growing and largest wind power networks (both onshore and offshore) which you can read more about here. We lead the way in animal welfare, and along with the rest of the EU, in food standards – potentially tricky topics in upcoming trade negotiations both with the EU and the US.

In addition, the British Isles are renowned for their natural beauty. In few countries is there such a diverse range of landscapes: from the mountains of Scotland and Wales, to the Lake District, to the Dales, to the Sussex Downs and to the moors of the West Country. Those of you who are lucky enough to live amid such glorious scenery can hopefully enjoy it from your windows; the rest of us look forward to visiting when the crisis has passed.

Education

Although many of them are currently closed, our private schools attract pupils from across the globe. Supplemented by our leading universities, the UK is home to some of the world's best education establishments – albeit for those who can afford to pay for them.

Three of the top 10 universities in the world, as categorised by the Times Higher Education World Universities Ranking of 2019, are British (Oxford and Cambridge are numbers one and two respectively, Imperial College London number nine). British authored academic articles are twice as likely to be cited in other academics' own papers as any other nationality, on a per capita basis.

Creativity

The UK is renowned for the quality and depth of its creative arts. We may not currently be able to enjoy our British stars at galleries, cinemas, theatres or concert halls, but we can catch up with TV drama and arts programmes, or watch classic Royal Opera House performances streaming on Facebook and YouTube. Whether you enjoy film, literature, pop music, architecture or theatre, the list of British artists, from Danny Boyle to JK Rowling and from Sir Norman Foster to Dame Judi Dench, shows that the UK can boast an unmatched list of globally-recognised leaders in their respective fields.

Reasons to be cheerful

There are many other areas where the United Kingdom takes the lead – in fact, too many to mention here.

But why are we looking at all these areas of excellence? Well, quite apart from cheering us up at a time when morale is under pressure, the key point is that all these areas support a great infrastructure of companies, both large and small. These companies gain a huge competitive advantage from the cutting-edge technologies, services and engineering associated with all these world-leading activities.

The UK is blessed with a huge array of great companies for us to invest in for our discretionary clients, including:

- **Healthcare** – through diagnostics, vaccines, immunotherapy, novel drug research or medical technology
- **Fintech** – to support our financial services industry
- **Engineering** – for Formula 1 or defence
- **Edtech** – to support our learning institutions
- **Leisure services** – underpinning our arts, tourism and sports teams
- **Innovative companies** – delivering green infrastructure and technologies to meet the challenges of de-carbonising society in the face of the climate emergency.

One day, hopefully soon, the coronavirus crisis will be over, and markets will once again look for opportunities to support and benefit from these great companies. It is a message of hope at this time of difficulty and a reminder, should we need one, that the sun rises every day and that the night is darkest before the dawn.

In the meantime, we should indeed 'keep calm and carry on'; work from home, maintain social distancing and wash our hands frequently. Stay safe everyone.

Make the most of our small company expertise

Small UK companies can offer excellent investment opportunities. However, they're often ignored by investment and wealth management companies, who may lack the expertise and experience to evaluate small businesses, spot opportunities and invest on your behalf.

At Canaccord Genuity Wealth Management, we do have that expertise and believe smaller companies can be a very important part of a truly diversified and well balanced portfolio. Small companies however, are high risk, so we'll only suggest them as part of your discretionary or advisory portfolio if they're appropriate for your investment risk profile.

If you're interested in learning more about our smaller company expertise, visit our website here, or talk to your Canaccord Genuity Wealth Manager. They will listen to your request and carefully assess your needs and preferences.

Michel Perera, Chief Investment Officer

COVID-19 market update

We know this is an unsettling time for our clients, as it is for everyone. That's why it is more important than ever for us to be by your side and keeping you informed. We want to ensure you have direct access to our experts, whether by phone, email, video or our website.

We are watching indicators very closely and constantly looking at all aspects of our clients' investments. For our clients' discretionary portfolios, we are carefully trying to pick the right time when making any adjustments.

Here we answer some of the many questions we are being asked by our clients during these troubling times.

Why are markets behaving the way they are?

Indefinite lockdowns and quarantines around the world have meant markets simply can't price in corporate earnings for the next couple of quarters. So they have sold indiscriminately, selling tracker and ETF investments, and this has exacerbated the declines in individual stocks. This means even good or 'safer' investments, such as gold, have been part of the collateral damage.

Should I be worried about this?

Not if we look at the long-term future. Yes, this is one of the biggest societal shocks the world has seen in a generation, and our deep analysis of the last few weeks has drawn us to a more cautious outlook for markets. But that's not to say there can't be a full (and possibly extraordinary) recovery. Ultimately things will get better; we just think a full market recovery may take longer than expected.

With interest rates at zero following central bank measures – and governments committing to monetary and fiscal policy at rates never seen before in peace time – long-term earnings today should be worth a lot more than is being priced in. All these measures are good news for markets in the longer term, so there is a considerable degree of potential upside.

What needs to happen for markets to reach a turning point?

Until we are able to resume a normal life, unfortunately our economy will be at a standstill. Governments are saying they will lift the shutdowns soon, but we don't know when that will be and they don't know themselves. Therefore, we cannot estimate the length of the crisis. A short and sharp drop can be recovered very easily, but a longer period of quarantine will leave some lasting damage on businesses and jobs.

If we can see the end of the lockdown in western countries, and in particular the US, then we can estimate the extent of the damage to the economy and to corporate earnings, which is what matters for the markets. There is therefore a way out.

The investment opportunities on the other side of this virus are likely to be exceptional, maybe even the best in a generation and – as is often the case during a bear market – we will at some point suspend our concerns and look for these opportunities. If you happen to be underinvested or sitting on cash, this may be one of the greatest times to invest.

Of course, one caveat is that somewhere along the way a large company could go under. That's why we are continuing to carry out a massive amount of due diligence on our investee companies – on behalf of our discretionary and advisory clients – to do our best to avoid investing in any company that is likely to meet that fate.

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Can markets keep falling forever?

No, because governments are committing so much in terms of monetary and fiscal stimulus. The US has started with a US$2.3trn package (10% of the US economy) and is already discussing another one. More such packages are likely to be forthcoming from the US, the UK, Germany, and other European countries. It means there is no risk of a 1930s Depression because the cavalry is already here.

Who will be affected the most?

There will be inevitable damage for certain businesses – for example, those in hospitality, travel and events. Some may even go bust. Banks will also have to bear losses and energy companies will continue to suffer following the oil price war that started a month or so ago. The question is, how much of the financial packages will be able to help ailing businesses and industries so they don't close and lay people off?

Even for banks however, their capital positions today are much better than they were 12 years ago. Since the financial crisis, they have built up their capital buffers, while their balance sheets and assets have been de-risked. Banks are in a strong position, particularly in the US and the UK, giving them leeway to weather this economic storm.

Are there any areas which might benefit?

Yes. The technology sector is likely to benefit from a change in our way of life after the virus, as social distancing changes our habits, potentially for good. Healthcare could also be transformed – particularly in the US, where there has been anger that individuals have to pay such high prices for routine matters. Following 9/11, there were a lot of investments in security. Logically, the core of the crisis is the area that people will invest in afterwards.

Infrastructure will be another important theme. In the US, both Republicans and Democrats will want to spend money, although right now some areas are doing better than others. Airports and toll roads, for example, are suffering in the short term, while utilities and mobile towers are benefiting.

Environmental, social and governance (ESG) issues will remain very important to societies and communities around the world. Fund managers who manage ESG portfolios have tended to outperform over the last couple of years and ESG issues are unlikely to go away. Companies seen to do the right thing will continue to be rewarded by consumers and markets.

On this theme, China's suspension of industrial factories to curb the spread of coronavirus has resulted in massive pollution level reductions. Chinese citizens will be reluctant to go back to those levels and will be looking for more environmentally friendly solutions and a better quality of life.

Banks are in a strong position, particularly in the US and the UK, giving them leeway to weather this economic storm.

Our conclusion and next steps

Markets today are still extremely volatile and it is not surprising that investors feel unnerved. As we have seen, even traditionally safe-haven investments such as gold and bonds have suffered collateral damage.

It is not totally impossible that when markets do see a proper inflection point in virus cases, the type of volatility we've seen on the downside could be mirrored on the upside, but from what level neither we, nor anyone else, can tell.

While we can already start to see the future investment opportunities, we just need to wait for the right time to take them up. Rest assured, we are focused on the durable potential rebound. Fortunately, we are poised and nimbly prepared to reinvest back into the market on behalf of our discretionary and advisory clients, when volatility comes down and risks are more evenly balanced. Our team has a long list of great stocks, great funds and great bonds which we are updating every day as the economy changes and we can see how certain investments become much more attractive.

How can we help you?

As a business, we are fortunate to be in a strong position to weather this storm, so please draw on this for calm and reassurance. We have seen these corrections before and change does bring great opportunity.

All our lines of communication are open, so if we haven't answered all your questions here, please call your Investment Manager or Wealth Adviser directly and they will be happy to speak with you. Please remember, you can check your portfolio value at any time, through Wealth Online or by getting in touch with your Investment Manager. If you prefer, you can email your questions to us on **questions@canaccord.com**.

For further updates on markets during this time, please visit our coronavirus hub here.

David Goodfellow,
Head of UK
Financial Planning

The ideal time to review your financial plans

Many people are still unsure about the role of financial planning. They often think it means being sold a financial product or having to invest cash to get some advice. This is not the case necessarily, and if you don't have a financial plan in place today, the need for one has probably never been greater.

The coronavirus has had enormous repercussions across our societies, global economies and markets, as well as our day-to-day lives – so it's more than likely to have had an impact on our financial future. This doesn't necessarily mean that it has put paid to all your hard work and plans for the future, but it does mean it's important to reassess your situation and make sure you have enough contingency in place. A review of your finances now could help to reassure you that your plans are still on track, or help you to make adjustments to ensure you will still meet your long-term goals.

How does financial planning work?

First and foremost, it should be a conversation with a wealth adviser to discuss what you are planning for: is it your children's school or further education fees, for a comfortable retirement or wealth transfer to the next generation? Or perhaps just building some contingency for unexpected and challenging times? Sometimes it can be all of these at once.

By creating a bespoke financial plan, a professional wealth adviser can assess where you are now in terms of available income and assets and where you may be later if you take up the advice. A financial plan essentially provides a roadmap of how to get you to your required destination. Most importantly it can account for 'bumps in the road' such as the market volatility we are currently experiencing.

It's also very important to review your plan at least once a year, or more frequently if there has been a significant change in your personal circumstances – perhaps you can no longer commit to the plan – or to assess whether the assumptions made have been correct, such as underlying investment returns.

At Canaccord Genuity Wealth Management, when creating a financial plan for our clients, we tend to usually assume conservative investment growth rates (between 2% and 4% per annum depending on your risk profile). This provides a more realistic outcome so that in practice there is a higher chance of the actual result being better than expected. A plan with high growth rates looks great, but you would be in for quite a shock – when it comes to retirement, for example – if the assumed growth rates were actually lower in real life. However, a conservative growth rate allows for market events, inflation and reduced valuations without affecting your long-term goals.

This can best be illustrated using cash flow planning.

How does cash flow planning work?

First, we build a picture of your finances by assessing your current and forecasted wealth, along with your income and expenditure. We then try out different scenarios to see how they might work for you.

No one knows exactly how long they are going to live or what financial challenges they might face over the years, but cash flow planning can help to alleviate your concerns. It can confirm that your current arrangements (such as your pension and savings accounts) are right for your needs or show any shortcomings that need to be addressed.

Scenario planning

While we might not have predicted the current crisis, a cash flow plan can include alternative solutions for various eventualities. And it can illustrate different 'what if?' scenarios – such as 'What if markets fall by 25%?' 'What if I don't get paid for 12 months?' 'What if I can't contribute fully to my pension?' 'What if I don't get the big bonus I was expecting?' 'What if my partner becomes ill?'

Retirement reforecasts

Reviewing a financial plan is equally important for those coming up to or in retirement. Often – following a time of market volatility like the one we are just experiencing – you may need to change the amount you were planning to draw, as your savings might otherwise be depleted. Ultimately, your individual cash flow plan will be based on your hopes and objectives. It will allow for growth, inflation, interest rates and potential market volatility, so you can be confident it is as accurate as possible.

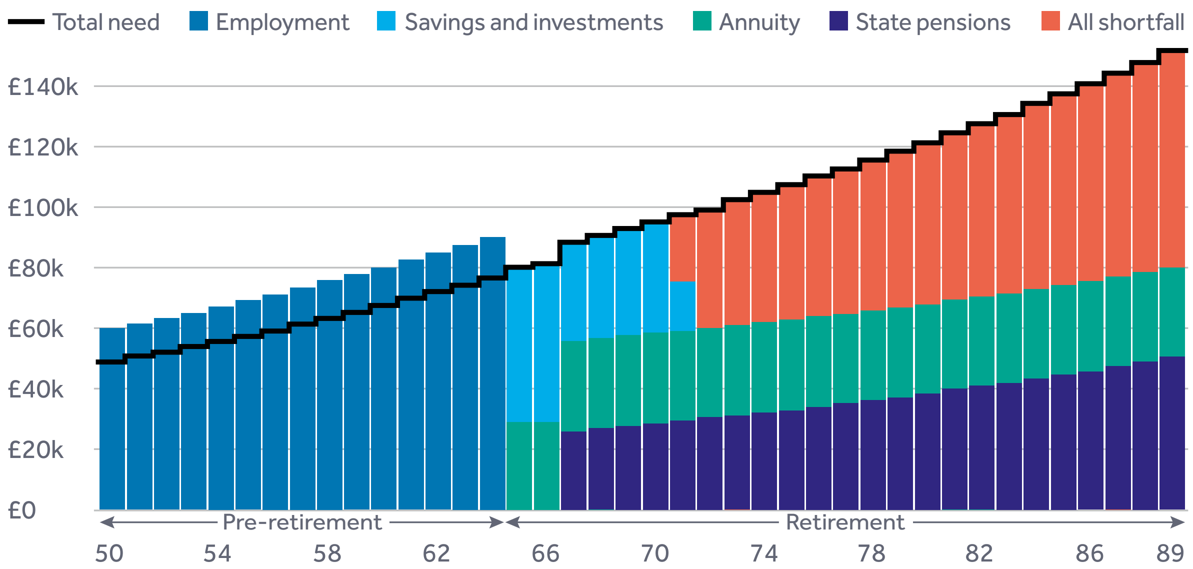
No one knows exactly how long they are going to live or what financial challenges they might face in later years, but cash flow planning can help to alleviate your concerns.

Cash flow planning case study

The graph below shows the financial situation for clients Sarah and Jack over their lifetime, before they've made any clear financial plans. This graph is based on a number of carefully made assumptions (for example, how much Sarah and Jack spend each year, how their investments grow, inflation and how long they are likely to live), but of course these assumptions may change.

The graph shows that:

- Until they retire, Sarah and Jack will earn more than they spend (black line)
- Their savings, annuity and state pensions (which start at age 67) will be enough income for their first six years of retirement
- At age 71 their savings are reduced, and they cannot spend as much as they would like – this shortfall is shown by the red bars in the graph.

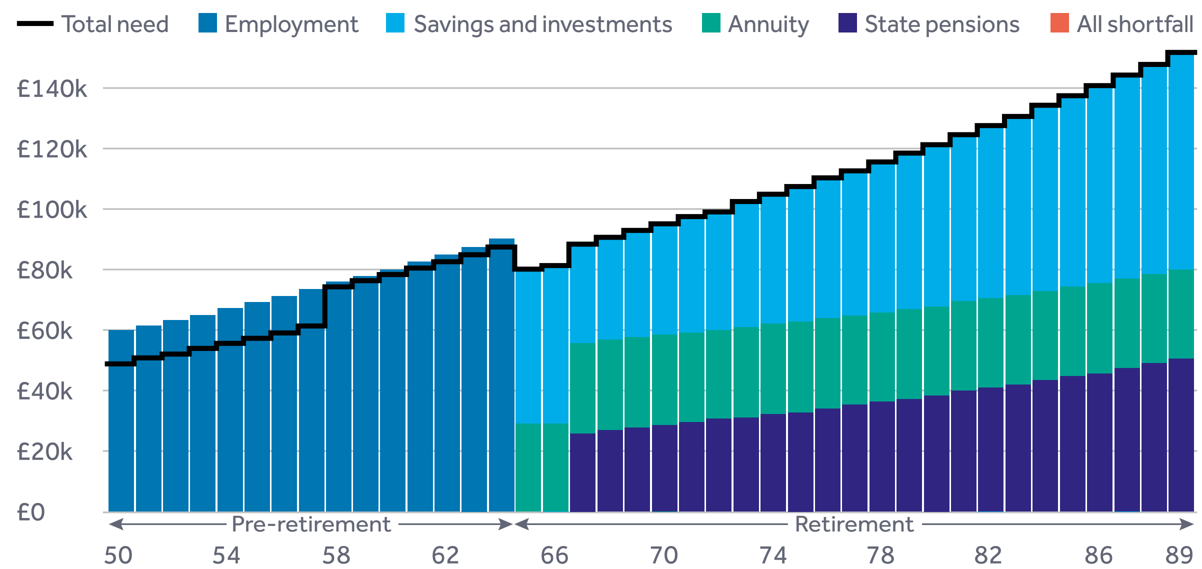


The next graph shows how Sarah and Jack could manage their money with a financial plan. We've made the same assumptions as in the first graph.

With this new plan:

- If they have any surplus income in the years before they retire, this is used to make extra pension contributions and invest in ISAs
- This increases their pension income when they retire and makes sure their investments will last longer
- There is no shortfall during their projected lifetimes.

Fortunately, it is unusual for the markets to drop 25% as we have just seen, but we have stress-tested the plan to withstand such a market fall. While the projected value of their savings and investments is lower, the plan is still on track to generate Jack and Sarah's required income for life – giving them the reassurance they need at this unprecedented time.



If you would like us to create a cash flow plan for you, taking account of different scenarios, please contact us. We'll be delighted to answer your questions and help put your mind at ease or at least provide some ideas to get you back on track.

Patrick Thomas,
Head of ESG
Investments

The UK – investing in a cleaner future

COVID-19 has brought the climate crisis into greater focus. The pandemic's origin may lie in human encroachment on wildlife habitat – one of the causes of climate breakdown.

As we harvest more and more of the world's natural resources, this creates carbon emissions, reduces the planet's ability to mitigate them, and throws people into close contact with wild animals. These animals may carry viruses to which we have no natural immunity, resulting in a pandemic such as COVID-19.

On the other hand, this virus has also shown how much better our world could be. Emissions are falling, as people travel less. In China, as factories closed down and people were confined to their homes, the average number of 'good quality air days' increased by 21.5% in February, compared to the same period last year, according to China's Ministry of Ecology and Environment.

NASA and the European Space Agency transmitted satellite images showing a remarkable reduction in nitrogen dioxide emissions (which are caused by vehicles, power plants and industrial plants) from the main Chinese cities between January and February. The normally all-encompassing cloud of toxic gas hovering over industrial powerhouses has almost vanished, while CO_2 emissions have fallen by at least 25%.

According to the Centre for Research on Energy and Clean Air (CREA), the reduction in emissions is due to a decrease in oil and steel production, plus a 70% reduction in domestic flights – but mainly the sharp fall in China's coal use[1].

With much of the UK population confined to their homes, our own air quality should also improve. If this leads to an improvement in health conditions such as asthma, and turns our cities into more pleasant environments, most people will not want to return to the smog-filled, lung-clogging pre-coronavirus conditions.

The UK is already ahead in many environmental initiatives. For over a decade the country has been a climate leader – and the effects of COVID-19 will motivate government and industry to take things further.

"In China, as factories closed down and people were confined to their homes, the average number of 'good quality air days' increased by 21.5% in February."

[1] Source: CNN – edition.cnn.com/2020/03/16/asia/china-pollution-coronavirus-hnk-intl/index.html

Acting for climate change

Britain's political consensus in support of ambitious climate action has underpinned the fastest rate of decarbonisation of any major economy in the world. As a result, the UK's influence in the global climate debate has been outsized relative to its own population and carbon footprint.

The Climate Change Act in 2008 formalised how the UK tackles climate change and cemented the UK's leadership position. In providing a clear direction of travel, while allowing for flexibility and innovation, it has helped to maintain a remarkable cross-party consensus – with five carbon budgets being approved by Parliament.

In June 2019, the Climate Change Act was expanded to include an objective of carbon neutrality by 2050. UK emissions have fallen by 42% since 1990, while economic productivity has risen by two-thirds. This is above all due to the decline in coal-fuelled power and the expansion of renewable energies, in particular offshore wind. Five years ago, 40% of British electricity came from coal power stations – now it is just under 5%[1].

The UK is also active in promoting climate protection on the international stage. It contributes financially by supporting projects aimed at reducing and adapting to climate change. Politically, too, the UK is at the forefront – hosting COP 26, the UN's climate conference in 2020.

Britain is making a significant scientific contribution, by carrying out fundamental research and developing new approaches and more efficient technologies in collaboration with international partners such as Germany. The UK has also quietly confirmed its position as one of the world's leaders in the production of green energy.

As an important financial centre, the UK also has a role to play in pushing for greater sustainability in the finance sector.

Ways to reduce your own carbon footprint

According to a 2013 study by Milena Büchs and Sylke Schnepf of the University of Southampton, a two-person household in the UK emits 21.4 tonnes of CO_2 each year, while a family of four creates 28 tonnes.

About one quarter of these emissions is due to electricity and heating. Another quarter is due to the cars we drive and the public transport we use. By buying electric cars, insulating our houses, holidaying in the UK and reducing our meat consumption we can potentially reduce our household carbon footprint by 25-50%.

However, a ministerial clampdown on meat-eating, for example, would meet serious opposition, so we need to look at ways to make the clean revolution as painless as possible. Technology improvements like LED light bulbs, for instance, save emissions without people noticing. Less well publicised, but equally important, is the fact that you can also reduce your carbon footprint through your investments.

UK emissions have fallen by 42% since 1990, while economic productivity has risen by two-thirds.

[1] Source: IZA – UK Households' Carbon Footprint – ftp.iza.org/dp7204.pdf

The benefits of carbon conscious investing

Driving 10,000 miles causes about **2.3 tonnes** of CO_2 a year

Driving an SUV increases the figure to about **3 tonnes**

One person's gas and electricity consumption causes **4 tonnes** of CO_2 emissions a year

Food production for one person causes over **1 tonne** of CO_2 emissions a year

An economy flight from London to New York causes about **1 tonne** of CO_2 per passenger

A business class flight causes about **3.8 tonnes** of CO_2 per passenger

Switching £100,000 in equity investments into an ESG index reduces your annual CO_2 footprint by **2.3 tonnes**

That is the same as driving **10,000 miles** in an average car

Switching £100,000 in equity investments into a low carbon index reduces your CO_2 footprint by **8.4 tonnes**

\+ + +

That is enough to offset most of your **annual CO_2 emissions** from gas and electricity, as well as your food consumption and driving 10,000 miles in an average car

If you invest **£1 million** into these indices, you could reduce your CO_2 footprint by as much as **10 times**

That would offset more than **22 transatlantic business class flights**

Source: IZA – UK Households' Carbon Footprint – ftp.iza.org/dp7204.pdf

An innovative and clean approach to investing

The UK has long been an innovator in creating strategies that help both the planet and your portfolio. A decade ago, tax subsidies via enterprise investment schemes (EIS) and venture capital trusts (VCT) encouraged investment into renewable energy. While these tax breaks are no longer available, there are a number of other ways investors can make a difference.

1 Lower your exposure to carbon intensity

Some sectors and companies emit more carbon than others. Think of the difference between a software provider and a coal mine. Different global market indices have a different exposure to carbon intensive sectors, like energy. For example, your annual CO_2 emissions can be significantly reduced by switching from a traditional global equity index (like the MSCI World Index) to an ESG index, which has a lower exposure to carbon intensive businesses. Or by switching to a dedicated low carbon index, which has bigger positions in low carbon businesses.

2 Consider funds and companies that reduce carbon emissions

Some companies provide products or services that help the world use less carbon. Think of an electric car maker. You can choose to go further and look at funds that actively invest in companies helping the world reduce its carbon emissions.

3 Explore global environmental solutions

The Impax Environmental Markets Trust was one of the first in the UK to invest globally only in 'pure play' companies providing solutions to resource scarcity and environmental pollution through their products or services. Underlying companies must have more than 50% of their revenue generated by sales of environmental products or services in the energy efficiency, renewable energy, water, waste or sustainable food markets.

A £10m investment in this strategy last year:

- Avoided net CO_2 emissions of 5,800 tonnes, equivalent to taking 3,050 cars off the road
- Produced 1,540 megawatts of renewable electricity, equivalent to 410 households' electricity consumption
- Saved 1,770 megalitres of water, equivalent to 13,500 households' annual water consumption
- Recovered 980 tonnes of materials, equivalent to 990 households' waste[1].

4 Participate in UK-leading green energy

The UK is now one of the world's leaders in the production of green energy. 25% of the electricity generated in the UK last year came from wind, solar and other renewable energy sources – three times what it was in 2011. The UK is the world leader in offshore wind, with more installed capacity than any other country. Offshore wind already powers the equivalent of 4.5 million homes annually and is expected to generate over 10% of UK electricity by the end of the year[2].

The Renewables Infrastructure Group was the first fund in the UK with a mandate to generate sustainable returns from a diversified portfolio of renewables infrastructure that contributes towards a zero-carbon future. It invests directly in solar and wind projects in the UK and is responsible for powering the equivalent of one million homes a year[2]. The renewable energy generated by this trust avoids 2.7 million tonnes of CO_2 annually. To put this in context, this could power the whole of Birmingham or the Transport for London network for two years.

This is not a recommendation to invest or disinvest in any of the companies or funds mentioned. Names of companies and funds are included for illustrative purposes only.

[1] Source: IZA – UK Households' Carbon Footprint – ftp.iza.org/dp7204.pdf
[2] https://www.trig-ltd.com/sites/default/files/TRIG%20Annual%20Report%202018.pdf

Follow the UK's climate leadership through carbon conscious investing

For those with significant assets, one of the easiest ways to reduce your carbon footprint might be to change your investment portfolio. The beauty of this is that this change might not have to come at the cost of lower returns or higher risks.

Compare the MSCI All Countries World Index (ACWI) to the MSCI ACWI ESG Leaders Index and the MSCI ACWI Low Carbon Leaders Index since September 2007. Whether we look at the 2008 crash or the bull market of the last 10 years, the indices had virtually the same performance. Impax Environmental Markets has significantly outperformed the FTSE All-Share over the past 15 years. The Renewables Infrastructure Group has provided a dividend since launch in excess of the FTSE All-Share with around half the volatility.

Carbon conscious investing is not only good for the planet but works as a sensible portfolio strategy in its own right.

For more information, contact your Investment Manager or speak to Patrick Thomas, our Head of ESG Investing.

Investment involves risk. The value of investments and the income from them can go down as well as up and investors may not get back the amount originally invested. Past performance is not a reliable indicator of future performance.

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