



# **Carbon Profiling of Funds**

**Johnny Russell – Investment Director**

**November 2009**

- ▶ SWIP's Investment Process
- ▶ Why we want Carbon Profiling
  - Accountability
  - Credibility
  - Better understanding of climate risk

▶ Size of fund £174.7m; launch date June 1989

▶ Objectives:

- Long term capital growth through investment in primarily UK companies that demonstrate a positive commitment to the protection & preservation of the natural environment

“There will be a large creation and re-distribution of shareholder value in the transition to a low carbon economy – there will be winners and losers at **sector** level, and **within** sectors at company level.

The winners are more likely to be those businesses that **take the time** to understand and address this **complex** area”

*Tom Daley, Chief Executive, The Carbon Trust*

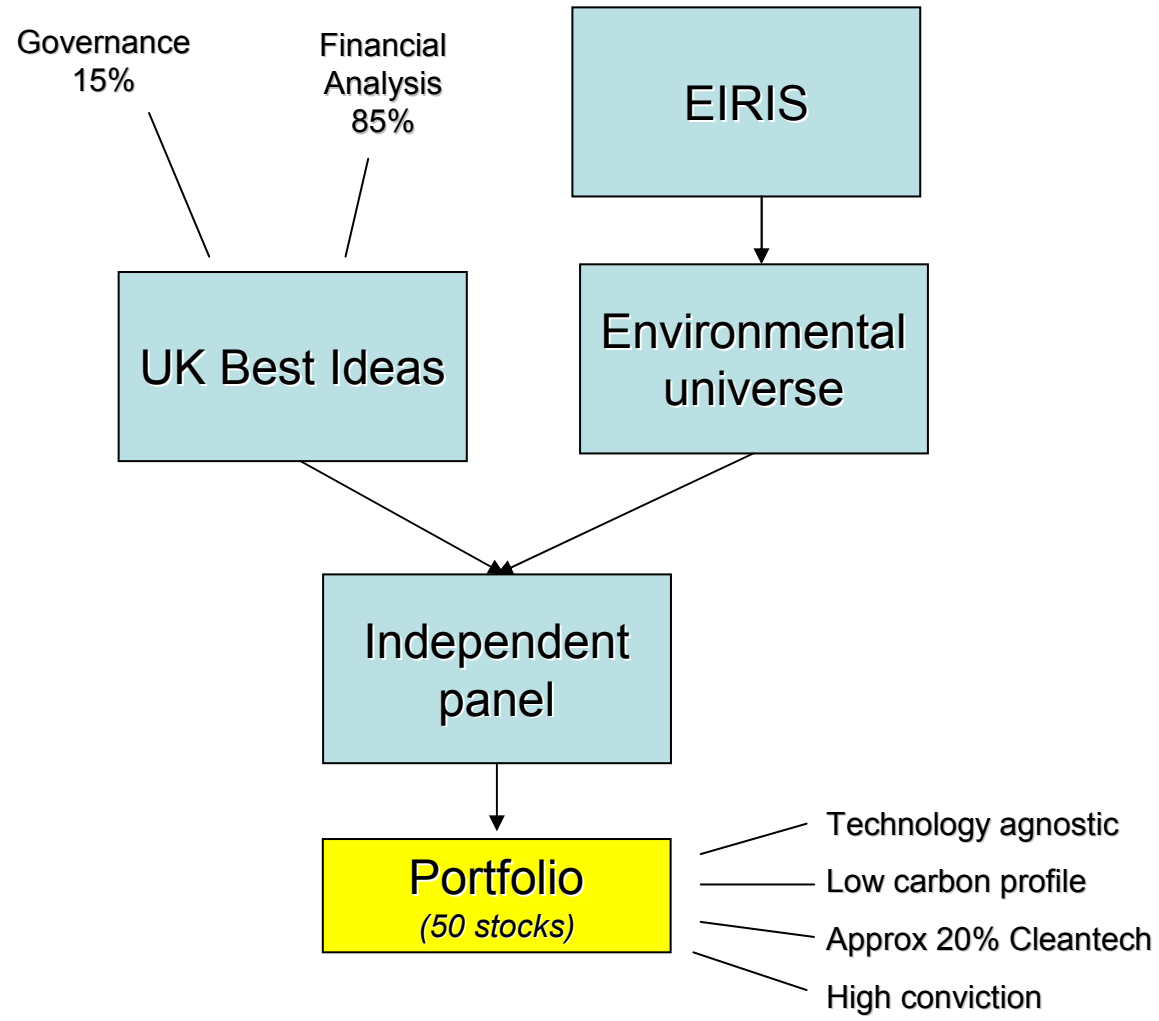
UK.....Are you serious?



Source: Current national plans & analyses on governments' declarations

“We have passed an historic, groundbreaking bill that sets an international example that we hope others will follow.”

Rt Hon Alex Salmond MSP, First Minister of Scotland, 25Jun09





"We need an end to short - termism ... at least until next week."

- ▶ Drivers of change are complex and significant (Stern 2006)
- ▶ A low carbon economy puts significant value at risk, but creates opportunities

Sector	Risk	Opportunity
Aluminium	65%	30%
Automotive	65%	60%
Beer	15%	Minimal
Building Insulation	20%	80%
Consumer electronics	7%	35%
Oil & Gas - E&P	35%	Minimal
Oil & Gas - Refining	30%	7%

- ▶ Regulation is complex
  - 13 energy ministers in 12 years
  - Low carbon price
  
- ▶ Companies struggle to understand the impact of climate change within their companies and across their value chains (McKinsey/Insight)
  
- ▶ We all have to change.....and carbon profiling is a step in the right direction

- ▶ Accountability
  - UNPRI
  - Improves framework for engagement
  
- ▶ Credibility
  - Fair Pensions Report Oct 2009
  - “Ronseal” effect
  
- ▶ Better Analysis
  - Information on carbon risk
  - Further advice on high impact stocks and engagement
  - Better indication of management quality

## Why Adopt Carbon Profiling?

- ▶ Accountability
- ▶ Credibility
- ▶ Improving our understanding of climate change risk

You should remember that the value of your investment is not guaranteed and can go down as well as up depending on investment performance. You may not get back the amount you invested. Past performance is not a guide to future performance.

Funds may have holdings which are denominated in different currencies and may be affected by movements in exchange rates. Consequently, the value of your investment may rise or fall in line with exchange rates. Investments in emerging markets may involve a higher element of risk due to less well regulated markets and political and economic instability. Tax rules relating to OEICs and Unit Trusts may change.

Commercial property is less liquid than other asset classes and values could be affected if properties need to be sold at short notice. It is a specialist sector which could be volatile in adverse market conditions. Property valuation is a matter of judgement by an independent valuer. Valuation is therefore generally a matter of a valuer's opinion rather than fact. The value of capital income will fluctuate as property values and rental income rises and falls.

Derivative transactions will be used to a significant extent with our Absolute Return funds for the purposes of efficient portfolio management, hedging and to meet the investment objectives of the Fund. Derivatives may be exchange traded or Over the Counter (OTC) derivatives. The use of derivative techniques has the overall intention of reducing the volatility of returns, although this outcome is not guaranteed, and derivatives held may, at times, lead to increased price volatility. As such, investors should be prepared to accept above-average volatility and risk that derivative-related investment can create.

The level of risk depends on the underlying investments in each fund. Further details of the risks relating to investment in the SWIP fund range can be found in the Simplified Prospectus or Key Features Document. These can be found on our website [www.swip.com](http://www.swip.com)

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