

# IMPROVING SOCIETY

JULY 2023

For institutional, professional and wholesale investors only

## THE SEVEN SUSTAINABLE DEVELOPMENT GOALS

Unleashing the incredible investment and impact potential of the Sustainable Development Goals



**Socially responsible investment dates back to 18th Century Methodists and 19th Century Quakers. These early pioneers took a ‘first, do no harm’ approach that had no truck with investments in companies involved in alcohol, tobacco, gambling and slavery.**

The sophistication of socially responsible investment has evolved significantly in the intervening period. Now, a new generation of impact investment funds is taking this proud legacy further by targeting capital at companies that make a significant positive contribution to society with, for example, solutions that support the United Nations’ sustainable development goals (SDGs). This universal set of goals, targets and indicators for global development sets out a detailed roadmap for ending worldwide poverty, protecting the planet, bringing peace, and ensuring prosperity for all by 2030.

Until now, the clearest manifestation of impact investment has been dominated by the themes of climate change and clean energy. This is understandable given the attention it received from COP26 in Glasgow as well as activism from Greta Thunberg to Just Stop Oil and Extinction Rebellion which has driven awareness of and demand for climate focussed investments.

However, socially focused investment is emerging as one of the big themes driving sustainable investment. Currently underserved, social investment is poised to make a transformative difference to the world by accelerating the positive change that is urgently needed.

Martin Currie is in the vanguard of this movement with our new Improving Society strategy. It is designed to do exactly what it says on the tin: improve society by mindfully building its investment strategy around seven socially focused SDGs; numbers one to six, and number ten.

“ Social investment is poised to make a transformative difference to the world by accelerating the positive change that is urgently needed. ”





It's worth spelling out exactly the exact scope of these SDGs to highlight their importance for a strategy that is investing to improve lives, not just returns. They are:



Our strategy departs radically from the traditional approach. Rather than analyse companies according to the familiar sectors – such as financials, industrials, consumer products or technology → the strategy's managers organise their research around these SDG goals. A company will be scrutinised in terms of the contribution it can make to the goals:

Focusing on the SDGs rather than the traditional sectors gives a different perspective to the portfolio, tuning out all the traditional sectoral noise to give a pure play impact approach and concentrate on outcomes.

Looking at a real-world example of the fund's portfolio brings the strategy to life. Valmont Industries is a company that uses technology to conserve the world's resources and improve life. Its agricultural division, for instance, helps farmers to achieve much better crop yields from greatly reduced, and cleaner, energy inputs. This makes the world's food supply more efficient and more sustainable.

Its Valley Irrigation division is the world leader in precision irrigation. The advanced techniques that it has developed reduce the amount of water required for crop irrigation by up to 90% compared to traditional methods. It has a leading market share in the United States and is seeking to grow this with moves into Africa, Brazil, and Asia.<sup>1</sup> Valley alone is addressing the SDGs on zero hunger, good health and well-being, and clean water and sanitation.

<sup>1</sup>Source: Interview with the investment management team of the Martin Currie Improving Society strategy (18 May, 2023).

**The information provided should not be considered a recommendation to purchase or sell any particular security. It should not be assumed that any of the securities discussed here were, or will prove to be, profitable. It is not known whether the stocks mentioned will feature in any future portfolios managed by Martin Currie. Any stock examples will represent a small part of a portfolio and are used purely to demonstrate our investment style.**

“ Rather than analyse companies according to the familiar sectors – such as financials, industrials, consumer products or technology → the strategy's managers organise their research around these SDG goals. ”





When researching potential investments, the strategy leads with impact and utilises frameworks such as the Impact Frontiers' Five Dimensions of Impact<sup>2</sup> to better understand what problem is the company solving, how do you measure this impact and how much impact is being created, and what would happen here if no intervention took place?

It's not just a question of 'what return can we make?' but also 'what positive change can we drive?'

The Improving Society strategy occupies a unique position in the marketplace. We invest in listed equities that have the opportunity to generate impact at scale. Currently, the most common way to gain some exposure to social impact is through a broader-based ESG strategy. Dedicated social impact strategies are few and far between.

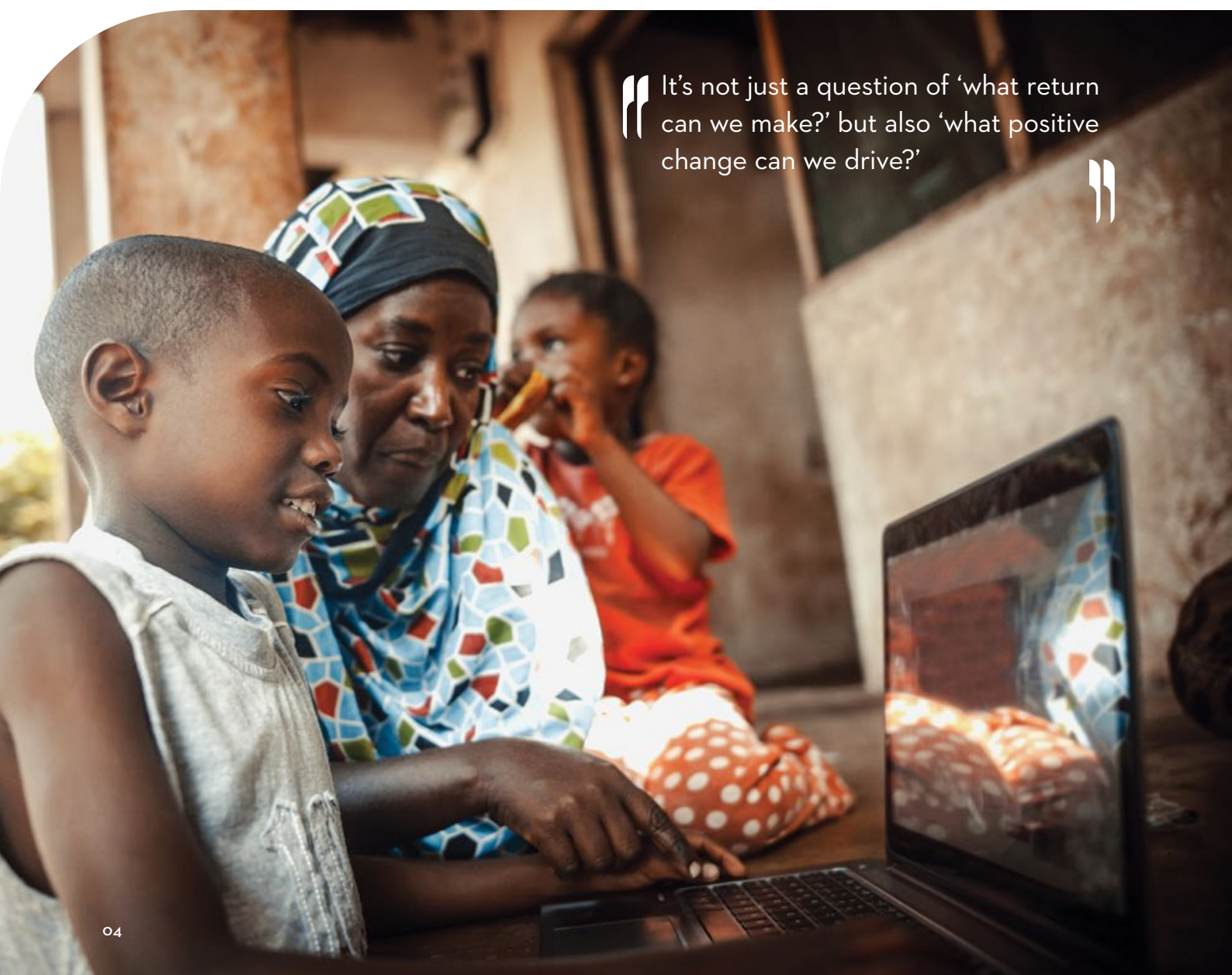
Of course, the SDGs were designed to address the world's development needs, not as a framework for investors. That's why the strategy has very strict screening criteria for its investments and a tailored set of rigorous KPIs for each individual portfolio stock. We believe in measuring what matters; transparently setting clear objectives and defining key results. Rigorous metrics and monitoring are essential to the integrity and effectiveness of a strategy that genuinely seeks to improve society.

The UN Secretary-General António Guterres has expressed the urgency around meeting the socially focused SDGs with his characteristic directness in an editorial just before the outbreak of the Covid-19 Pandemic: "Overall, we are seriously off-track. Hunger is rising, half the world's people lack basic education and essential healthcare, women face discrimination and disadvantage everywhere. One reason for the faltering progress is the lack of financing."<sup>3</sup>

The Improving Society strategy's clear objective is to address this issue head-on by delivering long-term capital growth to investors, while contributing to fairness of opportunity and narrowing of the equality gap. Positive social impact coupled with a financial return. What is not to like?

<sup>2</sup>Source: <https://impactfrontiers.org/norms/five-dimensions-of-impact/>

<sup>3</sup>Source: Reference from editorial in the Financial Times, *Progress toward sustainable development is seriously off-track*, Guterres, A. (November 4, 2019).



“ It's not just a question of 'what return can we make?' but also 'what positive change can we drive?' ”

The strategy's SDG selection reflects the stated preferences of the investing public. For instance, in a recent major national survey conducted by the UK Government<sup>4</sup>, people ranked zero hunger (SDG 2), no poverty (SDG 1), and clean water and sanitation (SDG 6) as their top three most important SDGs to invest in.

Social investment is poised to make a transformative difference to the world by accelerating the positive change that is urgently needed. That's why we feel it is right for the investment world to lean in and step up. The SDGs are not just a worthy cause. They are critical to the sustainable future for our children and grandchildren. Indeed, seeking only to maximise profits and shareholder returns is now seen to be a major risk in its own right.

Addressing the Impact Investing Institute in 2020, Mark Carney, the former governor of the Bank of England, called impact investors 'alchemists for the world's insurmountable problems'.

Targeting sustainable investments with a social objective, through an SDG lens, is a potential formula for achieving that alchemy - transforming innovative ideas into improved societies for all.

<sup>4</sup>Source: *Investing in a Better World*, HM Government, Department for International Development/PwC UK (September 2019).

“ The SDGs are not just a worthy cause. They are critical to the sustainable future for our children and grandchildren. ”





# Important information

This information is issued and approved by Martin Currie Investment Management Limited ('MCIM'), authorised and regulated by the Financial Conduct Authority. It does not constitute investment advice. Market and currency movements may cause the capital value of shares, and the income from them, to fall as well as rise and you may get back less than you invested.

The information contained in this document has been compiled with considerable care to ensure its accuracy. However, no representation or warranty, express or implied, is made to its accuracy or completeness. Martin Currie has procured any research or analysis contained in this document for its own use. It is provided to you only incidentally and any opinions expressed are subject to change without notice.

This document may not be distributed to third parties. It is confidential and intended only for the recipient. The recipient may not photocopy, transmit or otherwise share this presentation, or any part of it, with any other person without the express written permission of Martin Currie Investment Management Limited.

This document is intended only for a wholesale, institutional or otherwise professional audience. Martin Currie Investment Management Limited does not intend for this document to be issued to any other audience and it should not be made available to any person who does not meet this criteria. Martin Currie accepts no responsibility for dissemination of this document to a person who does not fit this criteria.

The document does not form the basis of, nor should it be relied upon in connection with, any subsequent contract or agreement. It does not constitute, and may not be used for the purpose of, an offer or invitation to subscribe for or otherwise acquire shares in any of the products mentioned.

## **Past performance is not a guide to future returns.**

The distribution of specific products is restricted in certain jurisdictions, investors should be aware of these restrictions before requesting further specific information.

Martin Currie has procured any research or analysis contained in this presentation for its own use. It is provided to you only incidentally, and any opinions expressed are subject to change without notice.

The views expressed are opinions of the portfolio managers as of the date of this document and are subject to change based on market and other conditions and may differ from other portfolio managers or of the firm as a whole. These opinions are not intended to be a forecast of future events, research, a guarantee of future results or investment advice.

Please note the information within this report has been produced internally using unaudited data and has not been independently verified. Whilst every effort has been made to ensure its accuracy,

no guarantee can be given.

**The information provided should not be considered a recommendation to purchase or sell any particular strategy / fund / security. It should not be assumed that any of the securities discussed here were or will prove to be profitable.**

**It is not known whether the stocks mentioned will feature in any future portfolios managed by Martin Currie. Any stock examples will represent a small part of a portfolio and are used purely to demonstrate our investment style.**

**The analysis of Environmental, Social and Governance (ESG) factors forms an important part of the investment process and helps inform investment decisions. The strategy does not necessarily target particular sustainability outcomes.**

**Risk warnings - Investors should also be aware of the following risk factors which may be applicable to the strategy shown in this document.**

- Investing in foreign markets introduces a risk where adverse movements in currency exchange rates could result in a decrease in the value of your investment.
- This strategy may hold a limited number of investments. If one of these investments falls in value this can have a greater impact on the strategy's value than if it held a larger number of investments.
- Smaller companies may be riskier and their shares may be less liquid than larger companies, meaning that their share price may be more volatile.
- Emerging markets or less developed countries may face more political, economic or structural challenges than developed countries. Accordingly, investment in emerging markets is generally characterised by higher levels of risk than investment in fully developed markets.
- The strategy may invest in derivatives, Index futures and FX forwards to obtain, increase or reduce exposure to underlying assets. The use of derivatives may result in greater fluctuations of returns due to the value of the derivative not moving in line with the underlying asset. Certain types of derivatives can be difficult to purchase or sell in certain market conditions.
- The integration of sustainability risks in the investment decision process may have the effect of excluding profitable investments from the investment universe of the strategy and may also cause the strategy to sell investments that will continue to perform well.

## **For wholesale investors in Australia:**

This material is provided on the basis that you are a wholesale client within the definition of ASIC Class Order 03/1099. MCIM is authorised and regulated by the FCA under UK laws, which differ from Australian laws. use by members of the general public.



**MARTIN CURRIE**  
A Franklin Templeton Company

**Martin Currie Investment Management Limited**, registered in Scotland (no SC066107)

**Martin Currie Inc**, incorporated in New York and having a UK branch registered in Scotland (no SF000300),  
2nd Floor, 5 Morrison Street, Edinburgh EH3 8BH.

Tel: (44) 131 229 5252 Fax: (44) 131 222 2532 [www.martincurrie.com](http://www.martincurrie.com)

Both companies are authorised and regulated by the Financial Conduct Authority. **Martin Currie Inc**, 280 Park Avenue New York, NY 10017 is also registered with the Securities Exchange Commission. Please note that calls to the above number and any other communications may be recorded.

© 2023 Martin Currie Investment Management Limited.