

# MERRILL LYNCH WEALTH MANAGEMENT

## Values Based Investing: Looking for Growth and A Better Future

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I'm Sarj Nahal, head of the thematic investing strategy team. By values based investing what we mean is taking a longer term approach towards investment, taking on board issues like...

### [GRAPHIC]

#### **Values-Based Investing Can Encompass...**

- Faith-based values
- Environmental issues
- Social issues
- Governance issues

Faith based investing, one's particular religious beliefs or one's family's religious beliefs. But, increasingly it's about recognizing the long term issues, the environmental issues, the social issues and the governance issues that are impacting sectors that are impacting companies...

To give you an example of how VBI could work in practice take a look at shale gas. Depending on one's personal goals, one's family's goals, this could be a great opportunity in terms of America's energy independence. Make America a long term energy exporter. Other people are quite concerned about water use in the shale gas industry. They're looking to see more restrictive regulations off the back of this or even to ban the practice altogether.

### CHAPTER BREAK

#### Themes and Sectors

We really like themes like energy efficiency which is first all about reducing cost which everybody would agree with, but also about environmental opportunities. Take a look at a sector like auto.

### [LOWER 3<sup>RD</sup> OVER B-ROLL]

#### U.S. fuel economy standards will reach 56 miles per gallon by 2025

What we're seeing is new fuel economy standards which are coming into place in the US where we're looking 56 miles per gallon by 2025. This is going to create investment opportunities. Simple things like downsizing the engine, adding in a turbocharger will improve the efficiency of the engine by 20 to 30% and reduce carbon emissions by 20%.

We also quite like water. We think that we've probably arrived at the stage of peak water globally...

### **[LOWER 3<sup>RD</sup> OVER B-ROLL]**

By 2030, global water demand is expected to be 40% greater than supply

And by 2030 global water demand is set to exceed supply by some 40% making water one of the most valuable resources. We think there's opportunities that are going to arise off the back of water management, water treatment as well as greater investment in water infrastructure and supply.

### **CHAPTER BREAK**

#### **Reaching New Investors, Impacting Companies**

I think demographics is definitely playing a role and we can see that with the younger individual, aged between 18 to 30, that these issues really resonate with them. They understand that the world is changing, regulations are changing, that the stakeholders, people on the street, their view is changing and they're trying to better master these issues in their day to day investment decisions.

Corporations are increasing cognizant of the fact that these issues matter to investors. So, over the course of the last 10 to 15 years we've seen significant changes in corporate practices in terms of policies, management structures and management systems because at the end of the day they know that if they don't act off the back of these issues that investors will use their power to try to bring about change at corporations.

### **CHAPTER BREAK**

#### **Moving into the Mainstream**

Values-based investing would have been as niche 10 years ago or 20 years ago and increasingly where we think things are going is these are becoming mainstream. These are becoming part of the normal day to day operations for corporates, for investors as well as stakeholders. It's no longer sitting in the corner apart, something different, it's becoming part of traditional investment decision making.

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