



Investing with a social conscience

The importance of
Financial Planning



HarperLees Mission Statement

At HarperLees, we provide Lifestyle Financial Planning guidance for all life stages.

Our goal is to make a difference and be a catalyst for a better life, no matter where our clients are on their journey.

We aim to create a long-term relationship with you so that we can fully understand your needs, wants and aspirations today and through your future.

We believe that true Lifestyle Financial Planning has three stages:

1. Coaching – To assist you with making decisions about your future wishes.
2. Planning – Assessing your current situation and mapping a path to meet your life requirements.
3. Advising – Using products and solutions to underpin and improve your overall situation.

By prioritising your lifestyle objectives, better understanding your motivations and preferences, we can help you find the right strategy and underlying financial solution for you.

What does it mean to be Chartered?

HarperLees is proud to be a Chartered Financial Planning firm, and that all our financial planners are Chartered Financial Planners. This gold standard is granted under Royal Charter by the Chartered Insurance Institute (CII).

As individuals, the strict qualifying criteria requires:

- Passing a suite of examinations at a standard equivalent to an honour's degree.
- A dedication to the role for a minimum of 5 years.
- A commitment to continuing professional development to maintain knowledge of the latest legislative, regulatory and technical developments.

As a firm, we are additionally assessed as having in place:

- Core values, business practices, and a diversity and inclusion policy that align with the CII Code of Ethics.
- An appropriate professional development programme for our team.

The steps that HarperLees has taken to secure this Royal Charter accreditation evidences our dedication and passion to ensure that we strive to make a difference to our client's lives. You can therefore rest assured that your best interests are at the heart of everything we do.

Chartered evidences that you can have confidence in us to manage to your financial planning needs and trust that we will always tell you the truth about your money and the possibilities it holds.

Investing with a Social Conscience

It will not have escaped your attention there has been a growing momentum of navel-gazing into our futures. There are several contributing factors:

Environmental (E) – Media coverage of Greta Thunberg addressing world powers and Sir David Attenborough's recent 'Life on our Planet' film highlighting his concerns for the environmental damage humans have and continue to cause wildlife and our eco-systems.

Social (S) – We are increasingly aware of the inequalities that exist in the UK and around the world, whether this be in relation to 'fair' pay, opportunities or profiteering at the expense of others.

Governance (G) – We have greater awareness of companies and services that 'do the right thing' for their workers, suppliers and customers whilst building sustainable profits and paying 'fair' tax contributions.

We can individually ask ourselves, what would we like to see:

- 1) **More** of in the world? and,
- 2) **Less** of in the world?

In our daily living, we choose to use companies, charities and organisations that meet our individual values. This may extend to how you choose your investments to be deployed.

Why Now?

The concept of having 'Ethical' investment funds is not new although historically they often focused on filtering out companies and/or themes which reduced the available universe of options. They tended to be biased towards comparatively smaller capitalised companies and therefore brought higher risks.

The advancement of ESG and Socially Responsible Investments (SRI) can be described with the analogy of using Sat-Nav GPS for reaching our destinations rather than relying upon a map. Technology now available provides greater information and therefore the ability to filter out the more contentious themes whilst also looking to influence corporate behaviours.

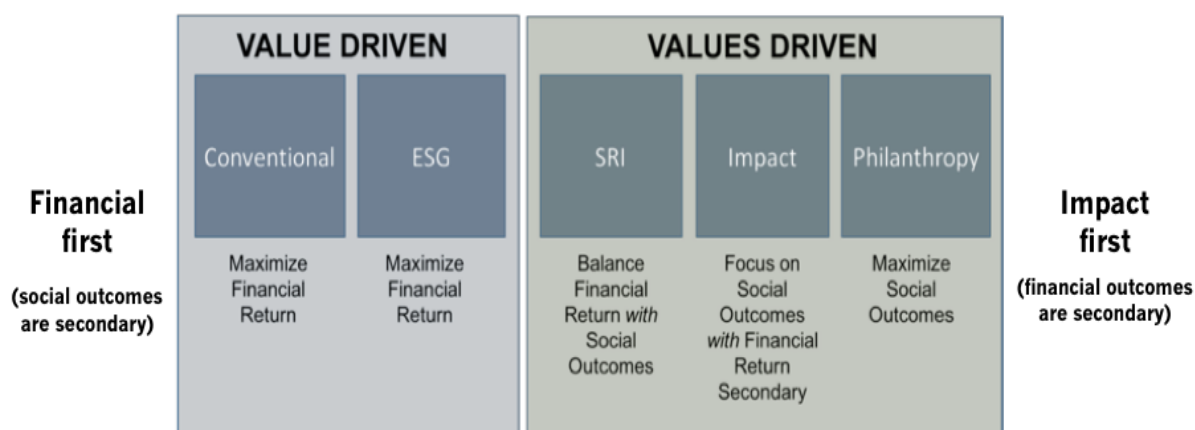
From a regulatory perspective, the Markets in Financial Instruments Directive (MiFID II) will bring legislation in 2021 to 'force' financial advice firms to consider their clients' specific ESG views. It is believed this requirement is being driven by the European authorities to encourage investment of

institutional and retail capital into environmentally sound companies and projects in the drive towards becoming Carbon Neutral under the Paris Agreement.

That said, at HarperLees, we believe the right approach is to enhance our service as technology allows and we now feel there are appropriate solutions to meet different investment preferences and requirements.

Shades of 'Green'?

The range of options can be segmented as:



Source: Vert Asset Management

Simplistically, a Conventional strategy seeks return for a given risk profile without a direct consideration of the nature or theme of the companies. The judgement places a greater onus on future profitability.

The ESG 'filter' brings an additional consideration of the environmental, social and governance risks and opportunities.

Socially Responsible Investment (SRI) strategies include negative or positive screening to meet ethical preferences or restrictions.

Impact investing is providing capital to companies working to solve social problems like endemic unemployment or poverty.

Philanthropy would be the least financially rewarding for the investor, although naturally the most emotionally rewarding to support preferred charitable or other causes.

Performance

A natural question is whether there is a price to pay for doing the right thing?

It could be argued that investing into companies that support aspects such as the Climate Change commitments, have good governance and a social conscience should benefit into the future.

The counter argument is that companies without those attributes may face damage to future profitability by tax penalties or punitive legislation changes.

Meaningful comparison is limited by the time periods that data is available from ESG/SRI specific strategies.

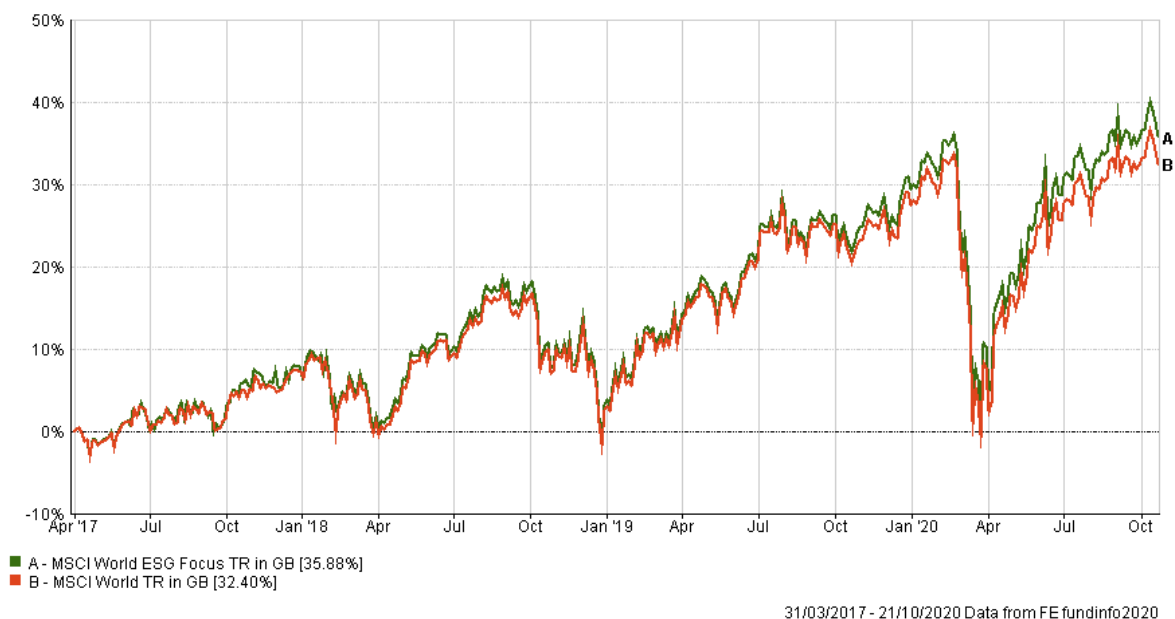
The following chart compares the ESG indices against the main equity markets in the UK and US:



18/06/2014 - 21/10/2020 Data from FE fundinfo2020

Whilst past performance is not a guarantee of returns, the indices have favoured the ESG strategies over the period since June 2014.

Expanding the net wider to show World equities, we see a similar pattern, albeit over a shorter time:



This indicates that the ESG/SRI approach does not necessarily mean a compromise on returns. It is more likely that great diversification, thorough research and analysis brings greater rewards over the longer term.

In other words, your social conscience preferences can be met without necessarily impacting on returns. It is simply another investment tool to consider.

What is Right for Me?

HarperLees would never knowingly recommend an investment strategy that could be considered controversial or immoral. However, it is reasonable to expect that the boundaries of acceptable investments vary from one individual to another.

Our role is not to make a judgement and we seek to understand your requirements and preferences to inform our advice, much the same way that we assess your attitude to investment risk and your ability to sustain that risk.

Get in touch

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