Sustainable investing
Investing for Good

Michaela Seimen Howat,
CIO Sustainable Investing, UBS Wealth Management

September 2018
Sustainable & Impact investments are investments made with the intention to generate social or environmental impact...alongside a financial return.
What is Sustainable Investing

Sustainable investing is an investment approach that incorporates environmental, social and governance (ESG) considerations into investment decisions. Depending on an investor's motivation for engaging in sustainable investing, there are different strategies for achieving their goals:

<table>
<thead>
<tr>
<th>Description</th>
<th>Impact Investing</th>
<th>Integration</th>
<th>Exclusion</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Investing with the intention to generate measureable E&amp;S impact alongside a financial return</td>
<td>Integrating ESG factors into traditional investment processes to improve portfolio risk/return</td>
<td>Excluding companies or industries from portfolios where they are not aligned with an investor’s values</td>
</tr>
<tr>
<td>Desired Primary Outcome</td>
<td>Achieve environmental or social impact, in addition to financial returns</td>
<td>Improve the risk/return characteristics of the portfolio</td>
<td>Align investments with personal values</td>
</tr>
<tr>
<td>Financial return</td>
<td>Low</td>
<td>High</td>
<td>Low</td>
</tr>
<tr>
<td>E&amp;S Outcome</td>
<td>Low</td>
<td>High</td>
<td>Low</td>
</tr>
</tbody>
</table>

Importantly, sustainable investing is still investing. Sustainable investors do not seek to sacrifice returns in order to achieve their respective goals. This differs from philanthropic investors, who may be willing to sacrifice returns – in part or in full – in order to achieve a measurable environmental or social impact.

For illustrative purposes only. Please refer to the Risk Information at the end of this presentation.
How do investments generate impact?

All investments have an impact, whether positive or negative. There are three main ways that your investments can have an impact on people and planet:

1. **Signaling**: Simply by investing in companies that investors believe are having a positive impact on people and planet, and divesting from companies that are not, investors can signal to the market that environmental, social and governance (ESG) factors matter. If enough investors do the same, this can lead to positive change.

2. **Stewardship**: Beyond the provision of capital, investors can influence the companies they invest in to maximize environmental or social good. Investors can, for example, engage with management in order to persuade companies to adopt more sustainable practices, or use their networks and knowledge to enhance the reach of intrinsically impactful companies. Providing the effect of these efforts can be measured and trace back to the investors’ actions, this may be considered impact investing.

3. **Direct Financing**: Investors can directly finance intrinsically impactful companies or projects. An example might be investing venture capital, either directly or via a fund, in an education technology company focused on improving access for underserved populations. Importantly, because investors in secondary markets do not typically finance the operations of the companies they invest in, **this type of impact is usually limited to private markets**.

For illustrative purposes only. Please refer to the Risk Information at the end of this presentation.
The face of wealth is changing

USD 24 trillion of global assets will be owned by millennials in 2020

85% Of millennials interested or very interested in social impact investing

For illustrative purposes only. Please always read in conjunction with the risk information at the end of the document.
Women's economic power is on the rise

Projected 2017 - 2021 wealth growth by gender, annual %, global market research

6.7%

Inheritance

Women to inherit 70% of the USD 41 trillion of legacies in the US (2003 - 2043)

Sustainability

88% of women want to invest in entities that have a positive social impact


For illustrative purposes only. Please always read in conjunction with the risk information at the end of the document.
Returns across three dimensions

Three reasons to engage in sustainable & impact investing

- Societal returns
- Financial returns
- Experiential/family returns
Societal returns

Impact investing can make a huge difference

Source: United Nations, November 29, 2017

Please see important disclaimer at the end of the document.
Societal returns

Philanthropy and public sector investment is insufficient

Estimated investment gap in key SDG sectors in developing countries
Trillions of USD, annual average 2015 - 2030

Source: UNCTAD World Investment Report, 2014
Societal returns

Annual funding gap for SDGs dwarfs in comparison to private wealth holdings

Investment gap

$2.5 trillion

Top 1% private wealth

$130 trillion

Source: Credit Suisse, Global Wealth Report 2013, Brookings Institute
Disclaimer

“This material has no regard to the specific investment objectives, financial situation or particular needs of any specific recipient and is published solely for information purposes. No representation or warranty, either express or implied is provided in relation to the accuracy, completeness or reliability of the information contained herein, nor is it intended to be a complete statement or summary of the developments referred to in this material. This material does not constitute an offer to sell or a solicitation to offer to buy or sell any securities or investment instruments, to effect any transactions or to conclude any legal act of any kind whatsoever. Nothing herein shall limit or restrict the particular terms of any specific offering. No offer of any interest in any product will be made in any jurisdiction in which the offer, solicitation or sale is not permitted, or to any person to whom it is unlawful to make such offer, solicitation or sale. Not all products and services are available to citizens or residents of all countries. Any opinions expressed in this material are subject to change without notice and may differ or be contrary to opinions expressed by other business areas or divisions of UBS AG or its affiliates (“UBS”) as a result of using different assumptions and criteria. UBS is under no obligation to update or keep current the information contained herein. Any charts and scenarios are for illustrative purposes only. Historical performance is no guarantee for and is not an indication of future performance. Neither UBS AG nor any of its affiliates, directors, employees or agents accepts any liability for any loss or damage arising out of the use of all or any part of this material. UBS specifically prohibits the redistribution or reproduction of this material in whole or in part without the prior written permission of UBS, and UBS accepts no liability whatsoever for the actions of third parties in this respect.

[All pictures or images (“images”) herein are for illustrative, informative or documentary purposes only, in support of subject analysis and research. Images may depict objects or elements which are protected by third party copyright, trademarks and other intellectual property rights. Unless expressly stated, no relationship, association, sponsorship or endorsement is suggested or implied between UBS and these third parties.]

This communication and any offering material, term sheet, research report, other product or service documentation or any other information (the “Material”) sent with this communication were done so as a result of a request received by UBS from you and/or persons entitled to make the request on your behalf. Should you have received the Material erroneously, UBS asks that you kindly delete the e-mail and inform UBS immediately. The Material, where provided, was provided for your information only and is not to be further distributed in whole or in part in or into your jurisdiction without the consent of UBS. The Material may not have been reviewed, approved, disapproved or endorsed by any financial or regulatory authority in your jurisdiction. UBS has not, by virtue of the Material, made available, issued any invitation to subscribe for or to purchase any investment (including securities or derivatives products). The Material is neither an offer nor a solicitation to enter into any transaction or contract (including future contracts) nor is it an offer to buy or to sell any securities or derivatives products. The relevant investments will be subject to restrictions and obligations on transfer as set forth in the Material, and by receiving the Material you undertake to comply fully with such restrictions and obligations. You should carefully study and ensure that you understand and exercise due care and discretion in considering your investment objective, risk appetite and personal circumstances against the risk of the investment. You are advised to seek independent professional advice in case of doubt.

Any and all advice provided and/or trades executed by UBS pursuant to the Material will only have been provided upon your specific request or executed upon your specific instructions, as the case may be, and may be deemed as such by UBS and you.”

© UBS 2018. The key symbol and UBS are among the registered and unregistered trademarks of UBS. All rights reserved.