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# *MULTI ASSET: THE IMPORTANCE OF STEWARDSHIP*

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Scott Lothian, investment manager and Laura Thomson, Governance & Sustainability analyst discuss the importance of stewardship within our multi asset investment process.

*The value of an investment and any income from it, can fall as well as rise and investors may not get back the amount invested.*

*This film was produced and approved in June 2019 and has not been updated subsequently. It represents views held at the time of recording and may not reflect current thinking.*

**Scott Lothian (SL):** Our clients entrust us with their capital, expecting good returns and controlled volatility. But we believe they also care about the impact their capital has on society and on the environment. We share these concerns and these values and are responsible stewards of these assets.

As multi-asset investors, the stewardship function takes multiple forms. We engage widely and deeply with the boards and management of the funds and companies that we invest in.

We use our position as long-term, respected investors in these cases, for example, pushing for better fee alignment with the external managers we invest in. Or influencing M&A activity for example, at Hammerson, one of our property investments.

**Laura Thomson (LT):** We believe voting should be investment-led with decisions made in conjunction between myself from our Governance and Sustainability team, and the relevant investment manager from the Multi-Asset team.

We vote all meetings in-house on behalf of our clients, and rather than using overly prescriptive checklists, we consider each on their merits on a case-by-case basis.

In 2018, we voted over 1,000 company resolutions, supportive of management for the majority, and supportive of the companies in which we invest.

Stewardship is not just about conversations we have with our existing holdings. It's also about thinking about big picture trends that have the impact to influence our clients' investments over the long term. Stewardship is also relevant when thinking about investment opportunities.

Climate change is one of these big picture trends and we're already seeing the impacts of this around the world, with global scientific consensus calling for rapid decarbonisation of all parts of the economy and society.

When integrating climate change into our investment process, we're thinking of the likely policy and technological changes that could come about in the coming years, as well as the potential financial impact on our clients' investments at an asset class level.

**SL:** From an investors' perspective, we think about the risks and opportunities coming from climate change development. And a really good example of this is the move towards renewable energy sources. Now in order to meet their decarbonisation targets and reduce reliance on the legacy fossil fuels power plants, many governments, including

the UK, have incentivised long-term investments in solar plants and windfarms. So this gave us the financial opportunity to invest, and be aligned with that long return positive trend.

Another trend is the increasing up take of electric vehicles, and this is the driving force in nickel, which is one of the key components going into the batteries of those.

We believe that good stewardship practices go hand-in-hand with good investment outcomes. It matters a lot – *it always has done* – and that’s why it’s an integral part of our investment process.

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