

HOW TO BE A positive, ethical investor

Make your money really count.

with John Berry

Ethical investors are often told what to avoid investing in, but there is little guidance on the investments to actively seek. This is surprising given that positive ethical investing is much more interesting, more profitable and more likely to effect change in the world.

We all know the 'sin stocks' to avoid. Tobacco tops the list along with nuclear weapons companies, gambling and, increasingly, fossil fuel companies. Investors have options to avoid these harmful companies and industries. But finding positive ethical investments is harder.

Profitable long-term ethical investment themes exist at the intersection of global mega trends and sustainability. Climate change, feeding the world's growing population and trends in technology will drive future wealth.

Key positive investment themes:

- Water
- Renewable energy
- Forestry
- Data centres (specifically ones that generate their own renewable energy)

Investing in companies riding the long-term trends should generate solid financial returns – plus you'll know you're investing in a planet-positive way.

Fresh water that is both accessible and from sustainable sources comprises way less than 0.1 per cent of all water in the world. Combine scarcity with droughts due to changing weather patterns, and the world has a significant problem. So companies designing, building or operating water treatment, water distribution and desalination equipment globally will be

good investments. The NASDAQ index of water company shares has delivered over 13 per cent per annum for eight years – and the trend has longer to run.

Governments globally are adjusting regulatory settings to discourage carbon-intensive power production such as coal. Meanwhile, solar and wind power generation is getting consistently cheaper and more competitive relative to traditional power-generation sources. As clean energy technology improves, so does profitability so I would rather be invested in solar or wind companies than coal, and this choice also benefits our planet.

There is growing interest in construction products with a low carbon footprint – forestry is a prime candidate. Trees sequester carbon from the atmosphere, which helps mitigate climate change impacts. The price of timber is cyclical though, so take a long-term approach to this investment.

The creation and storage of data is surging, with future storage demand expected to double every two years, presenting vast business opportunities. Data storage facilities are, however, extraordinarily energy intensive. The sustainable investment route here is to find those data storage companies that also generate their own sustainably sourced power. For example, Equinix is a US listed data storage company moving towards carbon neutrality through solar power generation.

Be proactive

If you want to invest ethically do more than excluding harmful industries. Go green with an allocation to some of these long-term trends. Your investments can do good and make solid financial sense at the same time.

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