

UK's dirtiest funds revealed

New ranking shows how exposed investment products are to polluting industries

OCTOBER 13, 2016 by: Attracta Mooney



A BlackRock fund that invests in eastern Europe and Asia has been named as the UK's dirtiest fund in the first ever ranking to show how exposed investment products are to polluting industries.

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BlackRock's Emerging Europe fund, which oversees assets of \$129m, has a carbon footprint 176 times greater than the UK's cleanest fund, Royal London's Sustainable World Trust. Its carbon footprint was also 10 times bigger than that of the MSCI Emerging Markets index.

The ranking of 1,200 UK funds by As You Sow, a non-profit organisation, comes as concerns mount that investors could suffer big losses if companies with large carbon footprints are negatively affected by attempts to tackle climate change.

John Davis, director of financial industry at South Pole Group, which provided data for the ranking, said: "Understanding the carbon footprint of a fund is important for an investor as the world begins to trend towards sustainable investments and away from those that are carbon intensive.

"There are now great opportunities to invest in companies that are actively addressing climate change and to also avoid the regulatory risks that arise from climate change, such as carbon taxes and reporting regulations."

Last year governments around the world signed the Paris agreement to tackle climate change, while Mark Carney, the governor of the Bank of England, warned that action to meet global climate change targets could leave fossil fuels and other high-carbon investments as worthless "stranded" assets.

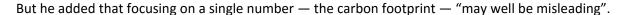
BlackRock, which last month issued a report warning that climate change was a big investment risk, defended the high carbon footprint of its Emerging Europe fund, saying its investable universe was heavily concentrated in carbon-intensive industries.

The fund's 4 per cent holding in Inter Rao, a Russian energy group, accounted for the vast majority of its large carbon footprint.

A BlackRock spokesperson added: "We believe that investors can no longer ignore climate change. We are at the start of a long-term educational journey for both ourselves and the market about carbon risk in portfolios."

Two funds from Standard Life Investments, the Scottish asset manager, and a fund from Schroders, the UK's largest listed asset manager, ranked among the five products with the largest carbon footprint, according to As You Sow.

Andrew Howard, head of sustainable research at Schroders, said climate change is emerging as a significant trend that will have implications for financial markets.





A spokesperson for Standard Life Investments said: "The Paris agreement coming into force is an exciting step in the fight against climate change.

"However, legislation will take time to evolve and each market may need to take a different approach to carbon management."

The As You Sow research covered 8,500 investment products globally. Besides allowing investors to find out if they are exposed to climate change risks, it also revealed huge differences in how exposed the UK's largest funds are to polluting industries.

Invesco Perpetual's High Income fund, the UK's largest fund, with £11.7bn in assets, is three times more exposed to carbon than the £7.9bn Stewart Investors Asia Pacific Leaders fund, the fourth biggest.

M&G's Global Dividend fund has the largest carbon footprint of the UK's 10 biggest funds.

In contrast, BlackRock's UK Equity Tracker and Woodford Equity Income, the fund set up by star manager Neil Woodford after he quit as manager of Invesco Perpetual's High Income, rank well in terms of their carbon footprints.