

Globally driven portfolio constructions

Outcome focused portfolios

Robust repeatable investment process

Investment committee structure

Actively managed & cost effective



**AZ SESTANTE**  
AZIMUT GROUP

# RESPONSIBLE INVESTING WITH SESTANTE ESG FOCUS PORTFOLIOS

Responsible investing refers to selecting investment strategies and practices to incorporate environmental, social and governance (ESG) factors in investment decision making.



# RESPONSIBLE INVESTING

Responsible investing may not be just a choice, it may become a way of life moving forward to create a more liveable world for now and future generations to come.



ESG is the broad term that encapsulates investment approaches and strategies that are based on achieving a range of responsible investing outcomes. The range of approaches may include risk mitigation – for example, reducing investments in companies that participate in contributing to environmental damages, through to actively investing in companies that participating in promoting reduced environmental impact.

ESG means more than one thing, and all areas of ESG are equally important and need to be correctly aligned throughout the business to the core.



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E

S

G

## ENVIRONMENTAL

Looking after the environment isn't only about saving trees and clean water. The world is connected in the circle of life, and one action from a company or individual has the potential to impact on many.

Example of considerations:

- Climate change
- Net zero by 2050
- Waste
- Animal cruelty
- Biodiversity
- Screening out fossil fuels
- Positive screening in companies that invest in and provide new solutions for environmental technology

## SUSTAINABLE

This refers to sustainability in a business sense as well as sustainable in an environmental sense. In order for a company to have long term business sustainability it needs to consider the long-term sustainability of the world we live in – how they are contributing to a better world and economy, or minimising damage.

Example of considerations:

- Human rights violations
- Employee engagement and labour rights
- Slavery
- Affordability
- Privacy
- Excluding tobacco, gambling, weapon companies
- Fashion/retail brands that minimise waste, recycle textile, promote circular economy

## GOVERNANCE

To look after the environment (E) and be sustainable (S), companies need to have solid governance in place. Good governance doesn't just mean acting ethically in business dealings, it also recognises that avoiding that responsibility inevitably leads to cutting corners, corruption, and ultimately failure.

Example of considerations:

- Board diversity and inclusion
- Executive remuneration
- Capital management
- Regulatory engagement
- Political risks

**"Many individuals are doing what they can. But real success can only come if there is a change in our societies and in our economics and in our politics."**

– SIR DAVID ATTENBOROUGH





# THE 17 UNITED NATIONS SUSTAINABLE DEVELOPMENT GOALS

As with any investment decisions, each investor is unique with personal preferences. How we each choose to contribute to a better place varies from one person to another. It's impossible to build a portfolio that will satisfy all investors' version of good and bad and that's why we've chosen the UNPRI principles to guide our investment decisions.

The UNPRI is the world's leading proponent of responsible investment, and the PRI is truly independent. It encourages investors to use responsible investment to enhance returns and better manage risks, but does not operate for its own profit; it engages with global policymakers but is not associated with any government; it is supported by, but not part of, the United Nations.



Source: PRI Association, [www.unpri.org](http://www.unpri.org)

## THE 17 UNITED NATIONS SUSTAINABLE DEVELOPMENT GOALS CONTINUED

The goal of these portfolios is to participate in the application of pressure to companies around the world to “be better”. Investing in our portfolios isn’t going to directly solve poverty, save the environment immediately, or end corruption but it adds to the chorus of voices around the world to do exactly those things.

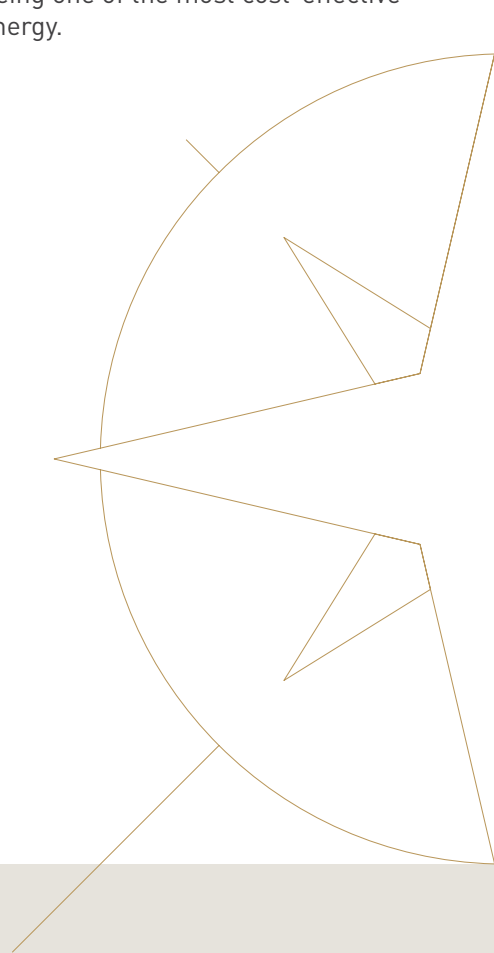
A simple act of recycling from each household creates impact at larger scales. Every little bit counts.

The grey areas are significant, and very personal. Some people might not want to invest in extractive industries, but many people will concede that it’s the large mining and industrial companies that are the ones most likely to solve climate challenges. As large employers these businesses are also better placed to improve conditions for workers and by being an ‘employer of choice’ their efforts flow onto other companies.

For example, our portfolios are likely to always have some exposure to BHP. They are the largest miner in the world, they have a significant carbon footprint. They’re also a major contributor to sustainable energy solutions and they export Australian employment values (care for workers) to their sites around the world. Consider also that part of their business is uranium mining – people have strong views about nuclear power being a bad and dangerous thing, but others point to nuclear reactors being one of the most cost-effective sources of clean energy.

**“Cherish the natural world, because you’re part of it and you depend on it.”**

– SIR DAVID ATTENBOROUGH



# SCREENING SUITABLE INVESTMENTS

AZ Sestante has partnered with Evergreen Consultants to provide some guidance around sustainable investing using a simple framework that is easy to understand. You'll be able to understand where your money is invested and how it's helping the global efforts on environmental sustainability.

We use the Evergreen Responsible Investment Grading (ERIG) Index framework to define sustainability in line with the United Nations Principles of Responsible Investment (UNPRI).

## THE SUSTAINABLE INVESTING FRAMEWORK

The ERIG Index framework shows the range of responsible investments on a spectrum starting with ESG integration to impact investing.

### RESPONSIBLE INVESTMENT SPECTRUM



Apply ESG risks and opportunities to financial analysis and investment decisions



Excluding sectors, companies, countries or issuers based on a misalignment of values or downside risk



Screens companies and issuers based on business practices and beliefs



Appropriately using shareholder rights and fiduciary duties to guide a company using ESG guidelines



Realigning a portfolio to specifically target better ESG profiles either at the company level or industries



Specifically targeting investment themes e.g. Sustainable agriculture, green property, 'low carbon', Paris or SDG-aligned



Investments that achieve measurable social and environmental impacts and outcomes

ESG  
Intergration

Negative  
Screening

Norms-based  
Screening

Active  
Ownership

Postive  
Screening

Sustainability  
– themed investments

Impact  
Investing

Avoids harm

Benefits stakeholders

Contributes to solutions

Source: Evergreen Consultants, [www.evergreenconsultants.com.au](http://www.evergreenconsultants.com.au), derived from Responsible Investment Association Australasia (RIAA)



# 5 SESTANTE RESPONSIBLE INVESTING OPTIONS

1. Sestante ESG Focus Dynamic Conservative Portfolio
2. Sestante ESG Focus Moderately Conservative Portfolio
3. Sestante ESG Focus Dynamic Balanced Portfolio
4. Sestante ESG Focus Dynamic Assertive Portfolio
5. Sestante ESG Focus Dynamic Aggressive Portfolio

The funds selected as part of Sestante ESG Focus portfolios are pre-screened by Evergreen to meet sustainable criteria, and generally only funds that rank within the first quartile are included in our ESG portfolios. The funds selected are also consistently aligned with existing investment philosophy of Sestante.

The Sestante ESG Focus portfolio construction carefully selects companies and funds who are making an effort to minimise global ecological footprints, and ones who actively seek out to create a better future for a more sustainable environment. We select from pre-determined funds which are listed in Evergreen's first quartile ranking.



Please refer to the each of the individual portfolio fact sheet for more detail.



Refer to the Dynamic Asset Allocation fact sheet for more details on asset allocation and the Black-Litterman Model.

## DYNAMIC ASSET ALLOCATION

Consistent with all AZ Sestante portfolios, our investment team is responsible for the management and monitoring of multi-manager portfolios. The Black-Litterman Model (B-L Model) is used in the investment process along with fundamental research of our global investment platform for asset allocation decisions. Governance and oversight is provided by the Investment Committee.

The Investment Committee discusses and approves the investment manager's ultimate investment decisions, as well as overseeing the underlying investments and asset exposures of each portfolio to ensure compliance. There are regular meetings with current as well as potential investment managers as part of the ongoing monitoring and due diligence process.

## SESTANTE ESG FOCUS PORTFOLIOS



Please refer to the Peer Group Performance & Sharpe Ratio report for the latest comparison of Sestante portfolios to the industry average.

Defensive

Growth

Defensive vs Growth	Sestante ESG Focus Portfolios	Investment Objectives	Estimated Cost p.a*	ESG Pillar Score#
70% / 30%	Sestante ESG Focus Dynamic Conservative Portfolio	To deliver outperformance of the RBA Cash Rate + 2.0% p.a. after fees over a rolling 3-year period.	AZS021 (HUB24): 0.5549%	<div> <b>3.5</b> Environmental            <b>8.3</b> Social         </div> <div> <b>6.4</b> Governance            <b>2.7</b> Unallocated         </div>
55% / 45%	Sestante ESG Focus Dynamic Moderately Conservative Portfolio	To deliver outperformance of the RBA Cash Rate + 2.5% p.a. after fees over a rolling 5-year period.	AZS022 (HUB24): 0.6869%	<div> <b>4.1</b> Environmental            <b>8.2</b> Social         </div> <div> <b>6.3</b> Governance            <b>2.3</b> Unallocated         </div>
30% / 70%	Sestante ESG Focus Dynamic Balanced Portfolio	To deliver outperformance of the RBA Cash Rate + 3.5% p.a. after fees over a rolling 6-year period.	AZS023 (HUB24): 0.7963%	<div> <b>4.5</b> Environmental            <b>8.1</b> Social         </div> <div> <b>6.3</b> Governance            <b>1.8</b> Unallocated         </div>
15% / 85%	Sestante ESG Focus Dynamic Assertive Portfolio	To deliver outperformance of the RBA Cash Rate + 4.5% p.a. after fees over a rolling 7-year period.	AZS024 (HUB24): 0.8150%	<div> <b>4.5</b> Environmental            <b>8.3</b> Social         </div> <div> <b>6.4</b> Governance            <b>1.2</b> Unallocated         </div>
2% / 98%	Sestante ESG Focus Dynamic Aggressive Portfolio	To deliver outperformance of the RBA Cash Rate + 5.0% p.a. after fees over a rolling 7-year period.	AZS025 (HUB24): 0.8930%	<div> <b>4.9</b> Environmental            <b>8.5</b> Social         </div> <div> <b>6.5</b> Governance            <b>1.0</b> Unallocated         </div>

\*Estimated total cost is before transaction costs and platform fees. Figures as at 1 June 2022.

# The Morningstar ESG pillar scores are displayed as a number between 0 and 100 with most scores range between 0 and 25. It is the asset-weighted average of the company environmental, social, governance risk scores for the covered corporate holdings in a portfolio. The scores measure the degree to which a company's economic value may be at risk driven by environmental, social, and governance factors. The risk represents the unmanaged risk exposure after taking into account a company's management of such risks.



# INVESTMENT TOOLKIT



This Investment Toolkit provides a checklist of items that may be useful for you to understand the ESG options as well as other related documents to help you better understand the options available.



## **Responsible Investing with Sestante ESG Focus Portfolios**

This document.



## **ERIG Index chart for each of the investment options**

See detailed scoring and green map of each of the funds along with underlying manager list. [Request through invest@azsestante.com](mailto:invest@azsestante.com)



## **Fund fact sheet for each portfolio**

Visit [www.azsestante.com/managed-accounts](http://www.azsestante.com/managed-accounts)



## **Peer Group Performance & Sharpe Ratio Report**

Helps investors to assess the performance of investment management products and professionals. This is updated quarterly and emailed to advisers.



## **Monthly investment update**

Monthly investment return figures and latest portfolio updates for the month. [Sign up on the Sestante website.](#)



## **Dynamic Asset Allocation fact sheet**

Explains asset allocation at Sestante and the Black-Litterman Model. [More on www.azsestante.com](http://www.azsestante.com)



## **Sestante corporate brochure and investment philosophy**

Our ESG investment approach and philosophy is aligned with the overall Sestante investment philosophy. [Visit www.azsestante.com](http://www.azsestante.com)

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**AZIMUT GROUP**

Listed on the Milan Stock Exchange

Market cap over 2.8 billion Euro

72 billion Euro Assets Under Management (AUM)

Supporting over 2,000 financial advisers and 110 investment professionals globally

Managing multi asset portfolios since 1989

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