



# Sustainable investing:

fast-forwarding its evolution

May 2020

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# Speakers



**Anthony Cowell**  
**KPMG in the Cayman Islands**  
*Partner,  
Head of Asset Management*

Anthony is a Global Lead Engagement Partner and Head of Asset Management for the KPMG Islands Group, a sub-region of countries within EMA. His portfolio of clients include some of the world's largest asset managers and alternative investment platforms, as well as independent hedge funds, private equity structures and institutional investment portfolios.

Anthony is a member of KPMG's Global Alternative Investments Leadership Team and a Director of the CAIA Association, the global leader in alternative investment education and provider of the CAIA designation, the alternative industry benchmark. A regular speaker at industry conferences and author of thought leadership across asset management, he is regularly featured in the business press and is Editorial Chair of the Cayman Alternative Investment Summit. He is also a member of the Cayman Finance International Relations Working Group, and a founding member of KPMG's Global Impact Investing Steering Group. Anthony co-authored KPMG's Global thought leadership reports, "Sustainable Investments: Fast-forwarding its Evolution" and "Alternative Investments 3.0: Digitize or Jeopardize".

An active member of his community, Anthony is Head of Citizenship for the KPMG Islands Group. He is a founding board member of Literacy Is For Everyone, an independent charitable organization created to improve literacy in the Cayman Islands. He is also a trustee of Becoming X, a global charity that works with the most inspiring and iconic people to help create a world where everyone can realize their potential, no matter what their starting point in life.



**William Kelly**  
**CAIA Association**  
*CEO*

William (Bill) J. Kelly is the CEO of the CAIA Association. Bill has been a frequent industry speaker, writer, and commentator on alternative investment topics around the world since taking the leadership role at the CAIA Association in January, 2014. Previously, Bill was the CEO of Boston Partners and one of seven founding partners of the predecessor firm, Boston Partners Asset Management which, prior to a majority interest being sold to Robeco Group in Rotterdam in 2002, was an employee-owned firm. Bill's career in the institutional asset management space spans over 30 years where he gained extensive managerial experience through successive CFO, COO and CEO roles. In addition to his current role, Bill is a tireless advocate for shareholder protection and investor education and is currently the Chairman and lead independent director for the Boston Partners Trust Company. He has previously served as an independent director and audit committee chair for '40 Act Mutual Funds and other financial services firms. He is also currently an Advisory Board Member of the Certified Investment Fund Director Institute which strives to bring the highest levels of professionalism and governance to independent fund directors around the world. A member of the board of the CAIA Association, Bill also represents CAIA in similar capacities via their global partnerships with other associations and global regulators. Bill began his career as an accountant with PwC and is a designated Audit Committee Financial Expert in accordance with SEC rules.



**Tom Kehoe**  
**AIMA**  
*Managing Director,  
Global Head of Research  
and Communications*

Tom joined AIMA as research manager in October 2008 and heads up all research and communications globally for the association. In this role Tom is responsible for creating and executing the association's strategies to develop and maintain strong external stakeholder relationships. In doing so, he constructs the association's narrative through original research and thought leadership as well as design, implement and promote the association's communications and brand. In this capacity, he has authored over fifty research and thought leadership pieces, which have been mentioned widely across the trade and business press as well as commented on radio and television. He has been involved with hedge funds for 15 years. Prior to joining AIMA in October 2008, Tom spent four years working in hedge fund research and due diligence with BNP Paribas in New York and Dublin. Tom holds a Masters in Finance from the National College of Ireland, a graduate certificate in Investment Management from Dublin City University and is a Chartered Alternative Investment Analyst member (CAIA).



# Speakers



**Rebecca Palmer**  
**KPMG in the Cayman Islands**  
*Director, Audit, Asset Management*

Rebecca is an audit director in KPMG's asset management practice, based in the Cayman Islands and has over 17 years of experience gained in London, New York and the Cayman Islands. Her primary responsibilities encompass the provision of audit services to a comprehensive variety of investment vehicles such as hedge funds, structured products and private equity funds. She has a wide range of experience in dealing with many different kinds of fund structures and a variety of strategies.

Rebecca is on the education committee of 100 Women in Finance in the Cayman Islands and has completed the Women in Leadership program at Said Business School, Oxford University and the Private Equity Masterclass at London Business School. Rebecca is a Fellow of the Chartered Accountants England & Wales.



**Ben Blair**  
**KPMG in the Cayman Islands**  
*Director, Audit, Asset Management*

Ben is an audit director in KPMG's asset management practice, based in the Cayman Islands and has over 16 years of experience gained in the UK, Middle East and the Cayman Islands. His primary responsibilities encompass the provision of audit services to a comprehensive variety of investment vehicles such as hedge funds, structured products and private equity funds. He has a wide range of experience in dealing with many different kinds of fund structures and a variety of hedge fund strategies.

Ben is involved with business development, strategic management and technical support for KPMG in the Cayman Islands. He has been a member of the global team responsible for preparing IFRS illustrative financial statements for investment funds. Ben is also involved with literacy programs in the local schools.

# The research

- 135 institutional investors, hedge fund managers, long only managers and pension consultants in 13 countries
- US\$1.65 trillion of assets of hedge fund managers and their institutional clients via two separate electronic surveys
- US\$4.6 trillion of assets of early adopters via a structured interview survey of C-Suite executives

**What is the current state of progress in implementing sustainable investing?**



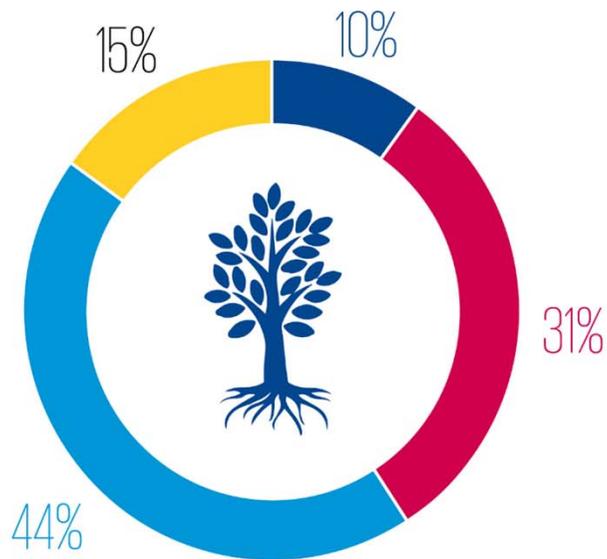
**Why is the pace of progress being held back by various barriers?**



**How are these barriers being tackled on the ground by evolving best practice?**



# Where is your organization currently in the ESG-implementation life-cycle?



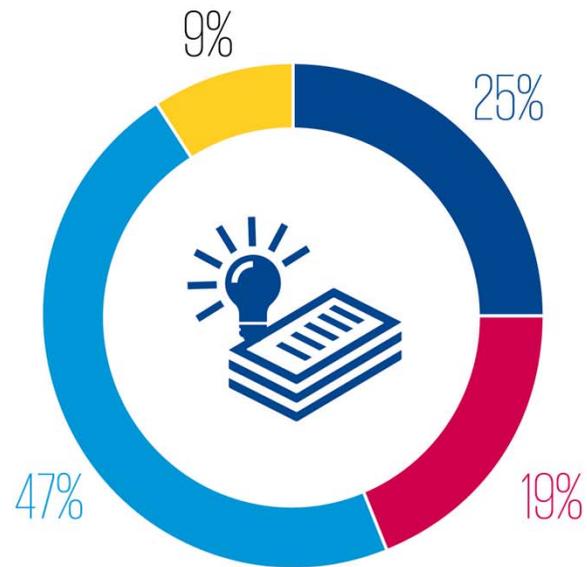
- No implementation to date
- Awareness-raising
- In progress
- Mature already

Source: KPMG–CAIA–AIMA–CREATE Survey 2020

“  
ESG should come with a story. It can't just be about financial performance.”

An US alternative investment firm

# Which of the following best describes your organization's attitude towards ESG data?



- Opportunistic
- Inquisitive
- Skeptical
- Overwhelmed

Source: KPMG-CAIA-AIMA-CREATE Survey 2020



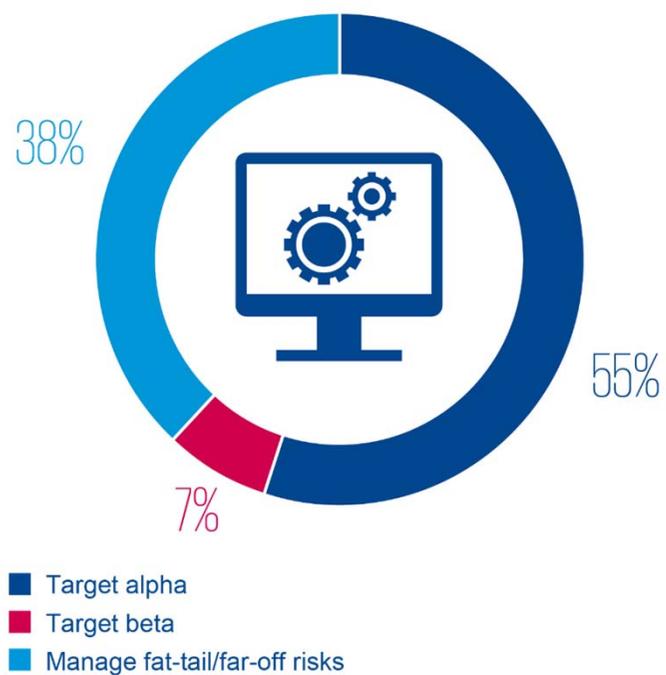
Materiality is hard to ascertain with the current generation of data. We are forced to make judgement calls.



A Dutch asset manager



# How are ESG factors being used?

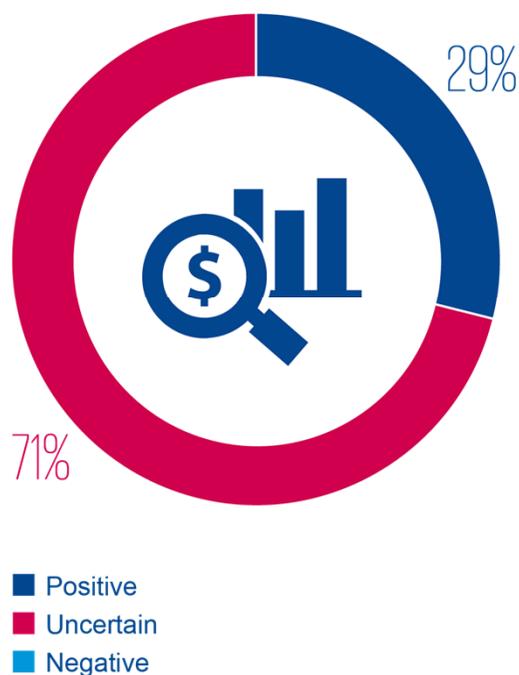


Source: KPMG-CAIA-AIMA-CREATE Survey 2020



# What are the outcomes of the ESG investments?

Hedge fund managers' survey

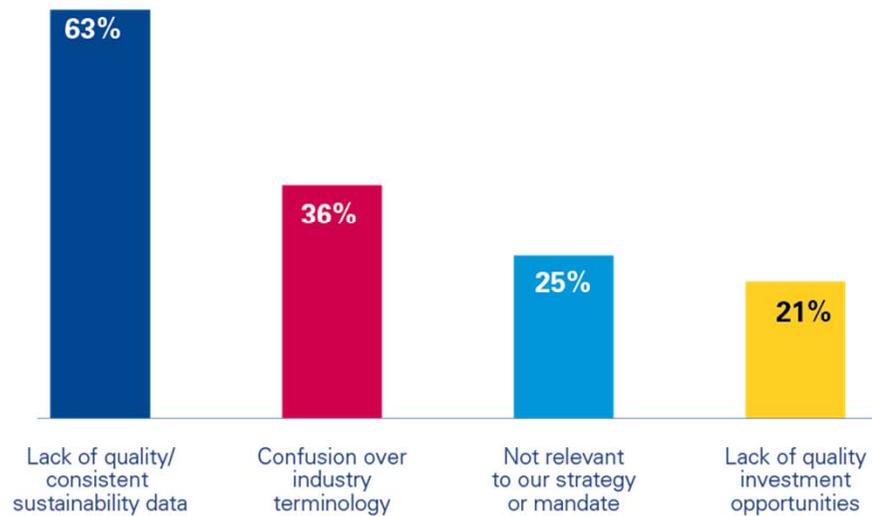


Institutional investors' survey

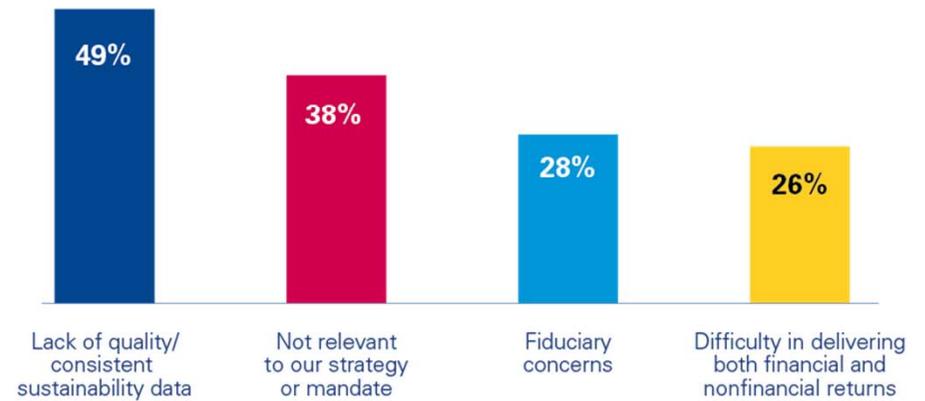


# What are your organization's biggest challenges in making ESG-oriented investments?

Hedge fund managers' survey



Institutional investors' survey

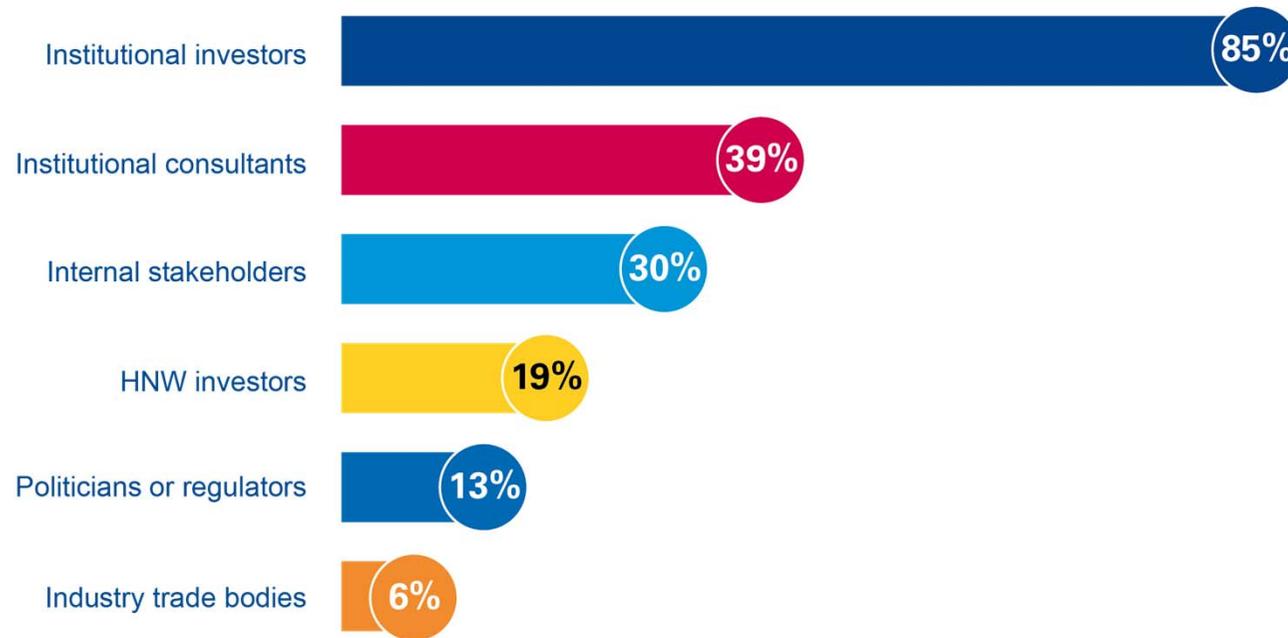


Source: KPMG-CAIA-AIMA-CREATE Survey 2020



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# Who is driving interest in ESG investing?



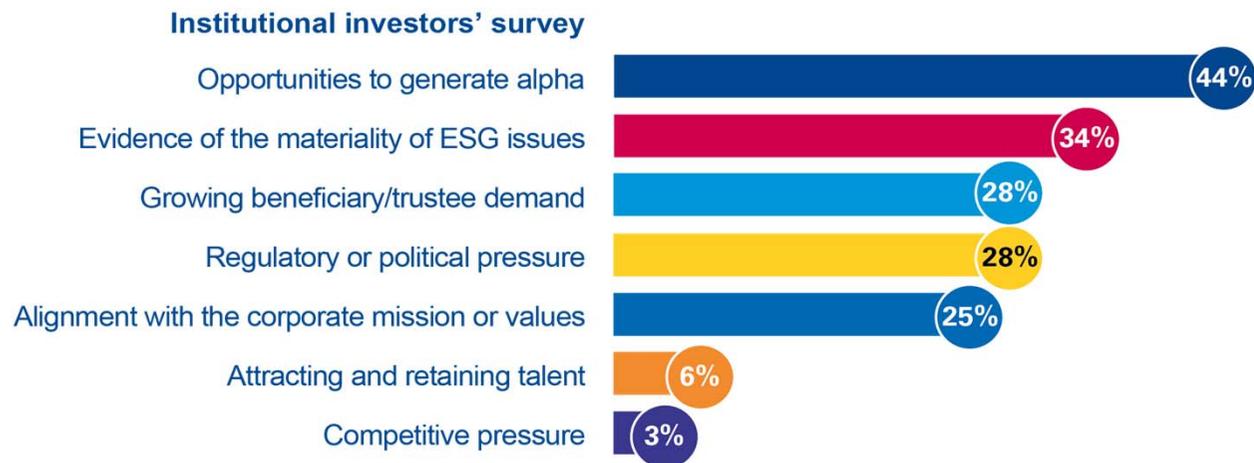
“  
ESG is no longer a  
nice-to-have; it's a  
must-have.”  
An global alternative  
investment firm

Source: KPMG-CAIA-AIMA-CREATE Survey 2020



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# What are key drivers of ESG-oriented investments for institutional investors?



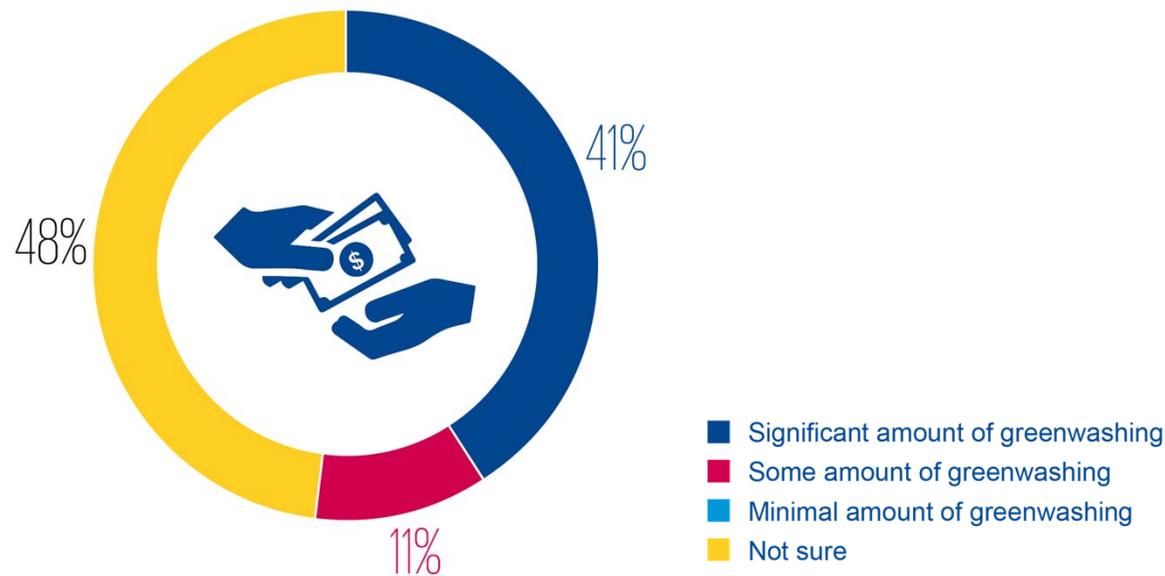
“  
We see some hedge funds write off sustainability as an exclusionary approach and continue to peddle misconceptions about it to investors.”  
An institutional consultant

Source: KPMG–CAIA–AIMA–CREATE Survey 2020



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# From the investor perspective, which of the following best describes your views about the extent of 'greenwashing' in the hedge fund industry at this early stage as it embraces ESG investing?



Source: KPMG-CAIA-AIMA-CREATE Survey 2020

“ Small hedge fund managers face excessive costs in implementing sustainability, while large ones have a marketing machine to help greenwash.”

A Nordic hedge fund manager



# What are your organization's biggest drivers when making ESG-oriented investments?



“ Hedge fund managers should focus on the economics of ESG not its morality. ”

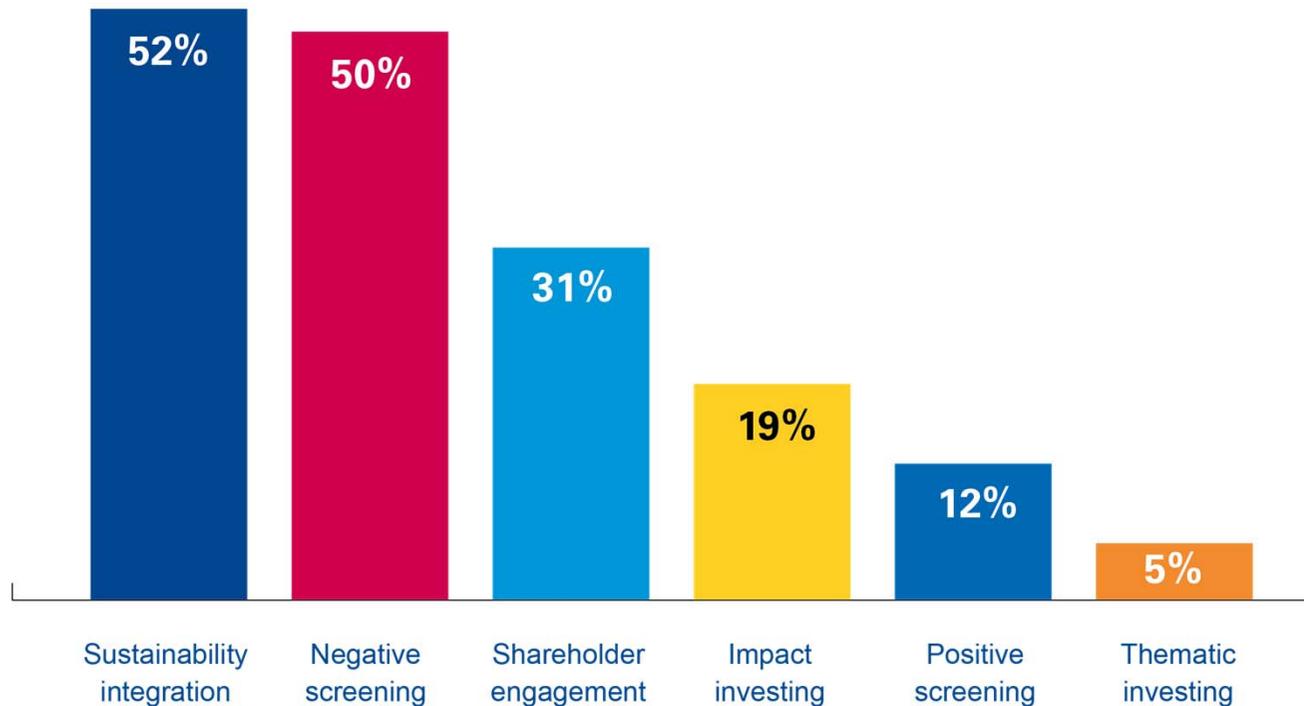
An institutional consultant

Source: KPMG-CAIA-AIMA-CREATE Survey 2020



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# Which of the following best describes your organization's strategy when it comes to ESG?



“  
Integrity is critical. If you're going to call yourself a sustainability investor, it is important to have the right processes in place.”  
An impact investing consultant

Source: KPMG-CAIA-AIMA-CREATE Survey 2020



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# Capital markets are slow to price in sustainability

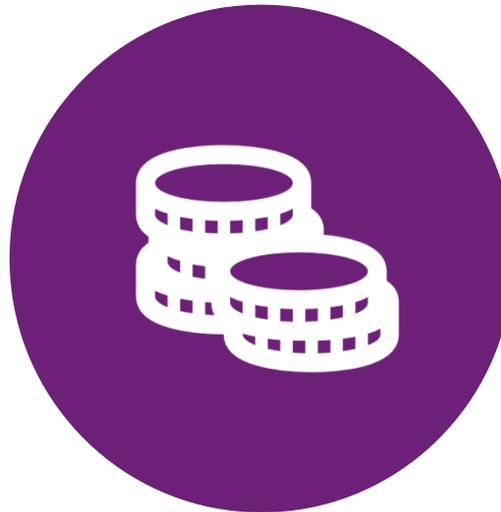
Three forces inherent in capital markets are slowing progress. Each is expected to weaken over time as investors make a switch

## Steep learning curve of data



Due to the lack of requisite data in sustainable investing.

## Quarterly capitalism



Listed companies incentivized on short-term profits at the expense of long term growth.

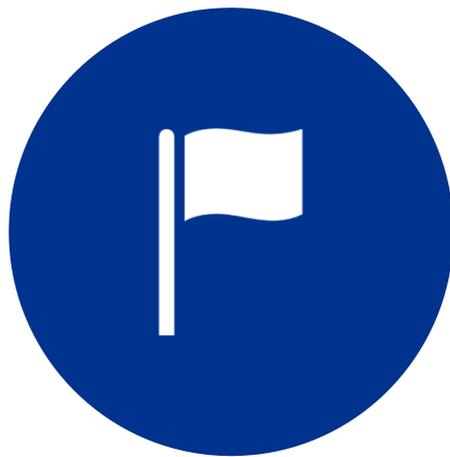
## Tentative evidence of success so far



Is sustainability a risk factor?

# Best practice can shift the needle

Best practice in the ESG space is a moving target. To fast-forward the ESG implementation cycle, our survey identified four key enablers:



01 **Guarding against  
“greenwashing”**



02 **Comply with  
industry codes  
and principles**

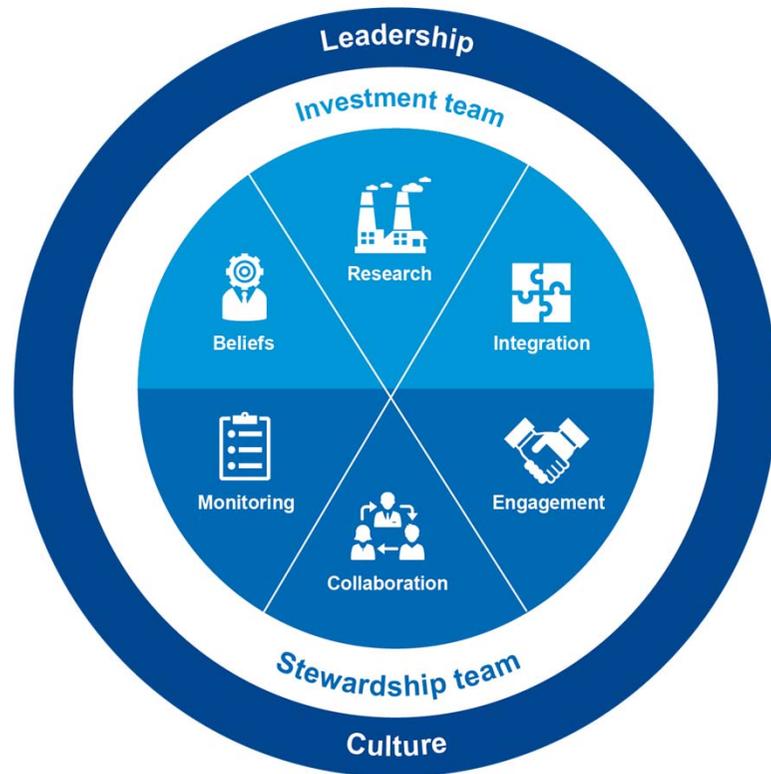


03 **Improve  
ESG reporting**



04 **Adopt Active  
Ownership 2.0**

# Creating sustainability DNA in business models



“ Sustainable investing requires a joined-up business. ”

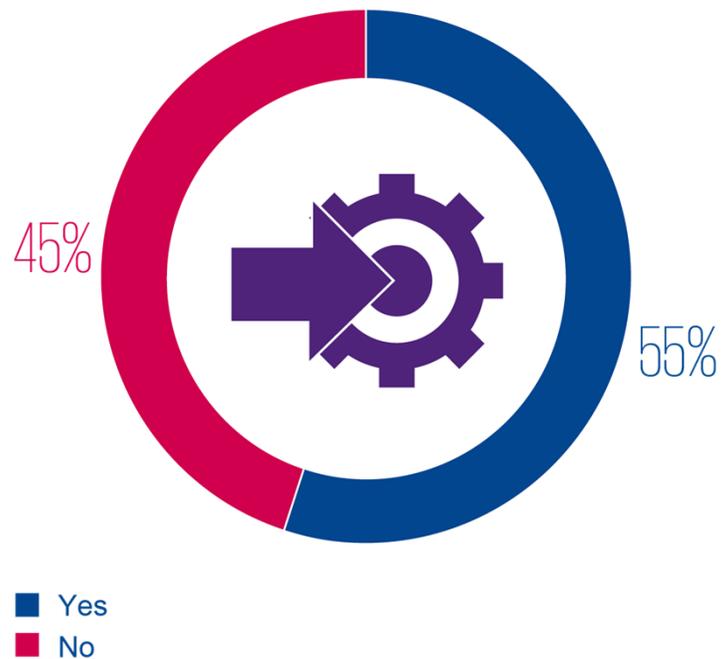
A large US fixed income manager

Source: KPMG–CAIA–AIMA–CREATE Survey 2020



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# As an institutional investor, do you include ESG considerations as part of your due diligence prior to making an allocation to a hedge fund manager?



Source: KPMG–CAIA–AIMA–CREATE Survey 2020

“

The days when stewardship was a box-ticking exercise using a boilerplate narrative are gone. We are mandated to be agents of change.”

A UK pension plan

# What do institutional investors expect?

Investor expectations	
<b>Policy</b>	Firm has a policy on responsible investment and has thought through the implications thereof for its investment strategy and operations.
<b>Talent</b>	Relevant investment staff have been trained in responsible investment; accountability for responsible investment policy does not only sit in compliance/legal.
<b>Investment strategy</b>	Firm has a screening policy, and has demonstrably thought through the impact of responsible investment and sustainability concerns on its investments.
<b>Engagement</b>	Firm engages with investee companies where possible, and reports on the outcomes of those engagements to its investors.
<b>Reporting</b>	Firm has internal controls to ensure its responsible investment policy is properly enacted.

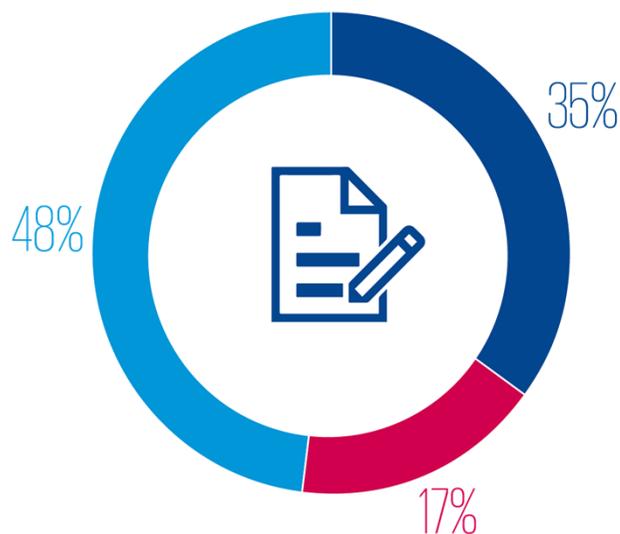
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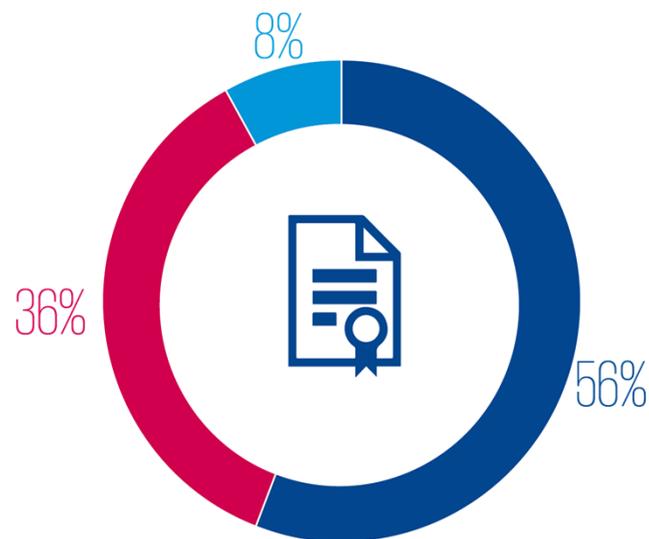
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# Is your organization a current UN PRI signatory? And does your organization currently have an ESG policy or statement?

UN PRI signatory



ESG policy or statement



“The minimum bar for hedge funds is to have a robust ESG policy with buy-in from the top. ESG should be part of the DNA of the firm.”

An impact investing consultant

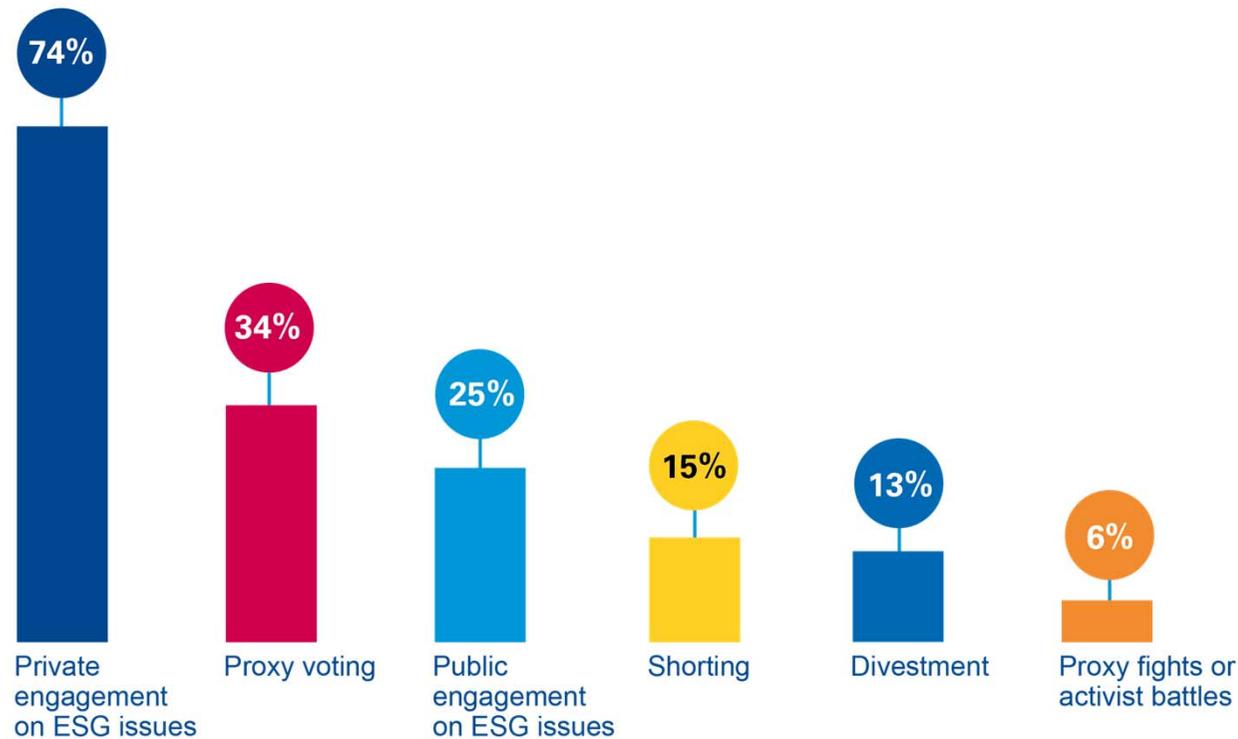
- Yes
- No, but in the progress of becoming/having one
- No. and with no intention in the near future

Source: KPMG-CAIA-AIMA-CREATE Survey 2020



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# What approach does your organization bring to shareholder engagement when it comes to ESG?



Source: KPMG-CAIA-AIMA-CREATE Survey 2020



Engagement will become the alpha behind alpha.

A German asset manager



Thank you



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