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## INTERACTIVE INVESTOR LAUNCHES 'ETHICAL INVESTMENTS LONG LIST' WITH JARGON CONSIGNED TO THE RECYCLE BIN

- New long list is broken down into three key ACE 'investment styles': **Avoids**, **Considers** and **Embraces**
- 40% of investors find the terminology around ethical investing complex
- **interactive investor** worked in association with **SRI Services**, and research was also informed by **Morningstar**

While reusable bags and eco cups have become mainstays in an increasingly eco-conscious world, getting your hands on the full range of ethical investment options is a far tougher task - with an absence of dedicated sectors and a list of jargon words longer than your average shopping list.

**interactive investor**, the UK's second largest direct-to-consumer platform, has launched an '[ethical investments long list](#)' of more than 140 socially responsible and environmental funds, investment trusts and ETFs available on the platform. This is not a rated list, but is rather a rigorously researched long list of ethical options available to investors.

The long list breaks down into three key **interactive investor ACE\*** 'investment styles': **Avoids**, **Considers** and **Embraces**, consigning traditional ethical jargon to the recycle bin. Where a manager adopts more than one style, interactive investor uses the strongest ethical category that applies.

In compiling the '[ethical investments long list](#)', **interactive investor** worked with **SRI Services**, a specialist independent company devoted entirely to advancing retail Sustainable and Responsible Investment (SRI), using its Fund EcoMarket list\*\*. The list is based on a combination of whether the managers say they focus on ethical, social and/or environmental issues, the language they use and their responses to SRI Services.

**interactive investor** was also informed by data provider **Morningstar**, which has identified investments that, by prospectus, either state that they use ESG criteria as a key part of their security-selection process or indicate that they pursue a sustainability-related theme or seek measurable positive impact alongside financial return.

### Time for change

**Moira O'Neill, Head of Personal Finance, interactive investor**, says: "It's no secret that investors who want to invest for good have been poorly served by a financial services sector that overwhelms them with jargon – it's time for change.

"Whilst the **Investment Association** has consulted on how the industry might bring more clarity for investors who want to invest along ethical lines, which is very welcome, we have spent several painstaking months working on a practical solution which can help guide consumers in the here and now, and which can evolve over time. The 'Avoids, Considers, Embraces' categories are a clear, jargon free steer to aid selection, without putting any funds into a 'niche' box that can easily be ignored.

“The aim is that this will start a conversation rather than prescribing and creating something static. So, in the same way that we have taken guidance from experts at SRI Services and are extremely grateful for their input, we are very open to feedback from investors and the industry.”

Interactive investor ACE investment style*	Definition
Avoids	Funds that focus on simply excluding companies, sectors or specific business practices
Considers	Funds that carefully consider an often wide range of ethical and/ or environmental, social and governance (ESG) issues or themes when balancing positive or negative factors.
Embraces	Funds that focus on companies delivering positive social and/ or environmental outcomes

### Complex terminology

A recent poll\*\*\* of **interactive investor** customers found that 40% find the terminology around ethical investing complex – which is likely to be a significant factor as to why only 23% say they invest in ethical funds. While 28% said they don't invest in ethical funds because of a lack of interest in such propositions, 15% cited not knowing where to start as the main barrier.

The well-documented climate emergency, and scourge of plastic waste highlighted in awareness campaigns like David Attenborough's Blue Planet II documentary series have helped to thrust the environmental issue up the political agenda and into the public consciousness. But when it comes to investing for good, there's some myth busting to be done – a recent poll of interactive investor customers found that 15% believe returns must be sacrificed in order to invest ethically.

**Rebecca O’Keeffe, Head of Investment, interactive investor**, adds: “Ethical investing is, by its very nature, hugely subjective. However, far from compromising investment performance, there is a growing body of evidence that suggests that companies with good environmental, social and governance practices should be expected to outperform their less ethical counterparts, especially as interest in sustainability and environmental issues grows. Investors need to stop thinking that ethical options limit their investment potential and consider ways in which they could help improve both the planet and their financial futures.”

**Julia Dreblow, Director, SRI Services** says, “Investors are uniquely well placed to help solve many environmental and social challenges. Indeed, without the support of investors it is hard to see how existential threats like climate change and biodiversity loss might be addressed.

“The mainstream investment community has been slow to recognise this and even slower at bringing it to the attention of individual investors. The fact that such challenges present both real and immediate investment risks and opportunities has been buried even deeper.

“It is with this in mind that we have been delighted to help interactive investor with this important development. Through the ‘ACE’ list, it has highlighted that different funds take different paths and therefore suit different people.

“Although there is significant variation within each of these three groups, each of the listed funds has more to say about ethical, social and/or environmental issues than the funds that are not on this list. Each is also a true investment and must not be confused with charity or philanthropy as their purpose remains to maximise investment returns in line with their published remit.

“In some of these funds you will find company names that you recognise, in others you may not. For the funds that hold well-known companies this can mean that the fund has only a ‘light touch’ negative ethical screening policy, that it favours sustainability aware ‘best in sector’ companies - or that it is committed to putting companies under pressure to improve their operations through ‘responsible ownership’ strategies.”

**interactive investor** will continue to monitor the market for new launches and for managers who have adopted ethical screening into their selection processes. Those who have will add more ethical investment options to our tradable universe.

Independent ethical experts at SRI Services will also be monitoring the list to check the investments listed are robust, ethical options.

This list is however only a starting point, it is up to individual investors to identify which options most closely reflect their views on ethical, social and environmental issues.

**Hortense Bioy, Director, Sustainability Research, Morningstar, says,** “We were delighted to share our latest sustainable investments data and research to support interactive investor in building a select list of socially and environmentally conscious funds. Investors now have enough suitable sustainable fund options from which to choose, enabling them to build broadly diversified portfolios. For years, that was not the case. Investor choice will only become more robust over the next several years as asset managers continue to roll out new and differentiated strategies and the many recently launched ones establish longer track records.”

**-ENDS-**

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**Editor’s notes:**

\*For full definition of the interactive investor ACE investment styles, see [here](#)

\*\*SRI Services ethical experts have looked at the whole market and compiled investments that form their Fund EcoMarket list based on a combination of whether the managers say they focus on ethical, social and/or environmental issues, the language they use and their responses to SRI Services. Their fund tool [www.FundEcoMarket.co.uk](http://www.FundEcoMarket.co.uk) displays information supplied directly by fund managers and is primarily intended for investment intermediaries.

\*\*\*558 interactive investor website visitors completed the poll between 22-24 August 2019.

### **About interactive investor**

interactive investor (ii) is the UK's number one flat-fee investment platform. ii offers a wealth of unbiased information, analysis, tools and expert ideas to help customers make better informed investment decisions. ii's award-winning trading platform provides access to an extensive choice of markets, instruments and currencies within Trading, ISA and SIPP accounts. This comprehensive investing service is underpinned by a strong focus on delivering great value for investors demonstrated through an innovative and competitive pricing model – featuring simple, flat fees and unique 'trading credits'. interactive investor is authorised and regulated by the Financial Conduct Authority.

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