Lifestages KiwiSaver Scheme and Controversial Investments

Investment in controversial stocks has snapped into focus in recent days with the news that one of the largest KiwiSaver Scheme providers in New Zealand has investments in at least three companies complicit in the widely condemned conflict in Yemen.

Funds Administration New Zealand Limited ("FANZ"), SBS Bank's Managed Funds subsidiary, today confirmed that the Lifestages KiwiSaver Scheme does not have any exposure to the stocks identified in recent media reports.

The Lifestages KiwiSaver Scheme uses a holistic approach to provide access to investment offerings that have superior environmental, social, and governance ("ESG") characteristics. This approach is called Socially Responsible Investing ("SRI") and includes screening out companies that are involved in the manufacture of :

cluster munitions, anti-personnel mines, or nuclear armaments.

In addition to these weapons screens, several of the underlying investments FANZ invests in apply screens such as excluding exposure to :

tobacco, gambling, alcohol, fossil fuels, and adult entertainment.

Beyond the basic screening out of controversial investments, FANZ takes the further step of actively investing in underlying securities that are leaders in terms of ESG issues. In particular, investments that emit less carbon are favoured, alongside those investments that are contributing to climate change solutions.

FANZ Executive Director, Graham Duston noted that SRI strategies and the movement itself was evolving.

"FANZ first adopted SRI screens in our investment processes in 2016 when we adopted exclusions of nuclear armaments and weapons of mass destruction screens within our KiwiSaver portfolio. Since this time these screens have been extended to cover a much wider range of exclusions and strategies. This approach is consistent with our investment philosophy and wider business practices."

Mr Duston noted that the FANZ Private Wealth Smart Beta Sustainability Investment Series was a 100% SRI investment proposition and that this had proved popular with investors. Investors have even had an increase in performance by using these strategies.

"For example, we've found that SRI portfolios have not had exposure to many of the energy stocks that have struggled over the last year while they have had good exposures to Technology and Healthcare stocks. This has produced strong performance over the last 12 months, especially as markets have recovered from the COVID-19 related shock in March 2020," he said.

ENDS

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