*VISION 10 INITIATIVE – ESG-ORIENTED FUND STRATEGY*

UNIVERSITY OF ST ANDREWS INVESTMENT SOCIETY

*EDUCATION. ACCESSIBILITY. INCLUSION.*

EXECUTIVE SUMMARY

In the face of current events, corporate social responsibility paramount in spearheading equity, equality and development in the social and environmental spheres. The performance of global equities during the 2020 COVID-19 crisis has shown that corporations which focus on their social responsibility on both an international and local scale tend to be more resilient when faced with abrupt volatile shocks. Thus, emphasizing how environmental social governance, ESG, is correlated so strongly with equity valuations and therefore should be explicitly integrated into the core investment strategy and process of the St Andrews Investment Society’s Fund. This is why, as the Head of Fund with the support of the Heads of ESG, we must outline a clear plan for our Fund to remain at the forefront of responsible investing within Student Funds in Scotland and the United Kingdom

Given the limitations of the Fund due to its size, philanthropic commitments and educative nature, this strategic pivot towards an explicit ESG-oriented investment strategy needs to be gradual, time-planned and clearly ultimately beneficial to the Society’s members. Therefore, I would like to propose the Vision 10 Initiative that can facilitate such an inflexion towards an ESG-oriented investment strategy.

MISSION STATEMENT & ESG PLEDGE

The mission of the St Andrews Investment Society Fund is its commitment to deliver an inclusive, accessible and educative hands-on learning experience on investing and finance-related matters to all the members of the Society through our real-money long-only equity fund. We strive to achieve this by facilitating our members in gaining exposure, resources and the necessary toolkits to thrive in the finance industry. These initiatives include, but are not limited, to our bi-annual stock pitches, educational talks and newsletter initiatives.

The St Andrews Investment Society Fund is committed to remaining at the forefront of responsible investing among University-affiliated student-run Funds. Thus, as of May 2020 we pledge to integrate ESG into our investment strategy and commit to sharing our ESG-values to our members through our Vision 10 Initiative. This initiative includes our commitment to reach a 75% portfolio allocation in ESG-related equities by 2025 in conjunction with the full integration ESG-values with our investment process and educative resources.

VISION 10 INITIATIVE CORE VALUES

The founding principles of the Fund, openness, accessibility and accountability, must be continued to be adhered to even with a new strategic vision that is fundamentally based on ESG investing. These values are essentially linked together through the analyst’s hands-on experience by involving them through a step-by-step process in the equity investment process, from research to equity selection. This means that the Vision 10 Initiative will continuously comply with the Fund’s core values.

**Inclusivity** – The Fund will remain open to all our members with no barriers of entry even with the new strategic pivot.

**Accessibility** – The Fund will maintain the accessibility of all guidance, educative and research materials to all its members and further strengthen its contents to remain up to date with the broader investment management and finance environment.

**Accountability** – The Fund will continue its efforts of accountability of its recruitment process, investment decisions and portfolio. However, the emphasis with the Vision 10 Initiative is on the investment decision and also the portfolio of the Fund through increased availability of resources and information to its members.

IMPLEMENTATION & ACTION PLAN

The implementation of the Vision 10 Initiative is in a staged process to ensure smooth implementation and fundamental change in the orientation of the Fund in a sustainable manner. The stages are to be planned up to the discretion of the Fund Management and the Executive Committee, yet the target would be for the Fund’s portfolio to be 75% ESG-oriented by 2025, which will mean 75% of stocks in the portfolio is rated AA+. To do so, the action-plan includes but are not limited to;

*1: CONSTRUCTION OF A STAGED RE-ALLOCATION*

Construction of a staged re-allocation of the Fund’s portfolio towards a 75% allocation in equities that match our ESG criteria of AA+.

In accordance with the Fund’s ESG rating system, each stock will have an ESG score, which will place it in a certain category and hierarchy, as illustrated in **appendix 1**. Please see the ESG Handbook for further detail on the rating system.

The staged re-allocation of the Fund’s portfolio towards ESG-oriented stocks will result in all stocks in the portfolio having an AA+ rating. To achieve this, all existing stocks in the portfolio will be given an ESG rating, and the portfolio will be adjusted accordingly over time. The timeline is observable in **appendix 2**.

*2: INTEGRATION OF ESG INTO OUR FUND’S INVESTMENT PROCESS & EDUCATIVE RESOURCES*

We think it is paramount that our ESG values trickle-down to our members and analysts, which we aim to achieve via educative resources. This will include, but is not limited to, our ESG Weekly Primer Initiative, Sector Head ESG training and ESG speakers. The ESG one-page weekly primer aims to inform and maintain the interest of our members on ESG-related issues in the investment management and finance sphere. Summaries on ESG-related news will be presented in conjunction with the Fund’s ESG performance.

*3: PERFORMANCE & MONITORING*

We will continuously monitor and publish the Fund’s price performance of our ESG holdings over our timeline, and benchmark it against the MSCI EAFE ESG index as we move towards our long-term goal. The developments of the Vision 10 Initiative will be integrated within the bi-annual Fund updates and made public in a digestible manner on our public platforms (Website, Facebook, Instagram etc). We will additionally present annually on our ESG progress for our members.

*4: NEXT STEPS – CONSTRUCTION & INTEGRATION OF AN IMPACT INVESTMENT STRATEGY*

Following on from Vision 10, we will aim to build and implement an impact investment strategy which is applicable across all major markets.

Similarly, in accordance with our ESG rating system, an ESG-rating must now be conducted for all stocks pitched by the Sector Teams, and new stocks should be voted for in line with our AA+ rating goal.

**Date the ESG Pledge is officially enacted:**

*18th September 2020*

**Head of Fund:** Victor Gong

**Heads of ESG:** Nathalie Nourry, Daniel Cyrus

*APPENDIX*

Below you can find some key reference points for our *Vision 10 Initiative*:

1. **Rating Hierarchy**


|  |  |  |
| --- | --- | --- |
| **Category** | **Hierarchy** | **Score** |
| Leader | AAA | 8.6-10 |
| Leader | AA | 7.1-8.6 |
| Non-investible | A | 5.7-7.1 |
| Non-investible | BBB | 4.3-5.7 |
| Non-investible | BB | 2.9-4.3 |
| Non-investible | B | 1.4-2.9 |
| Non-investible | CCC | 0.0-1.4 |

1. ***Vision 10 Initiative Key Milestones***

