

▶ In recent years the socially responsible investment (SRI) market has grown into a highly lucrative investment option. The investor enters into an SRI portfolio in the knowledge that not only is the product chain free from human exploitation and unsustainable cultivation of natural resources, but the projects actively seek to tackle demanding challenges such as deforestation and global food shortages. London based Emerald Knight specialise in managing SRI portfolios and are experts in servicing clients needs in the face of changing investment demands. The New Europe spoke to Emerald Knight, Sales Director, Rob Hague about the nature of SRI and the company's position to maximise global economic trends.

**The New Europe: Emerald Knight only recommends investment in projects with positive humanitarian or environmental**



## ETHICAL INVESTMENTS WORTH THEIR WEIGHT IN GOLD

The SRI has become the chosen vehicle for many investors who demand more than just financial growth from their money...

**impact. Explain how due diligence is achieved throughout, and how your research network gathers information?**

**Rob Hague:** Making sure our investments fit with the requirements of our clients and their overall investment strategies is of paramount importance to us, so we take a huge amount of time over the due diligence and research parts of the business. While many investment

companies may be more focussed on getting as much product as they can onto the market and pushing it to investors, we take a different path.

Due diligence checks ensure that our investments all have individual title and ownership in place, rather than using any kind of conglomeration model, which means that individual investors have flexibility and freedom in their investment. We also look for projects

which have a recognised international accreditation so that we know there won't be issues further down the line with selling the resultant product of any investment or with exit strategies.

Exit strategies are another area where we try to ensure we have the highest standards for our clients. All of our investments have either the option of cashing in early on the investment rather than waiting for the full term to run, or

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a defined exit after a prescribed period of time, often with fixed returns. This provides clients with peace of mind that should circumstances change in the future they have the option to make adjustments to their investment strategies.

**TNE: Explain how SRI can provide a safe haven for investors at a time when many traditional investment vehicles are proving volatile?**

**RH:** Gone are the days when certain asset classes could be relied upon to deliver a return in virtually any circumstances. At the same time, investment opportunities and investor types which were previously seen as peripheral are now being brought to the fore. SRI has previously been seen as something of a sideline offered as a way to “tick the

box” in a range of offerings. Investors are now demanding to know the ethical credentials of the products they are using, which in turn is putting pressure on investment companies to come up with better and wider ethical and socially responsible options for their clients.

SRI involves investing in projects with proven social or environmental benefits to the local area and the planet as a whole. It is about far more than just being green though. SRI typically involves investment in the few industries which have managed to remain in positive growth through the global recession. The global carbon markets almost doubled in size in 2009, a year when almost every other major industry sector across the world suffered decline. In addition, a recent UN report stated that investing in green sectors of the world

economy could produce long-term and sustainable growth.

**TNE: Tell the readers about Emerald Knight’s carbon offsetting opportunities...**

**RH:** Carbon offsetting is one of the most exciting SRI investment opportunities we have seen. We have exclusive access to an absolutely unique and prestigious project in the Amazon which we have already successfully completed on a couple of occasions in the past year. We are only ever allowed a limited tranche of credits to sell, and these are offered to investors on the basis of a fixed 30 per cent return within 18 months.

In the past when we have had this investment on offer, we have been in the amazing position of being able to give our clients their 30 per cent returns

within a much shorter period of time than the contracted 18 months.

The results of this underline Emerald Knight's whole philosophy – our initial investors have often come back to reinvest on the same project again, and many have now invested in other projects with us. Our aim is to keep our clients through the quality of our investment offering and making sure we only sell the best projects in the market, so they keep coming back to us in the future.

**TNE: The EU has only recently got a grip on legislation for illegal timber imports. Stress the importance of ensuring that timber in the supply chain is from certified sources.**

**RH:** The introduction of the new legislation on illegal timber which will come into force in 2012 can only be good for all concerned. After two years of long negotiations, consensus was finally reached among EU leaders. One of the major sticking points was a compromise on who would be penalised for illegal timber and who bore responsibility for checking the origins of imported timber stock. The importance of outlawing illegal timber imports cannot be overstated for the future health of the planet, and means that those with interests in responsible, sustainable and traceable timber projects are in a very strong position. This is another demonstration of the importance we attach to making sure our investments are thoroughly researched before we propose them to our clients.

And this isn't just one of those things that has been put together at the EU to appease the more environmentally-conscious members. B&Q, the UK's largest home improvement retailer has recently moved to buy timber products only from proven responsible sources. Following heavy involvement with the Forestry Stewardship Council (FSC) as a founder member and with the near-unanimous support of customers, the chain has been working towards this goal for a number of years. Hand in hand with legislation to catch and punish those who persist

in importing illegally-sourced timber, this type of positive move from a major retailer will hopefully help to eradicate the illegal timber trade once and for all.

**TNE: Explain what Emerald Knight's Ethical Forestry programme can offer investors?**

**RH:** Our ethical forestry investment is secure and offers investors a 420 per cent return over a ten year period. Ethical forestry could play a vital role in the future for the development of a green economy and for the positive impact it will have on local communities and environments. The recent UN Environmental Programme (UNEP) Green Economy Initiative report says that spending just two per cent of global GDP in 10 key "green economy" areas would generate a 'low carbon, resource efficient green economy'. The definition of 'green economy' provided by the report is one that resulted in "improved human well-being and social equity, while significantly reducing environmental risks and ecological scarcities."

One of the ten key sectors identified by the report for greening the global economy for future growth is forestry. The report suggests that spending \$15 billion per year – or 0.03 per cent of global GDP – would help transform the forestry industry, with important knock-on benefits for combating climate change.

**TNE: Emerald Knight also offers farmland investment programmes in Australia. Explain how these work?**

**RH:** Demand for agricultural land is at a record high as a result of the growth in the world's population – there are approximately 150 more mouths to feed every minute. Add this to the desire for more land to produce biofuels, and demand for soft commodities is higher than ever before, which is where our project in Australia comes in.

Grain production is at a record low and supply remains stagnant. Production of grain is at a historical 30-year low, and yet consumption continues to grow, hitting a record high of 35 million

tonnes in 2008. As a result, a significant gap between supply and demand has emerged. This gap in the market has attracted institutional funds who have poured £8 billion into agricultural land during the last 18 months, despite the economic downturn.

The investment in farmland in Australia, which comes with full freehold land ownership, offers investors an annual income stream and a defined exit in place, combined with a low entry level for investors.

**TNE: Investors are a wary bunch, what would you say to somebody who is hesitant about diversifying into SRI?**

**RH:** Investors are of course quite right to be wary when committing to any new investment, and we always encourage potential clients to make sure they carry out thorough research before committing to invest. One of our most effective tools is our past performance, and we have literally hundreds of testimonials from customers who have invested with us in the past. The fact that many of them have re-invested and gone on to become involved in other Emerald Knight products is further proof of the effectiveness of our offering.

In addition, we always suggest that clients seek the advice of a qualified independent financial adviser (IFA) before committing to any investment.

**TNE: Explain how SIPP compatible projects enable investors to get more from their work with Emerald Knight?**

**RH:** Where appropriate, we ensure that our projects are SIPP approved as it allows a greater degree of flexibility for investors who wish to use their private pension to invest in different asset classes. The tax benefits of investing through a SIPP can be considerable, and SIPPs are also permitted to invest in a greater range of asset types than Personal Pension Plans. However, if considering investing through a SIPP you will need to consult an IFA to make sure you are using it to its full potential and have considered all of the rules and regulations involved.