Zenith Responsible Investment Classification

Defining and measuring how investment managers integrate responsible investment (RI) practices into their investment methodologies is complex. Many factors influence this assessment and individual managers place varying degrees of importance on each factor.

While it's vital for managers to be able to measure and demonstrate the role of RI in their investment strategies, we believe it's equally important that investors can accurately identify which strategies meet their needs and align with their investment beliefs.

How does Zenith's classification work in practice?

Our framework provides clients with increased RI insights, empowering them to make more informed investment decisions. Our robust fund classification system helps investors understand the integration of a manager's responsible investment themes into their processes and the associated influences on the final portfolio outcome.

Our RI classification:

- has five tiers which classify a fund's RI approach according to the level of intensity applied to the process
- is specifically designed as a fund classification tool rather than a way of showcasing different forms of RI implementation
- recognises that not all funds have an RI objective, and that varying levels of intensity apply in addressing RI issues, and
- acknowledges that RI is implemented differently across active and index-based investment strategies.

Why this approach?

Despite the emergence of multiple definitions around responsible investing, we believe many of the frameworks don't translate well into the real world of how managers approach RI in practice. Managers typically use a combination of approaches with varying levels of intensity and some frameworks don't adequately account for different implementation methodologies.

We believe our role is firstly to understand not only a fund's objectives, but also the manager's approach to the identification and incorporation of RI issues in relation to those objectives. Only then is it possible to assess their abilities, processes and resources to achieve objectives effectively.

Individual approaches to RI have a meaningful difference to the outcome for returns, risk and impact of a portfolio. Understanding the nuances of each approach is critical to be able to present it back to clients in a relatable, repeatable framework to facilitate an informed choice.

Our RI principles

1. Responsible investment promotes a sustainable economy, which is ultimately essential for investors and the integrity of capital markets.
2. Responsible investment factors impact financial returns and risks.
3. We seek to empower clients by providing tools and services for investors to select and monitor investment options.
4. We recognise the diverse objectives under which both investors and managers operate. Values, investment styles, asset markets and jurisdictions are not homogenous. Accordingly, our approach to responsible investment supports the full spectrum of investment methodologies available.
5. Where relevant, all investment professionals should consider material responsible investment factors when considering investment analytics and decision-making.
6. We will seek appropriate disclosure on responsible investment issues by the investment managers we review.
7. Investment products that claim to incorporate responsible investment elements should include adequate disclosures explaining the specific process being used, along with periodic verification that the stated processes are being followed.
8. Responsible investment factors and associated issues are dynamic. Best practice dictates that continual research and monitoring are a prerequisite to adequately manage RI issues over time.

Need further information?

For further information about our RI framework and how it works in practice, visit our website or speak with our business development team.

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