The WWF report says losses in vertebrate species - mammals, fish, birds, amphibians and reptiles - averaged 60% between 1970 and 2014. (UBS)

Sustainable investing

Nature is not just a 'nice to have'

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Population sizes of wildlife decreased by 60% globally, between 1970 and 2014, and much of that is due to human activity, according to the World Wild Life Federation (WWF). The issue extends beyond just mourning the loss of animals. Wildlife depletion threatens human society as well, says the WWF.

According to the latest edition of the WWF's Living Planet Report, all economic activity ultimately depends on services provided by nature. As we better understand our reliance on natural systems, it's clear that nature is not just a 'nice to have'.

The report, which tracks the state of global biodiversity by measuring the population abundance of thousands of species, shows that the Earth's overall population of animal vertebrates declined by about 60% between 1970 and 2014. Vertebrates are creatures possessing backbones or spinal columns, including mammals, fish, birds, amphibians and reptiles.

"Exploding human consumption" has caused a massive drop in the global wildlife population in recent decades, the conservation group says. Prior to the explosive population boom of the 20th century, humanity's consumption was smaller than the Earth's rate of renewal. But the report notes that ecosystems are now quickly being depleted, with forests, coral reefs, wetlands and mangroves all shrinking.

A Chief Investment Office (CIO) report on agricultural yield states that a global population of 9.7bn people is projected by 2050, meaning increased consumption of land-intensive food such as meat will require 70 percent more food to be produced than today. The report also notes that agriculture accounts for roughly 70 percent of global water withdrawals and nearly one-third of greenhouse gas emissions,

UBS analyst Rudolf Leeman says that "agribusinesses that adapt sustainable farming practices will be able to grow more with less land, water, fertilizer and other costly inputs. With increasingly scarce resources and more severe weather fluctuations due to climate change, investments that support sustainable agribusiness should help to ensure more resilient, long-term growth while preserving natural resources."

An approach to incorporating considerations about the environment or other social or governance issues into investments is sustainable investing (SI).

SI typically takes three paths: exclusion, integration and impact investing.

-Exclusion removes exposure to companies or industries that are not aligned with an investor's values.

-Integration is where ESG factors come into play. ESG stands for environmental, social, and governance, and integration describes the incorporation of these non-financial criteria into core investment processes.

-Impact investing invests with the intention to generate measurable environmental and social impact alongside a financial return.

Much of the existing SI universe still skews toward exclusion-based strategies. In order to provide a more forward looking and returns-focused holistic portfolio approach, CIO has introduced a new Sustainable Investing framework. The approach emphasizes sustainability and impact goals, alongside traditional return and risk considerations.

Check out: SI Strategic Asset Allocations. Visit CIO's Future trends page. Read: Agricultural Yield, published 27 March 2017.

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