

Taking a ‘Responsible’ Interest

Since we started in 1998, Booster has always considered itself “Responsible” when looking after other people’s money. However over the past 20 years, more ways to do this have emerged. Within fixed interest investments, for example, this month saw the issue of the first certified “Green Bond” in NZ.

What’s a Green Bond?

Previous generations had to face the challenges of two World Wars and the advent of nuclear weapons. The defining risk of the current generation relates to our natural environment. To help combat this, Green Bonds are a global initiative aimed at closing the funding gap for climate change solutions (which is estimated at \$12 trillion over the next 25 years).

Like any standard fixed interest (or “bond”) issue, Green Bonds are a way for a company or organisation to raise funds from investors and to pay interest in return. However, by only using the proceeds for a specific purpose that has a positive environmental impact, and having this independently verified, the bonds can be certified as “Green” by the international Climate Bond Initiative. This gives investors confidence in how their money is used. There are a wide range of pre-defined categories covered, such as Renewable Energy, Waste Management and Sustainable Land Use.

New Zealand’s first Green Bond

Auckland Council has been the first to issue a certified Green Bond in NZ, raising \$200m to fund its electric train network. \$6.5m of this came from Booster investors, as part of their NZ Fixed Interest investments. The Auckland Council’s initiative is part of its plan to reduce greenhouse gas emissions by 40% by the year 2040. Its processes for tracking and managing the use of their Green Bond proceeds have been independently audited by Ernst & Young.

Importantly, our assessment of the bonds required being comfortable that their income yield was fair relative to alternatives, to ensure that the investment is a positive for client portfolios as well.

What about Globally?

With investment markets much bigger overseas, it’s no surprise to see that Green Bond issuance is growing quickly. A total of USD\$150 billion was raised in 2017, triple the amount from two years earlier. While the total so far is a very small part of the overall global fixed interest market, it’s pleasing that some of this is also held within Booster’s overseas investments, through our relationship with Vanguard.



Taking it a step further

We’re also delighted to be a “seed” investor in a new “ethically conscious” global fixed interest fund from Vanguard, which will exclude all bonds issued by companies associated with fossil fuels, weapons, gambling, tobacco, alcohol, nuclear power and adult entertainment. We don’t expect these exclusions to have much effect on fixed interest returns, but they resonate with many kiwis’ values, and it’s unlikely the fund would have been launched without Booster’s support. It will be our main way of investing in global bonds by August, and is a great demonstration of the benefit of pooling individual New Zealanders’ money to help make a difference to the world we live in.

Market & portfolio update – June

- ❖ Portfolio returns were solid during the three months to June, and have now more than made up for a slightly weaker start to the year (part of the normal ups and downs of long term investing). Returns on New Zealand and Australian shares stood out, with funds’ investments in each up more than 7%.
- ❖ More growth-oriented portfolios have particularly benefitted from good global share returns over the past year, as the world economy (and company earnings) have grown solidly. Booster’s global share investments have grown at over 15% for the second year running - a pace above our long-run expectations, but a good reflection on the positive fundamentals around the world over this time.