

# AVON PENSION FUND: SUSTAINABLE INVESTMENT

## THEMES AND RATIONALE

### Renewable and alternative energy (solar power, wind farms)

- Predicted by 2030 over 50% of energy will be zero-emission

### Energy efficiency

- Significant pressure on largescale investment in this area

### Water infrastructure and technologies

- Population growth and water shortages

### Pollution control

- Increasing regulations on pollution

### Waste management and technologies

- Increasing waste in landfill – opportunities for energy and recycling

### Environmental support services

- Significant growth in the area as regulation increases

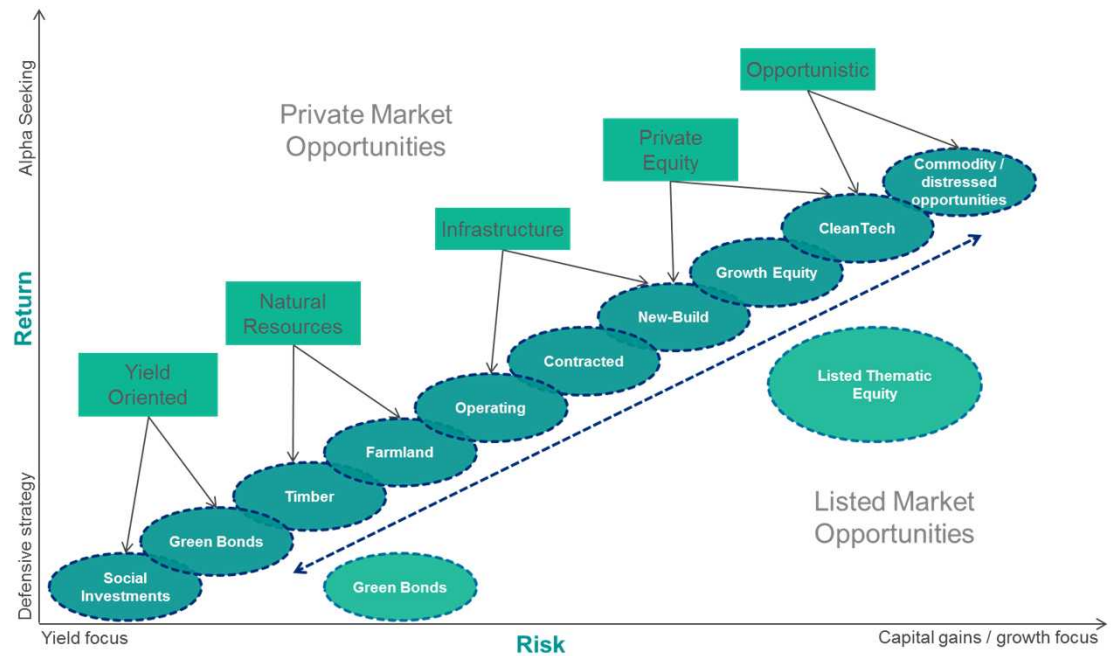
### Sustainable resource management

- Changing demographics, climate change and water access

### Green bonds, impact investing, private debt, real estate

- Fast growing markets

## OPPORTUNITY SET: RISK AND RETURN PROFILE



## INVESTMENT OPTIONS

- Sustainability themed investments can be accessed via:
  - Specialist thematic equity funds – either broad market or sector focused (e.g. water)
  - Private market funds (including fund of funds) across a range of geographies and asset classes, including private equity, infrastructure, real estate, timber and agriculture.
  - Direct investment – more complex; harder to diversify; increased need for expertise / delegation
- Exposure to real assets typically fits well with broader LGPS investment strategies.

## OTHER CONSIDERATIONS

- The most attractive opportunities are anticipated to be in the illiquid, private markets. The LGPS asset pooling agenda will need to be considered.
- The regulatory environment continues to be a key driver of investment but also risk: e.g. regulatory uncertainty around subsidy support continues.
- Currently high demand for UK based assets – valuation metrics need to be assessed carefully.
- Historical performance has been mixed: manager selection is critical.

# IMPORTANT NOTICES

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