Our Investment Beliefs

Macquarie Investment Management (MIM) is a diversified, active investment manager focused on providing investment capabilities across a large range of asset classes to institutional and individual investors globally. We form part of Macquarie Asset Management (MAM), the asset management arm of Macquarie Group, a global provider of banking, advisory, financial, investment, and asset management services established in Australia in 1969. The Environmental, Social and Governance Strategy applies to Macquarie Investment Management (MIM), and its subsidiaries and controlled affiliates.

We manage more than $US255 billion¹ on behalf of institutional investors; wholesale distributors and platforms, and financial advisors and their clients worldwide, across fixed income, currency, equities, listed real estate, listed infrastructure, hedge funds, and multi-asset solutions.

Our specialised, independent investment teams are focused on delivering long-term, consistent results for our clients. Each team has autonomy to execute on its own investment philosophy and process – to focus on investing – while benefitting from a comprehensive global operational support platform as well as a broad global distribution organisation. All of our teams share several traits: independent thinking, global perspectives and conviction in their specialised investment philosophies.

Across MAM, we believe that well-managed companies will deliver long-term shareholder value and therefore, that it is important for a company to have high-quality management with appropriate supervision through balanced controls. Typically, this means that the company has a strong and effective board, honours appropriate ownership and shareholder rights, implements effective remuneration structures in line with long-term performance, delivers transparent and high-quality reporting to its shareholders and other stakeholders, and considers its environmental and social exposure.

Our teams invest with long-term horizons and seek to minimise risk and maximise returns based on the investment objectives of our clients. We recognise that Environmental, Social, and Governance (ESG) factors may provide additional insight into investment risk beyond traditional analysis and that positive ESG performance may be a potential indicator of management quality, operational performance, and the potential to create long-term value. Where we determine ESG factors to be relevant, we will consider them.

As part of our ongoing commitment to integrate ESG factors, MAM became a signatory of the Principles for Responsible Investment (PRI)² in August 2015 and the following strategy is an initial step towards achieving the aspirational goals set forth under PRI.

¹ AUM as of 30 June 2018.
² Information on the PRI can be found in Annex 1.
ESG Strategy Implementation for Investment Teams

We have a structure under which autonomous – or independent – investment teams are supported by a global shared-services platform. Our teams offer more than 100 strategies and have the autonomy to leverage their specialised skill sets and define their individual investment approaches and decision-making processes, while benefitting from a comprehensive operational support platform.

1.1 Integrating ESG

The integration of ESG factors in the investment process varies by investment team as each team owns its own investment process.

We provide all of our investment teams with access to specialised ESG research, governance and proxy analysis. The investment teams determine how best to leverage this information in their investment process. Where ESG factors are determined to be relevant, they will be considered.

As part of MAM, MIM will participate in PRI annual reporting requirements, and each investment team will provide additional reporting as appropriate.

1.2 Voting

Where our teams are active investors and rely on fundamental research as a key part of their investment processes, they are also often active proxy voters and exercise voting rights responsibly. We act as owners and seek to ensure that proxies are voted in the best interests of our clients and that our proxy voting activities adhere to the requirements of all applicable rules and general fiduciary principles.

Each regulated entity within MIM that votes on behalf of its clients has a proxy voting policy. The policies are updated annually and are available upon request.

1.3 Dialogue with Management

Our equity investment teams often engage with companies as part of their regular investment processes. These engagements are typically strategic in nature and provide additional insights into management quality, business drivers, financial strategy and future business prospects. During these meetings we may discuss ESG factors, where relevant, and incorporate our findings into our overall assessment of the management teams.

Central to our belief amongst all our fixed income capabilities is a commitment to proprietary, in-depth fundamental research. Inherent in this commitment is a strong focus on the management of downside risk, considering capital preservation to be paramount. Aspects of our credit analysis may include visits with company management where we discuss economic, competitive and other factors that may influence future revenues and earnings of the issuer, including factors that have been identified by others as material from an ESG perspective.

We may also engage directly with the entities in which we invest in order to encourage additional ESG disclosure. Companies that we have targeted for engagement are typically identified and prioritized by geography, sector and size in order to ensure that a diverse cross-section of engagements are undertaken.

1.4 ESG Centric Strategies or Implementation of Client Specific Mandates

MIM manages several strategies for which ESG is core to the investment process. An overview of these strategies is available upon request.

MIM can create portfolios, mandates and segregated accounts, based on specific client requests that aim to align their organisation or personal values with their investments.

Reporting

3 Index global equity portfolios do not currently vote due to the structure of the strategy where the investor receives the reference index return, rather than the underlying portfolio.
As part of MAM, MIM will report annually on our activities and progress on implementing the PRI according to the PRI reporting framework. We do not currently publish details beyond PRI reporting requirements, but are willing to provide more detail to clients and prospective clients upon request.

Strategy Oversight and Review

Our ESG strategy applies to MIM and to all related investment activities. The strategy will be overseen by the MIM Global Corporate Governance Committee and updated on an annual basis.

Annex 1:

Principles for Responsible Investment

The Principles for Responsible Investment (PRI) is an international network of investors working together to put six Principles for Responsible Investment into practice. Its goal is to understand the implications of sustainability for investors and support signatories to incorporate these issues into their investment decision making and ownership practices. The PRI are voluntary and aspirational.

The PRI were developed by an international group of institutional investors reflecting the increasing relevance of environmental, social and corporate governance issues to investment practices. The process was convened by the United Nations Secretary-General.

In signing the PRI, we as investors publicly commit to adopt and implement them, where consistent with our fiduciary responsibilities. We also commit to evaluate the effectiveness and improve the content of the PRI over time. We believe this will improve our ability to meet commitments to beneficiaries as well as better align our investment activities with the broader interests of society.

The six Principles are:

Principle 1: We will incorporate ESG issues into investment analysis and decision-making processes.

Principle 2: We will be active owners and incorporate ESG issues into our ownership policies and practices.

Principle 3: We will seek appropriate disclosure on ESG issues by the entities in which we invest.

Principle 4: We will promote acceptance and implementation of the Principles within the investment industry.

Principle 5: We will work together to enhance our effectiveness in implementing the Principles.

Principle 6: We will each report on our activities and progress towards implementing the Principles.
The information in this document is provided for general information purposes only and is not, and should not be construed as, an advertisement, an invitation, an offer, a solicitation of an offer or a recommendation to participate in any investment strategy or take any other action, including to buy or sell any product or security or offer any banking or financial service or facility by any member of the Macquarie Group. This document has been prepared without taking into account any person’s objectives, financial situation or needs. Recipients should not construe the contents of this document as financial, investment or other advice. It should not be relied on in making any investment decision and is subject to change.

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