

Credo expands managed portfolios with launch of ESG models

Credo is pleased to announce the launch of new Multi-Asset Portfolio ESG solutions (MAP ESG) in recognition of client interest and demand for products prioritising environmental, social and governance (ESG) issues.

The MAP ESG model portfolios will sit alongside Credo's existing MAP Core models and its slimlined MAP Select models. All of Credo's MAP solutions are model portfolios, rather than funds, are managed on a discretionary basis by Credo and seek to invest in a diversified selection of Funds and ETFs.

The MAP ESG portfolios will consist of four risk-rated models, similar to MAP Core, but with the additional benefit of ESG considerations. All MAP models are backed by long-term evidence, rather than current market trends, conditions or sentiment. They are based on rigorous research, intellectual honesty, and use long-term historical data to guide the decision-making process.

Ainsley To, Head of Multi-Asset at Credo, said: "Given the inherent subjectivity in ESG, Credo has taken a broad approach. These portfolios are for investors who are keen to incorporate ESG considerations into their portfolio but who do not necessarily have specific ESG convictions or goals."

Since there can be disparities between the classifications and/or ratings given by different ESG assessors for the same investment, Credo's approach is to diversify exposure to different providers and data sets. This avoids over-reliance on any one source of subjectivity in ESG assessment.

The securities included in the four portfolios go through a robust selection process and are centred on the following tenets:

- **Rule 1:**
Gross return minus costs equals net return. Cost is one of the few constants in investing. Cost reduction throughout the investment process, from strategy selection to portfolio construction, is a primary enabler of better returns.
- **Rule 2:**
Diversification is the only 'free lunch' in investing. A portfolio of assets which are not completely correlated will produce a better risk-adjusted result than the individual assets alone. This is a mathematical truth.
- **Rule 3:**
Alpha is uncertain but diversification and cost are not. Thus, we need 'a lot' of potential alpha to give up on some diversification and/or cost considerations (as per rules 1 and 2).

The long-term objective of the MAP ESG portfolios is to provide a diversified source of long-term real returns for given levels of risk. Consequently, Credo will be tracking the MAP ESG portfolios using a CPI+ benchmark.

The four MAP ESG portfolios (20/80, 45/55, 60/40, 70/30) will be re-balanced in line with fund manager discretion and are risk rated by Defaqto, a leading European funds rating agency.

MAP ESG is available on the Credo platform, a number of UK-based platforms and also via several South African life wrapper providers.

Charles van der Merwe, CEO of Credo, said: “Advisors’ and investors’ needs are always evolving. They require a wide range of investment solutions that cater to a broad range of requirements – this is exactly why we are pleased to be enhancing our MPS service with MAP ESG. The ESG portfolios are managed by the existing multi-asset portfolio team, run by Ainsley To, who has been managing the Credo MAP portfolios since 2014. The team’s evidence-based approach and rigorous selection process has seen excellent results through various market cycles. We are confident the MAP ESG portfolios, which are competitively priced, will also offer attractive returns for advisors and their investors.”

Credo is an independently owned wealth management services business established in the UK in 1998. Credo provides investment solutions and a wealth platform to both Financial Intermediaries and Private Clients, with more than £4.6bn assets under custody and £1.2bn assets under management. Credo has offices in the United Kingdom and South Africa.

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