

# New Stock Index Makes It Easier For Vegans And Environmentalists To Invest



**Katrina Fox** Contributor

*I write about vegan and plant-based business*



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Vegans and those who care about the environment are about to find it a whole lot easier to invest in companies that align with their ethical values, thanks to the creation of a new stock index.

The US Vegan Climate Index excludes companies listed on the Solactive US Large Cap Index (a proxy for the S&P 500 Index) that are involved in animal testing, animal-derived products, animals in sport and entertainment, fossil fuel, energy production from fossil fuel, other environmental and human rights concerns, military and defense, and tobacco.

Created by three vegan finance professionals Claire Smith, Lee Coates and Larry Abele from Beyond Advisors, the research arm of vegan investing platform [Beyond Investing](#) in Europe, the index comes into effect on 6 June and removes approximately 41% of the market capitalization (total value of all shares of a company's stock) of the Solactive US Large Cap Index.

According to Smith, the US Vegan Climate Index demonstrates “vastly better” metrics on carbon emissions, water utilization, waste products and avoidance of environmentally and socially damaging companies, with a larger proportion of the index devoted to companies that adopt environmentally positive solutions. “As compared with an exposure to the Solactive US Large Cap index, an investor in the new index will avoid funding the slaughter of 13 animals a year for every \$1,000 invested,” says Smith.

Companies that made it into the new index are, on aggregate, performing better financially too, with a total improved performance of just under 30% over five years, according to Smith. “This is due to the broken business models of companies that exploit animals and damage the environment,” she says. “There’s no future in these industries if they carry on doing what they’re doing. This is why we’re confident that the outperformance will continue, or these companies will change in a way to make them admissible to our index. It’s fairly obvious, for example, that [meat company] Tyson is trying to transform itself as a business, and as soon as it goes 100% plant-based, it would be admissible.”

The rules-based US Vegan Climate Index will be calculated by index provider Solactive and published on a real-time basis under the Bloomberg ticker ‘VEGAN’. Composed entirely of US-listed stocks, the index will form the basis of a forthcoming US-listed exchange traded fund (ETF) launch, as well as ETFs and notes launched in other jurisdictions, subject to demand from investors.

Beyond Advisors plans to work with financial institutions to create products, and is currently working closely with a US firm which already has a sustainable ETF, to add the index to that platform. “We’re marketing the concept to financial institutions to either act as issuers, or to seed our own launch,” says Smith.

“Another area we can use our research is by licensing the data to other providers, for example wealth managers who want to apply our pass/fail criteria and the reason for it to overlay on their own clients’ portfolios. We’re in discussion with a major bank on this.” [article continues]The strategy behind the new index is to stop companies that harm animals and negatively impact the planet from engaging in these activities. “Exclusion from an investment portfolio is one way to do this, as

any sale of a large cap portfolio which contains these companies, to switch into our portfolio will put downward pressure on their share prices, which increases their cost of capital,” says Smith.

While the effect on cost of capital (the opportunity cost an entity must pay to raise funds for a project) of a single investor may be small, a collective effort by responsible investors has the potential to shift companies’ cost of capital, according to a [white paper](#) prepared by Beyond Investing partner Auriel Investors, an asset management firm in London, UK, specializing in responsible investing. “By shifting the cost of raising capital, responsible investors can influence the direction of economic development by making it cheaper for sustainable companies to raise additional capital and more expensive for non-sustainable companies to do so,” it says.



L-R: Vegan finance professionals Claire Smith, founder of Beyond Investing in Switzerland; Lee Coates, founder of Ethical Money in the UK and Cruelty-Free Super in Australia; and Larry Abele, founder of London-based asset management firm Auriel, plan to offer a suite of ethical investment finance products. BEYOND INVESTING

The average market capitalization of the 308 companies currently listed on the US Vegan Climate Index is \$255bn, slightly higher than the Solactive US Large Cap Index. The index has an excess return over the Solactive US Large Cap of 3.63% and a tracking error against this index of just 1.5%. Tracking error, also known as active risk, is a measure of the variability of the difference between the return on the portfolio and the benchmark over time. “Risk-conscious investors treat it as a measure of how much risk they’re taking by investing in a portfolio that’s different from their benchmark,” says Smith. “A low active risk like 1.5% means that an investor can be sure that the portfolio will track its benchmark to within a small margin, which is important when you consider that products launched on a public market may well be put into the pension pots of smaller investors. As an investment

analyst for many years, I rarely see any portfolio beat a benchmark by this much with as little tracking error.”

Some of the top companies currently listed in the US Vegan Climate Index include Alphabet (Google’s parent company), Apple, Microsoft and Facebook.

A proportion of net profits from licensing the index, data and the issue of financial instruments will be devoted to the Beyond Cruelty Foundation, a Swiss-based nonprofit organization whose donations will be put towards animal advocacy and saving animals from harm and exploitation.

This new index is yet another development in vegan and environmentally-conscious investing, and we’re likely to see more as an increasing number of consumers seek to favor companies that demonstrate positive consideration to people, animals and planet. There are currently \$22.89 trillion of assets being professionally managed under responsible investment strategies – an increase of 25% since 2014 – according to the [Global Sustainable Investment Review 2016](#).

In other words, responsible and sustainable investing is a trend that’s set to continue to grow. Smart companies will take steps to make sure they’re on the right side of history.

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I’m the founder of Vegan Business Media, a content, events and training platform providing resources to vegan business owners and entrepreneurs. I’ve been a journalist f... **Read More**