ESG investing

UK fund manager Osmosis wins $4.5bn green transition investment mandate

Contract awarded by Dutch pension fund Pensioenfonds PGB is one of the biggest ESG mandates

The portfolio Osmosis will oversee investments in companies that score well on metrics including carbon emissions, water consumption and waste output © Getty Images

Chris Flood in London FEBRUARY 12 2023

London-based boutique asset manager Osmosis has won a contract to run a $4.5bn sustainable investment strategy on behalf of a Dutch state pension fund in one of the largest allocations of its type ever to be awarded.

The bespoke global equity portfolio that Osmosis will oversee on behalf of Pensioenfonds PGB aims to deliver environmental benefits and higher returns than the MSCI World index by investing in companies that score well on metrics including carbon emissions, water consumption and waste output.

Ben Dear, chief executive and co-founder of Osmosis, said investors did not need to sacrifice financial returns in order to meet emissions reductions targets and other environmental goals in their portfolios.

"The mandate will target better risk-adjusted returns by investing in resource-efficient companies [that] will also deliver an immediate reduction of more than 50 per cent in carbon emissions, water consumption and waste creation relative to the Pensioenfonds PGB current equity portfolio," said Dear.

The mandate will double assets under management to $9bn for Osmosis, which already runs similar ESG strategies for Oxford university's endowment fund, Australia's Commonwealth Superannuation Corporation, Danish pension fund PKA and Imas, a foundation that invests on behalf of the charitable arm of the furniture retailer Ikea.

The mandate is structured as a close relative of Osmosis' flagship $730mn Resource Efficient Core Equity fund incorporating some company exclusions specified by Pensioenfonds PGB.

The fund has delivered annualised returns net of fees of 9.6 per cent since it was launched in May 2017, compared with the MSCI World index return of 8.7 per cent over the same period.

Biggest ESG investment mandate awards

Investor	Mandate ($bn)	Manager	Date awarded
Japan Government Pension Investment Scheme (GPIF)	7.6	Undisclosed	2020 Q4
Universities Superannuation Scheme (USS)	6	Legal & General Investment Management	2022 Q1
Japan Government Pension Investment Scheme (GPIF)	5.8	Undisclosed	2022 Q1
Pensioenfonds PGB	4.5	Osmosis	2022 Q4
Northern Ireland Local Government Officers Superannuation Scheme	3.4	Legal & General Investment Management	2022 Q1
PenSam (Denmark)	2.8	Amundi	2020 Q3
UK Mineworkers Pension Scheme	2.5	BlackRock	2021 Q4
Scottish Widows	2.4	BlackRock	2020 Q3
PenSam (Denmark)	2.3	Nordea Asset Management	2020 Q3
Japan Government Pension Investment Scheme (GPIF)	2.3	Undisclosed	2020 Q4

Source: FT MandateWire

Two pension funds — Japan's Government Pensions Investment Fund and the UK's Universities Superannuation Scheme — have awarded three ESG mandates that are larger than the contract secured by Osmosis. But the three awards represent instructions by the pension funds to incumbent managers to move an existing pot of money from a non-ESG portfolio into an ESG strategy, according to MandateWire, a data provider which is part of the FT group.

"ESG mandate awards are increasing rapidly as more pension funds adopt net zero emission targets. But some of these mandates are instructions to incumbent managers to move existing pots of money into an ESG strategy so they do not bring new inflows for fund companies. Osmosis appears to have won the biggest ESG mandate to date that represents new inflows for an asset manager," said Sophie Wilcock, managing editor at MandateWire.

Pensioenfonds PGB said it has awarded the contract to Osmosis as part of a new climate action plan, which was approved in December 2022, that set a target of cutting carbon emissions by half across its listed equity portfolio as soon as 2030.

The Osmosis contract represents about one-third of the listed equity portfolio held by Pensioenfonds PGB, which now oversees total pension assets of €28.8bn ($30.1bn)

Financial returns, climate risks and sustainability factors are now treated as equally important when investment opportunities are assessed by Pensioenfonds PGB, which was founded in 1953 to provide retirement incomes for printworkers and expanded to cover workers across 15 sectors in the Netherlands.

European regulators are pressing pension funds to tackle climate change risks more urgently due to fears that retirement savings pools could incur heavy financial losses if the transition process to a low-carbon economy is delayed.

A "disorderly transition process" could wipe out about 12.9 per cent of the EU's pension assets, according to the European Insurance and Occupational Pensions Authority, which published the results of its first climate stress test for Europe's pensions industry in December.

Climate Capital

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