Investing for Impact: The Benefits of Socially Responsible Investing

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Agenda

- General overview of SRI
- Do it yourself or use an advisor?
- New trends and products
- Greening-up your portfolio intelligently
A Word About Greenvest

- Personal investment advisors specializing in socially and environmentally responsible investing. Offering portfolio management, retirement accounts, Trust management, SRI 401k plans, and annuities.
- Offices in VT, Western MA, Boston and San Francisco.
- “Gold Certified” Business by Green America
- .eco Certified – www.greenvest.eco
What is “Socially Responsible Investing?”

Also referred to as:

- Sustainable Investing
- ESG (Environmental, Social and Corporate Governance)
- Impact Investing
- Values Based Investing
- Green Investing
You Define!

- What matters to you??

- Investing in harmony with your values and lifestyle.

- Why should it be different from the way you shop, vote, etc.?
What is “Socially Responsible Investing?”

- It’s about YOUR values
- And it’s also about what socially responsible investors can do collectively as a force for social change
SRI: A Double Bottom Line

Conventional investing and corporate management

---- Single Bottom Line ----

PROFIT AT ANY COST
(Primary responsibility to shareholders)

SRI and socially responsible corporate management

== Double Bottom Line ===

PROFIT plus RESPONSIBILITY TO OTHERS AND THE GLOBE
The Difference is Social Screening.

“Negative Screening”
Weed out offensive companies.

Now “Divestment”

“Positive Screening”
Reinvest in green businesses.

Now “Impact Investing”
“Social screening” criteria

Screen by Industry

*Exclude* oil, weapons, tobacco, liquor, gambling, pornography, nuclear power, GMOs.

*Favor* alternative energy, recycling, fair trade, sustainable products.

Screen by Company Behavior

Corporate governance and ethics, workplace, environmental footprint, public safety, international operations and human rights, community relations, animal testing.
The Myth of SRI Underperformance

- SRI underperformed initially – fewer companies to choose from.
- Began to catch up in the 1990’s.
- Today comparable or superior to conventional benchmarks.

Evidence:
- Performance of KLD 400 vs. S&P 500
- Growing Body of Academic Research
  SRI Performance Studies – [www.sristudies.org](http://www.sristudies.org)
  Social Investment Forum – [www.socialinvest.org](http://www.socialinvest.org)
MSCI KLD 400 vs. S&P 500 Indices
April 1990 through April 2017

S&P 500 vs. MSCI KLD (Price Index)

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<th>Annual Return: 1990-2017</th>
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<tr>
<td>MSCI KLD 400</td>
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<td>S&amp;P 500</td>
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Rationale for SRI Outperformance

- Irresponsible businesses/toxic materials can have greater expenses/risks due to regulatory violations, litigation, accidents, fines, boycotts, and strikes.

- Social responsibility is a reflection of intelligent management, which is reflected in other areas of the company: innovation, workplace, environment, employee relations, risk management, etc.
Fastest Growing Financial Sector!

- 33% growth over the past two years to $8.72 trillion under SRI management; and a 14-fold increase since 1965.

- Today more than 1 out of every 5 dollars under professional management in the U.S. is involved in SRI.

Source: The Forum for Sustainable and Responsible Investment
How to Participate in SRI?

- On your own
- SRI Financial Advisor/Firm
Self-Managed

- Individual brokerage account – Schwab, E-Trade, Fidelity, etc.

- Follow usual investment disciplines, plus …

- Social screening sources
  
  > Study company websites – look for “sustainability statements”, products, etc.
  > Google for questionable practices
  > Contact corporate “Investor Relations”
  > Sites: www.SustainableBusiness.com
  > For FF divestment: www.gofossilfree.org www.fossilfreefunds.org
SR Mutual Funds

• Calvert, Parnassus, Pax, Green Century, etc.

• Load vs. No-Load

• Screening discipline: overall strictness, Divest vs. Engagement, etc.

• www.socialfunds.com
SRI Financial Advisor

Provides:

• Personalized attention and custom portfolio
• The ability to choose your own investment screening based on your individual beliefs/preferences
• Social research on individual investments
• Access to widest universe of social investments
• Proxy voting advice
• Fee-based Advantages
New Trends and Products

- SRI Exchange Traded Funds (ETFs)
- Clean Energy Investing
- Fossil Fuel Divestment
- Local Impact Investments
- Green Bonds
- Women’s Investment Funds
Socially Responsible Exchange Traded Funds

- Let you invest in broad indexes and/or specialized industry sectors
- Lower cost
- Lower taxes
- Growing area
Clean Energy Investing

Mutual Funds

• Calvert Global Alternative Energy Fund
• Pax World Global Environmental Markets Fund
• Shelton Green Alpha Fund
• New Alternatives Fund

ETFs

• Guggenheim Solar ETF
• Invesco CleanTech ETF
• First Trust Global Wind Energy ETF
• First Trust Clean Edge Green Energy
Fossil Free SRI Mutual Funds/ETFs

- Green Century Funds
- Pax World Growth Fund
- Pax World Global Environmental Markets Fund
- Shelton Green Alpha Fund
- Portfolio 21
- New Alternatives Fund
- Calvert Global Water Fund
- Calvert Global Alternative Energy Fund
- Parnassus Endeavor Fund
- Market Vectors Environmental Services ETF
Local/Community Investments

- Vermont Community Loan Fund
- Vermont State Municipal Bonds
- Credit Unions
- Calvert Foundation – Investment Notes
- “Milk Money” (VSECU)
- CRA Qualified Investment Fund
Green Bonds

- Calvert Green Bond Fund
- Praxis Impact Bond Fund
- Mirova Global Green Bond Fund
- World Bank
Women’s Investment Funds

- **Pax World Ellevate Global Women’s Index Fund.** (mutual fund)

- **SPDR SSGA Gender Diversity Fund** (ETF)
Greening Up Your Portfolio Intelligently

GENERAL INVESTMENT CONSIDERATIONS WHEN DIVESTING/REINVESTING

• Asset Allocation
• Taxes
• Fees
• Dividend Income
• Market Environment
• Loss of Shareholder Voting
• Security Research
Intelligent Divesting

ASSET ALLOCATION
(Your investment mix)

➢ Need to maintain your agreed upon allocation – mix of stocks/bonds/large companies/mid-size and small, etc.

➢ Common error: replacing large- company energy stocks with small- company clean energy stocks – increasing risk/volatility.
Intelligent Divesting

TAXES

➢ Capital gains taxes of up to 23.8%.
➢ Determine your “Cost Basis” before selling.
➢ Consider selling on staggered basis (350.org divest commitment allows for up to 5 years).
➢ Use losses to offset gains.
Intelligent Divestment

FEES

- Commission charges can be 2-5% to sell and reinvest.
- Smaller accounts: Consider no-load mutual funds.
- For larger accounts consider fee-based arrangement.
- Idea: if under commission basis now, consider converting to fee-based account before divesting.
Dividend Income

- If you depend on dividend income from large companies like Exxon, beware selling and replacing them with non-dividend-paying stocks.
- There are many SR investments that pay competitive dividends.
Intelligent Divesting

OTHER CONSIDERATIONS

➢ Market Environment
➢ Loss of Shareholder Voting
➢ Security Research