

Demystifying SRI and Impact Investing

Greg Pitts

Natural Investments

Wednesday, June 17, 2015





Village Life

Life at EcoVillage is a dynamic balance between personal and family individuality, and cooperative community. Residents participate in shared work and play, each in their own way, while being mindful of impact on all.

ecovillage.ithaca.ny.us



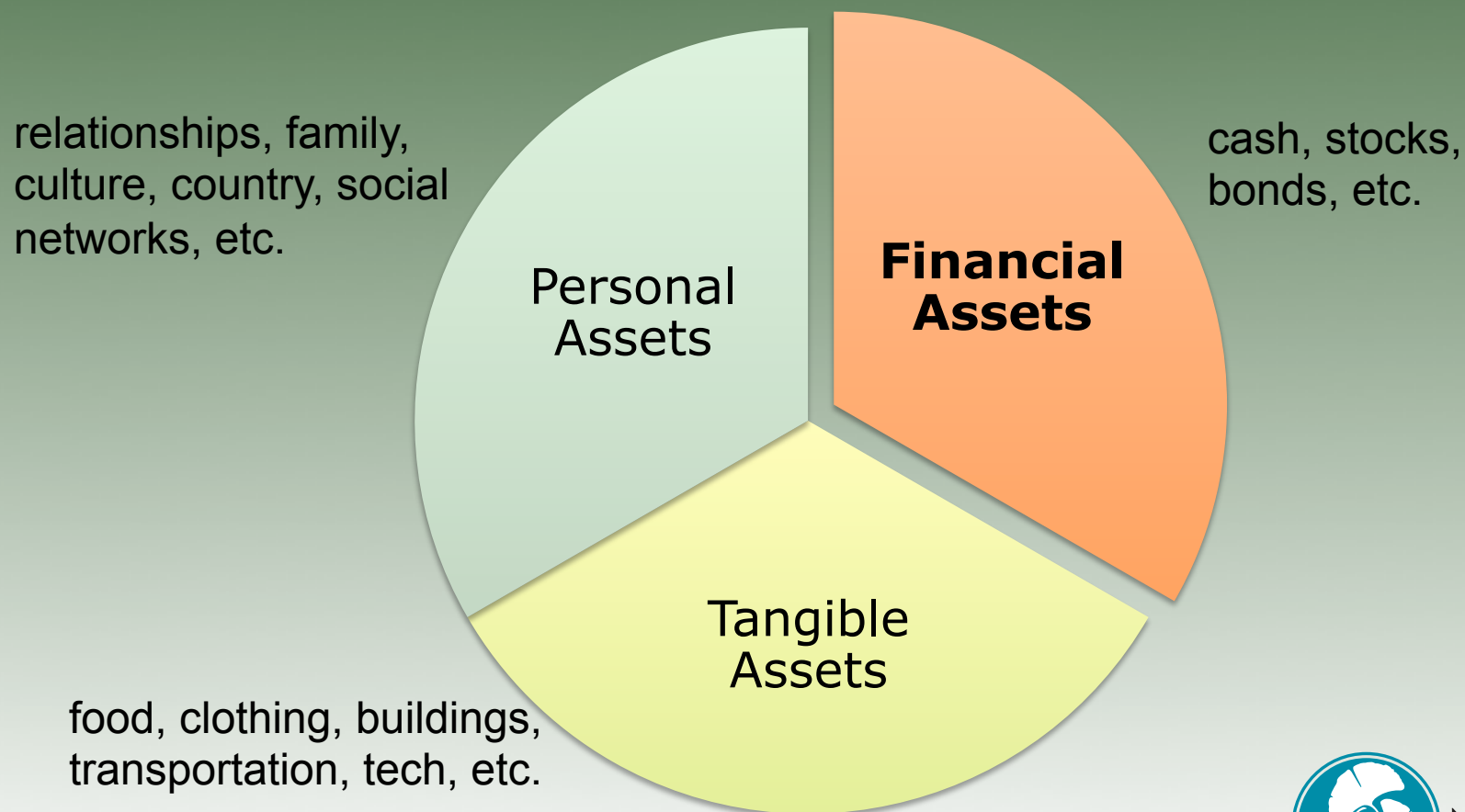
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Disclaimer

- **This is not a solicitation for investment.**
- **No information contained in this presentation is intended as investment, tax, or legal advice.**
- **There is no assurance that any information herein is true, correct, or precise.**
- **Consult an appropriate professional.**



Your *Real* Net Worth*



* from *The Resilient Investor: A Plan for Your Life, not Just your Money*

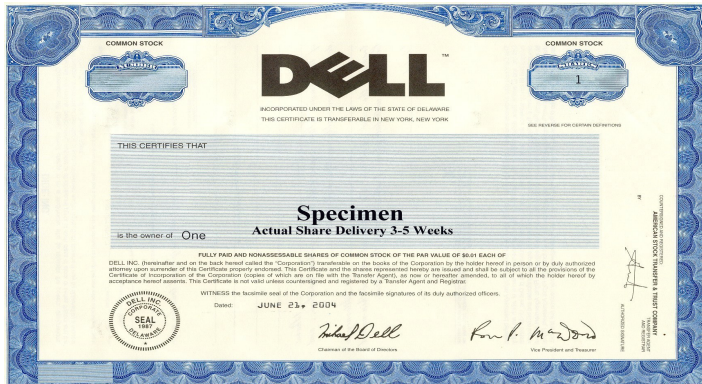


Bonds

- Loan with terms
 - Maturity (due date)
 - Interest rate (coupon)
- Bonds are loans
 - Fixed income, notes, bills, bonds
- Bonds are a debt, secured by assets
- Varying quality
 - AAA, AA, BBB, BB, B
- Municipal bond is tax-free (in your state)
- Can sell/trade early
 - Price goes up/down inversely with interest rates



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Stocks



- Referred to as 'shares' or 'equity'
- Ownership in a company
 - If there are 1000 shares, and you own 50, you own 5% of the company
- Large 'cap' – over \$10B market capitalization
- Small 'cap' - \$300M - \$2B
- Owning shares is like owning the deed to your house

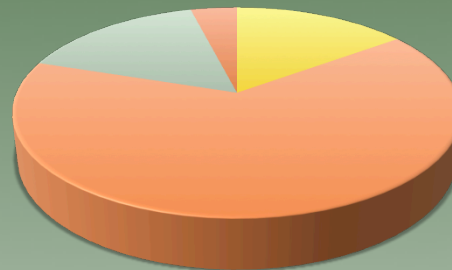


Mutual Fund or ETF “Basket of Securities”

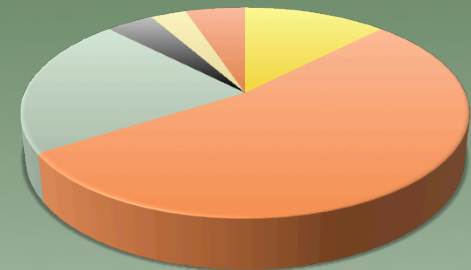


Model Portfolios of Varying Risk

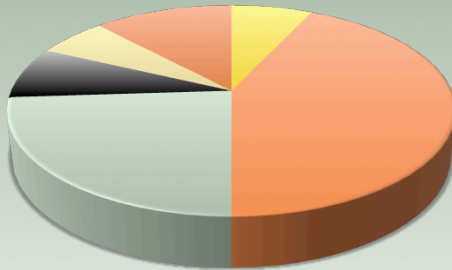
- Cash/money market
- Fixed income/bond
- Large Cap Equities
- Mid Cap Equities
- Small Cap Equities
- International Equities



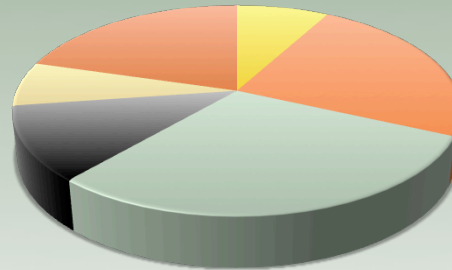
Conservative



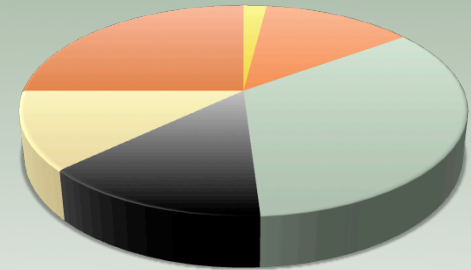
Income & Growth



Balanced



Growth



Aggressive Growth



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Key Social Investment Labels

- **SRI?**
 - **Socially Responsible Investing**
 - **Sustainable and Responsible Investing**
 - **Sustainable, Responsible, Impact Investing**
- **Impact Investing**
 - **Generating a measurable, beneficial social and environmental impact alongside a financial return**



RESEARCH ON FINANCIAL PERFORMANCE

U.N. Report:

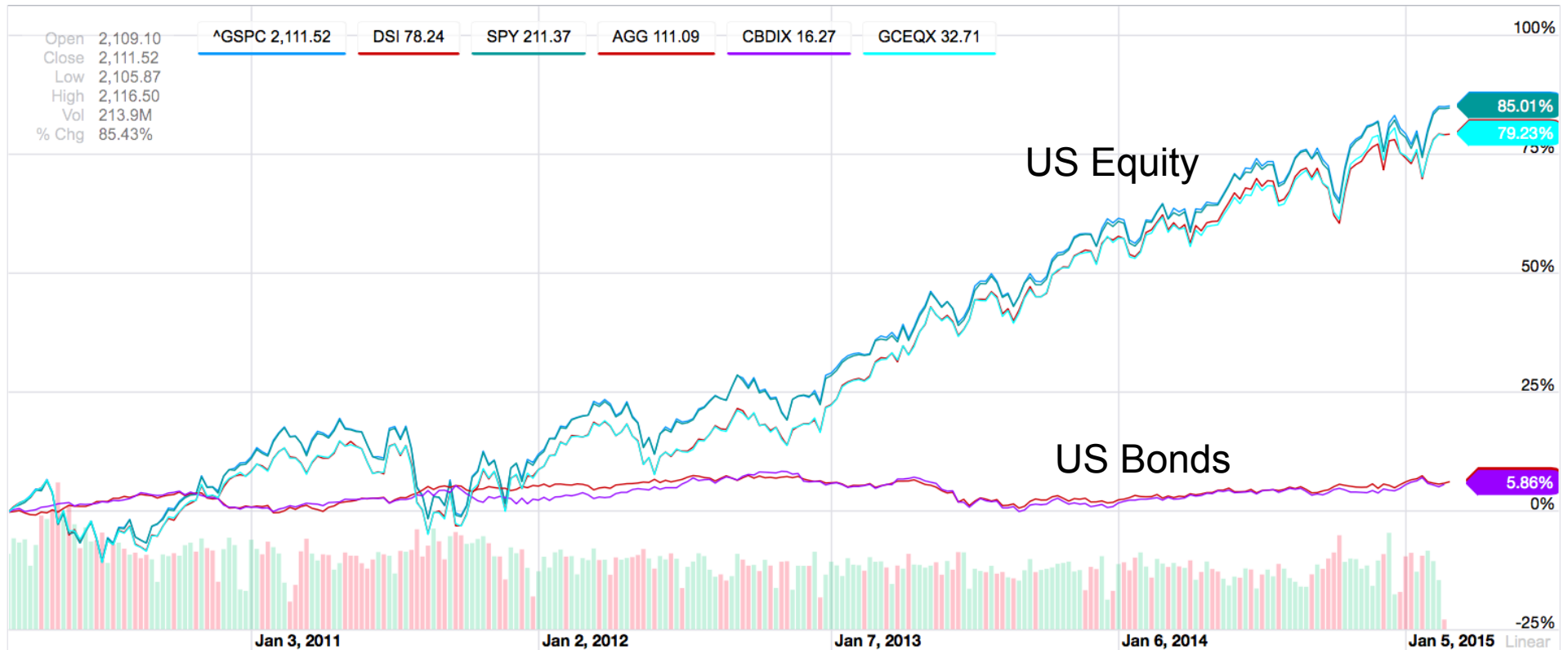
www.unepfi.org

30 studies

27 studies show positive or neutral correlation of environmental, social, and governance factors to financial performance



Select SRI Performance



Note: Past performance is no
guarantee of future returns



Sustainable and Responsible Investing in the United States \$3.74 trillion in 2012

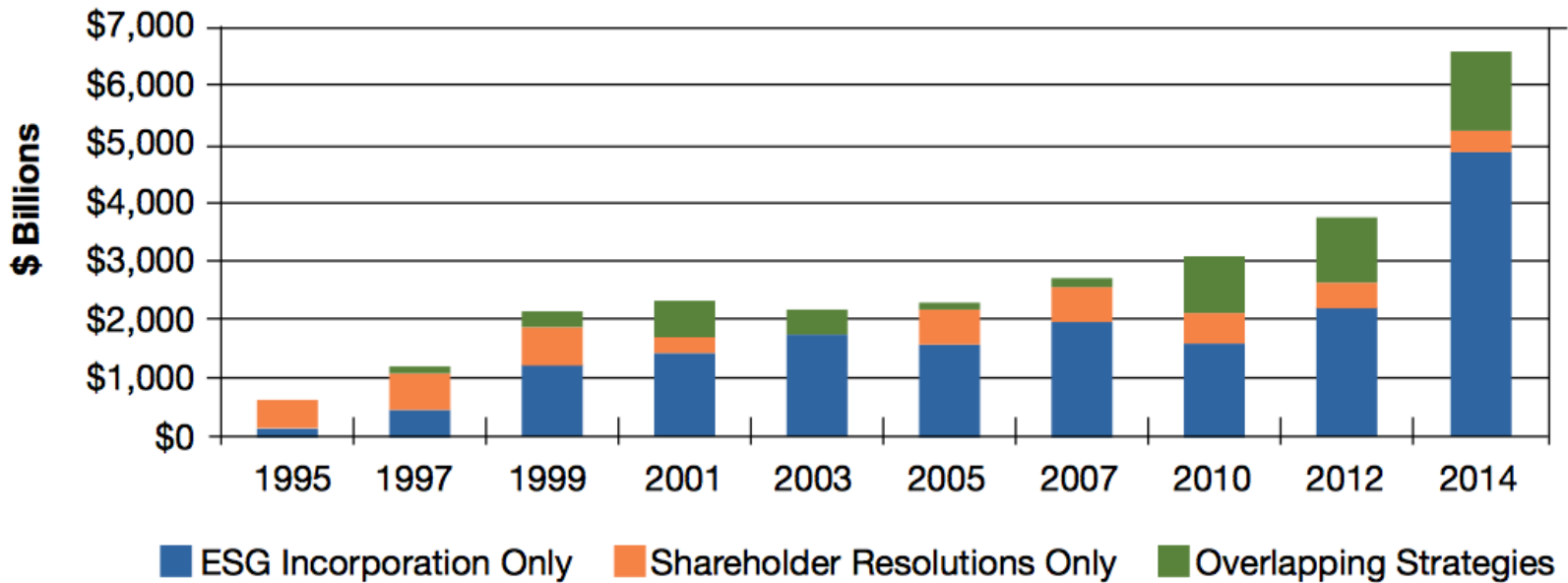
**Shareholder
Resolutions
\$1.5 Trillion**

**ESG Incorporation
\$3.3 Trillion**

**Community
Investing
\$61 Billion**

SOURCE: US SIF Foundation

Growth in SRI



SOURCE: US SIF Foundation.

Socially Responsible Investing



ESG Screening

- **Environmental, social, governance screening**
 - Non-financial factors in securities evaluation
- **Hundreds of money managers of various shades of green**
 - **Equities**
 - Large cap, mid-cap, small cap, foreign, green sectors, comprehensive ESG integration, can identify companies with best social and environmental performance within any industry
 - **Fixed income**
 - Screening of intermediate and high yield corporate, municipal, and other domestic and foreign government bonds and currencies; focus on housing and business loans



Screening factors

Portfolio filters consider many ESG issues:

Common Avoidance Issues:

- Alcohol, tobacco, firearms, gambling, pornography, military contractors
- Polluters, fossil fuels, chemicals, nuclear power
- Poor labor and human and indigenous peoples' rights standards
- Workplace safety and diversity
- Board governance problems and shareholder unresponsiveness
- Relocation to avoid US laws
- Unnecessary animal testing

Common Positive Screens:

- Organic food, fitness, holistic health
- Recycled products, biodegradables, natural fibers
- Pollution prevention, environmentally friendly, renewable energy, sustainability reporting,
- Protection of worker wages, benefits, safety, wellness, diversity
- Outstanding community relations and corporate citizenship
- Products that enhance quality of life



Rate Companies

 Select
Companies

 Set Corporate
Practices Criteria

 Get
Ratings

 BACK TO MULTIPLE
COMPANY RATINGS

 Industry: [Home Furnishings](#)

 Company Selection: [Large Cap 500](#) (499 companies) | Profile: [FAFN](#)

 Compare Companies To:
RATINGS KEY

 100  — BEST

 1  — WORST

 — FLAGGED COMPANY



Printer-Friendly Page













ISSUE
IMPORTANCE/PREFERENCE SELECTION
RATING

EXPAND ALL


COLLAPSE ALL

 Overall Rating For: [FAFN](#)

 60 

<input type="checkbox"/> Alcohol	MED	
<input type="checkbox"/> Animal Testing	LOW	
<input type="checkbox"/> Diversity	LOW	
<input type="checkbox"/> Environment	HIGH	
<input type="checkbox"/> Gambling	MED	
<input type="checkbox"/> Human Rights	MED	
<input type="checkbox"/> Military & Weapons	HIGH	
<input type="checkbox"/> Nuclear Power	MED	
<input type="checkbox"/> Recognition	MED	
<input type="checkbox"/> Sexual Orientation	MED	
<input type="checkbox"/> Tobacco	HIGH	
<input type="checkbox"/> Workforce	MED	

Sample ESG Screen

<input type="checkbox"/> Environment	HIGH	
Superfund sites per revenue	✓ Fewer sites	
Toxic emissions per revenue	✓ Fewer emissions	
Toxic emissions trend	✓ Decreasing trend	
Toxic production waste per revenue	✓ Less waste	
Toxic production waste trend	✓ Decreasing trend	
Chemical or oil spills per revenue	✓ Fewer spills	
Chemical or oil spills trend	✓ Decreasing trend	
Environmental fines per revenue	✓ Smaller fines	
Environmental fines trend	✓ Decreasing trend	


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Socially Responsible Investing



Community Investing

- **Typically geographic or thematic focus**
 - Disaster relief, affordable housing, small business loans, home ownership, entrepreneurship, community facilities
- **Community banks & credit unions**
 - CDFIs – community development financial institutions
- **Community development loan funds**
- **International microfinance**
- **Community development venture capital**
- **Philanthropic debt and equity**



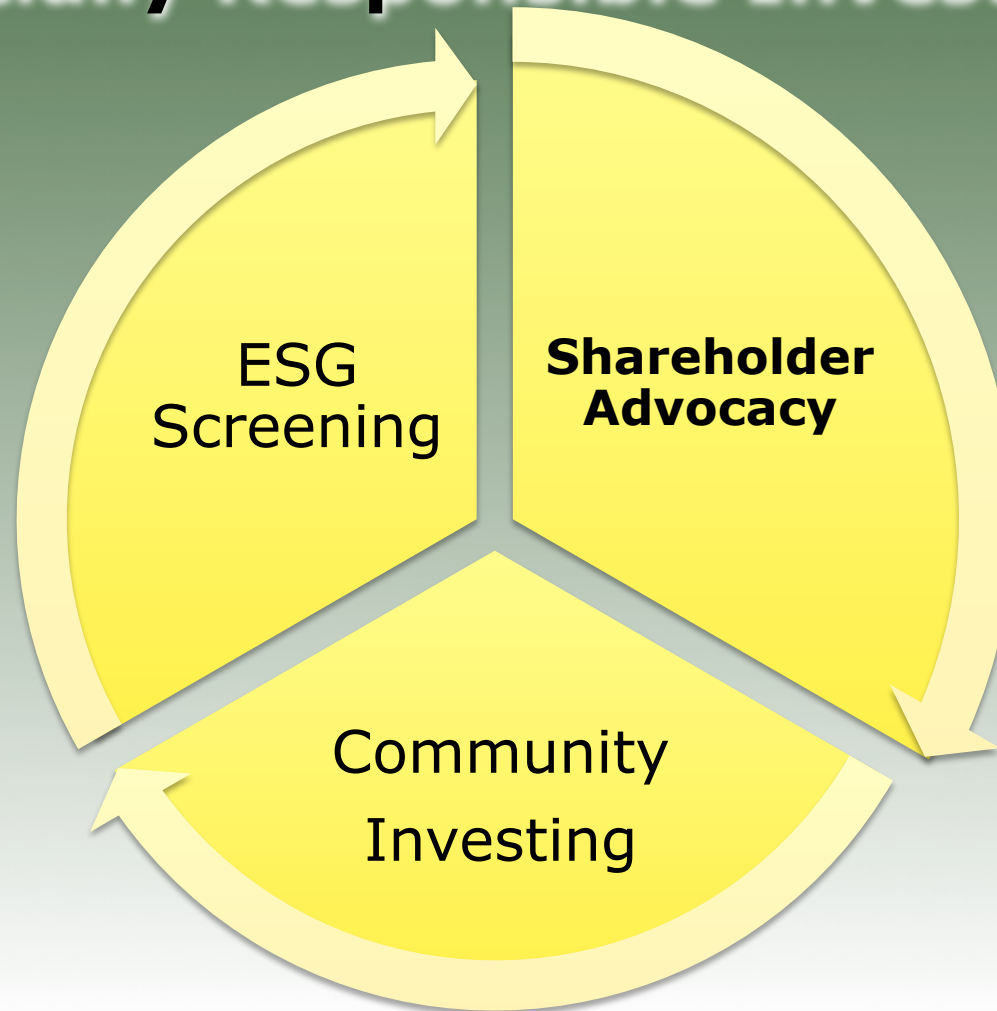
COMMUNITY INVESTING



Loans that change lives



Socially Responsible Investing





AT&T <i>political contributions</i>	31.8%
Bank of America <i>predatory credit card practices</i>	33.4%
Goldman Sachs <i>political contributions</i>	22.2%
International Paper <i>sustainable forestry</i>	6.1%
Nucor <i>modern slavery report</i>	26.9%
RR Donnelley <i>sustainable forestry</i>	8.7%



CALVERT 2013 RESOLUTION SCORECARD







Sustainable seafood
policy



Computer
recycling



Only uses
recycled paper



No longer sells
old growth
timber

Recent key issues for Natural Investments:

- *Reversing “Citizens United” (corporations are not people)*
- *Mandatory corporate sustainability reporting*
- *Mandatory corporate disclosure of political contributions*
- *Remove speculative risk-taking from retail banking system*





Welcome, Hal | [Log Out](#)

[Quote](#)

[Search](#)

[Edit Funds](#)

[Comparison Results](#)

[Reset Holdings](#) | [Definitions](#)

View: [Snapshot](#)

Total Results: 78 View 1-25 of 78 [Next 25](#)

Check boxes to: [Test in a Portfolio](#) | [Add to my Portfolio](#) | [Remove From List](#)

[Score These Results](#)

	Fund Name	Morningstar Analysis	Morningstar Category	Star Rating	YTD Return (%)	Expense Ratio (%)
<input type="checkbox"/>	Vanguard Mid-Cap Value In	06-20-14	Mid-Cap Value	★★★★★	8.67	0.09
<input type="checkbox"/>	JPMorgan Value Advantage	06-13-14	Large Value	★★★★★	8.07	0.74
<input type="checkbox"/>	JPMorgan Value Advantage	06-13-14	Large Value	★★★★★	7.92	0.99
<input type="checkbox"/>	Invesco SmallCapValue A L	06-12-14	Small Value	★★★★★	8.31	1.12
<input type="checkbox"/>	JPMorgan Mid Cap Value In	06-09-14	Mid-Cap Value	★★★★★	7.86	0.74
<input type="checkbox"/>	JPMorgan Mid Cap Value Se	06-09-14	Mid-Cap Value	★★★★★	7.73	0.98
<input type="checkbox"/>	Vanguard Selected Value I	06-09-14	Mid-Cap Value	★★★★★	7.30	0.43
<input type="checkbox"/>	Schwab Fdmtl US Lg Co Idx	04-24-14	Large Value	★★★★★	7.54	0.35
<input type="checkbox"/>	T. Rowe Price Value	03-11-14	Large Value	★★★★★	9.95	0.84
<input type="checkbox"/>	T. Rowe Price Value Adv	03-11-14	Large Value	★★★★★	9.86	1.04



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NI Heart Rating



- Public rating of sustainable and responsible mutual funds since 1992
 - 1- 5 heart scale based on breadth and depth of
 - 45 social and environmental criteria,
 - involvement in shareholder advocacy, and
 - cash allocation to community development investments
- Published at www.naturalinvestments.com, and on www.socialfunds.com



The Heart Ratingsm

NI Social Rating

FUND NAME	OVERALL HEART RATING	SHAREHOLDER ADVOCACY	COMMUNITY INVESTING	ESG SCREENING
Calvert Aggressive Allocation Fund	♥♥♥♥♥	♥♥♥♥♥	♥♥♥	♥♥♥♥
Calvert Balanced Portfolio	♥♥♥♥♥	♥♥♥♥♥	♥♥♥	♥♥♥♥
Calvert Bond Portfolio	♥♥♥♥♥	♥♥♥♥♥	♥♥♥	♥♥♥♥
Calvert Capital Accumulation Fund	♥♥♥♥♥	♥♥♥♥♥	♥♥♥	♥♥♥♥
Calvert Conservative Allocation Fund	♥♥♥♥♥	♥♥♥♥♥	♥♥♥	♥♥♥♥
Calvert Enhanced Equity Portfolio	♥♥♥♥♥	♥♥♥♥♥	♥♥♥	♥♥♥♥
Calvert Equity Portfolio	♥♥♥♥♥	♥♥♥♥♥	♥♥♥	♥♥♥♥



25th Annual Conference

November 9-11, 2014

www.SRIConference.com • 888.SRI.CONF

[Fund Descriptions](#) | [General Information](#) | [Fund Performance](#) | [Contact Information](#) | [Percentile Ranking](#)

P = Positive screen: fund seeks companies with a positive record or achievement.
R = Restricted investment: the fund has minimum criteria related to this issue.
X = Exclusionary screen: fund avoids companies involved with this issue.
- = Fund does not screen for this criteria.

☐ Environment☐ Weapons☐ Alcohol, tobacco & gambling (ATG)

Click the desired social issue(s) box, then click the "Sort by" button.

[illegible]

Impact Investing



Impact Investing

- **Private debt & equity funds, direct finance***
 - sustainable agriculture and forestry, conservation services
 - renewable energy, eco-products, clean technologies, public transportation, green building, energy conservation devices
 - access to water, water filtration and conservation,
 - bioplastics, holistic health, eco-apparel, natural fibers, educational curricula, media, bioremediation

*** Typically limited to accredited investors**





As a venture fund, SJF Ventures focuses on the resource efficiency, sustainability and technology-enhanced services sectors. Representative investment areas include efficiency and infrastructure, asset recovery including reuse and recycling, sustainable agriculture and food safety, health and wellness technology, education technology and digital media and marketing services.

Iroquois Valley Farms, LLC

renewal
Funds

Mission

The 21st century will see dramatic retooling of the ways we live together on the planet. It's time to shift capital to the solutions economy.

Renewal Funds invests in change by supporting businesses at the forefront of social and environmental innovation.

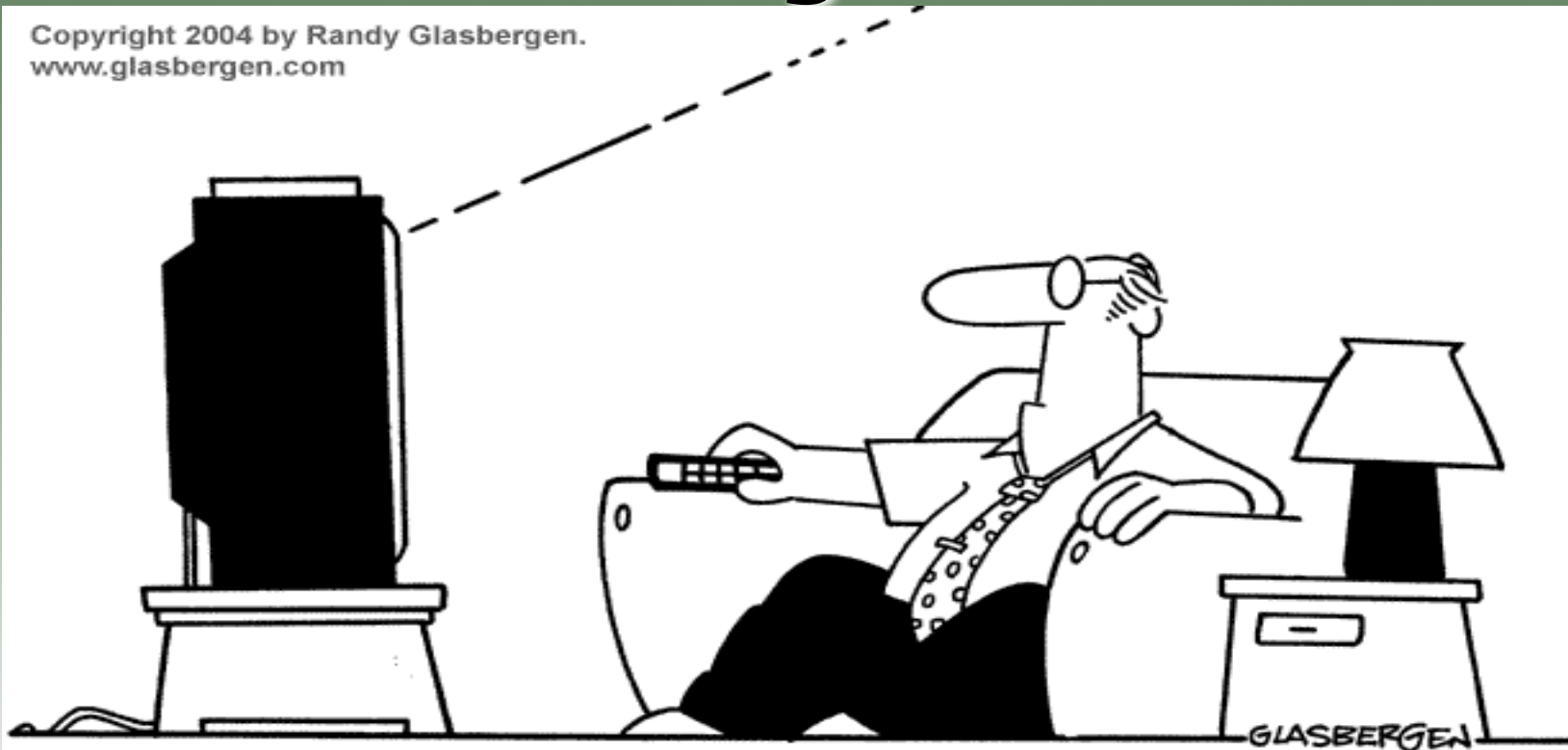


Fossil Fuel Free Investing



Where to get advice?

Copyright 2004 by Randy Glasbergen.
www.glasbergen.com



“Stocks fell sharply today on predictions of speculation of rumors of negative indicators.”



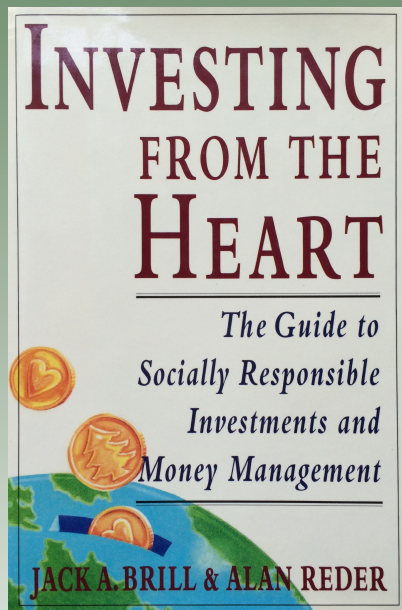
**URAL
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Professional Advice

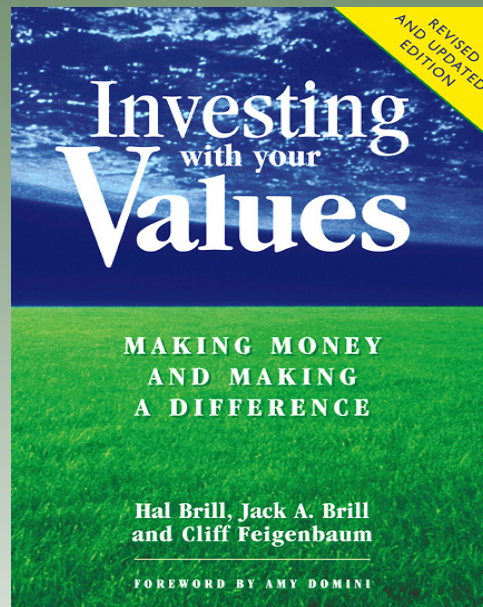
- **Broker**
 - Advice must be “suitable”
 - “Fee-based”, compensated by commission, transaction, and/or other fees
- **Investment advisor**
 - Fiduciary responsibility to give “best advice”
 - “Fee-only”, compensated by transparent fees, usually on-going
- **Financial planner**
 - No registration required (as long as no investment advice is given)
 - Typically hourly or project fees



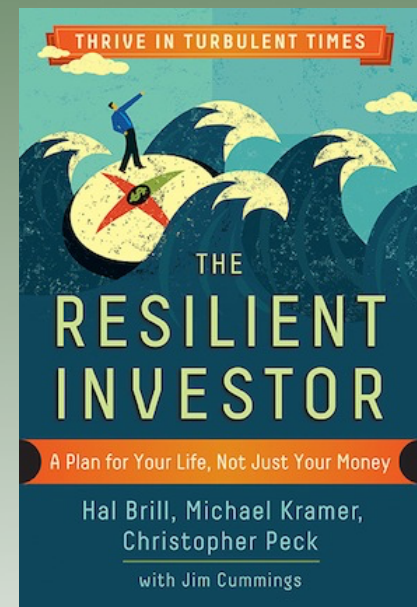
OUR THOUGHT LEADERSHIP



Crown, 1992



*Bloomberg, 1999
New Society, 2000*



2015



Free information on SRI

- **Socialfunds at socialfunds.com**
 - Wealth of info on individual funds
 - Social criteria, performance
- **US SIF at ussif.org**
 - Educational information
 - Trends and publications
- **Natural Investments at naturalinvestments.com**
 - The 'Heart rating' of SRI funds





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National Leaders in
Socially Responsible Investing

Authors of *"Investing with Your Values:
Making Money and Making a Difference"*

WE HELP INVESTORS SUPPORT . . .

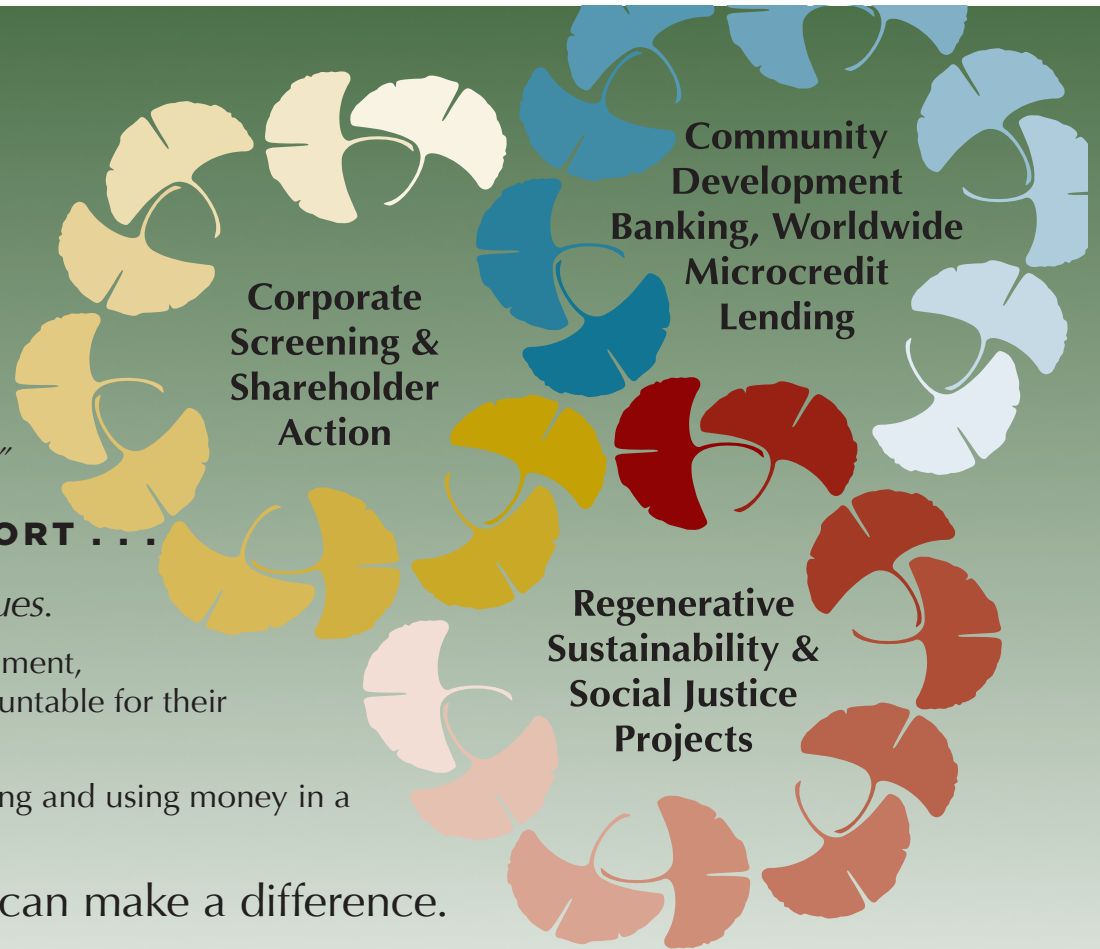
Your life savings can reflect your values.

Invest for your future, restore the environment,
foster equality and hold companies accountable for their
products and practices.

For 20 years, our clients have been earning and using money in a
compassionate way.

It's your money – with it you can make a difference.

NATURAL INVESTMENTS LLC IS AN INVESTMENT ADVISER REGISTERED WITH THE SECURITIES EXCHANGE COMMISSION.



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