



Q1 NEWSLETTER

Dear Clients and Colleagues:

In this newsletter, we will review the Fourth Quarter and 2018 market performance and discuss Socially Conscious Investing.

2018 Market Performance¹

	<u>4Q 2018</u>	<u>2018</u>
S&P 500	-13.5%	-4.4%
MSCI EAFE (Dev.Int'l)	-12.5%	-13.8%
MSCI EM (EmergingMrkt)	-7.5%	-14.6%
BBgBarc US Agg Bnd	1.6%	0.0%

Socially Conscious Investing

Investing today isn't just about returns. To many people, making a positive impact and doing social good are equally important in their portfolios. According to a recent survey², over 25% of all professionally managed assets are now invested with social good in mind. Generally, there are three types of socially conscious investing - Socially Responsible Investing (SRI); Environmental, Social and Governance Investing (ESG); and Impact Investing. Often these categories are used interchangeably.

Socially Responsible Investing (SRI)

Qualified SRI is defined generally as selecting or eliminating investments based on moral or ethical convictions. In SRI investing, individuals can exclude investments in industries or specific companies of their choosing. Some examples may include avoiding investing in companies related to alcohol, gambling, tobacco, weapons, or fossil fuels.

Trivia

The Super Bowl is scheduled for February 3 and the Eagles are defending champions. How many NFL football teams have won back-to-back Super Bowl titles?

¹Indices are unmanaged, and one cannot invest directly in an index. Past performance is not a guarantee of future results. MSCI EAFE Index serves as a benchmark of the performance in major international equity markets as represented by 21 major MSCI indexes from Europe, Australia and Southeast Asia. MSCI EAFE Emerging Markets Index is a free float-adjusted market capitalization index designed to measure equity market performance in the global emerging markets. Bloomberg Barclays U.S. Aggregate Bond Index represents the US investment-grade fixed-rate bond market. S&P 500 Index is a market index generally considered representative of the stock market as a whole. The index focuses on the large-cap segment of the U.S. equities market. References to specific securities, asset classes and financial markets are for illustrative purposes only and do not constitute a solicitation, offer, or recommendation to purchase or sell a security.

² See US/SIF, 2018 Report on US Sustainable, Responsible and Impact Investing Trends.



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Environmental, Social, and Governance (ESG)

ESG investing differs from SRI in that investment decisions are determined not by ethical or moral concerns, but by determining whether a company's or industry's environmental, social, and governance practices give it a potential financial advantage. Rather than the exclusionary process of SRI, ESG funds or portfolios actively select investments based on the perceived advantage that their practices may provide in the market.

Impact Investing

Instead of deselecting companies with bad attributes, Impact Investing involves the selection of investments based on their positive contribution to society. Impact Investing involves actively selecting and investing in companies that have a positive social impact. Examples include investing in companies that are doing "good" by creating low-cost healthcare, or sustainable farming, or the production of clean energy.

Investment Options

The growing interest in socially conscious investing has given rise to numerous funds and portfolios dedicated to these forms of investing and investors can now easily incorporate these philosophies into their portfolios. Numerous ESG exchange traded funds and mutual funds are available from the leading investment companies and they generally track one of the many ESG indexes. For example, the MSCI USA ESG Index represents the performance of stocks of large- to mid-capitalization U.S. companies with high environmental, social, and governance (ESG) performance relative to their sector peers, as rated by MSCI ESG Research. The index aims to exclude companies 1) that derive substantial revenue from coal or oil sands extraction; or 2) associated with tobacco, controversial weapons, civilian firearms or nuclear weapon components or auxiliary services; or 3) not in compliance with UN Global Compact principles. Funds tracking this and other ESG indexes can have very low operating expenses and, in some cases, outperformed in 2018 broad market indexes like the S&P 500.