



# Q3 NEWSLETTER

Dear Clients and Colleagues:

What a difference a quarter makes! While the world is still coping with the serious pandemic, the stock market has enjoyed a huge recovery, bringing the S&P 500 nearly back to even year-to-date. Of course, it is difficult to predict where we are headed next. Tech and growth stocks have performed well, which is a good segue into our discussion below of socially conscious or ESG investing.

## 2Q2020 Market Performance<sup>1</sup>

	<b>2Q2020</b>	<b>YTD</b>
S&P 500	20.54%	-3.08%
MSCI EAFE (Dev.Int'l)	14.88%	-11.34%
MSCI EM (EmergingMrkt)	18.08%	-9.78%
BBgBarc US Agg Bnd	2.90%	6.14%

### Trivia

Major League Baseball recently announced an abbreviated 2020 schedule: What team last won the World Series in a shortened season?

## Environmental, Social, and Governance Investing (ESG)

*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 survey<sup>2</sup>, over 25% of all professionally managed assets are now invested with social good in mind.*

<sup>1</sup>Indices 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.

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

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According to FINRA:

ESG investing strategies use a variety of environmental, social and governance criteria to make investment selections that aim to create both competitive financial return and a positive impact on society.

**On the environmental front**, you might find investments that focus on clean energy technology, water conservation or other environmental issues.

**Socially responsible investment criteria** might include factors such as gender equality, workplace diversity, fair labor standards, safe working conditions and human rights.

**On the governance side**, factors such as executive compensation, board diversity, or anti-bribery and corruption policies might weigh into investment decision making.<sup>3</sup>

ESG funds or portfolios can use exclusionary or inclusionary factors or both for stock selection. Exclusionary factors might include tobacco, controversial weapons, firearms, or fossil fuels. Inclusionary factors may maximize exposure to companies with higher ESG ratings or companies with higher ESG ratings than industry peers -- for instance a mining company that ranks high on managing its environmental impact.

### Investment Options

Some view ESG investing as a values choice, others view it as a factor in evaluating risk and seeking to maximize return. ESG investing is not plain vanilla, either. There are substantial differences between ESG funds and the indices that many of them track. Some ESG funds are merely exclusionary, some exclude only a few industries, others exclude many. Some funds combine some form of exclusionary criteria (broad or narrow) and some form of inclusion or overweighting (e.g., overweighting companies with high ESG ratings). Many ESG funds have low expenses and in some cases recent performance has compared favorably with the broader market. Investors should thoughtfully assess the differences between funds and select the ones that best fit their objectives and priorities.

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<sup>3</sup> See [www.finra.org/investors/insights/esg-investing-clearing-air-social-impact-financial-products](http://www.finra.org/investors/insights/esg-investing-clearing-air-social-impact-financial-products).

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