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Erin Hassler-Gray, Analyst, Research

Responsible Investing

BY ERIN HASSLER-GRAY, ANALYST, RESEARCH

Responsible investing is an investment discipline that considers environmental, social and governance, (ESG) and ethical issues in financial analysis and decision-making. Some investors believe managing finances is a way for them to leave the world a better place, while others believe this is a trend that will fade. Wherever you fall on the spectrum, one thing cannot be overlooked: responsible investing is gaining attention and gathering momentum in the marketplace. According to industry group US SIF 2016 report on US Sustainable, Responsible and Impact Investing Trends:

> Responsible investing now accounts for more than one out of every five dollars under professional management in the United States. The total US domiciled assets under management using responsible investing strategies grew to $8.72 trillion at the start of 2016, an increase of 33% since 2014.

What it is

It should come as no surprise that socially responsible investments tend to follow the political and social climate of the time. For example, in the 1960's, some investors were concerned with causes such as women's rights, civil rights and the anti-war movement. As awareness about global warming and climate change has grown in recent years, responsible investing has trended toward companies that positively affect the environment by reducing emissions or invest in sustainable or clean energy sources. Industry research indicates that women and millennials are more likely to invest in

Hartland Continues to Bolster Team with New Talent

We are pleased to announce that we have added talent to the Institutional and Private Client teams with John Colla, Brian Wunderle, Karen Buckley and Lisa Chavez respectively.

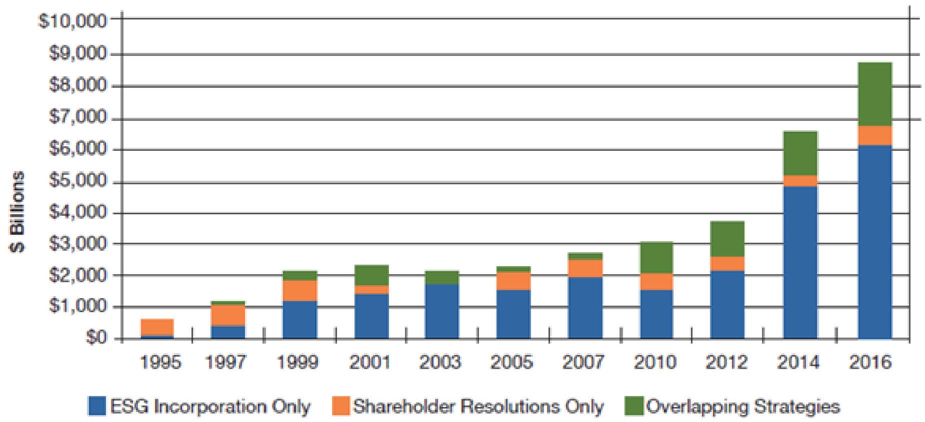
Prior to joining Hartland as an Associate in the Institutional Consulting Group, John Colla spent three years at PNC in Cleveland, as a Portfolio Manager in its Wealth Management Department. He earned a BA from Hiram College and a MA in Finance and Economics from Youngstown State University.

Brian Wunderle earned a BSBA in Finance from The Ohio State University. Previously, Brian was a Financial Advisor Services Associate with JP Morgan Asset Management, supporting the Independent Broker Dealer channel of financial advisors, as well as assisting client advisors in meeting setup and business development.

Prior to joining Hartland as an Administrative Assistant in the Institutional Consulting Group, Karen Buckley spent more than 20 years with The Todd Organization. She was responsible for graphic communications as well as providing administrative support to their client service and marketing teams. Prior to The Todd Organization she was a Training Specialist at Thompson Hine.

Lisa Chavez earned a BA in Business Administration from the University responsible investments. While many eleemosynary institutions have considered responsible investing for a long time, retirement funds are also considering responsible investments, now that the Department of Labor reinstated the "all things being equal test."

Sustainable, Responsible and Impact Investing in the United States 1995-2016



SOURCE: US SIF Foundation.

There are several motivations for why investors consider responsible investing, including personal values and goals, institutional mission and demands of clients or plan participants. Generally, responsible investors aim for strong financial performance, but also believe that investments should be used to contribute to advancements in environmental, social, and governance ("ESG") practices. They may actively seek out investments, such as community development loan funds or clean tech portfolios, that have the potential to provide important societal or environmental benefits. Some investors embrace these strategies to manage risk and fulfill fiduciary duties.

With so many organizations referring to responsible or sustainable or socially responsible or ESG investing as interchangeable, we should first broadly define what we mean when Hartland refers to Socially Responsible Investing, ESG Investing and Impact Investing, with responsible investing being the umbrella under which these terms fall.

Socially Responsible Investing (SRI) is an investment that is considered socially responsible because of the nature of the business the company conducts. Many consider SRI investing as a negative screen or a focus on ***avoidance*** of securities violating certain values or behaviors.

ESG Investing refers to investments using three central factors (environmental, social, governance) to measure the sustainability and ethical impact of an investment in a business. The main focus of ESG investing is on ***alignment*** with measures of corporate responsibility.

Impact Investing refers to investments made into companies or funds with the

of Nebraska - Lincoln and a Masters of Accountancy from Case Western Reserve University. Previously, Lisa spent three years as a public accountant with BDO USA, LLP.

These changes underscore the firm's commitment to building its investment consulting practice, promoting the next generation of leadership, and maintaining a rigorous investment process.

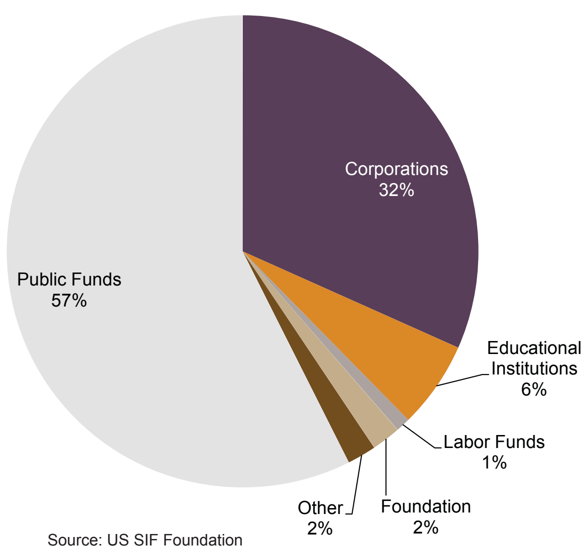
intention to generate a measurable, beneficial social or environmental impact alongside a financial return. The focus of impact investing is on *advancement*.

The key areas of focus between SRI and ESG investing can be divided into two general areas. SRI investments may exclude companies that produce or sell weapons, tobacco, alcohol, contraception, and pornography. ESG investments range from strategies that are focused on environmental factors and specifically target certain themes like fossil fuels and water conservation to funds that seek to impact governance issues such as gender diversity and human capital issues. There are also options which seek to broadly incorporate ESG factors into their investment process.

Responsible Investing is Growing

Growth and interest in responsible investing has been significant over the past several years. This has been driven by both institutional and private investors. Within the institutional area, much of the growth has been driven by adoption from large public and corporate funds. The implementation of criteria for these institutions has been diverse, with significant focus on avoiding repressive regimes and fossil fuel-free initiatives.

Share of ESG Assets 2016



Source: US SIF Foundation

The responsible investing discussion is broadening to institutions of all sizes and types. Growth within the institutional area was aided by the 2015 rule by the Department of Labor (DOL) allowing ERISA plans to incorporate ESG criteria into their investment decisions. This was a reversal of the 2008 rule which stated that consideration of non-economic factors by fiduciaries in selecting plan investments should be a "rare" occurrence and must be accompanied by documentation to prove compliance with ERISA "rigorous" fiduciary standards. Further, with the growth of the industry, there has been a growing demand for fund-level transparency. MSCI has introduced ESG ratings to provide better transparency and evaluation metrics regarding the ESG quality of companies. These metrics include over 100 ESG factors at the fund level including carbon, water, sustainable impact, governance risks and controversies. Morningstar has also created a sustainability rating that uses company-level ESG data from Sustainalytics to calculate the rating, and provides investors a useful tool to measure a fund's sustainability score. As the industry continues to grow, the ways to evaluate ESG data will likely continue to evolve.

Some Issues

The desire to incorporate responsible investing objectives within an investor's portfolio mandate is not only a growing trend, it is often fraught with confusion; “Should I do it, and if so, how?” Hartland can help answer these questions and integrate ESG or SRI objectives into an investment portfolio mandate. Our role is to lead clients through the process to determine appropriate ESG/SRI strategy, guidelines and definition of success so that the end product meets the client’s investment objective.

The growth of responsible investing is likely to continue as more investors demand such strategies, and as investment firms respond to that demand through creation of strategies and enhanced transparency. Our goal is to insure our client’s investment success is achieved in a manner consistent with their goals.

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The performance data shown represent past performance. Past performance is not indicative of future results. Current performance data may be lower or higher than the performance data presented.

MARKET BENCHMARK RETURNS

April 30, 2017		1M	3M	12M	YTD
US Large Cap	S&P 500	1.0%	5.2%	17.9%	7.2%
US Small Cap	Russell 2000	1.1%	3.2%	25.6%	3.6%
Developed Intl	MSCI EAFE	2.6%	7.1%	11.8%	10.2%
Emerging Intl	MSCI Em Mkt	2.2%	8.0%	19.6%	13.9%
Real Estate	NAREIT	0.5%	3.2%	8.6%	3.5%
Core Fixed	BarCap Agg	0.8%	1.4%	0.8%	1.6%
Short Fixed	BarCap 1-3Yr	0.2%	0.4%	0.8%	0.6%
Long Fixed	BarCap 10+Yr	1.6%	2.8%	1.3%	3.2%
Corp Debt	BarCap Corp	1.0%	2.0%	2.7%	2.3%

Source: Bloomberg

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