10 Things You Should Know About Sustainable Investing

Sustainable investing is becoming more mainstream. Here are some key things to consider.

1. **Terminologies May Differ** – There are many approaches under the sustainable-investing umbrella. Examples include socially responsible investing (SRI); environmental, social, and governance (ESG) integration; and impact investing. There isn't currently a uniform definition of these terms and different asset managers may define them differently.

2. **Socially Responsible Investing (SRI) or Exclusionary Investing** – The modern version of the term SRI has its roots in the 1960s and aims to avoid what some consider to be socially "bad" companies (think tobacco companies or casinos).

3. **Environmental, Social, and Governance (ESG)** – ESG criteria are a way to evaluate how a company behaves. For example, environmental standards can measure how a company treats natural resources; social standards can evaluate how a company manages relationships with its community; and governance criteria can focus on issues such as recruiting women and minorities for the board.

4. **ESG in Action** – The emphasis placed on ESG criteria varies across funds. Some funds may view ESG factors as *one consideration among many* as they make their investment decisions. Other funds may demonstrate a higher level of commitment to ESG investing by making it a *key consideration* in their investment decisions.

5. **Impact Investing** – This strategy generally involves seeking to generate positive, measurable, reportable social and/or environmental impact alongside a financial return. For example, an "impact" fund may invest in companies that strive to make the world a better place, such as renewable power-generation company, a water-treatment facility, or a company that seeks to eradicate a disease.

6. **Performance Matters** – Sustainable funds "comfortably outperformed their peers" in 2020.[1] Further diminishing lingering assumptions that sustainable investment strategies will underperform, 35% of sustainable funds finished in the top quartile of their Morningstar Categories and 66% in the top half.[1]

7. **Not Just for Millennials** – Contrary to popular opinion, many investors across all ages feel positively about a sustainable portfolio: 44% of people age 71+ as well as 60% of people age 18-37 rated it favorably.[2]

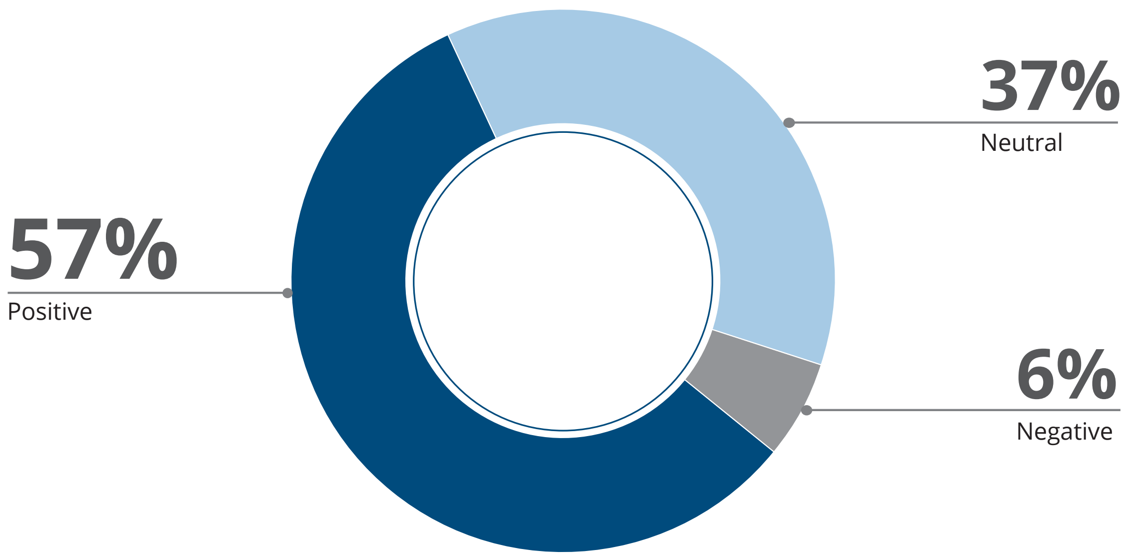
8. **Explosive Growth** – Sustainable investing is growing in popularity. During the last decade, it's become a mainstream strategy as opposed to an aspirational concept. In fact, $17.1 trillion was invested in sustainable-investing strategies in the US at the beginning of 2020, up 42% from just two years prior.[3]

9. **Something to Talk About** – A recent study found the top three issues for asset managers and their institutional clients are climate change/carbon, sustainable natural resources/agriculture, and board governance.[3] Your list may be quite different. Talk to your financial professional about the causes you support or issues that concern you.

10. **Changing Perceptions** – Despite some lingering reservations about sustainable investing, 57% of people say they would feel optimistic about incorporating sustainable funds into their portfolio. Many of those who felt positively attribute this to the positive environmental impact pursued by some sustainable-investing strategies.[2]

People Feel Good About Moving to a Sustainable Portfolio

Feelings about moving to a sustainable portfolio, while maintaining the same level of risk and diversification



Source: Schroders, "Beyond Profit: Sustainable Investing," 2021. See footnote 2 for survey methodology.

Talk to your financial professional to see if sustainable investing is a sensible strategy for your portfolio.

[1] Source: Morningstar, "Sustainable Funds US Landscape Report," 2/19/20. According to Morningstar, in order for a fund to be included in the sustainable funds universe, ESG concerns must be central to its investment process and the fund's intent should be apparent from a simple reading of its prospectus.

[2] Source: Schroders, "Beyond Profit: Sustainable Investing," 2021. Based on research collected from 23,000 people who invest globally. In the study, Schroders defines "people" as those who will invest at least €10,000 (or the equivalent) within the next 12 months and those who have changed their investments within the last 10 years.

[3] Source: US SIF, "The US SIF Foundation's Biennial "Trends Report" Finds That Sustainable Investing Assets Reach $17.1 Trillion," 11/16/20. The Trends report counts two main strategies as sustainable investing: ESG incorporation—applying various ESG criteria in investment analysis and portfolio selection—and filing shareholder resolutions on ESG issues.

Important Risks: Investing involves risk, including the possible loss of principal. • Integration of environmental, social, and/or governance (ESG) factors into the investment process may not work as intended. • Focusing on investments that involve sustainable initiatives may result in foregoing certain investments and underperformance comparative to investments that do not have a similar focus.

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