

# Sustainable Investing:

Implementing a financial and sustainability-oriented strategy

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Sustainable Research and Analysis

# Agenda

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What is sustainable investing?

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Why do investors care?

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Methods of sustainable investing

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Investing options

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Financial and sustainability profiles

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Asset allocation and funds evaluation

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Monitoring and rebalancing

# What is sustainable investing?

Sustainable investing refers to a range of approaches by which investors aim to achieve financial returns while promoting long-term environmental and/or social values.

Such approaches combine traditional investment approaches with environmental, social, and corporate governance (ESG) insights that lead to more comprehensive analysis and making better investment decisions.

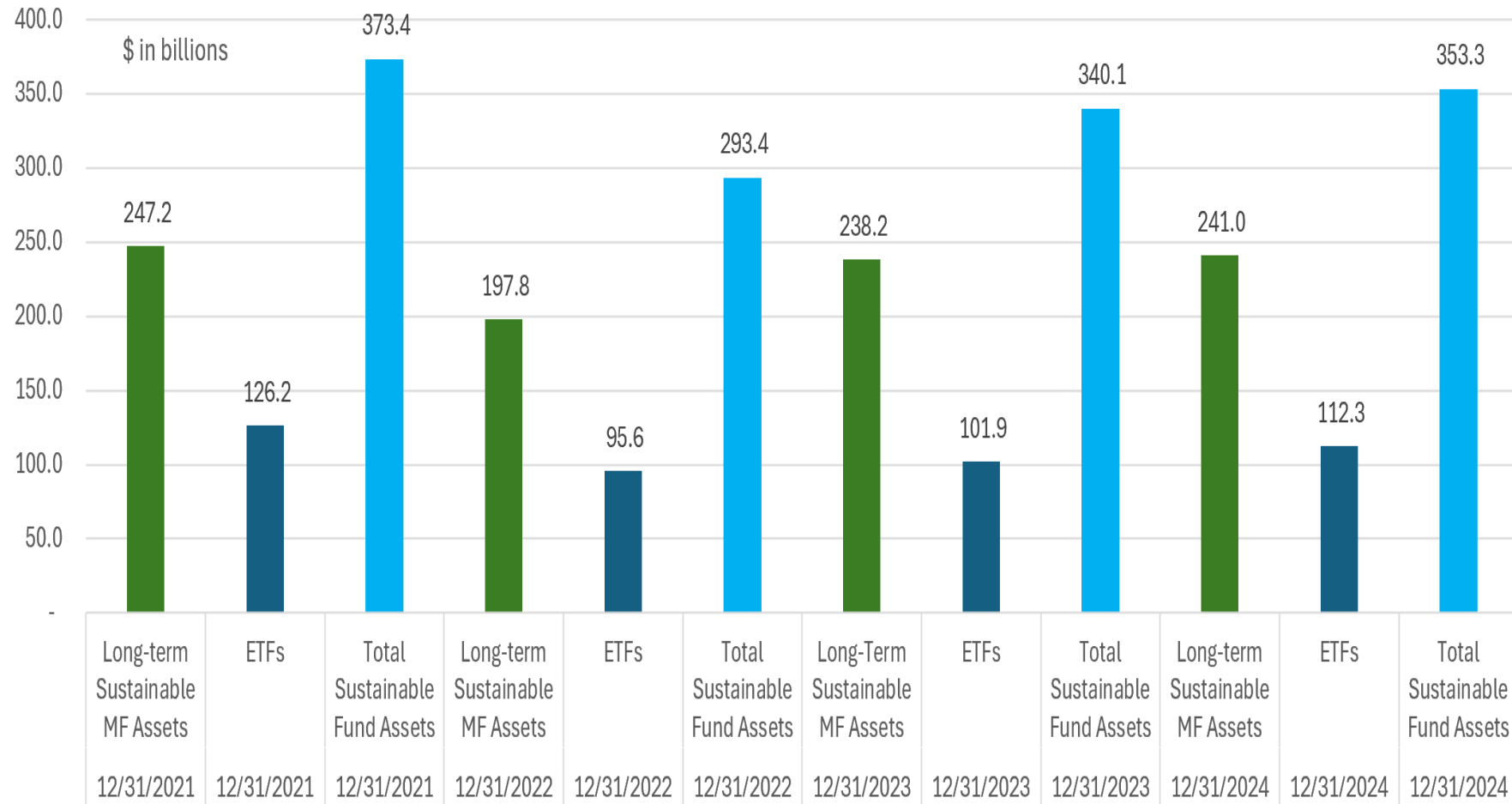
# Sustainable investing approaches

Values-based	A strategy based on a set of beliefs with a view toward achieving a positive societal outcome.
Screening and Exclusions	<ul style="list-style-type: none"> <li>• Stocks, bonds and other instruments are overweighted or underweighted in portfolios based on their ESG scores or excluded in their entirety.</li> <li>• Companies or certain sectors or industries are excluded as eligible securities based on specific ethical, religious, social or environmental guidelines or preferences.</li> </ul>
Impact	Impact investments are incremental (additional) moneys directed to companies, organizations, and funds with the intention to achieve measurable social and environmental impacts alongside a financial return.
Thematic	Investments focused on a particular idea or unifying concept, for example, clean energy, like solar power, clean tech, gender diversity, the environment or low carbon.
ESG Integration/ ESG Screening	<ul style="list-style-type: none"> <li>• ESG Integration. Factors are systematically and consistently analyzed where these are deemed relevant and material to investment decisions. Focus on risks and opportunities.</li> <li>• ESG Screening. Include or exclude sectors and/or companies based on selected criteria.</li> </ul>

.....  
*Engagement.....*  
*Proxy voting.....*  
 .....

Factors	Issues
Environmental	GHG emissions Energy use and efficiency Air pollutants Water use Waste management Use of ecosystems Innovation in environmental friendly products and services
Social	Workforce Workplace health and safety Customer health and safety Diversity and equal opportunity Poverty and community impact Supply chain management Training and education Customer privacy
Governance	Codes of conduct and business principles Accountability Transparency and disclosure Executive pay & Board diversity and structure Bribery and corruption Stakeholder engagement Shareholder rights

# Assets of focused sustainable funds



- Assets attributable to focused sustainable mutual funds and ETFs have stabilized following 2022 drawdowns.
- Not yet recovered to YE 2021 levels.
- Range of investment product offerings available.

## Drivers of sustainable investing

# What is motivating investors?

*Institutional and retail investors, esp. high net worth*

Drivers	Responses: Equity /Fixed Income Investors
Risk management	63%/59%
Client demand	60%/57%
Regulations	18%/20%
Achieve better returns	16%/16%
Fiduciary responsibility	15%/9%

Source: CFA Institute, 2019

# Market environment

-Institutional investor interest dominates.

-Research conducted by the Morgan Stanley Institute for Sustainable Investing published in 2017 shows that 86% of millennials were interested in sustainable investing.

-Research also demonstrates that women tend to invest in order to make a clear and measurable positive impact on society.

-Still, investors invest to generate a profit.

Millennials and women are particularly interested in sustainable investing

# Three approaches to investing

01

## Do it yourself (DIY)

- Can be employed by investors who feel that they have the knowledge, skills or time on their own to devote themselves to the creation and management of investment portfolios.

02

## Engage an advisor

- A financial advisor is a professional who provides guidance and expertise on various aspects of personal finance and investments.

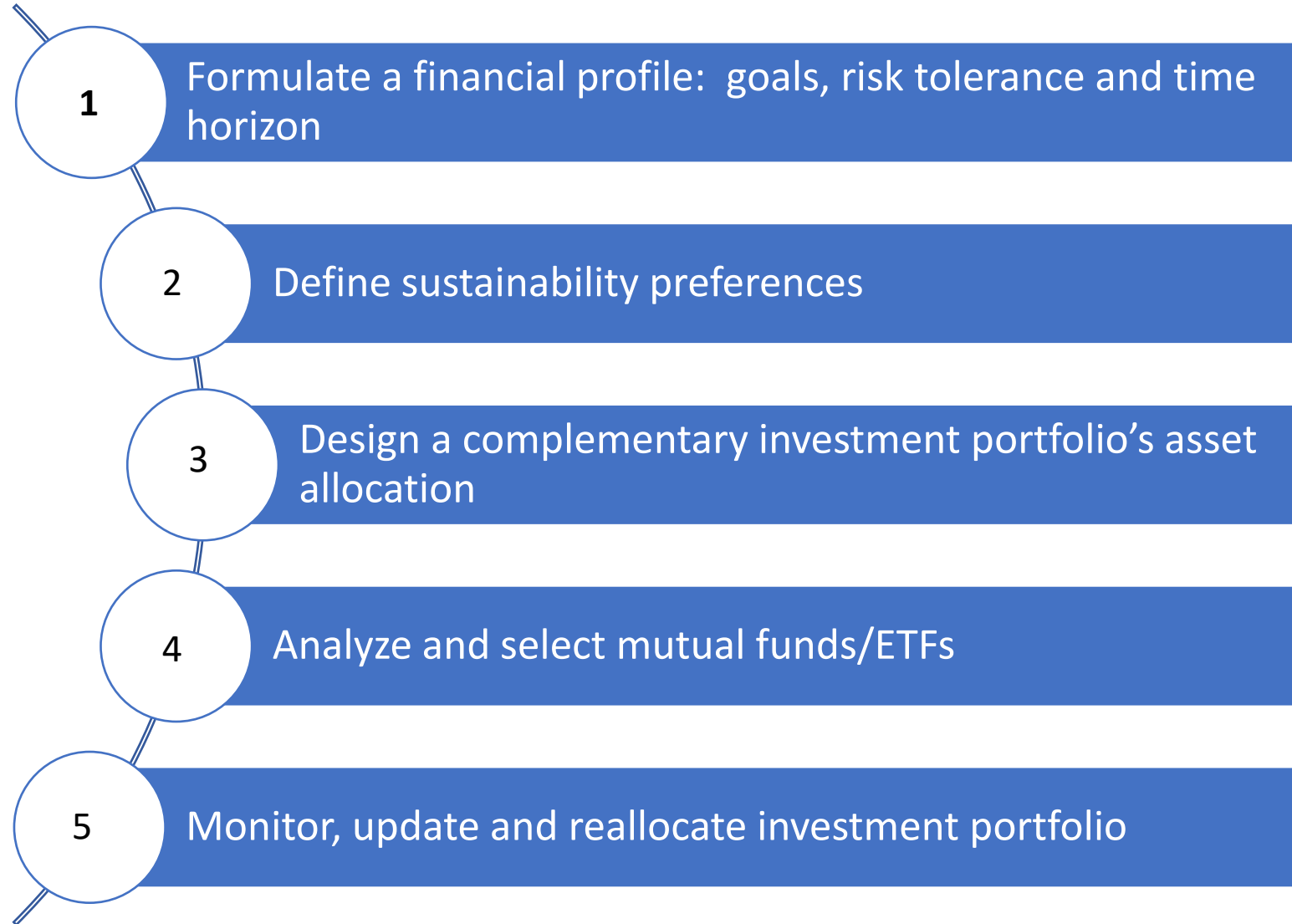
03

## Use a Robo-Advisor

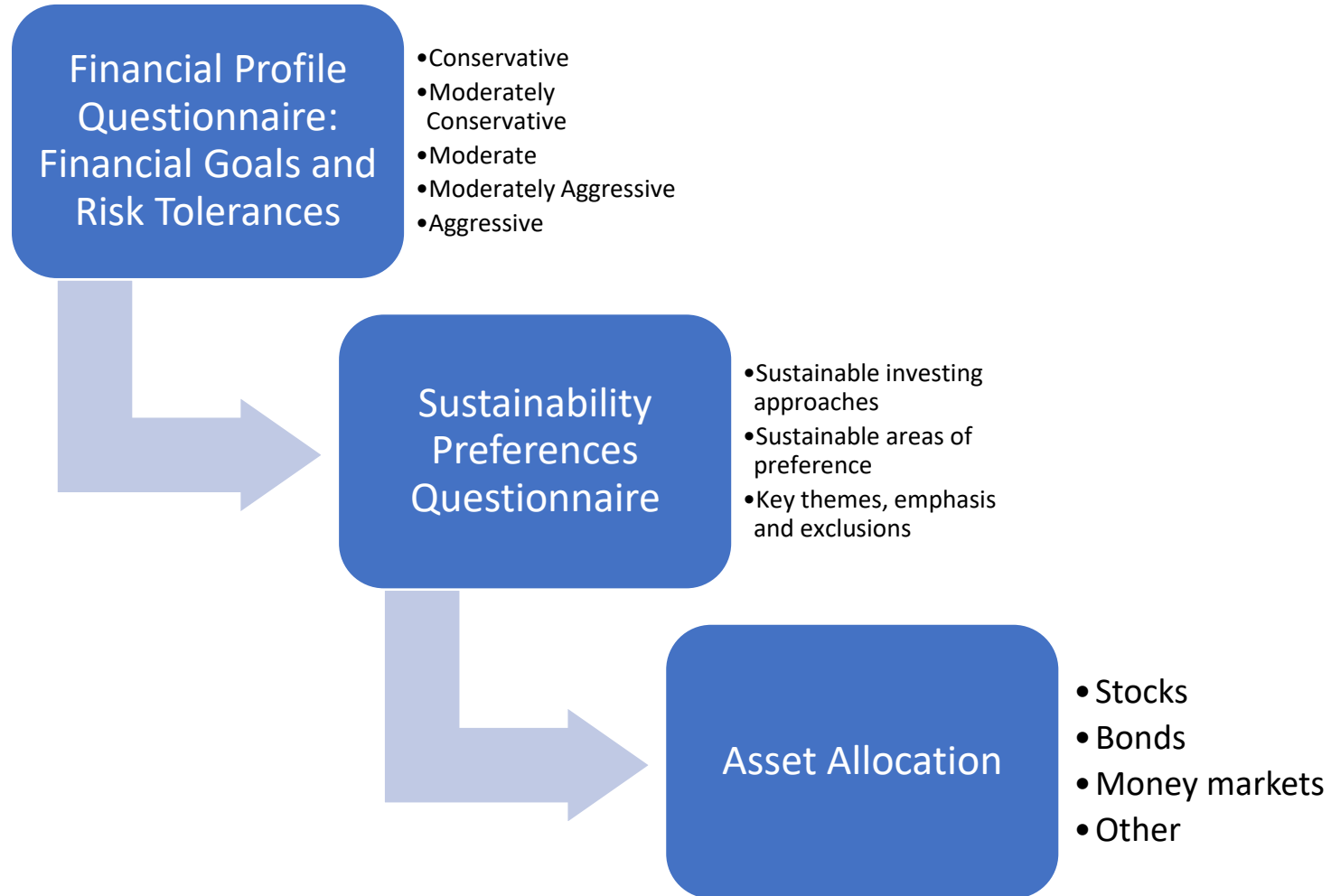
- A digital platform that provides automated algorithm-driven financial planning services.



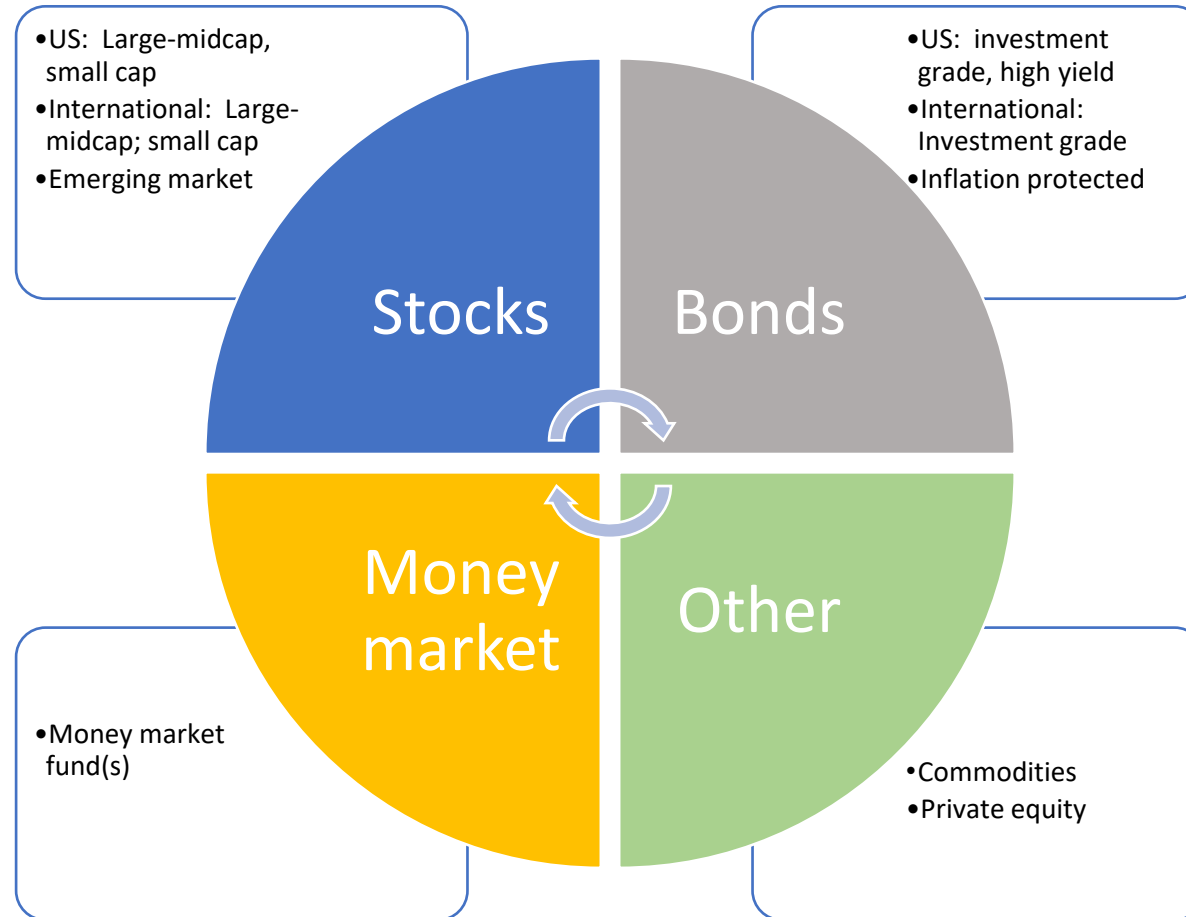
# Do it yourself (DIY)



# Financial / Sustainability profiles



# Asset allocation



Note; Some asset allocation options may not be available in the form of focused sustainable mutual funds or ETFs.

# Funds Evaluation

- **Broad screening to isolate funds that fit financial and sustainability preferences.**
- **Funds evaluation:**
  - a) Management company-The fund should be offered and managed by an established firm with a reputation for quality—to ensure effective fund operations and instill trust and confidence in the organization.
  - (b) Years in operation-The fund should be in operation for at least five years and managed pursuant to the same investment strategy—to provide a sufficiently long but not too long view against which to evaluate the fund's operation, strategy, and performance.
  - (c) Total return performance-the fund should have generated a total return equal to or greater than the S&P 500 Index for the five-year interval—to evaluate tracking relative to market based financial outcomes over an interval based on a relatively consistent approach and methodology.
  - (d) Expense ratio. The fund should be offered at an expense ratio below the average for the category—since a fund's expense ratio directly affects the fund's total return performance over time, and even a small difference in expense ratios can have a significant effect on net investment outcomes, and
  - (e) Fund size-the fund's total net assets should range above \$30 million—so that it may be managed more efficiently and to provide some protection against the fund's closure.

# Monitoring and rebalancing



Over time, portfolios may drift from their original asset allocation due to market fluctuations.



Regular rebalancing can help maintain the desired asset allocation.



This step should also involve a regular review your portfolio to ensure it continues to meet your investment goals. Adjust your portfolio as needed based on changes in your goals, risk tolerance, or market conditions.



Investors should also stay informed. Keep up with market trends and news. This will help you make informed decisions and adjust your strategy as needed. That said, short term adjustments should be held to a minimum.

# Appendix

# Resources



## FINANCIAL PROFILE QUESTIONNAIRE

[HTTPS://SUSTAINABLEINVEST.COM/RISK-TOLERANCE-  
INVESTOR-QUESTIONNAIRE-DETERMINING-YOUR-  
ASSET-ALLOCATION/](https://sustainableinvest.com/risk-tolerance-investor-questionnaire-determining-your-asset-allocation/)



## SUSTAINABILITY PREFERENCES QUESTIONNAIRE

[HTTPS://SUSTAINABLEINVEST.COM/AN-UPDATED-  
SUSTAINABLE-INVESTOR-PREFERENCES-  
QUESTIONNAIRE/](https://sustainableinvest.com/an-updated-sustainable-investor-preferences-questionnaire/)



## ESG Q&A

[HTTPS://SUSTAINABLEINVEST.COM/QA-WHAT-IS-ESG-  
INVESTING-AND-ESG-INTEGRATION/](https://sustainableinvest.com/qa-what-is-esg-investing-and-esg-integration/)