



Wealth
Management

Do your investments align with your association's values?

Investors are increasingly interested in seeing that their association's investments reflect the mission of their organization itself, especially from an ethical standpoint. They can address environmental, social, and governance (ESG) issues by targeting investment in sustainable and socially responsible companies. How can you align your investments with your association's values? What are the risks?

Those interested frequently wonder if they have to forfeit meeting their financial needs in exchange for achieving their social goals.

Recent developments suggest this is not the case.

Impact investing used to mean excluding securities that did not align with the investor's values or securities of companies deemed socially irresponsible, a practice called "divestment" or "negative screening." Historically, the exclusive application of such a strategy was perceived as offering a lesser financial return.

But today, ESG investing emphasizes inclusion. Positive screening identifies the fairest and most environmentally friendly and socially aware companies. Companies are given scores and then ranked as the ones to include in a portfolio.

Studies suggest that ESG investing offers comparable returns. Morgan Stanley published a report in 2015 that compared sustainable and traditional mutual fund accounts from 2007 to 2014. The study found that the sustainable funds had "equal or higher median returns" during a majority of the time period studied. ESG investing may even result in higher returns, operating under the principle that a sustainable, socially responsible, and forward-thinking company is actually a better company in the long-term.

Measuring financial return is one thing, but how do you measure ESG impact? This is a question many investors have and firms are trying to answer. ESG-focused asset manager Pax World measures social impact and fair governance by the percentage of executive management positions held by women. Other companies measure carbon emission per unit of sales to indicate environmental impact.

Who is taking advantage of ESG investing? Institutions driven by investment policies and institutional mission statements have taken advantage of this strategy. Associations, foundations, and endowments have led the charge.

The Etergino Group specializes in ESG investing. We are committed to ensuring our clients feel good about their investment decisions. For more than 30 years, the Etergino Group at RBC Wealth Management has been helping clients connect their wealth with their purpose.

For more information about this topic or our team, please [click here](#) or contact Ann Marie Etergino at annmarie.etergino@rbc.com or (301) 907 2772.

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Connecting Wealth with Purpose



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