



Sustainable Investing Quarterly Insights January 2018

ESG Investing: An Overview

Friends & Clients:

Here at North Woods Asset Management we are very excited about our new lineup of sustainable investment portfolios. Because sustainable investing is a relatively new concept to many, education on what sustainable investing means and why it matters is core to our mission statement. As such, we will be mailing a quarterly thought piece regarding various aspects of sustainable investing to clients and friends that have expressed interest. The goal of these pieces is to delve deeper into the impact of sustainable investing on short and long-term **performance**, and to provide real world examples of the **impact** that various sustainable investing strategies are having.

What is sustainable investing? In a nutshell, sustainable investing is the process of incorporating Environmental, Social, and Corporate Governance (ESG) criteria (both qualitative and quantitative) into the investment decision process to improve long-term risk-adjusted returns and to leverage our role as shareholders to create positive social impact. Sustainable investing is *not* a divestment or exclusionary process, but rather a positive screen that is applied in addition to traditional financial metrics. As we will continue to emphasize over time, a successful approach to sustainable investing requires portfolio diversification, and the most effective investment strategies differ greatly across the various asset classes in which we are invested. A sustainable investment strategy that works for US large cap stocks is not necessarily the best approach for corporate bonds or emerging markets stocks.

Throughout these quarterly insights we will delve further into best practices and strategies for each asset class and will provide examples of how including ESG measures can improve performance and/or help mitigate risks that may not appear in traditional financial reports. We will also continue to explore examples that illustrate the real environmental and social impacts that these investment strategies can have. Importantly, because we always prefer to have our cake and eat it too, we will continue to demonstrate that investment performance & social impact are not opposing forces that require sacrificing one to achieve the other. Instead, when done properly, sustainable investing is both the art and the science of identifying areas where more improved sustainability in operations and infrastructure can improve the outlook for long-term growth and performance.

We look forward to continuing the discussion with you and bringing sustainable investing closer to the forefront in Western New York. Please always feel free to give either of us a call with questions and we look forward to speaking with you soon!

Sincerely,

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