

# IMPACT CAPITAL STRATEGIES

"If you don't change where you're going, you'll end up where you're headed." – Lao Tsu

## Sustainable Investing Performance\*

It appears after many years of arguing in favor of the positive impacts of socially responsible investing, we are finally seeing a significant change in the attitude of investors, depicted by the rapid growth in the field of socially responsible investing. The SRI universe has grown to over 30 trillion dollars and trending higher each year.<sup>2</sup> And with this growth we have seen improvements in corporate behavior and outperformance from socially screened funds.<sup>2</sup>

From our observations, the screens that managers use to build portfolios with environmental, social and governance (ESG) concerns have weeded out many problematic sectors with significant long-term risk while increasing exposure to positively growing segments of the market. During the market downturn in the first quarter of this year, we saw clearly how this type of screening reduced risk. Morningstar reported that 51 out of 57 of their sustainable indices outperformed their market peers.<sup>1</sup> The same results apply to longer investment time frames as well.<sup>2</sup>

The reasons behind this massive reallocation of money towards companies that manage for environmental, social and governance issues can be financial as well as altruistic. From our experience, exceptional corporate governance can help minimize unethical behavior. And corporate practices that consider environmental and other societal risks reduces lawsuits and may improve a company's image – thus helping to protect and enhance the bottom line. Furthermore, the reduced exposure to the fossil fuel, energy and tobacco sector has been beneficial to socially screened mutual funds and index funds investments due to the continued underperformance of these sectors.<sup>2</sup>

It is our belief that when you select companies that have thoughtful management teams and are looking towards the future with both profits and humanity as guiding principles it is not surprising that you may be rewarded over time with less risk and better returns.

1) <https://seekingalpha.com/article/4350497-why-esg-is-outperforming-s-and-p-500>

2) <https://www.morningstar.com/insights/2020/04/06/how-did-esg-indexes-fare>



U.S. companies with high (top quintile) ESG rankings in the S&P 500 index have outperformed their counterparts with lower (bottom quintile) ESG rankings by at least 3% every year for the past five years<sup>1</sup>

1 MSCI ESG Research LLC, FactSet, Refinitiv, Sustainalytics, BofA Global Research U.S. Equity & Quant Strategy

## Meet Mary

Mary Cummings joined ICS in May 2019: starting as a part time intern, then moving to full time intern, and on to client associate. She has recently completed her Series 7 and 66 registration exams and is now working at ICS as a full-time financial advisor.

As ICS grows, Mary will assist Jon and Lori in handling client needs. Over the past year she has been able to meet or speak with a great number of our clients, but if you haven't met her yet she will be reaching out soon.

Mary is from Mobile, Alabama and holds an undergraduate degree from Auburn University in Finance. She moved to Washington, DC two years ago to pursue graduate studies at American University. She graduated with her masters in December.

In her free time she likes to host dinner parties, try new DC restaurants, travel, and go to the movies.



### What got you interested in Finance?

Growing up, my dad was very determined I would understand my own finances and be financially literate and independent. Behind moral integrity, that was his number one goal for me. We talked about investing at the dinner table and he sent me to classes at his financial advisor's office so I could learn. I was a little in over my head when I went as a teenager but that knowledge laid an important foundation for me.

### What drew you to ICS?

When I graduated, I was very disillusioned with the financial industry and the power of big business and had lost the belief I could work in finance without significant moral compromise. When I saw a job posting at ICS, I was drawn to the shareholder activism work the company does. After meeting Jon, Lori, and Steve, I was confident I could remain in this industry and feel a sense of purpose in my work.

### What do you enjoy most about your work?

Feeling like I'm pushing the economic system in a progressive direction.

### What's making you think?

The changing division of labor in modern households, how American migratory patterns will change "blue" or "red" states in the 2020 election, and how the world will change post-coronavirus.

### What are you reading now?

*What She Ate* by Laura Shapiro. It's an anthology following 6 historical women through explorations of diary entries about what they cooked, served, and ate. I love learning about the cultural context of different foods.

### What's something you're learning?

How to play poker, how to grow my own herbs, and how to make pickles.

### Name three life-defining albums, movies, or books.

Good Country People, The Defining Decade, Tapestry

### What is the best compliment you've ever received?

That I have an honest laugh.

### What's your favorite childhood memory?

Feeding fish in the stream next to my grandparents' house in the Blue Ridge Mountains.

## TAKE CARE OF YOURSELF

We focus mainly on the financial health of our clients, but also have great concern for your general well-being. Check out [joannadunn.com](http://joannadunn.com) for yoga and meditation designed to take care of body and mind.

\* Sustainable investing focuses on companies that demonstrate adherence to environmental, social and corporate governance principles, among other values. There is no assurance that social impact investing can be an effective strategy under all market conditions. Different investment styles tend to shift in and out of favor. In addition, a strategy's social policy could cause it to forgo opportunities to gain exposure to certain industries, companies, sectors or regions of the economy which could cause it to underperform similar portfolios that do not have a social policy.

## Shareholder Successes

Twenty years ago, we began speaking to universities, foundations and endowments urging them to divest from fossil fuels. We were met with understanding but inaction. The main argument against divestment was that fiduciaries have a duty to minimize risk and maximize returns.

Traditional practice viewed this as impossible without inclusion of fossil fuels in a portfolio. Many would not believe our arguments that fossil fuel companies pose significant risk due to the unsustainability of their practice. Our research showed that taking fossil fuel stocks out of one's portfolio was insignificant to performance.

With hindsight we see that we were right. Fossil fuel investments both underperformed the market while doing great damage to the environment.

We argued moral leadership and ethical behavior were especially important from great public institutions. Unfortunately the leaders of these institutions also did not use their voices as shareholders to try to improve the business practices of these polluting and law-breaking companies.

Today, ESG investing has become widespread and proved to reduce portfolio risk. It is satisfying to finally see this wall of fear and inaction come crumbling down. We are now seeing many public institutions, endowments and foundations divest their portfolios, seek socially responsible investments and use their voice for change.

Late last year the Business Roundtable made a significant announcement: that the purpose of a corporation is no longer solely to maximize shareholder return, but should include protecting their communities and the environment.

While those may be easy words to say, we are watching closely to see how companies follow with action. We are pleased to report some positive results. Many companies are now working to become carbon neutral. Microsoft announced that they are going carbon negative. BlackRock announced that they will consider the environment and climate throughout their portfolios.

***Times are finally changing. Let's keep the pressure on and ride this wave of responsible investing.***

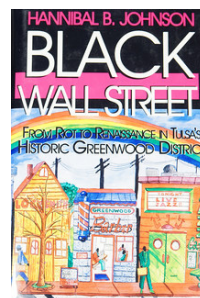
We would like to thank our clients who gave their proxy to various environmental activists and celebrities to attend the recent shareholder meeting of a large oil company to fight for cleaner energy production and more humane actions. If you are interested in getting involved with shareholder activism, please let us know.

## SONG AND MUSIC VIDEO OF THE MOMENT



### *March*

by The Chicks  
(formerly The Dixie Chicks)



## IMPACT BOOK OF THE MOMENT

*Black Wall Street*  
by Hannibal B. Johnson

## 💡 Nonprofit Spotlight

After months dominated by death and economic devastation from the pandemic, our country is finally confronting its history of racism. Our own ICS home bases in DC and Boston have seen their streets filled with protestors working for change. There are many charities providing aide to those on the front lines dealing with both the effects of the pandemic and racism, and we encourage you to support those closest to your heart, both local and national. Here are two we are contributing to.

### **World Central Kitchen and Borealis Philanthropy's Black-Led Movement Fund**

We will make every effort to recycle and use recycled products. We will use local products and support local vendors and artists.

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Due to Covid-19,  
we are working  
from home. Please  
contact us if you  
would like to send  
something by mail.



*Like many of you, we have been zooming away!*