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Q: How can thematic investing help individuals and families align their values with how they invest their wealth?



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► The devotion that some individuals and families have to causes to which they give generously—through donations, advocacy or volunteerism—is redefining how they invest their wealth.

As people seek to align their values and beliefs with their desire to have a greater impact on the world's most important environmental and social issues, thematic investing is becoming an increasingly popular option.

WHAT IS THEMATIC INVESTING?

Thematic investing concentrates on specific themes within sustainable investing to achieve a more targeted and measurable impact, while also providing the potential

for long-term financial reward. Thematic investing, like any worthwhile pursuit, requires a thoughtful approach. We recommend that investors begin by clarifying their priorities, researching available options and diversifying across strategies.

CLARIFYING PRIORITIES: WHAT THEMES SHOULD I INVEST IN?

As interest in thematic investing has grown, so too have the number of funds that focus on companies providing solutions in areas such as the environment, workplace culture, water access and quality, and women's leadership, to name a few. Many investors have a clear idea of the causes they want to support. For oth-

ers, reflecting on the issues, charities or organizations to which they have dedicated financial or personal resources may generate meaningful ideas; the next step is considering whether the theme is investable. For example, if an individual or family has been involved with the Appalachian Mountain Club or the Sierra Club, investing in renewable energy and energy efficiency, or in companies with low carbon footprints, may be appropriate.

RESEARCHING OPTIONS: WHAT'S IMPORTANT TO CONSIDER WHEN CHOOSING A FUND?

Investing in thematic funds requires the same amount of homework as (if not more than) investing in any other strategy. Thematic funds are often dedicated to secular themes or trends that may experience growth over years, if not decades. For example, the push toward energy efficiency is arguably not a passing fad but reflects a durable, long-term transition. Thus, it's important to determine if the fund manager has the experience, team and resources to effectively capture these opportunities and adapt appropriately as dynamics change. With a number of new strategies entering the market, it is vital to understand the manager's history of investment in, and commitment to, the theme.

It's also important to consider the extent to which the fund manager directly engages with portfolio companies to improve their environmental, social and/or governance practices. Studies suggest that successful engagement of this kind is tied to financial performance and may lead ultimately to greater societal impact. Funds may or may not exercise active ownership; when they do, they will do so to varying degrees and with various levels of consistency. Lastly, verify that the fund provides impact reporting. The ability to monitor measurable outcomes is one of the most rewarding aspects of thematic investing.

DIVERSIFYING ACROSS STRATEGIES: WHAT IS THE APPROPRIATE ALLOCATION?

Thematic strategies can complement a more broadly diversified sustainable investing strategy and allow investors to tilt their portfolios toward specific ESG impact. To determine the appropriate level of exposure, investors should weigh the balance between desired impact and prudent diversification. While there is

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no prescribed formula, a general guideline is to invest no more than 25 percent of an overall equity portfolio in thematic funds, with a maximum allocation of 10 percent to any one theme.

Thematic investing can be a powerful tool for a sustainability-minded investor.

When implemented appropriately, it can provide a targeted, measurable impact with the goal to deliver both a financial and a social or environmental return. For investors seeking to align their portfolios with their values, this may be the most gratifying return of all. 

ABOUT THE COLONY GROUP



At The Colony Group, our clients have access to the resources they need for any financial decision—here with us. As an independent, fee-only wealth management firm, with origins going back 30 years, The Colony Group, serves a diverse clientele that shares a common bond—they are successful, high achievers who want to enjoy their success and the wealth that comes along with it. We specialize

in serving the unique needs of individuals and families, corporate executives, business owners and entrepreneurs, athletes and entertainers, institutions and non-profits and women. Every day, we look to create new possibilities for their wealth.

EXPERTISE

Assets Under Management

\$11.5B

(Approximately, as of 12/31/2019)

Professional Services Provided

Strategic wealth and investment management, sustainable investing solutions, tax planning, business management and family office services, divorce and dispute resolution, and life-enrichment services.

Compensation Method

Fee-only fiduciary

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 California | Colorado | Florida | Maryland | Massachusetts | New Hampshire | New York | Virginia



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