



QUARTER 3 | 2020



The Colony Group

Investing with Values



Q3 Observations

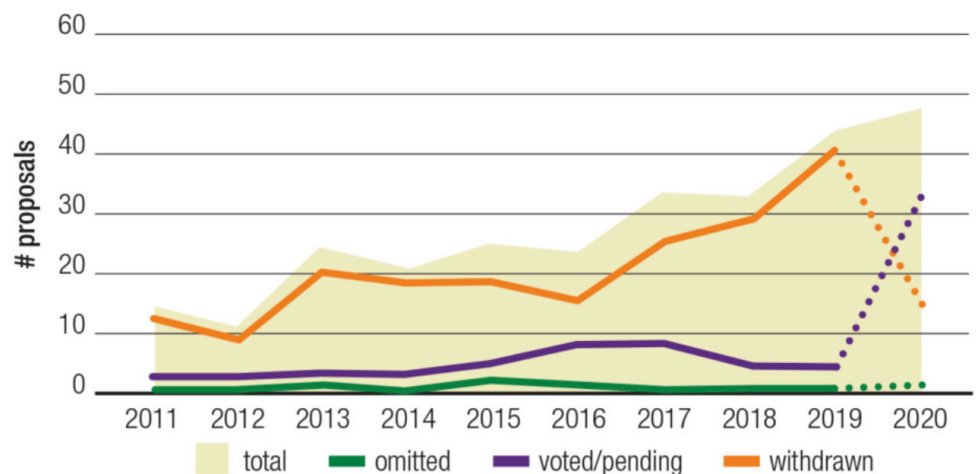
Over the last several months, the issues of racial inequality and social and economic injustice have risen to the forefront. While these issues have persisted for years, the collective response is different this time. Not only have we witnessed a broader coalition of people protesting injustice in the streets, we have also seen public corporations join the fight. In this issue, we highlight the ways investors can participate, too.

"In constructing portfolios, we must redouble our efforts to understand how the companies in our portfolios are behaving with respect to diversity, inclusion and equality — avoiding companies that countenance discrimination in any form and investing in companies that genuinely embrace diversity, equality and our common future." Joe Keefe, President and CEO of Pax

First, investors can align their portfolios with fund managers who have consistently valued the economic and social benefits of diversity and inclusion. Sustainable fund managers consider a company's practices towards equality, diversity, and human rights as material; these factors affect which companies they invest in and which companies they engage with to improve outcomes. In 2019, there were 44 shareholder-led proposals to change board nominee requirements to include diversity criteria. Companies took notice and were generally receptive – all but four of the proposals were withdrawn after the company took meaningful steps toward inclusion. Our clients' investment with Boston Trust Walden, for example, helped to secure commitments from three companies—Choice Hotels, Hyatt Hotels, and Williams-Sonoma—to provide annual disclosure of diversity and inclusion metrics and initiatives.

Secondly, an even more targeted approach is through impact investing. Investors can direct capital to strategies that seek specific and measurable social or environmental outcomes as well as financial returns. Impact bonds, found within certain sustainable fixed income funds, are a perfect example. The CRA Qualified Investment Fund currently allocates 37% of its portfolio to support affordable housing and 14% percent to benefit minority advancement. One investment involved the revitalization of a low-income, majority-minority, affordable rental property located in a high-poverty census tract in Minneapolis. A primary objective of that bond issue is to provide a durable, healthy, and stable living community. Since its inception in 1999, Community Capital Management has invested \$3 billion in the impact theme of minority advancement across 48 states. The TIAA-CREF Core Impact Bond Fund dedicates 40% of its portfolio to impact bonds in four key areas. Recently, the fund invested in a vehicle that aims to reduce homelessness and prison recidivism rates.

Board Diversity Outcomes



Source: <https://www.proxypreview.org/2020/report1>

Thematic Spotlight: Women's Leadership

While progress has been made in a number of critical areas related to the equitable treatment of women, there is still plenty of work to be done. According to the World Economic Forum, it will take 99.5 years to achieve global gender equality. In addition, women comprise just over 20% of board seats in the US. Yet several studies have shown that companies with more women in leadership positions are more profitable, innovative, productive, and maintain higher levels of employee satisfaction and retention. Thus, investing in a women's leadership theme may help clients realize both societal and financial objectives.

The Pax Ellevest Global Women's Leadership fund is a diversified, global equity fund that invests in companies that rank highly for advancing women through gender pay equity, gender-diverse boards, senior leadership representation, and other practices such as benefits and talent pipeline management. The fund also frequently engages directly with companies to advance gender equality issues, increase disclosure, and effect positive change. This has led to a number of successful outcomes over the years, an ideal way to impact an issue many clients feel strongly about.

Colony Investing Solutions

Some statistics of interest from The Colony Group's Sustainable Investing Solutions equity portfolio:

0%

Tobacco Exposure

<0.5%

Fossil Fuel Exposure

42% Less¹

CO2 Emissions

89% Less¹

Scope 1 Global Emissions*

16% More¹

% of Minorities in the Workforce

¹Relative to MSCI All Country World Index
Source: Bloomberg

*Scope 1 Global Emissions are direct emissions from sources that are owned or controlled by a corporation

For more information about Colony's Sustainable Investing Solutions, please reach out to your wealth advisor or contact us at info@thecolonygroup.com.

Sustainable Investing in Action

FINANCIAL

- > 72% of sustainable equity funds ranked in the top halves of their categories during the first half of 2020.
- > 26 of 26 sustainable index funds outperformed the comparable conventional index fund.

ENGAGEMENT

- > After a five-year engagement effort, led by Parnassus and other shareholder activists, Mondelez agreed to zero net waste packaging for its products.
- > Calvert Investments filed shareholder resolutions at six companies seeking increased disclosure on diversity policies and a commitment to adding diversity in their governance documents; all six resolutions were withdrawn after extended engagements.
- > Pax World Funds directly engaged with Verizon and influenced the company to commit to source renewable energy equivalent to 50% of its total electricity usage by 2025.

CORPORATE RESPONSIBILITY

- > Netflix moved \$100 million of its cash holdings to financial institutions that support black communities and contributed \$5 million to organizations that create long-term opportunities for black entertainment creators, black youth, and black-owned businesses.
- > Paypal committed \$530 million to support black-owned and minority-owned businesses in the US.
- > Pepsi announced a five-year initiative to increase Black managerial representation by 30% and double its business with black-owned suppliers.

DISCLOSURE:

This letter is general and educational in nature and is not to be construed as investment, tax, or legal advice. Examples included herein are not recommendations to invest in any particular security; they are presented simply to show the effects that stakeholders may have in addressing environmental, social, and governance issues with company management. Individuals should seek advice from their wealth advisor or other advisors before undertaking actions in response to the matters discussed.

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