At Ropes Wealth, we define responsible investing as an investment approach that considers environmental, social, and corporate governance (ESG) factors and broader systemic issues — for example, climate change and sustainable development — along with active ownership (stewardship). We are proud to share with you our perspective on responsible investing in action, and stand ready to engage with you about if and how incorporating some of these aspects into your investment plan may be right for you.

Today, December 10th, we celebrate Human Rights Day. This is the day that the United Nations General Assembly adopted the Universal Declaration of Human Rights, back in 1948. This document affirms the rights upon which every human is entitled, regardless of race, color, gender, religion, sexual orientation, political affiliation, or any other status. While this document is the most translated document in the world, we could certainly all use a reminder this year, especially, to choose kindness, acceptance, and support for one another as the world continues to suffer through this pandemic.

So what does this have to do with investing?

In addition to showing compassion in your personal daily life, whether through small gestures, volunteer work that connects you to your community, or through charitable endeavors, there is also a lens through which you can measure businesses on the basis of their propensity to behave in a humane, responsible and impactful way.

Consider Starbucks as an example of an influential company that is making strides to improve diversity and inclusivity. Just yesterday, the company announced that Mellody Hobson, a very prominent Black female investor, will takeover as board chairwoman next March. Mellody Hobson would then be the only Black chairwoman of an S&P 500 company. There are other recent examples that point to Starbucks' commitment to improving social inequity. They are strengthening their diversity goals from the top down, whereby executives will be accountable to and engage in anti-bias training and their compensation will be tied to increasing minority representation in the workforce. The progress we're now reading about is a refreshing turnaround from the 2018 arrest of two black men that were sitting at a table in a Philadelphia Starbucks, which setoff protests in the community.

If Starbuck's example of change inspires you, you are not alone. Investor demand is skyrocketing for companies that not only deliver strong financial performance and market leading products and services, but leadership in a much broader sense. More people than ever want to know that their money is being invested in companies that take seriously their responsibility to use power and influence to improve the world.

Consider the following:

- Since 1995 (when the US SIF Foundation first measured the size of this market) through 2018, the market for ESG investments has increased at a compound annual growth rate of 13.6%.

- According to US SIF's Foundation's most recent 2018 Trends report, responsible investing has increased 38% to $12 trillion between 2016 and 2018, and now accounts for $1 out of every $4 of assets under management in the U.S.

- Just two weeks ago, on December 1st, the Nasdaq announced that it was asking the S.E.C. for permission to require listed companies to have diverse boards. Nasdaq will require boards to have at least one woman and one director who self-identifies as an underrepresented minority or L.G.B.T.Q. Companies that don't disclose diversity information face potential delisting, while those that report their data but don't meet the standards will have to publicly explain why.

For our readers who are interested in understanding more about topic, we'd like to take the opportunity to share some background on investing responsibly and address some commonly held myths about the approach.

What is Responsible Investing?

To sum it up, Responsible Investing means aligning your investments with the betterment of society. At its core, this type of investment analysis investigates how different types of environmental, social, and governance factors materially influence the value of an investment, allowing additional risks and opportunities to be identified. This usually entails looking at non-financial metrics, typically not found on a standard balance sheet.

Important to note is that this type of investing is not a form of charity, and does not mean that you have to give up financial returns in order to invest in good quality companies and businesses that are improving their practices over time.

Over the years, the philosophy has evolved from a "do no harm" methodology that is *exclusion* oriented (such as omitting companies that are involved in production or sale of tobacco or firearms) to one that is *inclusion* oriented, with purposeful action and desire to invest in companies that are showing improvement for the collective good alongside strong financial returns.

Responsible investing focuses on material issues such as:

1) Reducing climate change and pollution through innovative recycling practices
2) Prioritizing social rights such as workplace safety, equal pay for equal work, and a more diverse and inclusive organization (Numerous studies have shown that how corporations treat their employees affects employee retention, and therefore the bottom line.)
3) Increasing independence between company management and its' board of directors, and disclosure of executive compensation

A Few Myths of Responsible Investing

Myth #1 – Responsible Investments Underperform

During recent market corrections (March 2020, December 2018), highly rated ESG funds provided better downside protection than not only their respective benchmark, but also the most poorly rated ESG funds.

For example, during the first quarter of 2020, when the S&P 500 Index fell -23.6%, global large cap stock funds with the highest Morningstar ESG ratings had an average decline of -17.7%, while funds in the same category but with the lowest ESG ratings declined -26.6%, according to Morningstar. While most ESG or sustainable funds have minimal exposure to fossil fuel industries which have performed quite poorly this year, this sector is a small portion of the broad index and does not fully explain the difference in returns. Another recent example was seen during the fourth quarter of 2018. When the S&P 500 Index was down -13.5%, largely on China trade war news, the average sustainable U.S. Equity Fund tracked by Morningstar beat its benchmark by a full percentage point.

Myth #2 – Responsible Investments Have Higher Fees

This was the case a decade or so ago, when there were few investment options available and the cost of screening data that met responsible investment criteria was not readily available.

With a vastly increased supply of strategies, particularly over the past few years, costs have come down and are now competitive with traditional investment options.

Myth #3 – Responsible Investments Limit Your Portfolio Diversification

While the old way of ESG investing meant screening out specific stocks or even entire sectors, this industry has evolved and there are many options to diversify your portfolio while maintaining a responsible investment lens throughout.

As the world becomes more interconnected and corporate governance becomes more transparent to consumers, whether through voluntary championing of a forthright mission to "be better", mandatory disclosure of practices through government regulation, or out of investigative news reporting, companies can no longer simply focus on profits and bottom lines. Managing risk is a material consideration for any business, and data is finally beginning to support the notion that risk mitigation does not simply boil down to black and red ink. Risk mitigation includes considering and caring for all humans that a business touches – consumers, employees, supplier relationships, and community impact, in addition to shareholders. It means understanding how a business model affects the environment through waste practices and water consumption so that we can enhance the lives of future generations. And it means governing in such a way that all kinds of people, spanning races and genders, have both the belief and opportunity to succeed in any industry and at any level of the hierarchy.

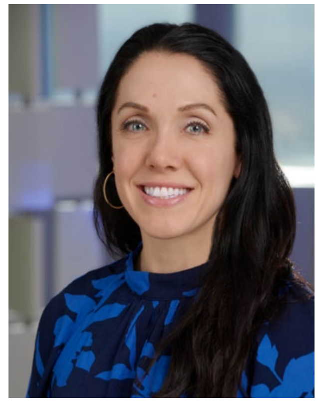
"The rights of every man are diminished when the rights of one man are threatened."

– President John F. Kennedy, November 1963

May this Human Rights Day be an occasion to honor our rights and stand up for them and celebrate them to the fullest. If you have a desire to learn more about investing in a responsible way, please reach out to our team of specialists in this area.

Terrence Tedeschi
Portfolio Manager & Director
T +1 617 235 4263
terrence.tedeschi@ropeswealth.com

Jennifer Loveless
Associate Portfolio Manager
T +1 617 235 4259
jennifer.loveless@ropeswealth.com



Ropes Wealth Advisors LLC
800 Boylston Street Boston, MA 02199-3600