

Sustainable Investing FAQs

By Abigail O'Brien, intern, Shepherd Financial Partners

What is Socially Responsible Investing (SRI) and Environmental Social Governance (ESG) investing?

Socially responsible investing (SRI) is an investment strategy that seeks to gain a financial return by supporting companies that make a positive impact on the world. This can be done by avoiding investments in unethical companies and by seeking investments in socially responsible companies. SRI takes into consideration the nature of the business the company conducts, the company's values, and other aspects of a company, such as what products the company sells. Another common form of socially responsible investing is environmental, social, governance (ESG) investing. Integrating ESG investing standards into an investment portfolio examines a company's operations by using a set of socially conscious criteria to screen investments. ESG portfolios are constructed by evaluating the long-term impact a business has on society, the environment and the performance of the business itself.

Growing SRI Market

Increasingly, investors seek to align their values to their portfolios and with an increasing market and growing demand; SRI is no longer viewed as a niche market. The 2016 U.S. SIF Foundation's *Report on Sustainable and Responsible Investing in the U.S.* found that out of the \$40.3 trillion total assets under professional management in the U.S. a total of \$8.72 trillion assets was dedicated to SRI and ESG investing portfolios. From 2014 to 2016, the popularity of socially responsible investment strategies grew by 33%. Further, a survey by Morgan Stanley found that 84% of millennial investors were interested in "sustainable investing," demonstrating SRI's resonance with both current and future generations.

Invest According to Your Values

Socially responsible investing allows you to invest in companies whose values and objectives mirror your own. Investors may seek out firms that engage in social justice or environmental sustainability such as companies in the alternative energy industry, or companies that support human rights and equal employment opportunities. Another SRI option is to avoid investing companies that partake in practices that contradict your values. Socially responsible investing is used to reflect an individual's values and therefore can be unique to each person. Our job is to help you reflect your values in an investment strategy.

How to Create Your SRI/ESG Portfolio with Shepherd

At Shepherd Financial Partners, your values are of the utmost importance to us. If SRI/ESG investing is something that interests you, talk with your advisor about Shepherd's sustainable investing strategies and how they can be implemented into your

investment strategy to work towards your financial goals. We apply both active and passive investment strategies to create investment portfolios that meet socially responsible criteria while still focusing on asset allocation and risk management as the primary driver of portfolio construction – see our [paper](#) on this topic. Your advisors will work closely with you to create a portfolio centered on your specific socially responsible values.

Sources

<http://www.investopedia.com/terms/s/sri.asp>

<http://www.ussif.org/files/Infographics/Overview%20Infographic.pdf>

<http://www.ussif.org/sribasics>

<https://www.theatlantic.com/magazine/archive/2007/10/the-conscientious-investor/306192/>

http://www.huffingtonpost.com/saveup/should-i-choose-socially-_b_3757156.html

<http://www.schwab.com/insights/mutual-funds/socially-responsible-investing-comes-age>

<https://www.edwardjones.ca/financial-focus/investment-products/socially-responsible-investing-and-your-portfolio.html>

<https://www.fidelity.com/learning-center/trading-investing/trading/socially-responsible-investing>

<http://www.ussif.org/esg>

https://www.oppenheimerfunds.com/advisors/doc/Understanding_ESG_Investing.pdf?dig_asset_metrics=done

Disclosures:

Investing involves risk including loss of principal. No strategy assures success or protects against loss.