

# Navigating the Sustainable Investing Landscape

*Featuring*

**Samuel C. Adams**

***Vert Asset Management***



# Disclaimer

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# Speakers

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**Samuel C. Adams**

*CEO & Co-founder  
Vert Asset Management*



**David Bromelkamp**  
**AIF<sup>®</sup>, BCF<sup>™</sup>**

*Chief Executive Officer*



**Derek Van Calligan**  
**AIF<sup>®</sup>, CFP<sup>®</sup>**

*Investment Consultant &  
Director of Investment Research*

# More About Sam Adams

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**Samuel C. Adams**

*CEO & Co-founder  
Vert Asset Management*



Sam is CEO and co-founder of Vert Asset Management. He also chairs the Investment Research Group. Sam leads the development of new products to help make sustainable investing easier for investors. He has been a featured speaker on sustainable investing at financial advisor conferences in the US, UK, Europe, and Australia.

Sam is the author, with Larry Swedroe, of *Your Essential Guide to Sustainable Investing*. He sits on the Education Committee of the Forum for Sustainable and Responsible Investment (US SIF), and is member of the Plan Sponsor Council of America's Investment Committee.

Prior to launching Vert, Sam spent 20 years at Dimensional Fund Advisors where he led the European Advisor business and launched the Global Sustainability Core Fund.

Sam has a BA in Philosophy from the University of Colorado, Boulder and an MBA in Finance from the University of California, Davis.

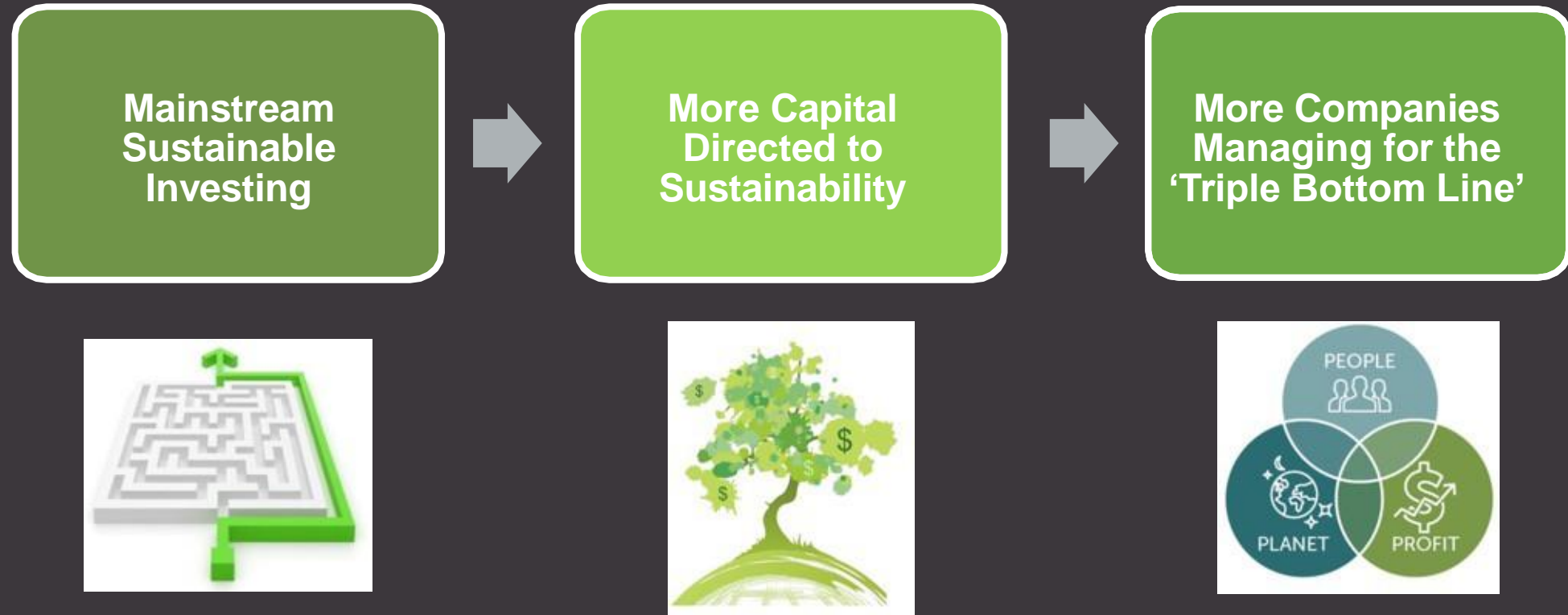
# Agenda

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- 01 About Sam Adams & Vert Asset Management
- 02 “Your Essential Guide to Sustainable Investing” Outline
- 03 Interview with Sam Adams
- 04 Q & A from Audience


# Vert Mission and Vision

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*The 'Triple Bottom Line' was coined by John Elkington, Vert Advisory Board Member.*

# Example Fund\*\*



## GLOBAL SUSTAINABLE REAL ESTATE FUND - VGSRX

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### FUND OVERVIEW

Universe	Global Real Estate Investment Trusts
Benchmark	S&P Global REIT Index
Share Class	Institutional
Inception Date	October 31, 2017
Ticker	VGSRX
CUSIP	56170L604
Net Expense Ratio*	0.50%
Gross Expense Ratio	0.80%

\*Manager has contractually agreed to limit the expense ratio to 0.50% through 10/31/24. Net expense ratio is what the investor would pay.

### CHARACTERISTICS



Fund Net Assets (Millions)	\$154.6
Number of Holdings*	137
Wtd. Avg. Mkt. Cap. (Millions)	23,036
Median Mkt. Cap (Millions)	2,387

### INVESTMENT STRATEGY

Vert's investment process is rooted in the results of academic research on sustainability in real estate. Our evidence-based approach focuses on the metrics within environmental, social and governance (ESG) criteria that research has shown to be most material for real estate companies.

We evaluate companies based on the environment, social, and governance criteria most material to their individual operations within the real estate industry. Only companies with a demonstrated commitment to sustainability qualify for the portfolio. Companies that have a history of controversy, are inadequately prepared for climate risks, or that operate in certain business lines, are disqualified.

### ESG CRITERIA

- Built for use as sustainable option for a public real estate allocation
- Evidence-based ESG
- Deep shareholder engagement
- **\*\* Allodium does not endorse specific funds**

# The Book

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“If this is an investment universe you have an interest in entering, *Your Essential Guide to Sustainable Investing* is indeed an essential book to own and read”

— Harold Evensky



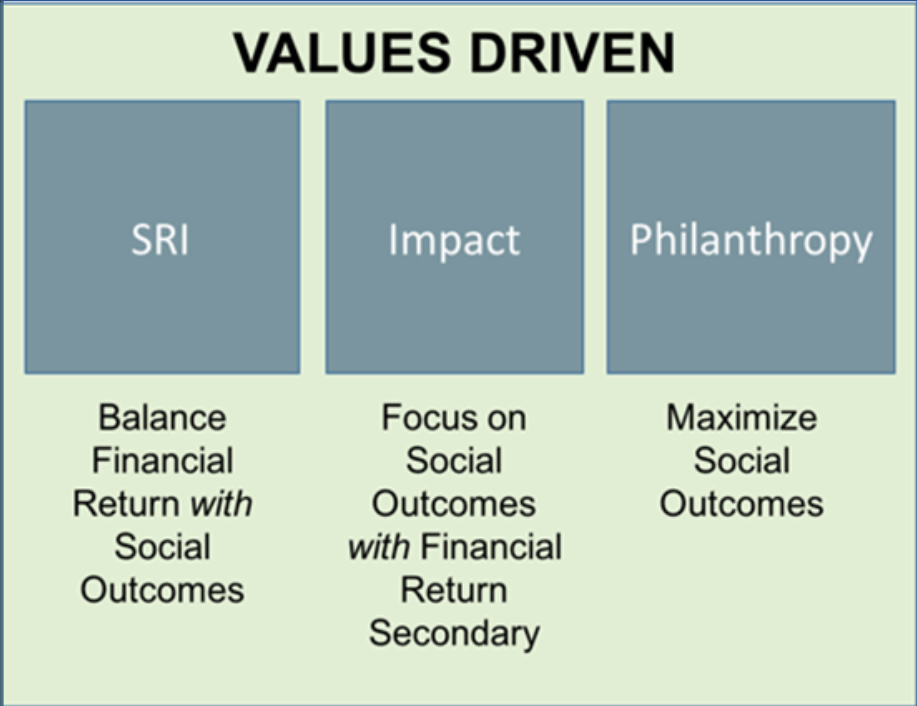


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# What is Sustainable Investing?

# What is Sustainable Investing?

**Financial first**  
**(social outcomes are secondary)**



**Impact first**  
**(financial outcomes are secondary)**

Source: Vert Asset Management

# ESG Metrics

<b>Environmental</b> Conservation of the natural world	<b>Social</b> Consideration of people & relationships	<b>Governance</b> Standards for running a company
<ul style="list-style-type: none"><li>- Climate change and carbon emissions</li><li>- Air and water pollution</li><li>- Biodiversity</li><li>- Deforestation</li><li>- Energy efficiency</li><li>- Waste management</li><li>- Water scarcity</li></ul>	<ul style="list-style-type: none"><li>- Customer satisfaction</li><li>- Data protection and privacy</li><li>- Gender and diversity</li><li>- Employee engagement</li><li>- Community relations</li><li>- Human rights</li><li>- Labor standards</li></ul>	<ul style="list-style-type: none"><li>- Board composition</li><li>- Audit committee structure</li><li>- Bribery and corruption</li><li>- Executive compensation</li><li>- Lobbying</li><li>- Political contributions</li><li>- Whistleblower schemes</li></ul>

Source: <https://www.cfainstitute.org/en/research/esg-investing>

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# Methods of Sustainable Investing

# Methods of Sustainable Investing - Screening

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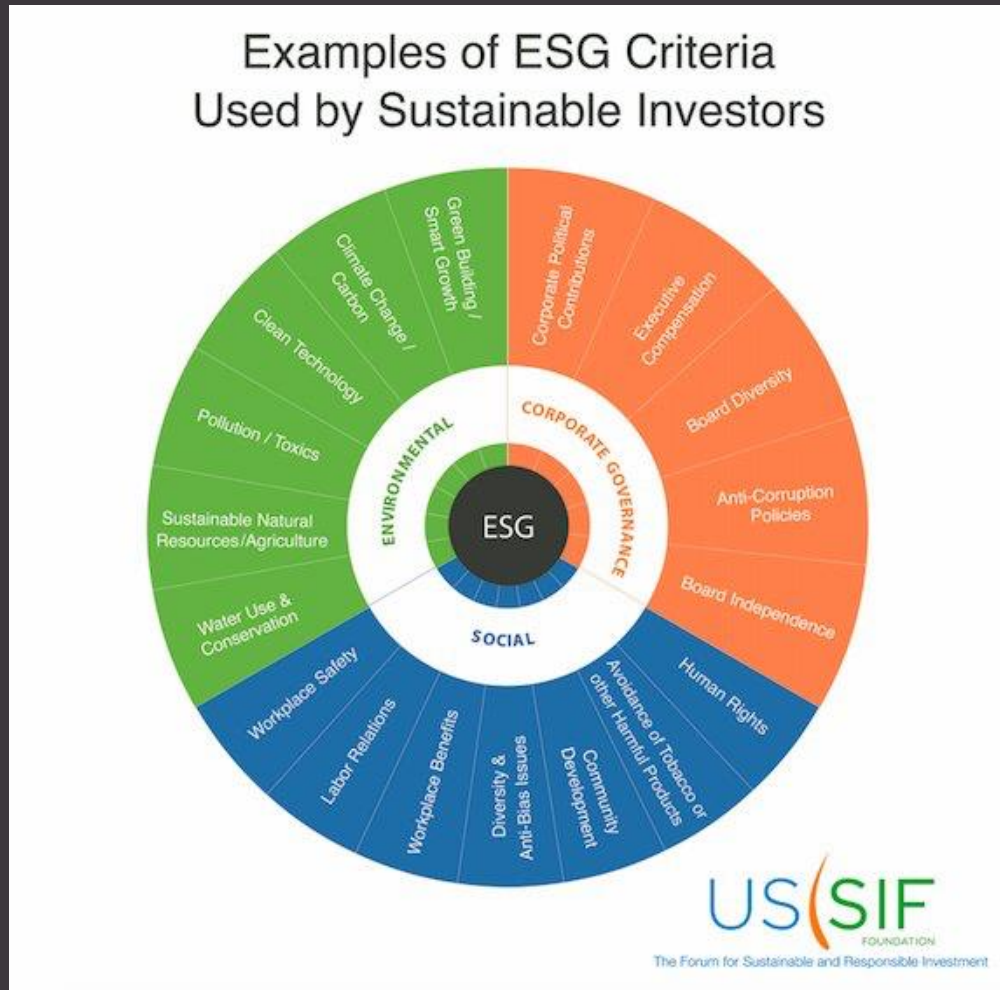
## Negative Screens

- Alcohol
- Gambling
- Tobacco
- Weapons
- ESG Scores
- Adult Entertainment
- Genetically Modified Organisms

## Positive Screens

- Gender Equality
- Veganism
- LGBTQ
- Community Investment
- Water
- ESG Scores
- Racial and Social Justice

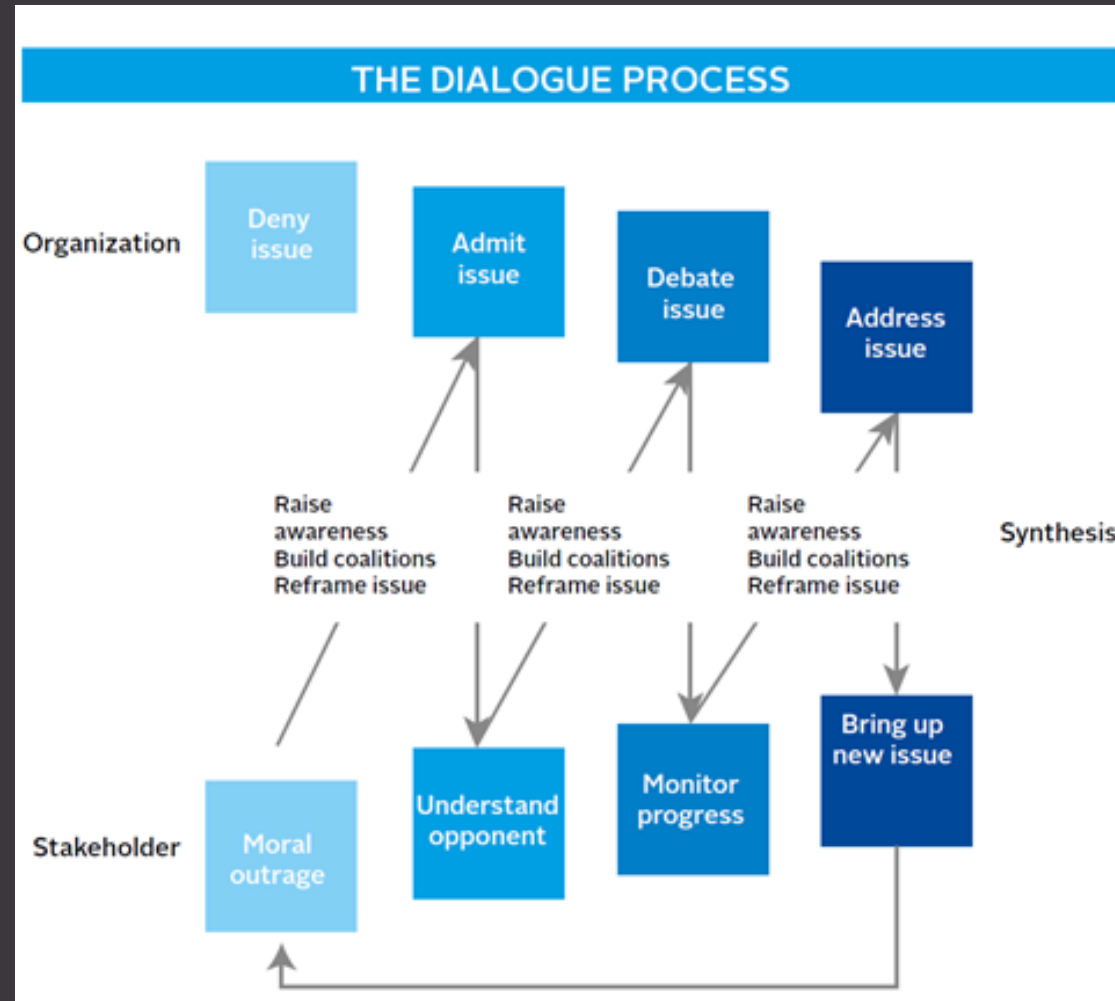
# Methods of Sustainable Investing – ESG Integration



# Methods of Sustainable Investing – Corporate Engagement

Image:

<https://www.unpri.org/research/why-talk-a-process-model-of-dialogue-in-shareholder-engagement/3045.article>



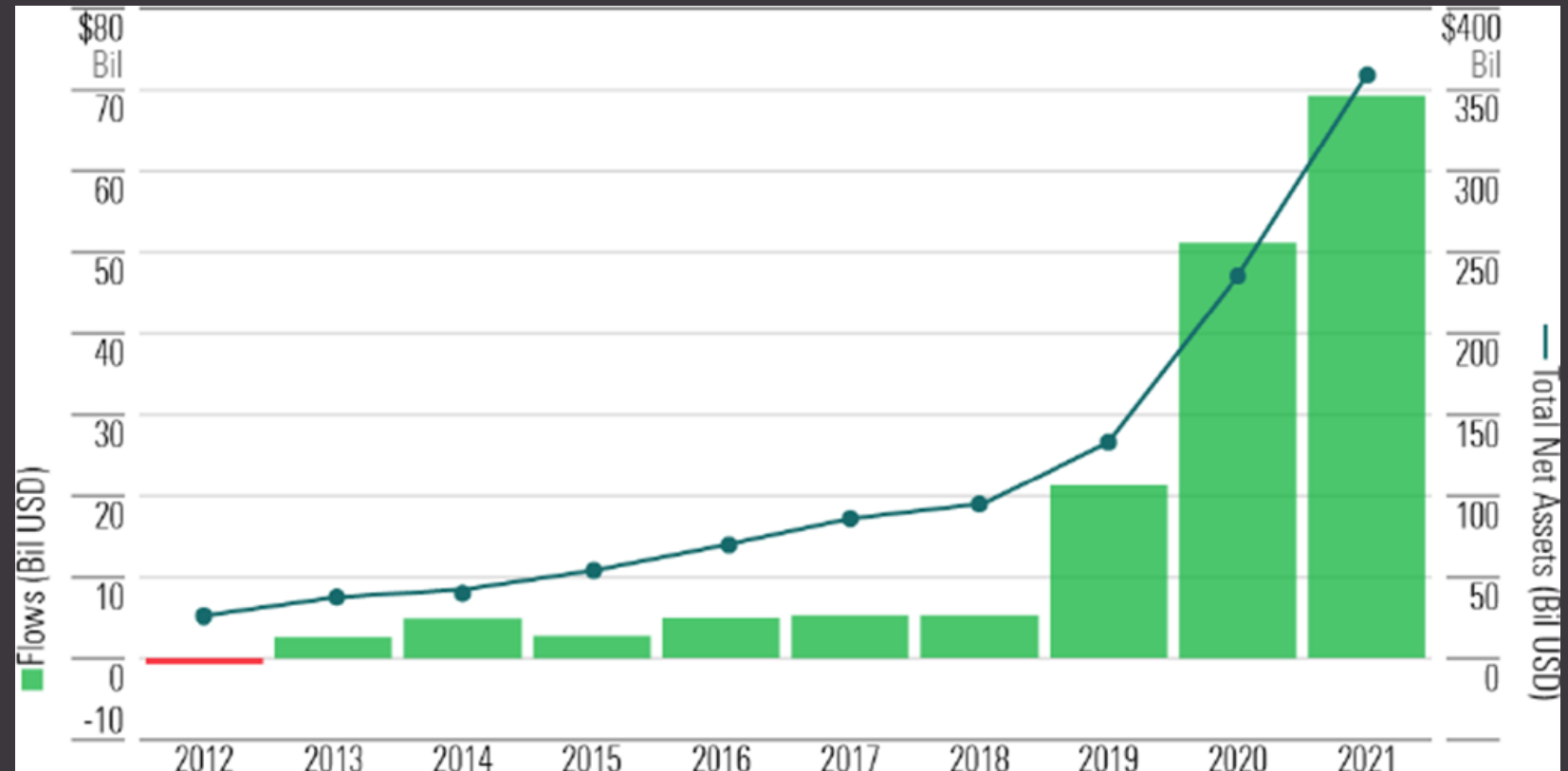
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# Who is Investing for Sustainability?



# Who is investing for Sustainability – US Trends

There are now over 500 sustainable funds and ETFs available in the US, attracting just under \$70 Billion in 2021.



Source: Morningstar 12/31/2021 <https://www.ussif.org/sribasics>

# Who is investing for Sustainability - Institutions

Fund	Market	Total Assets (USD Millions)
1. Government Pension Investment	Japan	\$1,237,636
2. Government Pension Fund	Norway	\$893,088
4. National Pension	South Korea	\$462,161
5. ABP	Netherlands	\$404,310
7. California Public Employees	U.S.	\$306,633
8. Canada Pension	Canada	\$235,790
10. PFZW	Netherlands	\$196,461

For illustrative purposes only.

Source: <https://www.willistowerswatson.com/en/press/2017/09/Assets-at-worlds-largest-pension-funds-return-to-growth>

Source: <https://www.businesstimes.com.sg/hub/whos-who-in-private-banking-2018/the-rise-of-esg-investing-in-asia>

# Who is investing for Sustainability?



Sustainable Signals, Morgan Stanley, Institute for Sustainable Investing, 2021

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# The Evolution of Sustainable Investing

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Sampson Lloyd II



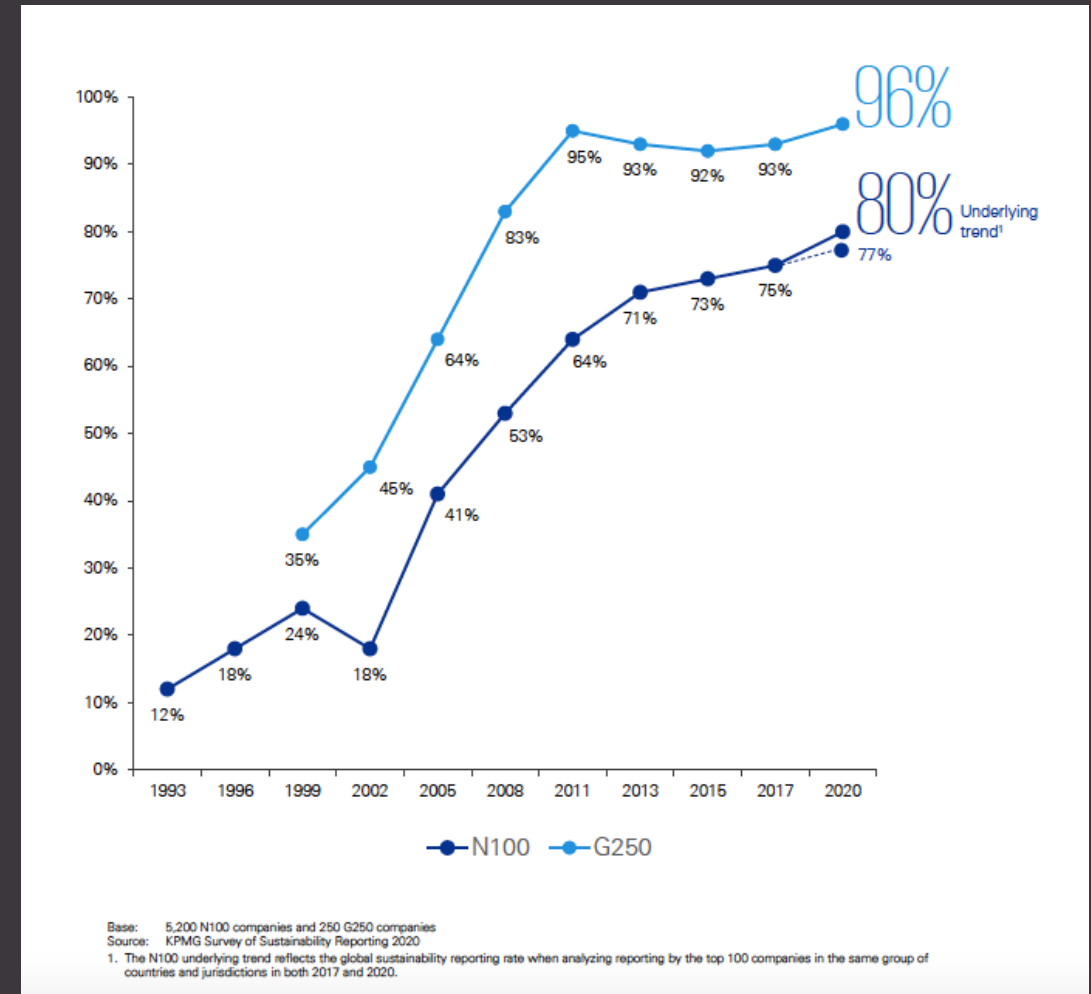
<https://www.lloydsbankinggroup.com/who-we-are/our-heritage/lloyds-bank.html>

# The Evolution of Sustainable Investing

G250 = Largest 250 firms globally

N100 = 4,900 Firms (Largest 100 firms in each of 49 countries)

<https://theimpactinvestor.com/esg-rating-agencies/#:~:text=There%20are%20more%20than%20140,in%20a%20variety%20of%20forms>



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# The Performance of Sustainable Investing

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## Better

- Risk Arguments
- Innovation Premium
- ESG Momentum

## Similar

- Achievable with:
- ☑ Similar Asset Allocation
  - ☑ Similar Due Diligence
  - ☑ Similar Factor Tilts

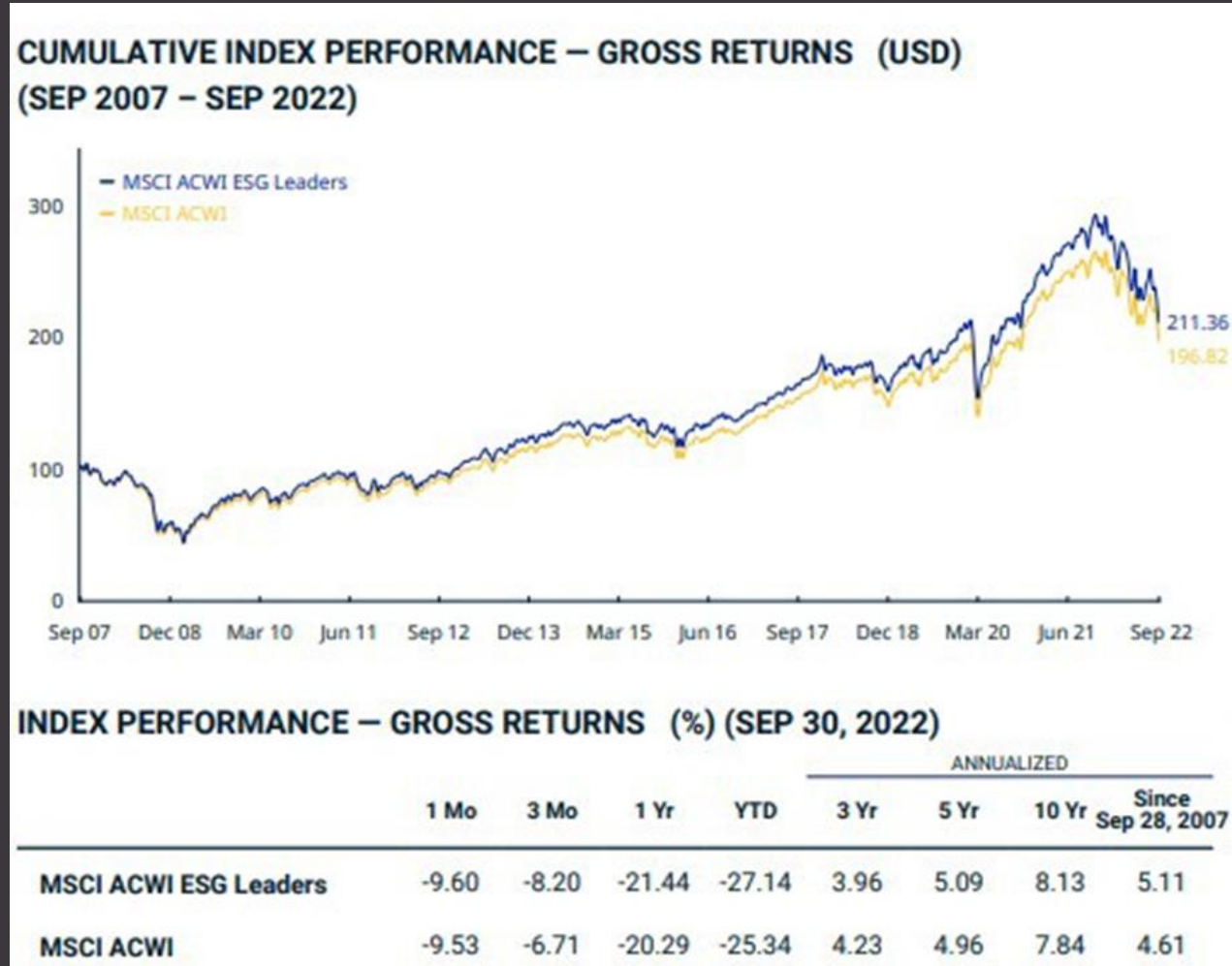
## Worse

- Less Diversified
- Higher Fees
- 'Sin Stock' Premium
- Lower Cost of Capital



# The Performance of Sustainable Investing - Historical

## ESG versus Conventional



Source: MSCI ESG Research (2020)

# The Performance of Sustainable Investing – Research

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## Oxford Meta-Study:

### *“From Stockholder to Stakeholder”*

- **90%** of studies show that sound ESG standards **lower the cost of capital.**
- **88%** of studies show that solid ESG practices result in **better operational performance.**
- **80%** of studies show that **stock price performance is positively influenced** by good sustainability practices.

Clark, Gordon L. and Feiner, Andreas and Viehs, Michael, From the Stockholder to the Stakeholder: How Sustainability Can Drive Financial Outperformance (March 5, 2015). Available at SSRN: <https://ssrn.com/abstract=2508281>

# The Performance of Sustainable Investing – Research

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## Deutsche Meta-Study:

*“ESG and financial performance-aggregated evidence from more than 2,000 empirical studies”*

- 90% of studies show significant correlation between ESG and corporate financial performance
- Large majority of studies show positive relationships
- Positive impact of ESG on corporate financial performance is stable over time.

Gunnar Friedea, Timo Buschb\* and Alexander Bassenb, *ESG and financial performance: aggregated evidence from more than 2000 empirical studies*, Journal of Sustainable Finance & Investment, 2015 Vol. 5, No. 4, 210–233, Available at: <http://dx.doi.org/10.1080/20430795.2015.1118917>

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# The Impact of Sustainable Investing

# The Impact of Sustainable Investing

**FIGURE 2** Snapshot of global assets under management 2016-2018-2020 (USD billions)

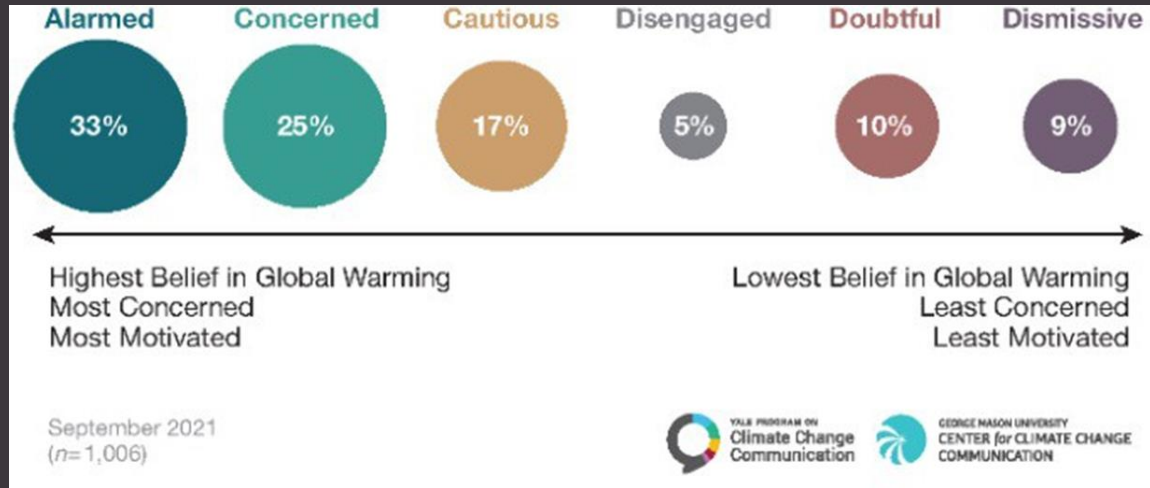
REGIONS	2016	2018	2020
Total AUM of regions	81,948	91,828	98,416
Total sustainable investments only AUM	22,872	30,683	35,301
% Sustainable investments	27.9%	33.4%	35.9%
<b>Increase of % sustainable investments (compared to prior period)</b>		<b>5.5%</b>	<b>2.5%</b>



**35.9%** of total assets under management are sustainable investments

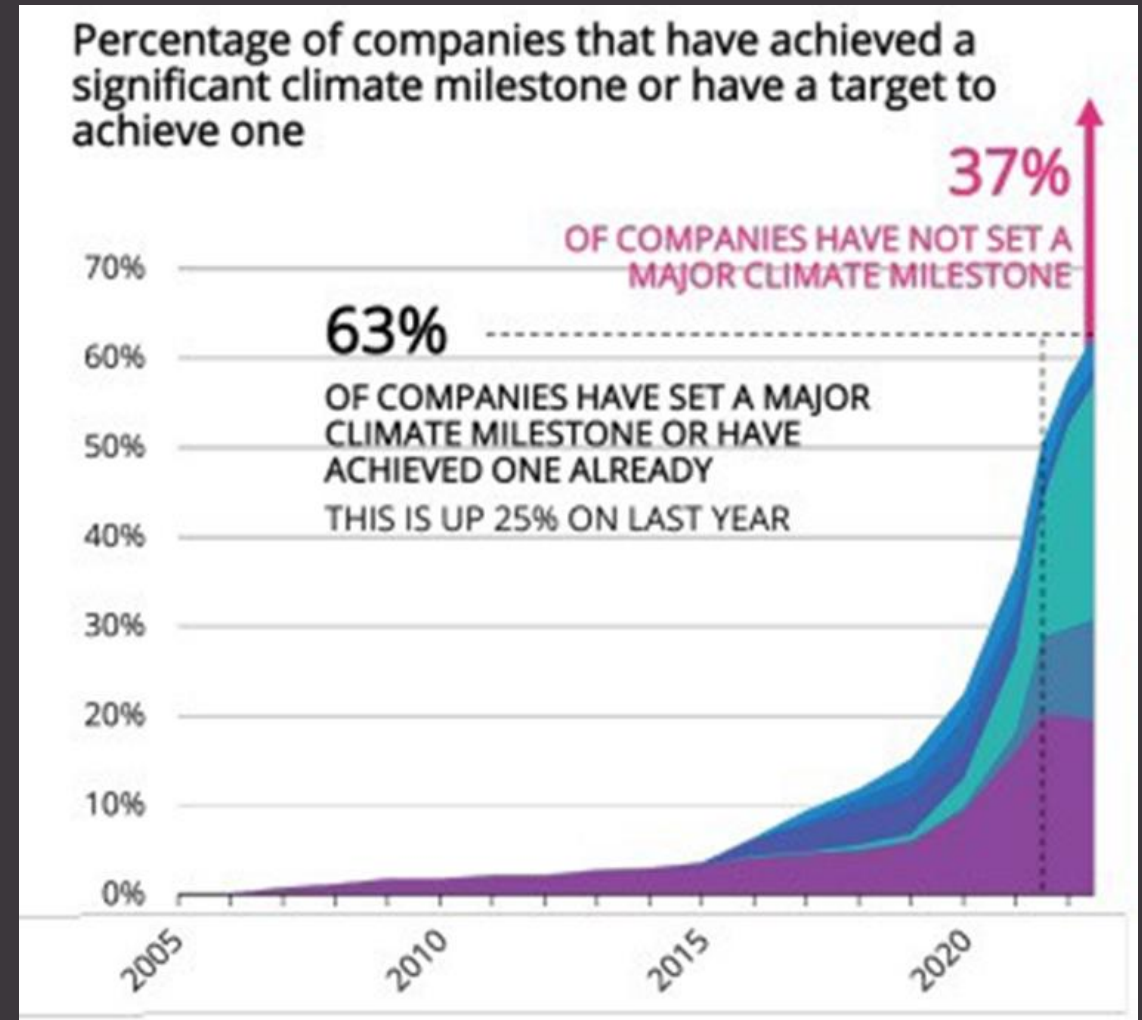
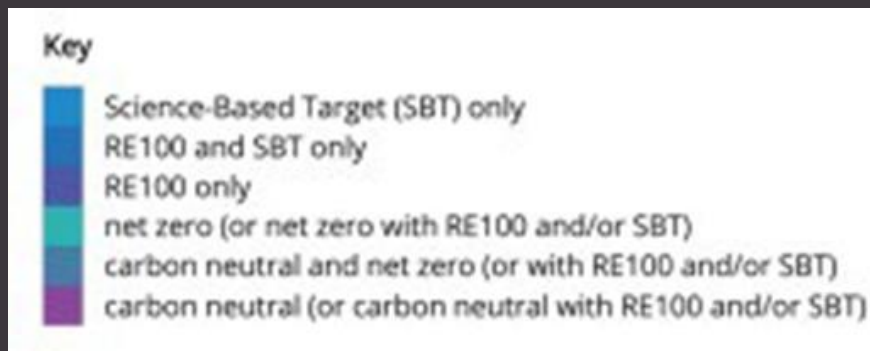
Source: Global Sustainable Investment Review (GSIR) 2020

# The Impact of Sustainable Investing



Source: Yale Climate Change Communication

<https://climatecommunication.yale.edu/publications/global-warmings-six-americas-september-2021/>



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# Interview with Sam Adams

# Questions

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## Question 1:

Does being sustainable put a constraint on company profits?



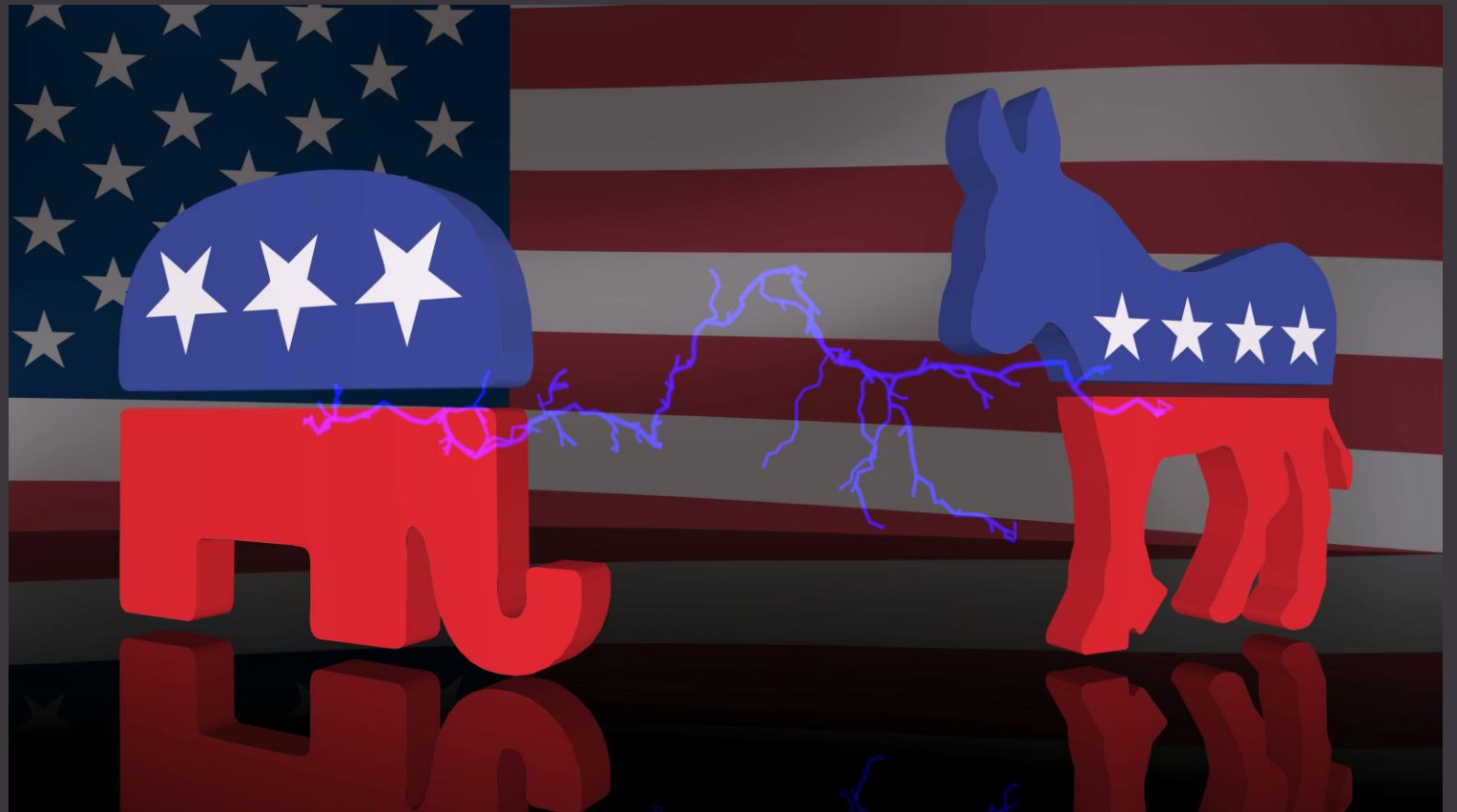


# Questions

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## Question 2:

There appears to be a political battle going on over ESG. Is this type of investing pushing a “leftist agenda”?



# Questions

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## Question 3:

Are there legitimate criticisms to sustainability investing and what are they?



# Questions

## Question 4:

What are the typical fee differences between sustainability and conventional investing?



# Questions

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## Question 5:

How can a financial advisor help me with implementing sustainable investments?



# Questions

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## Q & A From Audience

# Summary

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# Thank You

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# Thank You!

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