



Socially Responsible Investing



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Designed to provide an update on news and developments in Socially Responsible Investing, and the investor/market implications.

SRI Highlights

Business Roundtable Announces Rethink of Putting Profits First

As the social responsibilities of corporations receive more attention, and stakeholders hold companies liable for any negative externalities borne by society, business executives have begun paying more attention to outside concerns over how their companies should be run.

The recently released, "Statement on the Purpose of a Corporation," notes that companies have a fundamental commitment to all stakeholders, to deliver value, invest in employees, deal fairly with partners, and support local communities, while growing shareholder value. This commitment is signed by many of the largest firms, domestic and international.

Jamie Dimon, CEO of JPMorgan Chase says, "The American dream is alive, but fraying. These modernized principles reflect the business community's unwavering commitment to continue to push for an economy that serves all Americans."

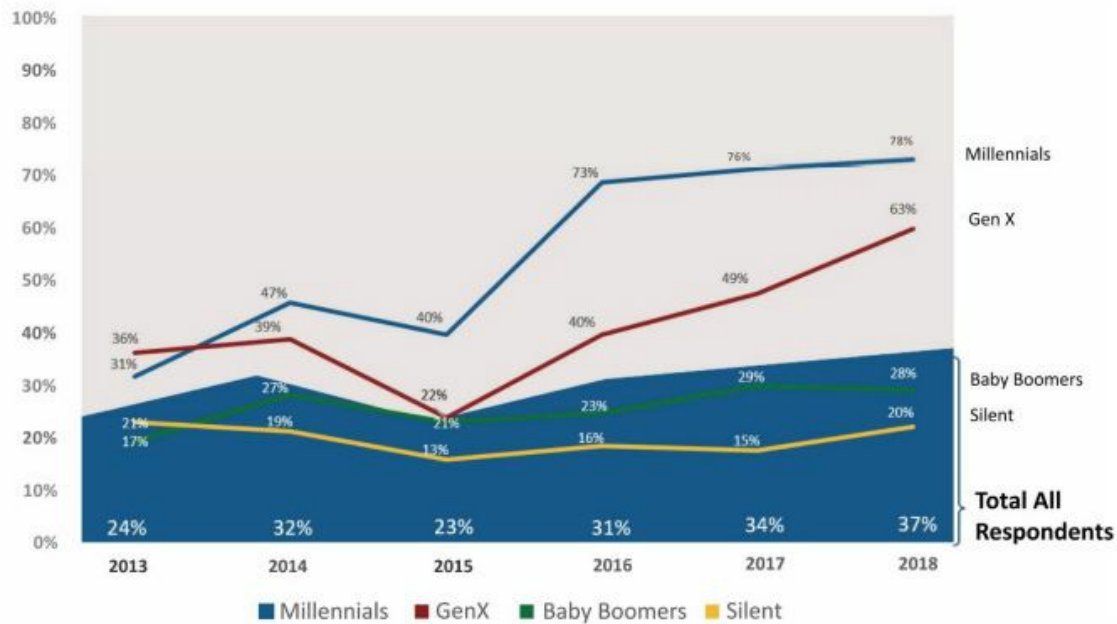
It could be viewed cynically as simply "virtue signaling" by profit maximizing corporations, but it feels different. This is a significant capitulation. The environment surrounding corporate social responsibility has changed. Many companies have felt the heat when their unsavory or irresponsible business practices were revealed. The market has begun enforcing a certain standard of conduct, and company executives have begun adopting more compliant behavior.

Alex Gorsky, CEO of Johnson & Johnson, said "This new statement better reflects the way corporations can and should operate today. It affirms the essential role corporations can play in improving our society when CEOs are truly committed to meeting the needs of all stakeholders."

This change in attitude is driven by numbers. If there were not enough customers who were concerned about the behavior of the companies that they gave their business to, nothing would change. With the percentage of concerned citizens and investors growing quickly, CEOs have had to react, or risk customer and investor backlash.

The "2018 U.S. Trust Insights on Wealth and Worth" study revealed that 80% of all HNW investors say they expect companies to make a profit but also take responsibility for their impact on the environment and society.

PERCENT WHO HAVE REVIEWED THEIR INVESTMENT PORTFOLIO FOR IMPACT
SIX-YEAR TREND (2013–2018)



As can be seen in the chart above from the same study, Millennials are already very conscious of the societal impact of their holdings, with almost 80% having reviewed their portfolio with this in mind. The more illuminating data is that Gen X has been quickly catching up to the levels demonstrated by Millennials, with the percentage having reviewed their portfolio for impact tripling since 2015, and breaking above 60% in 2018.

The rapidly growing concern of Gen X is important because that generation currently has almost \$10 trillion more in net wealth than the Millennials, even though there are fewer people in that generation. As a much more concentrated source of wealth, their investment impact is magnified.

Key Takeaway

Shareholder and Stakeholder activism has reached a tipping point, and is beginning to increase the social responsibility of companies as a matter of business, instead of in response to specific engagements, such as proxy battles. The dramatically rising interest of investors, and the large pools of capital in play, have tipped the scales towards more conscious leadership in the corporate world.

Sources:

Statement on the Purpose of a Corporation

<https://opportunity.businessroundtable.org/wp-content/uploads/2019/09/BRT-Statement-on-the-Purpose-of-a-Corporation-with-Signatures-1.pdf>

2018 U.S. Trust Insights on Wealth and Worth

PERCENT WHO HAVE REVIEWED THEIR INVESTMENT PORTFOLIO FOR IMPACT

https://newsroom.bankofamerica.com/system/files/2018_US_Trust_Insights_on_Wealth_and_Worth_Overview.pdf

What Generation Is Leading the Way in ESG Investing? You'll Be Surprised.

<https://www.wsj.com/articles/what-generation-is-leading-the-way-in-esg-investing-youll-be-surprised-11568167440>

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