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Can You Do Well By Doing Good?

An Introduction to Socially Responsible Investing

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While some might feel there's no way to unite their personal values with their investment goals, that's not necessarily true. This month's Wealth Management Insights explores socially responsible investing (SRI), an increasingly popular approach that gives you the opportunity to put your money where your values are.

Although it was once thought of as a niche investment strategy, socially responsible investing (SRI) is on the rise.

– Blake Karls
Portfolio Analyst

What you should know:

1. What is socially responsible investing (SRI)?

- SRI focuses on supporting companies with characteristics that put them in a position to generate strong financial results and have a positive impact on society.
- In the past, SRI adopted a "do no harm" philosophy, where investors simply avoided companies and industries that didn't align with their moral code.
- Today, SRI generally focuses on positive screening – identifying companies that reflect an investor's values, especially those with positive environmental, social and corporate governance (ESG) characteristics.

2. Who is the typical SRI investor?

- Historically, institutional investors have been the biggest practitioners of SRI. However, retail investors are becoming more and more interested in responsible investment options.
- Millennials and women are at the forefront of today's SRI movement. Surveys from U.S. Trust and Bank of America found that more than half of all surveyed high-net-worth investors thought the environmental and social impact of their investments mattered – but that number increased to 73% when focusing on just millennials and women.[1] ▸

- There has also been a steady rise in the number of companies signing the United Nations Principles for Responsible Investment, a voluntary commitment to including ESG factors in investments and ownership practices. Through 2015, more than 1,300 companies representing $59 trillion in assets under management have signed.[2]

3. Does SRI have a true financial impact?

- Yes – in fact, currently more than $1 of every $6 in investable assets under professional management is in socially responsible investment products, according to the U.S. SIF Foundation.[3]
- SRI is growing fast. According to the U.S. Forum for Sustainable and Responsible Investment, the U.S. market for socially responsible investment strategies grew 76% between 2012 and 2014.[3]
- You may think excluding investments in companies you disagree with could lead to poorer investment performance – but that's not necessarily true. A 2012 meta-analysis of more than 100 academic studies of SRI found that companies with high ESG ratings had higher credit ratings and a lower cost of capital.[4]

What you should do now:

There are a growing number of options for investors who want to align their moral code with their investment portfolio. If you'd like to explore ways to incorporate your personal values into your portfolio, your Baird Financial Advisor can discuss socially responsible investments with you in greater detail. ■

[1] 2014 U.S. Trust Insights on Wealth and Worth, ustrust.com/survey
[2] U.N. Principles for Responsible Investing, "PRI Fact Sheet." http://www.unpri.org/news/pri-fact-sheet/
[3] Sustainable and Responsible Investing Trends in the United States, US SIF Foundation, 2014. (Latest available data).
[4] "Sustainable Investing: Establishing Long-Term Value and Performance," Deutsche Bank Group, June 2012.