



Registered Investment Advisor Firm

©ISSUE III, VOL. IX –

MARCH – 2020

Sustainable Investing

Barron's Magazine recently published a table with the top sustainable mutual funds. What are sustainable funds? According to Putnam Investments, sustainable funds invest with two lenses: They analyze company performance with regards to ESG criteria (environmental, social and governance) alongside traditional factors such as valuation and earnings growth.

Environmental factors include a company's carbon intensity, water use or waste reduction efforts, or avoiding energy companies focused on fossil fuels. Social factors include employee well-being and commitment to workplace equality and diversity. Governance factors include board independence and alignment of management incentives with the company's sustainable objectives.

The Barron's author claims ESG investing is a sustainable strategy. The article ranked the top performing US big-cap equity mutual funds that received a Morningstar rating of "high"

or "above-average". The 189 actively managed funds on the list returned 30% in 2019, just shy of the 31.5% that the S&P 500 index returned. Of the funds, 41% beat the S&P 500 while only 29% of all US big-cap equity funds beat the index.

Money surged into sustainable funds at \$20.6 billion in new assets in 2019, a record pace, and quadrupled their inflow from a year ago. Black Rock, the world's largest asset manager, would double its ESG funds to 150.

A recent Morgan Stanley survey showed that 85% of US investors are interested in sustainable investing, up 10% from 2017.

Socially Responsible Investing (SRI) is a type of investing that keeps in mind the environmental and social effects of investments and strives to make positive impacts in both areas. SRI is also known as green or ethical investing, which focuses on making positive social impacts via investing. SRI is a more active method in that investors can opt out of certain investment opportunities

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based on whether a company meets these standards.

Investors can take part in SRI buying stocks in individual companies with socially or environmentally responsible missions or practices.

ESG refers to investing in companies, mutual funds and ETFs that consider how environmental, social and corporate governance impacts how well an investment does in the market and therefore an investor's return.

It's no surprise that SRI and ESG are often confused. After all, both methods consider wider social and environmental implications of an investment. There are some distinctions as well.

ESG investing focuses on many of the same factors as SRI but ESG also considers how a company's adherence – or lack thereof- to these standards might affect its performance on the market.

Although SRI, while it considers the environmental and social impacts of investments, also refers to the practice of actively not investing in certain companies, mutual funds or ETFs because they don't meet one's standards for socially responsible investing. They might avoid making investments that don't adhere to environmental manufacturing processes.

The main distinction between the two types of investing is one focuses on how environmental, social and governance factors affect the performance of a particular investment (ESG investing)

while the other refers to not taking advantage of an investment opportunity based on similar framework (SRI)

If you are a supporter of socially and environmentally friendly investment practices but are more concerned with how they affect your bottom line, ESG investing is probably the better choice for you.

If you're more of an activist and don't mind forgoing a specific investment because it doesn't fit your beliefs, SRI might be better for you which could ultimately result in potentially lower returns.

Funds organized around religious principles fit into SRI, but such funds don't really do ESG evaluations, they tend to do straight forward exclusion of companies based on social principles rather than sustainability.

A fund's claim to be sustainable doesn't always make it so, according to Morningstar. Of the 153 actively managed US equity funds that have an ESG goal, 68 didn't make Barron's Magazine main list of the most sustainable funds because they didn't have high enough sustainability rating. Morningstar currently collaborates with Sustainalytics, which applies sustainability measures.

My list of top performing US equity funds, has definitely shifted over the last couple of years. Five years ago, no ESG or SRI funds were a top performing fund that I used in my client portfolios. Today several funds are allocated

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depending on risk tolerance and reward goals. I never used socially conscious requirements to analyze the funds. It is nice to receive a good return and do it in an ESG fashion.

If you need help with ESG, SRI or sustainable investing or any other financial questions, contact me at (707) 648-2024.

Q: Will I get an SSI COLA in 2020?

A: Starting in January, the social security benefits cost-of-living (COLA) adjustment in 2020 is 1.6%, down from 2.8% in 2019.

Q: What are some key ages?

A: 50 – you can start making catch-up contributions to your retirement accounts.

59-1/2 – you can withdraw money from your traditional IRA and 401(k) plan without penalty.

72 – the 2020 revision for required minimum distributions (RMD) up from 70-1/2

FED Watch

The FED left its benchmark rates alone at the January meeting. The range is still at 1.5% to 1.75% and the FED governor said the current direction was appropriate due to economic activity.

There is 0% chance of an increase at the March meeting.

The coronavirus has put the odds there will be 1 to 3 rate cuts in the near future.

As this newsletter was being written, the FED cut 50 basis points to 1.0% to 1.25%. They still feel the economy is strong.

Next meeting:
March 17th and 18th.

Castle Rock Wealth Management

Castle Rock Wealth Management is a Hybrid Advisory firm servicing the needs of clients across the United States.

Castle Rock Wealth Management custodies some client assets at Charles Schwab & Co. Bob's office is located at 714 Marin Street, Suite #C, Vallejo, CA 94590. The telephone number is (707) 648-2024.

If you have questions or would like further information on this month's topics or any other financial or investment related subjects, please contact me by phone or through my email address at:

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