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Q:

How can I apply my philosophy of leading an eco-friendly life to my investment portfolio?

BY THEODORE E. SAADÉ

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Socially responsible investing (SRI) is hardly a new phenomenon. From the earliest days of the stock market, individuals and groups have sought ways to more closely align their investment portfolios with their values. But while traditional approaches have focused on excluding so-called *sin stocks*, recent years have seen a dramatic shift in tactics.

Rather than attempting to punish companies deemed socially undesirable based on moral or ethical concerns, investors today are more often looking to incentivize and reward companies that exhibit positive environment social and governance (ESG) behaviors.

In the U.S., more than $8.72 trillion are invested using SRI strategies.[1]

Trading sticks for carrots

While every individual investor applies different criteria to what qualifies as a socially responsible investment, ESG factors help gauge a particular investment's long-term economic sustainability relative to other opportunities. ESG quantifies a company's greenhouse gas emissions, resource depletion, working conditions, workforce diversity, philanthropy and ethics. These screens then allow socially responsible investors to make better-informed decisions.

It's important to note, however, that companies rarely fit neatly into "responsible" or "irresponsible" ESG boxes. For instance, you may have an extremely eco-conscious, environmentally friendly organization with a poor history of workforce diversity.

Conversely, a company with an excessive carbon footprint might be leading the way in giving back to the community. Each individual must therefore decide which ESG factors are most important to his or her personal definition of social responsibility.

What is impact investing?
"Impact investing" refers to investments that seek to generate measurable social and environmental impact alongside a financial return. By investing in firms committed to socially worthy endeavors (such as affordable housing, healthcare and education, renewable energy, access to clean water, gender pay equality and microfinance), these individuals strive to create both social and portfolio value.

Small sacrifice: big upside
There's a common misconception that in order to pursue a socially responsible strategy, investors must be willing to accept significantly reduced returns. Much of this belief derives from days past when screening out undesirable stocks had a far greater impact on the universe of potential investments.

Certainly, using your wealth to generate a positive social impact may require a small sacrifice in return potential, but by no means do those two objectives need to be mutually exclusive. In fact, recent studies suggest there may be a positive correlation between a company's performance on ESG metrics and its overall financial performance.

A comparison of the cumulative performance of socially responsible impact investment funds (6.9 percent average annual return) and funds without a social objective (8.1 percent average annual return) clearly shows that the sacrifice in return potential is relatively small, especially when it's weighed against the opportunity to significantly improve the well-being of countless individuals and communities.[2]

The wide array of values-based funds available to invest in continues to expand exponentially, with each new approach offering a slightly different focus and emphasis. What used to be a black-and-white choice—invest to make money or be philanthropic—has today become a broad spectrum of grays.

One thing, however, is certain: Today's investors have a unique opportunity to harness the power of their investments to serve as a force for positive change. ●

[1] *The Forum for Sustainable and Responsible Investment, 2017, ussif.org.*

[2] *Global Impact Investing Network, 2017, ubs.com*

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ABOUT THEODORE E. SAADÉ

Theodore E. Saadé has been in the financial services industry since 1995. Signature Estate & Investment Advisors, LLC was established in 1997 and in less than 10 years reached the milestone of $1 billion in assets under management (assets as of 6/30/06). Mr. Saadé a Senior Partner of SEIA, LLC is a certified financial planner, accredited investment fiduciary and a chartered mutual fund counselor. Mr. Saadé specializes in overall wealth and investment management strategies for affluent individuals, foundations and corporations. While Mr. Saadé is based out of SEIA's headquarters in Los Angeles, CA, he enjoys traveling to visit his numerous out-of-state clientele. He is known for adhering to the saying "strategy is my specialty, integrity is my responsibility." Mr. Saadé resides in Beverly Hills, CA with his wife and three sons and is involved in multiple charities throughout Southern California.

EXPERTISE

Financial Services Experience	Education	Assets Under Management
24 YEARS	UCLA, Bachelor's degree in economics with a specialization in biochemistry, certified financial planner (CFP®), chartered mutual fund counselor (CMFC®), accredited Investment fiduciary (AIF®)	$8.3B (SEIA & its affiliates as of 06/30/18)

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