CAIM

CATHERINE AVERY INVESTMENT MANAGEMENT

Doing the Right Thing AND Making Money From Socially Responsible Investing to Impact Investing

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In 2008 CAIM wrote an article entitled: Investments with Heart, about the then fast growing phenomenon of Socially Responsible Investing (SRI). As its' name suggests SRI was all about investors aligning their money with their values. For many this meant investing in companies that met certain ethical standards, whether that involved the environment, health and safety, diversity and human resources policies, human rights or the supply chain.

Today's Impact Investing is the outgrowth of the SRI universe. According to a recent CNBC online article: Impact Investing: Put Your Money Where Your Values Are, Impact Investing is the evolution from primarily positive or negative screening of investments, to investing for measurable and positive environmental, social or governmental (ESG) outcomes with a financial return. The large and new idea is that investors need not give up market returns when investing for the greater good.

At CAIM we concur with this idea. Clearly, investors want their capital to 'make a difference', and CAIM clients are no exception. At the same time, we are entrusted to help reach financial goals. So, while we aim for our investment returns to help clients increase their philanthropic efforts, we remain strongly focused on prioritizing financial needs.

A few of our holdings are seeing strong growth in environmentally friendly businesses. Examples include General Electric (GE $29.68, 3.10% dividend yield) in solar, wind, LEDs and clean energy, General Motors (GM $30.76, 4.94% dividend yield) in electric cars, and DuPont (DD $63.99, 3.93%) in solar and biosciences. But a focused ESG strategy goes well beyond just environmentally-friendly products.

The CNBC article warns investors about "greenwashing" which is when an investment product labels itself as sustainable [but isn't really] - because that's what people want to see. To counter that type of smokescreen, CAIM uses an independent rating system to measure companies' ESG impacts. One we have found particularly useful is the Carbon Disclosure Project (CDP), a non-profit funded by philanthropy to insure independence (www.cdp.net). CDP ranks large cap companies' issues ranging from carbon emissions, environmental stewardship and energy efficiencies, to social impact in the community and strong corporate governance.

Based on this measurement CAIM's portfolio boasts a 92 score out of 100. In fact, we hold 14 positions of 'A+ students' with scores of 98 or better, which range over a number of industries that may not be obvious to the environmentally conscious investor. These include industrial companies like Cummins and DuPont, health care names like Johnson & Johnson and Merck, technology companies like Cisco, IBM, Intel and Microsoft, financial names like T. Rowe Price and Wells Fargo, and yes, even seemingly unfriendly names like Chevron and Philip Morris.

An increasing number of studies show a positive correlation between stock performance and high ESG stewardship by corporate management. At CAIM we continue to believe that the key part of such outperformance is earnings growth driving increases in dividends. It is important for our clients to realize that taking a holistic approach between corporate values, combined with a disciplined investment strategy, is the key to an investor's long-term financial success.

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