



The Right “Climate” for Your Investments May 2018

Two years ago our [May 2016 CAIM newsletter](#) talked about Impact Investing, or the then large and new idea that investors did not need to forfeit market returns when investing for the greater good.

Fast forward to today and it's CDP, formerly known as the Carbon Disclosure Project, that offers investors an active, accurate barometer of how companies, and even nations, are doing on the environmental sustainability scale. With climate change and the environment, a hotter than ever topic (no pun intended), CDP provides critical information to investors and decision makers alike. Many of the companies that CAIM invests in, are actively engaged with CDP.

Formerly known as the Carbon Disclosure Project, the CDP is a not-for-profit charity spanning 50 countries that sees climate change as a global problem requiring global solutions. Their goal? Collaboration and collective action across nations to achieve low carbon economies.

To that end CDP asks cities and countries to disclose their data on environmental performance. Participants answer sector-specific questionnaires and scoring is defined across all three CDP programs: Climate Change, Water, and Forests. CDP rates or scores companies from A to D-. An F may not mean failure in performance but rather failure to respond or participate.

" CDP uses the scoring methodology to incentivize companies to measure and manage environmental impacts through participation in CDP's climate change, forests, water security and supply chain programs... the scoring of CDPs questionnaires is conducted by accredited scoring partners trained by CDP." <https://data.cdp.net/>

CDP uses the information they obtain to create a detailed analysis of environmental risks, opportunities and impacts. Decision makers, whether investors, businesses or policy makers, can then make more informed choices, manage risks and capitalize on opportunities. Businesses, for example, can use the information to provide pertinent data to their investors. "Over the past 15 years we have created a system that has resulted in unparalleled engagement on environmental issues worldwide." <https://data.cdp.net/>

At CAIM, we took our model portfolio and looked up the CDP scores of the individual companies. Over 60% of the companies we own had a score of B or higher, and over 36% had a score of A. We were encouraged to see that several names we had thought controversial had scores of B or better. This includes companies such as General Motors, DowDupont, Johnson & Johnson and Merck.

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 earning growth driving increases in dividends. It is important for our clients to realize that taking a holistic approach between corporate values, combined with a discipline investment strategy, is the key to an investor's long-term financial success.

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