

“Why Good Companies Can Make Good Stocks”

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Please see important information at the end of this program. Filmed on
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Can good companies make good stocks? We think the answer is yes. We found that ESG signals are very powerful in terms of predicting **future bankruptcies, future price declines, earnings risk.**

[GRAPHIC]

Predicting:

- **Future bankruptcies**
- **Future price declines**
- **Earnings risk**



If you had only invested in companies with above average environmental and social ranks, you would have **avoided 90% of the bankruptcies that we saw in the S&P 500 over the time period that we analyzed.**

(Source: "The ABC's of ESG" BofA Merrill Lynch Global Research, Sept. 10, 2018)



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At a very basic level, ESG investing incorporates thinking about factors or attributes of companies that extend beyond valuation or growth aspects of companies.



Instead we look at attributes like, for example, from an environmental perspective what is the carbon emissions profile of this company? How many green buildings does this company own in its real estate profile?



[GRAPHIC]
Environmental:

- Carbon Emissions Profile
- Green Buildings

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Social factors can incorporate a wide variety of attributes, but they generally focus on three areas;



First, how the company interacts with the community, second, how the company interacts with its own employees, and third, how the company interacts with its consumers from a product safety and trust point of view.

[GRAPHIC]

Social

Interactions with:

- **Community**
- **Employees**
- **Consumers**

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Governance is a topic that encompasses higher level considerations.





For example, how diverse is the board of directors of an organization? How is management compensated? Does a company run itself responsibly?

[GRAPHIC]

Governance

Higher level considerations:

- Diversity of Board of Directors
- Management Compensation



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Our research makes us confident that ESG investing is here to stay. For example... One of the most interested groups from a demographic's perspective is millennials.

[GRAPHIC]

Who is interested in ESG investing?



In fact, in a recent survey almost 80% of millennials said that they were either currently invested in or were interested in adding exposure to impact oriented investments.

[GRAPHIC]

77% of Millennials own or are interested in impact investing
 (Source: 2018 U.S. Trust Insights on Wealth and Worth)

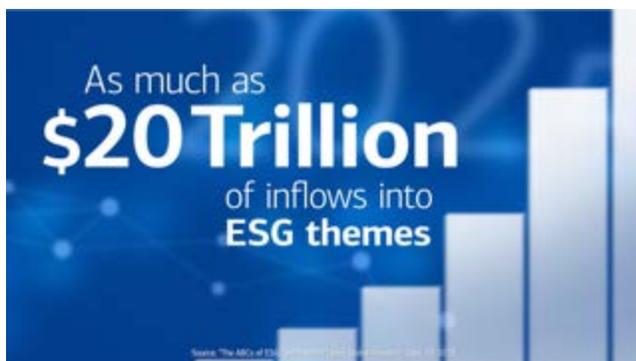


By our fairly conservative estimates, we found that if millennials only diverted a small proportion of their future wealth to ESG investments over the next 20 years, this could be as much as 20 trillion dollars of inflows into ESG types of themes.

[GRAPHIC]

As much as \$20 Trillion of inflows into ESG themes
 (Source: "The ABC's of ESG" BofA Merrill Lynch Global Research, Sept. 10, 2018)





Ultimately, shareholders will drive corporations to care about ESG, especially given the growing evidence that good ESG attributes lead to good financial performance.

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