How to make socially responsible investments—without sacrificing returns

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Socially responsible investing options do exist and are available to any investor wanting to see positive change in the world.

Over the past years, most of us have become much more aware of the precarious state of the world's ecosystem. We've seen how unchecked environmental degradation has impacted every human, animal and nation on this planet—and we want to do what we can to reverse course. Therefore, we take proactive steps to minimize our environmental footprint and support earth-friendly causes, from recycling to taking transit to making smarter buying choices.

Yet many investors haven't taken similar action when it comes to their investment portfolios.

Partly, this is because many investors aren't aware that they have options when it comes to where and how they invest their savings. They don't realize they have the power to make sure their pro-environment values are reflected in the management of their portfolio.

At the same time, some investors are aware that these options exist, but they worry that exercising them will come at the expense of financial returns—returns they (and their families) depend on for the future.

Other investors worry that administering an environmentally friendly portfolio will be cumbersome and time consuming.

Let us reassure you—socially responsible investing options do exist and are available to any investor wanting to see positive change in the world.

And importantly, they don't require a sacrifice in financial returns.

Before we explain, let's clarify what we mean by socially responsible investing.

Socially responsible investing

Socially responsible investing (SRI) is an investment strategy that takes into consideration a variety of factors (such as the environment, social issues and governance) for the selection and management of investments.

As SRI has grown in popularity, more investment firms are offering it as an option to clients. Typically, each firm chooses a slightly different area on which to focus their efforts, depending on the interests of the managers and their core clients. Such diversity of focus is understandable, given the number of worthy causes in the world.

Currently, there's little consensus on how best to implement SRI strategies, and investors may find significant differences between them. Therefore, it's always wise to ask questions before committing.

"Socially responsible investing options do exist and, importantly, they don't require a sacrifice in financial returns."

"The man who removes a mountain begins by carrying small stones"
– Chinese Proverb

How we choose to apply socially responsible investing

In our case, **we've chosen to make environmental protection and preservation our focus.** We feel that environmental sustainability is a cause that impacts all of us and also encompasses many other worthy micro-causes.

In addition, it's a cause that deeply resonates with us both.

For Brent, the natural world has always been a source of inspiration and comfort. He remains an active outdoorsperson and can be found regularly on the trails along the Sea to Sky corridor. Over the years, he's volunteered his time with environmental organizations, including as chair of a provincially based land trust.

Danielle shares Brent's passion for the outdoors and has held a strong commitment to environmental protection since taking a course on global environmental issues in university. That course has given her insight into many of the problems and conflicts that make headlines today—and a determination to explore and contribute to changes for the better.

Our SRI process

Implementing an SRI investment strategy can be complicated. With so many different ways to approach it, it's easy to be ineffective or become overwhelmed.

In keeping with our shared philosophy of finding the natural simplicity within the complexity of life, **we've simplified our SRI investing process into three transparent steps:**

1. Maintain our investment philosophy of managing volatility
2. Screen equity mandates
3. Augment core portfolio holdings with specialized SRI portfolio managers

1. Maintain our investment philosophy of managing volatility

No SRI strategy will have long term viability if it fails to perform as well as (if not better than) than strategies without a pro-environment focus. Understandably, few investors are willing or able to sacrifice returns in favour of a more environmentally friendly strategy.

The good news is that you don't have to. We're committed to managing volatility whether your portfolio is part of an SRI strategy or not. For us, volatility management always comes first.

2. Screen equity mandates

The next step in our process is to apply a "defensive" SRI strategy to weed out the biggest offenders within each industry.

With the support of analytical tools, such as Sustainalytics (sustainalytics.com), we apply an environmental, social and governance (ESG) scoring system to find "best in class" companies in Canada and the U.S.

Then, we identify poor constituents and replace them with those that are doing a better job on environmental measures.

We have to tax ourselves and use those moneys to try to do some good.

3. Augment core portfolio holdings with specialized SRI portfolio managers

Our "offensive" SRI strategy consists of working with specialized SRI portfolio managers who allocate funds to companies that are proactively working to solve environmental problems.

Here, our objective is not just to remove offenders, but also put our support behind organizations that are actively doing good.

Today, many industries are striving to meet growing demands for new and alternative enviro-friendly technologies and solutions. This creates exciting opportunities for interested investors.

Our own commitment to the environment

For us, it's important to offer our clients the opportunity to invest in environmentally positive ways. But we also want to do more.

That's why we've committed to give one-percent of our gross revenue to environmental charities annually, as founding individual members of 1% For the Planet (onepercentfortheplanet.org).

As portfolio managers, and human beings, we're guided by this quote from Let My People Go Surfing by Yvon Chouinard, founder of Patagonia:

> "We have to tax ourselves and use those moneys to try to do some good."

When we're constantly bombarded with "bad" environmental news, it's easy to get discouraged. As individuals, can we really make a difference? It's important to remember that, as a group, our efforts add up. And by consciously choosing where and how we invest our savings, we have the potential to make a true and lasting impact on our world.