Socially Responsible Investing Continues to Outperform

Below is a link to an article posted on Marketwatch's website discussing the performance of ESG screened investments strategies vs. comparable indices.

http://www.marketwatch.com/story/socially-responsible-investing-has-beaten-the-sp-500-for-decades-2015-05-21

The article highlights a common misconception around ESG investment screened strategies: The perception has been that committing effort, resources and/or capital to ESG screened investments (funds and/or individual securities) comes at the expense of long term returns. The report claims this is simply not factually accurate. There has been a plethora of data supporting the commitment to ESG screened investments strategies over the long term.

Every mutual fund measures its performance against a benchmark index; a fund that invests in large cap American companies may use the DJIA or S&P 500 index as benchmarks or fund that invests in large cap international companies may use the MSCI EAFE as a benchmark for return. A mutual fund aims to outperform their peers and respective index on a consistent basis over the long term, this axiom holds true with ESG Screened mutual funds as well.

Amy Domini, Domini Social Investments' founder (The socially responsible investment focused management firm quoted in the linked article) states when she started the Domini 400 in 1989 to track socially responsible companies, performance lagged behind the S&P 500 index. But since 1990, the social index (MSCI KLD 400) returned an average annual total return of 10.46% compared with the S&P 500's 9.93%. AJF Financial Services, Inc. * studied the returns of one of Domini's mutual fund that invests in large/mid-sized companies throughout Europe and Asia-Pacific region applying Environmental, Social and Governance screening; this specific fund outperforms the MSCI EAFE Index (one of the common benchmarks for international companies)in the latest quarter, YTD, one/three/five year periods.

While no two investment strategies are identical, outperformance of comparable indices can be attributed to two factors as it pertains to ESG screened investment strategies: Exclusion of investments that aren't socially responsible and Inclusion of investments that actively impact the lives/well beings of others. Avoiding investments in companies that are not socially irresponsible limits negative impact on shareholder value due to bad decision making, while including companies that actively impact the lives/well beings of others should provide long term value. The additional level of due-diligence inherent to the ESG screening process creates value/opportunities missed by others.

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