

# Sustainable Portfolio to Maximize Alpha

Name: Douglas Carey

Mentor: Donald Shimmin

Advisor: John Ruggiero

## Introduction

- Environmental, Social, and Governance (ESG) are a major focus in investing for millennials and other generations
- ESG funds provide the ability to invest with your morals
- There is a negative sentiment with these funds
  - Many see these funds as low performers and won't allow strong returns
- 63% of millennials are interested in impact investing or ESG Funding (Clark)
- 40% of Gen X are interested in impact investing or ESG Funding (Clark)

## Literature Review

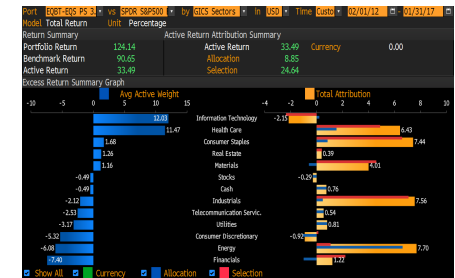
- Alex Edmans, Associate Professor of Finance at Wharton, did a study that assessed the top 100 companies based on best practices in ethical management (Clark)
  - Tracked it over a 20 year period
  - Outperformed industry and characteristics-matched benchmarks
  - Start of positive screening

## Model

- Focus mainly on environmental criteria
- Positive Screen Portfolio – invests into green criteria
  - CO2 Emissions
  - Company Waste
  - Energy output
  - Water usage
- Negative Screen Portfolio
  - Includes all positive screen criteria
    - Excludes Oil and Gas, and Forestry and Paper

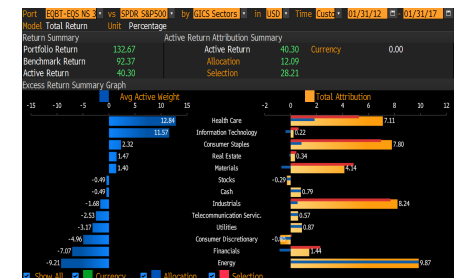
## Results

### Positive Screen



	Total Return	S&P 500	Standard Deviation	S&P 500	Sharpe Ratio	S&P 500	Beta	S&P 500
Average	19.83	13.91	12.32	10.93	1.25	1.04	1.06	1

### Negative Screen



	Total Return	S&P 500	Standard Deviation	S&P 500	Sharpe Ratio	S&P 500	Beta	S&P 500
Average	19.83	13.91	12.32	10.93	1.25	1.04	1.06	1

## Conclusion

- Both portfolios show strong performance and take on little extra risk
- Allows investors to still have strong returns and invest in morals