Sustainable Portfolio to Maximize Alpha

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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

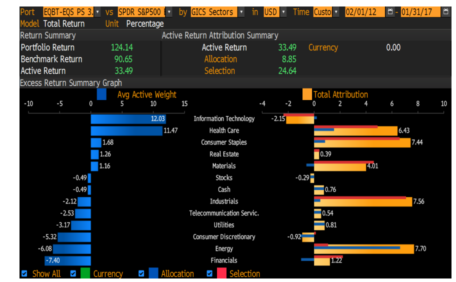
- Alex Edmans, Associate Professor of Finance at Wharton, did a study that assessed the top 100 companies based on best practices in ethical management (Clark)
    - Tracked it over a 20 year period
    - Outperformed industry and characteristics-matched benchmarks
    - Start of positive screening

Model

- Focus mainly on environmental criteria
- Positive Screen Portfolio – invests into green criteria
    - CO_2 Emissions
    - Company Waste
    - Energy output
    - Water usage
- Negative Screen Portfolio
    - Includes all positive screen criteria
        - Excludes Oil and Gas, and Forestry and Paper

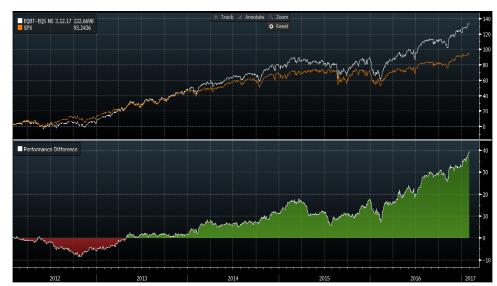
Results

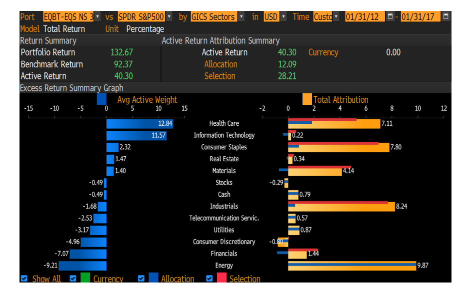
Positive Screen



	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





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Conclusion

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