



STONEBRIDGE
Capital Advisors

ESG INVESTING

Navigating Your Goals Through
a Values-Based Approach

July 20th, 2023

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UNDERSTANDING ESG

Introduction

In recent years, the pressure to invest under Environmental, Social and Governance (ESG) standards has been steadily increasing. At its core, ESG investing is centered on strengthening and growing our society, protecting our planet, and upholding ethical, equal business practices and standards within organizations.

Despite its recent heightened media attention, ESG investing is far from new. Dating back to the 1960s and 1970s, the concept of “Socially Responsible” investing was first introduced through designated mutual funds. Designed to meet the specific values of investors, these funds prioritized social and environmental factors into the investment decisions. Because they are non-financial, ESG factors can be difficult to classify. According to the CFA Institute, overall adoption of and key factors of ESG investing is best summarized as:

- **Environmental:** “conservation of the natural world.”
- **Social:** “consideration of people and relationships.”
- **Governance:** “standards for running a company.”

Throughout the last few decades, the ESG investing landscape has drastically changed, with standards now being driven more by political pressure. Many

of our representatives in Washington, and even certain agencies of our government, have begun proposing regulations requiring investors to follow ESG standards. This has been received with great backlash from a handful of politicians and lawmakers, arguing how companies imposing this framework not only compromise greater financial returns for their investors, but likewise fail to uphold their fiduciary duty.

Moreover, numerous investors and professional investment organizations have contended that the definition of what qualifies as ESG investing is loose and all over the map. With many large, institutional investors following the ESG framework, portfolio managers are continuously being forced out if they do not adhere to said standards.

As debate heats up for and against ESG, there is a large base of investors who view companies attempting to comply with ESG as too political, and as a result, divest their investments elsewhere. Unfortunately, politicians and the media have certainly done a great job of polarizing investors who are simply trying to meet their investment goals based on their own set of values and objectives.

IMPLEMENTING ESG

How Stonebridge Applies a Values-Based Investing Approach

Environmental, Social and Governance (ESG) based investing is a relatively broad term and may not necessarily identify the specifications of a client. Understanding that each of our clients have different values and personal beliefs (i.e. energy production, minimized greenhouse gasses, cultural diversity), we believe ESG funds do not always suit our clients' needs.

Instead, Stonebridge implements values-based investing. This approach incorporates socially responsible investment decisions in delivering client value. We develop a well-defined investment policy with guidelines adhering to those specific needs. To meet our clients' financial goals, we build customized investment portfolios using individual equity and fixed income securities. Stonebridge maintains a buy-and-hold strategy by focusing on bottom-up fundamental analysis, security selection, and research. In this way, we uncover securities that best align with an individual client's investment guidelines.

Stonebridge's Process

1. Administer an in-depth financial assessment to evaluate the client's risk tolerance, values, and specific needs.
2. Incorporate the identified specific values into the client's investment guidelines.
3. Conduct an internal investment team meeting to determine research process, security selection, and investment timeline.
4. Methodically buy and sell securities to assure we are meeting the values outlined in the investment guidelines.
5. Conduct a periodic assessment to determine if any values have changed.

Recognizing Restrictions with ESG Investing

For advisors working with clients who have distinct value restrictions, it can be rather challenging to manage through the different standards assigned to an ESG rating by an investment manager.

For instance, a client may have investment restrictions based on an individual dislike of a sector or a company – it may simply not align with their values or perhaps they may have a high allocation to a sector or a company outside of the assets we are managing. Other times, a client may indicate their preference for a certain sector or a company to be included in their portfolio. In any case, to ensure all investment decisions are made in the best interest of your clients, it is important to identify the environmental, social, and/or governance standards they adhere to.

Partnering with an investment manager who upholds this fiduciary duty helps advisors develop personalized approaches for their clients, focused on long-term financial success. Alongside allowing individual stock selection and honoring client restrictions, being provided with the expert research, execution of asset management, and adept knowledge from an investment manager further supports your client's values-based investment strategy. In effect, utilizing an investment manager offers a customized approach that caters to the advisors and their clients' unique needs.

What Strategy Does Stonebridge Utilize to Manage Portfolios?

Since our inception, we have established ourselves to be client first in everything we do. This means managing our clients' assets, portfolios, and accounts as they need and desire to have their money managed, with services and investments appropriate for them. To this day, we haven't wavered from this concept; in fact, we've taken it forward.

At Stonebridge, our approach to investment management begins and ends with the client. We start by gaining an in-depth understanding of our client's goals and objectives. This includes identifying their values, return expectations, risk tolerance, restrictions, tax strategies, income or growth needs, and any other aspects that assist us in managing their portfolios. With Stonebridge as your dedicated investment manager, our structure is designed to specifically serve you through our customized process:



1

Investment Assessment

We will work with you to assess the current holdings, investment objectives, risk tolerance, liquidity needs, and any unique restrictions.

2

Strategy Development

Stonebridge will develop a customized, long-term investment strategy that advisors will use to present to their client.

3

Account Setup

Our client relations team will assist in establishing the client account with a custodian, ensuring it is structured properly.

4

Strategy Implementation

Over a 3-month period, the assigned portfolio manager will methodically deploy cash and reallocate existing holdings.

5

Strategy Management

Portfolio managers and analysts will continuously review and manage the portfolio, while communicating with our client on its progress.

6

Strategy Review

Our team of relationship and portfolio managers are readily available to meet with our client for structured review meetings.

As a fiduciary, we deeply engage with our clients to develop personalized approaches, focused on long-term financial success. Within each Stonebridge portfolio, every asset class has a specific role and function in meeting a client's financial objectives.

Through our equity and fixed income solutions, we purposefully develop investment strategies and build customized investment portfolios. The goal of our process is to ensure that investment needs are met, while the portfolio benefits from over 40 years of investment expertise.