

Investing In Your Peace of Mind: ESG Investments

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Invest in Your Peace of Mind™. This very slogan has been the cornerstone of Allegheny Financial Group's beliefs for decades. But what exactly does it mean? That is the beauty of it; it means something different to just about every individual or business. For years, we at Allegheny Financial Group have been striving to find what gives each one of our clients peace of mind. Through comprehensive financial planning, our advisors learn about not only the dollars and cents behind our clients but also the values they hold near and dear.

To some, investing in your peace of mind is straightforward; it is possessing a confidence that their investments and financial security are in good hands when their heads hit the pillow each night. For others, investing in your peace of mind may be a little more complicated. For instance, some clients may want to ensure their financial goals are met, all while being conducted in an environmentally-friendly and responsible way, or in a way that considers governance concerns (ex. labor management).

Enter **ESG investments**. You guessed it—**Environmental, Social, and Governance investments**. ESG investing may also be referred to as “sustainable,” “responsible,” or “impact” investing. Just like traditional investments, ESG funds can target specific market segments based on market size or type of industry (ex. Small, Mid, Large, financial, technology, etc.). They do so, however, with a twist. That twist could be searching for companies that hold specific religious, human capital, social justice, gender diversity, or sustainable values at an equal measure as the performance of a company.

ESG investing isn't new to the investment landscape. It can be linked as far back as the 1700s, or in a more modern sense of investing, as far back as the 1960s. Often, performance has been an Achilles' heel to ESG investing. More recently, however, the performance of these investments has tracked more favorably to their non-ESG peers. But why? Investors are becoming more aware of having the ability to align their own beliefs and values with their investments. And, that is not all—companies have also taken notice. Morningstar, a popular investment website that has large amounts of data on just about every company, mutual fund, ETF, or index, has shown how much more important ESG factors have become. Introduced in August of 2016, Morningstar has added a “Sustainability Rating” to a majority of fund pages. This rating is comprised of quite a few metrics, but broadly, it's based on a fund's portfolio and how the companies within it are managing the environmental, social, and governance investing factors relevant to their industries. This is just further proof that ESG investing is becoming more prevalent.

There is a wide range of different beliefs and values that ESG funds focus on. Each one may be a little bit different than the next. If you find yourself interested in learning more about the ESG Investing space, US SIF, one of the original forums on Responsible Investing, would be a great place to start. Consider reaching out to a CERTIFIED FINANCIAL PLANNER™ and tap into their knowledge of the topic to help you research an investment portfolio that matches your personal beliefs and your long-term performance goals.

