VALUES-BASED INVESTING

Learn why many are turning to values-based investing and what that means.

Mariner WEALTH ADVISORS

At a certain level, we all invest according to our values. For instance, few people would willingly invest in companies that engage in criminal or unethical behavior. Warren Buffett once said it takes a lifetime to build a reputation and five minutes to destroy it. That has never been more true than it is today, in the social media age, where a company can very quickly ruin its reputation once its morally irresponsible or deceitful actions become known. Just ask former investors in Enron or Worldcom if values and corporate governance impact bottom-line performance.

Many people believe incorporating values into investment decision-making negatively affects performance.

The terms "values-based investing," "socially responsible investing" and "impact investing" take this idea a step further and codify it into what is known as ESG or "Environmental, Social & Governance" standards. "Environmental" means evaluating the impact a company has on the environment. "Social" factors consider how a company deals with customers, employees, suppliers and the broader communities in which it operates. "Governance" considers a company's management, compensation, internal controls and shareholder rights.

By all indications, impact investing is a growing trend. According to a 2016 report from The Forum for Sustainable & Responsible Investment, investors now consider environmental, social and governance factors across $8.72 trillion of professionally managed assets, a 33 percent increase since 2014.

Assets engaged in sustainable, responsible and impact investing practices at the start of 2016 represent nearly 22 percent of the $40.3 trillion in total assets under management tracked by Cerulli Associates. From 1995, when the USSIF Foundation first measured the size of this market, to 2016, the SRI universe has increased nearly 14-fold, a compound annual growth rate of 13.25 percent.

Despite these trends, there is still a big gap between the level of interest in sustainable, responsible and impact investing and the number of people using such an investment strategy. In other words, a lot more people say they are interested in a values-based approach to investing than are actually doing it.

Millennials tend to be values-focused and more socially and environmentally aware, so it is not surprising that they have shown an interest in values-based investing. In a recent survey by U.S. Trust Bank of America Private Wealth Management, 85 percent of millennial respondents agreed that social or environmental impact is important to their investment decisions, compared with 70 percent of Generation X and 49 percent of baby boomers.[1]

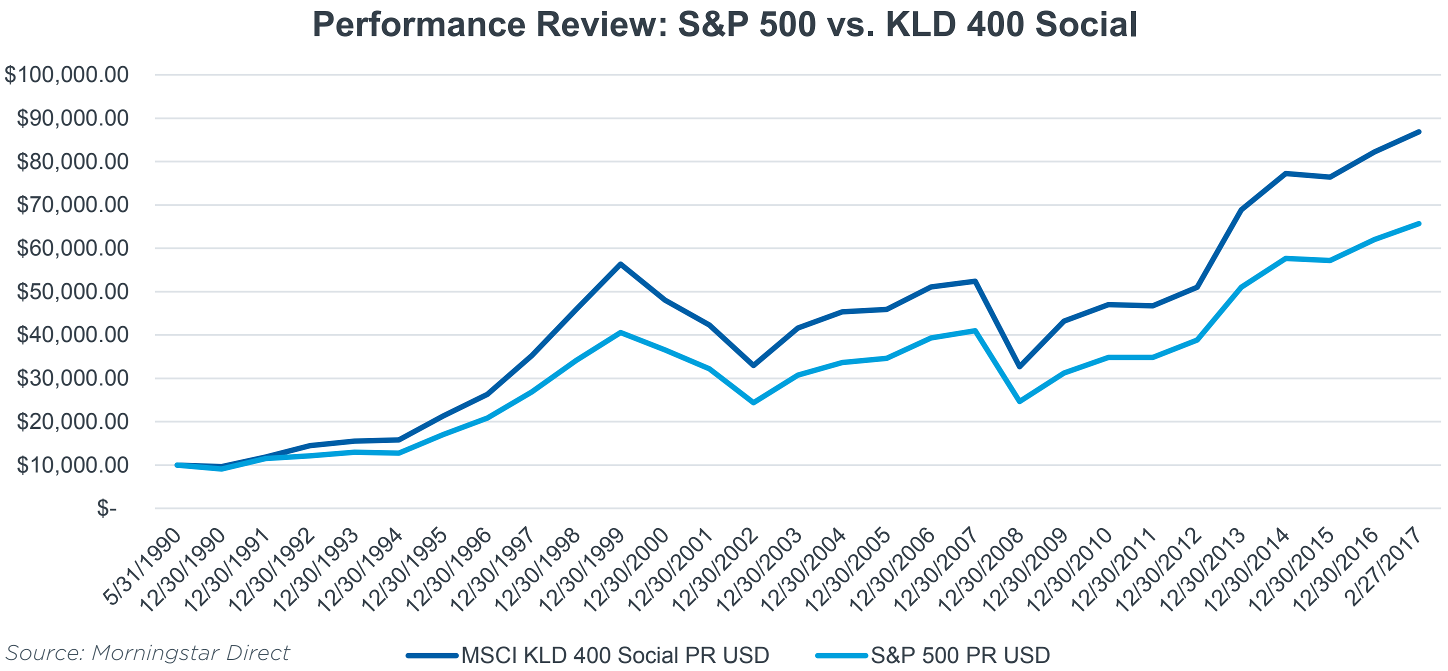
Obstacles & Objections

One reason many don't actually follow through with their interest in sustainable, responsible and impact investing is a perceived level of difficulty with implementing the plan. Mutual funds own dozens or even hundreds of different companies, and it would be unreasonable to expect those who are not financial professionals to be able to monitor and track all of these underlying investments. As a result, most of us don't really know what we own and what types of values those companies espouse.

Fortunately, individuals no longer have to screen their own investments to ensure they align with their values. The number of investment options offering a values-based screen has grown considerably. The number of funds incorporating ESG Criteria has grow 12 percent over the last two years. The funds now number 1,002 and represent $2.60 trillion.

The second reason why more investors have not incorporated a values-based approach is due to common misperceptions about the performance of these investments. Many people believe incorporating values into investment decision-making negatively affects performance.

Recent research and statistics undermine this viewpoint. A recent study from Wharton School of Business concluded the following:



Source: Morningstar Direct

"The overwhelming finding is that incorporating values into investing has a slight positive relationship to performance. What is more important is this dispels the common perception that investing with values comes at the expense of pure financial returns." This finding is consistent with other research as well.

Mercer Research reviewed 36 different studies on this topic and found that more than half of them (55.6 percent) showed a definitively positive relationship between performance and values-based investment screens. Less than 10 percent of those studies showed a clear, negative correlation between values-based investment screens and performance.

A Morgan Stanley report from 2015 concluded that *"investing in sustainability has usually met, and often exceeded, the performance of comparable traditional investments."* The research included the performance of 10,228 U.S. mutual funds over seven years. The results showed returns of "sustainable funds" (a term used for various types of funds using social, environmental and values-based screening criteria) were equal to, or higher than, traditional funds 64 percent of the time. In addition, it found that sustainable funds averaged lower levels of volatility than the traditional funds.

There is often a false dichotomy between successful investing on the one hand and caring about the social impact of companies being purchased on the other. It is stated as if the two are mutually exclusive and that the de-facto result of integrating values into your investing methodology is poor investment decisions.

Yet, part of the reason for the explosion in growth of values-oriented investments is due to the aforementioned research which consistently shows a positive correlation between investment returns and ethical screens. Far from being driven by guilt or "touchy-feely" decision-making, many investors have found the best long-term bets are the companies who have the most integrity in terms of their mission, culture and sense of corporate responsibility.

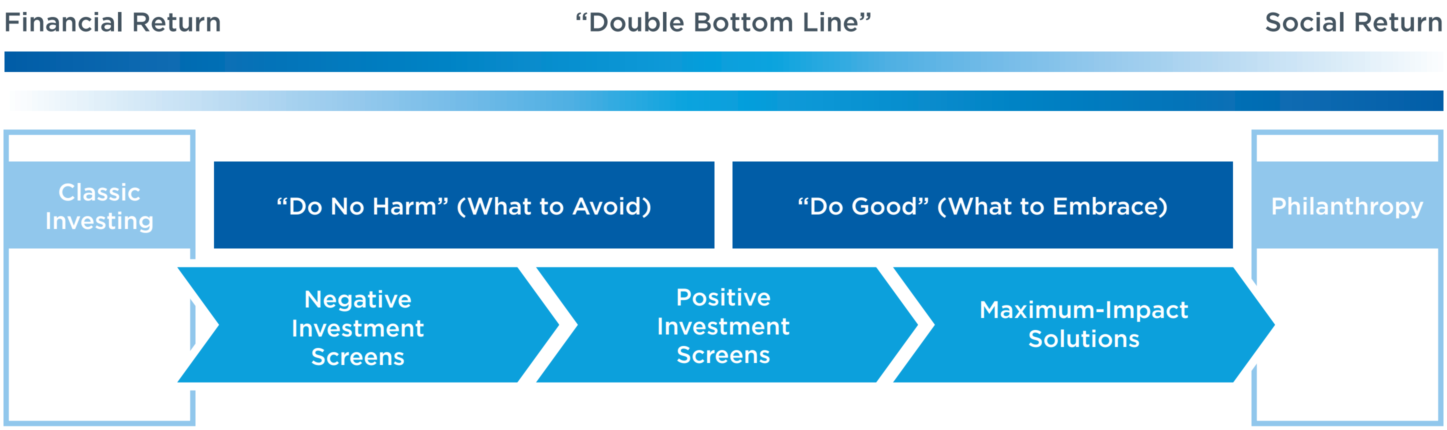
Mariner WEALTH ADVISORS

Negative & Positive Screening

If you are interested in implementing such an approach, there are two primary investment objectives beyond the traditional goals of maximizing return and minimizing risk to help you make strategic decisions:

1. *Do No Harm* – Avoid investments in companies that take a stance or profit from activities that conflict with your values. These are "negative" screens of companies or industries to be avoided such as tobacco, gambling, oil and gas, defense, etc. Obviously, one person's idea of socially responsible investments can be completely different from another person's. The key is to differentiate between all of the available fund options and select those which most accurately reflect your values. Socialfunds.com and the Forum for Sustainable & Responsible Investment are good places to start. For those with a faith-based or religious perspective, the Christian Investment Forum can be helpful.

2. *Do Good* – Actively seek out investments in companies that create real value for their customers, communities and society at large. This approach often utilizes the aforementioned ESG factors as positive screening criteria.



It is helpful to think of parallels to the medical industry. Physicians take an oath to "do no harm." It is fundamental to the practice of medicine. But, the goal is certainly not to stop there. The ultimate goal of medicine is to heal. Likewise, investors who want to integrate their values with investment decision-making may decide to not merely seek to avoid companies doing harm, but ultimately look for companies that heal; those that are helping to make the world a better place.

See next page for full disclosures.

FOR MORE INFORMATION

CALL: 866-346-7265
CLICK: www.marinerwealthadvisors.com

[1] *Annual Survey of High-Net Worth and Ultra-High Net Worth Americans, U.S. Trust. 2016*

This document is for informational use only. Nothing in this publication is intended to constitute legal, tax, or investment advice. There is no guarantee that any claims made will come to pass. The information contained herein has been obtained from sources believed to be reliable, but Mariner Wealth Advisors does not warrant the accuracy of the information. Consult a financial, tax or legal professional for specific information related to your own situation.

Mariner Wealth Advisors ("MWA") is an SEC registered investment adviser with its principal place of business in the State of Kansas. Registration of an investment advisor does not imply any level of skill or training. MWA and its representatives are in compliance with the current registration and notice filing requirements imposed upon registered investment advisers by those states in which MWA maintains clients. MWA may only transact business in those states in which it is notice filed, or qualifies for an exemption or exclusion from notice filing requirements. Any subsequent, direct communication by MWA with a prospective client shall be conducted by a representative that is either registered or qualifies for an exemption or exclusion from registration in the state where the prospective client resides. For additional information about MWA, including fees and services, please contact MWA or refer to the Investment Adviser Public Disclosure website (www.adviserinfo.sec.gov). Please read the disclosure statement carefully before you invest or send money.