

Title: Are Your Portfolio Holdings In Conflict With Your Mission?

By: J. Brad Strom, CFA

Copyright: The Law Offices of Marc J. Lane, A Professional Corporation

Date: August 1, 2014

The Lane Report: August 2014

Mission-aligned or values-based investment strategies that yield attractive social as well as financial returns have been gradually gaining ground in the foundation and non-profit communities in recent years. These organizations seek to invest their assets affirmatively, supporting their missions by aligning their investment holdings with their mission statement. In the aftermath of Hobby Lobby's vilification (*rightly or wrongly*) by the liberal press following their supreme court win and the disclosure that their 401(k) plan held and profited from pharmaceutical company holdings (*some of whose contraception products Hobby Lobby objects to providing to its employees on religious grounds*), privately held companies like Hobby Lobby may want to borrow a page from the non-profit playbook, aligning their company controlled financial assets with either their corporate mission or their owner's deeply held religious beliefs, as in Hobby Lobby's case.

This innovative, "mission-driven" form of investment management speaks directly to the issue of organizations unknowingly letting their portfolio holdings fly in the face of their organizational mission. It does, however, necessitate a much more active, hands-on approach to the whole process of security selection. Assessing the degree to which portfolio holdings may undermine or support philanthropic or mission-based objectives, while providing competitive returns, is no easy task. Employing both social as well as financial metrics when analyzing securities requires portfolio managers to evaluate companies across two completely unrelated sets of data, overlaying an additional level of complexity onto an already complex process. The good news is that, in recent years, a number of new software providers have emerged in the socially responsible or ESG space, that have greatly enhanced the efficacy of screening software. The real challenge remaining lies in the myriad of definitions assigned to corporate social responsibility. Very few, if any, can agree on a cohesive, homogenous definition of the term. "Social Responsibility" means very different things to almost anybody you ask. Therein lies the problem: no two portfolios screens are typically alike; every client portfolio is, by its very nature, unique. The answer then is either to generically screen out all objectionable issues for all clients, as is typical at most socially responsible mutual funds, or develop specific values-based or mission-aligned profiles for each client or group of homogenous clients, and then screen individual security selections pursuant to them.

While most investment management firms are reluctant to take on these labor intensive relationships due to their inability to manage multiple accounts in any one screening venue, Marc J. Lane Investment Management, Inc. has pioneered a process called **Advocacy Investing[®]** that efficiently and cost-effectively addresses this timely issue. The Advocacy Investing approach employs a positive "best in

class" portfolio screening strategy that, after first identifying companies with sound business fundamentals and solid corporate governance, screens those companies for corporate behavior that reflects and promotes the client's personal or organizational beliefs and values. Corporate behaviors targeted by our screens include a company's environmental performance record, its sustainability and environmental management efforts, its diversity and human rights record, board accountability and independence, as well as faith-based issues, to name but a few. The Advocacy Investing approach does accommodate exclusionary screens where the investor's philosophical or religious beliefs require them, but it goes far beyond negative screening alone to positively align the portfolio with the investor's core convictions, searching out companies that lead their respective industries in making progressive changes in targeted corporate behaviors.

In short, the **Advocacy Investing** approach meaningfully speaks to one's own values, corporate or individual. It is practical, it drives change, and it turns passive assets into active assets by employing our proprietary process. Find out more about how Marc J. Lane Investment Management, Inc. is helping organizations drive their missions by visiting our website at www.AdvocacyInvesting.com or contact Marc Lane directly and in confidence at (312) 372-5000.

J. Brad Strom is a Senior Vice President and Portfolio Manager of Marc J. Lane Investment Management, Inc. Mr. Strom is a graduate of Illinois State University (B.S.) and DePaul University's Graduate School of Business (M.B.A.). Mr. Strom is a Chartered Financial Analyst (CFA).



The Lane Report newsletter is a publication of The Law Offices of Marc J. Lane, a Professional Corporation. We attempt to highlight and discuss areas of general interest that may result in planning opportunities. Nothing contained in The Lane Report should be construed as legal advice or a legal opinion. Consultation with a professional is recommended before implementing any of the ideas discussed herein. Copyright © 2014 The Law Offices of Marc J. Lane, A Professional Corporation. Reproduction, in whole or in part, is forbidden without prior written permission.

"Protecting Today's Wealth. Building Tomorrow's." and the Marc J. Lane Wealth Group logo are trademarks of The Law Offices of Marc J. Lane, a Professional Corporation Registered in U.S. Patent and Trademark Office and may be registered in certain other jurisdictions. "Marc J. Lane Wealth Group" is a trademark of The Law Offices of Marc J. Lane, a Professional Corporation and may be registered in certain jurisdictions.

Any tax information or written tax advice contained herein is not intended or written to be used and cannot be used by any taxpayer for the purpose of avoiding tax penalties that may be imposed on your or any other person. (The foregoing legend has been affixed pursuant to U.S. Treasury Regulations governing tax practice).

This report is intended for informational purposes only. The information published in this report is subject to change on a regular basis without notice. This report should not be regarded as a complete analysis of the subjects discussed. Certain information in this report may not apply to the securities regulations of your local jurisdiction as securities regulations for registered investment advisors and registered Broker/Dealers vary by states and the federal government. A reader should consider the information in this report about investment philosophy as general in nature. Information contained in this book should not be relied upon as investment advice specific to the reader's investment objectives. The performance data used in the report represents past performance and should not be considered indicative of future results.

Marc J. Lane & Co. is a FINRA Broker/Dealer and SIPC Member. Marc J. Lane Investment Management, Inc. is a Registered Investment Advisor in the State of Illinois.