

Dana Investor Advisors: What's Your Strategy?

It seems that there isn't a day that goes by when we are not reading or hearing something about climate change, inequality, CEO pay, political spending, the wealth gap and a host of other Environmental, Social or Governance (ESG) issues. As Investment Advisors we are accustomed to getting asked about economic growth, interest rates, debt levels and corporate earnings. Nowadays we are fielding a growing number of "ESG" questions as well. Questions such as: What does ESG Investing mean? Do ESG factors really impact the bottom line when it comes to corporate earnings? Is this going to contribute to or detract from my portfolio returns? Is this just a fad or marketing tactic?

At Dana Investment Advisors, we best address these questions by discussing our real world experience. We manage a variety of public equity strategies for our clients including Large Cap, Small Cap, All Cap, Growth and Value strategies. We also manage Socially Responsible/ESG Strategies and have done so for many years. All of Dana's equity strategies follow the same process that utilizes a quantitative financial model that focuses on factors such as corporate earnings, cash flow and balance sheets, coupled with additional fundamental analysis performed by our portfolio management team. Our experience is that ESG considerations have not detracted from our goal of generating excess risk adjusted returns.

Let's take a closer look. A key difference in managing the SRI/ESG Strategy is that our universe of stocks is first screened using over 120 ESG factors such as energy or water efficiency, CEO pay and Board independence, workforce diversity, litigation risks and more. We see shifts in consumer demand toward more sustainable goods, a growing concern regarding environmental degradation, genuine price declines in certain renewable fuels (i.e. solar), water shortages, and more. These changes warrant our attention, and we believe many of these changes are captured in our ESG analysis.

So, let's see how we can answer the questions noted earlier. ESG Investing takes environmental, social and governance factors into consideration when analyzing companies and constructing portfolios. ESG strategies vary – and not all will outperform or underperform. From our experience, we believe that any strategy, whether ESG or otherwise, should adhere to financial criteria and sound portfolio management practices. We do not think ESG Investing is a "fad". As noted before, we see real environmental constraints and consumer behavior changes across sectors, some more than others. Are these impacting earnings? Certainly many corporate managements think so and are behaving accordingly by reducing waste, deploying energy and water efficiency measures, and providing greater disclosure to their investors and customers. Is ESG Investing a marketing strategy? Well, it's part of our investing and marketing strategies. Dana's Socially Responsible Equity Strategy recently won the inaugural 2015 Investment Advisor Magazine SMA Impact Manager of the Year Award. It has served our clients well, and we think there could be more opportunities ahead. We have one question for you – is it part of your strategy?