

LMCG Investments – Why We’ve Signed the Principles for Responsible Investment

Divided Opinion on Issues Regarding Socially Responsible Investing Come Together Under UN PRI

LMCG Investments recently signed the United Nations Principles for Responsible Investment (PRI). This act commits our company to an annual audit by the PRI organization, and commits LMCG to executing the “Six Principles” (see below), which have been developed over the past decade by a wide range of investors with the support of the United Nations. Today, there are nearly 1,800 signatories to the PRI representing over 50 countries.

I believe it is a testament to the creators of this document that a company like ours could find common ground in spite of wide differences in political views and a respect for independence of investment team opinion on investment philosophy that is a part of LMCG culture. Generally speaking, analysts are fiercely objective thinkers, and good practice demands a dispassionate view of a company. Spurious ethical judgments can muddy the waters of investment process. We are also a culture of portfolio teams that tend to dislike bureaucracy and senior management driven initiatives – otherwise many of us would have chosen the mega investment firms over the multi-boutique nature of LMCG Investments.

LMCG currently does not offer any Environmental, Social, and Governance (ESG) products in spite of evidence that investor interest is growing in strategies that incorporate SRI considerations in the investment decision making process. Many of us have seen unnecessary confusion and damage to institutional portfolios (and therefore damage to pensioners and beneficiaries) over the years by well-meaning committees that have instituted some type of ethical screens only to abandon them when relative performance suffers. As fiduciaries, we see our responsibility not to oppose the cause of integrating ESG into investment portfolios, but to oppose bad execution of good intentions.

LMCG has long accommodated common and clearly articulated investor-driven restrictions and screens – but we do not currently offer specialized ESG funds – and signatories of the PRI do not promise to launch ESG specialized funds. The PRI asks companies to pledge to incorporate ESG issues into every investment team’s investment process – that is a level of commitment above and beyond the ability to manage

a screened portfolio. In practice, that means incorporating new information into the ongoing investment process that will affect all investments on an ongoing basis.

LMCG is a firm that has endeavored to acquire and build investment strategies with unique and mostly unrelated investment approaches, so one firm-wide standard to apply ESG principles does not work for us. We have chosen to view the investment approaches in our firm uniquely, and every team is taking a different path to help us be, as a single firm, good practitioners of the principles of the PRI.

There is no lack of experience in our firm in the area of Environmental, Social and Governance issues as they impact money management. Speaking from my own experience which begins with the era of South Africa divestment led by public funds in the 1980s, and includes working with family offices that were deeply engaged in the issues of fossil fuel causes, I’ve had broad experience with the issues. The good news is that today many investors across the spectrum of political views are in favor of increasing awareness of ESG issues even though conclusions will often be divided. Proponents of less government are coming to see private sector awareness and action as a more effective means of dealing with the “externalities” of fossil fuel costs than government agencies, while the more activist investors see the PRI as a backstop for ineffective government action. That makes for a much healthier climate for engaging all investors and managers on ESG Issues.

Most importantly to us, the PRI offers a permanent framework for LMCG risk oversight and compliance to monitor and measure the improvement in our investment team process and promote more aware and engaged investors. While we hope that the integration of ESG issues might improve the returns and risk management of our strategies, we know that more informed decision-making and active ownership will make us better investors.

We encourage you to read the Signatories’ Commitment below and to ask your investment managers how they are working to integrate these ideals.

Signatories' Commitment

“As institutional investors, we have a duty to act in the best long-term interests of our beneficiaries. In this fiduciary role, we believe that environmental, social, and corporate governance (ESG) issues can affect the performance of investment portfolios (to varying degrees across companies, sectors, regions, asset classes and through time).

We also recognize that applying these Principles may better align investors with broader objectives of society. Therefore, where consistent with our fiduciary responsibilities, we commit to the following:

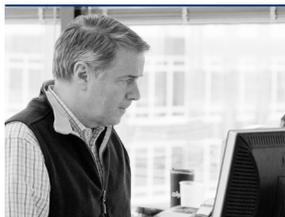
- **Principle 1:** We will incorporate ESG issues into investment analysis and decision-making processes.
- **Principle 2:** We will be active owners and incorporate ESG issues into our ownership policies and practices.
- **Principle 3:** We will seek appropriate disclosure on ESG issues by the entities in which we invest.
- **Principle 4:** We will promote acceptance and implementation of the Principles within the investment industry.
- **Principle 5:** We will work together to enhance our effectiveness in implementing the Principles.
- **Principle 6:** We will each report on our activities and progress towards implementing the Principles.

The Principles for Responsible Investment were developed by an international group of institutional investors reflecting the increasing relevance of environmental, social and corporate governance issues to investment practices. The process was convened by the United Nations Secretary-General.

In signing the Principles, we as investors publicly commit to adopt and implement them, where consistent with our fiduciary responsibilities. We also commit to evaluate the effectiveness and improve the content of the Principles over time. We believe this will improve our ability to meet commitments to beneficiaries as well as better align our investment activities with the broader interests of society.

We encourage other investors to adopt the Principles.”

Source: United Nations Principles of Responsible Investing (UN PRI)



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LMCG Investments, LLC

Your Investments | Our Only Focus

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