Sustainable investing is a growing and evolving style that emphasizes environmental, social and governance considerations. A sustainable investing approach can be implemented in a variety of ways including investing in mutual funds, exchange-traded funds (ETFs), separately managed accounts, and individual stocks and bonds. If you’re considering sustainable investments for your portfolio, it’s important to understand how they may differ from traditional investment choices.

What Is Sustainable Investing?
Sustainable investing – also known as socially responsible investing, values-based investing, and environmental, social and governance (ESG) investing – incorporates non-financial or indirect financial considerations such as those outlined in the table below. There are many reasons an investor may consider investing sustainably, from aligning their portfolios to their values to helping encourage companies to be better corporate citizens. Further, a growing body of academic research has found a positive relationship between corporate financial performance and ESG criteria. The investment teams who manage sustainable mutual funds or ETFs may prioritize these considerations alongside or above traditional risk and return objectives.

<table>
<thead>
<tr>
<th>Sustainable Considerations</th>
<th>Examples</th>
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<tbody>
<tr>
<td>Environment</td>
<td>Climate change, renewable energy, pollution, resource efficiency and water scarcity</td>
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<tr>
<td>Social</td>
<td>Alcohol, firearms, tobacco, diversity, labor relations, human rights and faith-based</td>
</tr>
<tr>
<td>Governance</td>
<td>Corruption, executive compensation, lobbying, board composition and board independence</td>
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This is an evolving style of investing, and Edward Jones Mutual Fund Research will continue to evaluate the approach as it matures.
Ways to Invest Sustainably

There are many ways to implement a sustainable investing approach with varying levels of diversification and control. Investors who want total control over where their money is invested can select a basket of individual securities from companies they are comfortable supporting. Investors seeking a more diversified, professionally managed approach can consider a customizable separately managed account to align with their sustainable investing preferences. For most investors, mutual funds and ETFs are efficient vehicles for incorporating ESG criteria into a diversified portfolio. Talk with your financial advisor about which approach may be right for you.

Investing Sustainably Using Funds

To determine whether a sustainable fund is aligned with your personal interests and goals, it’s important to understand the fund’s ESG criteria. Most sustainable funds cater to investors who want broad environmental, social and governance considerations integrated in their portfolios. These funds deliver broadly diversified portfolios of companies that score high on sustainability measures. While some investment managers can be much more thorough than others when assessing a company’s sustainability, integrated ESG analysis is a growing area of focus across the asset management industry. A fund may be considering environmental, social and governance issues even if it is not being marketed as sustainable.

Alternatively, some sustainable funds take the approach of excluding entire industries from their portfolios to avoid investing in companies that do not align with the fund’s mission. This could be the right approach for investors who have strict views they want to implement in their portfolios, but it can result in tradeoffs such as less diversification and performance that may not be in line with the broad market or investor expectations. In addition, it may be more difficult to find a fund that aligns with your personal sustainable preferences, since there may be a limited number of investment choices.

Evaluating Sustainable Funds

The Edward Jones Mutual Fund Research Team identifies and recommends funds and investment strategies based on its evaluation of four key pillars: investing advantage, risk management, continuity and costs. Many sustainable investing funds don’t meet our standards within this framework. If building a portfolio with sustainable investment funds, consider the following:

- Diversification, specifically if certain types of companies or industries are excluded from the investment universe.
- Length of investment process track record and tenure of management teams.
- Fund fees relative to current investments or funds recommended by Edward Jones Mutual Fund Research.
- Performance relative to current investments or funds recommended by Edward Jones Mutual Fund Research.

Sustainable Investment Processes without the Sustainable Label

Many fund companies, including those followed and recommended by Edward Jones Mutual Fund Research, though not marketed as sustainable, already integrate ESG considerations into their investment processes. Work with your Edward Jones financial advisor to identify funds that might be right for you.

Actions for Investors

- Talk with your financial advisor about whether sustainable investing makes sense for you and how to meet your financial and non-financial investing goals.
- Owning funds that aren’t marketed as sustainable but incorporate sustainable considerations into their processes could provide you with more options to construct a diversified portfolio.
- Separately managed accounts can be customized to better align an investment strategy with your personal values.
- Add a personal financial goal for future charitable donations. Staying diversified and investing for the long term can help grow your wealth over time, so you can best maximize your charitable impact through direct donations.

All investments and investment strategies involve risk, and the value of your account will fluctuate. Your investment may be worth more or less than the original investment when sold.