



Environmental, Social and Governance (ESG) Investing

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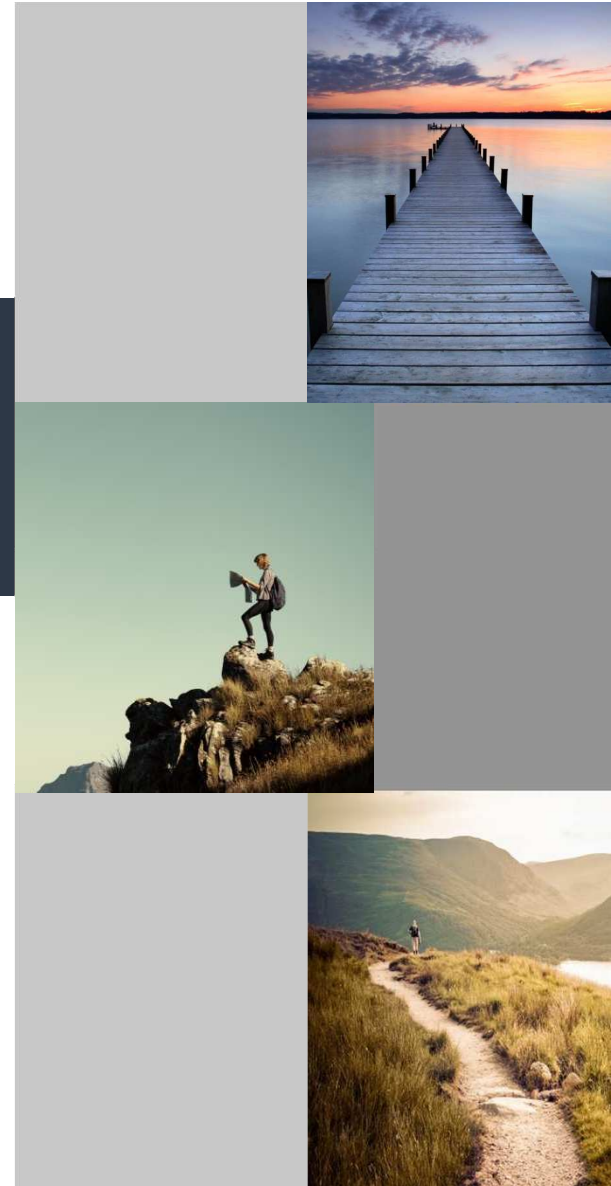


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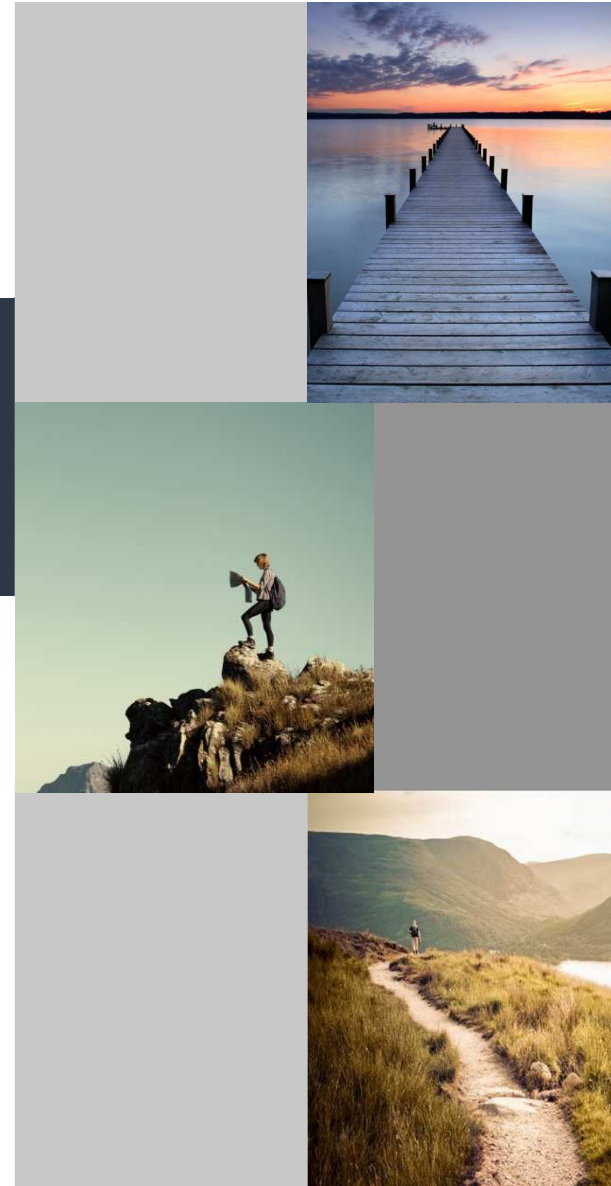


Retail Investor Demand



Oppenheimer's Approach

Defining ESG Investing



What Is ESG Investing?

An investment discipline that considers
Environmental, **S**ocial and corporate
Governance criteria to generate long-term
competitive returns*

* As defined by the Forum for Sustainable and ESG Investment

The Name Game

There are a myriad of naming conventions used to describe ESG investing



Environmental, social and governance (ESG) criteria are a set of standards for a company's operations that socially conscious investors may use to evaluate potential investments. Generally speaking, and the specifics differ depending upon the strategy and/or fund, environmental criteria consider how a company interacts with and takes care of the environment. Social criteria examine how it manages relationships with its employees, suppliers, customers, and the communities where it operates. Governance deals with a company's leadership, executive pay, internal controls, and shareholder rights.

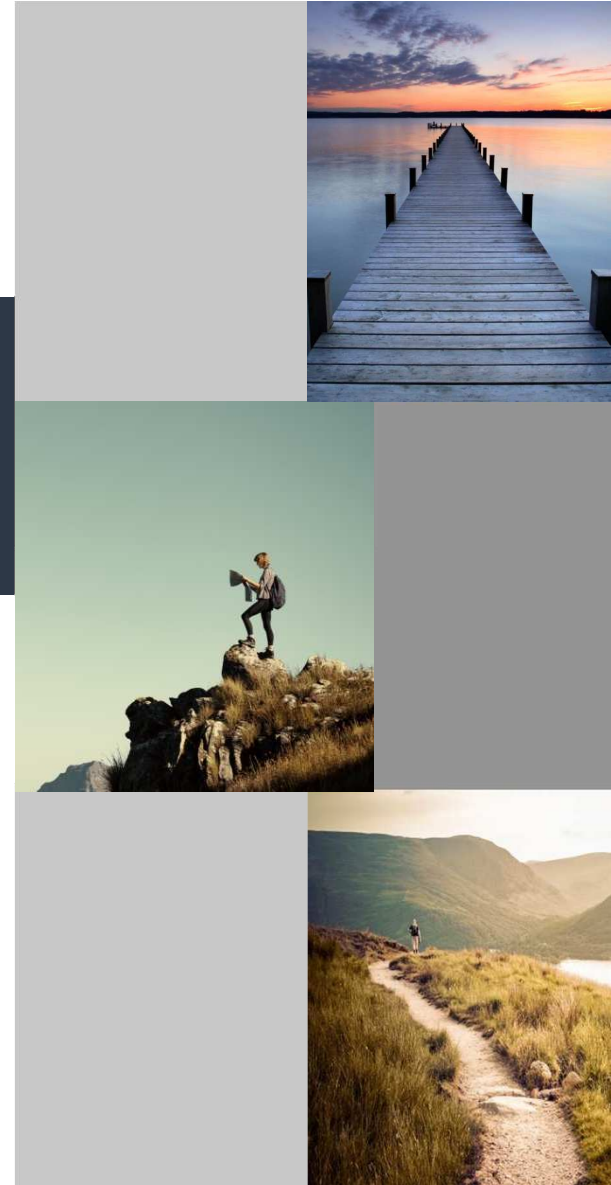
How to Define ESG

Investing in companies that are deemed to be acceptable according to ESG standards

and

Also have the ability to deliver strong financial performance

ESG Assets & Growth



A Niche No More

- \$30.68 trillion in global assets invested in ESG investment strategies at the start of 2018 (a 34% increase from the start of 2016)
- Most popular in Europe: Nearly half of Europe's assets are invested in ESG investment strategies
- Significant US growth—\$12 trillion in assets in 2018 (a 38% increase from 2016 asset levels)
- This represents 25.7% of total managed assets in the United States

Going Global

ESG investing has become a global phenomenon

Growth of SRI Assets by Region 2016-2018

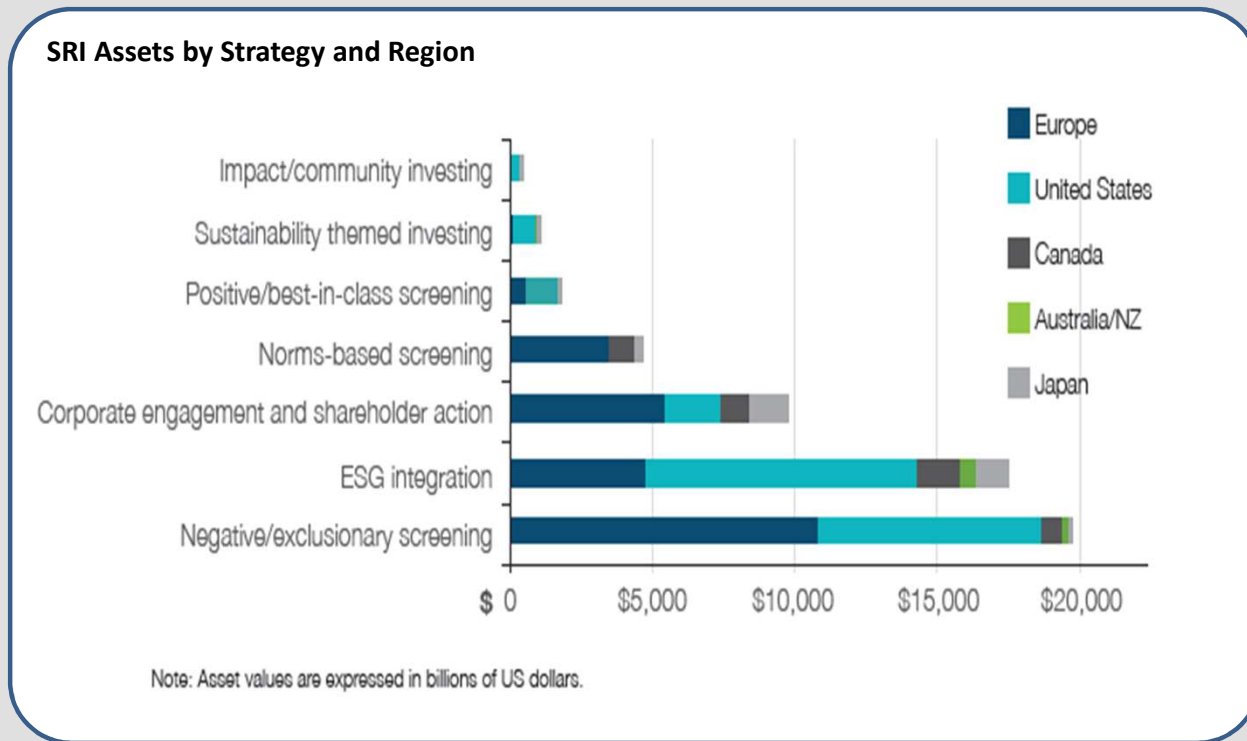
Region	2016	2018	Growth over period	Compound Annual Growth Rate (2014-2018)
Europe	\$12,040	\$14,075	11%	6%
United States	\$8,723	\$11,995	38%	16%
Japan	\$474	\$2,180	307%	308%
Canada	\$1,086	\$1,699	42%	21%
Australia/New Zealand	\$516	\$734	46%	50%
Total	\$22,890	\$30,683	34%	

Note: Asset values are expressed in billions and are represented in US dollars. All 2016 assets are converted to US dollars at the exchange rates as of year-end 2015. All 2018 assets are converted to US dollars at the exchange rates at the time of reporting. Growth rates are based on local currency to remove the currency effects.

Source: 2018 Global Sustainable Investment Review

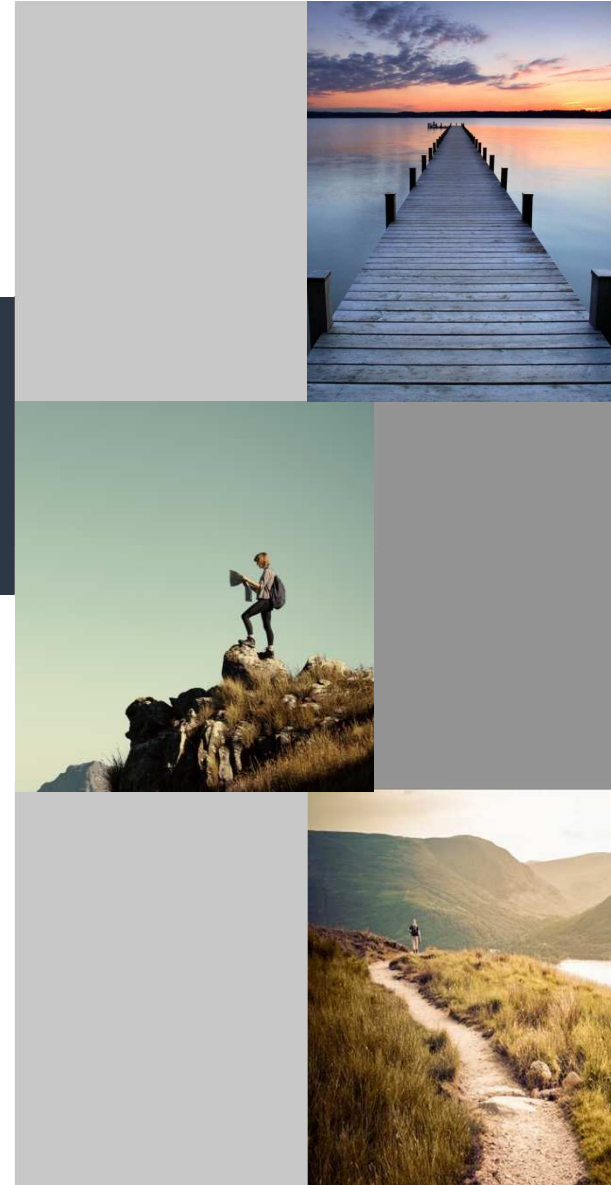
Spanning the Globe

ESG assets are experiencing broad-based global growth



Source: 2018 Global Sustainable Investment Review

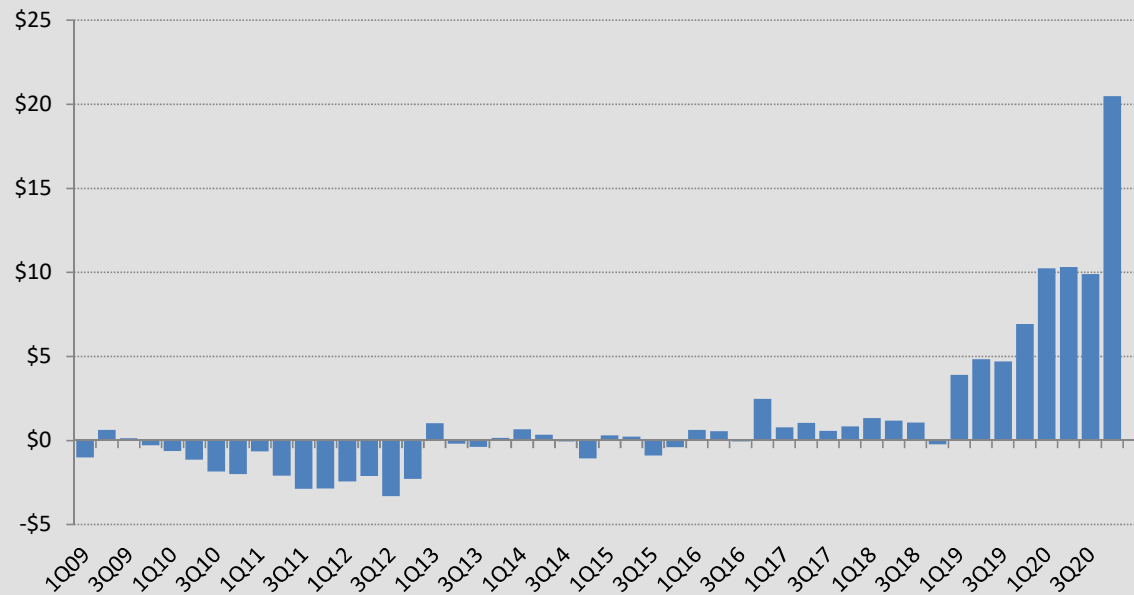
Retail Investor Demand



Continued Momentum

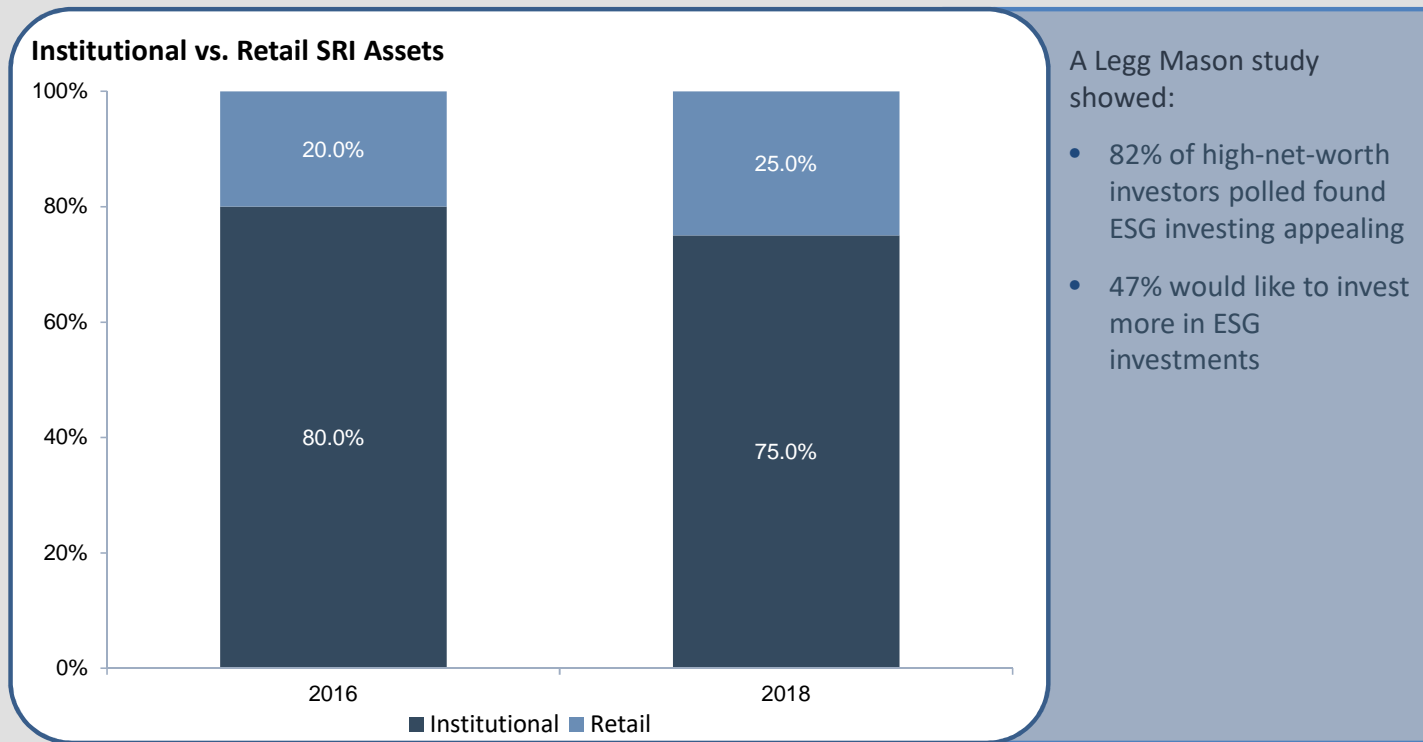
Inflows into sustainable products increased significantly in 2019 and 2020, setting a new record this past year

US Sustainable Mutual Fund & ETF Flows (\$bn)



ESG Investing Going Mainstream

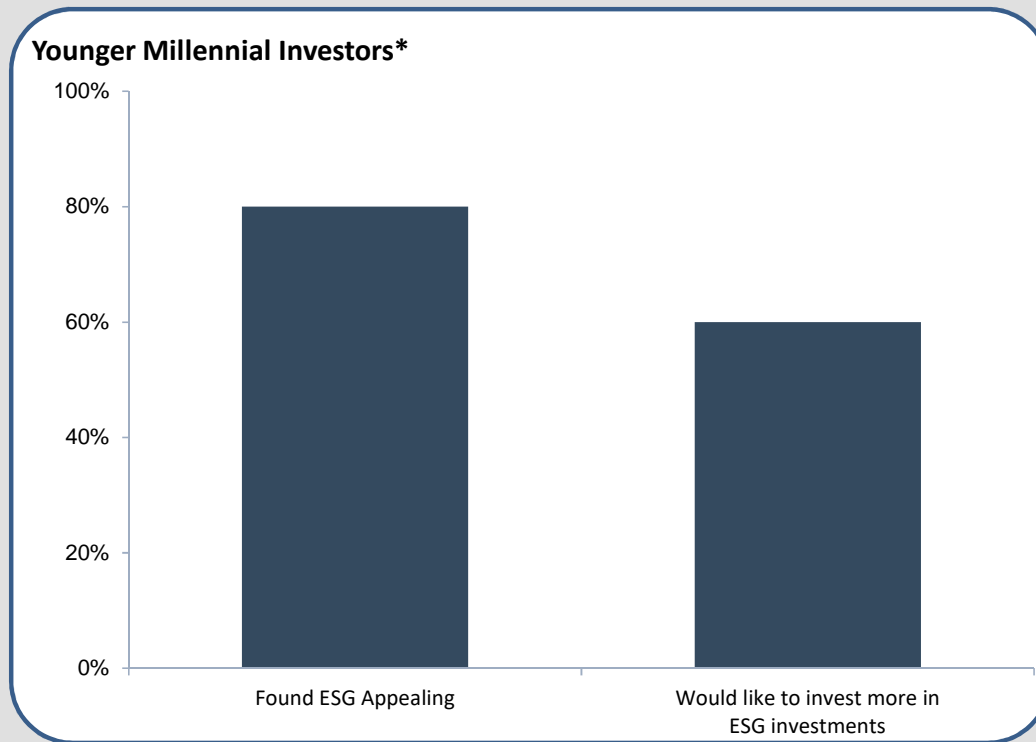
ESG investing has notably increased its share of assets among retail investors



Source: 2018 Global Sustainable Investment Review

ESG Investing Going Mainstream

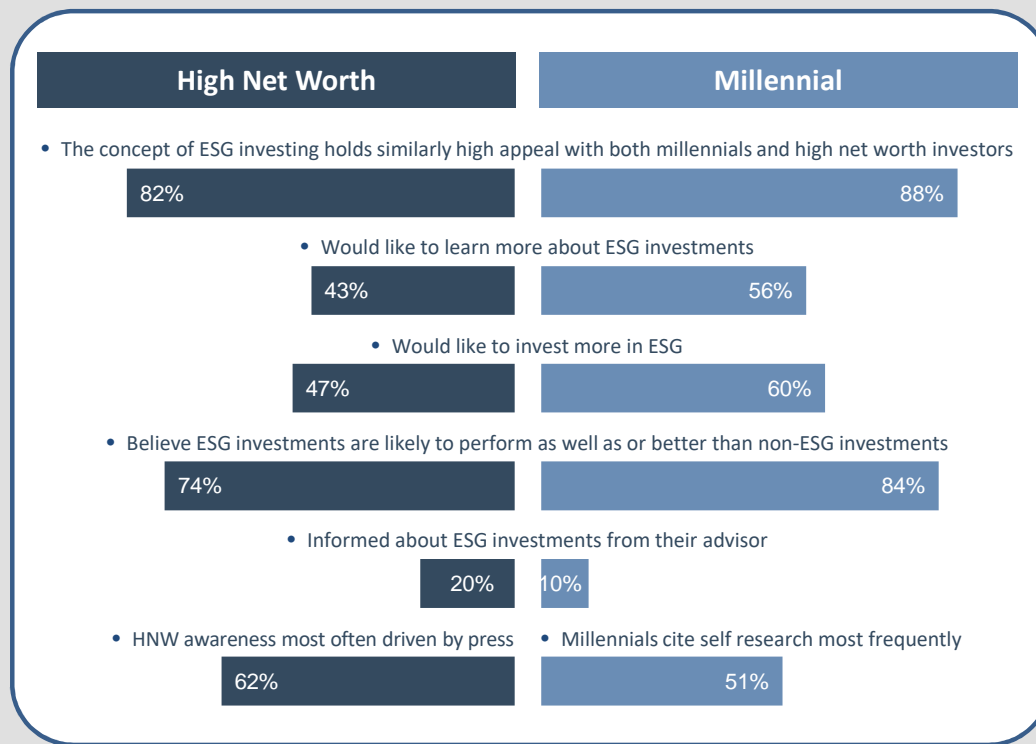
According to Ernst & Young, millennials are poised to receive more than \$30 trillion in inheritable wealth.



*Based on a recent Legg Mason study

What Investors Are Saying

Both millennials and high-net-worth investors find ESG attractive



Source: Clearbridge Investments/Legg Mason ESG Investments Survey

What Investors Are Saying

Advisor polls reveal strong demand for ESG from their clients

- Nearly 90% of advisors polled cite ESG discussions are mostly initiated by their clients



- 66% indicate that most clients don't believe ESG options perform worse



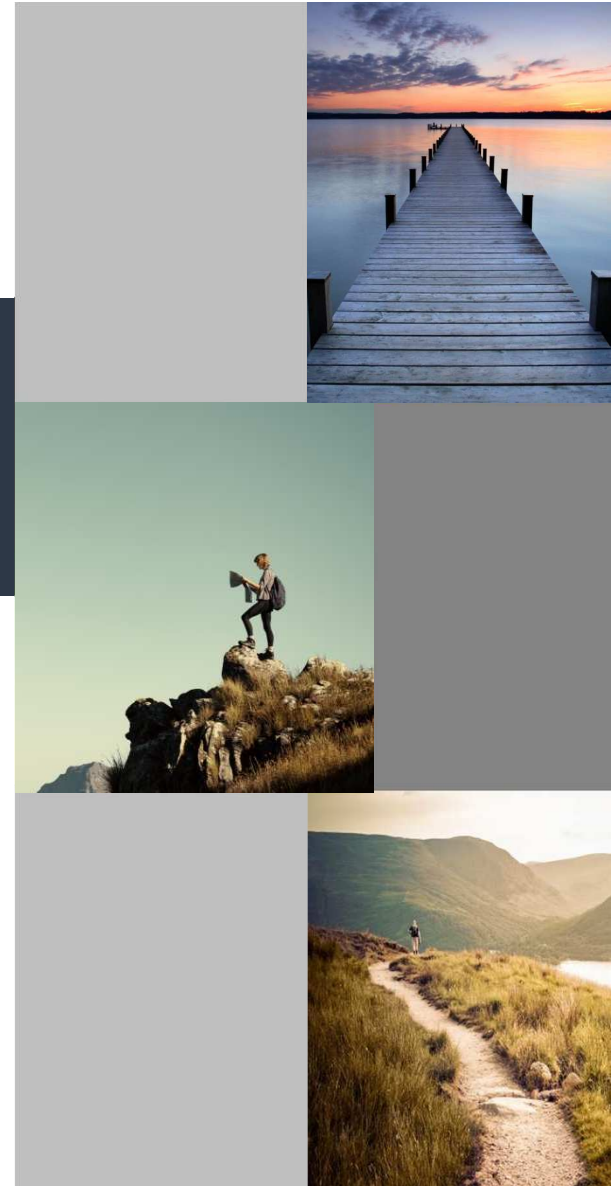
- 90% indicate that most clients don't believe ESG options carry more risk



- 69% of advisors feel the importance of ESG investing has increased over the past five years and expect this to continue over the next five years



Oppenheimer's Approach



Our Approach to ESG Investing

For core portfolio exposures to active managers, we prefer investment managers that have successfully integrated ESG into their fundamental research process.

ESG Screens

- Could be used with passive but less ideal for active
- Alter the investable universe by screening for ESG characteristics
- Positive screens
- Negative screens (more common)

ESG Integration

- Preferred for core allocations
- Successful integration of ESG research into the fundamental research process
- Advocacy via engagement with company management and proxy voting

Impact/Engagement Investing

- Preferred for satellite alpha allocations
- Targeted investments aimed at solving social or environmental problems
- Engage with company management and proxy voting

Core exposures can be complemented with smaller allocations to thematic portfolios for potential alpha generation in niche areas of the market.

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ESG Manager Selection Process

Narrowing the Universe

Unconstrained universe of managers

Leverage existing relationships

Screen for ideas using Morningstar & eVestment

Preliminary fundamental and quantitative assessments (removes un-qualified managers)

Comprehensive Evaluation

In-depth due diligence over multiple meetings with investment teams

Qualitative & Quantitative Assessment:

- Investment skill
- Risk decomposition
- ESG knowledge

Focus on:

- Sustainable “Edge”
- Culture
- ESG incorporation

Portfolio Construction

Use of active management through high-conviction managers

Compliment with passive ESG strategies in certain asset classes

Incorporation of thematic exposures

On-going Monitoring & Risk Management

Important Disclosures

Past performance is no guarantee of future results. There can be no assurance that any investment strategy will be successful. Adopting a fee-based account may not be suitable for all investors; anticipated individual commission costs should be compared with anticipated annual fees. Asset allocation does not guarantee profit or protection against loss.

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