

ESG INVESTING AT CIC

Investors today are observing a significant movement where both individual and institutional investors are beginning to prioritize companies that positively impact overall society and serve the needs of their shareholders as well. This conversation around environmental, social, and governance, or ESG investing, is gaining momentum as significant amounts of capital flow into strategies of this kind. At Crawford Investment Counsel, we have always sought to accommodate client-specific, values-based restrictions. We are happy to reflect any sensitivities of our investor base into our security selection process. In fact, we have worked closely with our investors to honor ESG considerations while maintaining an attractive risk/return trade-off for over 40 years now.

There are a range of approaches that can be taken when it comes to developing a portfolio that incorporates both individual values and financial goals or investment objectives. A few key approaches include exclusionary screening, positive screening, and impact investing. To begin, the method of exclusionary screening is one in which the investor focuses solely on the alignment of their personal ethics and/or religious beliefs with their investments. Typically, with exclusionary screening, investments in companies whose values are not in line with those of the investor are restricted from the investor's portfolio. On the other hand, a positive screening approach to ESG investing gives greater weight to industry leaders in ESG best practices. In doing this, positive screening can work to mitigate risk by limiting a portfolio's exposure to the potentially adverse outcomes associated with various ESG issues. Finally, a portfolio that employs impact investing is comprised of investments that aim to solve social or environmental problems, even at the cost of investment performance.

At Crawford, we believe that ESG investing can co-exist with investment results that are more than satisfactory while still reflecting the proclivities of our investors. Since our strategies all focus on what we believe to be higher-quality securities, this tends to naturally align well with most ESG considerations. More specifically, our emphasis on quality

has allowed Crawford to focus on sustainable, profitable companies with conservative balance sheets and strong cash flow generation. Through our fundamental, bottom-up research process, we have found that financial sustainability is often consistent with companies that rank strongly on ESG-related initiatives. In other words, more consistent, high-quality businesses tend to embrace good governance and sound environmental policies while remaining sensitive to social factors. It has always been our belief that the goal of portfolio management is to meet objectives whether they be solely return-oriented, risk-based, or some combination of risk, return, and ESG.

Crawford's goal is to couple the investor's ethics, viewpoints, and/or religious beliefs with a thoughtful analysis of those very factors and their long-term economic implications.

In working with both private and institutional clients who are interested in developing an environmental and/or socially conscious portfolio, Crawford's goal is to couple the investor's ethics, viewpoints, and/or religious beliefs with a thoughtful analysis of those very factors and their long-term economic implications. In working with a client to develop a portfolio with ESG objectives, Crawford has the opportunity to analyze both the investment risks and opportunities associated with those objectives, hence promoting sustainable and desirable investor returns. We have found that ESG investing can be a process used to promote desirable investor outcomes while also pursuing long-term financial stability and returns.

Using an investor's ESG intentions to analyze and mitigate risk is entirely in line with Crawford's goal of long-term investor success through positive returns and outperformance in down markets. At Crawford, we believe that a portfolio's performance doesn't have to be compromised by the incorporation of ESG objectives, and long-term relationships can be enhanced and greatly benefit from the incorporation of values-based intentions. With this being said, we are happy to help interested clients define what their ESG initiatives might be, whether those are comprehensive or more specific. We look forward to assisting interested clients, both new and existing, in developing a thoughtful approach to sustainable investing.

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