



Zevin Asset Management

## Racial Lens Investing via Public Equities

August 27, 2020

*CEEP webinar presenter: Sonia Kowal, president*

*Managing Sustainable and Responsible Portfolios Since 1997*

# Sonia Kowal President, Zevin Asset Management



Sonia brings over two decades of investment experience to managing corporate matters, business practices, and strategic planning. She is passionate about the value of integrating environmental, social, and governance (ESG) issues into investments. She feels particularly strongly about racial equity, wealth inequality, and our disastrous criminal justice system.

Previously, she was a Senior Research Analyst and head of Ethical Investment Research Services' (EIRIS) U.S. office. She was a portfolio manager and investment research analyst in Emerging Markets at Baillie Gifford in Scotland.

Ms. Kowal holds a BS from the University of Edinburgh in Zoology and an MS from the University of Stirling, Scotland in Investment Analysis. She is a board member of ICCR, the Interfaith Center on Corporate Responsibility, a coalition of faith- and values-driven organizations who view the management of their investments as a powerful catalyst for social change.

Zevin Asset Management has been integrating ESG into its global equity and balanced strategies since the firm was founded 22 years ago and considered a leader in active shareholder engagement. Zevin Asset Management is majority women-owned and led. Zevin's investment philosophy and process are deeply rooted in the belief that less risk leads to better returns over time.

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# Firm Differentiators



- Global ESG boutique investment firm seeking to prudently grow capital over a market cycle through emphasis on prudent risk management
- Time-tested investment strategy utilizing proprietary fundamental, macro and ESG processes
- Philosophy driven by risk mitigation: continually assessing risks (asset, regional, sector, ESG, and company-specific fundamentals)
- Pioneer in environmental, social & governance (ESG) investing with proven advocacy success over the last 23 years
- Socially-responsible firm: majority women-owned and managed, 100% employee-owned, B Corporation

# What Do We Mean?



- Invest with diverse advisors and managers
- Invest in products that include a racial lens approach
  - Make sure it's not just spin
  - Look at investment process, proxy voting
- Shareholder engagement to improve corporate behavior

# Returns Overview



Annualized returns net of fees since composite creation or inception. See Disclosures.

Global Equity (GE) Composite					
	Q2 6/30/2020	1 Year	3 Year	5 Year	Inception 12/31/2014
<b>GE Composite (net)</b>	<b>23.64%</b>	<b>12.02%</b>	<b>13.28%</b>	<b>11.27%</b>	<b>9.79%</b>
MSCI ACWI (net)	19.22%	2.11%	6.14%	6.46%	6.36%

Global Appreciation (GA) Non-Taxable Composite						
	Q2 6/30/2020	1 year	3 years	5 years	10 years	Composite Creation 12/31/2007
<b>GA Non-Tax Composite (net)</b>	<b>14.78%</b>	<b>5.93%</b>	<b>9.31%</b>	<b>7.31%</b>	<b>8.63%</b>	<b>6.23%</b>
MSCI ACWI (net)	19.22%	2.11%	6.14%	6.46%	9.16%	4.31%

Global Appreciation with Income (GAI) Non-Taxable Composite						
	Q2 6/30/2020	1 year	3 years	5 years	10 years	Composite Creation 12/31/2007
<b>GAI Non-Tax Composite (net)</b>	<b>11.41%</b>	<b>5.99%</b>	<b>7.86%</b>	<b>6.07%</b>	<b>6.99%</b>	<b>5.07%</b>
70% MSCI ACWI (net) / 30% Barclays Aggregate US Gov/Credit Index	14.44%	4.92%	6.36%	6.19%	7.87%	4.71%

# Using a Racial Lens in Investing



## Screening

- Avoid investment in companies that have a history of exploiting communities of color
- Avoid investments in companies with substantial involvement in incarceration and detention

## ESG

- Understand institutional racism in company practices
- Pay equity

## Proxy Voting

- Vote against board directors at companies that lack racial diversity
- Support proposals that ask firms to improve workforce diversity

## Shareholder Engagement

- Linking executive compensation to diversity and equity goals
- Hiring policies that don't discriminate against returning citizens
- Engaging with banks to end private prison finance
- Addressing working conditions for low wage and contract workers, who are disproportionately black and brown

# Advocacy in Action: Inclusion and Pay Gaps



## *Top-to-bottom inclusion*

- The tech sector could generate an additional \$300 to \$370Bn each year if companies boost racial & ethnic diversity. [Dalberg study]
- **Apple** is trying to hire more women and people of color. But progress is slow, especially at the top.
- Apple responded to our engagement by creating a new executive position for inclusion & diversity reporting to the CEO.
- Now we are pushing them to tie executive pay to diversity and other sustainability goals.



## *Tackling pay gaps*

- Women make 79 cents for every dollar men earn. Black women earn only 66 percent of the pay of white men.
- This is especially stark in the retail sector where wages are low and women and people of color are underrepresented in management.
- After we filed two shareholder proposals, **TJX** agreed to publish its gender pay gap information, and we kept pressing until the retailer finally agreed to provide the same info on the basis of race (expected late 2020).





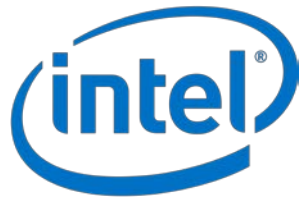
# The Business of Incarceration

## *The risks of prison labor*

- We've held dialogue with **Intel** to address the risks of contractors using inmates as workers — associated with poor conditions and over-incarceration.
- We challenged the chipmaker to analyze its supply chain to find prison labor and study possible approaches to responsible prison labor in the U.S.
- Now Intel is exploring new standards for suppliers that use prison labor (working conditions, non-discrimination, etc).

## *Fair hiring after incarceration*

- Sloppy criminal background checks exclude returning citizens from the workforce, creating risk and missed opportunities for firms like **Amazon**.
- Zevin co-filed the first ever shareholder proposal challenging an employer to account for the risks of irresponsible background checks.
- We put the issue on Amazon's radar and will keep pressing the e-commerce giant on fair hiring.







## Public Equity Resources

- Investor Statement of Solidarity and Call to Action to Address Systemic Racism: [www.racialjusticeinvesting.org](http://www.racialjusticeinvesting.org)
- <https://www.zevin.com/news-views/how-can-investors-help-confront-racial-justice>
- <https://www.zevin.com/news-views/skin-in-the-game-why-were-leading-a-push-for-inclusion-amp-accountability-in-the-tech-sector>
- American Friends Service Committee's (AFSC) tool for researching prison involvement  
<https://investigate.afsc.org/prisons>
- Find out if your mutual funds have prison involvement:  
<https://prisonfreefunds.org/>

# Summary



- We distinguish ourselves as a global, responsible, and sustainable investment manager with a 20-plus-year track record that has been tested over a variety of market conditions.
- We believe that taking on less risk can lead to higher returns over the long run.
- Our investment process employs a combination of traditional fundamental research, global macro considerations, and ESG analysis to help create strong risk-adjusted returns.
- We believe participating in shareholder advocacy and corporate engagement activities helps to enhance shareholder value and create a positive social and environmental impact.
- We partner with each client to build a customized portfolio to match their long-term goals and mission.
- Our people are the foundation of our company. We are a 100% employee-owned, majority women-owned firm. We believe our strong culture of collaboration has a direct impact on our clients' success.

# Fees & Contact Information



Institutional Fee Structure			
First \$2M	Next \$8M	\$10–\$50M	\$50M+
0.75%	0.65%	0.50%	0.45%

Investor Contact:

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# Disclosures



1. Past performance is not a guarantee of future results. Investments in securities are always subject to the possibility of meaningful losses.
2. Performance results for the most recent quarter are preliminary until six weeks after the quarter has ended.
3. Performance shown for all composites and all comparison indices includes dividend and interest payments reinvested.
4. All composite performance calculations are shown net of our fees, transaction costs and all of any wrap or bundled fees that include transaction costs, unless otherwise indicated. Comparison index performance is always calculated as if there were no fees and no transaction costs.
5. All composite results are weighted by the market values of the included portfolios. Results computed as equal weighted averages of all the included portfolios are available on request as well as the range of outcomes compared to these two averages.
6. All portfolios with client-directed restrictions which may materially inhibit the application of ZAM's investment strategies are excluded from composites. Certain accounts may be excluded from the composite if they don't reach the minimum threshold for inclusion or drop below such a threshold. Additional detailed policies and procedures for composite construction are available from ZAM upon request. Certain accounts in the composite may include securities that do not meet ZAM's SRI guidelines or screens. These securities may be held in the accounts due to client-directed trades or legacy holdings. The presence of such holdings in the composite may have a positive or a negative effect on its performance.
7. Benchmark Indices: Investors should be aware that the referenced indices may have a different security composition, volatility, risk, investment objective and philosophy, diversification, and/or other investment-related factors. Therefore, our composite and investor's individual results may vary significantly from the benchmarks performance. Indices used by Adviser may change without notice.
8. Performance shown is based on a composite of actual accounts invested in the strategy. Portfolio characteristics, top 10 holdings, and allocations shown are based on the model portfolio and do not necessarily represent actual accounts invested in the strategy. The U.S. dollar is the currency used to express performance.
9. Specific securities identified and described do not represent all of the securities purchased, sold, or recommended for clients, and the reader should not assume that investments in the securities identified and discussed were or will be profitable.
10. Registration with the SEC should not be construed as an endorsement of Adviser's investment skill or acumen.
11. Zevin Asset Management is a registered investment adviser with the United States Securities and Exchange Commission in accordance with the Investment Advisers Act of 1940. Zevin Asset Management claims compliance with the Global Investment Performance Standards (GIPS®). Please contact us at [invest@zevin.com](mailto:invest@zevin.com) for a GIPS®-compliant presentation and a list of composite descriptions.
12. Employee industry designations should not be construed as an endorsement or a recommendation to retain Zevin Asset Management by the granting entity or any regulatory authority.

# Disclosures (continued)



13. The Global Appreciation Non-Taxable Composite is made up of portfolios that seek long-term appreciation with a focus on capital preservation through active risk management. Portfolios are built using top-down methodology based on proprietary macroeconomic scenario analysis combined with bottom-up stock selection that integrates environmental, social, governance guidelines. The portfolios that are included in this composite are not subject to taxation and are compared to an all common stock benchmark but can invest in different asset classes such as bonds and cash.
14. The Global Appreciation with Income Non-Taxable Composite is made up of portfolios that intend to provide safety with modest capital appreciation. These accounts seek to provide better results than a traditional global balanced benchmark consisting of a combination of at least one equity index and one bond index over the course of a market cycle. Portfolios are built using top-down methodology based on proprietary macroeconomic scenario analysis combined with bottom-up stock selection that integrates environmental, social and governance guidelines. The portfolios that are included in this composite are not subject to taxation.
15. The Global Equity Composite is made up of portfolios that seek long-term capital appreciation by investing in the equities of global companies that have demonstrated stable revenue and earnings growth, high returns on equity, and have conservative balance sheets with attractive valuations. Portfolios are built using top-down methodology based on proprietary macroeconomic scenario analysis combined with bottom-up stock selection that integrates environmental, social and governance guidelines. Portfolios that are included in this composite are compared to the net MSCI All Country World Index (ACWI).
16. Investment strategies, philosophies, allocation and holdings are subject to change without prior notice.
17. While the Adviser believes the outside data sources cited to be credible, it has not independently verified the correctness of any of their inputs or calculations and, therefore, does not warrant the accuracy of any third-party sources or information.
18. As of 12/31/17 the MSCI ACWI net performance will be shown for marketing purposes in comparison to the Global Equity strategy. MSCI ACWI gross performance was shown from inception 12/31/14 to 9/30/17.
19. Inclusion in the Real Impact Tracker Certified Community is, at least in part, based on responses provided by the Adviser. The Adviser paid Real Impact Tracker to perform an assessment, which is a requirement for being included in the Certified Community. The assessment took account of the Adviser's abilities in shareholder engagement, its public advocacy, and its integration and promotion of environmental and social considerations in the investment process. (Criteria: <http://realimpacttracker.com/certified-community>) Industry recognitions or award should not be construed as an endorsement or a recommendation to retain the Adviser by the ranking entity or any regulatory authority. Any rankings or awards cited were provided by independent third-parties based on their predetermined evaluation criteria. ZAM neither provided any financial remuneration to these third-parties nor exercised any influence or control over the criteria used or the results generated, other than providing or making available, directly or indirectly, objective numerical data that could have been used by third-party as input variables. B Lab results are, at least in part, based on responses provided by the Adviser. The Adviser pays annual membership dues to B Lab, which is a requirement for eligibility in B Lab results.

# GE Composite Annual Disclosure Presentation



Year End	Total Firm Assets  (USD) (millions)	Composite Assets  (USD) (millions)	Number of  Account s	Annual Performance Results Composite		MSCI ACWI  NET Index	Composite  Dispersion	Composite 3 Yr  Standard Deviation*	Benchmark 3 Yr  Standard Deviation
				Gross	Net				
2019	503,538,386	1,233,235	2	28.01%	27.13%	26.60%	0.00%	10.11%	11.22%
2018	427,296,957	141,981	1	-1.11%	-1.61%	-9.42%	0.00%	10.00%	10.47%
2017	569,205,271	128,600	1	22.19%	21.59%	23.97%	0.00%	8.91%	10.36%
2016	512,892,791	104,911	1	4.82%	4.29%	7.86%	0.00%	N/A	11.06%
2015	538,130,103	100,363	1	1.88%	1.64%	-2.36%	0.00%	N/A	10.79%

\* "Pure" gross-of-fees returns do not reflect the deduction of any expenses, including trading costs and are supplemental to net returns.

N.A.1 - Information is not statistically meaningful due to an insufficient number of portfolios in the composite for the entire year.

N.A.2 - The three-year annualized standard deviation measures the variability of the composite and the benchmark returns over the preceding 36-month period.

**Global Equity Composite** is comprised of portfolios seeking long-term capital appreciation by investing in the equities of global companies that have demonstrated stable revenue and earnings growth, high returns on equity, and have conservative balance sheets with attractive valuations. Portfolios are built using a top-down methodology based on proprietary macroeconomic scenario analysis combined with bottom-up stock selection that integrates environmental, social and governance guidelines. Portfolios that are included in this composite are compared to the MSCI ACWI Index (net). The minimum account size for this composite is \$100,000. The Global Equity Composite was created December 31, 2014.

Zevin Asset Management, LLC ("ZAM") claims compliance with the Global Investment Performance Standards (GIPS) and has prepared and presented this report in compliance with the GIPS standards. ZAM has been independently verified for the periods 12/31/07 – 12/31/17. The verification reports are available upon request.

Verification assesses whether (1) the firm has complied with all the composite construction requirements of the GIPS standards on a firm-wide basis and (2) the firm's policies and procedures are designed to calculate and present performance in compliance with the GIPS standards. Verification does not ensure the accuracy of any specific composite presentation.

Zevin Asset Management is a registered investment adviser with the United States Securities and Exchange Commission in accordance with the Investment Advisers Act of 1940. The firm's list of composite descriptions is available upon request. Results are based on fully discretionary accounts under management, including those accounts no longer with the firm. Composite performance is presented net of foreign withholding taxes on dividends, interest income, and capital gains. Past performance is not indicative of future results.

The U.S. Dollar is the currency used to express performance. Returns are presented gross and net of management fees and reflect the re-investment of income. Net of fee performance was calculated using actual management fees. The annual composite dispersion presented is an asset-weighted standard deviation calculated for the accounts in the composite the entire year. Policies for valuing portfolios, calculating performance, and preparing compliant presentations are available upon request.

The investment management fee schedule for institutional clients of the firm is 0.75% on the first \$2 million, 0.65% on the next \$8 million, 0.50% on the next \$40 million, and 0.45% on the remainder. The investment management fee schedule for individual clients of the firm is 1.00% on the first \$1 million, 0.75% on the next \$9 million, 0.50% on the next \$40 million and 0.45% on the remainder. Actual investment advisory fees incurred by clients may vary.

# GA Non-Taxable Composite Annual Disclosure Presentation



Year End	Total Firm Assets (USD) (millions)	Composite Assets (USD) (millions)	Number of Accounts	Annual Performance Results Composite		MSCI ACWI NET Index	Composite Dispersion	Composite 3 Yr Standard Deviation*	Benchmark 3 Yr Standard Deviation
				Gross	Net				
2019	503,538,386	155,994,993	39	23.18%	22.44%	26.60%	1.19%	8.53%	11.22%
2018	427,296,957	126,142,292	37	-2.52%	-3.10%	-9.42%	1.32%	8.25%	10.47%
2017	569,205,271	159,685,237	48	19.57%	18.87%	23.97%	1.51%	7.77%	10.36%
2016	512,892,791	124,991,731	47	1.74%	1.13%	7.86%	1.98%	8.37%	11.06%
2015	538,130,103	123,436,957	46	0.59%	0.01%	-2.36%	1.41%	9.20%	10.79%
2014	506,466,409	85,365,690	40	1.46%	0.87%	4.16%	1.70%	7.83%	10.50%
2013	441,918,410	65,812,190	30	18.90%	18.20%	22.80%	2.36%	7.57%	13.94%
2012	367,189,700	49,105,265	28	7.07%	6.40%	16.13%	2.38%	10.54%	17.13%
2011	320,819,167	41,252,098	23	8.64%	7.97%	-7.35%	1.83%	11.34%	20.58%
2010	315,920,300	40,208,260	24	10.39%	9.70%	12.67%	3.32%	14.44%	24.49%
2009	268,677,686	41,587,794	23	15.77%	15.07%	34.63%	2.39%	N/A	N/A
2008	230,244,245	35,056,173	22	-13.39%	-13.93%	-42.20%	3.10%	N/A	N/A

N/A - The 3 year Standard Deviation statistic is not presented for periods where 36 months of composite performance is not available.

## Global Appreciation Non-Taxable Composite

includes all portfolios that seek long-term appreciation with a focus on capital preservation through active risk management. Portfolios are built using a top-down methodology based on proprietary macroeconomic scenario analysis combined with bottom-up stock selection that integrates environmental, social, governance guidelines. The portfolios that are included in this composite are not subject to taxation and are compared to an all common stock benchmark but can invest in different asset classes such as bonds and cash. Performance for this composite is compared against the MSCI ACWI Index (net), an all common stock benchmark. The minimum account size for this composite is \$300,000. The creation date for the composite is 12/31/07 though the firm has been managing this strategy since 12/31/1997.

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# GAI Non-Taxable Composite Annual Disclosure Presentation



Year End	Total Firm Assets (USD) (millions)	Composite Assets (USD) (millions)	Number of Accounts	Annual Performance Results Composite		70% MSCI ACWI NET/ 30% Barclays US Gov/Cred	Composite Dispersion	Composite 3 Yr Standard Deviation*	Benchmark 3 Yr Standard Deviation
				Gross	Net				
2019	503,538,386	65,683,002	29	18.98%	18.24%	21.55%	2.66%	6.54%	7.78%
2018	427,296,957	44,915,192	21	-0.75%	-1.36%	-6.60%	1.27%	6.40%	7.36%
2017	569,205,271	46,225,533	22	14.34%	13.70%	17.65%	3.97%	6.08%	7.26%
2016	512,892,791	56,459,265	22	1.39%	0.81%	6.55%	1.01%	6.54%	7.79%
2015	538,130,103	41,275,117	24	-0.08%	-0.71%	-1.41%	1.42%	7.17%	7.70%
2014	506,466,409	30,268,501	21	1.64%	1.00%	4.78%	1.69%	6.02%	7.46%
2013	441,918,410	28,973,147	19	13.38%	12.66%	14.76%	5.27%	5.80%	9.66%
2012	367,189,700	26,208,668	17	6.34%	5.70%	12.87%	2.56%	8.68%	11.65%
2011	320,819,167	26,767,578	15	7.78%	7.14%	-2.42%	1.65%	9.80%	14.45%
2010	315,920,300	25,959,913	10	8.84%	8.18%	11.35%	N/A	12.51%	17.58%
2009	268,677,686	9,074,074	4	14.42%	13.91%	25.40%	N/A	N/A	N/A
2008	230,244,245	11,221,966	4	-12.06%	-12.59%	-30.07%	N/A	N/A	N/A

N/A - The 3 year Standard Deviation statistic is not presented for periods where 36 months of composite performance is not available.

n/a - Dispersion is not presented for periods when there are less than six accounts for the full calendar year.

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