

A scenic landscape photograph of a mountain valley. In the foreground, a calm lake reflects the surrounding mountains and sky. The middle ground shows a valley with a large glacier or snowfield. The background features rugged, rocky mountains under a clear blue sky with some light clouds. The overall color palette is dominated by blues, greens, and earthy tones.

Forty4 Financial

A Member of Advisory Services Network, LLC

IMPACT REPORT 2021

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At Forty4 Financial, we believe investments can and should do more than solely focus on the financial return. In addition, they can work towards creating a positive change in the world we live in.

As part of the investment screenings we perform, we follow the principles of the **Triple Bottom Line – People, Planet and Profit**.



People: Pay fair wages, provide safe working conditions, support the local community.

Planet: Reduce ecological footprint, increase renewable energy, reduce waste production.

Profit: Make money by supplying a product that people want, at a price they are willing to pay.

The idea behind the Triple Bottom Line is based around the inter-dependence and well-being of both corporate, labor and other stakeholders, and takes the indirect and non-financial impacts into consideration as part of evaluating the company.

Often, there is a positive financial result from improved practices, e.g. through lower labor turn-over and more efficient use of resources (incl. less waste production). The companies that excel within this framework are often more agile and can react faster to changes in consumer tastes, as well as act more nimbly in the ever-evolving political environment. This can give them a competitive advantage and a better long-term value proposition from an investment point of view.

Sustainable Development Goals



The Sustainable Development Goals (SDGs) were born at the United Nations Conference on Sustainable Development in 2012. The objective is to produce a set of universal goals that meet the urgent environmental, political and economic challenges facing our world (SustainableDevelopment.un.org).

We use the 17 SDGs as a part of the framework for evaluating our investment lineup, and to gauge how each investment aligns with the SDGs and the Triple Bottom Line. Even the best of companies can not make a significant impact in all areas and should only be measured against those of the SDGs that are within the scope of their business and geographical area.

Philosophy

In our opinion, we do not believe the markets fairly value the growth opportunities supported by the long-term trends shaping our economy, or the risks associated with poor environmental, social or governance practices.

By applying the Triple Bottom Line and SDG screens to our investments, we try to unlock long-term competitive advantages and potential financial outperformance.

When evaluating the performance of the portfolio we manage, we look both at the financial return compared to the relevant benchmarks, but also how the Triple Bottom Line principles measure up.

We measure across several different themes, and on the next page you will find how the aggregate managed portfolio of Forty4 Financial compares to the benchmark in various categories;



The Forty4 Portfolio

Category	Improvement compared to benchmark	Description
Alternative Energy	 >200%	Percent of Revenue generated by alternative energy goods and services
Carbon Footprint	 49%	The amount of carbon emitted relative to revenue
Tobacco	 100%	Investments that derive a significant portion of revenue from production or distribution of tobacco
Labor violations	 84%	Known labor norms violations
Gender equity	 16%	Percentage of portfolio where women comprise at least 30% of the board
Water stress	 11%	Operations or lines of business that are typically highly water intensive, and which operate in water-stressed regions

Data and descriptions from Vestive and AsYouSow.com as of 12/31/2020.

Examples of impact

The various measures of impact can be more or less intuitive.

One of the easiest to “translate” into everyday terms is the **carbon footprint**. A 49% reduction compared to the benchmark, as listed on the previous page, is the equivalent to the carbon emissions from more than *100,000 miles driven by an average car* for each million dollars invested.

The 100% improvement in **tobacco exposure** is also quite straight forward – the portfolio contains no investments that are involved in the production or distribution of tobacco. Besides the health hazards to the individual (and surroundings) from tobacco use, and it can also come with significant cost to society through increased medical costs and lower productivity – thereby affecting many more people indirectly.

An area that is undergoing a lot of scrutiny and increased attention is **gender equity and diversity**. Besides the goal of treating men and women equally (equal pay for equal work), it can have a substantial impact on the long term performance of companies. With more diverse input and views in the decision-making process, you tend to take less risk and find more varied



solutions to a given situation. It can be measured in a variety of ways, including representation of women on boards, diversity of workforce, pay differences at each level, or if the management composition at various levels reflect the work force in general (i.e. if there is a bias as to who is offered a promotion). Some of the investment funds we utilize at Forty4Financial are very involved in the advocacy for more transparency from companies, as there tends to be a direct correlation between measuring something and having a focus on improvements in that area.



***Trying to choose between
making money and
making an impact?***

You can choose both!

Disclosures

This report is based on information deemed reliable and correct at the time of printing. Portfolio details as of 12/31/2020. Only mutual funds and ETFs that are covered by our service providers have been included in the report, and the results are deemed to be a fair representation of the portfolio as a whole.

Each portfolio and client we work with has their own characteristics, and may or may not be representative of the above impact measures.

Carbon emission equivalencies from epa.gov.

Photo credits:

Mountain lake by Daniel Roe, Unsplash.

Tree by niko photos, Unsplash.

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