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LYDIA TOMKIW, REPORTER, FUNDFIRE ALTS: I'm Lydia Tomkiw, hedge fund reporter with FundFire Alts, and joining me today is Michael Rosen, principal and CIO at Angeles Investment Advisors.

I wanted to start off with the hot topic du jour which is ESG and impact investing and ask you what you're hearing from clients and also what you're seeing in the hedge fund and broader alt space, if there are some interesting products and options out there or if it is still very early days in the space.

MICHAEL ROSEN, PRINCIPAL, CIO, ANGELES INVESTMENT ADVISORS: I still think it's actually very early days in the space, but I think there's certainly a growing interest among investors for how to incorporate ESG principles into the investment process. I think there's no right answer and there's still a lot of questions about the right approach.

So, for example, the older generation of trustees of foundations and endowments, which are our principal client base, had the view of just earn as much money as you can with the portfolio, as long as it's legal. And then use that money and spend it on the grants or supporting the operations of the organization.

I think today the view is aligning the values of the organization with the investment strategy is equally important. I think what's changed is we've gone from taking ESG principles as one of maybe 50 factors to consider in making an investment to one of the two or three most important factors in making an investment. So it's become—and part of this is generational, I think—but it's really become a critically important, central focus for many trustees.

So the question then is how do you implement that? How do you actually employ these factors into what you're doing? And there's no one answer, one right answer for this. While I think divestment perhaps brings a moral clarity to an investment approach, it doesn't actually have any impact, I believe, in affecting behavior or effecting change. And rather than disengaging with companies arguing for investors to engage with companies.

LYDIA TOMKIW: An activist approach.

MICHAEL ROSEN: To be active in expressing their views and concerns and values and looking for real change going on. And I think there's many examples of companies being very responsive to investors agitating for change.

More recently, last year, December 2018, Royal Dutch Shell Oil Company, for example, made a firm commitment to reducing emissions and tying executive compensation to reducing emissions. And that came from shareholder activism, particularly led by the Church of England, which was the principal shareholder there, was very effective in getting emissions reductions, a commitment from that particular company.

So I think engagement with companies actually is a far more effective way of expressing values with respect to investments, rather than disengaging and not investing in a company. Again, I appreciate divestment from a moral clarity perspective, but I don't think it's actually an effective strategy for effecting change.

The other thing I note, and I say to our clients, is ask what can you do, individually and organizationally, to express the values that your mission supports? So, for example, if carbon emissions is an issue and a concern, do you have solar panels on the buildings of your campus? Do you encourage people to walk or bike to work or take public transportation? Are there things that you can do—are you recycling as much as you can at the company? So I think there are things that can be done both individually and organizationally and then well as engaging companies to effect real change rather than just simply saying we just don't want any part of that.

But I do think that the overall principle here is that this notion that expressing the values of an organization in the investment portfolio is clearly as important a factor as past performance and investment process and the quality of the people in the firms when making investment decisions.

LYDIA TOMKIW: Great, Michael, thanks so much for being here.

MICHAEL ROSEN: My pleasure, thank you.