Sustainable investing:

A personalized approach to investing

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What is sustainable investing?

With sustainable investing, you can choose to invest in a purpose-driven, personalized way. Sustainable investing strategies consider corporate responsibilities toward environmental, social and governance (ESG) factors or personal values that may be important to individual investors. Some sustainable strategies prioritize a broad spectrum of ESG considerations along with prioritizing traditional financial metrics and returns. Other sustainable strategies align with values and personal beliefs by excluding certain investments or making investments that target issues or themes important to you.

Increasingly, investors are considering sustainable investments. Some investors may want to encourage better corporate behaviour or make a positive environmental or social impact. Others may want to align their portfolios with their own values and personal views.

Regardless of your reason, there are many ways to invest sustainably. It's important to work with your financial advisor to determine the best approach for you.

What you need to know

- Sustainable investing is a personal choice. You can build a well-diversified portfolio and achieve your financial goals with or without a sustainable strategy. But a sustainable approach may align with your purpose and help you meet your nonfinancial goals.
- Sustainable investing includes two broad categories that have different objectives and implications for investors: ESG investing and values-based investing.
- Make sure the goals and objectives of a sustainable investment align with your expectations. Your financial advisor can help you understand any trade-offs so you can decide what's right for you.

Generally, there are two approaches to sustainable investing: ESG investing and values-based investing. Values-based investing focuses on targeting issues, investment themes and causes important to you, while ESG investments consider a broad set of environmental, social and governance factors. Additional details on each approach are explained on the following pages.

Two broad approaches of sustainable investing are:
1. ESG investing
2. Values-based investing

1. ESG investing

ESG investing incorporates a broad spectrum of environmental, social and governance considerations along with more traditional financial measures.

- **Environmental —** Considerations include climate change, natural resource use and pollution. Companies can reduce carbon emissions, invest in renewable energy, decrease pollution or conserve water resources to reduce environmental risks and create opportunities.
- **Social —** Considerations include workforce well-being, product liability and social opportunities. Companies can ensure gender pay equality, prioritize safe supply chains, create positive relations with their workforce and build strong cybersecurity systems to protect consumers.
- **Governance —** Companies can institute stronger ethics policies, improve shareholder voting structures and provide better transparency on their financial reporting and accounting policies to best reflect the state of the business.

ESG-related risks and opportunities can be material to a company's financial performance and therefore may impact investment performance. For example, a company that pollutes may be at higher risk of increased expenses from environmental cleanup costs. Alternatively, a renewable energy company may represent a good investment opportunity as sources of power generation shift. As a result, many company management teams incorporate ESG considerations into managing their businesses.

ESG integration — Most traditional money managers and analysts consider environmental and social risks and opportunities, in addition to corporate governance, if financially material to the investment decision.

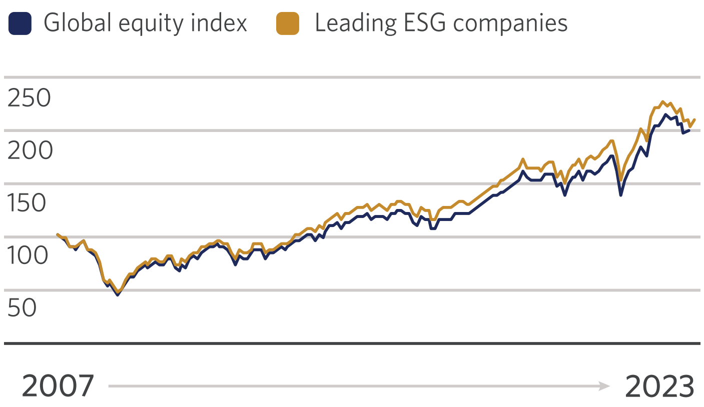
ESG intentional

If you are interested in an ESG intentional investment approach, you can invest in individual companies that meet the ESG standards you are comfortable with or invest in ESG intentional funds. ESG intentional funds prioritize ESG considerations *alongside* traditional financial measures and explicitly indicate some level of ESG consideration in their fund design. These funds generally have access to dedicated ESG research teams, leverage proprietary ESG data and investment processes and engage with company management teams to encourage corporate responsibility on a range of ESG issues. Some mutual funds and exchange-traded funds (ETFs) available at Edward Jones are considered ESG intentional funds and are labeled accordingly.

Performance considerations

Like traditional funds, ESG intentional funds perform differently depending on various factors, including the investment team's skill, the strength of the investment process and each fund's internal expenses. The prioritization of ESG considerations alongside traditional financial measures should have a neutral impact on performance. To identify ESG intentional funds that we expect to outperform their benchmark, consider those recommended by Investment Manager Research.

While all investments perform differently over time, this chart compares a broad group of global companies to those with the highest MSCI ESG ratings. MSCI is a third-party ESG ratings provider that evaluates companies' exposure to ESG risks and opportunities, and their ability to manage them. The group of highly rated ESG companies performed roughly in line with the broader group.



Source: Morningstar Direct. Index performance measured from 10/1/2007 to 6/30/2023. The Global Equity Index is represented by the MSCI ACWI NR index and Leading ESG Companies is represented by the MSCI ACWI ESG Leaders NR index. Indexes are unmanaged and not available for direct investment. Past performance is not a guarantee of future results.

2. Values-based investing

Values-based investing helps align your portfolio with your personal values by excluding certain investments or targeting issues that are important to you. However, there are potential risks or trade-offs with this approach. Values-based investing may prioritize a nonfinancial goal or theme over financial returns. For example, if you are interested in climate change solutions, you could invest in companies or funds that focus on clean energy. You can also exclude entire segments of the market, such as tobacco companies, or investments that engage in certain business practices, such as animal testing.

Potential for lower returns and limited diversification

Before choosing any investment, though, it's important to understand its goals and objectives. An investment may value nonfinancial goals more than financial returns. Also, introducing too many exclusions or focusing on a narrow area of the market may decrease your portfolio's diversification and lower its return.

How you can take action now

- Work with your financial advisor to determine whether you'd like to focus on sustainable investing.
- If you'd like to include sustainable investments in your portfolio, you can choose from mutual funds, ETFs and/or individual securities.
- If you want to reposition your portfolio, talk with your financial advisor about the best way to adjust your portfolio in light of taxes and other costs.

Sustainable investing: Understanding the approaches

ESG and values-based investing can be accomplished in a variety of ways, each with different objectives, applications and potential outcomes, and can be highly personalized. As we continually evaluate sustainable investing, we recognize the ongoing evolution of industry standards, regulatory expectations and ESG data.

Sustainable investing is a choice. You can build a well-diversified portfolio and achieve your financial goals without it. But a sustainable investing approach may help you meet your personal nonfinancial goals.

If sustainable investing aligns with your goals, keep in mind your overall portfolio objective when making additions or substitutions.

The table below shows various considerations and approaches to sustainable investing.

	What are your sustainable investment goals?	Performance considerations*	Investments
ESG Investing			
Intentional	Encourage better corporate behaviour by prioritizing a broad spectrum of ESG considerations alongside traditional financial metrics and performance	ESG considerations are expected to have a neutral impact on performance. ESG intentional funds are broadly diversified within their asset class, and their performance depends on various factors, including the quality of the investment team and process, and the fund's fees. Funds recommended by Investment Manager Research are expected to outperform their asset class benchmark over the long term.	Edward Jones' recommended ESG intentional mutual funds and ETFs, as well as other ESG intentional funds. ESG intentional strategies may use best-in-class comparison, business exclusions and/or targeted investment themes. Edward Jones' ESG intentional sample portfolios, which align with Edward Jones' investment guidance, use recommended ESG intentional mutual funds and ETFs.
Values-based investing			
Thematic	Target a specific area of investment that aligns with your values	Potential for lower returns and limited diversification due to: • Narrowly focused investments • Prioritization of nonfinancial goals • Stringent investment criteria • Too many exclusions	Mutual funds and ETFs May exclude or target investments that align with a theme or themes Example: ETFs focused on clean energy
Impact	Pursue a measurable social impact that may not be financially oriented		Mutual funds, ETFs and individual bonds (limited options available) Example: Funds with a measurable goal of supporting low-income housing
Exclusions	Avoid businesses that don't align with your preferences or values (e.g., alcohol, animal testing, nuclear power)		Individual securities (stocks and bonds) You can exclude certain investments from your portfolio based on your preferences

*Performance implications can vary depending on the individual fund's strategy. Additionally, all investments perform differently over time.

Investors should understand the risks involved in owning investments, including interest rate risk, credit risk and market risk. The value of investments fluctuates, and investors can lose some or all of their principal.

