



Introduction

Socially Responsible Investing (SRI), Environmental, Social, Governance (ESG) Investing, and Impact Investing are three of the most rapidly growing segments of the asset management industry today. What it means to be an SRI or an ESG investor, however, can mean different things to different investors. The purpose of this book is to provide clarity and transparency as to the SRI screening used in New Covenant Trust Company's SRI portfolios, and to compare and contrast the best in class, commercially available SRI mutual funds in NCTC portfolios with the screens applied by the Presbyterian Church (U.S.A.) Mission Responsibility Through Investment committee.

PC(USA) and MRTI

The PC(USA) and its agencies have been long-time participants in shareholder advocacy efforts for positive social change through their investments. As an early adopter and innovator in the Socially Responsible Investing movement, the PC(USA) and its Mission Responsibility Through Investment (MRTI) committee have been active for decades in corporate engagement causes such as human rights and environmentalism. Currently, the General Assembly of the PC(USA) urges divestment of approximately 50 companies due to their involvement in military-related production, tobacco, human rights violations, or operating for profit prisons. In addition to divestment, the MRTI committee regularly joins with coalitions of other socially responsible investors in engaging with companies to make positive change through correspondence, dialogue, voting shareholder proxies, and occasionally filing shareholder resolutions.

New Covenant Trust Company

As an independent investment manager with an open architecture platform, New Covenant Trust Company (NCTC) is able to provide a high level of customization and flexibility in building portfolios for investors. In the past decade, a wide variety of Socially Responsible (SRI) mutual funds have become available in the marketplace, enabling everyday investors to invest according to their values at much lower minimums than had typically been the case. While almost always screening out military weapons and tobacco, the various funds across multiple mutual fund parent companies can differ in their emphasis on other screening factors such as environmental sustainability or casino gambling, or their definition of factors such as military contractor or alcohol distributor.

At NCTC, we strive to build SRI portfolios with low fees, broad diversification, and compelling investment merit- while maintaining the values and principles of the PC(USA) social witness policy. Some funds in the portfolio may have additional screens than what is part of the PC(USA) MRTI list, while others may not specifically exclude certain companies who are on the list for very specific reasons (Caterpillar due to their products usage in the Israel/Palestine conflict), but have very little or no holding in the company nonetheless. The resulting portfolio, in our view, provides investors with a compelling, low-cost, diversified investment portfolio which is >98% compliant with the exact specifications of the PC(USA) MRTI list, and fully compliant with the spirit and values of the socially responsible investing movement in general.

Portfolio Customization or Special Screens

NCTC does offer investors the opportunity to customize their SRI screens by purchasing a diversified portfolio of individual stocks. This large cap U.S. equity portfolio, which is built to track the S&P 500 index, can be customized to screen out virtually any category that is important to the investor, including: Alcohol, tobacco, weapons, nuclear power, fossil fuels, adult entertainment, or gambling. If a specific company is offensive to the investor, the exclusion can be at the individual company level as well. Due to trading costs, these options are subject to investment minimums and may not be appropriate for accounts with regular and significant cash flows. Please ask your Relationship Officer for more details if you're interested in this option.

Impact Bond Investing

One of the more recent developments in SRI investing has been the rapid growth of impact investing. Impact investments generally describe investments, or loans, which fund projects or organizations that have a direct social or environmental impact. Examples of these bonds include loans which fund affordable housing construction, renewable energy projects, or global health/vaccination programs. Investors in these bonds not only receive a market rate of interest return, but also directly contribute to social projects that matter to them. NCTC is proud to partner with two separate bond fund managers to invest a portion of our SRI portfolios in impact bonds. Stories of the projects this capital has helped fund is available upon request.

