



**BLB&B Advisors, LLC**  
FINANCIAL GUIDANCE SINCE 1964<sup>SM</sup>



## Socially Responsible Investing

### Where your financial goals and personal convictions intersect

Are you looking for a way to integrate your personal values into the way you invest for your future? Is it important to you that the companies you invest in are good corporate citizens? If yes, you may want to consider asking BLBB to incorporate a socially responsible investing approach into the management of your investment portfolio.

Not all that long ago, socially responsible investing was a niche market dominated by a relatively small number of mutual fund offerings sporting high expense ratios and often less than stellar performance. Over the years, however, socially responsible investing – which is also often called sustainable investing or ESG (environmental, social, governance) – matured and is now readily accessible to investors. Indeed, over the last 5 years, the number of reasonably priced investment vehicles across multiple asset classes that incorporate a wide variety of socially responsible investing strategies has exploded. It is now possible to build well-diversified and socially responsible portfolios without making significant compromises on fees or performance.

Since our founding over 56 years ago, we consistently have relied upon several basic socially responsible investing principles to help guide our individual security selections for client accounts. These principles include finding companies that:

1. Treat their employees fairly,
2. Are responsible corporate citizens, and
3. Are not engaged in certain controversial industries such as gambling, guns, alcohol, marijuana, and weapons of mass destruction

Over the years, we have found that companies who abide by these principles also tend to be well-managed and innovative industry leaders. We incorporate these principles into our individual security selection process because we have always believed it is important to prioritize high-quality investments that also embody the values we and many of our clients hold dear.

We continue to apply these same principles today. Now that socially responsible investing is more mainstream, there is far better access to information about how socially responsible (or not) a particular investment might be. Also, the growing number of socially responsible ETFs and mutual funds has resulted in lower fees, higher quality funds, and many more choices across a wide variety of asset categories.

**PLAN. INVEST. SUCCEED.®**

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While the quality and quantity of socially responsible investment options is vastly improved over what existed just a few years ago, you should recognize that socially responsible ETFs and mutual funds often charge expense ratios above those charged by passive index funds. While the fee gap has narrowed significantly in recent years, it still exists.

Also, you should understand that socially responsible funds may not always behave like the well-recognized major market indices, such as the S&P 500, that they almost might look like. Recently, a number of US large cap socially responsible ETFs have handily outperformed the S&P 500. The reasons for this relate mostly to the socially responsible metrics and criteria used for including or excluding US large cap equities inside these socially responsible funds. For example, technology companies tend to perform well and fossil fuel companies tend to come up short when measuring socially responsible criteria – especially environmental criteria. As a result, many US large cap socially responsible funds tend to be overweight technology and underweight traditional energy in comparison to the S&P 500. Fortunately, that has worked out well over the last year or so because of the tremendous outperformance of many technology stocks. But, this will not always be the case. There will be times when less socially responsible industries or companies outperform in comparison to more socially responsible companies or industries.

If you want to learn more about socially responsible investing and how you might incorporate it into your portfolio, please contact your BLBB financial advisor or [Robb Parlanti, CFA](#), BLBB's Director of Investment and Trading at 215-643-9100.