4 Ways to Incorporate ESG Funds in Client Portfolios

Consider these approaches to help clients pursue their sustainable investing goals.

Although interest in sustainable investing is widespread, how you actually incorporate ESG strategies in each client's portfolio depends on the goals they're trying to achieve. Fortunately, advisors have many ways to add sustainability exposure to a portfolio. Here are four common client goals and how you might adjust their portfolios accordingly.

Motivation | **Action** | **Considerations**

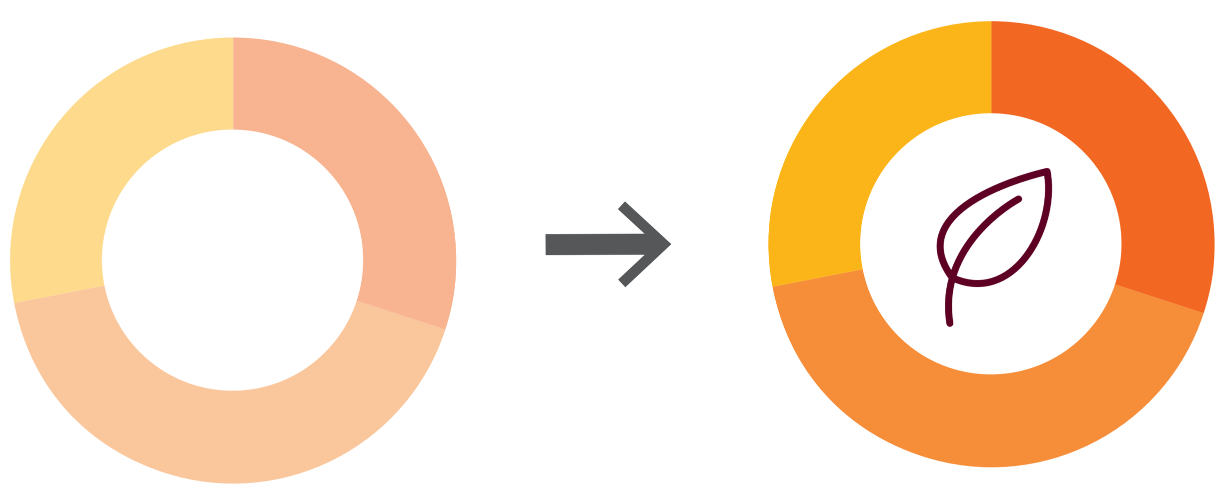
"I want to take small steps into ESG."

Your client is happy with their portfolio but concerned about sustainability risks, like fossil fuel exposure.

You can add a stand-alone ESG fund to help offset sustainability risks elsewhere in the portfolio.

When adding a fund, beware of introducing new risks, such as overconcentration due to overlap with other funds.

"I want a fully sustainable portfolio."

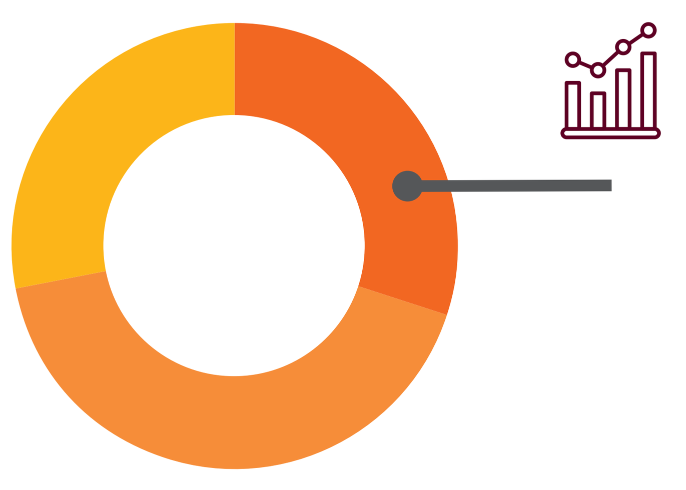


Your client views ESG as a way to address and manage risk, return potential, and sustainability issues across their entire investment strategy.

You can recreate their existing core portfolio with ESG strategies that offer similar risk/return profiles and benchmark exposures.

Finding funds with complementary market exposures requires more research. And selling funds could trigger taxable events in non-retirement portfolios.

"I want to manage risk in a specific part of my portfolio."

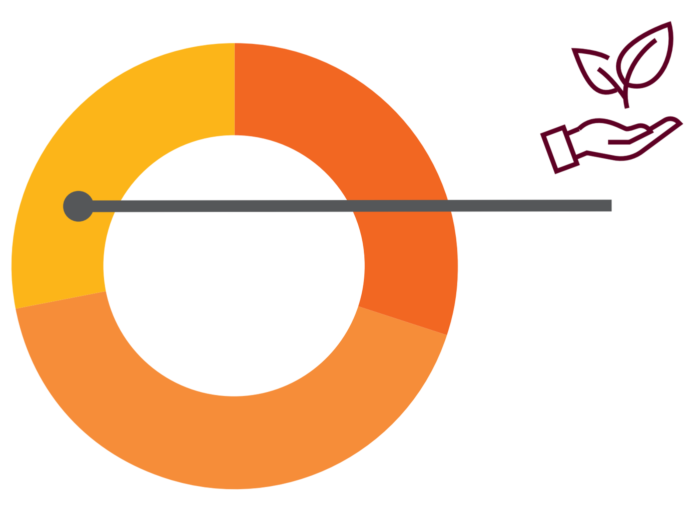


A client investment is particularly vulnerable to sustainability risk — for example, a high carbon risk due to concentration in utilities.

Swap that fund with a sustainable option that uses ESG criteria to manage risk while preserving the strategy's primary characteristics.

Check the construction of ESG funds to match the risk and return profile of the fund you're replacing.

"I want to support a specific sustainability issue."



Your client is interested in sustainability-focused industries or has strong interest in a cause such as gender or racial/ethnic diversity.

Add an ESG fund that targets the area of interest while leaving their existing allocations in place.

Narrowly focused strategies may carry higher risk, so help your client allocate an appropriate amount to this new investment.

Your clients' goals are always the starting point for developing an ESG investing strategy.

Visit our ESG Hub to sign up for a questionnaire to learn more about your clients' ESG priorities.

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