



The Community Foundation OF FREDERICK COUNTY

The Sustainable Focus Option - Frequently Asked Questions

When you create a fund with the Community Foundation, you can recommend one of five investment portfolios for your fund. In keeping with our mission to enrich the quality of life in Frederick County now and for future generations, and our goal to create a more sustainable and inclusive, equity-focused community foundation, we are proud to be offering an additional investment choice: the “Sustainable Focus Option” in addition to our more traditional investment options.

What is sustainable investing?

Sustainable investment portfolios have the dual objectives of generating strong investment returns while also having positive effects on society. Investors often construct a sustainable portfolio by screening out companies that are rated poorly on sustainable factors and then refine their selection by giving extra weight to the stocks and/or bonds of companies with high ratings for sustainability.

What are some of the benefits of sustainable investing?

Investors have the option to allocate money in a way that is consistent with their values. Put simply, a sustainable portfolio is a portfolio with a purpose. Donors can recommend that their fund be invested in ways that aim to have a positive impact on people and the planet, via the Community Foundation’s Sustainable Focus option.

Why are more organizations, including the Community Foundation, providing a sustainable investment option?

Bloomberg predicts sustainable investments will exceed \$53 trillion by 2025 – one third of total assets under management. With over 75% of investors in a recent survey indicating they would consider sustainable criteria over the next 3 to 5 years, we believe it is important to offer donors this option.

Who makes the decisions about investing at the Community Foundation?

The Community Foundation utilizes Asset Strategy Consultants as its investment consultant and leverages a volunteer Investment Committee to oversee the framework of the investment portfolio. The Investment Committee reviews investment performance with the consultant, creates investment strategy, develops investment and distribution policies, and approves investment managers. Community Foundation staff works closely with Asset Strategy Consultants, Investment Committee members and investment managers.

What are some of the challenges related to sustainable investing?

While there are many benefits to sustainable investing, measuring success can be difficult. There are no universally accepted standards for quantifying the effects of a company’s sustainability activities. Investors should be mindful of “greenwashing” – instances of inflating a company’s socially responsible credentials.

There are also some challenges related to confusing terminology – words like “sustainable,” “impact,” “socially responsible” and acronyms like “ESG” (meaning a focus on Environmental, Social, and Governance factors) can be used interchangeably, often with different intent. This is why working with our Investment Committee and consultants to address these challenges is an important part of our process.

Does sustainable investing mean weaker returns?

In the end, sustainable investors want the same thing as any other investor – competitive financial returns. While one might presume that investing for anything other than shareholder value results in lower returns, evidence shows companies that prioritize sustainable issues can realize superior long-term financial performance. Research suggests a positive correlation between companies that do good and companies that do well financially – and by extension, do well for shareholders. However, like any investment, sustainable investments carry risk, and performance is not guaranteed.

Is the Community Foundation’s Sustainable Focus option all about climate change?

Because the Community Foundation has a focus on enriching the quality of life now and for future generations, climate change is naturally part of the focus for this option. But we are also interested in companies that are committed to ethical practices in other areas, including social efforts like diversity and fair wages, and strong governance including reasonable executive pay and strong board structures.

How will the Community Foundation assess this portfolio to ensure it’s achieving its vision?

We review all investment options on a regular basis to make sure we are meeting our performance standards. For the Sustainable Focus option, we will review performance quarterly and review the holdings of our funds annually to make sure they are aligned with our expectations.

What is the asset allocation for the Sustainable Focus option?

The Community Foundation’s investment policy statement provides asset allocation parameters for the Sustainable Focus option.

How is the Sustainable Focus option expected to perform in comparison to the Community Foundation’s four other investment options?

Like all of our investment options, we expect funds in our Sustainable Focus option to generate returns in line with their associated asset classes.

Can I change how my Community Foundation fund is invested?

You can make a voluntary recommendation to move your Community Foundation fund from its current investment option to the Sustainable Focus option. The Community Foundation Board of Trustees will review all recommendations and will approve the recommendation at its discretion.

Learn more about the Community Foundation at FrederickCountyGives.org or call 301-695-7660.