

Ralph: Andrew, we should probably get started with a little bit of conversation about ESG and social responsibility and that sort of thing. So for those who don't know, Andrew is with -- oh, wait a minute, I've got a disclosure I'm supposed to read. "Securities offered through LPL Financial, a member FINRA/SIPC, Andrew Olig, Calvert Research and Management Need Advanced Management are not affiliated with LPL Financial and Enduring Wealth Advisors®." Okay, so now that we got that out of the way, I'm legal. And we are recording, by the way. First, thank you, Dori, for making Andrew available to us. When we started doing these open hours, we realized we wanted to get some people that we could talk with, and Dori was one of the very first people to say, "Hey, yeah, let's try and do something." And the area of ESG is obviously an area of expertise that Eaton Vance saw value in and went out and acquired Calvert Research, which has been doing it for 30 years now... 20 or 30 years?

Andrew: We do, yeah.

Ralph: For a very long time, probably the leading -- at least in the mutual fund space -- the leading experts in social responsibility. But more importantly, with this notion of ESG -- you want to describe what ESG really means and how that plays out, Andrew?

Andrew: Yeah, and thanks for having us and for everybody joining us. So the idea of ESG is really looking at nontraditional factors when you build your mosaic of research on a company on whether you would invest in them or not on behalf of a client. And so, in addition to looking at any financial research, looking at the company, the leadership of the company, thinking about their competitive positioning, you look at things that used to be outside of the balance sheet, things that take into consideration environmental footprint. So, greenhouse gas emissions, CO2 emissions, water use, how much waste a company creates. So that's that "E"-piece, and it's fairly easier to **price** in 'E' today. And you know, we kind of understand that. The "S"-piece is kind of a bigger bucket and a much, I think, broadening bucket when you think about social issues. Issues like supply chain -- where do you get the ingredients that you put in products that you sell to me, as a company? How do you market those products? How do you treat your **human** capital, i.e. the folks that you employ? How does your relationship look with your customers? So that's that social bucket. You think about things like product safety. And then governance, that's that "G"-piece. Corporate governance -- how a company is structured, how transparent the company is with investors, because investors want to know a lot of this information. What does the board look like? Do you have diverse programs to attract a diverse work set, a talented work set? And so that's kind of the E, the S and the G pillar, and it used to sit kind of outside of traditional financial management. But in today's world, we're really seeing a rapid acceleration of companies really trying to **price** in how these ESG issues affect how a company trades on the stock market.

Ralph: So you're saying that we're seeing a -- get priced in -- there's companies that are pricing this information in? Now, you're talking about investment advisory firms, but isn't there some evidence that companies that behave in these manners actually perform well?

Andrew: Yeah, that's the cool thing about it. So what we found -- and this is just kind of a macro level -- but what we've found is that companies that have elevated ESG programs and practices, or companies that have an elevated ESG score or level, tend to have better return on invested capital, better market performance, better accounting performance in equities. On the bond side of things, companies that have a more elevated ESG level tend to have a lower cost of capital, i.e., the rate at which they borrow seems to be lower and they default less. And then the cooler thing about it is when you look at periods like today or 2000 or 2008, they're really challenging markets for an investor. Companies that have a better ESG level tend to have more of a cushion in these very volatile markets. And so there's real evidence that you can actually use these lenses to better allocate and better construct a portfolio.

Ralph: Cool. So we had talked before about the evolution of ESG and what it grew out of. You want to address a little bit of that? I mean, the history of investing for what used to be called "social responsibility".

Andrew: Yeah, so it's interesting. It's really evolved historically. Some form of responsible investing has been around since the 1600-1700s -- the monks and how they wanted to invest in certain ways. But in modern-day, in modern Wall Street [00:31:46 - inaudible] really ESG investing started in the late '70s and early '80s as companies started to say, "There's certain behaviors or certain types of companies that we don't want to profit off of." As a matter of fact, our roots at Calvert, we had a trade union that said, "We don't want to profit off of human rights abuses." So Calvert, they called on us and said, "Figure out a way to make us money but figure out a way to do it that doesn't support companies that are doing business with these apartheid in South Africa."

So we were actually the first company to divest from human rights abuses with the apartheid. And that kind of set-off as kind of [00:32:29 - inaudible] moment moving forward into modern-day Wall Street where investors take a deeper look into, not only what they own, but what the companies that they're owning are doing from a behavioral standpoint. And you can see it translate to where like -- I think a second iteration was early 2000s, where this idea of the way that the SEC has structured the ability to own companies as an investment house -- you have these democratic levers that you can pull as an investor. So it really built out this disability to signal management through proxy voting and the filing of shareholder resolutions. So that was kind of ESG 2.0 -- the idea of being a real active and engaged investor, to push companies in the right direction.

And then today, where we have it -- if you think about 2020 and moving forward, is the idea of really thinking through the complete and diverse set of factors that affect the company, and applying those in a uniform manner across the global capital markets to really have a great portfolio set for a group of clients, but also have better environmental and social outcomes in addition to potentially better portfolio outcomes. And so, the idea of divestment or exclusionary, company activism and being an active owner to really nudge Wall Street in the right direction and companies in the right direction or today, what I would call "full integration" of all of these ESG factors across the board. So it's really evolved to where it's at today. And we could do a lot better for investors, frankly, today, than we could-- We did as good as we could have 42 years ago, but today you see much more consistent performance

and much more predictable outcomes for investors, just because of better data and better science around it.

Ralph: So one of the things that we were looking at, or one of the funds that we looked at in our last review that we worked with Dori on -- and I won't mention the fund because that might go into the recording and cause problems with compliance if we want to issue it later -- but there was a fund, a [00:35:00 - inaudible] and a Calvert's fund. The same exact management team, same as that fund, except there was one position difference between the two in the funds. One was Calvert, one was the other -- which was kind of interesting to us out of a fund that had 75 or so positions, you have one difference.

Which brings me to a question... By the way, I've got everybody muted. If you have a question, you can raise your hand or unmute yourself and kind of jump in. At the bottom of your screen is the reactions button. And I'm going to clap my hands and you see the claps go up on my window. If you want to get in or get something in there, that'll stay up for a second. But also, just unmute yourself and jump in. But Andrew, how would, for example -- energy. Let's just talk sector -- energy. I mean, there are all kinds of debates about whether solar panels, for example, are truly environmentally friendly because of the construction that goes into them and the damage they do to construct them, even though they're renewable energy. And then there's integrated oil companies. Big oil companies that... I mean, they behave responsibly. How does the ESG equation work with those companies?

Andrew: It's a pretty broad question, but I would say a lot of different -- it's pretty layered. But I guess from a top-down view, I think a broader term would be the idea of energy transition. The idea that we are globally transitioning away from fossil fuels and onto renewable energy. Regardless of what that arc looks like, if you're the biggest oil person advocate, they would say that peak oil is probably \$20.45... \$20.35 to \$20.45. We're going to see a peak in oil and then demand come down the other way. If you're the biggest renewable energy junkie in the world, they'd say probably \$20.25 to \$20.35. So a pretty tight gap. And where we see the ability for oil to peak and then the rest of the world from a policy perspective and from just a global build-out of infrastructure, where the ball is moving towards -- to use a really over-abused sports analogy, I guess. And so to think about solar is a part of it, wind is a part of it, storage is a part of it. But more importantly, I'll name -- there's an article in February, *The Top 10 Corporate Buyers of Green Energy* -- Google, Facebook, Amazon, Microsoft, BHP, QTS Realty, Walmart (Walmart, by the way, uses more energy than 17 US states. They're a big connoisseur of energy), The Ball Corporation, Anheuser-Busch and Starbucks. So it's not about these tiny companies that are just kind of trying to operate out of a garage. What are the biggest companies on the planet doing with their capital expenditure? Where are they driving this \$2 trillion marketplace? And how do we look at that through an ESG investors lens? Does that make sense? And now at Calvert's view, we would rather own companies with the ability to own companies that have, from a directionality perspective, the companies that are positioning themselves to take advantage of some of these long-term structural trends. And we would tend to avoid companies that have unmanageable risks associated with them that just might be structurally challenging for certain industries.

Ralph: So technology companies are the obvious ones where ESG, it's really easy, I think, for that to get in. But I would suspect there are some technology companies out there that probably don't pass muster on some of the -- really good on environmental but maybe not so much on social, or even worse, on the governance side. Got any good examples or any bad examples there for us?

Andrew: I can give you two. The way that we look at the world at Calvert is, we're really at the root of what we try to do. And we have a deep team of analysts that have expertise in these [00:39:50 - inaudible] things that I talk about. Environmental science, climate science, data science, human rights, supply chain science. The ability to really kind of price these things in that used to be kind of tangential, but now really have an impact into the share price value. So think about the business communication services, Microsoft. What was the big business that they're in, if you think about it?

Well, they want to deploy systems to businesses across the world, so they're in the business of hiring. So they employ a huge employee base. So do they have programs and do they treat their workers in a fair way? And then I'd say even probably more importantly to that -- more immediate to that -- is data security. When you operate in that particular business, you've got to protect your clients, your customers, and your own data. And so when you think about things that are material to that kind of business, Microsoft's the company that absolutely excels on treating their employees right and having programs in-house, and out of all the businesses we look at in that kind of business, some of the best data security and cybersecurity programs to date. So that's a company that really takes care of the stuff that really matters to their business. I would say--

Ralph: And the company's been at least modestly successful, I would say too.

Andrew: Exactly, yeah. And what I was saying, at Calvert, what we do is we [00:41:19 - inaudible] because ESG does not mean the same thing to all businesses universally. You got to be able to kind of navigate those waters. And so what we do at Calvert is try to understand what business is the company in? How do these ESG factors that are more prevalent today affect that kind of operator? And then more importantly, out of all the businesses in that stack, how do they all stack up? How is management executing and navigating those waters so we can understand who's in a leadership position and who's really lagging behind or isn't even aware that they're lagging behind? So I'll give you a conversed counterpoint. That fund that you were talking about, the one name -- I believe the difference is Facebook. Is that where we were going?

Ralph: Yep.

Andrew: Yeah. So we owned Facebook, and as an owner of the security we had engaged them on a host of things -- cybersecurity, have you figured out a business plan on what screen time does for kids and kind of the social impacts? There's real societal impacts to this. There's a lot of unknowns, I guess you could say, in the social media, cloud, IT-type kind of business. More importantly, though, they had lax programs in-house. They were kind of suspect. I don't know if they were implicit or complicit but on their platform, they potentially had the ability to have intervention from outside sources around an

election. We saw that. So that would be a social -- that's kind of a product safety issue -- just the fact that they were susceptible to this without managing through it. And I don't think that any of us were aware of it at the time. More importantly, though, when you think about structurally, how a company is comprised, all of the voting shares, no matter what Facebook does, we couldn't vote that board or that executive team out and try to turn the direction. Even if we bought up all the shares, because Zuckerberg and his tight group -- his control group -- owns all the voting class. So directionally, we as investors really had no say. And so those were two reasons where we were trying to kind of move them forward to a point as far as we could, and we just didn't get as far as we'd like to. So about a month and a half before that March period -- I think it was March of 2018 when they had the single biggest dollar drop in the history of our market, in one day -- but a month and a half before, we pulled the reins and actually exited that position because we weren't getting a good sense from the engagement on what direction they were going. Now, to be fair, they'd come back and I think recovered to go on and set a new high, but for a long time that volatility -- actually we were validated by moving out of that security. But that was what we'd call a governance reason for moving away from them. Keep in mind, that doesn't mean forever. That means just today. If they--

Peter: Sure, can I say a comment here? So I get clean investing, and a lot of people are heading that way, but does it limit you? For example, Ralph mentioned there's only 75 holdings. So if one of those holdings fluctuate, you're gonna see a bigger percentage change. How do you guys overcome the percentage of concentration in the portfolio?

Ralph: Hey, Peter, let me first clarify. The 75 holdings, I was using an example of two funds held through Eaton Vance. One is an Eaton Vance labeled fund and the other one's a Calvert-related fund, and there's about 75 holdings. That's not the limit of Calvert. And what they're doing has very little to do with that. It had to do with a specific example that I was giving there. But I'm gonna let Andrew explain it in more detail.

Peter: Okay, thank you.

Andrew: Yeah, great question. And just to take a step back, we cover the global capital marketplace. We actually have 20 different offerings or different flavors of different funds, ranging from real short, high-quality tactical cash throughout fixed income, small company, big company, large company, both US and non US, even into the emerging markets. So that was just one of our 28 strategies. And Calvert broadly we have a bespoke proprietary score on over 4,000 companies. I would say, probably the bottom 30% are ineligible, but broadly about 70% of companies that we [00:46:05 - inaudible] evaluate, at least borderline meet our set of principles. And so we actually run a couple of index offerings where you could benchmark it against the Russell 1000. And in that fund, we own about 750 names inside of that index offering. And so our universe is much more broad than that. This particular active strategy that we're talking about, takes that new universe but then employs a bottom-up fundamental approach to try to find out of those Russell 1000 companies, who are the 50 to 70 companies that have demonstrated the most consistent earnings growth. Because that's what that particular team looks for. So different styles or philosophies within the one lineup. Anything you'd add on that Dori?

Dori: I think it's a great question. When looking at more concentrated portfolios, obviously, if you have an S&P 500 as your benchmark and you're looking at the relationship to the investment you're trying to utilize versus that benchmark, a 500 name benchmark is going to have a lot more diversification. And diversification would be great, but -- and we, as active managers look at companies and we start to whittle down what are the best companies that we want to own. That's where that high-quality piece comes into play. So whether you're looking at the Eaton Vance fund or the Calvert fund in this example, we are looking at those companies that we think have a better balance sheet and the rest. We have a better cash flow that have some kind of barriers to entry when it comes to competitive advantage. There's a lot of different things that we look at that filter these companies and these names to the top to try to actually reduce the overall risk of your portfolio. It's all about risk and reward dynamic when you're looking at an investment. So some names can be extremely risky which can pay off in a good way, but it can also give you a lot more volatility on the downside. When we look at very high-quality names in this example that is trying to filter out the higher risk names, it is actually a reduced level of risk. And so one of the things that Ralph and I had talked about with these two funds, is that it -- historically speaking, with this fewer name environment, we've been able to give you about 70% less downside when markets become very volatile on the downside while maintaining a very similar investment return profile over time. So I think there's two dynamics at play there. I do get that question a lot when it pertains to socially responsible and ESG investment, it is if you're limiting your universe, are you disallowing some potential upside? And then secondly, if you're concentrating your portfolio, you have more risk inherent because you have a larger percentage of your portfolio in one name. And what we have been able to show over, five years, 10 years, even 20 year periods is that we're actually reducing your overall risk while maintaining as good or better returns because we're really just focusing on those highest quality companies. Hopefully that adds a little extra.

Peter: It does. I actually have a question. I'm sure you guys did a lot of studies. I've been doing this for over a decade and I would say probably a single number of clients actually asked for clean investing, like no debacle or whatever. So I'm sure you guys did a lot of studies, do clients actually care about clean investing or do a lot of clients be like, "Just get me returns, that's all I care about"? I just want to see if you guys did any studies in that isn't that respect.

Andrew: I'll defer to Ralph. I see a full range of the spectrum, historically. Here's my answer. We're seeing a convergence. At Calvary, we've always satisfied clients that have this mission-oriented or values-based approach to their portfolio, "Make me money, but here's some things that I either do want to be allocating towards to fund or things that I want to step away from because I don't want to participate in." We've always had those clients. But we're seeing an increased convergence of clients that are purely capitalistic, purely just savagely returns-based and returns-oriented clients come to us and say, "Wow, applying these fundamentals, applying these lenses to this portfolio, we can actually achieve better portfolio outcomes." And so it's really wild because if you think about a millennial or a Gen-X, a Gen-Y investor, think about somebody at a 401k, some of these investors won't participate in a 401k if there's not a sustainable option. We can have that conversation with them based on our process. Think about my dad, a 74-year-old baby boomer who grew up recycling tin foil. He has four grandkids now, he'd love

to change the world, but he's pretty pragmatic. And the economics better darn well work for him. I could have the same conversation with him, showing him the set of criteria that we use. And so it's really cool because it's opened up a much broader part of the world to us today. It's just about where do we accentuate different parts of the process for those different clients?

Peter: Thank you.

Dori: I'll add to that bit. We absolutely see investors in these types of portfolios from both sides of the equation. One from people who really want to incorporate their values in their investment. So we see that investor for sure. We also see the investor that is purely focused on performance returns and risk profile, and they're interested in the product because it's providing that expectation as well.

Andrew: You know, the kind of cool thing that we have -- I think Peter was asking that question -- is that you can actually look at traditional investments where we can actually go through and we can show you different sets of metrics now. And one really cool development in the whole space -- not just that Calvert and Eaton Vance, but in the entire space -- is with better data sets and more information, we can actually do a better job to illustrate it for a client. We can actually show you a responsible investment that could potentially in some cases -- in our lineup has outperformed the traditional benchmark. But then more importantly, we can line those up and say, in addition to giving you you know, full market participation or even better, we also have the potential for lowering environmental footprint, carbon emissions, water use, toxic emissions. Investing this way than had we invested traditionally. And so you kind of get a double benefit, and we can actually show that to people now. Even three years ago, we couldn't even illustrate that for clients. We knew it was there, but we didn't have the data to prove it. Now we do.

Ralph: Okay, great. So you would use the example of Facebook where they were kind of drifting away from -- or you just had no ability to have influence on the company. Do you run into those situations often within public markets? I mean, it started with Henry Ford and the Ford family and their super voting shares, or however that works -- just a little different than the super shares of the technology companies. But is that not the case with a lot of companies now?

Andrew: You see it more and more. Like Uber went public a year ago, and it's estimated that they stumbled out of the gate because they had that structural setup as well too. Because it's harder for analysts to price in how do we exert some controls or influence a company. By and large, the norm is to have the ability to vote proxies to signal management. But you see certain companies, especially in the tech space, that are structured that way still. It's definitely evolved though. And I think the other thing that you probably didn't ask, but the ability to have more and more of an informed dialogue with companies. To go at them and say, "We are an owner of your security, here are some things that you might not be thinking about from an environmental or social reason." I'll give you a great example. A lot of the tech companies just south of where I live, have all signed on to this thing called the RE100. There's over 700 companies now that have said that either now or at a certain date very soon in the future they will procure 100% of their energy in a renewable fashion. So they're changing the way that we consume energy. So you can have that influence with companies and move them forward more today than I think you

ever could. You're starting to see it again if you think about what's happening in the health care crisis with the pandemic. Clearly with the social justice issues that are going on around the country, again, you're looking to corporations to provide leadership. And I think some of them have stepped up and are providing leadership in their communities. So that's, I think, what investors are looking to. What role can these corporations play in society moving forward? And how do we juxtapose that investment piece in them?

Ralph: So you brought up healthcare, and I'm sure that there are companies that are wonderful examples of stewards of the public interest, if you will, in the healthcare arena. But there's also a lot of debate as to -- I mean, our healthcare system has certainly had its share of debates over the past couple of decades. Is there a fence on one side or the other as to how Calvert would select a company that falls into that sector?

Andrew: Yeah, we need better -- policy is one thing, so there's not a whole lot we can do there. We can engage and we can try to inform on Capitol Hill -- we're based in Washington, DC. But that's that one thing, that policy we kind of rattle about and people get very polarized about, kind of red and blue. We don't really want to get into that battle. We get into the battle of how can companies be part of even the solution? Or if I'm an investor in these companies, am I at risk because they're part of the problem? I'll give you a great example. When you think about pharmaceutical companies, so we support health, we need health care, we need help to function as a society, as a capitalism-driven economy. But there are certain risks out there that we just think are way too large for our investors. And so one example would be a company that has historically had product safety issues around talc powder and birth defects, and then most recently, even though they've spun these businesses off, still have significant ties to -- and it could significantly affect their share price -- to the manufacture and distribution of pharmaceutical opioids. Which, if you have been paying attention over the last couple of years, is really a US-based pandemic. It's affected all of our communities indiscriminately -- rich, poor, educated, not educated -- but it's really a US problem. And so we've gone after some of those companies to say, "You've created incentive systems and you've created lax governance to make a bunch of people wealthy, but at the sacrifice of our local communities," and we're trying to put them back on the hook for cleaning it up. And just in the last year, some of those civil cases actually went to criminal cases. And 14 State Attorney Generals have lined up against a couple of these pharmaceutical companies. And it's not a real negative impact on those share prices. So we're happy that we don't own shares in those companies. Because as an investor, that's not a very good outlook. That make sense?

Ralph: Yeah, major class action lawsuits are never good if you're on the wrong side of that equation. And it's usually the corporations, especially those with the deep pockets that wind up on the wrong side of those equations. But there's got to be some companies in the healthcare sector that would be that would be good examples of stewards. I mean, they're ostensibly trying to do good.

Andrew: Yeah, it's easier for us to talk about the ones that we don't know just because it doesn't look like we're promoting certain names.

Ralph: Oh, I got you. Okay, no worries.

Andrew: Many of these companies are doing the right thing and they're thinking through product safety and thinking through pricing. Another issue is that when you think about collusion at the pricing level to defraud clients and customers, you see that pretty prevalent in a lot of healthcare. So trying to invest in the companies that have bucked the trend there, I think. And we would much more be willing to allocate to those kinds of companies than the ones that have patterns of those programs in place. That makes sense?

Ralph: Absolutely. While we're talking about healthcare and pharmaceuticals, I'll put a plug in for one of my most recent book reviews. There's a book out called *Bottle of Lies: The Inside Story of the Generic Drug Boom*. We review books periodically, that's my most recent gold medal review. And I was recommended the book by a client -- or a prospective client at the time -- that worked in that industry. He did the examinations of these drug companies and how they produce their drugs, and he recommended it. And he says it's actually worse than what the book describes. So if you're getting your drugs and they're manufactured in India, like most generics, there's a good chance that they're not quite what you think they are. But that's a different subject and it's not for you.

Andrew: Yeah. Well, I could mention -- there's a couple names that we really like, from an ESG perspective. Like Thermo Fisher, I believe, is one that does bio and testing. Certain tests are big right now. There's another name that we own that is in a small-cap space that actually has 10 years worth of contracts to make certain pharmaceuticals for the government. There's a very good line of sight and public health records to try to promote healthcare on behalf of our country. And so those are a couple of names that we think are leading edge. I'll give you another example because I read a report today from our analysts around utilities. I live in Northern California. If you weren't following along, the last couple of years there's been a series of fires up here. PG&E, where I buy my energy from, is actually just going through and trying to commence their bankruptcy filings and restructure by the end of June. There's a 20 plus billion-dollar price tag, and it's a company that, really, going back to 2010 didn't invest in their infrastructure, and so really putting investors at risk. And we dropped them from ownership 10 plus years ago. Conversely, you might be down in the San Diego area and buy your energy from Sempra. And that's a company that we've invested in not only in our broad index within a clean water and clean energy fund -- because about 80% of the water that they use is reclaimed or repurposed, so they're not pulling out of the watershed. Sixty percent of the energy that they distribute is renewable. And so really, I think about two businesses in the energy delivery business, but two totally different investor outcomes. One of them kind of moving forward and creating potential returns, the other one restructuring. If you own those stocks or if you own those bonds, you might not even be made whole. And so again, from an ESG perspective, two totally different outcomes.

Ralph: Yeah, and I think it was announced today that PG&E pled guilty to manslaughter charges -- and that's almost unprecedented, in recent times anyway -- for the 82 lives that were lost up in Paradise when that village was overrun by the flames of the campfire, I think it was.

Andrew: Yeah. And it's funny. I read a two-and-a-half page report today. Our analysts, they said that they did a lot -- and this analyst, by the way, when I say we have deep expertise, spent years under the Department of Energy in Washington, DC before he came over to work for us. So he understands these issues very well and how to really price these into the [1:04:35 - inaudible] that I was saying.

But his point, his biggest takeaway was they made progress but they still fail our principles because they just -- a lot of their energy was spent on this bankruptcy to avoid potential litigation, they're way behind on all of the targets they set even though they'd made progress, and they're going to waste even more energy because it's now named that their new CEO is going to step down, so they're going to have a search coming. And so from a governance reason, there's really not a whole lot of line of sight there in our mind. If you're a trader, maybe. If you're a long term investor, it's probably more of a 'wait and see' from an ESG perspective, to see how some of this plays out.

Ralph: From a business perspective, in general, it sounds like a company that has been mismanaged for a long time, though. I wanted to just make sure that anybody else who has a question, remind you just to unmute your microphones and j p in. We're moving along. Otherwise, Andrew and Dori and I will keep chit-chatting here. So, let me see... another area that's kind of interesting, and I don't know how it plays out from an ESG standpoint, is communications. In particular, the cell phones and the towers and the footprint that all of that kind of plays out with. Is there some issues there?

Andrew: When I talk about the buyers of green energy, there's this new advent over the last seven years called green bonds. We actually started a green bond fund. And it's a small part of the overall credit and fixed income marketplace, but very fast-growing part of the credit space. Whereas today, and it used to be countries that would issue a green bond to try to tighten up environmental policy or put water waste, sewer, water management, energy efficiency programs in place. Today some of the largest issuers of green bonds are corporations. Google did one a couple of years ago. Apple did the largest one at the time in late 2018 for Verizon. And so, going to your question, just did a green bond to put towers up to create a more efficient infrastructure. And I think that Verizon deal came to market -- I think it was double subscribed to what they were looking to raise. There was that much appetite for a good credit, a good company, to do good clean tech type of work. And so that just gives you an example, a small isolated example, of the overall appetite for the continued growing, I guess, awareness of companies trying to make good on their climate targets, their CO2 targets, their clean tech targets.

Ralph: So what exactly is a green bond? It's a term I'm not familiar with.

Andrew: So green bond is a bond that you can get -- climate bonds with CBI. Climate bonds [1:08:02 - inaudible] stamp of approval that says, "The proceeds of this project are designated green." And so it could be a water reclamation project, it could be a -- there's even certain green bonds in municipalities -- we participated in one up here in California -- to pull people off the street. There was an old dilapidated part of Oakland where they wanted to build it out and then put units for people to get them off the street to combat homelessness, but also create a Center for Mental Health. And what they did was they tapped into the -- I guess, in 2012 in San Francisco there was a millionaire's tax that anybody over a

million dollars was paying into this fund, it just kind of sat there and they didn't know what to do with it. And so it really deployed that money to get it to work to [1:08:53 - inaudible] people out of the street, but also kind of keep them off the street.

And I think it came in at like a -- I think it was a 15 year plus deal with over three and a half percent tax-free yield. So, a great credit supported by the infrastructure. So it's those types of deals where it's longer-term green corporate issuance, isolated community type of issuance, to really use those proceeds to build out the infrastructure -- to build out this innovation, if you will. I'll give you another example. In our green bond fund, going back to a great example, kind of maybe to Peter's question on companies and concentration. In our index, we own Tesla. Tesla gets good "E"-scores, they get extra credit for "E" because they're a disrupter around energy and they change the way we consume energy. We kind of ratchet them down a little bit from an S-perspective, because they've had product recalls, they've had a couple of lawsuits, nothing major. Good companies all have lawsuits. They've had some governance issues with how they steward their capital, and some key person issues with even Elon Musk in the news. So overall, they get a passing rating. So we own them in the index.

Now what Dori was talking about is our active managers look for demonstrated earnings growth and a risk-reward potential. Well, Tesla hasn't demonstrated consistent earnings growth. I don't think they've even had earnings. And at a thousand bucks a share they look a little pricey. So in that particular product, they don't want to own them, even though we have them in our index. But where we do own them is we own Tesla lease models with high FICO scores that are backed by the resale value of the Tesla. And so it's called an asset-backed security that we own in the green bond, short duration, even in our corporate credit funds. And so those are examples of where we [1:11:07 - inaudible] a company [1:11:10 - inaudible].

Peter: Sure, can I actually say a comment about green buildings? A lot of buildings now are becoming green buildings. Corporations are building buildings. Our own LPL San Diego building, that's a green building. It was built a few years back. What do you think of the sustainability of green buildings? Are you guys investing in that? Or, what challenges do you find in that type of investing?

Andrew: Yeah, we are. And I think you're going to see that. If I brought up my green bond fund, you could see probably... gosh, from a sector perspective, renewable and energy and energy efficiency's about 40% of the composite. Green buildings is about a quarter at 22 and change. Low carbon transport, so like electric vehicles and storage and things like that, rounds out the top three. So it's probably one of our more important places that we invest. Absolutely.

Ralph: I think I'm **stumped**. I got all my questions answered, for sure. Go ahead, Debbie.

Debbie: Hi, this is Debbie. This just keeps going through my mind and I probably won't explain it the way I want to, but it's the idea of the management in some of these companies now -- and no offense intended to anybody about, you know, the gray-haired white male arrogance that now is part of these companies. And as time goes on, they won't be there anymore. And we'll have people, I think, that are

more diversified and have different creativity and ideas and things like that, as the others die out kind of thing. So I see a great future for this ESG and stuff. I think it's just going to get more and more important to individuals in -- well, I would hope so anyway -- in our society.

Andrew: Yeah. If you'll allow me, I totally agree and if you think about-- So we've always thought that diverse thought leads to a better operator. But our organization, you tend to perform better. Not only is that, it's just better for people. I mentioned that ability as a company to engage -- as an investor to engage corporations that you own to kind of transform their operations. Over the last eight years, we've engaged over 100 companies on the S&P on diversity, to add diversity to their boardroom. And as of today, over 80 women and 15 minorities are on these boards. And so we've done that on behalf of our clientele. More importantly, in 2019 last year, the last S&P company finally added a woman to their board.

And so now all of the S&P at least has one diverse person on their board. We don't think that's enough. Matter of fact, there's some studies out there today, like McKinsey, who puts out a lot of those consultants studies, says that the crucial point is about 30% diversity. When you achieve diversity of thought at about 30% through your higher ranks, that elevates to better profitability, better performance. We're actually part of a group called The Thirty Percent Coalition, which we won't even vote to reassign a board member if there's not 30% diversity on that board. So we'll vote against the nominating member or any other members if they haven't achieved it. So that's how in real-time we actually behave, and according to our values and our principles. There's much more awareness about that today than there ever has been. So I think, great point, Debbie. Thank you.

Debbie: Oh, thank you.

Ralph: I'm reminded of a George Patton quote, I had to get it right but, "If everyone's thinking alike, then somebody isn't thinking," which goes to the diversity of thought that you're getting to. And certainly, he was a leader, an excellent leader.

Andrew: Absolutely.

Ralph: Good deal. All right, well we're pushed up to the hour that we talked about taking. So, Andrew, I want to thank you. This has been a really enjoyable conversation for me. I hope others have enjoyed it. Dori, thank you, once again, Dori's has been a great partner of ours for... geez, as long as she's been in the Southern California territory. And so thank you for making this possible. As always, at Enduring Wealth Advisors®, we try to help people accomplish their goals by looking to the kinds of investment ideas that they have as well as what we're capable of doing. And we're able to deliver through LPL just about anything out there. So, thank you all for joining us. And we will be signing off shortly and there'll be a recording, I don't know that we're ever going to do anything with it, but we did record so we'll see how that goes.

Debbie: Well, I want to say thank you for offering these, Ralph. It's been really interesting.

Ralph: Good. That's the idea. And we've got one next week. Mona, what's up next week?

Mona: It's the eldercare.

Ralph: Yeah, the ignored conversation. And it's a conversation essentially about long-term care and how to deal with long-term care. The following week, we have America's top marathoner from the last Boston marathon. Scott Fauble did a 2:09 in Boston. So it gives you an idea of the scope of these conversations and what we're able to do and we hope to continue doing. Because when we're talking about people's financial lives, it touches not just the investments, not just their -- like what we talked about tonight, there's so many ramifications of what it is we have to draw in when we're building a comprehensive financial plan for somebody. So it's fun to have these conversations. So thank you, everybody.