July 29, 2020

US Department of Labor
Office of Regulations and Interpretations
200 Constitution Avenue NW, Room N-5655
Washington, DC 20210

RE: Proposed rule on Financial Factors in Selecting Plan Investments (RIN 1210-AB95)

To whom it may concern:

I write to provide comments in response to the Department of Labor's proposed rule, "Financial Factors in Selecting Plan Investments" (RIN 1210-AB95) (the "Proposal").

Arnerich Massena is an independent, SEC-registered investment advisory firm based in Portland, Oregon, managing over $7 billion in assets for our clients, including high net worth families, universities, colleges, foundations, endowments, and retirement plans. We began venturing into sustainable and impactful investments, including environmental, social, and governance (ESG) factors, in 2009, when it was barely a blip on the radar for most investors. For us, impact investing is not philanthropy, nor is it about sacrificing return in exchange for a societal good, nor even about prioritizing social and environmental impact over generating wealth. We believe that consideration of these factors materially enhance the performance characteristics of our clients' portfolios. Investing, by nature, is focused on looking toward the future, and impact investing is about recognizing where the world is headed and finding companies that can provide what will be needed in that future. We seek out to deploy investor capital where it will have the greatest impact and serve the world's needs while generating growth.

The Department of Labor fails to articulate a rational connection between the relevant facts and the proposed rule. The Proposal reveals a fundamental misunderstanding of how professional investment managers use ESG criteria as an additional level of due diligence and analysis in the portfolio construction process. The investment managers we work with analyze ESG factors and incorporate them into how they build portfolios precisely because they view these factors as material to financial performance.

The Proposal assumes ESG strategies sacrifice financial returns, but current research findings clearly show that advantages of impact and ESG strategies as well as their outperformance. For example:

- 89% of research studies showed that companies with high ESG ratings exhibit market-based outperformance compared to peers; another showed that 90 companies with strong sustainability policies outperformed a similar group with low sustainability standards, with a 4.8% higher annual above-market average return between 1993 and 2011.- "The Business Case for ESG", IEN, 2016
- “The performance of sustainable funds relative to the fund universe is consistent with evidence from academic research, which suggests no systematic performance penalty associated with sustainable investing and possible avenues for outperformance through reduced risk or added alpha.” - “US ESG Funds Outperformed Conventional Funds in 2019”, Morningstar, 2020
- Morgan Stanley Institute for Sustainable Investing found that investing in sustainability has usually met, and often exceeded, the performance of comparable traditional investments. This is true on both an absolute and a risk-adjusted basis, across asset classes and overtime. - “Sustainable Reality: Understanding the Performance of Sustainable Investment Strategies”, Morgan Stanley Institute for Sustainable Investing, March 2015
- Meta-study of more than 200 sources, 88% of which found that companies with strong sustainability performance had better operational performance and cashflows, and 80% of which found strong sustainability performance had positive effects on investment performance. "From the Stockholder to the Stakeholder: How Sustainability Can Drive Financial Outperformance”, Gordon L. Clark, Andreas Feiner, Michael Viehs, March 2015

In addition, the Proposal assumes ESG considerations are not widely applied, but there is a history of effective use of material ESG considerations by mainstream investors, including the following:

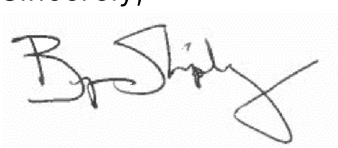
- Global survey showed that more than half of global asset owners are currently implementing or evaluating ESG considerations in their investment strategy. Investors understand that material issues such as climate risk, board quality, or cybersecurity impact financial values in positive or negative ways and must be a part of the evaluation process. “Smart beta: 2018 global survey findings from asset owners”, FTSE Russell, 2018
- 73% of global investors surveyed by the CFA Institute in 2015 indicated they take ESG issues into account in their investment analysis and decisions. “CFA Institute Survey: How do ESG Issues Factor into Investment Decisions?”, CFA Institute, August 2015

- SRI assets have expanded to $12 trillion, up 38% from $8.7 trillion in 2016. Investors are increasingly realizing that ESG criteria is important when considering material risk. Trends, US SIF, 2020
- PRI signatories (showing commitment to standards of sustainable investing) increased from less than 10 in April 2006 to over 2000 in 2018. "The Role of Investors in Supporting Better Corporate ESG Performance", Ceres, February 2019

The Proposal is likely to have the perverse effect of dissuading fiduciaries, even against their better judgment, from offering options for their plans that consider ESG factors as part of the evaluation of material financial criteria. As a result, it will unfairly, and harmfully, limit plan diversification and perhaps compel plan participants to choose options that are either more risky or less profitable.

Arnerich Massena respectfully requests that the Proposal be withdrawn. Thank you for your consideration of these comments.

Sincerely,



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