

Impact Investing

Q4 2024: QUARTERLY FOCUS ~ GOVERNANCE

Sustainable Impact Classifications:



Bridging Your Financial & Social Objectives



Our values are reflected in everything we do.

As a certified B Corporation member and a signatory of the Principles for Responsible Investment (PRI), we join a family of global organizations unified under the belief that an economically efficient, sustainable global financial system is a necessity for long-term value creation.

In addition, we are committed to elevating diversity & inclusion in our business practices and have achieved the global standard for inclusion by becoming Diversio certified.

BakerAvenue's Impact Investing / ESGC Screening Criteria:

ENVIRONMENTAL

Energy Efficiency
Greenhouse Gas Emissions

Carbon emissions
Energy Efficiency
Product Carbon Footprint
Sustainable Water
Policy Regulatory Adherence

SOCIAL

Corporate Diversity & Inclusion
Gender Equality

Board Members Pay
Ownership
Weapons Policy
Ethics History

GOVERNANCE

Impact Disclosure Scores
Corporate Behavior

Anti-Competitive Practices
Corruption & Instability
Financial System
Instability
Compensation
Structure Board

CITIZENSHIP

Philanthropy
Corporate Behavior

Innovation & Creativity
Commitment to Peace
Human Rights & Sustainable
Employee Development
Satisfaction Scores
Community Outreach

Baker Avenue's Impact Strategy

Incorporates long-term capital appreciation with downside protection. We seek to consider both financial return and social good. The strategy invests in a diversified portfolio of stock and ETFs in low-risk markets, and protects principal in high-risk markets by moving to cash.

The strategy proactively monitors long-term market trends to evaluate the risk/reward of having market exposure versus protecting capital.

Key Benefits:

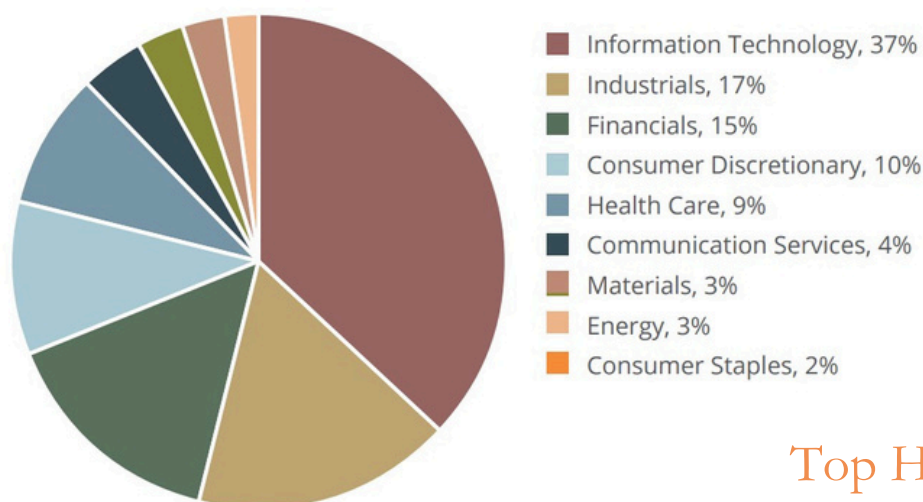
Invests in preeminent and financially-solid companies that allocate their resources with the goal of creating positive change in their communities and the world.

Broad sector and industry diversification.

A variety of internal and external analytical tools are used to isolate socially responsible and high-quality securities.

Strict and unemotional sell discipline using both technical and fundamental criteria.

Sector Diversification:



Portfolio Characteristics:

Style	Socially Responsible Core Equity
Forward Price/Earnings Ratio	22.7
Dividend Yield	1.4%
Long-Term EPS Growth	18.2%
Equity Beta	1.21
Weighted Average Market Cap	\$529 B
Number of Holdings	30-40

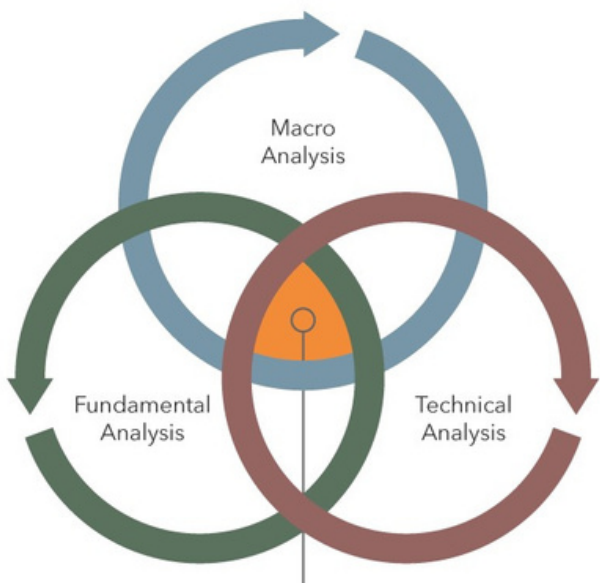
Top Holdings:

Company Name	Symbol
Flex Ltd	FLEX
NVIDIA Corp	NVDA
International Business Machines	IBM
Linde PLC	LIN
Goldman Sachs Group Inc	GS
Marvell Technology Inc	MRVL
Caterpillar Inc	CAT
Alphabet Inc	GOOGL
Johnson Controls International	JCI
Hilton Worldwide Holdings Inc	HLT

> [View Q4 2024 Strategy fact sheets and disclosures](#)

BakerAvenue's Impact Strategy and Benchmarks

Our Grow and Protect strategy continues to guide our clients toward achieving their financial goals. Recently, many are asking how to bridge their financial and social objectives and discovering the benefits of socially responsible investing.



BakerAvenue Investment Committee



BakerAvenue	Impact (Gross)	Impact (Net)
Year to Date	21.30%	20.17%
1 Year	21.30%	20.17%
3 Years	4.60%	3.61%
5 Years	15.15%	14.07%
Since Exception*	15.36%	14.28%

BENCHMARKS	YTD	5 Years
S&P 500	24.48%	14.43%
Barclays Agg	1.49%	-0.28%
ACWI Ex-US	6.65%	4.32%
70% Rus 3k / 30% ACWI Ex-US	18.21%	10.95%
Russell 2000	11.22%	7.34%
Russell 3000	23.33%	13.78%
Russell 3000 Growth	31.83%	18.14%
Russell 3000 Value	13.65%	8.53%
Morningstar US Active Fund Tactical Allocation	9.94%	4.88%
S&P Gbl Dividend Opportunities (50% / 50% Barclays Agg)	5.96%	--
Bloomberg Commodities	5.26%	6.74%
Balanced (40% Rus 3000 / 21% ACWI Ex-US / 39% Barclays Agg)	12.99%	7.72%
MSCI All Country World Index	17.63%	10.09%

> [View the full Q4/2024 Performance report](#)

Long-Term Financial Success

Demands an investment philosophy that grows and protects financial assets. To achieve this goal, our unique process blends Technical, Macro, and Fundamental Analyses into one comprehensive view.



From the desk of
Doug Couden, CFA
Chief Investment Officer,
Partner

With companies and investors increasing their public commitments to sustainability related goals, the transition process presents the opportunity for investors to help enact real change. However, meeting these goals means different things for different sectors and different companies - some will need to fundamentally change what they do and how they do it, while others can achieve their targets with more modest shifts.

From Concept to Reality: The Next Phase of the ESG Transition Is Here

Although moving to a more sustainable future is clearly desirable and presents an array of investment opportunities, transition does not come for free and the question of who should bear that cost sits largely unaddressed given the intersection of government and corporate policies. For investors, there is also the question of whether it is better to invest in sectors (and companies) that are more advanced in their transition process or those that are just starting out given the costs and potential return trade-offs involved.

What Makes Up a Highly Effective Company Board?

5 KEY CHARACTERISTICS

DIVERSITY OF EXPERTISE & BACKGROUND

Members with a range of skills and experience from different sectors to provide well-rounded perspectives.

ACTIVE ENGAGEMENT

Directors who actively participate in discussions, ask critical questions, and challenge management when necessary.

STRONG LEADERSHIP

A clear and capable board chair who facilitates productive discussions and ensures alignment between management and the board.

FOCUS ON STRATEGY & LONG-TERM VISION

Prioritizing strategic planning and future-oriented decision-making over solely reviewing financials.

ETHICAL CONDUCT & INTEGRITY

A commitment to high standards of corporate governance and responsible decision-making.

Source: BakerAvenue



BakerAvenue's Primary Governance Screening Factors

- 35% Board Composition
- 25% Executive Compensation
- 25% Shareholder Rights
- 15% Audit

Sources: Bloomberg, BakerAvenue

Maximizing Board Effectiveness

KPMG discusses key considerations for enhancing board effectiveness. These insights underscore the importance of adaptability, strategic focus, and ongoing development in building and maintaining an effective board.

5 Key Considerations

1. Experience Is No Guarantee: A successful track record doesn't necessarily equip a board member to handle current crises. Boards must ensure they possess deep, relevant skills to address current challenges.

2. Breaking Risk Into Categories: Effective risk management involves identifying critical risks and assessing the board's ability to manage them. Categorizing risks (e.g., environmental, financial, geopolitical, reputational, and technological) can help to focus assessment and mitigation.

3. The Balancing Act: Boards must be capable of balancing attention between both immediate concerns and long-term uncertainties. Developing and maintaining leadership in finance, governance, data analysis, and advisory support is crucial for navigating challenges.



Source: KPMG, BakerAvenue

4. The Value of Self-Awareness: Effective board members must be self-aware, understanding where they can make the most strategic impact. They have an ability to focus on high-level strategic initiatives and remain aware of early signs of potential problems.

5. Continuous Improvement: With dynamic business environments, boards should continuously assess and evolve their composition and processes. Embracing diversity at the table and regularly updating skillsets and perspectives are essential for maintaining consistent effectiveness.

[> View the full article](#)

The Independent Director Defined

The concept of an independent director is multifaceted, varying depending on circumstances and governing bodies. Stock exchanges, such as the New York Stock Exchange and Nasdaq, mandate that listed companies have a majority of independent directors, where independence is defined as, "freedom from management influence." Criteria include prohibitions against current or recent management roles and limitations on significant financial ties to the company. In addition, proxy advisory firms may impose stricter standards of a director's independence.

Beyond regulatory frameworks, legal interpretations may assess director independence on a case-by-case basis, focusing on potential conflicts during specific board actions. Courts scrutinize personal and business relationships that might compromise a director's impartiality, especially in transactions involving insiders or influence on shareholders. Independence is a dynamic status that must be continually evaluated as circumstances evolve. Directors must remain vigilant to ensure their impartiality is maintained, being aware of changes that may impact their independent standing.

[> View the full article](#)

Source: Skadden, BakerAvenue

10 Most Important Shareholder Rights

Dividends

Shareholders are entitled to receive dividends if the board decides to distribute profits rather than reinvesting, repurchasing shares, or paying down debt.

1

Access to Information

Shareholders can view the company's records, including financial reports, charters, bylaws, and board meeting minutes, as required by state and federal laws.

2

Electing Directors

Shareholders vote to elect board members responsible for overseeing the company and protecting their interests, typically through a plurality voting system.

3

Nominating Directors

Shareholders meeting specific criteria can nominate board candidates under SEC proxy access rules.

4

Voting on Major Issues

Shareholders vote on key decisions, including mergers, acquisitions, amendments to charters, and asset sales.

5

Advisory Votes on Executive Pay

Shareholders can provide nonbinding votes on executive compensation under Dodd-Frank rules (Say on Pay).

6

Submitting Proposals

Eligible shareholders can propose initiatives for a proxy vote, subject to certain restrictions and advisory status.

7

Participation in Annual Meetings

Shareholders can attend annual meetings to vote, raise concerns, and engage with executives.

8

Legal Action

Shareholders can sue for wrongful acts like breaches of duty, fraud, or negligence but not for simple stock losses.

9

Selling Shares

Shareholders can freely sell their stock in public markets, offering a means to exit if dissatisfied with company performance.

10

People-First Performance Management

In a rapidly evolving landscape, companies must continuously adapt, and an effective performance management system is a key element to consider. A well-defined system enhances employee development, career clarity, and organizational outcomes.

Research shows organizations that prioritize employee performance achieve 30% higher revenue growth and 5% lower attrition rates.

Many leaders are dissatisfied with fragmented and misaligned systems, highlighting the need for improvement. A cohesive, transparent performance framework that aligns with organizational goals helps foster motivation and sets clear expectations, empowering employees to succeed.

Organizations should focus on goals, performance reviews, ongoing development, and rewards.

1. Goals should balance individual and team priorities, be measurable, and align with company objectives.

2. Performance reviews are most impactful when skilled managers provide constructive, clear feedback.

3. Regular development discussions, outside traditional review cycles, also significantly boost motivation.

4. Rewards, both financial and non-financial, such as professional growth opportunities, further enhance performance.

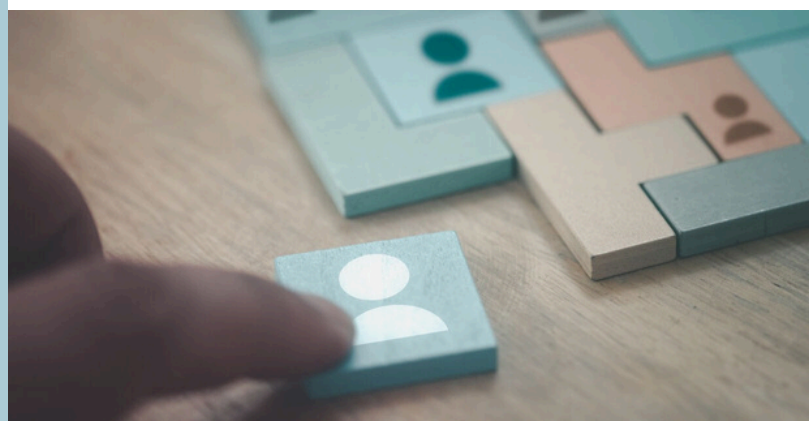
Focusing on these can help companies build systems that drive individual growth, improve culture, and maintain a high performance standard.

[> View the full article](#)

Source: McKinsey & Company

[> View the full article](#)

Source: Morningstar, Baker Avenue





Get the Latest

January 2025

Sensible Enthusiasm

"There is nothing so stable as change."

- Bob Dylan -

We see more positives than negatives as we enter the new year. Economic growth has proven to be resilient, earnings are poised to accelerate, and investor positioning looks constructive. However, following '23-'24's breakneck pace, the odds of more normalized returns have increased. Our optimism is bridled somewhat by policy uncertainty, but the backdrop is ripe for active oversight with plenty of room for stock and sector selection.

December 2024: Regime Change

"To improve is to change; to be perfect is to change often."
- Winston S. Churchill -

We suspect politics won't be the only factor undergoing a regime change. Investors will also need to navigate historically wide valuation dispersions, new interest rate policies, and converging growth trends, to name a few. While trends across our analytics remain broadly supportive, variability in asset prices should increase going forward. We suspect the environment is ripe for thoughtful active management.

November 2024: Uncertainty Ease

"To acquire knowledge, one must study; but to acquire wisdom, one must observe."
- Marilyn Vos Savant -

Uncertainty is often the biggest headwind to economic activity, valuations, and investor sentiment. A clear election outcome eased one key uncertainty while the prospects of a pro-growth agenda and light positioning catalyzed the market response. Of course, the efficacy of any new policy, and its impact on central inputs like earnings and economic growth, will need to be closely monitored. While trends across our analytics remain broadly supportive, variability in asset prices should increase going forward.

October 2024: Geopolitical Risks Growing, But So Are Profits

"He who awaits much can expect little."
- Gabriel Garcia Marquez -

Rising geopolitical tensions and the outcome of the forthcoming US presidential election are sure to play a role in shaping market trends. Fortunately, corporate profits continue to push higher, the economy has remained resilient, and the Federal Reserve has resumed easing. Each are soothing offsets to the unsettling macro backdrop. While we continue to see far more volatility in asset prices than the underlying earnings and economic estimates, the month of October does have a volatile history.

Responsible Business Practices

CODE OF BUSINESS CONDUCT AND ETHICS

All firm members, including officers and transaction partners, are required to abide by our Code of Business Conduct and Ethics and exercise the highest levels of integrity, ethics, and objectivity in all actions that may affect our business and relationships.

COMPLIANCE TRAINING AND AWARENESS

All firm members acknowledge our code of conduct and also participate in annual training on anti-harassment, diversity & inclusion, cyber security, and insider training. Team members can report concerns of illegal or unethical conduct anonymously through a third party without fear of retaliation.

RISK MANAGEMENT

Our Compliance Committee oversees enterprise risk management, including cybersecurity, and evaluates the risk exposure and management actions to limit, monitor or control exposures, including contingency plans relating to potential catastrophic events.

CYBERSECURITY

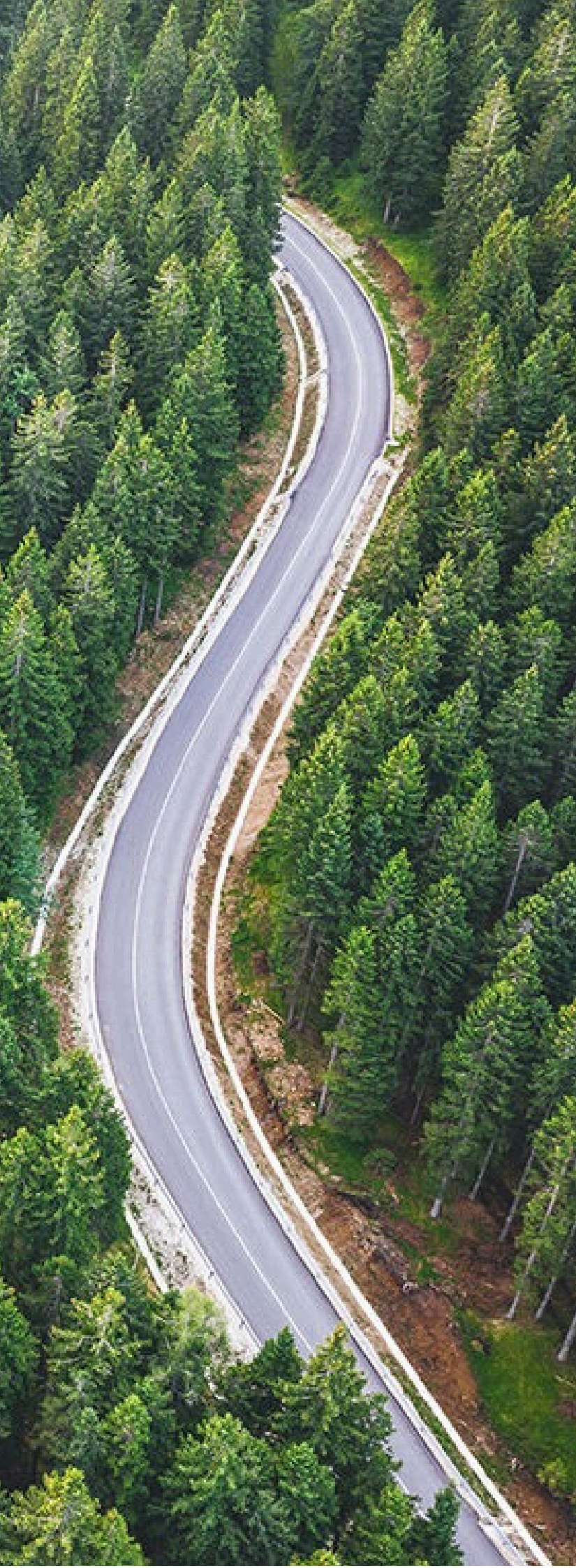
Overseen by our Executive Committee, we collaborate with vendor partnerships such as IT infrastructure, with leading data security and privacy practices. To protect employee devices and other end-points, we deploy multi-factor authentication and annual cybersecurity training.

TRAINING AND DEVELOPMENT

Developing and retaining talented team members is integral to our success. We encourage competency-based training, continuing education and conferences, provide team building offsites, professional development resources, and have an annual performance review and goal setting process.

HEALTH AND SAFETY

Our focus on employee wellbeing includes generous health benefits, including mental health, fitness, and ergonomics. In response to the COVID-19 pandemic, we switched the majority of our team members to work from home, while implementing additional safety measures for essential employees.

An aerial photograph of a two-lane asphalt road that curves through a dense, green forest. The road is bordered by a white line and a gravel shoulder. The trees are tall and closely packed, creating a lush green canopy.

Experience and Knowledge Meet Transparency and Integrity.

BakerAvenue is a registered investment advisor regulated by the SEC, whose mission is to protect investors and maintain the integrity of the securities market. Under the SEC rules, our registered investment advisors have a fiduciary duty to our clients and it is a moral and a legal obligation to place our client's interests ahead of our own.

While we believe we are all more similar than we are different....

...it is through
those differences
that drive our
innovative
approach.



As a purpose-driven firm, our goal is to create an impact by supporting you and the community we share.

We do so by delivering intelligent wealth management solutions while fostering long-term value creation.

We partner with organizations to build a more inclusive and sustainable economy through the highest verified standards of social and environmental performance, transparency, and accountability.

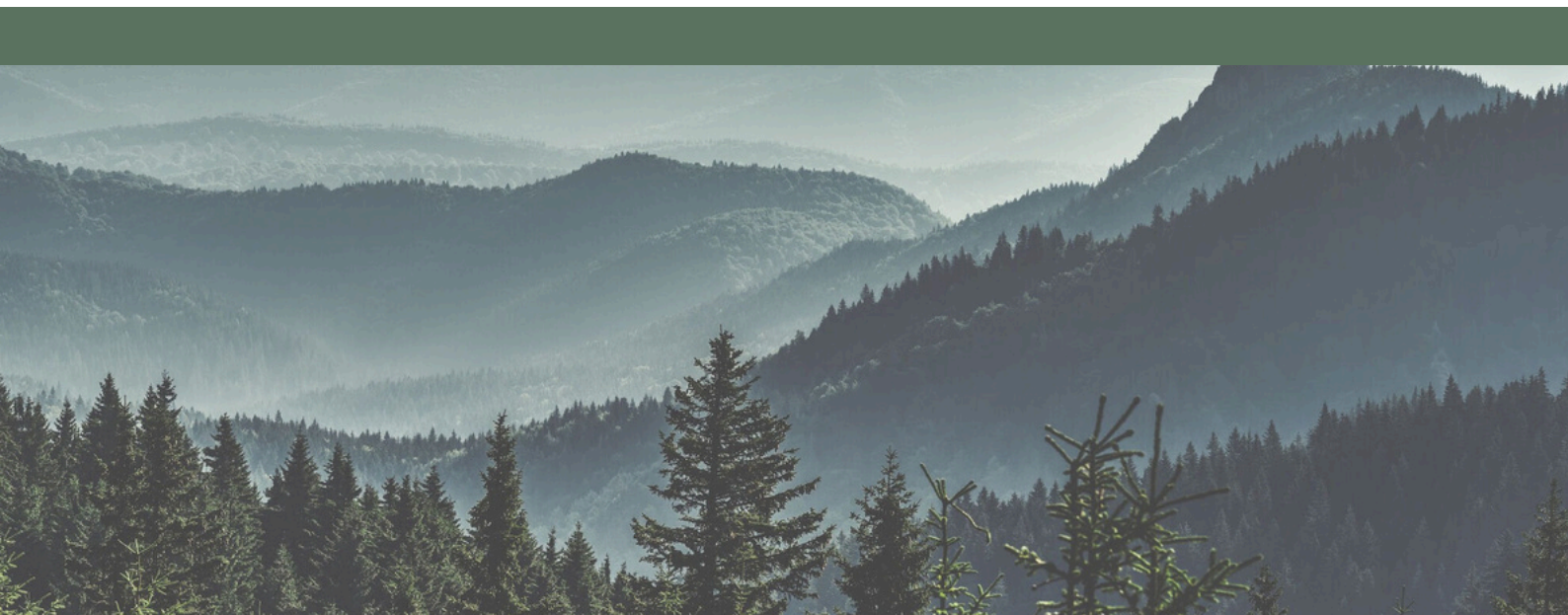
As a certified B Corporation member, BakerAvenue also guides foundations and endowments to solutions for long-term value creation through active portfolio management, in-depth investment, and grant research.

Our individual and firm's talents seek positive social change in our communities.

We deliver service excellence to you and challenge the status quo.

Trust and integrity serve as our cornerstone. We know trust is earned, not given, and we are determined to earn and honor it in everything we do.

The BakerAvenue Team





Signatory of:



BakerAvenue Employees Who Have Earned the CFA Institute Certificate in ESG Investing



Doug Couden, CFA
Chief Investment Officer,
Partner



Daniel Cassell, CFA
Portfolio Manager



Michael Tideman,
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Wealth Advisor,
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WEALTH MANAGEMENT

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