Separate Account Managers in Sustainable and Responsible Investing

Strategy Profile:
Socially Responsible Value

About This Strategy

Assets Under Management (AUM): $8.95M (in US$ millions)

Required Minimum: 1.0

Benchmark used: Morningstar US Large Value

Strategy type: Equity Large Cap

Strategy description: SKBA believes that environmental, social and governance (ESG) factors have long-term financial implications on company revenues, expenses and overall risk characteristics. By identifying opportunities where stock prices have overshot true changes in underlying fundamentals, SKBA seeks to uncover alpha generating opportunities using disciplined, proprietary research of ESG and fundamental factors. The repeatable, team-based process begins with both inclusive and exclusionary ESG screens. Analysts then apply the firm’s valuation framework to narrow the universe to opportunities reflecting low expectations discounted into current valuations. This subset is subjected further in-depth fundamental analysis. The team analyzes both ESG considerations that may include corporate governance, employee relations, environmental impact/sustainability, human rights record and product safety and financial considerations that include earnings power, balance sheet and income statement strength, competitive position, and overall industry prospects.

Strategy web link: External Link

About The Company

Institution Name:
SKBA Capital Management, LLC

Approach to Sustainable & Responsible Investment: Socially Responsible Value is a value-oriented investment strategy which seeks to achieve long-term capital appreciation by investing in undervalued equity securities while meeting our clients’ environmental, social, and governance screening criteria. The strategy utilizes the firm’s established value approaches to select securities from a socially screened universe.

Total AUM in SRI: $8.95M (in US$ millions)

Research conducted: Both internally and externally

Researcher name: Team Base Approach

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Specific Screening Information by Category

**Environment**

- **Climate / Clean Technology**: Combination of Positive and Restricted/Exclusionary Strategies - n/a
- **Pollution / Toxics**: Combination of Positive and Restricted/Exclusionary Strategies - n/a
- **Other Environmental**: Combination of Positive and Restricted/Exclusionary Strategies - n/a

**Social**

- **Community Development**: Combination of Positive and Restricted/Exclusionary Strategies - n/a
- **Diversity & Equal Employment Opportunity**: Combination of Positive and Restricted/Exclusionary Strategies - n/a
- **Human Rights**: Combination of Positive and Restricted/Exclusionary Strategies - n/a
- **Labor Relations**: Combination of Positive and Restricted/Exclusionary Strategies - n/a
- **Conflict Risk**: Combination of Positive and Restricted/Exclusionary Strategies - n/a

**Governance**

- **Board Issues**: Combination of Positive and Restricted/Exclusionary Strategies - n/a
- **Executive Pay**: Combination of Positive and Restricted/Exclusionary Strategies - n/a

**Products**

- **Alcohol**: Restricted/Exclusionary Investment - n/a
- **Animal Welfare**: Combination of Positive and Restricted/Exclusionary Strategies - n/a
- **Defense/Weapons**: Restricted/Exclusionary Investment - n/a
- **Gambling**: Combination of Positive and Restricted/Exclusionary Strategies - n/a
- **Tobacco**: Restricted/Exclusionary Investment - n/a

**Other**

- **Other/Qualitative**: For nearly 30 years, SKBA has been managing portfolios seeking to match a client's specific ESG mission with their investment goals. This has been implemented within bespoke client SRV portfolios, as well as in the Socially Responsible Value strategy since 2000. SKBA's team-based process begins with the evaluation of both inclusive and exclusionary ESG criteria. Analysts then apply the firm's valuation framework to narrow the universe to opportunities reflecting low expectations discounted into current valuations. This subset is subjected to further in-depth fundamental analysis. The team analyzes both ESG considerations that may include corporate governance, employee relations, environmental impact/sustainability, human rights record and product safety, and financial considerations that include earnings power, balance sheet and income statement strength, competitive position, and overall industry prospects. In selecting investments, the SKBA considers social criteria such as an issuer’s community relations, corporate governance, employee diversity, employee relations, environmental impact and sustainability, human rights record, and product safety. Using both quantitative and qualitative data, the SKBA also evaluates an issuer's involvement in specific revenue generating activities to determine whether the issuer's involvement was meaningful or simply incidental with respect to that activity. SKBA applies vigorous valuation screens that identify issuers for further in-depth fundamental analysis for potential inclusion in portfolio. The investment strategy typically emphasizes securities that SKBA believes have one or more of the following characteristics: a price significantly below the intrinsic value of the issuer; below average price to sales and price to cash flow ratios; and sound overall financial condition of the issuer. SKBA may determine to sell a security when its target value is realized, its earnings deteriorate, changing circumstances affect the original reasons for the security's purchase, or more attractive investment alternatives are identified. SKBA seeks to avoid investing in any issuer that derives more than 5% of its total revenue from tobacco, alcohol, gambling, abortion or weaponry (whether sold to consumers or the military), or that is involved in nuclear power. Because information on an issuer's involvement in those activities may not be publicly available, it is possible that the portfolio's holdings may include an issuer that does not meet its criteria for socially responsible investing. When SKBA discovers that a holding does not meet its criteria for socially responsible investing, it will divest that holding as soon as reasonably practicable.
- **Proxy Voting**: Actively voted by my institution for this investment strategy in support of environmental, social or governance issues in accordance with formal guidelines