Separate Account Managers in Sustainable and Responsible Investing

Strategy Profile:
Kennedy Capital ESG SMID Cap

About This Strategy

Assets Under Management (AUM): $5.9M (in US$ millions)

Required Minimum: 10M

Benchmark used: Russell 2500

Strategy type: Equity Mid-Small Cap

Strategy description: Kennedy Capital Management (KCM) believes the SMID cap space is compelling for ESG investors, and that the firm is uniquely positioned to address the complexities associated with ESG investing in this asset class. KCM identifies investment ideas based on fundamental analysis of a companyâ€™s operations, financials, and Environmental, Social, & Governance (ESG) characteristics. ESG variables are considered from both an investment and divestment perspective. Based upon internal research, KCM assesses an investment candidateâ€™s corporate performance, competitive positioning, systematic effects on the business, and the intrinsic value of the business compared to the value that the market is assigning. The firmâ€™s goal is to invest in companies in the SMID cap universe with an attractive ESG profile that fall into three basic categories: 1) Companies with the potential to generate superior or improving returns on invested capital which can be reinvested in the growth of the business (referred to as â€œbest in classâ€). 2) Companies that are misunderstood, and therefore mispriced (value stocks). 3) Companies with attractive growth characteristics (both â€œgrowth at a reasonable priceâ€ and aggressive growth stocks).

Strategy web link: External Link

About The Company

Institution Name:
Kennedy Capital Management, Inc.

Approach to Sustainable & Responsible Investment: Kennedy Capital Management, Inc. (KCM) is a St. Louis-based, boutique investment firm that has focused on a goal of generating superior returns in the small- and mid-cap domestic equity markets for our clients for 40 years. Our teamâ€™s top priority is working for institutions and high-net-worth individuals, fostering an entrepreneurial culture that results in mutually beneficial long-term relationships. Our clients benefit from our rigorous, fundamental, bottom-up research process that couples the best thinking of our sector-specific analysts with the investment acumen of our experienced portfolio managers. We recognize that in many instances, the incorporation of Environmental, Social, and Governance (ESG) factors into this process has the potential to enhance our ability to make better, more informed stock selection decisions. Integration of ESG considerations is a longstanding practice for KCM. Where applicable, we incorporate ESG-related variables into our determination of the intrinsic value of the companies we evaluate as a part of the research process. Assessing corporate governance has been a core tenet of our investment approach since the inception of our firm. We recognize that environmental and social factors can often be a key component of a companyâ€™s growth outlook, cash flow profile, and market valuation. In an effort to address client-specific requirements, we have managed a Socially Responsible Investment strategy since September 2003. In addition, we launched the ESG SMID Cap strategy in 2017. These strategies solidify our belief that awareness and inclusion of these important factors can help make our research and investment process more robust across the board, allowing a comprehensive lens into a companyâ€™s true value. Maintaining awareness of ESG factors as part of our fundamental research process helps us test our investment thesis and improves our ability to find value in the companies in which we invest, which in turn helps us deliver value to our client portfolios.

Total AUM in SRI: $13.7M (in US$ millions)
Specific Screening Information by Category

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

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

Governance
- Board Issues: Combination of Positive and Restricted/Exclusionary Strategies
- Executive Pay: Combination of Positive and Restricted/Exclusionary Strategies

Products
- Alcohol: No Screens
- Animal Welfare: No Screens
- Defense/Weapons: No Screens
- Gambling: No Screens
- Tobacco: Restricted/Exclusionary Investment

Other
- Shareholder Engagement - Private Dialogue: Conducted with companies on environmental, social or governance issues
- Proxy Voting: Actively voted by my institution for this investment strategy in support of environmental, social or governance issues in accordance with formal guidelines