Custom Indexing Leader Canvas® Expands ESG/SRI Offering

Approach goes far beyond excluding bad actors and allows financial advisors and clients to overweight companies with positive practices

STAMFORD, CT, March 9, 2021 — O'Shaughnessy Asset Management, LLC (OSAM), a leading quantitative asset management firm, announced today the expansion of its environmental, social, and governance (ESG) and socially responsible investing (SRI) offering on Canvas®, an industry-leading Custom Indexing platform. More than 50 ESG and SRI screens are now available on Canvas supporting a diverse array of causes, issues, and values. As of today, more than 15 percent of client accounts on Canvas have incorporated ESG and SRI screens into custom portfolios.

At present, the most common form of investing in ESG and SRI is through exchange-traded funds (ETFs) and mutual funds. According to Morningstar, "sustainable investment" funds accounted for nearly one fourth of overall flows into U.S. funds in 2020, with total assets under management (AUM) reaching $236 billion. A record 71 new funds were launched last year.[1]

"As we witnessed last year, the popularity of sustainable investments is accelerating," said Patrick O'Shaughnessy, CFA, Chief Executive Officer of OSAM. "Pooled funds are rapidly creating new products but are often less effective for investors in terms of performance and tax management than direct ownership of individual stocks. In addition, many of the products are not transparent as to how their ESG screens work. From my own observation, sustainable investing can mean completely different things to different people. As such, it is nearly impossible for one product to satisfy everyone. Fortunately, customization according to individual principles of ESG and SRI lends itself particularly well to separately managed accounts. Canvas gives advisors a strong SMA platform that is scalable and lets them execute specific client mandates."

Canvas offers control, ease, and scale to financial advisors creating core investment models in SMAs, with tax loss harvesting and ESG/SRI overlays that fulfill clients' individual goals and values.

Added O'Shaughnessy, "The values-based specificity we offer alleviates the pain of trying to find a best-fit, one-size-fits-all ETF or mutual fund. Our ESG option set also extends well beyond what many other SMA providers are offering. All in all, I believe SMAs are better suited than pooled funds to meet client expectations and that Canvas is positioned well to be the default platform as the popularity of sustainable investments continues to grow."

As a quantitative asset manager, OSAM is well positioned to take inconsistent and unstructured ESG datasets and turn them into portfolios that generate material client value. Many of their ESG screens are built internally giving advisors and clients increased transparency and understanding on how they work. Advisors have access to more than 50 ESG and SRI screens on Canvas that they can combine and weight relative to one another. Advisors can also exclude certain companies, underweight companies demonstrating negative behaviors, and/or overweight companies exhibiting positive behaviors. A few representative screens include carbon footprint, diversity and inclusion, animal testing, oil and gas, and gun manufacturers and distributors.

In addition to existing ESG and SRI screens, OSAM can build custom screens upon request from clients that have more specific or niche interests. For example, OSAM recently built a custom screen for a client who wanted to exclude companies that contribute to the obesity epidemic. As part of the process, OSAM identified beverage manufacturers that pay a certain amount of sugar tax. Once a new screen is built, it becomes accessible to all Canvas clients.

As an investment vehicle, SMAs allow for significant customization beyond ESG. Tax loss harvesting can be leveraged which can have meaningful impact on after-tax returns by offsetting capital gains. Additionally, SMAs yield optionality to specifically weight into factor exposures that can increase the probability of excess return. Within Canvas, advisors can combine ESG values, factor exposure, and a high degree of tax control – such as transition glidepaths, tax loss harvesting, and overarching tax management to a specified dollar threshold – all in a single account.

"Investors can do good and do well at the same time," added O'Shaughnessy. "After adjusting for ESG and SRI considerations, advisors can incorporate factors, passive allocations, and tax management specific to their clients' needs. The application of ESG with time-tested factor/stock characteristics to potentially improve risk-adjusted returns and position the portfolio for better after-tax returns represents a powerful offering for advisors."

No additional fees are charged for advisors adjusting client portfolios for ESG and SRI considerations, or tax management.

About OSAM

O'Shaughnessy Asset Management, LLC (OSAM) is a quantitative asset management firm based in Stamford, CT. The firm delivers a broad range of equity portfolios to institutional investors, individual investors, and high-net-worth clients of financial advisors. OSAM also serves as the investment advisor for a U.S. mutual fund and as a sub advisor to a family of mutual funds in Canada. The firm's team has managed client assets since 1996. For more information on Canvas, please go to canvas.osam.com.

[1] Morningstar. February 10, 2021. Sustainable Funds U.S. Landscape Report.

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