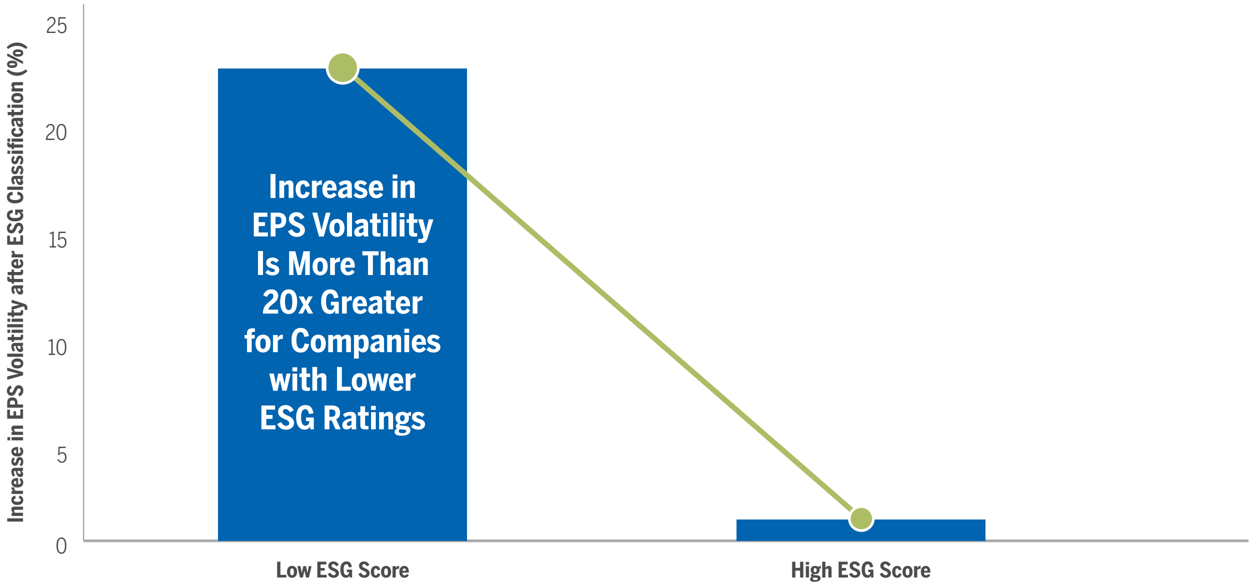
ALGER

Alger On the Money

A New Way to Lower Risk?

ESG investments have strong potential for mitigating risk by providing earnings stability. Highly rated ESG companies may do more than benefit society—they may benefit your portfolio too.

ESG Score Signals Future Changes in EPS Volatility



Source: Bank of America Merrill Lynch (based on median EPS performance over 5-year periods from 2005-2015)

- Companies with the highest environmental, social, and governance (ESG) scores generated the lowest future increases in earnings per share (EPS) volatility over five-year periods. Conversely, companies with the lowest ESG scores saw the volatility of their EPS swell the most. (See chart)
- Earnings stability matters. Throughout the 10-year period ended 2015, companies with high ESG scores experienced smaller price declines than other equities.[1]
- ESG companies vary widely on their individual environmental, social, and governance scores; an active approach to investing in a portfolio of ESG firms may be advantageous to many investors.

[1] Bank of America Merrill Lynch (2016) "ESG: good companies can make good stocks." Equity Strategy Focus Point.

Inspired by Change, Driven by Growth.

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