



# Policy for Responsible Investment

January 2020

## Contents

|  |   |
|--|---|
| Our Mandate.....                           | 2 |
| Our Principles.....                        | 2 |
| Investment Strategy.....                   | 3 |
| Assessment, Monitoring and Reporting ..... | 3 |

## Our Mandate

The Cedar Portfolio is a set of exemplary multi-asset model portfolios targeting outperformance relative to industry benchmarks at generally lower risk, with our exemplary equity-only portfolios based on stable, profitable, cash-flowing businesses with manageable debt and leverage, and exemplary Corporate Social Responsibility (CSR) programs characterized by strong Environment, Social and Governance (ESG) factors and Social Responsible Investing (SRI) screening. We also maintain an exemplary Impact Investing (II) model portfolio as a subset of our equity portfolios, consisting of businesses that have projects or a business model (or both) involved with beneficial social or environmental impact. We categorize this overall approach as Responsible Investment (RI).

We incorporate RI into the investment decision-making process because it is a key part of our investment strategy, it enhances the returns on our portfolios and it enhances all stakeholders – investors, communities, employees, customers, suppliers and governments.

We understand that investors today are increasingly attracted to businesses associated with strong CSR programs emphasizing corporate citizenship with reduced exposure to climate risks and public backlash. Employees of businesses with strong CSR programs are greatly motivated by professional leadership with attention to programs and projects fostering strong Environment, Social and Governance (ESG) factors.

We believe that sustainability through a focus on ESG factors is the key to sustainability of all business operations. We continuously review the businesses of our equity portfolios, paying close attention to the business' policies on sustainability to identify future benefits for all stakeholders.

In order to discern effective RI approaches, we assess performance on how well the business addresses best practices on CSR policy, ESG factors, the business' investment process and monitoring/reporting. We actively perform this assessment on an ongoing basis.

## Our Principles

The guiding principles for our investment process on our equity model portfolios are as follows:

- We have a dual focus on businesses with both great financial and socially responsible performance;
- We see this dual focus as providing mutual synergy:
  - Increasing profitability grows the stakeholder pie, enhancing socially responsible performance to all stakeholders
  - Implementing responsible corporate actions and activities with respect to strong CSR programs has a positive influence on financial performance;
- We incorporate the assessment of strong CSR programs into our investment analysis and decision-making processes;
- We seek disclosure relating to CSR by the businesses we have in our model portfolios.

We are a signatory to the United Nations Principles of Responsible Investment (PRI) - <https://www.unpri.org/>:

- Principle 1: We will incorporate ESG issues into investment analysis and decision-making processes.
- Principle 2: We will be active owners and incorporate ESG issues into our ownership policies and practices.
- Principle 3: We will seek appropriate disclosure on ESG issues by the entities in which we invest.
- Principle 4: We will promote acceptance and implementation of the Principles within the investment industry.
- Principle 5: We will work together to enhance our effectiveness in implementing the Principles.
- Principle 6: We will report on our activities and progress towards implementing the Principles.

## Investment Strategy

The Cedar Portfolio integrates an RI assessment into the investment qualification and management process. We assess CSR risks, issues and opportunities as they relate to overall corporate performance. We assess ratings on the ESG factors of the business. We perform an ongoing due diligence process and monitoring over the life of all of the businesses in our model portfolios.

At the top level, our investment strategy assesses all public-exchange traded equities globally towards meeting 7 quantitative smart-beta factors and 7 qualitative smart-beta factors – our key indicators of a successful portfolio.

Based on various studies, each of the quantitative smart-beta factors generally show positive outperformance correlation relative to the industry standard equity benchmarks. When taking these outperformance-correlated factors sequentially in series together with consideration of the qualitative smart beta factors, the overall likelihood of positive investment outperformance becomes significant.

The quantitative factors focus on financial performance. The qualitative factors focus on non-quantifiable aspects. We see a strong CSR programs as the most important qualitative factor in the investment qualification and management process.

## Assessment, Monitoring and Reporting

We apply an initial and ongoing assessment process of each business on their CSR programs, ESG factors and metrics based on the RobecoAM Rank, Sustainalytics Rank, Bloomberg ESG Disclosures, ISS Quality, CDP Climate Score, Global Reporting Index (GRI) metrics and other industry certifications and assessments including but not limited to CDP, Ethisphere, ASC, ResponsibleAG, FSC Standards and United Nations Sustainable Development Goals (SDG). The assessment process also includes monitoring SRI screens. The results of these assessments are tabulated and reported through our client-accessible online database of global equities.

We conduct ongoing monitoring of these factors and metrics relative to internally set limits and to industry benchmarks and best practices.

Our investment and reporting process is aligned with the CFA Institute's Global Investment Performance Standards (GIPS) - <https://www.cfainstitute.org/en/ethics/codes/gips-standards>.

For more information, please visit our website at <https://cedarportfolio.com> or contact us at [info@cedarportfolio.com](mailto:info@cedarportfolio.com).