



The Fiduciary Case For Faith-Based ESG Investing

Disclosures

- ESG: Environmental, social and governance
- BRI: Biblically responsible investing
- SRI: Socially responsible investing
- Investment advisory services offered through CWM Advisors, LLC dba Inspire, a registered investment advisor with the SEC.
- All performance data presented herein is for illustrative purposes only and actual results may vary. Past performance is not a guarantee of future results.
- National Admin Office: 650 San Benito St, Ste. 130 Hollister, CA 95023; Phone: (877)658-9473; Email: admin@inspireinvesting.com

Today's Speaker



Joseph Verissimo,
V.P. of Sales and Marketing

- Financial Advisor for 10 yrs
- Previously with Christian Wealth Management, Next Financial, Wells Fargo Advisors & Wells Fargo Bank
- MVP award with Next Financial 2012
- One of the youngest licensed advisors ever at Wells Fargo

Leadership Team



Robert Netzly
CEO & President, Portfolio Manager
Founder, Inspire
#1 bestselling author of "Biblically Responsible Investing"
Previously at Wells Fargo Private Client Services.



Aaron Moon, MBA
COO/CCO
MBA from Biola University
Previously a financial advisor with Christian Wealth Management



Joseph Verissimo
VP Sales and Marketing
2012 FA MVP with Next Financial
Previously with Wells Fargo Advisors

Investment Team



Darrell Jayroe, CFA, CFP, CKA
CIO, Senior Portfolio Manager
23 years experience. Previously at Bank of Oklahoma, PaineWebber, Southwest Securities



Dr. Erik Davidson, DBA, CFA
Chief Economic Advisor
Former CIO for Wells Fargo Private Bank managing over \$200B in assets.
Co-authored "Investing in Separate Accounts" and "The E-Finance Report" books
DBA in Behavioral Finance from the DePaul University Graduate School of Business.



Shane Enete, CFA
Investment Analyst
Chairman, Inspire Research Institute for BRI at Biola
Finance Professor, Biola University
Oversaw \$200B assets at Meketa & Brandes

Inspire Investing

INSPIRING TRANSFORMATION WITH FAITH-BASED ESG INDEX INVESTING

- **Founded:** 2015
- **Headquarters:** Silicon Valley, CA
- **Distinctives:** Innovative, faith-based ESG index strategies combining competitive cost, factor investing and positive impact.
- **Accolades:** Nominated finalist ETF.com Awards: "Best New ESG ETF – 2017", "Best New ETF Issuer – 2017" and "Thematic ETF of the Year– 2018"
- **Thought Leadership:** FOX Business, Wall Street Journal, Financial Times, New York Times, Bloomberg, Yahoo! Finance, Thomson Reuters, Huffington Post and other major media.
- **Clients:** Global client footprint of institutions, foundations, family offices and individual investors

Biblical investing makes a splash with the media



"This will be an interesting
company to watch..."

—ETF Advisor Magazine

"The Chick-fil-A
of investments."

THE HUFFINGTON POST

"Biblically responsible
investing is booming."

THE WALL STREET
JOURNAL.



The Fiduciary Case for Faith-Based ESG Investing

And how Inspire's innovative faith-based approach to ESG can potentially improve investor outcomes.

Inspire's Investment Philosophy

We believe that cost efficient, index-based portfolios constructed using biblically aligned ESG factors can potentially enhance investor outcomes by offering quality tilt opportunities, systemized risk mitigation, and differentiated alpha, and thus should be considered for all portfolios, including those without faith-based or ESG mandates.

Quality Tilt

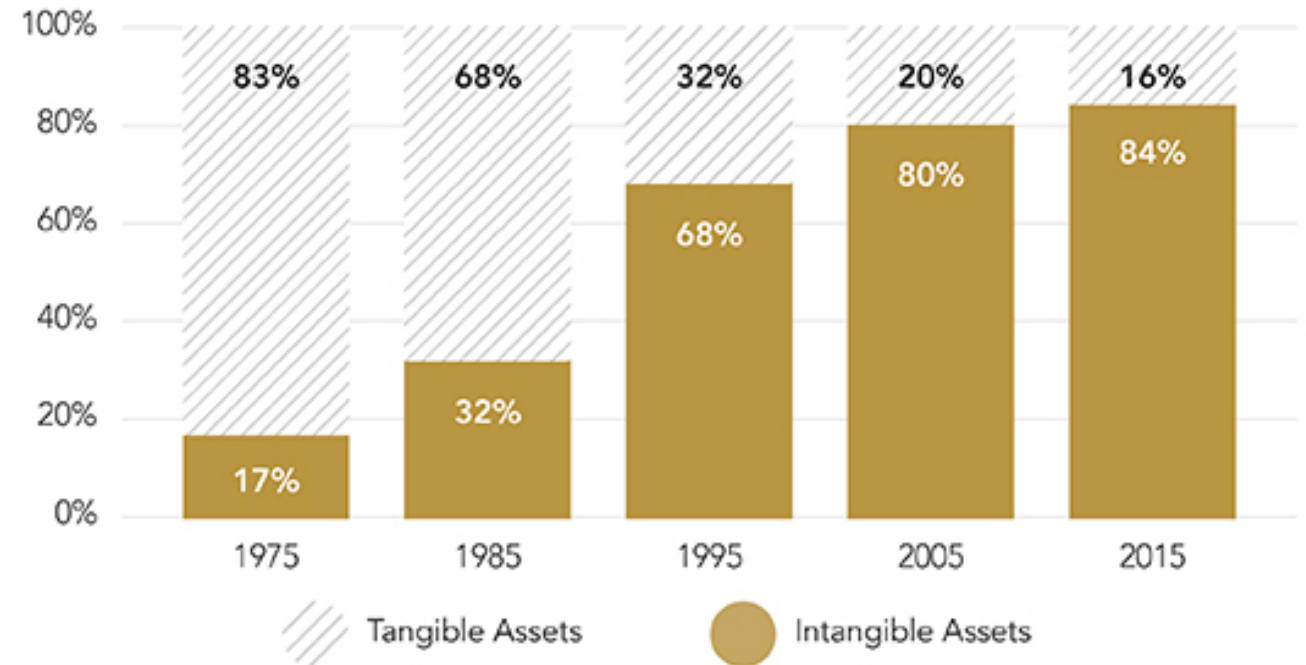
We seek to explain the gap between market value and book value which now, on average, represents 80%+ of company value...This is a gap where ESG factors are either a significant contributor to or defined risk for both intangible asset performance and earnings growth trajectory.

PROJECT DELPHI (STATE STREET GLOBAL)

Introducing Project Delphi | Feb. 2016

Intangible Value

COMPONENTS *of* S&P 500 MARKET VALUE



SOURCE: INTANGIBLE ASSET MARKET VALUE STUDY, 2017

Quality Tilt

The results tell us that ESG is a quantitative measure of quality, but it's a different flavor of quality: It captures a set of hard-to-measure corporate characteristics that are reflective of a management quality not reflected in traditional quality measures. Our research showed that capturing these characteristics, in turn, reduces a portfolio's risk relative to one produced by a model without ESG. And this effect is particularly pronounced in "risk-off" markets, further buttressing the quality and counter-cyclical argument for ESG.

STATE STREET GLOBAL ADVISORS

IQ: Fall 2014 Issue

Quality Tilt

Figure 3: MSCI All-Country World Index Return on Equity
By ESG Rating



Source: MSCI as of August 31, 2014.

Past performance is no guarantee of future results.

Index returns are unmanaged and do not reflect the deduction of any fees or expenses. Index returns reflect all items of income, gain and loss and the reinvestment of dividends and other income.

AAA is the highest MSCI ranking for ESG. CCC is the lowest MSCI ranking for ESG.

Risk Mitigation

Institutional investors increasingly observe that risks related to ESG issues can have a measurable effect on a company's market value, as well as its reputation. Companies have seen their revenues and profits decline, for instance, after worker safety incidents, waste or pollution spills, weather-related supply-chain disruptions, and other ESG-related incidents have come to light.

MCKINSEY & COMPANY

From 'why' to 'why not': Sustainable investing as the new normal.

October 2017

Risk Mitigation

When companies externalize the price of environmental and social issues upon the communities in which they operate, they are by definition over-monetized—earning excess profits because the costs of externalities are not borne by the company. Investors risk paying the price when such excess is corrected and environmental and social costs are internalized to the company's income statement.

MORGAN STANLEY

ESG and the Sustainability of Competitive Advantage

2017

Risk Mitigation

DISPLAY 2

Stock price performance one year following ESG risk event

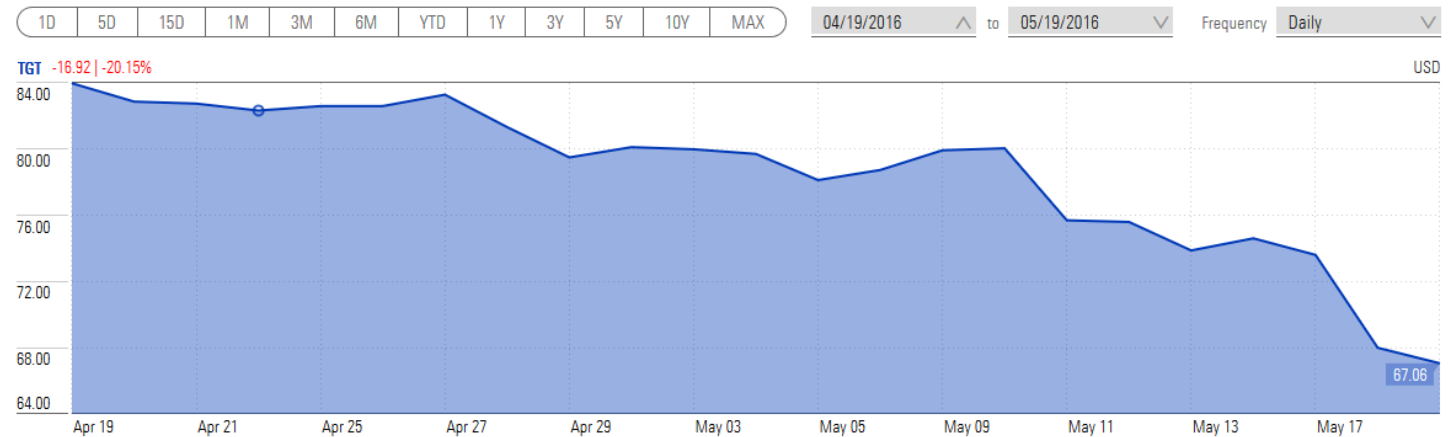
ESG RISK EVENT	DATE	1 YEAR (%)
Energy accounting scandal	8/14/01	-99.6
Telecommunications accounting scandal	3/11/02	-98.6
Upper Big Branch Mine explosion	4/5/10	-52.7
Deepwater Horizon oil spill	4/20/10	-28.2
Automobile airbag recall	1/21/14	-53.5
Pharmaceutical accounting scandal	8/5/15	-91.5
Automobile emissions scandal	9/20/15	-26.4
Average loss to shareholders after 1 year		-64.4

Source: Bloomberg. Data as of November 30, 2016. **Past performance is no guarantee of future results.**

Risk Mitigation



Retailer stock drops 20% on bathroom controversy



Continuing to Stand for Inclusivity

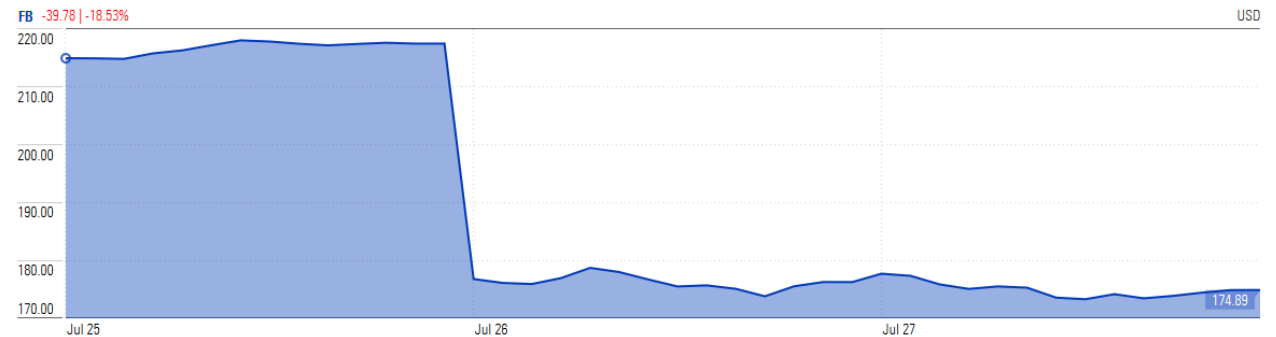
"we welcome transgender team members and guests to use the restroom or fitting room facility that corresponds with their gender identity."



Risk Mitigation



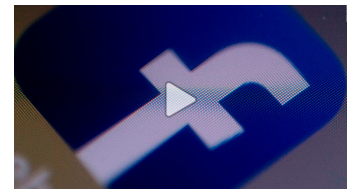
Social network giant falls 20% due to user data breach



Largest one-day loss of market cap ever on record (\$120B)

Facebook 'puts privacy first' and stock plunges 20%

"Facebook's stock plunged 20% Thursday morning after the company said it expects revenue growth to slow as it "puts privacy first" and rethinks its product experiences."



Risk Mitigation

ESG Related Bankruptcies

The logo for WorldCom, featuring a stylized orange star above the word 'WORLD' in blue, followed by 'COM' in blue.The logo for American International Group (AIG), featuring the letters 'AIG' in blue, enclosed within a blue rectangular border.The logo for Enron, featuring the word 'ENRON' in blue, with a stylized graphic of three vertical bars in red, green, and blue to its right.The logo for Bear Stearns, featuring the words 'BEAR' and 'STEARNS' stacked vertically in a bold, black, serif font.The logo for Lehman Brothers, featuring the words 'LEHMAN BROTHERS' in a green, serif font.

Risk Mitigation



Issuers with the lowest QESG Scores tended to have the **highest median CDS spreads...**

...the distribution of observed annual average CDS spreads was also **widest among the lowest QESG deciles...**

...This implies that firms with lower ESG scores produce more **unpredictable investment returns**. Conversely, issuers with the highest QESG Scores tend to have the lowest CDS spreads and the narrowest distribution of spreads, which should result in a more stable return profile...

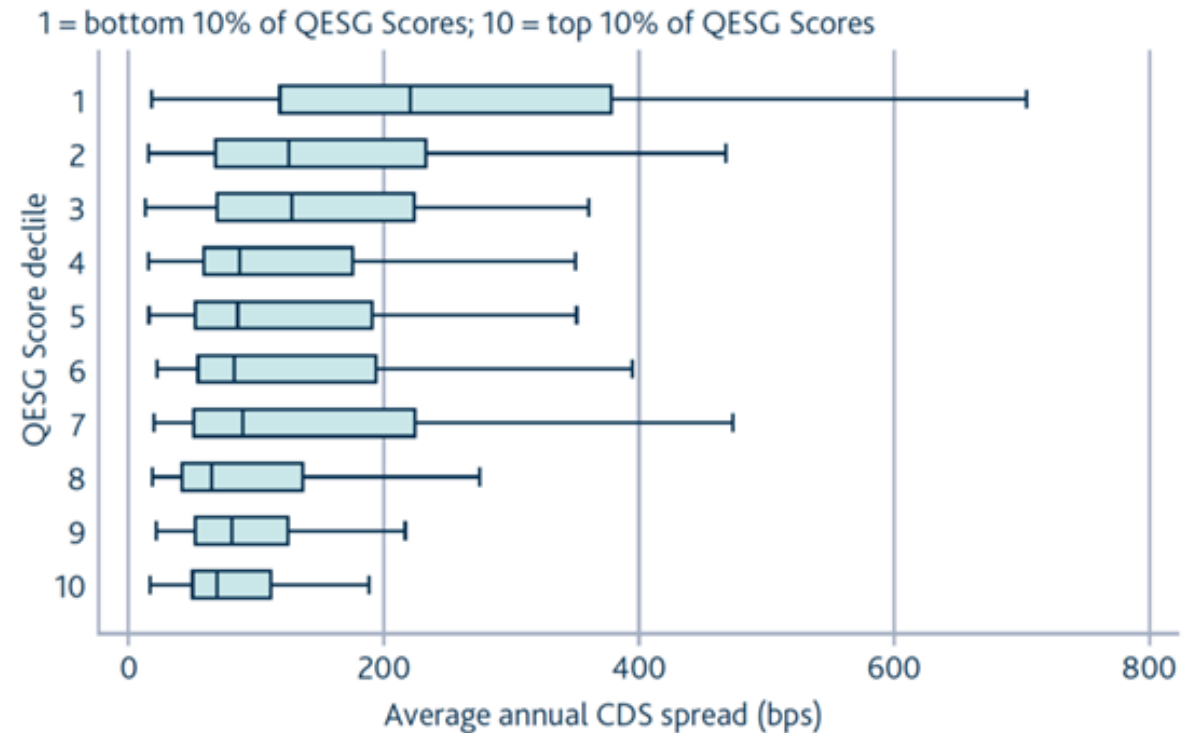
...companies with **higher QESG Scores** tend to have **lower CDS spreads**.

B L O O M B E R G & H E R M E S G L O B A L E Q U I T I E S

February 2017

Risk Mitigation

Figure 2: CDS spreads by QESG decile, 2012-2016



Source: as at February 2017. Data sourced from Hermes Global Equities and Bloomberg. Corrected for outliers.

Broad Applications

Not just for faith-based/ESG mandates.

A blue square icon with a white diagonal line, positioned to the left of the text.

Consideration of environmental, social and governance criteria was once driven by ethical forces. Now investors are discovering how it plays a key role in broader financial performance and managing volatility...


Once seen as vague and peripheral, ESG is progressively becoming a core tenet to the risk-return equation and to goals-based investing.

STATE STREET GLOBAL ADVISORS

IQ: Fall 2014 Issue

Broad Applications

Not just for faith-based/ESG
mandates.



We believe that ESG factors are
integral to assessing the quality of
a company and thus are a **vital
part of our investment process.**

MORGAN STANLEY

ESG and the Sustainability of Competitive Advantage
2017

ESG is Essential for ALL Portfolios

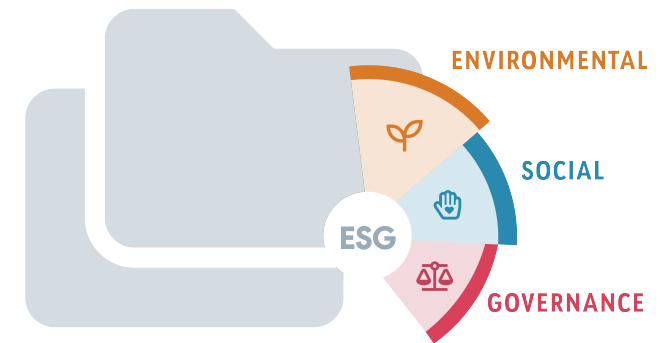
Non-ESG Portfolios



You may be PROFITING from the following:

 ALCOHOL
  GAMBLING
  TOBACCO
 BIO ETHICS
  HUMAN RIGHTS VIOLATIONS
 XXX PORNOGRAPHY
 LGBT ACTIVISM

ESG Portfolios



Emphasis on the following:

 POSITIVE BUSINESS MODEL
  CORPORATE GOVERNANCE
 PRODUCT INTEGRITY & INNOVATION
  SOCIAL IMPACT
 EQUITABLE HUMAN CAPITAL
 SUPPLY CHAIN
 SUSTAINABLE ENERGY USE & PRODUCTION
 ENVIRONMENT

Broad Applications

Not just for faith-based/ESG mandates.

In reviewing the experiences of leading institutions, one theme stands out: **sustainable investing is more effective when its core activities are integrated into existing processes**, rather than carried out in parallel...

More institutional investors recognize environmental, social, and governance factors as drivers of value. **The key to investing effectively is to integrate these factors across the investment process.**

MCKINSEY & COMPANY

From 'why' to 'why not': Sustainable investing as the new normal.

October 2017

ESG is Essential for ALL Portfolios

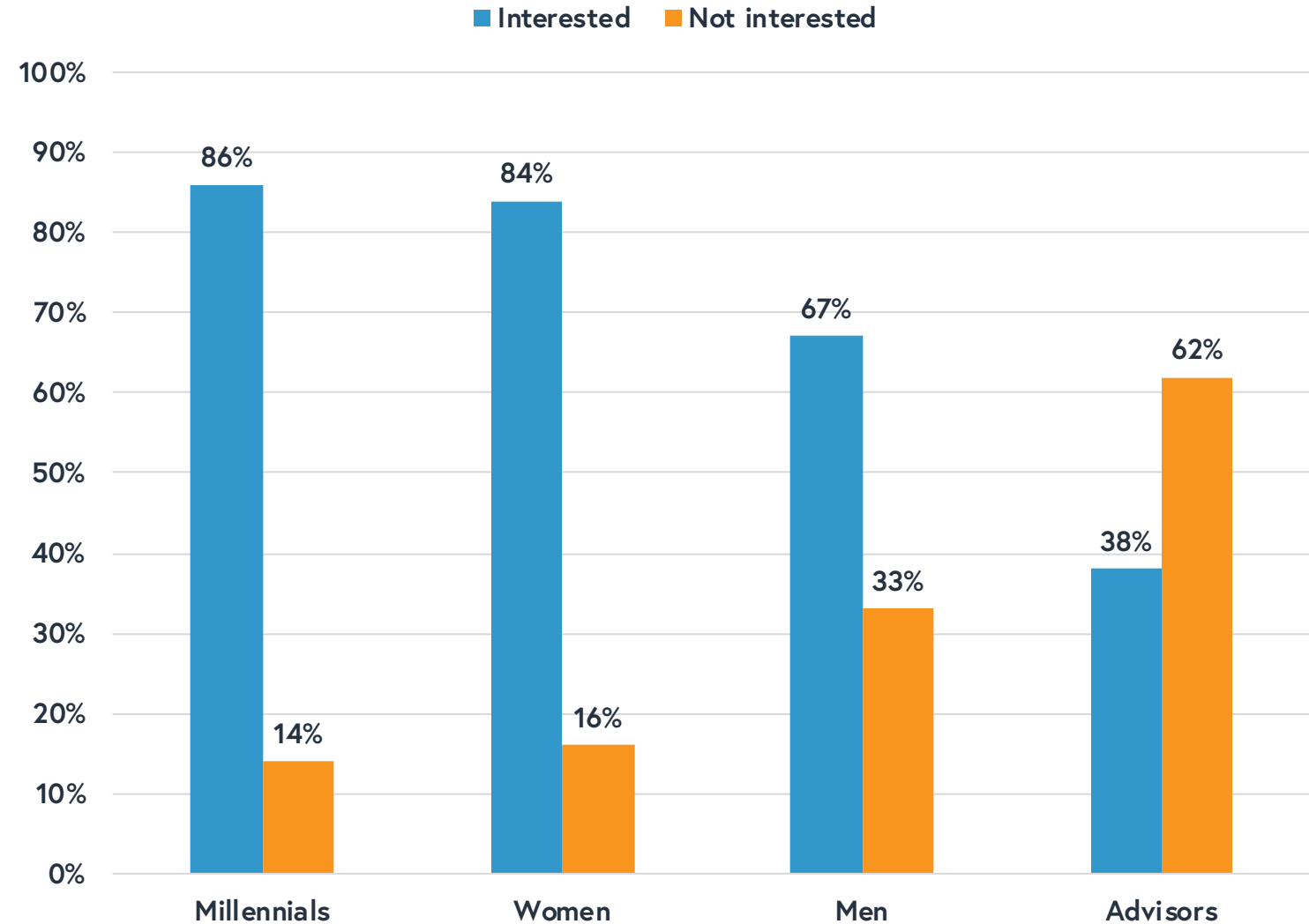


Emphasis on the following:

-  POSITIVE BUSINESS MODEL
  CORPORATE GOVERNANCE
-  PRODUCT INTEGRITY & INNOVATION
  SOCIAL IMPACT
-  EQUITABLE HUMAN CAPITAL
  SUPPLY CHAIN
-  SUSTAINABLE ENERGY USE & PRODUCTION
  ENVIRONMENT

Advisor Perception Vs. Reality

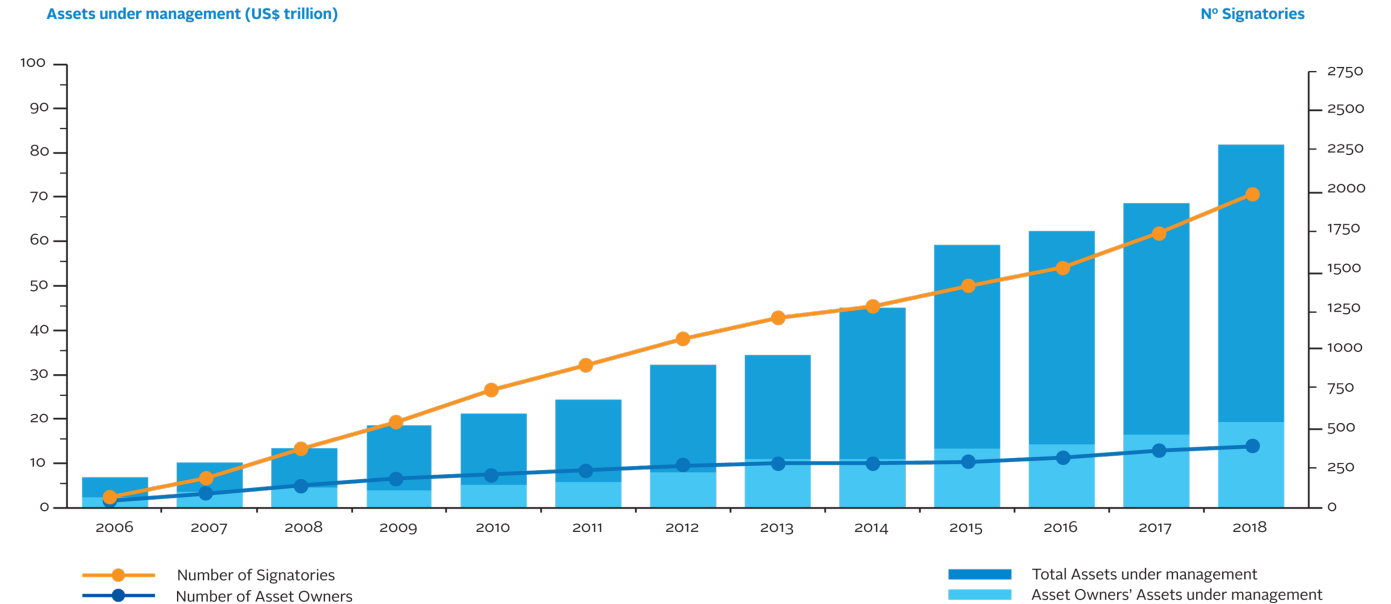
ESG INTEREST OF INVESTORS -VS- ADVISORS



Sources: Morgan Stanley Institute for Sustainable Investing, Cerulli Associates (2017)
Past performance is no guarantee of future results.

Broad Applications

Not just for faith-based/ESG mandates.



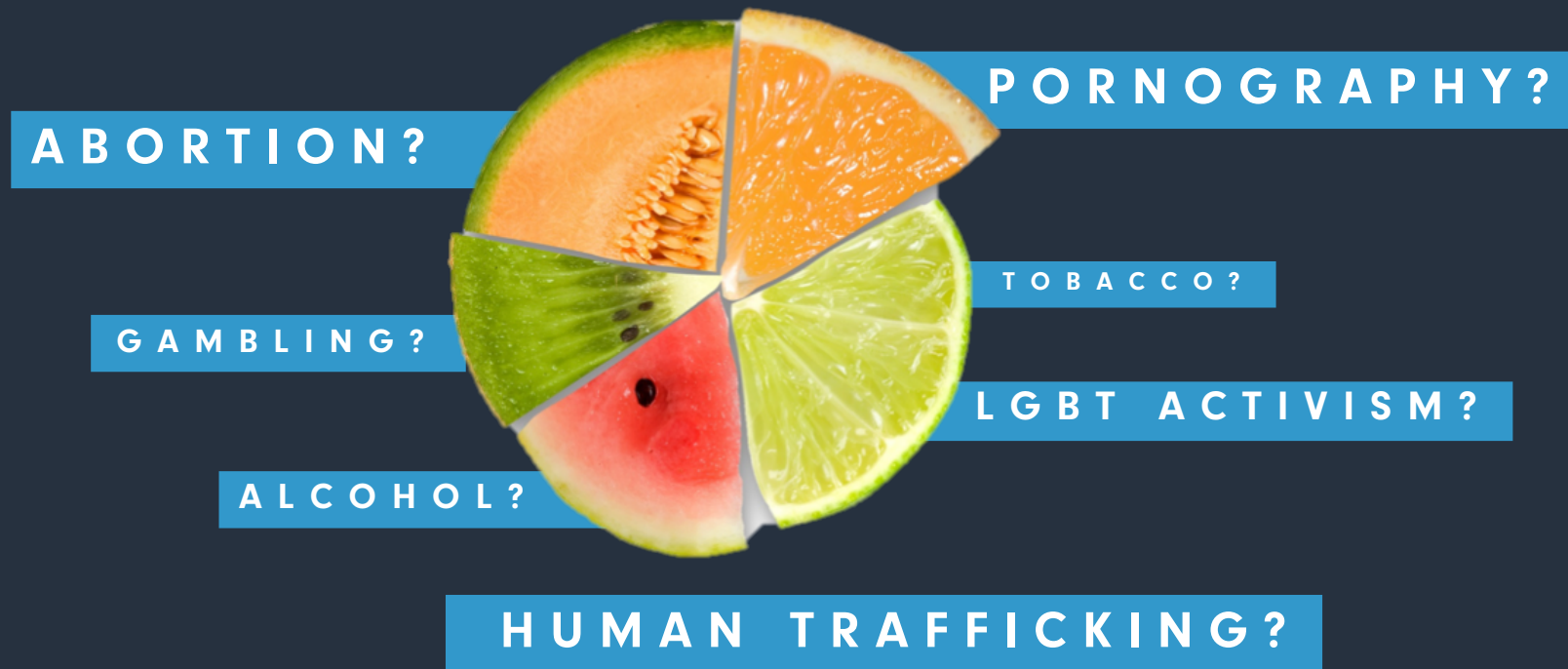
Methodology: Total AUM includes reported AUM and AUM of new signatories provided in sign-up sheet that signed up by end of April of that year. Total AUM for the past three years excludes double counting resulting from subsidiaries of PRI signatories also reporting and external assets managed by PRI signatories. AUM for previous years include some element of double counting.



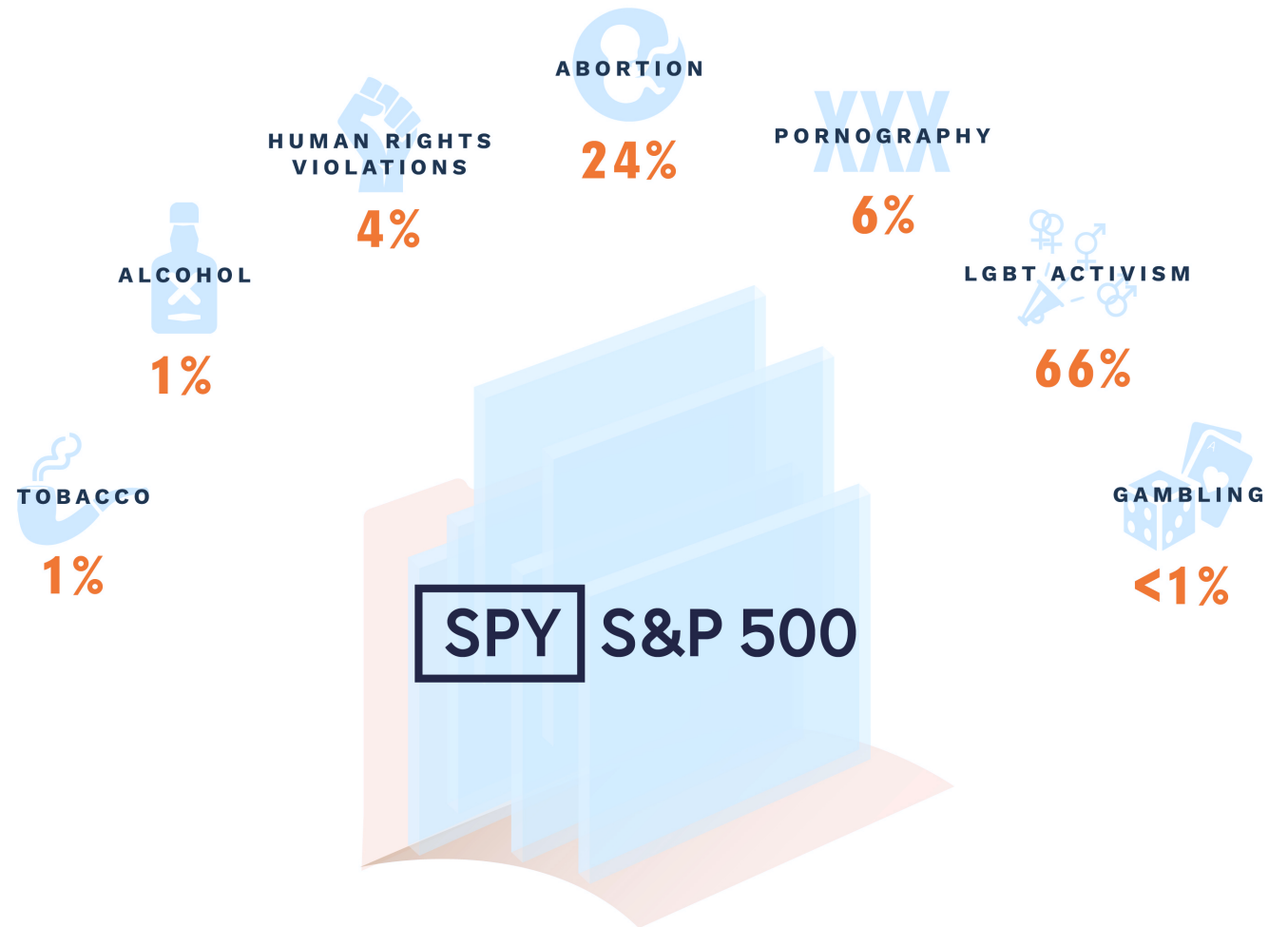
Inspire Impact Score Methodology

Our unique faith-based ESG factor investing process.

What are you really invested in?



What are you really invested in?



Data sourced by inspireinsight.com October 16, 2018

Inspire's Investment Methodology

Inspire impact score:



- ✓ Identify the most inspiring companies
- ✓ Range from -100 to +100
- ✓ Invest in companies closest to +100
- ✓ Proprietary database of thousands of company scores

Screening Flowchart

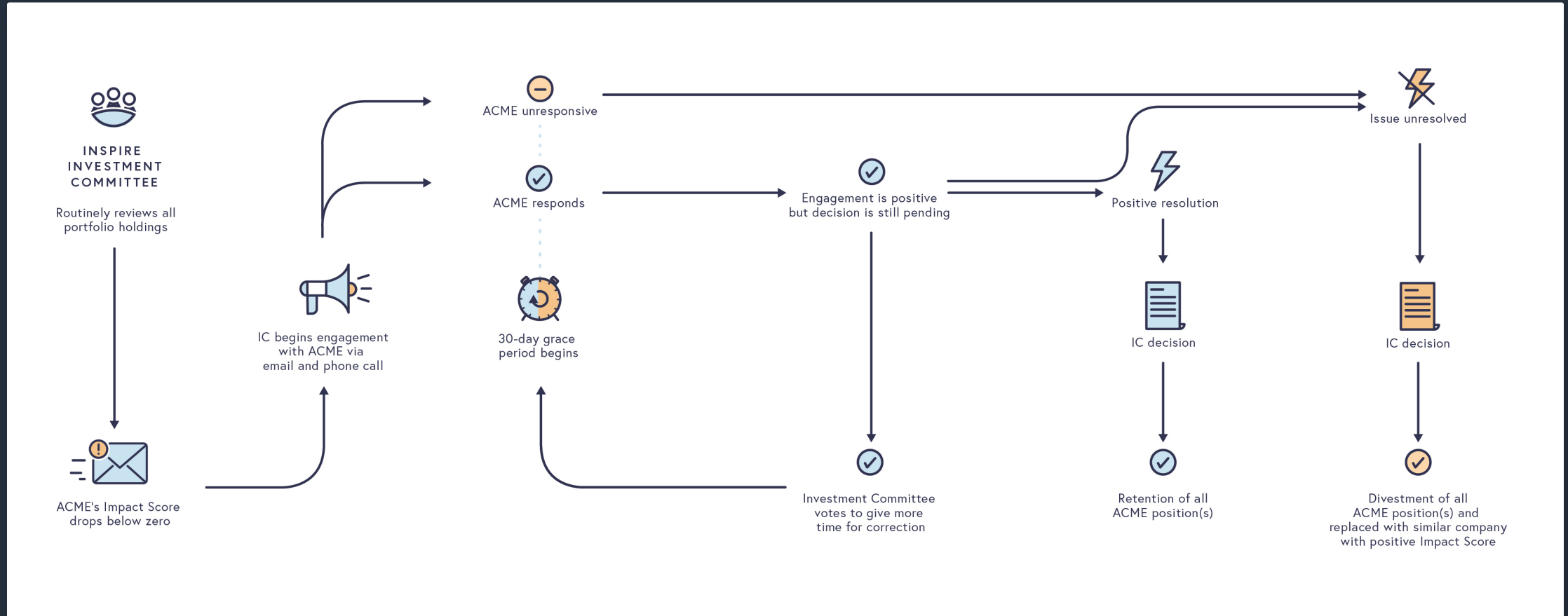


There is no guarantee that any investment will achieve its objectives, generate positive returns, or avoid losses.

Company Spotlight

Company	Ticker	Description
 Bright Horizons.	BFAM	Progressive benefits designed for the changing needs of the modern workforce
		
VIOLATIONS <input type="checkbox"/> Abortion <input type="checkbox"/> LGBTQ Activism <input type="checkbox"/> Human Rights <input type="checkbox"/> Pornography <input type="checkbox"/> Alcohol <input type="checkbox"/> Tobacco <input type="checkbox"/> Gambling		
POSITIVE POINTS <input checked="" type="checkbox"/> Blessing employees with vocational on-site childcare and educational development for their children. <input checked="" type="checkbox"/> Clean and secure facilities enforcing best-practices for healthy children <input checked="" type="checkbox"/> Nutrition wellness curriculum teaches kids healthy food choices for life.		
IMPACT SCORE <small>*Inspire Impact score provided by inspireinsight.com as of 7/16/2019</small>		
		

Engagement Process and Sell Discipline





Investment Options

To learn more about Inspire's offerings, please visit
inspireinvesting.com



Inspire gives away 50% or more of the profits we earn from our management fees every year, donating them to Christian ministries to create meaningful change in the lives of people all around the world.



CLEAN WATER



END SLAVERY



CARE FOR THE
POOR



HOPE OF THE
GOSPEL



BIBLE
DISTRIBUTION

Invest in something that matters.

Join The Movement

Learn more @ inspireinvesting.com



National Admin Office: 650 San Benito St, Ste. 130 Hollister, CA 95023; Phone: (877)658-9473; Email: inspire@inspireinvesting.com. Investment advisory services offered through CWM Advisors, LLC dba Inspire, a Registered Investment Adviser with the SEC.