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Market Outlook:

Lipstick

In my recently published Quarterly Commentary (January 1, 2019) I opened a dialogue with you about trying to focus upon *intrinsic need* investing, sometimes referred to as *socially responsible investing.* The focus in that missive was on water crises, but any number of endeavors might qualify for examination, such as agriculture, ecology, energy, education, healthcare, etc.

I also noted that many financial firms have tried to capitalize upon these concepts by introducing product offerings such as mutual funds, unit investment trusts, or private equity pools. However, as I also pointed out, most have failed to deliver solutions to the problems or performance for their clients because their methodologies are, in my words, *"incomplete or dilapidated".*

If one is truly interested in combining relevant answers with portfolio performance the focus must be sustainable and unique. One shouldn't be impressed just because a socially responsible moniker is affixed to an investment offering. While the effort might be laudable, the value quickly dissipates when you realize that the originators are simply overlaying yesterday's analytical method upon a contemporary phenomenon.

Investing in tomorrow's issues (renewable energy, agribusiness, e.g.) may possess noteworthy "catch phrases", but requires ethical, consistent, and progressive quantitative statistics to produce results. Achieving an enduring portfolio in these realms with strong long-term returns must be more than simply screening an established benchmark or index and adding the phrase "green" or "socially responsible".

Socially responsible investing (SRI) as currently practiced still succumbs to the old dictum that *the portfolio usually follows an "old" benchmark in order to be considered mainstream and low risk* (as if volatility and risk were the same thing). But such plodding deployment relies upon legacy businesses and commonplace solutions, as well as technologies only known at present, which have very little to do with investments that answer for reforms in the future. The winners of yesterday's idea competition aren't generating the answers we need, or else we would already have eradicated the social misfortunes looking to be ameliorated.

Going further

I prefer to play in a proprietary realm of quantitative statistics in which magnitude and amplitude qualifiers make it easier to locate the probability of longer term performance from a select silo.

The old method of starting with an existing benchmark and being told to "put lipstick on this pig" doesn't make it a "greener" or more palatable circumstance. My work, instead, spans the continuum of geography, capitalization, sectors, and corporate definitions to aggregate portfolios by *risk* and *probability*. Old indices are insufficient relative to the needs, questions to be asked, and opportunities for the future.

The most significant element to SRI is having the proper context within which one can advance the calculus of investment performance and precise results for the long-term.

For example, today's "green funds" might do a good job of helping you identify industry leaders. But one needs to go beyond that....to create rankings within *all* industries whereby routines might be developed from which cross-pollination can produce integrated possibilities not yet anticipated.

The mind and the imagination are the fertile soil from which durable sciences grow out of creative application.