



First Affirmative approaches the end of 2020 with a reinvigorated spirit for our longstanding mission: To bring you competitive financial returns through conscientious design of SRI and ESG investments that make the world a better place. If you hadn't heard, we're happy to share it again — First Affirmative Financial Network, LLC is now an employee-owned, independent company, ready to expand our role as the nation's pioneer in SRI and ESG.

First Affirmative learned a lot in our four years under the wing of Folio Financial, a unique brokerage, custodial and fintech leader that acquired us in 2016. And now we are grateful that Folio Financial and Goldman Sachs, which completed its acquisition of Folio Financial on Sept. 18, agree with us that we will best fulfill our mission if we operate as **an independent, employee-controlled and employee-majority-owned company**. Putting our dedicated employees in charge ensures our \$850 mm under management and advisement will continue to grow into a larger force for good.

We continue to be a Certified B Corp, entirely spun off from Goldman Sachs, and well-positioned for future growth at a time when social and cultural activism have raised values-based investing to higher prominence than ever.

We're looking forward to telling you more about innovations like the **AffirmativeESG advisor platform**, which sets the standard for financial and impact customization and efficiency. We're thrilled to reinforce more than three decades of values-based investment innovation with employee ownership that will help spread the First Affirmative approach, through our enthusiasm and depth of experience and commitment.

Some of our most important initial work is to grow our network of advisors and bring powerful, impactful financial management tools to more people through the leadership of our empowered teammates. Our family of

advisors and their clients tell us how encouraged they are to see us independent again. To justify that trust, we will be making important investments in late 2020 in performance reporting and information systems to reinforce our leading edge. We will also focus to keep our pricing competitive, and make sure our responsible-investing advice remains accessible to everyone.

Our championing of shareholder advocacy has always been a primary source of pride and customer loyalty at First Affirmative. The news that we are once again fully independent should reassure everyone that advocacy will always be at the forefront of what we do. By leveraging the financial power of clients who choose to reflect their ideals in their investments, we are able to "punch above our weight" in the fight for a just and sustainable economy. We vote shareholder proxies in accordance with guidelines that direct corporations to take a sustainable path, and push our investment managers to enhance their own policies. We selectively engage our portfolio companies, both directly and in conjunction with advocacy partners and coalitions. We engage on key public policy issues, prioritizing our client's rights that are currently threatened by proposed regulations that would limit their ability to engage in the shareholder proposal process, or to even access ESG investments in retirement plans. First Affirmative's family of employee-owners is honored to have you alongside as we continue to lead in shareholder advocacy and investor-driven social activism.

You can expect a comprehensive advocacy and impact update next quarter, but we are proud to share recent efforts that illustrate our work.

- **We helped to lead a years-long effort** that finally influenced the NFL's Washington Football Team to change a name long considered a slur to indigenous people around the world.
- **We filed a resolution on behalf of a client with Nucor steel** seeking more transparent disclosure of the company's lobbying, political donations and other keys to fair governance two years ago. Our vote got high support but not majority support. Nucor, however, got the message. Their most recent disclosure has gone from one of the thinnest reporting in the industry to one of the most thorough.
- **We led an 82-investor coalition last year asking J.P. Morgan Chase to clarify their stance on climate change.** When dialogue wasn't enough, we joined many investors to file a proposal asking if and how they will align lending with Paris agreement goals. The effort achieved a remarkable 49.6% support. J.P. Morgan Chase just announced a plan to set emissions targets for its financing portfolio, representing a very substantial step in complying with a shareholder proposal that the Bank previously challenged at the SEC to block shareholders from even voting on it.



This is the kind of work we do dozens of times a year. Some of our advocacy on behalf of the investor is less visible, and much of it takes years of concerted effort. But it's all equally important, and often leads to the clear-cut victories we are able to share. Our advisors consistently tell us our desire and our ability to vote client proxies for the right cause and our engagement with portfolio companies is a primary attraction for their business, and we want the responsible investment community to know our efforts here will only grow.

Where will this advocacy and insight take us in the coming year? The social landscape and economic challenges always change, so there's never a shortage of commendable targets.

Our Chief Investment Officer, Theresa Gusman, took the lead for us in spearheading a report **researching the sick leave and time off policies of large corporations in the time of COVID-19** emergencies. How corporations treat their employees at a time like this is an important indicator of the role they take in our larger society. A Corporate Knights seminar put their research out to the entire investment community. We will continue to expand our research and our categories of social impact choices, made even more accessible to all through the exclusive AffirmativESG Platform.

Communicating most effectively with you, our valued clients, has been a challenge for all of us during the pandemic, just as the virus has disrupted so many aspects of American life. Key SRI conferences have been canceled, and advisor support and celebration events have largely gone by the way side. We assure you that innovating in communications and marketing is our top priority in coming months.

Our enthusiasm this momentous quarter has been boosted by the reaction of our advisor network. "First Affirmative is one of the most pioneering and well-respected SRI investment managers in the country," said Gary Matthews, PhD CPA/PFS AIF at SRI Investing LLC. "I am so happy to be able to say now that First Affirmative is preserving its independence. First Affirmative is a treasure to the SRI community."

Establishing First Affirmative's future has taken up some of our time these past months, but of course we're always laser-focused on the markets themselves. As are you. That does not mean, though,

that we have changed our emphasis on preparation rather than prediction. We caution anyone, as always, against building portfolios based on predictions of the November election results, for example. Or by trying to pinpoint exactly when a vaccine might become available to begin reversing this nightmarish pandemic. Looking back through recent history, those who thought they knew exactly how financial markets would react to a "win" or a "loss" often ended up with a lot more losses than wins. Clients should continue to be focused on their own portfolio, their own risk tolerance. If they grow uncomfortable with the direction of current events, they should talk to their advisor. But they shouldn't guess.

The pandemic has wreaked havoc on many industries across many of our social responsible portfolios. It's no secret that most money managers will continue to underweight airlines and hospitality industries while COVID-19 lingers, and that people who own a lot of office real estate face a tremendous number of unknowns. Nor are people surprised to hear that hospital, health care and pharmaceutical stocks remain favorites with a number of advisors. What we will continue to offer from First Affirmative is a long-term, social advocacy perspective that responds to both the financial and ethical desires of our customers.

Certainly markets are high, but they're also always high before they go higher. And yes, they are frequently high before they go lower. I certainly don't have an opinion about what the market will do. **Let the entrusted portfolio managers make their decisions. If you can't sleep at night, you have too much money in the market.**

October 2020

We appreciate your being patient and allowing us to work through a challenging time. At the end of the day we took a winding road, but we got to an exciting destination, and we appreciate deeply all the clients who stayed with us and supported our direction. As our valued community of advisors and clients, your values and your ideas will help drive First Affirmative to new success and rewarding returns.

You'll be hearing much more from us — in the meantime, reach out to any of us with comments or questions.



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