



CALDWELL TRUST COMPANY

PERSONAL • TRADITIONAL • INDEPENDENT

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INVESTMENT LETTER

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BUILDING WEALTH | PRESERVING LEGACY



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Sustainability investing, also known as Environmental, Social, and Governance (ESG) investing, continues to evolve into a force in the capital markets. The ESG acronym more specifically refers to investing around the Environmental, Social, and Corporate Governance impact of companies. For trust clients, the movement has existed for approximately 30 years but had been largely latent.

In its earliest form ESG investing was primarily focused on eliminating portfolio investments around perceived societal vices, the poster children of which were tobacco, alcohol, and firearms (e.g., no Philip Morris, Anheuser-Busch, or Smith & Wesson). Starting roughly 10 years ago, the movement morphed into causes investors desired in their portfolios as opposed to those they did not.

These causes loosely cluster around the environment, social issues (e.g., social justice), and corporate governance matters such as diversity on the board of directors. The movement, which has been embraced by large institutional investors such as Vanguard and BlackRock, broadens corporate fidelity from shareholders and a relentless profit focus to stakeholders (read “the community, employees, customers etc.”). Currently ESG investing can include myriad purposes and themes such as climate change, water security, aging populations, carbon neutrality, diversity, equity (read “fairness”), inclusion, ecosystem conservation and restoration, and energy transition infrastructure.

In classic “street” fashion, investment products have proliferated to meet—and create—investor demand. The entrance of large institutional investors that take ESG mandates seriously is bringing additional credibility to ESG investing. We believe that ultimately the ESG movement will be a ubiquitous consideration in portfolio construction, much as agency credit ratings currently are for those constructing bond portfolios. The industry, in a fairly fragmented fashion, is in the throes of creating an ESG scoring system for individual companies. This will take time, and we suspect it will be messy. In the interim the movement will progress in fits and starts. It is imperative that investors can discern between real progress and bad behavior by market participants. We want to point out examples of both.

A prime example of the legitimacy of Sustainability Investing is the recent proxy fight between Exxon Mobil and a small hedge fund, Engine No. 1. The hedge fund successfully placed three environmentally friendly candidates on Exxon’s board of directors with the objective of forcing the company to reevaluate its environmental policy (specifically carbon emissions). A recent article, “Chevron Gears Up for Activist Challenge” (*The Wall Street Journal*, September 4-5, 2021) describes how the activist hedge fund successfully accumulated a small amount of Exxon’s stock (.02%) and, significantly, persuaded major institutional holders of Exxon’s shares to fight management and place more environmentally conscious directors on Exxon’s board.

Engine No. 1's triumph at Exxon has essentially sent shock waves through the oil industry. The article's main focus is how Chevron is proactively addressing a potential proxy fight of its own with activist investors who harbor strong environmental sensibilities. The ultimate goal of the environmentalists is for the oil companies to eliminate carbon emissions over time. The article also revealed that among the institutional investors that voted with the activist hedge fund and against Exxon in the aforementioned proxy fight were BlackRock, State Street, and Vanguard.

On a negative note, Wall Street and asset managers in particular have enthusiastically cashed in on the Sustainability Investing phenomenon by creating suspect products and investment vehicles. Per a recent article in *The Wall Street Journal* entitled "Funds Go Green, But Sometimes in Name Only" (September 10, 2021), Morningstar identified 25 mutual funds/Exchange Traded Funds (ETFs) that rebranded existing funds that were losing assets under management and underperforming benchmark indices into ESG funds in order to revive the funds. The article stated that about 64 funds with \$35 billion in assets under management have been rebranded as ESG funds since 2013. The article further points out the basic underlying portfolios have changed little since rebranding.

"Currently ESG investing can include myriad purposes and themes such as climate change, water security, aging populations, carbon neutrality, diversity, equity (read "fairness"), inclusion, ecosystem conservation and restoration, and energy transition infrastructure."

A perennial criticism of ESG funds has been their underperformance relative to benchmark indices. Anecdotally, performance is improving per the mainstream financial media but in our view it is difficult to substantiate such improvement based on measurement periods and cohorts. The assertion seems dubious as profit growth ultimately drives securities prices, and sustainability initiatives largely drive costs up and reduce corporate profitability. Time will tell as the industry and investment vehicles mature.

It is difficult to measure the extent of money that has flowed into ESG investing, but recent estimates per *Barron's* (May 5, 2021) indicated that "... a staggering one-third of U.S. assets are now managed according to sustainable principles." This is difficult to verify, given that Sustainability Investing is in its life-cycle, as well as the disparate standards and metrics currently in place to measure ESG assets under management. A final complicating factor in making such assertions is the broadness and subjectivity involved in defining the space.

At Caldwell we have constructed ESG portfolios for a number of clients. We currently draw primarily on ETFs to fulfill ESG objectives. However, our fundamental research providers are working on scoring criteria for individual securities so we can construct individual security portfolios with an ESG focus. We will continue to invest in the space in a deliberate and judicious manner.

IN CASE YOU MISSED IT we were fortunate enough to host a webinar featuring TrendMacro's Don Luskin speaking on inflation. Worry over the current rise in prices is the most articulated concern by Caldwell Trust Company clients. Don clearly and concisely examines the inflationary forces we are currently experiencing and decisively makes the case for inflation abating as the economy continues to improve. Along the way Don addresses a number of topical questions submitted by webinar participants. Use this link for viewing: <https://info.ctrust.com/inflation-webinar-video> (password: CTrust2021)

10-YEAR MILESTONE

Sheryl Vieira marks 10th anniversary with achievements and awards



Sheryl Vieira, VP of marketing and communications, marks her 10th anniversary with the company with a record of accomplishments, steady professional advancement, numerous honors for community service and exciting activities for the future. Among other responsibilities, she is currently overseeing communications and public relations aspects for the early 2022 opening of Caldwell's new Sarasota office, the Caldwell Trust Company building (formerly the Wilson Building) at 27 South Orange Avenue.



Sheryl relocated to Sarasota from New York as a marketing consultant, signed Chef Paul Mattison as her first local client and came to Caldwell in 2011. Originally the marketing manager, she is now responsible for the company's strategic marketing, business development, community outreach and branding. Among her other activities, she created "Caldwell Cares," a philanthropic program that supports local charities, especially those focusing on youth and social causes. When she joined Caldwell, the company had \$500 million in assets under management and donated \$66,125 to charities. In 2021, assets under management year-to-date are \$1.4 billion, with donations to nonprofits totaling \$250,000. "Sheryl's participation as part of Caldwell's team has contributed to this growth, and her initiatives under 'Caldwell Cares' have had a major impact on our philanthropic initiatives," said R. G. "Kelly" Caldwell Jr., CEO/president.

A member of the Florida Public Relations Association (FPRA) and Florida Bankers Association, she is a graduate of LeadershipFPRA Class V. Her most recent recognitions for volunteer service include being chosen as president-elect of the Central West Coast Chapter of the Florida Public Relations Association and also its Chapter Member of the Year. Earlier in 2021 she and illustrator Michael White won the Sarasota Farmers Market contest for best T-shirt design. FPRA has also honored her for other community service on behalf of Caldwell Trust Company, most notably with two Golden Image Awards for her campaign, teamed with Easterseals, in support of the not-for-profit organization InStride Therapy. She also won the Award of Distinction, which designates entries that meet FPRA's rigorous standards. Prior to that, CWC-FPRA had honored her with its Ginnie Duffey Troyer Award of Professionalism, given for the highest level of professionalism in public relations.

In 2018 Vieira was named one of only five finalists for the national PR People "Marketer of the Year" award by PR News. Other local accomplishments include two ADDY Awards for excellence in advertising by AdFed Suncoast,

the local chapter of the American Advertising Federation. Through her initiatives, Caldwell Trust Company was also recognized by *Florida Trend* magazine as its Top Trust Banking Firm and one of the Top 500 Largest Companies on the Gulf Coast in 1981, as the company marked its 25th anniversary.

She is serving a three-year term on the board of The Haven (formerly Community Haven for Children and Adults with Disabilities) and is also a volunteer for several other charities. "Sheryl has been an incredible asset to Caldwell Trust Company," Kelly Caldwell said. "She has established a public awareness at the highest level for our company. We're enormously proud of her accomplishments, both for our company and our community."

To contact Sheryl, email sheryl@ctrust.com or call 941.493.3600.

CALDWELL CARES

Caldwell brings visibility to disability at Loveland Golf Tournament



Caldwell's golfing gurus, pictured below, took third place in Loveland's 3rd Annual Golf Tournament on September 10 at Heron Creek Golf & Country Club, North Port. Team member Scott Antritt notched a near-miss in the Hole-in-One contest, where he fell short by only two feet, and Brady Sharrer won the long drive contest.

The beneficiary of their outing is Venice-based Loveland Center, a long-established organization that brings "visibility to disability" for children and adults with intellectual and developmental disabilities.



Caldwell has long supported Loveland, most notably in 2013 when board member James R. Woods headed a capital campaign to create Loveland Village, a 42-unit complex of apartments that provides independent,

safe, supported housing for adults with developmental disabilities. Jim saw Loveland Village as essential for those with disabilities as they outlive their parents. He proudly presided over the Village ribbon-cutting in 2016. Now Caldwell again steps up to the tee by participating in the fundraising golf tournament, in support of Jim's vision and Loveland's legacy.



Loveland's 3rd Annual Golf Tournament
Heron Creek Golf and Country Club
September 10th, 2021

Caldwell VP and trust officer Scott Antritt (second from right) coordinated Caldwell's Loveland team, including three golfers from the Farr Law Firm. Pictured from left are Brett Sifrit, Will Sunter, Antritt and Brady Sharrer.

BANKING & COMMUNITY

Alisa J. Westberry shares decades of experience and volunteer service



Longtime Bradenton resident Alisa J. Westberry has joined Caldwell Trust Company as an assistant trust officer, working from the Sarasota office. "We're very pleased to welcome Alisa to our family," said R. G. "Kelly" Caldwell Jr., CEO/president. "She brings almost three decades of experience, an enduring commitment to community service and a deep knowledge of the people, institutions and organizations of Bradenton and Manatee County."

Alisa began her banking career in 1994 with Barnett Bank, working part-time while attending college. For the past 21 years she was with BMO Harris Bank, departing as branch manager and vice president/Premiere Banking for Sarasota and Manatee. She has completed her first year of trust school at Cannon Financial Institute in Hilton Head, NC, since joining Caldwell, where she manages relationships for trust and investment clients.

Besides her professional activities, Alisa has acquired many volunteer credits including current board membership with Realize Bradenton; committee work with 40 Carrots Family Center for its Firefly Gala and its Women, Wine & Shoes event from 2014 until the pandemic pause; and past board memberships including Junior Achievement and Bishop Museum of Science and Nature, where she chaired its 2019 Annual Gala. At BMO Harris Bank she was chosen to represent the Sun Belt Region as its United Way Ambassador in 2021, to serve on its Client Experience Council, and to be its Florida Chairperson of the Alliance for Women. In addition, she was a member for five years of the Community Investment Committee of United Way of Manatee County and has been a volunteer with various youth sports organizations since 2005.

Alisa's family includes two sons in college, Jacob, 23, and Cade, 21; her fiancé, Jody Craton, whom she'll marry next April in a Covid-delayed ceremony; and rescue dog Jett. The family enjoys football, basketball, tennis and Florida's outdoor activities. Jacob is working on his master's degree at Fresno State University—among the top 25 college football teams in the country—where the family delights in watching him play as an LS (long snapper, a specialized center).

To contact Alisa, email awestberry@ctrust.com or call 941.926.9336.



Pictured left to right: Jake Westberry, Alisa Westberry, Cade Westberry, Mother Jo Ivey and Jody Craton





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