May 5, 2020
SEC Rule Request for Comment on Fund Names Response
Release Nos. IC-33809; File No. S7-04-20

Introduction and Summary

This comment note is submitted in response to the SEC's Request for Comment (Release Nos. IC-33809; File No. S7-04-20) on Fund Names, in particular as it relates to the application of the Names Rule to such terms and "ESG" or "Sustainable." We support extending the Names Rule to encompass fund strategies, including sustainable investing strategies covering 100% of portfolio assets. In this context, sustainable investing refers to a range of investing strategies that span values-based investing to negative screening (exclusions) to impact and thematic investing as well as ESG integration. One or more of these investing approaches may also involve some form of investee engagement and proactive proxy voting practices. The sustainable investing sphere, covering both mutual funds and ETFs, has grown by triple digits since the start of 2019 in terms of assets under management. At the same time, the number of funds more than doubled. In both cases, this is largely due to the re-branding of existing funds. In the process, it has become evident that there is confusion and misunderstanding surrounding the meaning of sustainable investing strategies, their implementation and expected outcomes.

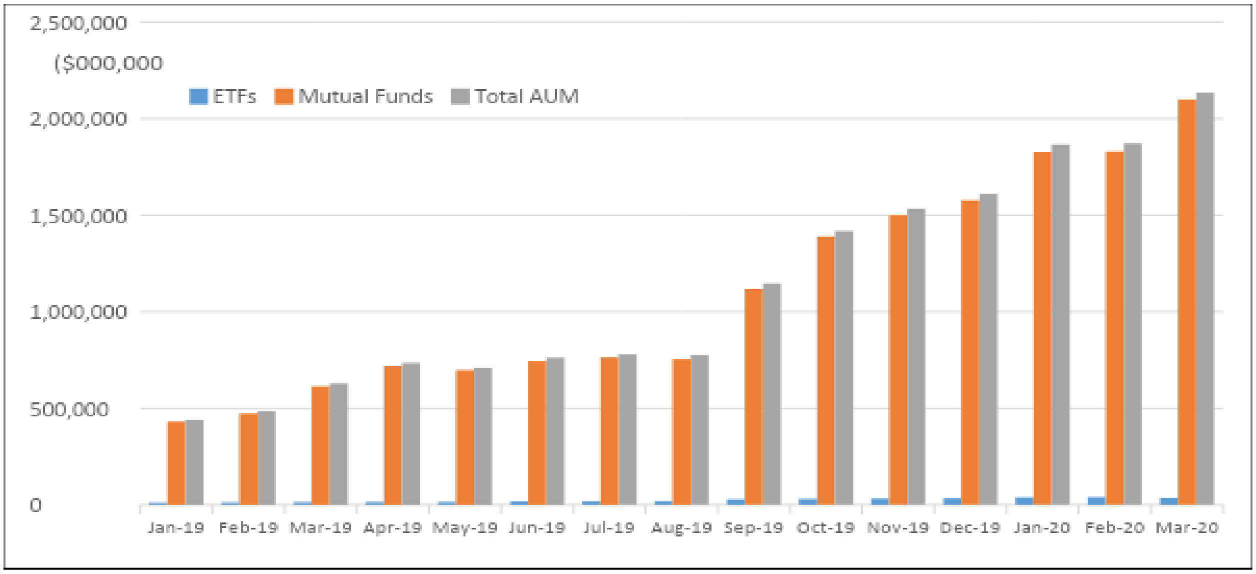
Re-branded funds, while they formally amend their prospectus language to reflect the adoption of sustainable investing strategies, rarely undergo name changes. We acknowledge that the SEC seeks to avoid the deceptive or misleading use of fund names. In our view, a prerequisite to expanding the Names Rule to encapsulate sustainable funds should be the adoption of a classification framework requiring funds to categorize themselves and their strategies for the benefit of investors and other interested parties. To this end we propose for initial consideration a potential classification framework that can serve to alleviate confusion, misunderstanding and future investor disappointments in sustainable investing fund products.

Growth of Sustainable Funds

The sustainable investing sphere, consisting of both mutual funds and ETFs, has grown dramatically, in recent years. In 2019 alone, sustainable fund assets expanded from $0.4 trillion to $1.6 trillion and now account for 6.4% of industry assets[1]. In the first quarter of 2020, assets expanded by another $522.6 billion to reach $2.1 trillion (refer to Chart 1). In the process, the number of funds pursuing sustainable investing mandates expanded from 474 funds as of year-end 2018 to 977 funds, or a total of 3,460 funds/share classes, at year-end 2019.

[1] Using mutual funds and ETF data per the ICI.org as of December 31, 2019.

Chart 1: Growth in assets of sustainable mutual funds and ETFs: Jan. 2019 – March 2020



Source: Sustainable Research and Analysis LLC, based on mutual funds data sourced to STEELE Mutual Fund Expert, Morningstar data.

In our recently published research article entitled "Sustainable Investing Growth-We've Made It! ….or Have We?[2] it is shown that 86% of this growth in assets is attributable to fund re-brandings. That is to say, the process by which existing funds explicitly adopt one or more sustainable investing approaches or strategies by formally amending their prospectuses. While these may include one or more of the five strategies noted earlier, in most instances re-branded funds have adopted ESG integration strategies to supplement all other applicable forms of investment decision making.

In almost all re-branding cases, the adoption of ESG integration strategies has not led to the modification of fund names. For example, in September 2019 J.P. Morgan re-branded 36 funds representing 163 share classes with $359.8 billion in assets by adopting ESG integration language in the applicable fund prospectuses. None of these funds refer to ESG in their fund names. These funds are not alone, as there are also non-rebranded funds that employ one of more sustainable investing strategies without explicit reference to such strategies in their fund names. Many funds offered by Calvert Investment Management fall into this category. On the other hand, funds that include ESG or some other commonly used term in their name but don't capture the full scope of the strategies employed by the fund. For example, Natixis offers a series of target date funds called the Future Sustainable Funds. In this instance, the sustainable investing approach refers to ESG integration, thematic investing as well as the exclusion of specific types of investments. On the other hand, the Goldman Sachs International Equity ESG Fund integrates ESG in the form of a

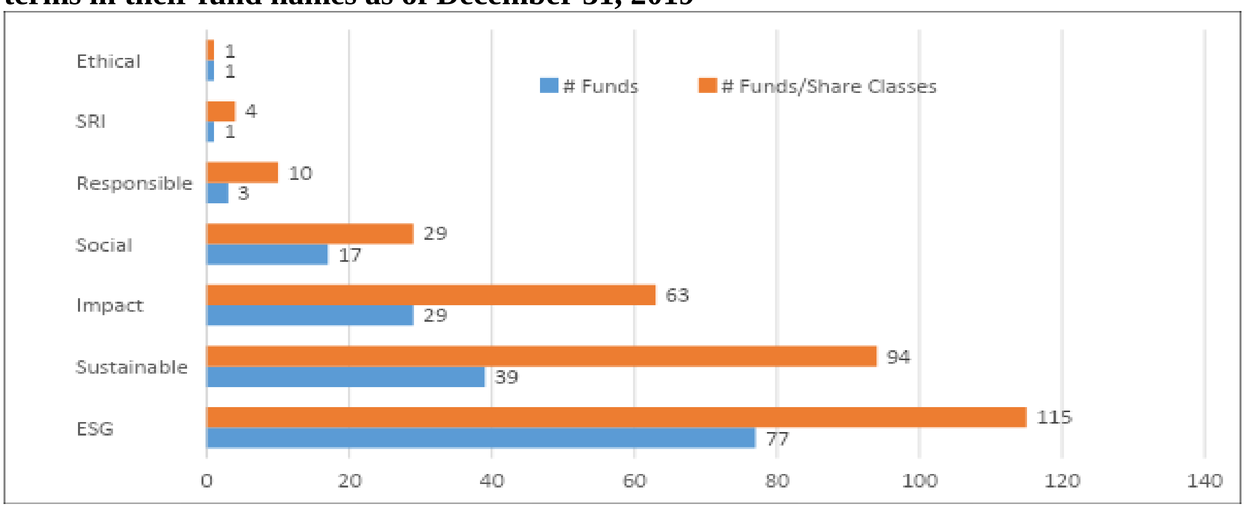
[2] Sustainable Investing Growth-We've Made It!....Or Have We?, Michael Cosack and Henry Shilling, February 2020. See https://www.sustainableinvest.com/sustainable-investing-growth-questionable/

supplemental analysis alongside its traditional fundamental, bottom up financial analysis while also excluding certain companies, such as gambling and tobacco, coal and weapons and engaging in an active dialogue with investee companies to foster best corporate governance practices.

Effort Needed to Define and Standardize Sustainable Investing Terminology

As it stands today, the absence of generally accepted definitions and standards is sowing confusion in the minds of investors, regulators and managers. A revised Names Rule seeking to tag funds by name that are formally pursuing a sustainable investing strategy would be a useful first step. It would not, however, address the issue in its entirety. This is because research, based on a slightly expanded number of sustainable investing-related search terms, indicates these have been adopted into fund names by 167 mutual funds and ETFs consisting of 316 funds/share classes as of year-end 2019. This is based on a slightly modified array of key search terms relative to the SEC's Edgar search as referenced in footnote 23 of the Request for Comment, to include "ESG," "Social," "Impact," "Sustainable," "SRI," "Responsible" and "Ethical." By far, the largest number of fund names, a total of 77 corresponding to 115 share classes, reference ESG (refer to Chart 2).

Chart 2: Number of funds/fund share classes that reflect certain sustainable investing terms in their fund names as of December 31, 2019



Source: Sustainable Research and Analysis LLC, based on mutual funds data sourced to STEELE Mutual Fund Expert, Morningstar data.

Still, these name specific funds represent a small fraction, 17.1%, of almost 1,000 funds that pursue a sustainable investing strategy. It is for this reason that we are proposing for consideration the adoption of a classification framework requiring all sustainable funds, regardless of naming convention, to categorize themselves and their strategies for the benefit of investors and other interested parties. In a soon to be published research article, we propose for initial consideration purposes an illustration of a classification framework in line with the attached Table 1.

Thank you for the opportunity to submit our comments.

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Table 1: Core Sustainable Investing Strategies Product Classification Framework illustration

Classification Framework

The five core sustainable investing strategies that we are suggesting include Values-based Investing, Exclusionary Investing, Impact Investing, Thematic Investing and ESG Integration Investing. Investee engagement and proxy voting strategies are generally employed alongside one of the five core strategies rather than on a stand-alone basis.

Core strategies describe the fund's overarching strategy, for example investing in companies that seek to achieve positive societal impact outcomes (Impact Investing) or in companies within a particular sector such as natural resources or climate focused instruments (Thematic Investing) or U.S. growth equity securities that also integrate ESG (ESG Integration Investing). In each instance, the core strategy could include one or more these approaches as secondary sustainable strategies.

Since ESG Integration Investing is the most widely used investing strategy, it is important to note that it may have three distinct forms: (1) ESG Integration Investing may be factored into investment decisions, (2) ESG Integration Investing will be factored into investment decisions accompanied by investee engagement, and (3) ESG Integration Investing will be factored into investment decisions, and while this is still the overarching strategy, additional approaches may also be employed, such as Exclusionary Investing or Impact Investing, to mention just two.

Fund Name	Core Sustainable Investing Strategy	Prospectus Language
Timothy Plan International ETF[3]	**Values-based Investing**	The fund **promotes biblically responsible investing**. Its foundational principle of investing is that God owns everything. This is why Timothy funds take a **pro-life, profamily approach to investing**—not only to benefit the investor but the broader culture. This organization is firmly **committed to running a mutual fund** company with the integrity, excellence, and wisdom **that brings honor and glory to our Lord Jesus.**
City National Rochdale US Core Equity Fund[4]	**Exclusionary Investing**	The fund **may not purchase the stock or bonds of companies identified by the tobacco** service of MSCI ESG Research. This service identifies those companies engaged in growing, processing or otherwise handling tobacco.
RBC Impact Bond Fund[5]	**Impact Investing**	The advisor will select investments that **seek to generate returns while simultaneously achieving positive aggregate societal impact outcomes.** The advisor uses its impact methodology to measure the

[3] New fund launch 12/2019
[4] Fund re-branded 1/2020
[5] New fund launch 12/2017

		fund's investments on the basis of qualities that **promote affordable quality shelter, small business growth, health and well-being, environmental sustainability, quality education, community development, diversity, reduced inequalities, and neighborhood revitalization.**
PIMCO Climate Bond Fund[6]	**Thematic Investing**	The fund **invests opportunistically in a broad spectrum of climate focused instruments** and debt from issuers demonstrating leadership with respect to **addressing climate related factors.** Given the **long-term nature of the risks and opportunities presented by climate change** and resource depletion, PIMCO may emphasize investment strategies that are more strategic, or long-term in nature, with less emphasis on short-term, tactical trading strategies. Additionally, **PIMCO may engage proactively with issuers to encourage them to improve their** environmental practices or **preparations for a low carbon economy**.
Eaton Vance Dividend Builder Fund[7]	**ESG Integration - Consideration**	As part of the research process, portfolio management **may consider financially material environmental, social and governance ("ESG") factors.** Such factors, alongside other relevant factors, may be taken into account in the fund's securities selection process.
Brown Advisory Equity Income Fund[8]	**ESG Integration^**	The Adviser assesses a company's Environmental, Social and Governance ("ESG") profile through conducting **ESG research** and leveraging engagement when appropriate through dialogue with company management teams **as part of its fundamental due diligence process.** The Adviser **views ESG characteristics as material to fundamentals and seeks to understand their impact on companies in which the Fund may invest.**
Godman Sachs Internationa l Equity ESG Fund[9]	**ESG Integration-Mixed**	The Fund's ESG criteria are generally designed to **exclude companies that are involved in, and/or derive significant revenue from, certain industries or product lines, including: gambling, alcohol, tobacco, coal, and weapons.** The investment adviser **conducts a supplemental analysis of** individual companies' **corporate governance factors and a range of environmental and social factors** that may vary by sector. The investment adviser **engages in active dialogues with company management** teams to further inform investment decision-making and to foster best corporate governance practices **using its fundamental and ESG analysis.**

^ distinction between engagement when appropriate through dialogue with company management teams as part of an adviser's fundamental due diligence process and engagement as an active owner on environmental, social and governance issues. Same applies to proxy voting and filing or co-filing shareholder proposals.

[6] New fund launch 12/2019
[7]Fund re-branded 11/2019
[8] Fund re-branded 10/2019
[9] Fund renamed and re-branded 2/2018