


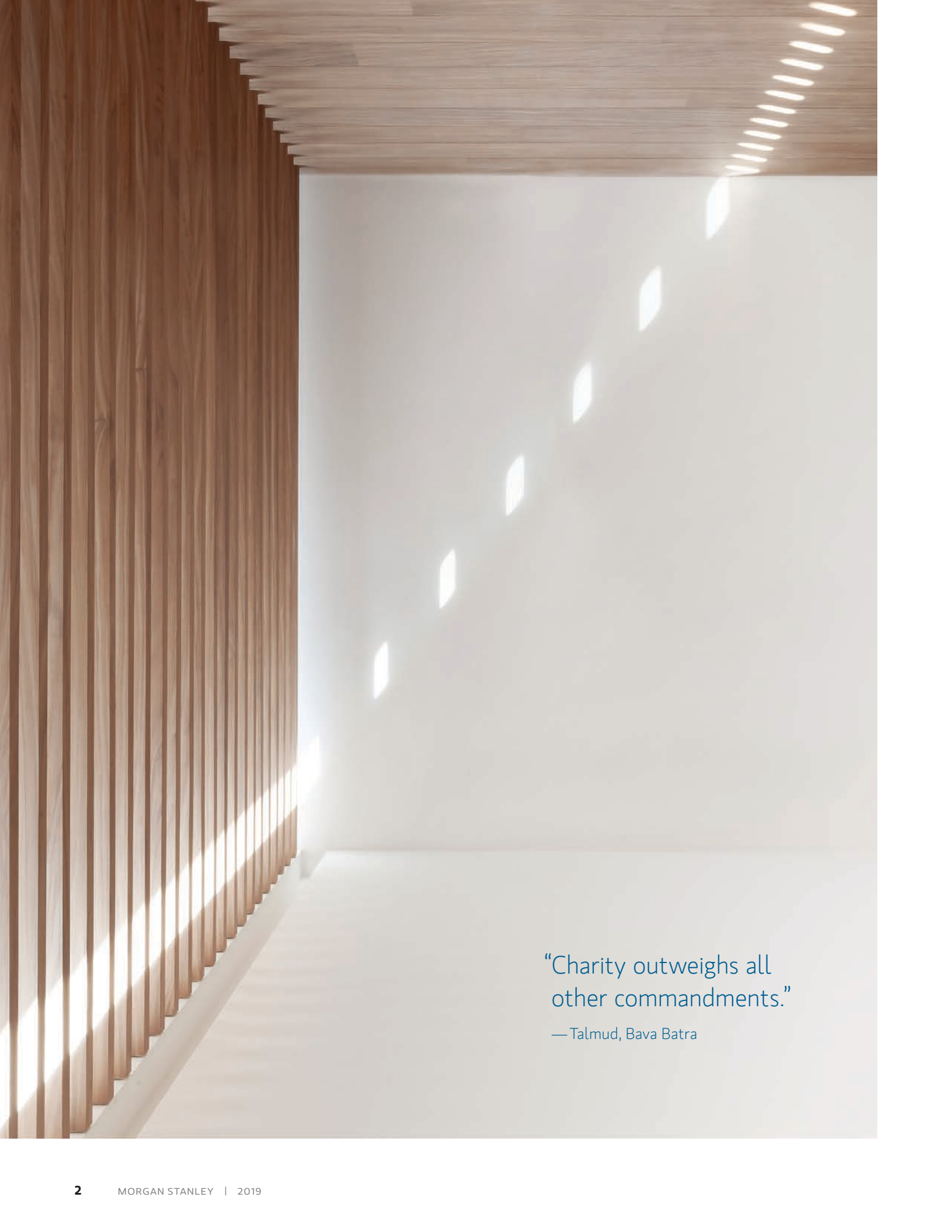
Morgan Stanley

# This Too Is for the Good<sup>1</sup>

Giving and Investing in Alignment with Jewish Values



A collaboration  
between Investing with Impact  
and Philanthropy Management



“Charity outweighs all  
other commandments.”

— Talmud, Bava Batra

Perhaps the central questions for all people of faith are: How do we live in the world as good and moral people? What are the values that have been imparted to us through the teachings of our religion, and how do we pass those values down to our children and grandchildren? How should those values inform the way we interact with our families, our communities and the world around us? And, how might those values guide our family and foundation investing and giving decisions?

Those raised in the Jewish faith, or observing it by choice, may first ask a more fundamental question: Is there a set of common values that spans the extraordinary diversity of the Jewish people and, if so, what are they?

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## Two Jews, Three Opinions

To paraphrase the Midrash Tanchuma, an ancient, three-volume commentary, “All Jews are brothers and sisters.” But as we well know, brothers, sisters, mothers and fathers sometimes disagree. Judaism is a religion of laws, scholarly inquiry and robust debate over how the teachings of the ancestors are to be interpreted in the modern world. These interpretations may vary across Orthodox, Conservative, Reform and Reconstructionist followers, and there are even likely to be disagreements among different members of the same synagogue. In fact, according to a 2016 Pew Research Center survey, about 4 in 10 Israeli Jews do not identify with any of these streams or denominations of Judaism. Israeli Jews are more typically grouped into four informal categories

of Jewish religious identity—Haredi (ultra-Orthodox), Dati (religious), Masorti (traditional) and Hiloni (secular).<sup>2</sup>

Some religions have governing bodies that periodically issue faith-based investing and philanthropic guidelines. For example, the principles for the United States Conference of Catholic Bishops Investment Guidelines, established in 2003,<sup>3</sup> provide a set of guidelines for Catholic values-oriented investors, including dioceses, religious schools, hospitals, families and individuals. The guidelines include specific exclusionary screens and targeted, positive environmental and social impact recommendations, but leave room for the interpretations and preferences of specific organizations and individuals.

Other Christian denominations, such as Baptist, and leaders of Muslim sects have released their own sets of guidelines based on their interpretations of Sharia<sup>4</sup> and faith-based responsible investing.<sup>5</sup> While many rabbis and Jewish scholars have opined on the subject, Judaism has no direct equivalent that we can identify.

Of course, that does not mean that Jews who wish to practice faith-based philanthropy and investing are without guidance. While discussions of Jewish values may proceed down different paths, they all start at the same wellhead: the Torah. So, it is safe to suggest that a discussion of Jewish values in giving and investing should begin with the word of God.

## 5 Mitzvot

Looking to the Torah for guidance, any number of commandments and parables might add to the discussion of giving and investing according to Jewish values. While many volumes could be written on the subject, the following five mitzvot, the Hebrew word for “good or praiseworthy deeds,” serve as a useful basis for the conversation:<sup>6</sup>

### TZEDAKAH

Literally translated as “righteousness,” Tzedakah speaks to the imperative to give to charity.

### TIKKUN OLAM

Defined as “repair the world,” Tikkun Olam evokes the duty to serve those in need.

### TZEDEK

Having the same root as Tzedakah, Tzedek emphasizes the call to justice and fairness.

### G’MILUT CHASADIM

Translated as “loving kindness,” G’milut Chasadim calls for caring and compassion.

### TIKVA

Translated as “hope,” Tikva reminds us to remain optimistic for the future.



## TZEDAKAH

“The greatest good you can do for another is not just share your riches, but to reveal to him his own.”

—Benjamin Disraeli

Any discussion of Jewish philanthropy might properly begin with the mitzvah of Tzedakah, which speaks to the responsibility of all Jews to give to charity. The biblical origin of Tzedakah is quite specific: It states the obligation to donate 10% of one's crops to members of the community in need. Many Jews still follow these precepts, donating 10% of their earnings to good works, as do many Christians who tithe a portion of their earnings and Muslims who follow the practice of Zakat. Most of the world's other major religions also have prescribed practices for the giving of alms.

Importantly, Tzedakah not only refers to the act of giving, but also the intention of the gift and the manner in which it is given. While no act of charity is considered bad, Tzedakah commands that gifts be given willingly, proactively and, preferably, anonymously. The great philosopher and rabbi Maimonides codified this hierarchy into eight distinctive levels of righteous charity. In descending order, these are:

**LEVEL 8:** The donor is pained by the act of giving.

**LEVEL 7:** The donor gives less than he should but does so cheerfully.

**LEVEL 6:** The donor gives after being solicited.

**LEVEL 5:** The donor gives without being solicited.

**LEVEL 4:** The recipient knows the donor, but the donor does not know the recipient.

**LEVEL 3:** The donor knows the recipient, but the recipient does not know the donor.

**LEVEL 2:** Neither the donor nor the recipient knows the other.

**LEVEL 1:** The donor gives the recipient the wherewithal to become self-supporting.

Note that the seven lower levels of charity refer exclusively to giving, while the highest level aligns giving with investing, particularly concerning investments that seek to generate more scalable financial, social and environmental returns. For example, which might we consider to be the higher level of charity: an anonymous gift to a hunger relief program, or a low-interest loan that enables a village to build an irrigation system, which then gets repaid by the community and loaned out to the next village and the next in a virtuous cycle?

## TIKKUN OLAM

“When we are no longer able to change a situation, we are challenged to change ourselves.”

—Viktor Frankl

Introduced in the Lurianic Kabbalah account of creation, Tikkun Olam is generally translated as either repairing or healing the world. The original text referred to the separation of the spiritual from the physical world, and the “healing” was a sort of return to the ►



spiritual realm. By the 1950s, the term was being adopted in Jewish circles as a call to social action, and was likely an inspiration to many American Jews who participated in the Civil Rights Movement of the early 1960s. More recently, Jewish environmental advocates have embraced a more literal version of “repairing the world,” believing that Tikkun Olam suggests a responsibility to mitigate the worst effects of a warming planet.<sup>7</sup> Such notions might guide investment policy as well as grant-making policy for Jewish philanthropists, perhaps by employing social or environmental criteria in the construction of investment portfolios to avoid the most serious emitters of carbon—a known cause of weather changes and climate-related disasters, including rising sea levels<sup>8</sup>—and by investing in climate solutions, including resilient infrastructure, energy-efficient building and technology, sustainable agriculture and more.

### TZEDEK

“Care of the poor is incumbent on society as a whole.”

—Baruch Spinoza

Tzedek is essentially a call for justice. This mitzvah implies an obligation to broaden our circle of concern, combating injustice wherever we see it and not only where it directly impacts our own community. The mitzvah of Tzedek might be seen as being closely allied with the quintessentially American belief that all people are entitled to life, liberty and the pursuit of happiness. It has similarly inspired many members of the Jewish community to fight for fair

and just court systems around the world, protecting the rights of the underprivileged.

Tzedek not only calls upon Jews to oppose injustice, but to be conscientious of their own biases and to be fair in their own dealings. From the investment perspective, this may suggest a commitment to understanding the governance policies and social impact of the companies we may support with our investment capital, and to evaluate the composition of boards and staff seeking diversity by race, age and gender.

### G'MILUT CHASADIM

“Whoever gives the poor money is blessed sixfold; whoever does it with a kind word is blessed sevenfold.”

—Talmud, Bava Batra

If Tzedakah dictates that the intentionality of charity is of equal importance to the amount, G'milut Chasadim commands that Jews not only give their time, but that they do so with genuine compassion. Comforting a family sitting shiva, the weeklong mourning period following the death of a first-degree relative, for example, is a quintessential act of G'milut Chasadim. Another expression of G'milut Chasadim in the Jewish community is the thousands of voluntary organizations that commit themselves to supporting the sick and elderly members of society, irrespective of color, creed or faith. Many of these organizations have been built on the tradition of Jewish self-help to provide for the welfare of Jews and

gentiles alike. The hundreds of Jewish medical centers around the country might be seen as a tangible monument of this compassion.

Our consideration of G'milut Chasadim might also inform decision-making around how to commit intellectual capital, as well as financial capital, to the organizations we support. How might your empathies instruct how and where you commit your time to effect the change we would like to see in the world?

### TIKVA

“Judaism’s profound conviction is that many of the tragic elements of the everyday world are not immutable, that little by little the world can and must be improved.”

—David Arnow<sup>9</sup>

Tikva is the call to remain optimistic, regardless of the circumstances. The countless trials and tribulations Jews have endured over the centuries, from petty name-calling to the horrors of the Holocaust, have done little to dampen the inexhaustible drive to endure, overcome and move forward toward a more promising future. It may be worth considering if this resilience endows the Jewish people, and all people, with an opportunity and a responsibility to reach out to those who have little reason to hope, and how we might inspire others to have hope and drive change in the world. ■

# Initiating a Meaningful Conversation

Reflecting our commitment to improving the world, Morgan Stanley recently hosted the first Jewish Values Consortium client series in New York, Los Angeles and southern Florida. These events were attended by over 250 Jewish philanthropists and community leaders representing their families, Jewish federations and Jewish-intersectional nonprofits. Our goal was to provide opportunities for these “brothers and sisters” of the Jewish community to discuss what constitutes Jewish values, to honor disagreement and to seek common ground. Rather than trying to reach a consensus among all attendees, our goal was to provide a platform for participants to consider how they might integrate Jewish values thoughtfully into their giving and investing decisions. Just as everyone should establish a unique set of financial goals alongside a trusted Financial Advisor or Institutional Consultant, investors seeking to align their capital with Jewish values need to establish a process to determine their own priorities.

At each of these events, we were fortunate to have a rabbinical authority present who shared an understanding of Jewish history and text with which to ground the discussions. A respected academic, author and religious leader, Rabbi Darren Levine, invited attendees to examine their philanthropic and investment practices through the lens of select scriptural passages. He offered the following Pirkei Avot (a compilation of ethical teachings and maxims by rabbis mentioned in the Talmud) and prompts to spark focused discussions on philanthropy, investment and mission alignment. Perhaps these might form the basis for a similar values-based conversation with your family, or the board of your foundation or federation.

## 1. How do you assume responsibility?

**TALMUDIC PROMPT:** “He used to say: ‘If I am not for myself, who is for me? If I care only for myself, what am I? If not now, when?’” —Pirkei Avot 1.14

**CONVERSATION:** “If not now, when?” suggests both an urgency to accomplish something and also suggests that it is your responsibility to accomplish it. In your life and work, what requires urgency and what values inform the personal responsibility you are bringing to accomplish the goal?

## 2. What is your giving purpose?

**TALMUDIC PROMPT:** “Rabban Simeon ben Gamaliel said: ‘The world is established on three principles: truth, justice and peace.’ As it is said: ‘You shall administer truth, justice and peace within your gates.’” —Pirkei Avot 1.18

**CONVERSATION:** “If Jewish values singularly influenced your investing and philanthropy agenda, which of the three values (truth, justice or peace) would you draw upon most and why? Or, is there another value that is more important?”

## 3. What is the goal?

**TALMUDIC PROMPT:** “Rabbi Tarfon said: ‘The day (life) is short; the task great; the workmen (human beings) are lazy; the reward is great, and the Master is insistent.’” —Pirkei Avot 2.20

**CONVERSATION:** The wise sage Rabbi Tarfon teaches that life is short but that the reward is great. With your day/life, what is the most important goal you have for your philanthropy and investing, and what Jewish values inspire your goal?

## 4. What did you inherit?

**TALMUDIC PROMPT:** “Akavyah ben Mahalalel said: ‘... know from whence you came, whether you are going, and before whom you are destined to give a strict account.’” —Pirkei Avot 3.1

**CONVERSATION:** Many people inherit their values from parents and family members. What are the Jewish values that you inherited that influence your investing and philanthropic approach?

## 5. Is there value in one good deed?

**TALMUDIC PROMPT:** “Simeon ben Azzai said: ‘Run to perform even a minor mitzvah...for one good deed draws in another good deed, and one transgression leads to another; for the reward of a good deed is a good deed, and the reward of sin is sin.’” —Pirkei Avot 4.2

**CONVERSATION:** Jewish values suggest that one good deed leads to another. How could you imagine your investment and philanthropy creating a “domino effect” of good deeds and actions?

# A Brief History of Jewish Philanthropy

“In Jewish history, there are no coincidences.”

—Elie Wiesel

The Jewish people have long had formal mechanisms for philanthropy, particularly for those intended to care for other Jews in need. Some of these practices are explicitly prescribed in the Hebrew Bible, such as in Leviticus 19:9-10: “And when you reap the harvest of your land, you shall not reap all the way to the edges of your field, or gather the

gleanings of your harvest. You shall not pick your vineyard bare, or gather the fallen fruit of your vineyard; you shall leave them for the poor and stranger. I am the Lord your God.”<sup>10</sup>

Over the centuries, the mitzvah of Tzedakah has inspired many other philanthropic practices that continue to this day. For example, a tradition called “pushke” arose in the shtetls of Europe. This custom refers to a traditionally small, blue-and-white tin box kept in the home for the deposit of coins to be given as charity. Such individual efforts steadily grew into larger, collective actions over

time as Jewish communities around the world banded together to take care of others in their communities.

While the self-sufficient Jewish community of New Amsterdam in 1654 might be considered the first American Jewish federation, that honor is usually attributed to Associate Jewish Philanthropies, a Boston federation formed in 1895. In close order, other federations were formed in virtually all of the American cities where communities of newly arrived Jews settled. By 1932, the National Council of Jewish Federations and Welfare Funds was established to coordinate efforts between these individual federations. The United Jewish Appeal was founded in 1939 as a national organization.

From their earliest days, Jewish federations provided vital social services to the Jewish community—from summer camps for children to retirement homes for the elderly. The federations have also served as essential pillars of support for Israel from its founding in 1948 to the present day. While specifically Jewish nonprofits are still an important focus, a recent study published in *The Conversation*, an academic and research news website, indicates that collective Jewish giving has moved increasingly toward secular organizations. The study analyzed the giving patterns of thousands of Jewish federations, community foundations, family and corporate foundations, and donor-advised funds. It determined that an average of 75% of their grants went to secular charitable organizations. ■

## The Generosity of American Jews

With 56% of our fellow citizens making an annual charitable donation, the United States ranks among the world's most generous nation.<sup>12</sup> Americans of faith, including the Jewish community, rank even higher. Another report by Giving USA suggests that observant Jews have taken the mitzvah of Tzedakah to heart. More than 90% of Jews who report a high level of involvement in Jewish life give both to secular and to religious charities, while only 58% of Jews who report a “very low” level of involvement give to any kind of charity.<sup>13</sup>





Jewish philanthropists, federations and foundations donate **\$9 billion annually** to secular cultural, educational and medical institutions.<sup>14</sup>

There are also indications that Jewish giving is following the general philanthropic trend toward disintermediation. In particular, younger generations of Jewish philanthropists are less inclined to focus their giving on Jewish communal organizations, and more likely to contribute directly to the causes they support. While their philanthropy may still be greatly influenced by their Jewish values and heritage, they seek greater control over the beneficiaries of their grant-making and over the composition of their foundation endowments. This change has resulted in an increased interest in pursuing, in addition to traditional philanthropy, mission-aligned investment strategies that seek market-rate returns alongside positive environmental and social impact. This interest is especially prevalent within vehicles like private foundations and donor-advised funds, where philanthropists are investing some or all of the funds into areas where they are donating, but also within family offices, endowments, nonprofits and individuals' personal accounts.

# The Mission-Aligned Jewish Investor

As we have explored above, the mitzvot pertaining directly to charity suggest that the ways we give and motivations for giving are of equal importance to how much we give, or even to what ends. In other words, Jewish values may not only guide philanthropic objectives, but also philanthropic practices. This ancient notion is closely related to a very modern, mission-aligned approach to strategic philanthropy.

In recent years, those responsible for overseeing capital for charitable purposes are increasingly seeking to amplify the impact of their philanthropy by also investing in opportunities that are closely aligned with their core mission and values and also have the potential to generate financial returns. The rapid expansion of these practices—what we refer to broadly at Morgan Stanley as Investing with Impact—holds the potential to help scale solutions to some of the greatest challenges of our times. To serve individuals, families, foundations, federations and other charitable institutions, Morgan Stanley has defined a process called Mission Align 360°. This proprietary process provides a road map to examining and coordinating all sources of capital so that they align with a customized mission to maximize positive environmental and social impact. These diverse pools of capital include:

- **Human Capital:** The collective skills, talents, knowledge or other intangible assets of families and organizations that drive decision-making across all pools of capital.
- **Philanthropic Capital:** Capital that has no—or a low—expectation of financial return, such as grant-making

and program-related investments targeting mission alignment.

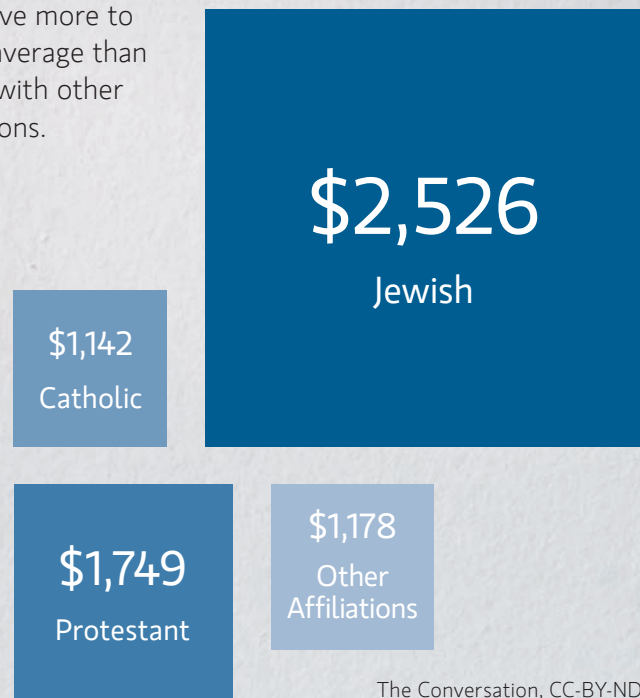
- **Financial Capital:** Investments that seek to meet long-term financial goals alongside positive environmental and social impact in alignment with mission.

At Morgan Stanley, we understand that individuals, families and organizations of all types and sizes have the capacity—and increasingly the desire—to leverage the full spectrum of

their human, financial and philanthropic capital to meet today's global challenges, such as poverty alleviation, access to education, health care and more. Further, we see a maturation of the market to facilitate this approach. For example, a growing body of evidence has demonstrated that sustainable and impact investments can be activated for mission alignment across the financial pools of capital while also seeking to achieve long-term financial objectives.<sup>15,16,17</sup> ■

## Annual Giving by Religious Affiliation in the U.S. in 2016

U.S. Jews give more to charity on average than Americans with other faith traditions.



The Conversation, CC-BY-ND  
Source: Giving USA

## A Hypothetical Case in Point

To provide a practical illustration, let's say that a prominent Jewish family foundation based in the United States is focused primarily on providing access to quality and affordable health care for all. Their board, composed of both family and independent members, in partnership with their Financial Advisor, has lived up to their fiduciary responsibilities, and their investment portfolios have consistently generated the cash flow needed to fund their grant-making to both Jewish and secular hospitals and research institutes globally. The matriarch and patriarch of the family, who established the foundation, believe that family charity is an important tool for transferring their values down through generations. That vision is shared by their children and grandchildren who currently sit on the board, and is being instilled in their other children, who are being exposed to the tremendous work of the family foundation and may be future board members.

Now let's say that they decide to devote a board meeting to examining their giving and investing practices from the lens of aligning with their mission and Jewish values. Where might that discussion begin, and where could it lead?

Arguably the best place is to start by looking inward. The board members might ask whether they and their program and investment staff are in agreement on the foundation's mission statement and how it might evolve in the future. The board might ask how Jewish values intersect with the broader mission around access to health care, and influence hiring and board-recruitment practices. They might also examine how trustees, staff and grantees are all expected to work together to build a culture to support mission alignment across every area of the foundation.

Given their focus on access to health care for all, their discussion on Tzedek might inspire them to consider expanding the scope of their grant-making activities by partnering with other like-minded institutions and philanthropic families to source collective opportunities to build impact at scale. They might work with Morgan Stanley Philanthropy Management to

examine their grant-making portfolio and determine if their grantees' work supports their efforts in building synergies between their Jewish values and projects.

The board may also reflect on their invested capital, and whether it is appropriately allocated to help drive the programmatic work of the foundation. Through discussion and education, the board may decide that there is a business and programmatic case to be made for allocating some of the investment portfolio toward mission-aligned investments. This could be formalized through the creation of a mission-aligned investment policy statement that clearly articulates the mission-aligned and faith-based goals of the foundation alongside their financial goals. Working with their Financial Advisor or Institutional Consultant to structure a portfolio to achieve their financial goals in terms of asset allocation and manager selection, they may look to include investments in publicly traded companies that generate revenue from innovative health care technologies, medical drug discoveries, access to medicine for low-income populations globally and bonds that fund hospitals in impoverished communities.

The board might also consider directing their Investment Managers to exclude or engage with investments in companies that are contributing to negative health care outcomes, such as tobacco manufacturers or others that might be misaligned with their Jewish values—in this instance, avoiding companies with major investments in countries that have not recognized Israel's right to exist.

“Our lives are fashioned  
by our choices. First, we  
make our choices. Then our  
choices make us.”

—Anne Frank

# Approaches to Mission-Aligned Investing

“Wealth is fleeting,  
honor winged, but  
charity abides.”

—Mischele Yehoshua Steinberg

Attendee polling at recent Morgan Stanley Jewish Values Consortiums revealed a widespread interest in aligning investment policies and practices with personal or organizational missions. To a somewhat lesser extent, the attendees agreed that faith contributed to the guiding principles of their investment strategy. They also expressed interest in multiple approaches to aligning their portfolios with their Jewish values. Of these, the greatest interest was investing in companies with positive environmental, social and governance (ESG) policies, and investing in companies targeting specific sustainability solutions or geographies, particularly in or around Israel. Their key issues included support of community, environment and society broadly, corporate governance and support of Israel.

Financial capital investments can be activated across a spectrum of Investing with Impact approaches that seek commercial or market-rate returns to support the short- and long-term financial goals of the investor. These investment approaches can be customized to generate broad-based positive environmental and social impact, and/or to target specific mission alignment and faith-based objectives. They are available across public and private asset classes, geographies and investment types, including separately

managed accounts, mutual funds and exchange-traded funds. Investing with Impact approaches—and their intersection with concepts and themes of relevance especially for Jewish or Jewish-adjacent communities—are outlined below and organized along a continuum, from minimizing objectionable impact to generating positive impact:

**RESTRICTION SCREENING** concerns the identification and avoidance of exposure to companies, or debt issuers, that directly contradict the mission and impact goals of the family or foundation. For example, a family reflecting on Tikkun Olam might interpret this to mean excluding companies with poor environmental or human rights records. Other investors may seek to divest from certain geographies—including, but not limited to, exclusion of investments in companies with major operations in countries that do not recognize Israel’s right to exist. There are many other available restriction screens, the most common of which are industry-level focused tobacco manufacturers and civilian weapons manufacturers. Investors may elect to employ restriction screens as a result of a set of moral or ethical guidelines, or as an approach to mitigating potential risk. Restriction screens can be implemented by the investment strategy, or by utilizing Morgan Stanley’s restriction overlay screening capabilities for separately managed accounts and single-stock portfolios. Restriction screen investments are available across all asset classes and tend to be differentiated by definition (including revenue threshold) and data source, as well as shareholder engagement and impact reporting.

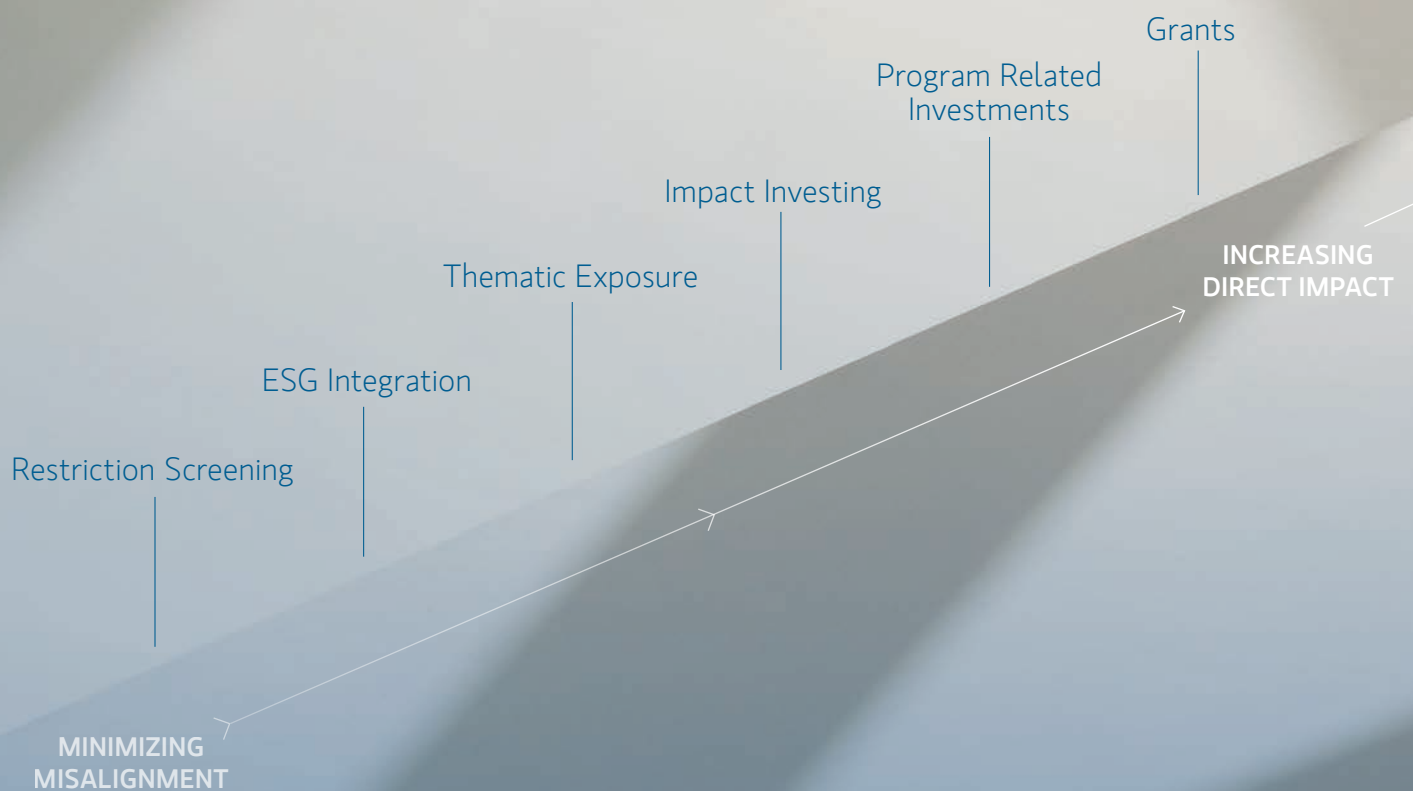
## **ENVIRONMENTAL, SOCIAL AND GOVERNANCE (“ESG”) INTEGRATION**

is the effort to leverage financially material data regarding the sustainable corporate practices of companies in order to identify opportunities and mitigate risks. ESG integration tends to generate broad-based positive impact versus creating more of a targeted impact in a defined or thematic issue area. ESG data comes from a variety of proprietary and third-party sources, and might include environmental/carbon disclosures, employee policies, product and employee safety, diversity of management and board of directors, community involvement and more. ESG data is selected by the Investment Manager based on availability and materiality of data to the future performance of companies in which you are investing. There are ESG-integrated investment strategies across all asset classes, and each strategy tends to be differentiated in terms of the data source, approach to data integration into the investment selection process, shareholder engagement and impact reporting.

**THEMATIC EXPOSURE** focuses on sectors of the market dedicated to addressing specific objectives in a manner that is consistent with the investor’s mission and faith-based goals. This approach often focuses on investing in companies that are developing products and services that are advancing solutions to global social and environmental challenges, and generating positive impact. Investments can be made across asset classes and align with a wide range of themes—such as climate change and fossil fuel-aware solutions, including water and energy solutions, diversity and inclusion, community economic development and more. ►



# Jewish Values-Aligned Financial and Philanthropic Capital Approaches





In the case of Jewish values with a focus on Israel, investors may elect to invest in an equity strategy that tracks the Tel Aviv market index or a bond strategy that finances Israeli climate-related infrastructure projects. This approach may involve some degree of additional concentration risk, given the potential specific sector focus, and should be implemented in coordination with a holistic approach to total portfolio construction, asset allocation and manager selection.

**IMPACT INVESTING** provides access for qualified investors to private investment strategies across both equity and debt. Private market investments can span geographies, thematic-issue areas and populations of focus. For example, investments can be made in an emerging market's private equity fund focused on providing access to affordable and low-

carbon energy sources for the poorest populations globally, or in a fund focused on access to quality education in the United States.

Following the above definitions, we have worked to provide a framework for considering implementation approaches to aligning your investments with intended positive outcomes. Individuals, families and institutions seeking to align their investments with Jewish values do not need to sacrifice financial performance. In August 2019, the Morgan Stanley Institute for Sustainable Investing analyzed the performance of nearly 11,000 mutual funds from 2004 to 2018, and showed that “there is no financial trade-off in the returns of sustainable funds compared to traditional funds, and they demonstrate lower downside risk.”<sup>18</sup>

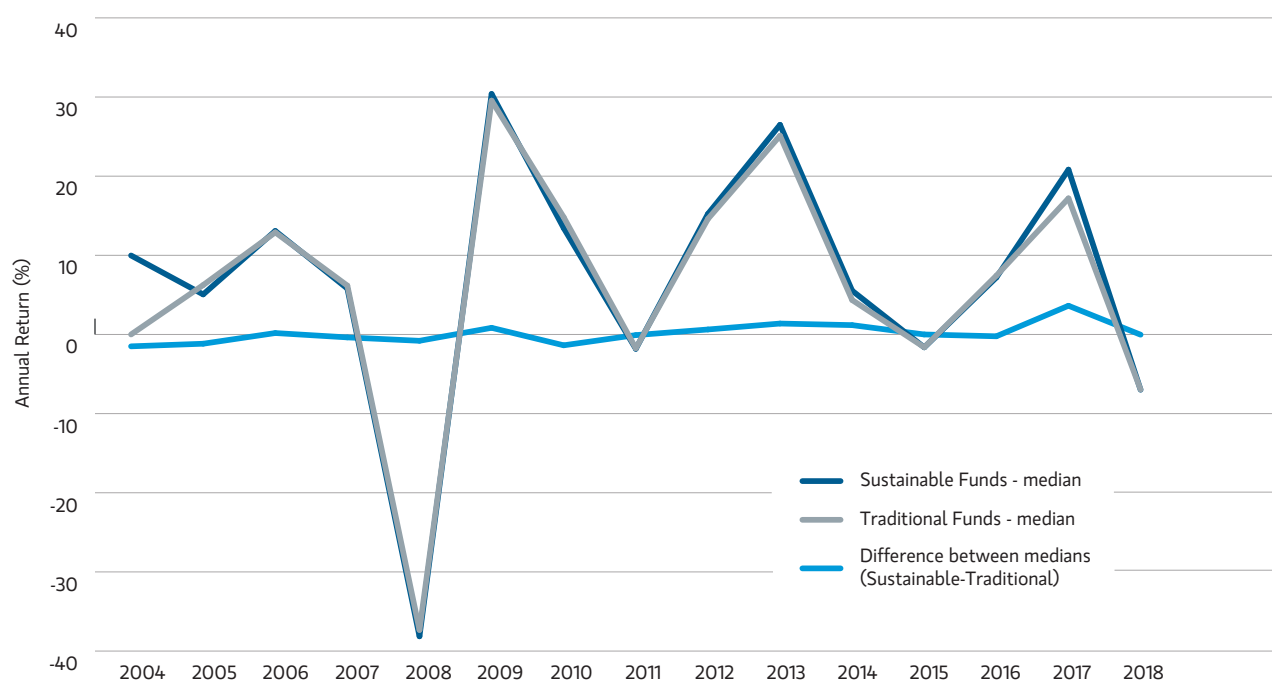
In the area of Jewish values specifically, there are many ways in which your

Morgan Stanley Financial Advisor or Institutional Consultant can help you integrate your unique approach into investment portfolios. Here are a few to consider:

- Invest in a separately managed account, mutual fund or exchange-traded fund (ETF) that employs restriction screens to exclude investment in geographies, sectors or companies that are misaligned with Jewish values. For example, screening out defense companies that are the top suppliers to Arab Boycott League countries or environmental bottom performers.
- Invest in a broad-based, ESG-integrated mutual fund focused on companies in emerging markets with positive governance practices, particularly if the mutual fund employs shareholder engagement as a tool to continually improve the practices of the companies in which the strategy is invested.
- For thematic exposure to issues aligned with Jewish values:
  - Invest in a custom separately managed account made up of global publicly traded companies whose global operational and governance practices are aligned with Jewish values. Criteria for customization can be selected by each organization or family.
  - Invest in a bond fund whose lending activity supports community economic development, including affordable housing, elder care, schools, hospitals and community centers in the U.S.
  - Invest in an equity ETF that focuses on companies with better-than-industry-norm gender diversity in the form of employee practices and policies, as well as representation in senior management and on the board of directors.

Attendee polling at recent Morgan Stanley Jewish Values Consortiums revealed a widespread interest in aligning investment policies and practices with personal or organizational missions.

## Median Total Returns of Sustainable and Traditional Funds, 2004-2018



Difference in median returns (Sustainable - Traditional)	-1.50**	-1.17	0.18	-0.37	-0.80	0.84	-1.37**	-0.08	0.63	1.38	1.18	0.00	-0.23	3.63***	-0.03
Statistical Significance	99%+ ***			95%+ **			90%+ *								

Source: Morgan Stanley Institute for Sustainable Investing. Sustainable Reality: Analyzing Risk and Returns of Sustainable Funds. New York: Morgan Stanley, 2019.

- Thematic support of Israel can be incorporated through ownership of Israeli bonds and investment in companies with high levels of involvement in Israel, including:
  - Companies with at least 20% of employees or long-lived assets in Israel;
  - Companies listed on the Tel Aviv Stock Exchange or with tax status or incorporation in Israel/headquartered in Israel;
  - Non-Israeli companies with deep business ties and direct investment in Israel;
  - Non-Israeli companies with less significant, though material, business relationships in Israel.<sup>19</sup>
- Identify investments that leverage shareholder engagement, including corporate dialogue, voting proxies and filing shareholder resolutions based on broad environmental, social and governance practices and/or defined Jewish values. ■

# Approaches to Mission-Aligned Philanthropy

**PROGRAM-RELATED INVESTMENTS**

employ various financing methods to achieve the mission of the family or foundation. These might include loan guarantees, lines of credit, equity investments and others. While these investments may generate income, they are different from impact investments in that their primary objective is to further the philanthropic mission. For example, one might make a small, low-interest loan to a developing country agricultural co-op.

**GRANTS** are a donation of nonrepayable funds to nonprofit entities, and in some cases individuals, that advance the mission of the family, foundation or donor-advised fund. Jewish values-aligned philanthropists make donations to a broad spectrum of Jewish and secular medical, educational, arts and cultural, environmental and social organizations. ■

“How wonderful it is that nobody need wait a single moment before starting to improve the world.”  
—Anne Frank

## Advancing Mission Alignment Through Shareholder Action and Engagement

In addition to giving and investing their dollars, investors of all sizes have opportunities to further the missions of their organizations and generate positive impact through a variety of individual and collective actions.

PROXY VOTING	SHAREHOLDER ENGAGEMENT	REPORTING	INDUSTRY AFFILIATIONS	GIVING CIRCLES
Voting on company resolutions	Dialoguing with companies	Disclosing investment impact	Contributing to external discussion about key issues	Engaging in collective action
Broadly supporting environmental, social and governance resolutions—for example, a resolution that encourages increasing the diversity of the board.  Voting against a resolution to support Boycott, Divestment, Sanctions movement.  Supporting a board candidate with a strong commitment to the global Jewish community.	Hiring an investment manager that frequently engages with the leadership of the companies in your portfolio, to influence business strategy and corporate behavior.  • For example, dialoguing with a company to disclose its pay gap across demographics and ethnicities.	Using an impact report or shareholder report that quantitatively and qualitatively measures the outcomes generated by the investment.  • For example, the number of affordable housing units funded by bond to government housing authority.	Entering industry discussion on investment in Israel.  Supporting progress of the Sustainability Accounting Standards Board, which seeks to develop a framework for corporations to regularly report on the most financially material environmental and social issues.	Sharing knowledge of new strategies for investing in global health solutions.  Leveraging external experts to bring forward potential funding, advocacy and mission-aligned investments as a group.



## Jewish Values in Action, Now and in the Future

Maimonides instructed his community to “give graciously, cheerfully and sympathetically.” In the modern context, it might be wise to add, “And invest wisely, efficiently and in accordance with your values.” At Morgan Stanley, we have been working to support these efforts. Over the past year, we have conducted extensive research and set out on a nationwide listening tour through our series of Jewish Values Consortium events. We have heard from religious leaders and scholars, individual philanthropists and board members of Jewish federations. Our goal is to create a giving and investing framework that leads to clear action, yet is flexible enough to accommodate a broad range of financial, impact and faith-based goals.

We have also created efficient mechanisms to implement the decisions of those who

are moving forward with a mission-aligned approach. Working as an extension of our Financial Advisors’ teams, Morgan Stanley Philanthropy Management and Investing with Impact teams can support efforts to align all pools of capital with mission and faith-based objectives. These efforts include helping you engage younger members of your family or future leaders of your organization in conversations about family wealth, values and the intersection between them. Our goal in creating this guide is to facilitate meaningful conversations about the religious wellspring of these values among families, boards, and the Financial Advisors, Institutional Consultants and Investment Managers who serve them. ■

One hundred percent of participants at recent Jewish Values Consortium events view philanthropy and investing as a way to engage families across generations.

Through collaborative initiatives such as Mission Align 360°, Investing with Impact and Philanthropy Management partner to advise clients seeking to better align and leverage their financial and philanthropic capital to generate positive impact across the entire capital spectrum.

“Wealth is fleeting,  
honor winged,  
but charity abides.”

—Mischele Yehoshua Steinberg

## Investing with Impact

In 2012, Morgan Stanley’s Investing with Impact group was launched to provide a range of client-centered sustainable solutions to deliver positive environmental and social impact. Working with a Morgan Stanley Financial Advisor, clients can identify a solution that is most appropriate, which may be implementing a partially or completely activated sustainable investment portfolio across asset classes. Our approach enables clients of all account sizes to achieve their financial and impact goals, leveraging the firm’s market position as a leading Wealth Management firm.

## Philanthropy Management

Established in 1998, Morgan Stanley Philanthropy Management supports individuals, families, corporate and private foundations, and nonprofit organizations by offering a suite of advisory services, publishing thought leadership, and hosting experiential opportunities to help clients define and realize their charitable goals. The team assists individual and family clients in areas such as mission and vision creation, grantee research and due diligence, and philanthropic legacy and succession planning while advising nonprofit clients on topics such as fundraising strategy, strategic planning, and board governance, recruitment and development.

To learn more about Investing with Impact and Philanthropy Management at Morgan Stanley, contact your Financial Advisor or Institutional Consultant and visit [www.morganstanley.com/impactinvesting](http://www.morganstanley.com/impactinvesting) and [www.morganstanley.com/what-we-do/wealth-management/private-wealth-management](http://www.morganstanley.com/what-we-do/wealth-management/private-wealth-management).



<sup>1</sup> Nachum Ish Gamzu, Talmud, Taanit, 21a.

<sup>2</sup> Pew Research Center. "Israel's Religiously Divided Society." *Religion & Public Life, Polling and Analysis*. March 8, 2016. <https://www.pewforum.org/2016/03/08/identity/>.

<sup>3</sup> United States Conference of Catholic Bishops. *Socially Responsible Investment Guidelines*. November 12, 2003. <http://www.usccb.org/about/financial-reporting/socially-responsible-investment-guidelines.cfm>.

<sup>4</sup> Board, Islamic Financial Services. *Defining New Standards in Islamic Finance*. n.d. <https://www.ifsb.org/>.

<sup>5</sup> Presbyterian Church of the United States. "Social Responsibility and Investments." *The Corporate Witness of the General Assembly Presbyterian Church in the United States*. March 20, 1976. [https://www.presbyterianmission.org/wp-content/uploads/mrti\\_ga\\_policy\\_-\\_19761.pdf](https://www.presbyterianmission.org/wp-content/uploads/mrti_ga_policy_-_19761.pdf).

<sup>6</sup> Darren D. Levine. "Positive Judaism." *Wisdom for a Life of Happiness and Wellbeing*. 2017. [https://www.google.com/search?q=Levine,+Darren+D+%3B+Positive+Judaism+Wisdom+for+a+Life+of+Happiness+and+Wellbeing&rls=com.microsoft:en-US&ie=UTF-8&oe=UTF-8&startIndex=&startPage=1&gws\\_rd=ssl](https://www.google.com/search?q=Levine,+Darren+D+%3B+Positive+Judaism+Wisdom+for+a+Life+of+Happiness+and+Wellbeing&rls=com.microsoft:en-US&ie=UTF-8&oe=UTF-8&startIndex=&startPage=1&gws_rd=ssl).

<sup>7</sup> My Jewish Learning. "Tikkun Olam: Repairing the World." *My Jewish Learning*. n.d. <https://www.myjewishlearning.com/article/tikkun-olam-repairing-the-world/>.

<sup>8</sup> Morgan Stanley Institute for Sustainable Investing. Protecting Real Assets Amid Climate Extremes. September 11, 2018. <https://www.morganstanley.com/ideas/real-assets-climate-resilience>.

<sup>9</sup> Arnow, David. "Reflections on the Family, Tzedakah and Transmitting Jewish Values." *Sh'ma: A Journal of Jewish Ideas* (Stanford Berman Jewish Policy Archive), November 1993: 3-6.

<sup>10</sup> Gunther W. Plaut. *The Torah: A Modern Commentary/English Opening*. Union of American Hebrew Congregations, 1981.

<sup>11</sup> Giving USA. "American Jews and Charitable Giving: An Enduring Tradition." *The Conversation*. December 10, 2017. <https://theconversation.com/american-jews-and-charitable-giving-an-enduring-tradition-87993> (accessed August 1, 2019).

<sup>12</sup> Charities Aid Foundation. *CAF World Giving Index 2017: A Global View of Giving Trends*. Charities Aid Foundation, 2017.

<sup>13</sup> Giving USA. "American Jews and Charitable Giving: An Enduring Tradition." *The Conversation*. December 10, 2017. <https://theconversation.com/american-jews-and-charitable-giving-an-enduring-tradition-87993> (accessed August 1, 2019).

<sup>14</sup> Giving USA. "American Jews and Charitable Giving: An Enduring Tradition." *The Conversation*. December 10, 2017. <https://theconversation.com/american-jews-and-charitable-giving-an-enduring-tradition-87993> (accessed August 1, 2019).

<sup>15</sup> Morgan Stanley Institute for Sustainable Investing. *Sustainable Reality: Analyzing Risk and Returns of Sustainable Funds*. New York: Morgan Stanley, 2019.

<sup>16</sup> Javier Rodriguez. Rodriguez, Javier. "The performance of socially responsible mutual funds: a volatility-match approach." *Review of Accounting and Finance* 9 (2010).

<sup>17</sup> Balcilar, Mehmet, Riza Demirel, and Rangan Gupta. "Do Sustainable Stocks Offer Diversification Benefits for Conventional Portfolios? An Empirical Analysis of Risk Spillovers and Dynamic Correlations." *Sustainability, MDPI, Open Access Journal* 9, no. 10 (2018).

<sup>18</sup> Morgan Stanley Institute for Sustainable Investing. *Sustainable Reality: Analyzing Risk and Returns of Sustainable Funds*. New York: Morgan Stanley, 2019.

<sup>19</sup> BlueStar Indexes. "BlueStar Indexes and Apero Launch Israel Exposure Tilt Strategy". Press Release. September 13, 2017.

This material does not provide individually tailored investment advice. It has been prepared without regard to the individual financial circumstances and objectives of persons who receive it. The strategies and/or investments discussed in this material may not be suitable for all investors. Morgan Stanley Smith Barney LLC recommends that investors independently evaluate particular investments and strategies, and encourages investors to seek the advice of a Financial Advisor. The appropriateness of a particular investment or strategy will depend on an investor's individual circumstances and objectives.

This material is not an offer to buy or sell any security or to participate in any trading strategy. Asset allocation and diversification do not guarantee a profit or protect against a loss. Past performance is no guarantee of future results.

Alternative investments often are speculative and include a high degree of risk. Investors could lose all or a substantial amount of their investment. Alternative investments are suitable only for eligible, long-term investors who are willing to forgo liquidity and put capital at risk for an indefinite period of time. They may be highly illiquid and can engage in leverage and other speculative practices that may increase the volatility and risk of loss. Alternative Investments typically have higher fees than traditional investments. Private Funds (which include hedge funds and private equity funds) often engage in speculative investment techniques and are only suitable for long-term, qualified investors. Investors could lose all or a substantial amount of their investment. They are generally illiquid, not tax-efficient and have higher fees than many traditional investments.

Investing in the market entails the risk of market volatility. The value of all types of investments may increase or decrease over varying time periods. Fixed Income investing entails credit risks and interest rate risks. When interest rates rise, bond prices generally fall.

To the extent the investments depicted herein represent international securities, you should be aware that there may be additional risks associated with international investing, including foreign economic, political, monetary and/or legal factors, changing currency exchange rates, foreign taxes, and differences in financial and accounting standards. These risks may be magnified in emerging markets and frontier markets. Small- and mid-capitalization companies may lack the financial resources, product diversification and competitive strengths of larger companies. In addition, the securities of small- and mid-capitalization companies may not trade as readily as, and be subject to higher volatility than, those of larger, more established companies.

The returns on a portfolio consisting primarily of sustainable investments may be lower or higher than a portfolio that is more diversified or where decisions are based solely on investment considerations. Because sustainability criteria exclude some investments, investors may not be able to take advantage of the same opportunities or market trends as investors that do not use such criteria.

An investment in an exchange-traded fund involves risks similar to those of investing in a broadly based portfolio of equity securities traded on exchange in the relevant securities market, such as market fluctuations caused by such factors as economic and political developments, changes in interest rates and perceived trends in stock prices. The investment return and principal value of ETF investments will fluctuate so that an investor's ETF shares, if or when sold, may be worth more or less than the original cost.

Indices are unmanaged and investors cannot directly invest in them. They are not subject to expenses or fees and are often comprised of securities and other investment instruments the liquidity of which is not restricted. A particular investment product may consist of securities significantly different than those in any index referred to herein. Composite index results are shown for illustrative purposes only, generally do not represent the performance of a specific investment, may not, for a variety of reasons, be a suitable comparison or benchmark for a particular investment and may not necessarily reflect the actual investment strategy or objective of a particular investment. Consequently, comparing an investment to a particular index may be of limited use.

