



## ABOUT VERITI

Veriti Management is an SEC-registered investment advisor focused solely on responsible investing. Headquartered in Boston, the firm manages domestic, international, and global-equity portfolios for high-net worth individuals, institutions, and intermediaries.



### THE CHALLENGE

- Infrequent self-reported corporate data



### THE SOLUTION

- Objective, real-time insights into public and private companies' ESG behavior



### THE RESULTS

- Greater efficiencies for building a robust socially responsible screening system
- Improved, mission-aligned portfolio construction process

# Veriti Management Gains Complete Picture of Responsible ESG Behavior with Truvalue Labs' Data and Analytics

Veriti Management improves timeliness and quality of its corporate responsibility coverage with Truvalue Labs' data and analytics.

## THE CHALLENGE

Veriti Management sums up its mission with a concise tagline: "Built to do good." The asset management firm focuses on faith- and values-based investing driven by environmental, social, and governance (ESG) factors and the UN's Sustainable Development Goals (SDGs). "Veriti is all about trying to bring socially responsible investing to institutions," explains Dennis Hammond, the firm's Head of Responsible Investing.

More specifically, Veriti offers its clients, which includes foundations and endowments, a vehicle for aligning their investments with their values and missions. "Every portfolio tells a story," Hammond explains. "If your foundation is about helping kids in developing countries but your portfolio

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holds stocks of companies known to engage in child labor, then your portfolio is telling a very different story from your mission statement.”

Veriti creates customized portfolios for clients that mirror the performance of popular benchmarks like the S&P 500 but are devoid of stocks that conflict with each client’s values. “We believe if you’re going to invest with passive managers—and you should—you should at least do so responsibly,” Hammond says. “Rather than compiling a portfolio agnostically, a passive collection of stocks should be compiled with a notion of what’s important to you from a mission perspective.”

## THE SOLUTION

Truvalue Labs, a FactSet company, figures prominently in the construction and maintenance of Veriti’s socially responsible portfolios. “Truvalue Labs provides the ESG data that enables us to build a portfolio that behaves like a benchmark but is mission aligned,” says Hammond.

### Real-Time, Objective Data

Truvalue Labs scans over 100,000 alternative data sources, using natural language processing (NLP) and artificial intelligence (AI) to track information on public and private companies and score their ESG behavior in near-real time. “The value of Truvalue Labs data for us is that, unlike other ESG data providers, it is up-to-the-minute,” says Hammond.

“We have other sources of ESG data, which we think are critical to our work, but they alone are not sufficient to give as robust a picture of corporate responsibility as we would like to have. The problem with traditional ESG data is that it is self-reported, sometimes at extended intervals,” Hammond points out. “When the most recent data we have on a company is six or 12 months old, that’s just not acceptable. Using Truvalue Labs in conjunction with self-reported data gives us a better picture of what we’re doing.”

### Replicating a Benchmark

A recent example illustrates how Veriti uses its screening methodology to construct portfolios. “An institutional consulting firm asked us to design and manage a portfolio that doesn’t include China due to human rights violations,” Hammond recounts. “The foundation had a significant emerging markets allocation, using a money manager that is tracking the emerging market benchmarks.

“They asked us to create a custom portfolio that would mirror an existing emerging market index but would exclude China and screen out other negative factors. We took a set of American Depositary Receipts (ADRs) and used the information we had from various sources, including Truvalue Labs, to screen out all the bad actors and still get a tracking error relative to the benchmark that was acceptable to the client. Now they have a proprietary portfolio of 400 securities that behaves like the benchmark does over time, plus or minus the tracking error. If anybody looked at the holdings, they would find that they are completely in keeping with their mission statement and values.”

With its real-time scoring, Truvalue Labs plays a pivotal role in the firm’s security selections. “The major data vendors may deem certain companies acceptable or unacceptable,” Hammond says. “Truvalue Labs allows us to make certain those are still accurate assessments. There’s no way to do that without Truvalue.”

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### Automatic Alerts for Portfolio Tracking

Veriti relies on Truvalue Labs not only in building portfolios, but in monitoring and maintaining them as well. “They have an alert system that gives us a heads up if a security falls below a particular level,” Hammond says. “We have it set to a certain sensitivity, and we get an email if anyone falls below that. We would not have the ability to do that any other way.”

Truvalue Labs generates an Insight score that ranks a company’s ESG behavior at a given point in time, while the Momentum score shows the company’s trajectory of ESG performance, positive or negative. “It gives us the ability to track every stock in the portfolio on a daily basis and understand if for any reason anyone is getting negative press,” Hammond says. “One of the last things we want is to have a security that would embarrass any clients who believe they are practicing socially responsible investing. They don’t want to read about it in *The New York Times* for the first time. They want to hear about it from us, and we rely on Truvalue Labs for that knowledge.”

### THE RESULTS

Launched in 2018, Veriti is a start-up “on a mission to reimagine investing,” in the words of its founders. “We think we’re going to see a huge demand for this if we get it right,” Hammond asserts. “The next generation is interested in doing the right thing, not just making the maximum dollars possible. And there’s quite a bit of academic literature supporting the idea that doing well also enables you to do good. The goal is to try to earn at least as much money as the benchmarks and still have good ESG scores. In fact, some studies have shown that high ESG scores correlate with higher performance, and low scores with low performance.”

Veriti’s goal in adopting Truvalue Labs’ data and analytics and integrating it with other data sources is to build a proprietary socially responsible screening system that is “much more robust than anything out there,” Hammond says. “Our whole notion was to build Truvalue Labs’ data into our platform from the beginning. To build a platform simply with one of the two main ESG providers is old news.”

## DISCOVER SOLUTIONS

FactSet creates data and technology solutions for investment professionals around the world, providing instant access to financial data and analytics that investors use to make crucial decisions.

### Truvalue Labs SASB Scores DataFeed

Monitor both positive and negative ESG events daily.

[Get Started](#)

### Truvalue Labs SASB Spotlight DataFeed

Review story summaries and scores for ESG controversies and opportunities.

[Get Started](#)