There is one three letter acronym that is being discussed amongst almost every company around the world today… **ESG (Environmental, Social, Governance)**. But what really is "ESG" and what does it do for these companies and our economy? "ESG" did start with good intentions behind it. However, it has unfortunately morphed into a new phenomenon over the years that is harming the economy, pushing certain political agendas, and resulting in higher fees for investors.

To understand the economic harm, one only has to look towards the oil industry. Per Forbes Magazine, oil companies are not keeping up with supply from "A lack of access to financing because of climate concerns, investor demand to decarbonize, and a shortage of sufficient investments in new supply." With this continued pressure, companies such as Shell have agreed to cut carbon intensity by over 100%. Shouldn't oil companies figure out ways to become more efficient in drilling rather than being influenced to invest in expensive alternatives? This is one of the reasons consumers are now paying the highest price at the pump in the last 30 years.

Politicians have been quick to jump on the ESG bandwagon to push diversity, social justice, and climate change. However, I ask you, define diversity? Define social justice? Define climate change? These are click bait phrases that carry little objective meaning. As an investor in an underlying company, what's more important – the underlying firm does what is best for the shareholder or pursue an ESG agenda motivated by politics?

Larry Fink (CEO of BlackRock) kicked off 2022 with a letter to all CEOs that BlackRock would hold all firms accountable to environmental and social progress. Whether investors realize it or not, "ESG" funds in general are coming with higher fees. Consider the iShares ESG Aware USA ETF (BlackRock ETF), 9 out of the top 10 holdings match the S&P 500. Secondly, as reported by Morningstar, the average ESG fund carries a 4x higher cost than the average index fund. Thus, the BlackRock's of the world are masquerading index funds as ESG funds and charging 4x more for this product.

Titan Investments is a fiduciary, and we prescribe to doing what is best for the investor-period. While "ESG investors" may focus on opaque goals that in reality are closet index funds, we focus on company fundamentals. Anything less would be a violation of Titan's core and client trust.

Respectfully

Ethan Claycomb
eclaycomb@titaninvestmentmgmt.com
Cell: 812-881-7450
Financial Advisor, Titan Investment Mgmt. LLC
https://titaninvestmentmgmt.com/

TITAN INVESTMENTS

References

https://www.eisneramper.com/inflation-esg-oil-gas-0722/

https://www.forbes.com/sites/judeclemente/2022/02/13/esg-and-the-dangerous-structural-increase-in-the-price-of-oil/?sh=211afceb757b

https://www.washingtonpost.com/climate-environment/2022/01/18/blackrock-larry-fink-letter-climate/

https://www.womblebonddickinson.com/us/insights/articles-and-briefings/esg-how-it-applies-oil-gas-industry-and-why-it-matters

https://www.planadviser.com/morningstar-finds-esg-funds-expensive-conventional-funds/

Disclosures:

Titan Investment Management LLC *is a registered investment adviser. Information presented is for educational purposes only and does not intend to make an offer or solicitation for the sale or purchase of any specific securities, investments, or investment strategies. Investments involve risk and unless otherwise stated, are not guaranteed. Be sure to first consult with a qualified financial adviser and/or tax professional before implementing any strategy discussed herein. Past performance is not indicative of future performance.*

Titan Investment Management LLC *may discuss and display, charts, graphs, formulas which are not intended to be used by themselves to determine which securities to buy or sell, or when to buy or sell them. Such charts and graphs offer limited information and should not be used on their own to make investment decisions.*

Backtested Performance Disclosure Statement

Backtested performance is NOT an indicator of future actual results. There are limitations inherent in hypothetical results particularly that the performance results do not represent the results of actual trading using client assets, but were achieved by means of retroactive application of a backtested model that was designed with the benefit of hindsight. The results reflect performance of a strategy not historically offered to investors and do NOT represent returns that any investor actually attained. Backtested results are calculated by the retroactive application of a model constructed on the basis of historical data and based on assumptions integral to the model which may or may not be testable and are subject to losses.

Backtested performance is developed with the benefit of hindsight and has inherent limitations.

Specifically, backtested results do not reflect actual trading, or the effect of material economic and market factors on the decision making process, or the skill of the adviser. Since trades have not actually been executed, results may have under- or over-compensated for the impact, if any, of certain market factors, such as lack of liquidity, and may not reflect the impact that certain economic or market factors may have had on the decision-making process. Further, backtesting allows the security selection methodology to be adjusted until past returns are maximized. Actual performance may differ significantly from backtested performance.

Model portfolio performance is not shown net of the model advisory fee of 1.00% the average fee charged by Titan Investment Management LLC, and gross of trading costs based on our Custodian TD Ameritrade. Performance does not reflect the deduction of other fees or expenses, including but not limited to brokerage fees, custodial fees and fees and expenses charged by mutual funds and other investment companies. Performance results shown include the reinvestment of dividends and interest on cash balances where applicable. The data used to calculate the model performance was obtained from sources deemed reliable and then organized and presented by Titan Investment Management LLC.