



July 28, 2020

Office of Regulations and Interpretations  
US Department of Labor  
Room N-5655  
200 Constitution Avenue NW  
Washington, DC 20210

RE: Proposed rule on Financial Factors in Selecting Plan Investments (RIN 1210-AB95)

To whom it may concern:

I write to provide comments in response to the Department of Labor's proposed rule, "Financial Factors in Selecting Plan Investments" (RIN 1210-AB95) (the "Proposal").

I'm a portfolio manager and equity analyst with Kennedy Capital Management, Inc. (KCM). KCM is a St. Louis-based asset manager serving pension funds, foundations, endowments, and individuals. The firm was founded in 1980, and manages over \$3.5 billion in assets.

Over the last several years, environmental, social, and governance considerations have taken on an increasingly important role in how corporations compete, capitalize on growth opportunities, and manage risk in their operations. We believe ESG factors are frequently a material part of a thorough and objective assessment of an investment's risk vs. reward profile. Numerous studies show that the consideration of ESG criteria in investment analysis generally produces investment performance comparable to or better than non-ESG investments.

The Proposal reveals a fundamental misunderstanding of how professional investment managers can use environmental, social and governance criteria as an additional level of due diligence and analysis in the portfolio construction process. Investment managers increasingly analyze ESG factors precisely because they view these factors as material to financial performance. In the US SIF Foundation's 2018 survey of sustainable investment firms in the United States, 141 money managers with aggregate assets of more than \$4 trillion responded to a question on their motivations for incorporating ESG criteria into their investment process. Three-quarters of these managers cited the desire to improve returns and to minimize risk over time. Fifty-eight percent cited their fiduciary duty obligations as a motivation.

The Proposal is likely to have the adverse effect of dissuading fiduciaries, even against their better judgment, from offering options for their plans that consider financially material ESG criteria in addition to more traditional financial criteria. As a result, it will unfairly, and harmfully, limit plan participants' options and diversification opportunities.

I respectfully request that the Proposal be withdrawn.

Thank you for your consideration of these comments.

Sincerely,

A handwritten signature in black ink, appearing to read "Christian J. McDonald", written over a light blue horizontal line.

Christian J. McDonald  
Portfolio Manager/Research Analyst  
Kennedy Capital Management, Inc.