

Issue 74

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# THE SUIT

EXCLUSIVE INTERVIEW WITH  
**DIANE MULCAHY**  
*THE GIG IS UP  
ECONOMY GAINS  
PROMINENCE*

## **Social Responsible Investing**

Darby Hobbs Makes an Impact

## **Survival of The Fittest**

Coaching Advisors How to Stand Out

## **Suit up Wall Street**

Next Class Action Lawsuit

# INVESTORS ARE PEOPLE TOO

## HELPING ADVISORS MAKE AN IMPACT WITH SRI

Darby Hobbs, CEO of SOCIAL3, lives in the land of socially responsible investing (SRI) – and loves it. She is the go-to branding and marketing expert in this increasingly popular niche within the financial industry. As a conscious investment style that considers environmental, social and corporate governance criteria, or ESG, it is a departure from the investor mindset of recent decades and often viewed, especially by millennials, as a noble and obvious step forward. This generation wonders, “Why wouldn’t everyone invest this way?”

BY JUDE SCINTA

While SOCIAL3 works with investment managers from mutual fund companies, private equities, and hedge funds that have an investment with social impact, they more often assist financial intermediaries. Overall, Hobbs assists both groups in bringing socially responsible investing to investors.

“We work with our clients to help them get into this social impact space so that they can better serve their clients and change the mix of their business. We create awareness that there can be a different dialogue with investment clients about their lives, their life decisions and what they hold value to,” said Hobbs.

### Sustainability reporting: Who’s in?

Eighty-one percent of the companies listed on the S&P 500 stock market index published corporate sustainability reports in 2015. This represents a notable jump, since just four years prior slightly under

20 percent of the companies on the list submitted the report, according to the G&A Institute which compiles data for the Global Reporting Initiative in the United States, United Kingdom and Ireland.

On the Institute’s website, G&A Chairman, Hank Boerner, issues this public slap on the wrist to non-participants:

“As we continue to see a steady increase in corporate sustainability and responsibility reporting, we wonder what the thinking is in the non-reporting enterprises. These companies are now clearly laggards in this important peer group (the S&P 500), which is a very important benchmark for institutional investors. Are these companies not recognizing the significant range of benefits that accrue to their more sustainable peers? Do they understand the rising expectations of stakeholders seeking more information about their company’s environmental, social and governance performance? At the least, the companies seem to be resistant to the demands of shareholders for more information about their ESG policies and performance.”

Ouch!



Darby Hobbs, founder and CEO of SOCIAL3

Europe and Australia have always been ahead of the rest of the world in areas of social impact investing, and that includes the U.S., according to Hobbs. In her 2014 article, “Why Firms are Adopting ESG Principles” published in the *Investments & Wealth Monitor*, Hobbs and co-author, Alexandra Jostrom reported the following:

“The European Parliament voted in April of 2014 to approve a new law that will require that all public companies with more than 500 employees must address ‘policies, risk and results’ in relation to ‘social, environmental and human rights impact, diversity and anti-corruption policies’ in their annual financial reports.”

When asked by *The Suit* if there was any similar ruling or proposed legislation in the U.S., Hobbs replied, “Not yet.”

### A gap in the marketplace

After graduating from the University of Bridgeport in Connecticut, Hobbs had visions of working in advertising and consumer packaging, but was drawn to financial services when she noted the lack of branding within the industry, except for the efforts of major credit card companies.

Her philosophy is the same today as it was then, “Anybody that you’re trying to sell to is a human being.” Yet, when she shared this simple and apparently startling concept, Hobbs said, “Most of my colleagues stared at me like I had ten heads.”

The ability to be empathetic and understand human emotion seems to come naturally to Hobbs, who launched SOCIAL3 in 2013. “As a marketer, you have to know the questions to ask, and you have to listen,

and then interpret that into an experience that will engage like minds,” she explained, adding that the ability to tell a story is an art.

“If you think about a funnel, you have the wide area at the top. That’s where I sit in the understanding of people and behaviors. Then I whittle it down to look at how people interact in business, and then go down the funnel again to understand once you distribute a product out to the marketplace, and you have a particular sector that you’re working with – how do you funnel it again? You have to understand the nuances within that,” Hobbs explained.

While some ad agencies and marketing firms may offer similar services to financial advisors, Registered Investment Advisors and other investment professionals, SOCIAL3 seems to be a lone wolf because it offers clients its proprietary LivingWell™ Model.

“The LivingWell Model is a holistic approach that knits together the heart, the mind and the wallet of an individual so that we understand the value drivers across every decision of his or her life, whether it’s financial, spiritual, emotional or another area,” Hobbs explained. “No one has taken it to the level that we have and we translate it into a toolkit that financial advisors can use, because that’s the hub of where the gatekeeping exists, the bridge between the investment world and the investor.”

The model is also designed to build a solid investor - advisor relationship; a dynamic that has suffered since recent historical events. “Trust really broke apart in our industry dramatically in 2008, and that

has not come back,” said Hobbs, referencing the financial crisis that devastated the national economies, global economies – and investor confidence along with it.

Clients of SOCIAL3 are taken through the LivingWell Model to give them insight into their own responses, and then they are shown how to use that model in their own practices and with their own clients. While there is a standard approach, the model becomes proprietary for each advisory group, since it is customized to the culture and core tenets of each firm.

SOCIAL3 also produces the “Conscious Business Show” for Asset TV and Radio Entrepreneurs to expand their reach to global and national targeted audiences. The media platforms allow Hobbs to discuss areas of ESG and SRI with executives from companies in that space and with Wall Street professionals.

### Millennials and impact investing

Today, any discussion about issues affecting American culture, values, politics and the economy would be incomplete without addressing how the thoughts and behavior of millennials have influenced change. Impact investing is a prime example. As baby boomers are retiring and selling their advisory firms to this younger set, areas of SRI are top-of-mind.

“Millennials are walking in and saying, ‘It’s all about social impact, making change and getting performance, and it’s all about engaging in a holistic dialogue with my clients.’ Millennials get it and they are the ones that are instituting it,” said Hobbs. “There are also some quadrants of the Gen X and Y who are more receptive, so that’s where we tend to hover, because that’s where the momentum is coming from.”

Hobbs welcomes the shift from a traditional mindset to a more progressive view. “It’s a chink in the armor towards changing an investment process and an industry that hasn’t changed – and hasn’t been asked to change – in its entirety. This gives advisors an opportunity to be part of that because they will reap the rewards of this changing dialog and the opportunity to have the investment process connect them to what they value, which is just non-existent today.”

For more information on SOCIAL3, visit [www.social-3.net](http://www.social-3.net)