

GENERATING ALPHA POTENTIAL WITH INSPIRE IMPACT SCORE | Special Report

SUMMARY

A recent study by Shane Enete, CFA at the **Inspire-Biola Research Institute For Biblically Responsible Investing (BRI)**, has shown that applying the Inspire Impact Score methodology to portfolio security selection can actually generate alpha in a portfolio when compared to the broader, non-Inspire Impact Score screened benchmark. This finding adds new data to the debate of what effect values-based screening (Socially Responsible, Biblically Responsible, ESG, etc) has on the performance of a portfolio.

At Inspire we believe that good values and good returns are not mutually exclusive, and the findings from this study validate that belief. While screening a portfolio does not guarantee alpha generation, this study clearly shows that using the Inspire Impact Score methodology does have the potential to provide outperformance when compared to a non-screened benchmark.

Be among the first to read the full research report by subscribing to our blog at inspireinvesting.com.

**Inspire-Biola Research
Institute For Biblically
Responsible Investing**



Advancing the practice of
BRI through academic
thought leadership.

ABOUT THE STUDY

For the purposes of this study, a traditional attribution analysis method was applied to the Inspire Small/Mid Cap Impact Equal Weight Index ("Index") over a five year period. The study compared the contribution to overall returns from three variables: 1) Equal weight composition; 2) Sector bias; and, 3) Inspire Impact Score security selection methodology. These three variables were then isolated and compared against the benchmark to determine the effect each individual variable had on overall performance.

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"The results of the study found that the Inspire Impact Score methodology of security selection resulted in an annualized 4.7% outperformance compared to the non-screened benchmark."

The remaining variables of sector weighting and equal weight composition had negligible effect on the overall performance. (See Fig. 1) These findings pave the way for additional research into the underlying reasons as to why companies with higher Inspire Impact Scores provide the potential to outperform companies with lower Inspire Impact Scores, and the **Inspire-Biola Research Institute for BRI** is up to the task, but what is clear is that companies that are a blessing to their customers, communities, workplace and the world have the potential to outperform their peers and that investors who are seeking to create profit and impact do not necessarily need to resign themselves to substandard returns -- indeed, it is possible that they could even experience above average returns by including Inspire Impact Score screening in their investment strategy.

Fig. 1 shows the comparative effects on performance of three variables in the study, relative to the un-screened benchmark (50% S&P 400 and 50% S&P 600)

Inspire Small/Mid Cap Impact Equal Weight Index (1/12 - 1/17)	Performance Effect (annualized)
Sector Weighting	-.05%
Equal Weight Composition	-.01%
Inspire Impact Score security selection	4.7%

HOW INSPIRE INVESTS FOR IMPACT | Inspire Impact Score Methodology

The Inspire Impact Score is an objective, rules-based scoring system which Inspire uses to identify what we consider to be the most inspiring companies on the market -- companies that are blessings to their communities, employees, customers and the world. We believe that these inspiring companies hold great potential to deliver superior performance over time, as well as deliver meaningful impact through their business efforts, providing investors a unique opportunity to create both profit potential and positive impact with their portfolio. The Inspire Impact Score rates a company on a scale of -100 to +100, with +100 being the best possible score, and scores above zero meet Certified Biblically Responsible Investing (BRI) standards.

STEP ONE: ANALYZE

Analyze millions of data points for thousands of companies using inspireinsight.com to identify positive and negative events as they relate to a company's impact in four categories and eight subcategories:

1) Customers:

- Business Model
- Product Integrity & Innovation

3) Workplace

- Corporate Governance
- Human Capital

2) Communities

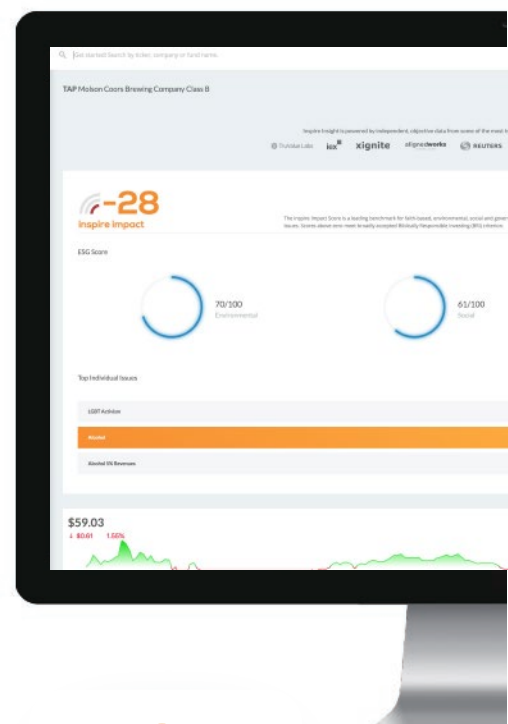
- Social Impact
- Supply Chain

4) World

- Environment
- Sustainable Energy Use & Production

STEP TWO: AWARD

Subtract points from companies with violations and attribute a negative score. Companies with negative scores are not investable. Award points to companies that have positive scores in the four impact categories. A total of 25 points are available in each of the four impact categories, arriving at a total potential score of 100. Inspire selects the highest scoring companies when building out portfolios. Scores above zero meet Certified Biblically Responsible Investing standards.



STEP THREE: ASSESSMENT & ACTIVISM

Inspire maintains a database with Inspire Impact Scores for over one thousand companies that we hold investments in. We routinely re-assess each of these company's Inspire Impact Scores so that our portfolios continue to adhere to the high impact standards we have for our investments. Additionally, we engage in shareholder activism with our portfolio companies to encourage progress towards greater levels of positive impact and initiate a course correction for companies that are veering off course -- a process we call inspiring transformation.

