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WEALTH MANAGEMENT

A Canaccord Genuity Group Company

# A more responsible view of investing



# Introducing our ESG Portfolio Service

## An opportunity to invest consciously while still aiming for positive returns

Many of our clients are concerned about the nature of their investments and the environmental or ethical record of the companies involved. Many also want to invest in companies helping to solve the world's challenges but they can't afford to compromise on returns.

If this reflects your views, we can help with our ESG (environmental, social and governance) Portfolio Service which lets you take a more responsible approach to investing.

As part of Canaccord Genuity Group Inc., a global financial services firm operating in wealth management and capital markets, we can draw on the Group's resources and expertise. This enables us to find funds that work towards making the world a better place, while also creating a sensible investment strategy for your long-term financial security.

**Investment involves risk. The value of investments and the income from them can go down as well as up and you may not get back the amount originally invested.**





# What is ESG?

Conscientious investors are increasingly considering ESG issues alongside traditional financial factors, to create a more sustainable portfolio.



**Environmental** criteria look at how a company performs in relation to the natural environment – for example, it might be evaluated according to its energy use, sustainability policies, carbon emissions or resource conservation.



**Social** criteria examine a company's relationships with its employees and the communities in which it operates – does it care about employee welfare and workplace safety? Does it make a positive contribution to the community?



**Governance** factors concern a company's leadership, executive pay, audits, internal controls, independence, shareholder rights and transparency.

Looking at these aspects allows investors to assess a company's social and economic impact and think about how this might affect a business model over time. Businesses working in a more sustainable way, with robust policies and procedures around ESG issues, may also be attractive from a risk and return perspective.

# Why ESG funds are likely to be good investments

When choosing investments for our ESG Portfolio Service, we look for funds investing in businesses that generate a measurable social or environmental benefit alongside an investment return.

The companies in the funds we select are thinking about the bigger picture and doing their best to give something back. We believe this will ultimately make them more sustainable, which is good for your investment portfolio.

There is evidence that companies that meet high ESG standards tend to outperform those that don't, by a significant margin. For example, the MSCI Socially Responsible Indices in the US, UK, Europe and Asia Pacific, which are concentrated to include companies that score highly on ESG, have been outstripping their conventional equivalent indices over the last five years<sup>1</sup>.

The opposite is also true. Many companies have seen catastrophic repercussions (both ethically and commercially) for acting irresponsibly. Over the years, businesses that have supported apartheid in South Africa, dealt in chemical weapons or cheated over emissions tests have all seen their share prices fall.

## An investment opportunity for charities

Our ESG Portfolio Service may be relevant for charities, foundations and trusts with specific ESG or exclusionary restrictions on their range of investments. We understand your needs and will work with you to arrange an appropriate portfolio.

<sup>1</sup> MSCI ESG Leaders Indices US

[msci.com/documents/10199/8cfbc6c0-b4c1-4ddf-a8f2-3c0ec1f38dd5](https://www.msci.com/documents/10199/8cfbc6c0-b4c1-4ddf-a8f2-3c0ec1f38dd5)

MSCI ESG Leaders Indices UK

[msci.com/documents/10199/17173c9d-67d9-4340-8779-96fb7832e036](https://www.msci.com/documents/10199/17173c9d-67d9-4340-8779-96fb7832e036)

MSCI ESG Leaders Indices Europe

[msci.com/documents/10199/37d4cf97-2195-4444-9fe6-7e2699b78643](https://www.msci.com/documents/10199/37d4cf97-2195-4444-9fe6-7e2699b78643)

MSCI ESG Leaders Indices Asia

[msci.com/documents/10199/363017b6-2688-48b6-a878-c9164522a73a](https://www.msci.com/documents/10199/363017b6-2688-48b6-a878-c9164522a73a)

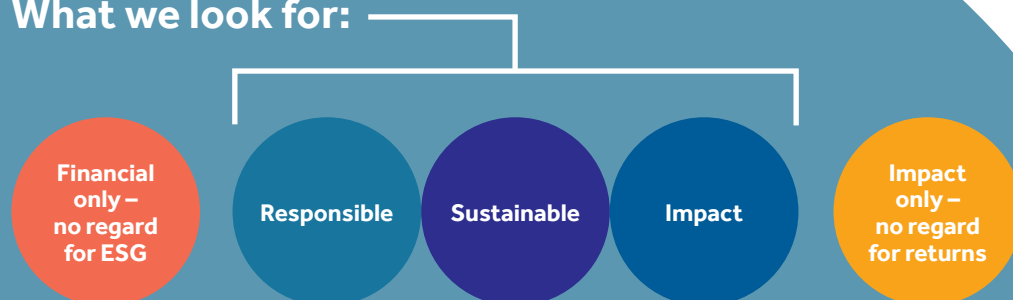
# Our approach to ESG investing

There are a raft of different approaches to this type of investing:

- Traditional methods (also known as exclusionary, ethical or socially responsible) usually focus on screening out companies with links to controversial areas like alcohol, tobacco, gambling, firearms, pornography or animal testing
- Newer approaches have attempted to rank companies according to a variety of factors, in order to assess how sustainable a business is when compared with its peers (sometimes referred to as sustainable or ESG investing)
- At the other end of the spectrum, investors select companies they believe will benefit from a global move to a more sustainable planet, such as electric vehicles or clean energy (this can be called thematic, green or impact investing).

We believe all these approaches are useful and can be thoughtfully combined to create a portfolio that offers a sensible long-term investment strategy while also making a positive difference.

## What we look for:



The ultimate aim being to find funds that deliver competitive returns, mitigate ESG risks, pursue ESG opportunities and focus on measurable impact solutions.









# How we create our ESG Portfolio Service

Our ESG Portfolio Service has three aspects:

1. An exclusionary element
2. An impact investing element
3. A thematic approach to choosing funds (see next page).

## Exclusions

Confirmed by Morningstar Sustainalytics, the funds in our portfolio have zero exposure to any company that:

- Has any ties to controversial or nuclear weapons
- Violates the UN Global Compact principles – 10 universal corporate sustainability principles on human rights, labour, environment and anti-corruption
- Derives 5% or more of its revenue from mining or power generation from thermal coal (coal burned to make electricity)
- Produces civilian firearms or small arms ammunitions, or derives 5% or more of its revenue from distribution to civilian markets
- Is classified as a producer of tobacco, or derives 5% or more of its revenue from the distribution, retail and supply of tobacco-related products
- Derives 5% or more of its revenue from oil sands extraction (known to produce more greenhouse gas than other sources), or owns oil sands reserves and discloses evidence of deriving revenue from oil sands extraction.

## Impact investing

Impact investing is choosing companies which have a demonstrable positive impact on the world, as well as offering a financial return. Examples include renewable infrastructure, microfinance (financial services created for unemployed or low-income groups), social housing, education and inclusive healthcare.

# Sustainable themes

The human race is facing an existential crisis, caused by overpopulation and overconsumption putting insurmountable pressure on the planet and its resources.

That's why we choose funds with investment strategies that aim to support the United Nations (UN) Sustainable Development Goals. These are 17 goals that the UN has set out for its member states to achieve by 2030 for peace and prosperity for people and the planet.

**4** QUALITY EDUCATION



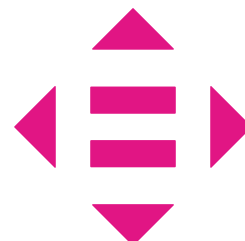
**8** DECENT WORK AND ECONOMIC GROWTH



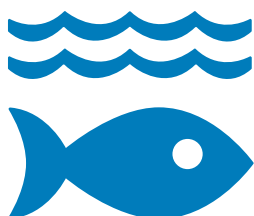
**9** INDUSTRY, INNOVATION AND INFRASTRUCTURE



**10** REDUCED INEQUALITIES



**14** LIFE BELOW WATER



**15** LIFE ON LAND



**16** PEACE, JUSTICE AND STRONG INSTITUTIONS



**1** NO  
POVERTY



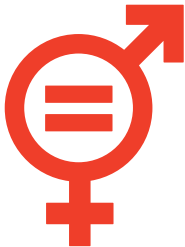
**2** ZERO  
HUNGER



**3** GOOD HEALTH  
AND WELL-BEING



**5** GENDER  
EQUALITY



**6** CLEAN WATER  
AND SANITATION



**7** AFFORDABLE AND  
CLEAN ENERGY



**11** SUSTAINABLE CITIES  
AND COMMUNITIES



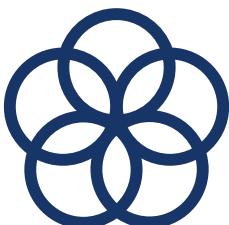
**12** RESPONSIBLE  
CONSUMPTION  
AND PRODUCTION



**13** CLIMATE  
ACTION



**17** PARTNERSHIPS  
FOR THE GOALS



SUSTAINABLE  
DEVELOPMENT **GOALS**

**Central investment office (CIO) process**

Performance returns balanced with risk and diversification

**Basic model portfolio**

Including funds that don't meet your ethical criteria

**ESG filter**

**Your ESG model portfolio**

## How the ESG Portfolio Service works for you

With this service, you invest in a 'managed portfolio' which we run on your behalf. We will do all the investigating and research to find suitable ESG funds so you don't have to, and then we will continue to monitor the funds you're invested in.

The diagram on the left shows how we use our central investment office (CIO) process to select a combination of investment funds, according to your individual preference for a balance between risk and returns. These funds form the basis of the model portfolio. We then filter them through our ESG 'lens' to find the ones that meet your ethical criteria.

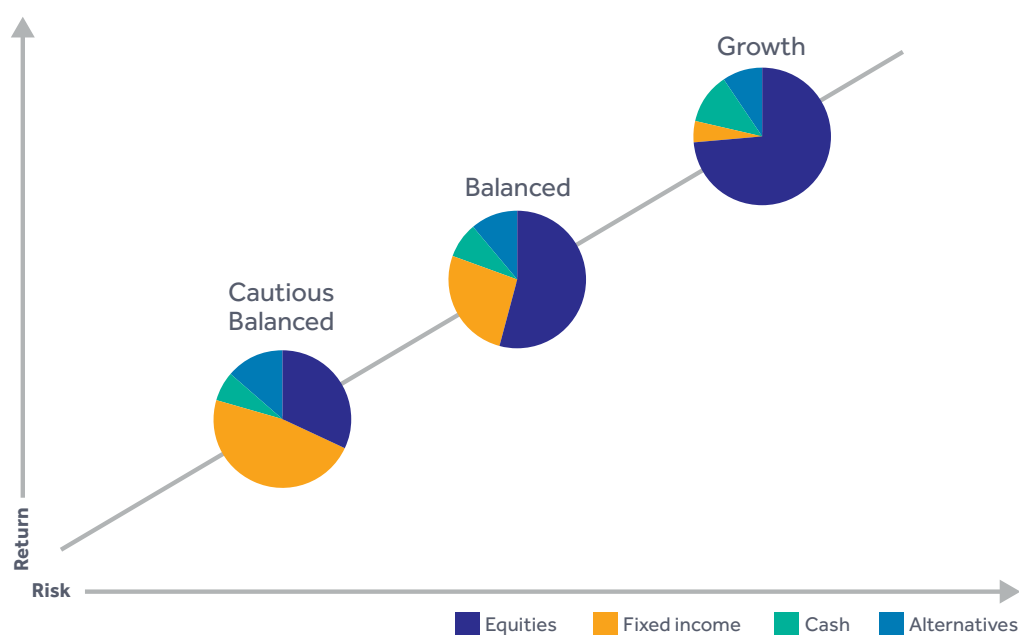
Importantly, we also look for funds that have a long and successful track record of outperforming their competitors.



# Our ESG portfolios

We offer three ESG portfolios: Cautious Balanced, Balanced and Growth. Your wealth manager will help you choose the one that's right for you, based on your objectives and attitude to investment risk (see our risk framework brochure for details).

Each portfolio offers you a sensible mix of different investment styles. They invest in various collectives (funds) and exchange-traded funds (ETFs), and give you access to our organisation-wide expertise, global research and resources. The portfolios are not affected by the opinions of individual fund managers, so they represent the delivery and execution of our rigorous investment process, which includes meticulous in-depth research and continuous monitoring.



## ESG portfolios risk vs return

Each portfolio aims to offer you an optimal allocation of the most appropriate ESG funds according to our analysis and research. We diversify the investments within each portfolio and, by taking an 'open architecture' approach, we can identify and select appropriate investments from the entire marketplace, which manages and reduces investment risk.

N.B. This is for illustration purposes only, to reflect our long-term asset allocation. Data as at July 2020. Actual asset allocation changes are made depending on market conditions.

# Our ESG portfolios in detail

Our Cautious Balanced, Balanced and Growth portfolios are all multi-manager portfolios.

We use funds containing global equities and fixed interest and cash-type investments to provide diversification, focusing on the themes we consider likely to perform in the prevailing economic environment. We may also use funds with alternative asset classes (such as commodities, currencies and hedge funds) to balance the risk during unfavourable market conditions and produce returns uncorrelated to the general equity market.

Our portfolios are designed to work over a typical investment cycle of 7-10 years, so we recommend you stay invested for at least seven years.

Our **Cautious Balanced** portfolio (risk profile 4) aims for a balance between capital appreciation and reduced volatility.

Our **Balanced** portfolio (risk profile 5) aims to produce a balance between capital appreciation and income.

Our **Growth** portfolio (risk profile 6) aims to provide capital appreciation.

## Our ESG portfolios – all about the benefits

Our ESG portfolios enable you to take a more forward-looking, responsible approach to ESG issues. Whichever portfolio you select, it will:

- Aim to deliver consistent, risk-adjusted returns
- Give you access to our global investment ideas and research
- Offer you flexibility so you can choose the parameters of your ESG portfolio to suit your needs and preferences
- Be supported and protected by our robust and disciplined investment process
- Be managed by an accessible and dedicated team of ESG specialists, provided by Canaccord Genuity Wealth Limited (CGWL) and supported by our own Adam & Company wealth advisers.

## Dynamic asset allocation

Our ESG portfolios benefit from 'dynamic asset allocation' – which means we'll adapt your investments as funds improve their ESG credentials and ambitions. This ensures your investment will stay in line with your objectives.

We'll also make changes to reflect our current views of the investment market and economic outlook. This can result in a larger weighting in alternative investments (like commodities, currencies and absolute return funds). These alternatives help to reduce volatility, as they generally don't move in line with equities and bonds.

Your investments will benefit from the best investment ideas and long-term experience provided by CGWM and our in-house teams. We monitor and manage your portfolio to ensure your investment risk is kept at a level that suits you through true diversification.



Signatory of:







A person stands on the edge of a dark, jagged rock formation, looking out over a vast, misty mountain valley. The valley is filled with rolling hills and dense forests, partially obscured by a thick layer of white mist or low clouds. The sky is a soft, hazy blue, suggesting dawn or dusk. The overall mood is contemplative and expansive.

# The future starts now

If you would like to know how our ESG Portfolio Service could empower you to create the future you want, both for yourself and the wider world, please get in touch. We'll be delighted to answer your questions and provide more details of this service.

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Telephone calls may be recorded.



## Important information

Investment involves risk. The value of investments and the income from them can go down as well as up and you may not get back the amount originally invested. Our portfolios are designed to work over a typical investment cycle of 7-10 years, so we recommend you stay invested for at least seven years.

The investments discussed in this document may not be suitable for all investors. Past performance is not a reliable indicator of future performance.

The tax treatment of all investments depends upon individual circumstances and may be subject to change. Investors should discuss their financial arrangements with their own tax adviser as the value of any tax reliefs available is subject to individual circumstances. Levels and bases of taxation may change.

Where investment is made in currencies other than the investor's base currency, the value of those investments, and any income from them, will be affected by movements in exchange rates. This effect may be unfavourable as well as favourable.

This document is for information only and is not to be construed as a solicitation or an offer to purchase or sell investments or related financial instruments. This has no regard for the specific investment objectives, financial situation or needs of any specific investor.

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