Do good or do well? You can choose both.

Today, sophisticated approaches are bringing what we now call Sustainable, Responsible and Impact Investing to engaged investors who want to manage risk and influence issues or behaviours.

Michael Schnitman

Early on, ethical investing strategies were simple: where there's protest, you don't invest. So investors said no to nukes, petrochemicals, arms companies, and many others. But as companies developed new business practices in response to growing environmental and social pressure, the definition of what was formerly called Socially Responsible Investing grew to include more strategies.

Institutional investors such as large government pension funds started looking for investments that mirrored their members' values, and it didn't take long for individual investors to have the same opportunities. In 2014, 87% of Global SRI assets were institutional while 13% were held by retail investors. By 2016, retail SRI investments had almost doubled to 25.7%[1].

The Mackenzie SRI Approach

Environmental, Social and Governance (ESG) factors are at the core of many SRI investment strategies, which usually consider one or a combination of these:

- **Negative/exclusionary screening** leaves out funds or portfolios of certain sectors, companies or practices based on specific ESG criteria
- **Positive/best-in-class screening** selects opportunities based on positive ESG performance relative to industry peers
- **ESG Integration** includes systematic and explicit environmental, social and governance factors into financial analysis
- **Thematic** investment searches out companies making specific sustainability investments (for example, clean energy, green technology or sustainable agriculture).

For instance, the **Mackenzie Global Sustainability and Impact Balanced Fund** incorporates ESG factors into the investment process to identify risks and opportunities, aiming to generate competitive risk-adjusted returns while supporting societal and environmental change.

Mackenzie Global Leadership Impact fund and **Mackenzie Global Leadership Impact ETF** focus on providing long-term capital growth while promoting the representation of women in positions of leadership. In this area, corporate engagement, disclosure and shareholder action gives investment managers a seat at the table and the power to influence decision-making.

Is there a performance penalty?

The short answer is no. A 2013 study by Sebastian Rathner found that when comparing SRI with traditional funds, almost 72% did not show any significant performance difference.[2] For the remainder, SRI funds outperformed almost as often as underperformed. It's important to note the impact modern ESG processes have had on generating returns. A 2015 study looked at results over a 15-year period and found that, "tilting a portfolio towards stocks with best-in-class ESG characteristics provided an advantage over conventional portfolios."[3] This alone may explain why institutional investors have embraced SRI factors.

We expect big things from the industry as more and more companies seek to make an impact in the SRI space. In Canada's retail market, AUM in SRI mandates increased from \$7.5 billion to \$8.7 billion from March 2016 to March 2017.[4] That means more investors will have more options for their investments. And that's a win-win.

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[1] 2016 Global Sustainable Investment Review
[2] Rathern, S. 2013. "The Influence of Primary Study Characteristics on the Performance Differential Between Socially Responsible and Conventional Investment Funds: A Meta-Analysis" Journal of Business Ethics, Vol 118, P.349-363
[3] Statman, M. and Glushkov, D. 2016 "Classifying and Measuring the Performance of Socially Responsible Mutual Funds"
[4] Simfund as of March 2017