Invest to drive change

Sustainable, responsible and impact investing.

Mackenzie Global Sustainability and Impact Balanced Fund.

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SRI = sustainable, responsible and impact investing

Today, Mackenzie Investments identifies SRI as "Sustainable, Responsible and Impact Investing". In general, sustainable responsible and impact investing includes considering environmental, social and governance (ESG) factors when making investment decisions. So when portfolio managers analyze a company's financials to find value, they also examine the company's environmental record, socially-responsible practices and corporate governance. For example, is the company trying to reduce its carbon footprint? Does its supply chain create products with integrity? Does the company promote gender and ethnic diversity in its executive leadership?

The analysis can also focus on specified themes – such as clean energy – and then the investment approach may select companies accordingly, such as based on the quality of their clean energy policies.

Invest to drive change

Canadians started investing in socially responsible mutual funds in 1986,[1] to align their investing with their personal values. Some investors also wanted to manage risk and try to influence issues or behaviours, either at specific companies or in society at large. Today, Canadians have invested billions of dollars in sustainable funds, with Assets under Management in socially responsible investing mandates growing to $9.7B at April 2018.[2]

In the past, Socially Responsible Investing (SRI) primarily involved excluding companies that did not meet specific criteria. Investors used "negative screening" to avoid companies with operations, practices or assets that did not align with their social objectives. However, as the popularity of SRI investing increased, the term broadened to encompass more strategies.

Environmental

- Climate change
- Clean energy
- Resource sustainability

Social

- Human rights
- Diversity policies
- Work & safety standards

Governance

- Executive leadership
- Corporate culture
- Corruption policies

While Sustainable, Responsible and Impact Investing strategies all incorporate ESG factors in one fashion or another, there is in fact a wide range of ways to do so. Investment companies that offer responsible investment products consider a number of possible approaches, including:

- Negative/exclusionary screening: the exclusion from a fund or portfolio of certain sectors, companies or practices based on specific ESG criteria;
- Positive/best-in-class screening: investment in sectors, companies or projects selected for positive ESG performance relative to industry peers;
- ESG integration: the systematic and explicit inclusion by investment managers of environmental, social and governance factors into financial analysis;
- Thematic investing: investment in themes or assets specifically related to sustainability (for example clean energy, green technology or sustainable agriculture).

It is important to note that each of these strategies are not necessarily mutually exclusive. Goals and methodologies of some of these can overlap. Thematic investing for instance, can incorporate ESG integration, but can mainly focus on a particular social goal.

How do Mackenzie's solutions invest with impact?

Mackenzie's solutions invest with impact by using the following:

ESG integration

ESG Integration incorporates environmental social and governance factors into the investment process to identify both risks and opportunities. There is evidence to suggest that such a comprehensive process has been more successful than other SRI strategies in terms of achieving both financial and social value.[4]

Corporate engagement, disclosure and shareholder action

This involves using positions as shareholders in a company to influence change through direct corporate engagement filing or co-filing shareholder proposals, and proxy voting that is guided by comprehensive ESG guidelines. This operates under the belief that sometimes, the best way to impact positive social change is to use the power to influence decision making, i.e. voting with your wallet.

SRI highlights from our 2017 insights research[3]

71% of canadian investors

said it's important for financial advisors to offer socially responsible investments to build strong client relationships.

35% of canadian advisors

said SRI funds will be a growing part of their practices in the next 3-5 years.

millennial > gen x > boomer

Millennial (37%) and Gen X investors (33%) are more likely than Boomers (24%) to say SRI funds will become more important in their portfolios over the next 2-3 years.

Mackenzie Global Sustainability and Impact Balanced Fund

Mackenzie Global Sustainability and Impact Balanced Fund combines the strengths of the Mackenzie Fixed Income Team and Rockefeller & Company. The integration of ESG factors into investment analysis aims to generate competitive risk-adjusted returns while supporting societal and environmental change.

The Mackenzie Fixed Income Team has incorporated ESG analysis into its risk assessments and company analysis over many years. The Team integrates ESG factors into the investment process, emphasizing them in security selection.

Rockefeller & Co. uses ESG integration in its stock-selection process alongside a fundamental, sector-based analysis of a company's financials. The team also believes that its shareholder engagement can have a greater societal impact than avoiding specific companies. Rockefeller representatives work with corporations that are making efforts to improve their operations, and help them along the way.

Seeking to provide a combination of income and capital appreciation, this global balanced solution is a potential core portfolio holding for investors looking to align their investments with their personal values.

Mackenzie Global Sustainability and Impact Balanced Fund, is an innovative solution for Canadians who want sustainable, responsible and impact investments.

Talk to your financial advisor about Mackenzie's SRI solutions.

[1] Source: State of the Nation: Impact Investing in Canada, MaRS Centre for Impact Investing, 2014.

[2] Source: Investor Economics.

[3] Source: A survey of 412 Canadian advisors was completed online between June 20 and July 12, 2017, using Environics' Advisor Research panel. A probability sample of the same size would yield a margin of error of +/- 4.8%, 19 times out of 20. A survey of 1,247 Canadians 18-75 years old, who have an investment portfolio or plans to begin investing in the near future, was completed online between June 27 and July 11, 2017. A probability sample of the same size would yield a margin of error of +/- 2.8%, 19 times out of 20.

[4] Source: De, I. and Clayman, M.R. 2015 "The Benefits of Socially Responsible Investing: An Active Manager's Perspective" Journal of Portfolio management, Vol 24, No 4, P. 49-72.

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