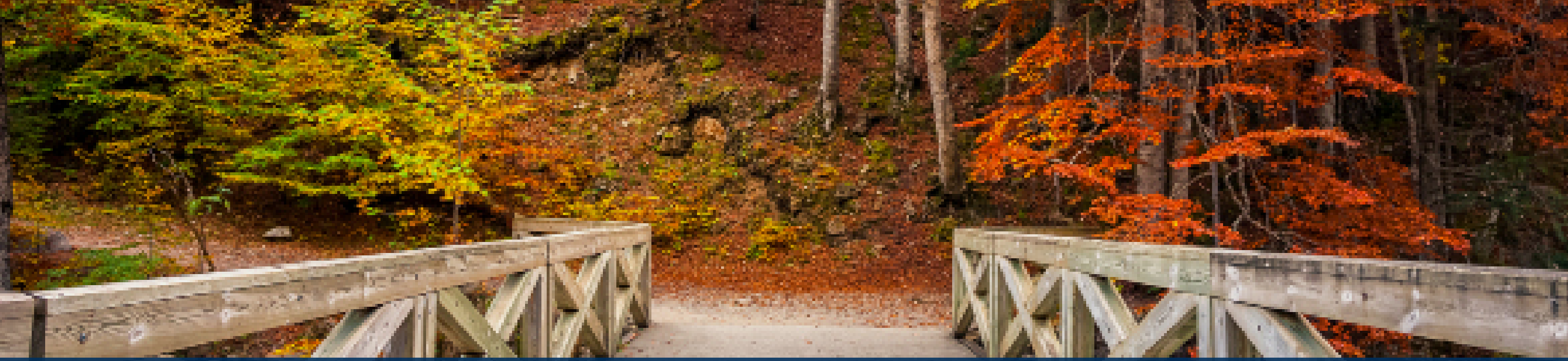

QUARTERLY REPORT

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Build Wealth, Build a Better Post-Pandemic World

Many of my clients know that about four years ago I became an evangelist for responsible investing. (This new focus for me followed immediately after the election of Donald Trump, but that's another story). I discovered that what had been known as "ethical" or "socially responsible" investing a decade before had morphed into a much broader area which included environmentally sustainable, socially responsible, and good governance components, or ESG investing.

I also discovered the Responsible Investment Association of Canada, became a member, took one of its excellent courses to educate myself about what responsible investment is, why it matters, how it's measured, and how it has performed relative to investments that use only traditional financial metrics. I became certified as a Responsible Investment Specialist, a designation that I wear proudly, and use daily in my quest to find the best investments for my clients.

When my ESG enlightenment began there was momentum happening, yet the focus was still in its infancy. Largely driven by institutional investors like pension funds, university endowments, and religious organizations, ESG was a focus largely unknown by individual investors. I was one of approximately 10% of retail investment advisors across Canada who made this a focus in my analysis of investments.

Today the trend has become a juggernaut: according to a recent PwC report "as much as 57% of mutual fund assets in Europe will be held in funds that consider environmental, social and governance factors by 2025, or 7.6 trillion euros ($8.9 trillion), up from 15.1% at the end of last year. In addition, 77% of institutional investors surveyed by PwC said they plan to stop buying non-ESG products within the next two years." And, according to data compiled by Bloomberg Intelligence, "about $20 billion flowed into ESG- and values-focused exchange-traded funds this year (as of Sept. 30), exceeding the calendar-year record of $9.2 billion set in 2019".

Responsible investing's popularity is not strictly based on altruism. BlackRock Inc., the world's largest asset manager, reported in May that "88% of sustainable indexes did better than their non-sustainable counterparts in the first four months of 2020." ESG is gaining momentum precisely because the focus tends to weed out companies that underperform. The most obvious examples are non-renewable energy companies that are struggling to stay afloat or are scrambling to stay relevant by moving their businesses in a sustainable direction. Other

ESG factors include narrowing the CEO / employee wage gap; increased gender and racial diversity on corporate boards; improvements to global supply chain management; governance transparency and more fulsome reporting of hundreds of ESG factors that can have a material bearing on financial results.

To me, the most compelling aspect of the ESG movement has been born out during the pandemic: that sustainable companies tend to be more resilient under stress. By this I don't want to suggest a Darwinian "survival of the fittest" attitude, since many great companies in a vulnerable category (e.g. travel, hospitality, performing arts) may not make it through no fault of their own. Rather, those companies that have tried to manage by keeping all their stakeholders in mind – customers, employees, their community – may survive the crisis better in the long run, and ultimately increase their value to shareholders in the process.

Trends that had momentum prior to the pandemic, such as online shopping, tele-commuting, and advances in healthcare, have been accelerated beyond imagining in recent months. Conversely weaknesses have been laid bare – for example, global supply chain disruptions in PPE for hospital workers has caused many governments to re-examine the need for local manufacturing, even if it does cost more. Add to that the imperatives of climate change: catastrophic fires, floods, and winds, and the focus on the "E" side of the acronym has never seemed so important.

Just as the viral contagion we've all had to contend with reminds us how vulnerable and inter-connected we are as humans, I believe the pandemic has also highlighted the critical role business has to play, not only in the management of our lives today, but also in building a better world on the other side of this. It is an evolving science, and ESG investing's challenges include refining the standards of measurement, and better corporate disclosure. But the data this year gives me hope that a focus on responsible investment will lead us to more wealth while creating a more equitable and sustainable world in the years to come.

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