



## Aligning Your Investments with Your Values



THE UNITED CHURCH OF  
CANADA FOUNDATION –  
SUSTAINABLE PORTFOLIO  
PROGRAM

# ABOUT THE UNITED CHURCH OF CANADA FOUNDATION

The United Church of Canada Foundation is partnering with Genus Capital Management to create a Sustainable Portfolio Program. This service will provide affiliates of The United Church of Canada with access to customized sustainable portfolio options to better align your organizations' investments with your values.



A hand holding a compass against a mountain landscape. The background shows a vast, hazy mountain range under a blue sky. The hand is in the foreground, holding a silver and black compass. The compass face is visible, showing cardinal and intercardinal directions. The overall tone is serene and adventurous.

# Going Fossil Free®

We believe it is important to ensure your investments and capital are at work to safeguard and promote the same values and principles as your congregation. By placing your capital and investments in sustainable companies, you are encouraging companies to continue to do business sustainably and discouraging those companies that are not acting sustainably. Collectively, capital can be mobilized to motivate a more sustainable environment and healthier communities. At Genus, we are passionate and very serious about sustainable investing, and it is one of our mission objectives to help our clients achieve their financial goals while upholding the values they care about.

Genus has a long standing commitment to, and expertise with, Socially Responsible Investing, having launched its first sustainable portfolios in 1994. Today, Genus offers Canada's first Fossil Free® Fund Family and has Canada's only 6 years Fossil Free® Balanced track record. The Genus Fossil Free® Fund Family was developed in collaboration with leading environmental organizations to address the needs of investors concerned about climate change. As part of the Fossil Free® Fund Family, Genus has created the first Impact Equity fund in Canada and the fund has achieved a 5-year track record in 2019. Our Fossil Free® Fund Family contains zero fossil fuel reserves, and our Fossil Free® Equity Funds are committed to continually achieving a carbon emissions intensity that is 70% lower than the market as a whole.

# HOW MIGHT DIVESTING FROM FOSSIL FUELS AFFECT THE PERFORMANCE OF YOUR PORTFOLIO?

While many investors believe removing energy stocks from their portfolios causes lower returns and higher risk, the evidence suggests otherwise. Genus' research began by excluding energy, utilities and transportation industries from the respective indices. We performed a quarterly optimization of the stock weightings to improve the consistency of the portfolio against benchmark. The findings show the Fossil Free® Optimized strategy outperformed their respective indices in Canada, the U.S. and international stock markets.

## Figure 1: Long-Term Fossil Free® Back-Test

Strategy Research August 31, 1998 - July 31, 2019	Canada*	United States*	International*	Global*	Benchmark**
<b>Annualized Return</b>					
Index (Benchmark)	7.99 %	6.72%	4.34%	5.72%	6.66%
<b>Fossil Free® Optimized</b>	<b>8.80%</b>	<b>6.99%</b>	<b>4.50%</b>	<b>6.02%</b>	<b>7.15%</b>

\*Indices: Canada: S&P/TSX Composite Total Return Index; United States: S&P 500 Total Return Index CAD; International: MSCI EAFE (Europe, Australasia, Far East) CAD; Global: MSCI World CAD

\*\*Benchmark: 35% Canada S&P/TSX Composite Total Return Index and 65% MSCI World Total Return Index CAD.



# HOW DO WE APPROACH SUSTAINABLE INVESTING?

Our approach to selecting investments for our Fossil Free® Funds is comprehensive in scope. We start by screening out companies that produce products or services that negatively impact the environment or society, since they can present financial risk and unsustainable business models. In particular, we exclude any company directly involved in the extraction, processing or transportation of fossil fuels.

## We screen out ESG risks

In addition to excluding risky products, we integrate broad environmental, social, and governance (ESG) criteria to avoid companies across all industries that demonstrate low ESG values or are involved in significant ESG controversies. Companies demonstrating high ESG values are considered potential candidates for our funds. Through our shareholder action program, we seek to catalyze ESG improvements through proxy voting, management communication and shareholder resolutions.



### Environmental Risks

Do the company's operations interact negatively with land, air or water.



### Social Risks

Does the firm's value chain impact worker safety and human rights.



### Governance Risks

How is the company managed around executive compensation, diversity and board independence.

# ADDING POSITIVE IMPACT

Genus also employs a sustainable thematic approach to find and profit from long term trends that are unfolding, such as renewable energy. By choosing companies that offer sustainable solutions, we aim to add financial performance while helping to expand positive social and environmental impacts globally. To help identify attractive impact investments and to facilitate meaningful impact measurement, Genus uses the United Nations Sustainable Development Goals framework, to help define impact investment objectives and deliver reporting.





# Filling the Fossil Fuel Void with Genus' Total Equity Approach

Genus recognizes that divesting presents a challenge for Canadian investors, since major extractors, transmitters and emitters of fossil fuels constitute approximately 28.5 percent of the value of the Canadian stock market. However, Canadian equities represent only 3.5 percent<sup>2</sup> of world markets, and the energy sector and its related industries account for only 11.7 percent<sup>2</sup> of the MSCI World Index. Our approach is to take a broad global viewpoint and to look for “energy replacement” opportunities that meet our stringent fossil free criteria.




Our primary fossil fuel “replacement” investments currently include companies in the global Information technology sector, consumer discretionary, telecom and financial sectors. This ‘total equity’ approach, coupled with our modern portfolio risk management technology, is how we make fossil free investing work for Canadians.





# Innovative Sustainable Solutions

Genus offers a range of specialized solutions to meet the needs of sustainable investors. Working with a portfolio manager, each of our mandates can be customized to meet your individual needs:

-  Our Fossil Free® Multi-Manager Portfolios bring together our expertise in developed market stock selection and asset allocation with the complementary skill-set of our institutional-quality sub-advisor, Addenda Capital, who manages our high-quality fixed income mandates. These portfolios can be customized to match your specific needs for income, growth, liquidity or capital preservation. For investors wanting a tactical approach, we can proactively tilt portfolios toward the most attractive asset classes, and away from areas that present more risk. We can also tailor the safety and yield characteristics of your holdings through our industry leading Low Volatility High Yield Mandate
-  Both our Fossil Free® CanGlobe Equity Fund and Fossil Free® Dividend Equity Fund provide strong diversification and are designed to maximize risk-adjusted returns. These fossil free mandates combine Canada and the rest of the world into a single optimized strategy that emphasizes top industries in each region. They are invested at around 35% Canada, 65% global, and are tilted toward the most attractive countries on a monthly basis. Fossil Free® CanGlobe seeks to maximize exposure to our highest-ranked stocks with market-levels of risk, while the Fossil Free® Dividend Fund provides better income and safety.
-  Our Fossil Free® High Impact Equity Fund is unique since it seeks to make positive social and environmental impacts, in addition to generating better financial results. This mandate invests in global companies who are leaders in sustainability in areas that include: Renewable energy and energy efficiency, water and waste management, healthcare, technology, education and agriculture.



# Working Together

Whether you are an institutional or individual investor, our sustainable solutions seek to deliver "perfect fit" investment mandates grounded in solid research, robust risk management and innovative design.

## Understanding your needs and developing a customized investment policy

To effectively care for your investments, Genus will work with you to develop an *Investment Policy Statement (IPS)* that is customized to your needs. This *IPS* will provide a valuable means of understanding and defining the following considerations:

- ✓ Your (or your institution's) circumstances;
- ✓ Your investment objectives (safety, income, and growth);
- ✓ Your income requirement: how much dividend and interest income you require;
- ✓ Your investment horizon: how long you plan to invest before you require access to your capital;
- ✓ What other assets you have and how those are invested;
- ✓ Your risk tolerance;
- ✓ Whether you have any tax, legal or other constraints;
- ✓ How you would like to incorporate social, environmental and governance (ESG) values into your approach.



# Working Together

Beyond confirming your goals and objectives, your IPS is a forward-looking framework that provides clear guidelines and strategies for effectively managing your money and achieving its goals, which includes a long term asset mix that is tailored to your objectives, needs, and constraints.

Although your IPS is geared for long-term results, Genus reviews it at least annually to make sure it stays relevant in light of changes to your situation, goals, preferences and comfort with risk. This ensures Genus stays on course toward achieving the results you expect.



# Fees

Genus appreciates the opportunity to work with UCC Foundation and is happy to offer our portfolio management service at a preferential rate for all UCC affiliates, fees applicable will be discounted by 15% from our standard rate:

SEGREGATED ACCOUNT	
First \$10,000,000	0.51%
Next \$25,000,000	0.34%
Next \$65,000,000	0.26%
Balance	0.17%

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- Excludes custodial costs
- Minimum account size: \$10 Million
- Minimum annual fee: \$60,000

POOLED ACCOUNT	
First \$1,000,000	0.85%
Next \$9,000,000	0.43%
Next \$25,000,000	0.30%
Next \$65,000,000	0.21%
Balance	0.17%

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- Excludes custodial costs
- Minimum account size: \$250,000

*Fees are annual, prorated and billed quarterly in arrears. Tax deductible where applicable. Fees quoted do not include sales tax.*



A scenic landscape of rolling green hills and mountains. In the foreground, a person is standing on a large, dark rock peak. The background shows layers of green hills and mountains, with a blue sky and a blue geometric shape in the top right corner.

# Getting Started

We welcome your questions and would be pleased to provide more information to discuss your interest in sustainable investing and the Sustainable Portfolio Program. If you would like to learn how the Sustainable Portfolio program could align your organization's investment with its values, come and talk to us.



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**THANK YOU**

## IMPORTANT DISCLOSURE

The information contained within this report was compiled from sources Genus believes to be reliable and accurate. We provide this information with the understanding that we are not engaged in rendering legal, accounting, or tax services. In particular, none of the examples should be considered advice tailored to the needs of any specific investor. We recommend that all investors seek out the services of competent professionals in any of the aforementioned areas. With respect to the description of any investment strategies, simulations, or investment recommendations, actual results may differ as described in our materials. Past performance is not indicative of future results. Every investment program has the potential for loss as well as gain. Any forward looking statements or forecasts are based on assumptions and actual results are expected to vary from any such statements or forecasts. No reliance should be placed on any such statements or forecasts when making any investment decision. The forecasted information displayed is an estimate, hypothetical in nature, and meant to serve solely as a guideline. The results and analysis are not guarantees of future results because they are derived from mathematical modeling techniques that may or may not reflect actual conditions and events. No transaction costs or management fees included. Benchmark returns are simulated using underlying holdings to ensure apples-to-apples comparison. The benchmark for back-test simulation is 35% Canadian S&P/TSX total return index and 65% MSCI World total return index. The simulated portfolios are actively managed, and the structure of the actual portfolios may be at variance to the benchmark index. Index returns reflect reinvestment of dividends but do not reflect fees, brokerage commissions, or other expenses of investing, which can reduce actual returns earned by investors. Back-testing involves simulation of a quantitative investment model by applying all rules, thresholds and strategies to a hypothetical portfolio during a specific market period and measuring the changes in value of the hypothetical portfolio based on the actual market prices of portfolio securities. Investors should be aware of the following: 1) Back-tested performance does not represent actual trading in an account and should not be interpreted as such, 2) back-tested performance does not reflect the impact that material economic and market factors might have had on the manager's decision-making process if the manager were actually managing client's assets, 3) the investment strategy that the back-tested results are based on can be changed at any time in order to reflect better back-tested results, and the strategy can continue to be tested and adjusted until the desired results are achieved, and 4) there is no indication that the back-tested performance would have been achieved by the manager had the program been activated during the periods presented in this report. Accordingly, you should not rely solely on the information contained in these materials in making any investment decision.