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# Taking Stock with Steele

Your Monthly Newsletter

*The purpose of this newsletter is to share insights and expertise. Our goal is to ensure that our clients are well informed of changes affecting local business decisions and our investment recommendations. We believe Knowledge Pays and we want our knowledge to help pay for you.*

## SUSTAINABLE / RESPONSIBLE / ESG INVESTING WHAT ARE THEY AND WHAT'S THE DIFF?

Sustainable, responsible and "ESG" (environmental, social and governance) funds, whatever you choose to call them, are having a banner year in 2020. According to Bloomberg, ESG exchange traded funds (ETFs) have attracted $22 billion so far in 2020, doubling overall ESG ETF assets. While there has been an uptick in interest to invest 'sustainably', many investors may not grasp how ESG screens work and how they may differ in practice. The following article discusses some ESG investing issues.

***"Record Flows Pour into ESG Funds as Their 'Wokeness' is Debated" - BNN Bloomberg***

Many investors may believe that the environmental and social screens used by ESG ETFs and mutual funds would result in a portfolio without oil sands or other controversial stocks but this is not necessarily the case.

There are two schools of thought when it comes to ESG portfolio management:

1) ***Use ESG screens to exclude stocks from a portfolio, and***
2) ***Use ESG principals to enact change at companies that are "bad actors".***

Many ESG funds will stick to just #1 or #2 above while some will incorporate a little bit of both to create and manage an ESG portfolio. There are also niche ESG ETFs that will only own companies that aim to achieve very particular ESG objectives such as low carbon, fossil fuel-free or gender diversity/equality.

It is important to read and understand ESG fund documents to get an understanding of how a particular ESG fund operates. Only then can you buy an ESG fund that matches your individual investing objectives. We can help guide you in choosing which ESG fund would be most appropriate for you.

Another area of ESG or responsible investing is ***'impact investing'***. Impact investing is not far from #2 above but is less about an individual company abiding by some set of ESG principles and more about being a key player in achieving positive social or environmental goals in general. 'Impact investments' tend to be focused in the areas of healthcare, education, agriculture and clean/renewable energy. One popular impact investing ETF is the iShares MSCI Global Impact ETF (SDG-US) which invests in companies that aid in achieving the **UN's Sustainable Development Goals**.

ESG, responsible/sustainable investing and impact investing are used interchangeably but we believe this will change with time. We see ESG investing as simply applying an ESG screen to exclude bad actors or get them to act a bit better. This has impact but not a big one. Alternately, impact investing IS responsible/sustainable investing. The goal of impact investing is to invest in companies that are having a positive impact on the world thereby making financing cheaper for these companies, allowing them to achieve more, faster.

### Current Rates & Data

**Govt of Canada**

| | |
|---|---|
| 90 day | 0.09% |
| 1 year | 0.20% |
| 2 year | 0.26% |
| 5 year | 0.46% |
| 10 year | 0.75% |
| 30 year | 1.31% |

**U.S. Treasury**

| | |
|---|---|
| 90 day | 0.09% |
| 1 year | 0.12% |
| 2 year | 0.17% |
| 5 year | 0.42% |
| 10 year | 0.93% |
| 30 year | 1.69% |

**Canada Prime Rate**

2.45%

**U.S. Prime Rate**

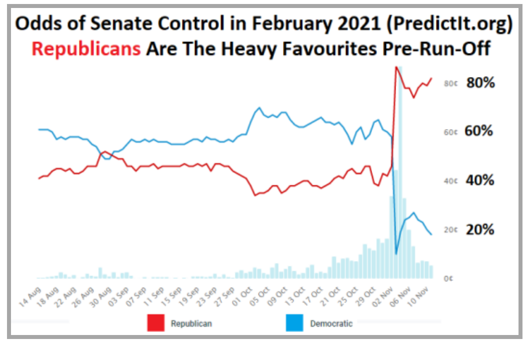
3.25%

**Exchange Rates**

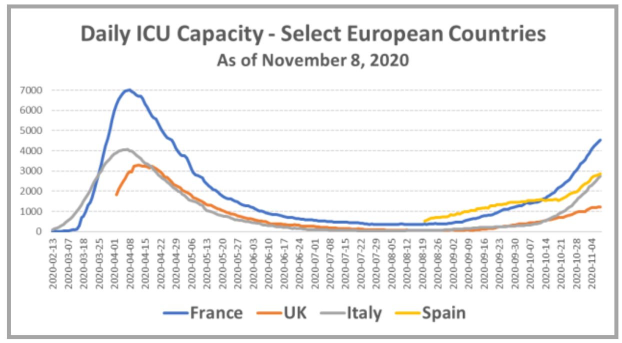
| | |
|---|---|
| CAD/USD | 0.761 |
| USD/EUR | 1.181 |
| JPY/USD | 105.1 |

## ECONOMIC TIDBITS JOE BIDEN WINS US PRESIDENTIAL ELECTION & COVID OUTBREAKS FORCE EUROPE TO CLOSE

- Joe Biden has decisively defeated Donald Trump to win the US presidential election. The vote appeared to be closer on Election Day before counting mail-in votes, which heavily favoured Biden. If Democrats win both Senate seats in the Georgia run-off election in January, this would block Republican control of the Senate, giving Democrats the capability to pass legislation with ease.




- A second wave of COVID-19 has resulted in new four to six week lockdowns across much of Europe as ICU capacity nears levels not seen since April. Many regions in North America are getting close to maximum hospital/ICU capacity and may need to lock down again to avoid unnecessary deaths as well. Economies that lock down will need more stimulus or the 2020 recession is likely to resume.




## LE JIT A "JUST-IN-TIME" RUNDOWN OF OUR CURRENT INVESTMENT THEME

### A Look at a Few of Our Favourite ESG and Sustainable/Responsible Investment Funds

- **iShares MSCI Global Impact ETF (SDG-US).** This ETF provides exposure to global stocks aiming to advance themes related to the UN's Sustainable Development Goals, primarily education and climate change. This ETF explicitly excludes businesses involved in alcohol, tobacco, firearms and other weapons, and predatory lending. Top five holdings include Vesta Wind Systems (VWS-US), Nio (NIO-US), Tesla (TSLA-US), Procter & Gamble (PG-US) and Johnson Matthey (JMAT-LN). SGD has an MER of 0.49%.
- **AGF Global Sustainable Growth Equity Fund (AGF6250).** This fund provides exposure to companies that tackle global sustainability issues using a thematic investment framework focusing on four key themes: energy and power technologies, water/wastewater solutions, waste management and pollution control, and health and well-being. Top five holdings include Danaher (DHR-US), Thermo Fisher (TMO-US), Keyence (KYCCF-US), Tetra Tech (TTEK-US) and Trex (TREX-US). This fund has an MER of 1.19% (Series F).
- **Desjardins SocieTerra Positive Change Fund (DJT03974)**. This fund's investing approach is a combination of the funds above, using a thematic approach to invest to further the UN's Sustainable Development Goals. As a result, it tends to invest with more conviction (~34 stocks vs 50+) and it tends to hold more health care and technology stocks. Top five holdings are Tesla (TSLA-US), ASML (ASML-US), Dexcom (DXCM-US), Taiwan Semi (TSM-US) and Illumina (ILMN-US). This fund has an MER of 1.24% (Series F).

  ***Key risk points:*** ESG and thematic investing tends to result in high sector concentration in the health care, technology and industrials sectors. This can result in higher portfolio volatility over time.

## JEANNINE'S TIP O' THE MONTH Steele Wealth Management to Host an ESG Client Webinar in January

Keep an eye out for an invitation to join us for client webinar on ESG investing and strategies hosted by Steele Wealth Management and Desjardins Investments. Desjardins has been a leader in responsible investing for over 30 years and we are happy to have them on board to discuss ESG and thematic investing.

**This newsletter has been brought to you by Steele Wealth Management**

Brian Steele, CA, CPA, CFA | Jeannine Campbell | Laura Prust, CIM, CPCA
Kelly Edmonds | Nudrat Ahsan | Elizabeth Kernohan | Sam Ryder, CFA | Matthew Bell, CFA

Phone: (519) 883-6030   Toll-Free: 1 (877) 642-6408

Email: steelewealthmanagement@raymondjames.ca

Address: Unit 1, 595 Parkside Drive | Waterloo, Ontario | N2L 0C7

Website: www.steelewealthmanagement.com

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**steelewealthmanagement@raymondjames.ca**