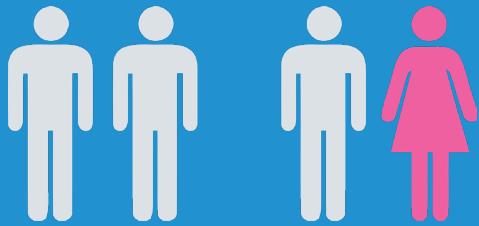


## Evolve North American Gender Diversity Index Fund

HERS invests in equity securities of North American companies that have demonstrated commitment to gender diversity as part of their corporate social responsibility strategy.

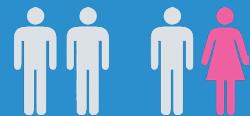


As at June 28, 2019

**TICKER:** HERS (Hedged); HERS.B (Unhedged)

### MACROECONOMIC HIGHLIGHTS:

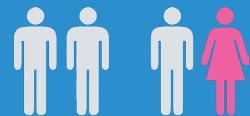
- Gender diversity was one of the hottest issues throughout the first half of the year, with several research reports highlighting the importance of gender diversity as a driver of corporate performance.
- According to MSCI research, some of the most innovative publicly listed companies in the world — Amazon.com Inc., Nike Inc. and Visa Inc., among others — have something in common: more women on their boards than their industry peers. The research suggests that a culture that embraces new ideas might also be a culture that values diversity and that more diverse groups are more creative. Therefore, investors interested in innovation capacity might do well to take a hard look at gender diversity on corporate boards.<sup>i</sup>
- Another report by McKinsey Global Institute states that full gender equality in the work force could add as much as 26 per cent to global annual GDP by 2025. The research also shows that companies with gender-diverse executive teams were 21 per-cent more likely to experience above-average profits compared with less diverse teams.<sup>ii</sup>
- In addition, research by CIBC shows that since 2009 S&P/TSX Composite Index companies with a higher proportion of women directors on their boards have outperformed those with fewer female directors.<sup>iii</sup>
- As a result, a gender based investment strategy has been adopted by a cross-section of institutions, ranging from large asset management firms such as BNY Mellon Investment Management to development finance institutions of the G7 countries. Incidentally, G7 countries have committed to collectively mobilize \$3 billion to improve female access to quality employment, leadership opportunities and products and services that enhance economic participation.
- In Canada, Evolve pioneered gender-based investing and was followed by RBC Asset Management and Mackenzie Investments' which launched similar products.
- A special report on Gender Equality in the corporate sector in the U.S., prepared by Equileap, found that companies on the S&P 100 Index scored an average of 45% (grade C-) on gender equality. This score is significantly lower than the average score of the global benchmark comprising of the Top 200 companies, which had a score of 53% (grade C+), based on a study published last October.



- In spite of the importance of gender diversity, the Equileap research indicated that Canada's top public companies significantly lag their U.S. and global peers when it comes to gender equality in the workplace.
- New findings published in April by AI Now Institute, a New York University research center, show that the lack of diversity in the artificial intelligence field has reached "a moment of reckoning." The study states that the "diversity disaster" has contributed to flawed systems that perpetuate gender and racial biases. It stated that the AI field, which is overwhelmingly white and male, is at risk of replicating or perpetuating historical biases and power imbalances.<sup>iv</sup>
- In similar vein, a UK Investment Association, shamed 94 listed companies in May for dragging their heels on gender diversity. Among these firms are 57 of the UK's 350 largest listed companies, 11 of which are on the FTSE 100. The firms have fallen short of targets that aim to push the proportion of women in top leadership roles above 25%.<sup>v</sup>
- The Vancouver-based Shareholder Association for Research & Education (SHARE) reported that a proxy proposal on diversity filed by the British Columbia Teachers Federation received 64.5% shareholder support at Waste Connections Inc.'s annual meeting – providing it with a victory for gender diversity. The proposal called on the company to establish a plan to increase the representation of women within its workforce. SHARE also reported that its efforts at encouraging greater gender diversity are generally getting "a progressively stronger response" from companies.<sup>vi</sup>
- Evidently, while there has been progress, gender diversity remains a contentious issue and is often an add-on to strategy, rather than a main component. In a speech delivered by Queen Mathilde from Belgium at the European Development Days in June, she noted that while gender equality is increasingly a focus among bilateral donors, it is often part of gender mainstreaming rather than targeting gender specifically.
- In June, the Bill & Melinda Gates Foundation launched its first-ever strategy, specifically to tackle gender inequality, with the narrative, equal is greater, aiming to unite global stakeholders on how gender equality benefits everyone—not just women and girls. The Foundation's strategy focuses on women's economic empowerment, with three key objectives: women have greater access to income and economic assets; women have better control over their own economic gains; and women have more equitable decision-making power to translate these gains into social, economic, and health benefits for themselves and their families.<sup>vii</sup>

## PERFORMANCE ATTRIBUTION:

- The fund held a widely diversified portfolio, with exposure of less than 1% to each holding. The top performing stock was PG&E Corp., followed by NIVIDA Corp.



## SOURCE:

- <sup>i</sup> <https://hub.biz/blog/what-innovative-companies-and-women-boards-have-common-8326568062849394315>
- <sup>ii</sup> <https://www.theglobeandmail.com/investing/investment-ideas/article-canadas-top-public-companies-score-poorly-on-gender-equality-study/>
- <sup>iii</sup> <https://www.theglobeandmail.com/investing/investment-ideas/article-canadas-top-public-companies-score-poorly-on-gender-equality-study/>
- <sup>iv</sup> <https://www.theguardian.com/technology/2019/apr/16/artificial-intelligence-lack-diversity-new-york-university-study>
- <sup>v</sup> <https://www.theguardian.com/business/2019/may/13/investor-group-warns-almost-100-firms-over-lack-of-gender-diversity>
- <sup>vi</sup> <https://www.investmentexecutive.com/news/industry-news/gender-diversity-wins-with-shareholders/>
- <sup>vii</sup> <https://www.forbes.com/sites/mitsubishiheavyindustries/2019/07/02/shippings-route-to-a-more-sustainable-future/#30a3628d2d49>

## DISCLAIMER:

Commissions, management fees and expenses all may be associated with exchange traded mutual funds (ETFs). Please read the prospectus before investing. ETFs are not guaranteed, their values change frequently and past performance may not be repeated. There are risks involved with investing in ETFs. Please read the prospectus for a complete description of risks relevant to the ETF. Investors may incur customary brokerage commissions in buying or selling ETF units.