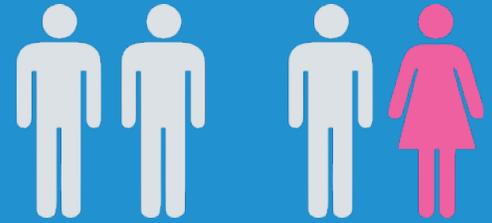


## Evolve North American Gender Diversity Index Fund

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 September 30, 2019



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

### MACROECONOMIC HIGHLIGHTS:

The focus on gender diversity, the male-female wage gap, and women's role in the workplace remained top of mind among investors and corporations. These issues have gained prominence largely due to research that indicates companies which promote gender diversity typically perform better than those that do not.

In fact, Morgan Stanley Research found that regardless of industry-related and regional differences, stocks in more diverse companies have outperformed their benchmarks across the MSCI developed regions over the past eight years—even after controlling for size, yield, profitability and risk. The research also found that the percentage of women executives increased across all developed regions, with the largest gains in Asia, where participation has doubled since 2010.<sup>i</sup>

On the wage front, Morgan Stanley noted that women earned 64 cents for every dollar that men made in 1980, but according to the Bureau of Labor Statistics the gap has shrunk to between 77 and 85 cents of every dollar today.

In another study published by the Stanford Graduate School of Business, it was found companies that announce better-than-expected levels of gender diversity see their stocks perform better. The study was based on field studies and a lab experiment conducted by researchers at Stanford, Northwestern, Dartmouth, and the Hong Kong University of Science and Technology to test the correlation between company valuation and gender diversity. It was also indicated that share prices rose following gender diversity announcements in the tech and finance sectors, two areas known for high levels of gender disparity in staffing.<sup>ii</sup>

In addition, according to a study, "Women in Business and Management: Gaining Momentum: Global Report," published by the ILO - Bureau for Employers' Activities, gender diversity does not only improve the capabilities of a company board's decision making and management but also has a positive effect on the economic standings of those companies when these policies are enforced.<sup>iii</sup>

In Canada, a report released by securities regulators found that 17% of board seats are now held by women, up from 15% a year ago and 11% five years ago. In a review of 641 issuers, it was revealed that 73% of issuers had at least one woman on their board, up from 66% last year; and, 33% of vacant board seats are now being filled by a woman, up from 29% last year.



Yet, when it comes to executive positions, the data showed that only 4% of CEOs are women, unchanged from a year ago. The share of issuers with at least one female executive has also declined, from 66% last year to 64% in the latest review. And, despite the improvement in board representation, the regulators note that there are still 170 issuers without a single woman on their boards.<sup>iv</sup>

Canada's largest institutional investors and asset managers, known as the 30% Club, want representation of women on boards and in executive management at S&P/TSX composite index companies to reach 30 per cent by 2022. Currently, 68.8% of TSX-listed companies have at least one woman on their boards; 33.7% have two or more women; 3.3% have a female CEO; and 3.5% have a female chair of the board.<sup>v</sup>

## PERFORMANCE ATTRIBUTION:

The Fund held a widely diversified portfolio, with exposure of less than 1% to each holding. The top performing stock for the month was Pitney Bowes Corp., followed by PVH Corp.

## SOURCE:

<sup>i</sup> <https://www.morganstanley.com/ideas/womens-impact-on-the-economy>

<sup>ii</sup> <https://markets.businessinsider.com/news/stocks/new-study-finds-company-gender-diversity-boosts-stock-prices-2019-9-1028542751#which-beliefs-drive-investment-in-gender-diversity-3>

<sup>iii</sup> <https://azbigmedia.com/business/business-leaders/women-business/the-economic-impact-of-gender-diversity-on-boards/>

<sup>iv</sup> <https://www.investmentexecutive.com/news/from-the-regulators/female-execs-remain-scarce-as-directors-gain-ground/>

<sup>v</sup> <https://www.benefitscanada.com/news/how-institutional-investors-are-turning-the-gender-diversity-dial-on-corporate-boards-135522>

## 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.