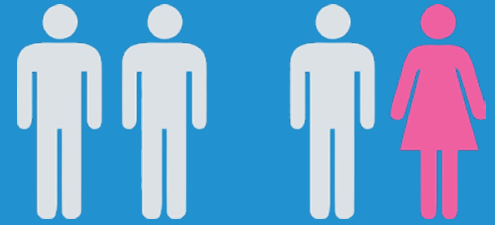


## Evolve North American Gender Diversity Index Fund

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 December 31, 2019



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

### MACROECONOMIC HIGHLIGHTS:

Gender diversity was one of the hottest issues throughout the first half of 2019, 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>

A 2019 study of 1,875 businesses, investment bank Morgan Stanley reinforced that companies with a high gender diversity score tend to outperform their less diverse rivals. Morgan Stanley concluded that based on share-price performance between 2010 and 2019, companies with more female employees outperformed their peers by 2.8 percent per annum.<sup>iv</sup> Of the 1,875 companies Morgan Stanley analysed, Apple emerged the top ranking company in North America with overall representation of women at 33%, while Facebook ranked second in North America because of the company's overall increase in female representation from 2014 to 2018.<sup>v</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.



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.” This “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>vi</sup>

In its fifth year of research on women in the workplace, conducted by McKinsey in partnership with LeanIn.org, signs of progress are being seen in the representation of women in corporate America. According to the study this is particularly true in the C-suite, where the representation of women has increased from 17 percent to 21 percent. However, women—and particularly women of colour—remain underrepresented at every level. While 1 in 5 C-suite executives is a woman, only 1 in 25 is a woman of color.

The study found that 87 percent of companies are highly committed to gender diversity, compared to 56 percent in 2012, when the study was first conducted. Despite this, however, employees remain less convinced: only half of employees think gender diversity is a high priority to their company, and that number hasn’t changed over the last five years.<sup>vii</sup>

And in Europe, FT.com, in collaboration with its research partner, Statista, ranked 700 top European companies based on diversity of gender, age, ethnicity, disability and sexual orientation to compile its Diversity Leaders Index. Among the top 10 companies are the travel and leisure company, Booking.com (Netherlands); the packaged goods company, Colgate Palmolive (Switzerland); the UK construction company, Wilmott Dixon; the electronics, electrical engineering and hardware company, Infineon (Germany); the Swiss insurance company, Helsana; the French retail company, Biocoop; the retail company, Ikea (Netherlands); the automotive producer and supplier, Tesla (Netherlands); the oil and gas operations, mining, and chemicals company, Solvay (Belgium) and Friedrichshafen, the German automotive producer and supplier.<sup>viii</sup>

## PERFORMANCE ATTRIBUTION:

The fund held a widely diversified portfolio of companies in Canada, the United States, and the United Kingdom, with exposure of less than 1% to each holding. The top performing stock for 2019 was Target Corp., followed by Air Canada, and Xerox Holdings 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.europeanceo.com/business-and-management/gender-diverse-companies-outperform-male-dominated-rivals-morgan-stanley-finds/>
- <sup>v</sup> <https://www.businessinsider.com/morgan-stanley-ranking-of-leaders-in-gender-diversity-2019-8#1-apple-15>
- <sup>vi</sup> <https://www.theguardian.com/technology/2019/apr/16/artificial-intelligence-lack-diversity-new-york-university-study>
- <sup>vii</sup> <https://www.mckinsey.com/featured-insights/gender-equality/women-in-the-workplace-2019>
- <sup>viii</sup> <https://www.ft.com/content/bd1b4158-09a7-11ea-bb52-34c8d9dc6d84>

**DISCLAIMER:**

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