



A new vision for socially responsible investing at RBC GAM

On June 30, 2017, RBC Global Asset Management Inc. (RBC GAM Inc.) merged its two socially responsible investing (SRI) suites of funds, PH&N Community Values Funds and RBC Jantzi Funds, and rebranded them into a single fund family: RBC Vision™ Funds. These funds had been part of the RBC GAM Inc. fund lineup for almost 15 years in the case of PH&N Community Values Funds, and over 10 years for RBC Jantzi Funds.

Reduce, Reuse, Recycle

This reorganization of the SRI fund offering at RBC GAM Inc. means a number of changes. These include reducing the overall number of SRI funds from seven to four, merging three PH&N Community Values Funds with the RBC Jantzi Funds, and then renaming the suite of RBC Jantzi Funds to a suite of RBC Vision Funds. These changes are summarized in the table below:

| Merging Funds | Continuing Funds | New Fund Names |
|--|-----------------------------------|---------------------------------|
| PH&N Community Values Bond Fund* | Fund was not merged, only renamed | RBC Vision Bond Fund |
| PH&N Community Values Balanced Fund | RBC Jantzi Balanced Fund | RBC Vision Balanced Fund |
| PH&N Community Values Canadian Equity Fund | RBC Jantzi Canadian Equity Fund | RBC Vision Canadian Equity Fund |
| PH&N Community Values Global Equity Fund | RBC Jantzi Global Equity Fund | RBC Vision Global Equity Fund |

*PH&N Community Values Bond Fund was not subject to a merger, but has been renamed.

It is worth noting some of the more significant changes made to the individual funds as a result of the merger.

- RBC Vision Balanced Fund:** The Fund is now a fund-of-funds, meaning it holds other RBC Vision Funds (it also directly holds a basket of global bonds). The target asset mix will be 55% stocks and 45% bonds and cash, which is the same as the asset mix targeted by RBC Jantzi Balanced Fund (the PH&N Community Values Balanced Fund’s former asset mix was 60% stocks and 40% bonds and cash).

- RBC Vision Bond Fund:** As there was no bond fund offering within the RBC Jantzi Funds line-up, PH&N Community Values Bond Fund was renamed to RBC Vision Bond Fund. This fund recently re-opened to new investors on June 30, 2017.

RBC Vision Funds SRI Screens

Since the inception of the PH&N Community Values Funds and RBC Jantzi Funds, both fund families have employed two methods to align the portfolios with SRI principles: Exclusionary screens, which exclude certain controversial industries altogether; and qualitative “best-of-sector” screening whereby companies are compared to their industry peers based on environmental, social, and corporate governance (ESG) practices. RBC Vision Funds use the same two methods, although the exclusionary industry screens reflect a blending of the criteria from the two legacy fund families, as shown in the table below.

| Screen | PH&N Community Values Funds | RBC Jantzi Funds | RBC Vision Funds |
|------------------|-----------------------------|------------------|------------------|
| Alcohol | ✓ | | ✓ |
| Tobacco | ✓ | ✓ | ✓ |
| Military Weapons | ✓ | ✓ | ✓ |
| Gaming | ✓ | | ✓ |
| Pornography | ✓ | | ✓ |
| Nuclear Power | | ✓ | |

To determine whether a company is subject to one of the exclusionary screens listed above, a revenue threshold test is applied. A company that derives 5% of its revenue from direct involvement in a prohibited industry, or 10% indirect involvement, is excluded from the RBC Vision Funds portfolios.

The PH&N Community Values Funds and RBC Jantzi Funds used the same qualitative “best-of-sector” screening criteria, and these have been adopted unchanged by RBC Vision Funds. These criteria, which are detailed in the RBC Vision Funds Investment Principles (available at rbcgam.com › socially responsible investing), assess company practices in the following areas:

- Community
- Corporate governance
- Employee relations
- Environment
- Human rights
- Product safety

Companies that have significant controversies or poor practices in these areas will be excluded from the RBC Vision Funds.

Overall, the screening approach used for the RBC Vision Funds will be largely familiar to investors who have followed either of the legacy fund families.

Another fund option for investors

The RBC Vision Fund line-up will expand on August 28, 2017, with the addition of RBC Vision Fossil Fuel Free Global Equity Fund. Like the RBC Vision Global Equity Fund, this fund will provide exposure to global equity markets. However, it will not use the same exclusionary and qualitative screening criteria, but rather a single exclusionary screen to minimize exposure to companies involved in the extraction, processing, and transportation of coal, oil, and natural gas.

Looking Forward

At PH&N Investment Services, we believe that the demand for responsible investment strategies will continue to grow, and we are proud to provide options for our clients to incorporate ESG considerations into their portfolios. A recent survey¹ conducted by the Responsible Investment Association of Canada found that 85% of Millennials aged 18-35, 80% of

Generation X (36-54) and 69% of Baby Boomers (55+) are interested in responsible investing. The survey also found that 82% of investors would like to dedicate at least a portion of their portfolio to responsible investments.

As a provider of investment solutions, RBC GAM is a leader in integrating ESG into its investment decision making. All RBC GAM portfolio managers are required to develop a process to more formally integrate ESG factors into their investment process, in a way that makes sense for their particular asset classes and the investment mandates they manage. RBC GAM also maintains a four-person Corporate Governance & Responsible Investment team, the mandate of which includes providing investment managers with timely and relevant information on ESG-related research, insights and analysis.

However, for some clients, integrating ESG is not enough and they want to take the next step of actively screening out poor ESG practices from their portfolios. With the launch of RBC Vision Funds, RBC GAM Inc. has reinforced its commitment to socially responsible investment options for Canadian investors, and continues the SRI legacy established by PH&N Community Values Funds and RBC Jantzi Funds.

¹ 2017 RIA Investor Opinion Survey, June 1, 2017: <https://www.riacanada.ca/investor-opinion-survey>

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Publication date: July 17, 2017

