

# HOW WE MAKE MONEY AND MAKE A DIFFERENCE.



# MAKING MONEY.

## MAKING SAFETY A TOP PRIORITY FOR CN RAIL

Following disastrous track derailments in 2005, we engaged CN Rail about taking corrective safety measures. Since then, CN Rail has taken a number of steps towards improving safety and linking it to executive pay. As a result of our engagement CN Rail now:

- Reports on safety performance in their annual Responsibility Report
- Employs a Chief Safety Officer
- More clearly explains how ESG considerations (particularly safety metrics) impact executive bonuses, leading to their receipt of the 2012 Governance Gavel Award for "Best Disclosure of Approach to Executive Compensation"



## IMPROVING MINING OPERATIONS TO PROTECT HUMAN RIGHTS WITH GOLDCORP

We've worked with Goldcorp to ease explosive controversies surrounding indigenous people's rights, water impacts and social tensions caused by Guatemalan mining operations. As a result of our proposal, Goldcorp has:

- Voluntarily increased royalties paid at the Marlin Mine
- Published a new Human Rights Policy
- Committed to respect the rights and traditions of indigenous people

# MAKING A DIFFERENCE.



# Why Ethical Funds?

- Over 25 years as Canada's leader in socially responsible investing<sup>1</sup>
- Most comprehensive family of socially responsible mutual funds in Canada
- Best-in-class, independent portfolio managers
- Canada's largest in-house team of socially responsible investment analysts
- Multiple award-winning funds

<sup>1</sup>Based on 2014 investor economics data of Canadian retail mutual fund market share.



## Socially Responsible Investing At Ethical Funds

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For us, socially responsible investing is about marrying traditional financial analysis with environmental, social and governance (ESG) analysis during investment decision-making. We believe companies that combine strong financial performance and best ESG practices have the greatest potential to deliver returns over the long term.

## The Ethical Funds Investment Process

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### FINANCIAL ANALYSIS

We begin with top independent managers focused on performance and risk management. They conduct financial analysis to evaluate corporations: how a company fares in terms of profitability, solvency, liquidity, and stability.

### ENVIRONMENTAL, SOCIAL AND GOVERNANCE ANALYSIS

We then leverage environmental, social and governance analysis, using a proprietary evaluation process that focuses on identifying less quantifiable risks not reflected in financial statements and often overlooked by traditional financial analysis.

### PORTFOLIO CONSTRUCTION

Companies that have passed both the financial and environmental, social and governance analysis criteria and have satisfied the fund's mandate are then selected to be included in Ethical Funds.





OUR INDUSTRY-LEADING  
ENVIRONMENTAL,  
SOCIAL AND  
GOVERNANCE  
EVALUATION PROCESS

## HOW IT WORKS:

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1

**Automatic Exclusions** - Companies who do not meet our minimum environmental, social and governance standards are automatically excluded. Companies always ineligible are those primarily involved in tobacco, weapons or nuclear power.

2

**Baseline Sector Expectations** - To be included in Ethical Funds, companies must then meet our sector specific "baseline expectations" developed through research.

3

**Ongoing Monitoring** - Once companies are held in Ethical Funds, they are continuously monitored to ensure there are no major breaches of management ethics or changes in responsibility practices. If a company is no longer considered eligible for client portfolios, holdings are sold.

# The Ethical Funds Difference - Corporate Engagement



Our comprehensive corporate engagement program is the most extensive of its kind in Canada. Every year we choose approximately 50 companies held in our funds to be part of our Focus List for the coming year. We work directly with these companies to improve their environmental, social and governance practices.

THREE STRATEGIES WE USE TO ENCOURAGE AND AFFECT CHANGE ARE:



MAKE MONEY. MAKE A DIFFERENCE.

# Exceptional Socially Responsible Investment Solutions

Through the Ethical Funds' investment process, we offer a unique approach to investing that is designed to make money and make a difference.

## CANADA'S MOST COMPREHENSIVE FAMILY OF SOCIALLY RESPONSIBLE INVESTMENTS

### CANADIAN EQUITY

NEI Ethical Canadian Equity Fund  
NEI Ethical Special Equity Fund

### BALANCED

NEI Ethical Balanced Fund

### GLOBAL EQUITY

NEI Ethical American Multi-Strategy Fund  
NEI Ethical Global Dividend Fund  
NEI Ethical Global Equity Fund  
NEI Ethical International Equity Fund

### FIXED INCOME

NEI Money Market Fund  
NEI Canadian Bond Fund  
NEI Income Fund  
NEI Global Total Return Bond Fund

### PORTFOLIO SOLUTIONS

NEI Ethical Select Income Portfolio  
NEI Ethical Select Conservative Portfolio  
NEI Ethical Select Balanced Portfolio  
NEI Ethical Select Growth Portfolio

## ACCESS TO TOP INDEPENDENT MANAGERS



- Founded in 1996 with over \$24 billion in AUM for institutional and private wealth clients
- Expertise across a broad range of asset classes leveraging fundamental research and ESG principles to manage overall risks



GUARDIAN CAPITAL LP

- Founded in 1962; approximately \$20 billion in AUM
- Conservative institutional investment process



- Approx \$49 billion in AUM, 100% employee owned
- Invest for individuals, endowments, pensions, and corporate benefit plans



- Global institutional asset manager with over U.S. \$985 billion under management, including \$22 billion in global fixed income assets
- London-based team using a flexible and active management style, seeking to tap value wherever it exists in a broad fixed income and currency universe



- Award winning manager known for exceptional performance in both the best and worst markets over the past 10 years
- High conviction process that combines top down macro assessment with bottom up stock selection



- Value approach since 1967 with an emphasis on companies with sustainable free cash flow
- Downside protection in adverse markets
- Institutional and private client expertise



- Bottom up security selection focused on Quality and Value
- Over \$9 billion in AUM for institutional and private clients

## IN 2013 WE MADE A DIFFERENCE

6,902

PROXY PROPOSALS VOTED

47

COMPANIES ENGAGED  
IN DIALOGUES

33

POSITIVE OR PROGRESSIVE  
RESULTS FROM DIALOGUES

5

SHAREHOLDER  
PROPOSALS FILED

5

SHAREHOLDER PROPOSALS  
WITHDRAWN PRIOR TO THE  
ANNUAL GENERAL MEETING



IN 2014 WE WILL BE ENGAGING  
WITH APPROXIMATELY 50 COMPANIES  
TO AFFECT CHANGE



TALK TO YOUR ADVISOR OR VISIT [ETHICALFUNDS.COM](http://ETHICALFUNDS.COM)

