

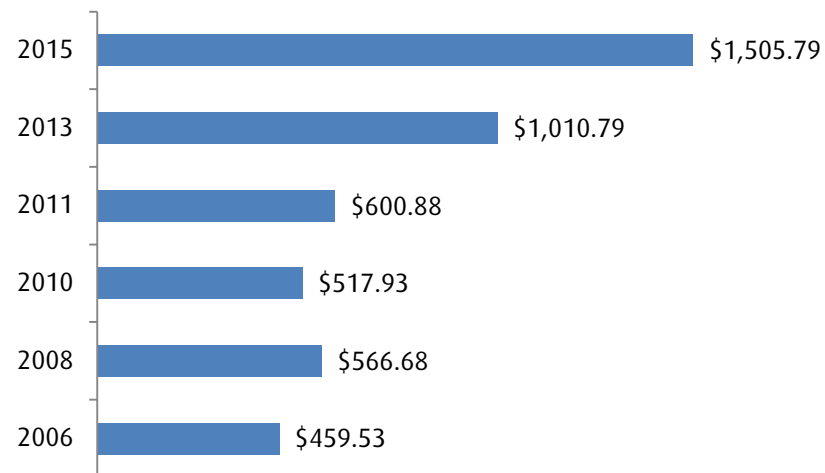
Portfolio Advisory Team

# Guided Portfolios

# Sustainable Investing Overview

## What is Responsible Investing?

- Responsible investing is the integration of environmental, social and governance factors (ESG) in the selection and management of investments
- Money managers believe that integration of ESG factors into the selection and management of investments can provide superior risk adjusted returns and positive societal impact
- The Responsible Investment Association believes that responsible investing has in excess of \$1.5 trillion of assets in Canada
- Research from the United Nations Environment Programme shows that ESG issues can materially impact shareholder value in both short and long term
- BMO Global Asset Management is an associate member of the Responsible Investing Association

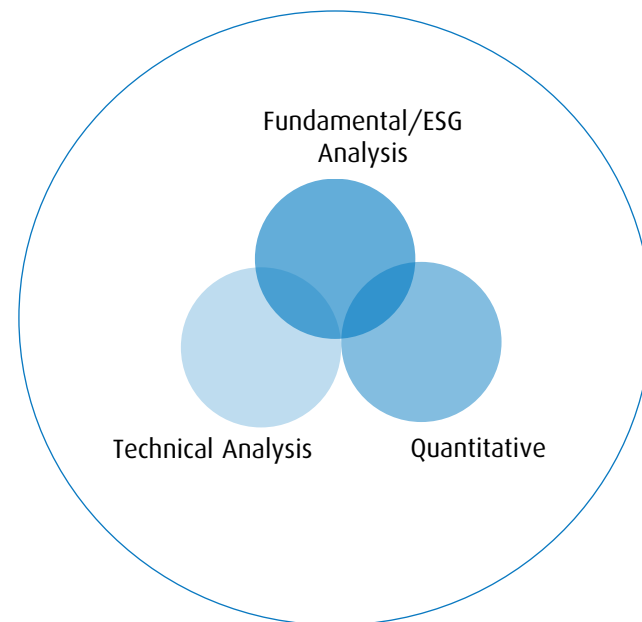


## Why BMO Nesbitt Global Sustainable Investing Portfolio?

- The Global Sustainable Investing Portfolio provides advisors with Global investment choices and aligns their investments more closely with their values
  - Provides opportunity for long-term growth of capital by investing in globally diversified portfolio of equity securities
  - Focus on strong business with a potential of significant long-term growth
  - Provide an increased global universe of companies with measurable beneficial social or environmental impact alongside a financial return

## BMO Nesbitt GSI Portfolio Philosophy

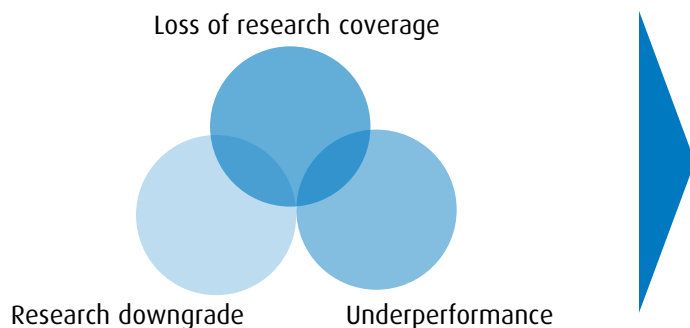
- The BMO Nesbitt Burns Portfolio Advisory Team's investment philosophy is based on fundamental/ESG, quantitative and technical analysis
- The GSI Guided Portfolio will be comprised of securities that fit with the team's asset allocation and thematic views, with a SRI overlay
- The individual stocks must be covered by BMO Capital Markets or a 3<sup>rd</sup> party paid research provider to be considered for inclusion
- The portfolio will be monitored daily, with a full overview and update every quarter



## BMO Nesbitt GSI Portfolio Process

- Use MSCI to identify suitable companies
- Present to Investment Committee for approval
- Addition/Deletion of securities on timely basis
- Regular updates via Morning Call and the Afternoon Update
- Quarterly portfolio report

### What would trigger a security review?



- The BMO Nesbitt Burns Portfolio Advisory Team conducts a review of the security and will elect to keep or remove it from the respective Guided Portfolio(s)

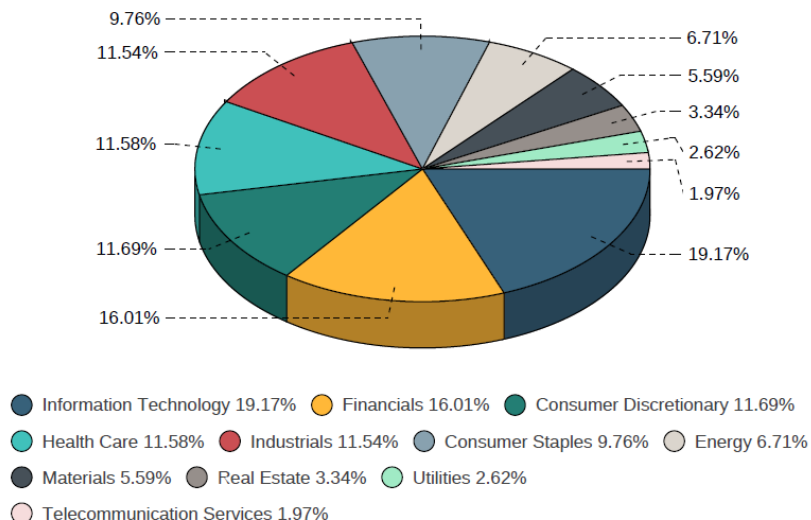
## GSI Guided Portfolio Composition

- The Portfolio consists of 20 equally-weighted large and liquid companies (at least \$10B market cap) and avoids deep value and momentum picks
- The Guided Portfolios consist of securities that fit with the team's asset allocation and thematic views, with an ESG overlay.
- Investable Universe: Large North American Securities & ADRs with a potential for inclusion of securities from Global Developed Markets
- Companies involved in the following activities are **excluded** from the GSI Guided Portfolio:
  - Alcohol
  - Gambling
  - Fossil Energy
  - Tobacco & Marijuana
  - Weapons/Defense
  - Nuclear Power

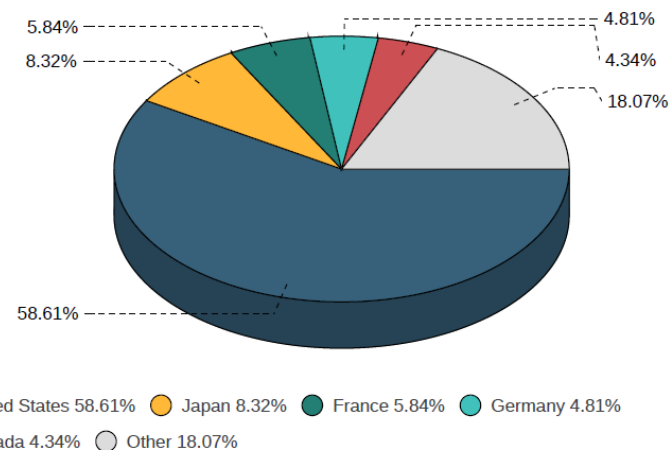
## MSCI World SRI Index

- The MSCI World SRI Index includes large and mid-cap stocks across 23 Developed Market (DM) countries. The index is a capitalization weighted index that provides exposure to companies with outstanding Environmental, Social and Governance (ESG) ratings and excludes companies whose products have negative social or environmental impacts.
- Companies involved in the following activities are **excluded** from the SRI Index:
  - Alcohol, Gambling, Tobacco, Military Weapons/Civilian Firearms, Nuclear Power, Adult Entertainment

### SECTOR WEIGHTS



### COUNTRY WEIGHTS



## Index Characteristics

- The GSI Guided Portfolio would not have any energy exposure compared to a 6.5% weight in the MSCI SRI Index. The Guided Portfolio will have utilities and alternative energy securities

### INDEX PERFORMANCE — GROSS RETURNS (%) ( OCT 31, 2018 )

	1 Mo	3 Mo	1 Yr	YTD	ANNUALIZED			Since Sep 28, 2007
					3 Yr	5 Yr	10 Yr	
MSCI World SRI	-7.63	-6.07	2.16	-1.34	9.21	7.33	10.58	5.13
MSCI World	-7.32	-5.57	1.71	-1.86	8.52	7.40	10.65	4.66

### FUNDAMENTALS ( OCT 31, 2018 )

Div Yld (%)	P/E	P/E Fwd	P/BV
2.60	18.04	15.05	2.61
2.54	17.91	14.37	2.31

### INDEX CHARACTERISTICS

	MSCI World SRI	MSCI World
Number of Constituents	396	1,636
	Weight (%)	
Largest	8.18	2.79
Smallest	0.02	0.00
Average	0.25	0.06
Median	0.12	0.03

### TOP 10 CONSTITUENTS

	Country	Index Wt. (%)	Parent Index Wt. (%)	Sector
MICROSOFT CORP	US	8.18	2.02	Info Tech
PROCTER & GAMBLE CO	US	2.34	0.58	Cons Staples
INTEL CORP	US	2.29	0.57	Info Tech
ROCHE HOLDING GENUSS	CH	1.80	0.44	Health Care
DISNEY (WALT)	US	1.79	0.44	Telecom Srvc
PEPSICO	US	1.67	0.41	Cons Staples
TOTAL	FR	1.48	0.37	Energy
MCDONALD'S CORP	US	1.46	0.36	Cons Discr
NVIDIA	US	1.28	0.32	Info Tech
IBM CORP	US	1.11	0.27	Info Tech
Total		23.39	5.79	



# Appendix

# INTRODUCING MSCI ESG RESEARCH

MSCI ESG Research is the world's largest provider of Environmental, Social and Governance (ESG) data and research<sup>1</sup>

We work with 47 of the top 50 global asset managers<sup>2</sup> - over 900 clients in total including 125 asset owners

Global staff of over 250 dedicated full time to ESG business, including 150+ ESG analysts<sup>3</sup>

Over 40 years experience in ESG (IRRC, KLD, Innovest, GMI Ratings)<sup>3</sup>



- <sup>1</sup> By client coverage and staff based on public information produced by Sustainalytics, EIRIS, Trucost, as of February 2016
- <sup>2</sup> Based on P&I AUM data as of Dec 2014 and MSCI clients as of December 2015
- <sup>3</sup> Source: MSCI ESG Research as of February 2016

## MSCI Screens Overview



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