

What is thematic ESG investing?



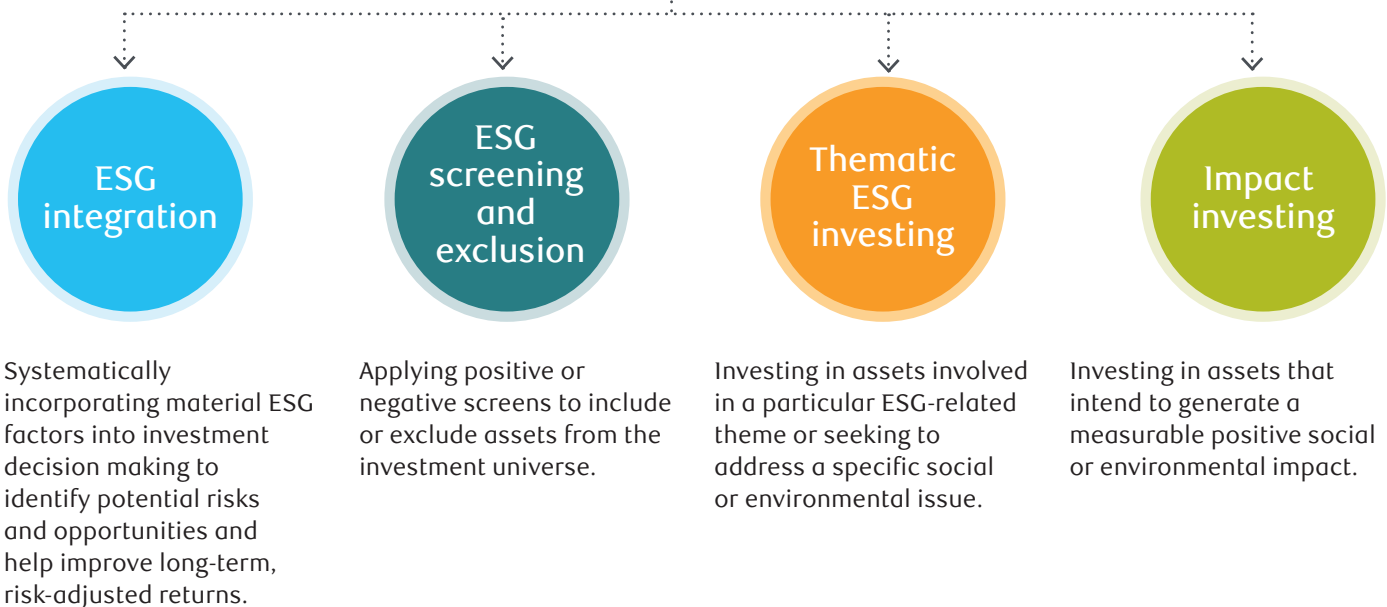
Wealth Management
Dominion Securities

The topic of responsible investing is drawing a lot of attention, especially from investors. In Canada alone, responsible investing assets increased from \$2.1 trillion (CAD) at the start of 2018 to \$3.0 trillion (CAD) at the start of 2022, an increase of 48%.¹

Thematic ESG (environmental, social and governance) investing is one term that falls under the umbrella category of responsible investing. Ask your advisor for the ESG integration, ESG screening and exclusion, and impact investing definitions if you are interested in those.

Responsible investing

Responsible investing is an umbrella term encompassing the approaches used to deliberately incorporate environmental, social and governance (ESG) considerations into an investment portfolio. We believe there are four main applications of this data, and each applies this data very differently. The four applications are:



Thematic ESG investing

Thematic ESG investing identifies a social or environmental impact or theme that the portfolio wants to measure. It will report progress alongside risk and return. With thematic investing, there is an intentional allocation of capital to a specific investment theme. Investors use portfolios with a thematic focus to invest in the future today. Themes may range across a variety of ESG factors, including climate change, gender equity and sustainability-related categories.

Examples of thematic funds may include:

- Water and air themed fund
- Alternative energy themed fund
- Food and agriculture themed fund

Thematic ESG investing varies from impact investing as thematic investors' primary concern is allocating capital toward a specific sustainability or ESG-related theme

when constructing the portfolio. For impact investors, generating a measurable impact is the primary concern and market return is secondary. However, both thematic and impact investors look to identify a social or environmental impact or theme to measure and report progress alongside risk and return.

Sustainability through technology (SusTech)

Sustainability in business isn't just about doing good—it's about good business sense. Technologies that mitigate the challenges of the 21st century are anticipated to see long-lasting waves of growth, creating long-term opportunities for companies and shareholders alike.

Sustainability has become a key concern for both companies and investors, as both can benefit if growth and profits are sustainable. Innovation and technology will play a critical role in creating solutions to make a more sustainable global economy.

Several technologies have emerged to help make the world we live in more sustainable. More are on the horizon. Companies at the forefront of developing technology solutions to sustainability issues may offer compelling long-term investment opportunities. Sustainability through technology (SusTech) themes will likely play an increasingly important role in the economy.

RBC Dominion Securities has grouped these opportunities in five overarching themes:

- GreenTech (green technologies)
- AgriTech and FoodTech (agricultural technologies and food technologies)
- FinTech (financial technologies)
- HealthTech (health care technologies)
- Smart Cities

The table below shows how each can help tackle the outlined threats to sustainability.

SusTech technologies	Threats to sustainability			
	Climate change	Fresh water scarcity	Waste management	Lack of social progress
GreenTech	X		X	
AgriTech/FoodTech	X	X	X	X
FinTech				X
HealthTech				X
Smart Cities	X	X	X	X

Source: RBC Dominion Securities



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¹ 2022 Canadian Responsible Investing Trends Report. <https://www.riacanada.ca/research/2022-canadian-ri-trends-report/>

Past performance is no guarantee of future results.

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