

ABOUT GENUS CAPITAL MANAGEMENT INC.

Vancouver-based Genus Capital Management was founded in 1989, and is an independent investment management firm. Our clients include leading environmental organizations, foundations, Indigenous communities, pensions and individuals across Canada. As of December 31, 2015, Genus had \$1.2 billion in assets under management.

The firm has more than two decades of experience in sustainable investing and is a leading provider of low carbon investment solutions. Genus is a member of the Responsible Investment Association, a signatory to the United Nations' Principles for Responsible Investment (PRI) and the PRI Montreal Pledge; an associate member of the Shareholder Association for Research & Education; and a signatory to the Carbon Disclosure Project. Genus is dedicated to creating innovative solutions that better meet changing client needs.

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IS YOUR CAPITAL CONTRIBUTING TO CLIMATE CHANGE?

Many of us have become concerned about climate change. Long-term scientific research shows that carbon dioxide (CO₂) levels in the atmosphere are increasing unabated and that the average global temperature has risen almost 1°C since pre-industrial levels. With the exception of 1998, the 10 warmest years in the past 134-years have occurred since 2000. And, according to the U.S. National Centers for Environmental Information, 2015 ranks as the warmest year since 1880, beating the previous record set in 2014.¹

WHAT IS CAUSING GLOBAL WARMING?

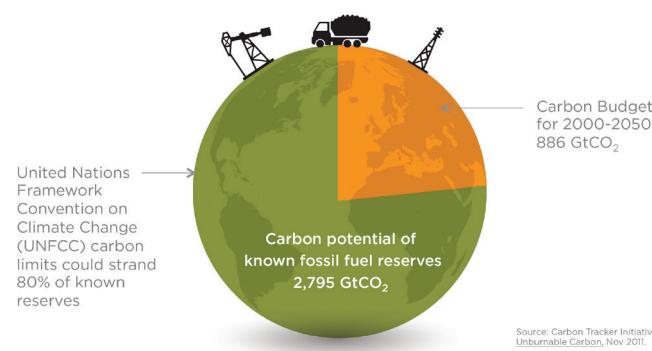
Scientific consensus is that the unprecedented rise in global temperatures is human-caused and directly linked to an increased concentration of greenhouse gases in our earth's atmosphere. Carbon dioxide, the most abundant greenhouse gas, is predominantly the byproduct of burning fossil fuels such as oil, gas, and coal.

WHY IS GLOBAL WARMING A PROBLEM?

According to the United Nations' Intergovernmental Panel on Climate Change (IPCC), "Climate Change is one of the greatest challenges of our time," and its effects are now evident across the world and throughout our oceans. Some of these effects include: more extreme weather events such as heat waves, intense precipitation in some areas and severe drought in others; an increase in the number and intensity of wildfires; rising sea levels; increased air pollution; unstable crop yields and food production; added stress on many animal species and ecosystems.

WHAT ARE THE IMPLICATIONS FOR INVESTORS?

At the December 2015 United Nations' climate change conference held in Paris, 195 countries around the world unanimously agreed on the need to keep the rise in global temperature below 2°C. If governments are to meet the carbon reduction targets necessary to make



this possible, climate experts believe much of the existing fossil fuel reserves may be unburnable. And, as the world transitions to cleaner energy sources and adds new regulations, this could result in significant "stranding" of these assets. Since energy reserves are a key part of fossil fuel companies' valuations, many analysts believe this scenario could negatively affect investment returns.

A growing number of organizations and individuals have also begun to eliminate fossil fuel companies from their portfolios to better align their investments with their values. Examples include the Canadian Medical Association and the United Church of Canada.

HOW MIGHT DIVESTING FROM FOSSIL FUELS AFFECT THE PERFORMANCE OF MY PORTFOLIO?

While many investors believe removing energy stocks from their portfolios causes lower returns and higher risk, the evidence suggests otherwise. Research conducted by the San Francisco-based investment firm, Aperio Group, found that if investors had divested from fossil fuels 20 and 30 years ago, they may have had slightly higher returns within the global and US markets, with no significant difference in risk.²

	GLOBAL		U.S.		CANADA	
	Fossil Free	Index	Fossil Free	Index	Fossil Free	Index
ANNUALIZED RETURNS	6.84%	6.53%	10.68%	10.63%	9.23%	8.38%
STANDARD DEVIATION	16.65%	16.55%	14.94%	14.81%	21.15%	21.14%
JAN. 1997 - DEC. 2013		JAN. 1998 - DEC. 2013		JAN. 2000 - DEC. 2013		

Source: Aperio Group, LLC, Building a Carbon-Free Equity Portfolio 2015. Compares MSCI ACWI, Russell 3000 and TSX/TSX Composite Indices with Hypothetical Carbon-free Portfolios. Standard Deviation is Annualized.

GOING FOSSIL FREE

Genus Capital has a long-standing commitment to, and expertise with, Socially Responsible Investing having launched its first sustainable portfolios in 1994. Today, Genus offers Canada's only Fossil Free Fund Family* which was recognized by the Responsible Investment Association as placing in "the most robust subcategory of Fossil Free products". The Genus Fossil Free Fund Family was developed in collaboration with leading environmental organizations to address the needs of investors concerned about climate change. Our Fund Family contains zero fossil fuel reserves, and our Fossil Free Equity Funds are committed to continually achieving a carbon emissions intensity that is 70 percent lower than the market as a whole.

¹ NCEI, "2015 is Earth's warmest year by widest margin on record; December 2015 temperature record warm." <http://www.ncdc.noaa.gov/sotc/summary-info/global/201512>

² Geddes, Patrick, **Aperio Group LLC**, Building a Carbon-Free Equity Portfolio, 2015, see table on page 4.

* "Defined as a family of 4 or more stock and bond mutual funds dedicated to complete divestment of all companies directly involved in extraction, processing and transportation of oil, gas and coal".

HOW DO WE APPROACH SUSTAINABLE INVESTING?

Our approach to selecting investments for our Fossil Free Funds is comprehensive in scope. We start by screening out companies that produce products or services that negatively impact the environment or society, since they can present financial risk and unsustainable business models. In particular, we exclude any company directly involved in the extraction, processing or transportation of fossil fuels.

WE SCREEN OUT ESG RISK



In addition to excluding risky products, we integrate broad environmental, social, and governance (ESG) criteria to avoid companies across all industries that demonstrate low ESG values or are involved in significant ESG controversies. Whereas, companies demonstrating high ESG values are considered potential candidates for our funds. Through our shareholder action program, we seek to catalyze ESG improvements through proxy voting, management communication and shareholder resolutions.

Genus also employs a sustainable thematic approach to find and profit from the long term trends that are unfolding, such as renewable energy. By choosing companies that offer sustainable solutions, we aim to add financial performance while helping to expand positive social and environmental impacts globally.

Genus recognizes that divesting presents a challenge for Canadian investors, since major extractors, transmitters and emitters of fossil fuels constitute approximately 30 per cent of the value of the Canadian stock market. However, Canadian equities represent only five per cent of world markets, and the energy sector and its related industries account for only eight per cent of the MSCI World Index. Our approach is to take a broad global viewpoint and to look for "energy replacement" opportunities that meet our stringent fossil free criteria. Our primary fossil fuel "replacement" investments currently include companies in the global Information technology sector, consumer discretionary, telecom and financial sectors. This 'total equity' approach, coupled with our modern portfolio risk management technology, is how we make fossil free investing work for Canadians.

INNOVATIVE SUSTAINABLE SOLUTIONS

Genus offers a range of specialized solutions to meet the needs of sustainable investors. Working with a portfolio manager, each of our mandates can be customized to meet your individual needs:

Our **Fossil Free Multi-Manager Portfolios** bring together our expertise in developed market stock selection and asset allocation with the complementary skill-set of our institutional-quality sub-advisor, Addenda Capital, who manages our high-quality fixed income mandates. These portfolios can be customized to match your specific needs for income, growth, liquidity or capital preservation. For investors wanting a tactical approach, we can proactively tilt portfolios toward the most attractive asset classes, and away from areas that present more risk. We can also tailor the safety and yield characteristics of your holdings through our industry leading low-volatility, high-dividend mandate.

Both our **Fossil Free CanGlobe Equity Fund** and **Fossil Free Dividend Equity Fund** provide strong diversification and are designed to maximize risk-adjusted returns. These fossil free mandates combine Canada and the rest of the world into a single optimized strategy that emphasizes top industries in each region. They are invested at around 40% Canada, 60% global, and are tilted toward the most attractive countries on a monthly basis. Fossil Free CanGlobe seeks to maximize exposure to our highest-ranked stocks with market-levels of risk, while the Fossil Free Dividend Fund provides better income and safety.

Our **Fossil Free Impact Equity Fund** is unique since it seeks to make positive social and environmental impacts, in addition to generating better financial results. This mandate invests in global companies who are leaders in sustainability in areas that include: Renewable energy and energy efficiency, water and waste management, healthcare, technology, education and agriculture.

Whether you are an institutional or individual investor, our sustainable solutions seek to deliver "perfect fit" investment mandates grounded in solid research, robust risk management and innovative design.

We welcome your questions and would be pleased to provide more information or meet with you to discuss your interest in sustainable investing.