3 Socially Responsible Stocks Millennials Would Love

Description

Millennials love sustainable investing.

That's the word from the annual Inside ETFs conference which took place January 22-25 in Florida. One of the highlights of the four-day industry get-together was a panel discussion that included David Nadig, CEO of ETF.com, one of America's leading ETF information providers.

"There is a rise in 'impact investing' and caring about something else besides returns," Nadig said about the state of ETFs. "Much of the demand is coming from institutions with a mandate for sustainable investing, but millennials also want to bring social responsibility and ethical investing into their portfolios."

Almost two-thirds (61%) of people under the age of 35 are interested in stocks whose companies are socially responsible — 32 percentage points higher than the most jaded of age groups, those 55 and over, who only want profits at any cost to the earth.

I'm being facetious, of course, but it does suggest that investors might want to take into account a company's ESG (environmental, social, and governance) record because American millennials, who currently control US$1 trillion in financial assets, a number that's expected to grow to more than US$30 trillion in the decades to come, are deeply committed to companies that provide decent returns — and do the right things on the ESG front.

"Millennials want their views and beliefs reflected in their portfolios," said Ron Bundy, CEO of Benchmarks North America for the FTSE Russell division of London Stock Exchange Group PLC.

So, there you have it. Socially responsible investing will ultimately drive stocks higher or lower depending on which side of the record a company sits. ESG matters.

While there are several ESG mutual funds offered in Canada, the only TSX-listed ETF that I know of is the **iShares Jantzi Social Index ETF** (TSX:XEN), a group of 50 stocks that tracks the performance of the Jantzi Social Index, which invests in companies that exhibit a higher standard of environmental and social performance.

The XEN has achieved a five-year annual total return of 9.3% — 74 basis points greater than the **iShares S&P/TSX 60 Index Fund**.

Down south, a new ETF has emerged that overlays ESG screening criteria to the MSCI ACWI (All Country World Index), weighting the 540 holdings by top-line revenue rather than market cap. The **Oppenheimer Global ESG Revenue ETF** (NYSEARCA:ESGF) is less than three months old, so I wouldn't recommend investing in it until it gets at least a year under its belt.

More importantly, it has 26 large-cap TSX-listed companies in its midst. Three of those holdings are also part of the XEN. These are the stocks you want to put at the top of your portfolio.

1. Canadian National Railway Company (TSX:CNR)(NYSE:CNI)

- A weighting of 7.92% in XEN; 0.14% in ESGF
- Five-year total annual return = 21.2%

2. Canadian Tire Corporation Limited (TSX:CTC.A)

- A weighting of 1.07% in XEN; 0.13% in ESGF.
- Five-year total annual return = 19.1%

3. Metro, Inc. (TSX:MRU)

- A weighting of 1.05% in XEN; 0.13% in ESGF.
- Five-year total annual return = 19.9%

Look at that; you can do well by doing good.

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TICKERS GLOBAL

1. NYSE:CNI (Canadian National Railway Company)
2. TSX:CNR (Canadian National Railway Company)
3. TSX:CTC.A (Canadian Tire Corporation, Limited)
4. TSX:MRU (Metro Inc.)

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