EXCLUSIVE (Part 2): Fool Q&A With Evolve ETF President & CEO

Description

Here’s part two of my series covering an interview with Raj Lala, president and CEO of Evolve ETFs.

Fool: What is the feedback you are receiving?

Evolve: There’s about $80 billion in North American ESG ETFs, of which about $5 billion is in Canada. The definition of what makes up ESG isn’t uniform — there are unclear screening processes which seem to differ from company to company; this is also observable in the ESG funds as well — many of which have technology companies as their largest weightings. These inconsistent methodologies narrow the investable universe, thus changing the return profile for investors.

We think CleanBeta helps solve many of these issues by providing investors with a simple solution to make traditional indices carbon neutral, and not changing the return profile.

One of the criticisms we’ve received is that this initiative doesn’t push companies to reduce their carbon emissions — which is fair — but in a perfect world, all companies would be carbon neutral, and these funds wouldn’t exist. These funds are a transitionary product or stepping stone to start now and hopefully get there in the next few decades. Many experts including Mark Carney feel that carbon credits will be essential in reaching our net-zero goals.

It’s hard to argue with the fact that these credits can incentivize a landowner to plant trees instead of building a parking lot. We’re also working with Glass Lewis to advocate constituents in the portfolio to reduce overall carbon emissions through proxy voting.

Fool: What sort of holdings will be included in this ETF? Can you share a bit about your methodology for selecting stocks that meet your ESG criteria?

Evolve: The CleanBeta Series are index-based with investors participating in the returns derived directly from the S&P/TSX 60 and S&P 500 indices, but a carbon-neutral version. We are not picking stocks nor applying any screening methodologies, therefore, there is no active management. According to *Bloomberg*, last year, 57% of ESG ETFs outperformed the S&P 500. This year, tech stocks' underperformance and energy's index-beating gains have weighed on ESG funds, and only 38% are currently beating the benchmark. The CleanBeta Funds don't have to outperform the index since the funds are a carbon-neutral version of the Index; therefore, the fund's return profile is not changed.

Fool: What sort of weighting do you give to each of the letters of the acronym (environmental, social, and governance factors)?

Evolve: With the goal for many companies (and countries) to strive to achieve net-zero emissions by 2050, we are finding that many investors feel "Environment" is the most important factor in ESG investing. These funds are solely focused on the "E" in ESG. Investors are looking to align their values with their investments and the CleanBeta series helps with the core of their portfolio. We feel investors are most focused on the environmental impact in their portfolios.

80% of our greenhouse gases (GHG) come from carbon emissions. Last year, there were 40 billion tons of CO_2 emissions in our atmosphere. Given all of the unclear methodologies of ESG Funds, we are differentiated as to "what you see is what you get."

Fool: What markets will this ETF cover (i.e., is this a global fund or focused in Canada/U.S.)?

Evolve: The S&P/TSX 60 Index is a portfolio index of the large-cap market segment of the Canadian equity market and the S&P 500 is widely regarded as the best single gauge of large-cap U.S. equities.

The CleanBeta series of funds provide a carbon-neutral solution to traditional indices: S&P 500 and S&P/TSX 60. Investors receive the performance of the S&P 500 Index and the S&P/TSX 60 Index in a carbon neutral version. By launching these funds, we are covering about 75% of Canadian's equity exposure.

CATEGORY

1. Energy Stocks
2. Investing

POST TAG

1. growth
2. investing
3. market
4. Stocks

PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn
4. Newscred
5. Quote Media
6. Sharewise
7. Yahoo CA

Category

1. Energy Stocks
2. Investing

Tags

1. growth
2. investing
3. market
4. Stocks

Date
2025/10/01
Date Created
2021/05/21
Author
chrismacdonald