

ETFs

RBC iShares launches its first set of ETFs under new partnership

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RBC iShares, the country's largest ETF provider, is debuting its first set of funds since Canada's largest bank, Royal Bank of Canada, and BlackRock Inc. joined forces earlier this year.

BlackRock Asset Management Canada Ltd. and RBC Global Asset Management Inc., under its joint partnership RBC iShares, begin trading six new exchange-traded funds on the Toronto Stock Exchange on Thursday. The funds target socially conscious investors who are looking for broad-based index ETFs in which environmental, social and governance (ESG) factors are integrated into the investment process – what BlackRock calls “sustainable core” ESG funds.

While socially responsible investing is not a new investment category, it has only just begun to see upticks in growth as some institutional investors have jumped into new products for ESG and gender equity, writes Daniel Strauss, an ETF research analyst with National Bank Financial, in a recent report.

In 2018, Canadian ETFs saw in-flows of \$334-million for socially responsible funds.

The emergence into the ESG investment space in the Canadian market is a first for both RBC GAM and BlackRock, and was driven by both individual and institutional investors asking for such products.

“On a global scale, this is commonplace in areas such as Europe as part of an offering any institutional investor would make,” says Doug Coulter, president of RBC GAM. “Clients want to achieve their investment goals while investing in companies that exhibit positive ESG characteristics.”

With management fees that range between 0.18 per cent and 0.35 per cent, the new funds include four ESG equity ETFs and two ESG bond ETFs, and provide investors with broad Canadian, U.S., international and emerging-market equity exposures, along with Canadian aggregate and short-term bond exposures.

“The conversations we are having with clients include a louder voice around sustainable investing and ESG,” says Pat Chiefalo, head of iShares, BlackRock Canada. “Investors want to vote with their dollars in these types of strategies that align with their values, alongside with attempting to achieve their financial goals.”

Mr. Chiefalo says there is a shift occurring in the market where ESG is no longer seen as a niche investing theme where investors only apply the strategy to a quarter of their portfolio. “ESG has become mainstream where [investors] now want to use them as part of the core foundation within portfolios,” he says.

While the new funds are legally named under the iShares brand and managed by BlackRock, the alliance will share jointly in the profits of the underlying ETFs. RBC iShares is expecting to launch additional funds this year.

There has been much anticipation within the industry on what the new investment manager would bring to market, as well as whether the alliance was the first step in BlackRock preparing to exit the Canadian market, a move that Mr. Chiefalo says is not happening.

“We are fully committed to the Canadian market and only want to grow and raise our presence and profile in the Canadian market,” he adds. “We are absolutely committed to it. ”

<https://www.theglobeandmail.com/investing/markets/etfs/article-rbc-ishes-to-launch-six-etfs-focused-on-socially-responsible/>

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