Investing in ESG Makes Money

written by Melissa (Mel) Sanderson | October 18, 2022

Have you noticed that there are a couple of weird things about the spate of recent public temper tantrums by elected officials about ESG matters, especially in the US? Weird thing number one: the gripers all are politicians, so far universally from the Republican Party, which USED to be the pro-business party. Second weird thing: most businesses aren't wasting time griping, they are adapting – and finding that doing so makes money.

Yes, you read that right – done properly, embracing ESG metrics can make money – for companies and investors – while improving livelihoods and helping to slow the impacts of climate change.

An article in the Toronto Star this month entitled *World's Biggest Carbon-emissions cutters – including TransAlta and CP Rail – also make money, new report finds* is a clear example that across industries, companies willing to invest in changing their behavior and reducing their environmental impact, especially in the key area of carbon reduction, can and do maintain their bottom lines and in some cases have increased their profitability due to cost reductions inherent in new technologies. This in turn, of course, leads to increased benefits to shareholders and other stakeholders. This is substantiated by a Morningstar study in which the group concluded that investors can build a global portfolio of companies with positive ESG attributes without compromising returns.

Likewise, research by MSCI classifying funds by their ESG exposure shows a clear and growing investor preference for funds and companies with strong ESG compliance. The MSCI study grouped funds into buckets ranging from AAA (fund is exposed to companies tending to show strong or improving management of financially relevant ESG issues and which may be more resilient to disruptions arising from ESG events) to CCC (fund is exposed to companies not demonstrating adequate management of ESG risks and which may be more vulnerable to disruptions arising from ESG events). MSCI concluded that over $1 trillion has moved from funds on the lower end of the scale to the higher end over the last decade – a movement which appears to be accelerating. In studying the profile of investors, the MSCI analysis found that 88% of high-net worth millennials are actively reviewing the ESG impact of their investment holdings, while 89% of the same group expect their financial professional to do a deep dive into a company's ESG factors and history with ESG issues before recommending an investment opportunity.

Conversely, *not* taking action to do more on ESG issues leads to substantial negative consequences for companies, investors and stakeholders.

A recent study by the Harvard Business Journal cited insurance giant Swiss Re saying that *not* acting on climate will destroy around 18% of global GDP by 2050. If you stop and think about that for a moment, it's a staggering statement of risk. But the Harvard wonks took that a step further, examining the diverse consequences of climate change in which some areas, such as Siberia, might find growing seasons extended, but in other places (such as Phoenix, my home) cities could become too hot to be livable while some island nations will be swallowed by rising seas. This means, they concluded, that the downside risk for certain regional and (in the case of islands) national economies could be 100%, not 18%.

There's a third weird thing about the [political opposition] to ESG. If investors want to put their money into companies engaging in climate-positive actions, and if companies are actively revising their business models to be more climate friendly – what exactly is the problem that these politicians supposedly are concerned with?

When you break down the principles of ESG into their most basic components, it simply amounts to doing the right things for people and the planet.

What's wrong with that?

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A diversified 6% dividend yield portfolio is still possible in these uncertain times

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Those of a certain vintage remember when interest rates were truly high. Today doesn't hold a torch to the late 1970s through to the start of the 1990s. Double digits were pretty standard and in the early 1980's if you didn't have the best credit rating you could easily have a mortgage or a car loan with an interest rate that was over 20%. My first mortgage was a steal of a deal relative to that at a mere 11%. Of course the flip side was that GIC's and other fixed income rates were also hard to imagine in today's reality. One of my first investments was a strip coupon bond with a yield of 9%. If only the maturity on that bond was 2026, I'd be an investing hero. But it wasn't and I'm not, so where am I going with this?

Since the turn of the century, 5% has been considered a pretty good investment return if you could get it. Obviously the safer or lower risk the investment the better, but for two decades now we've been beggars not choosers. A 6% annual return is considered pretty good by today's investing standards and typically you have to reach into some riskier places to try and achieve that kind of return year after year after year. However, the market sell off over most of 2022 and in particular June and September have created the opportunity to put together a diversified 5-10 stock portfolio whereby all the holdings currently yield over 6% dividends, are reasonably blue chip stocks and should see those dividends be somewhat sustainable or potentially even grow over time. And this is a straight forward, buy and hold type of exercise. I'm not talking about enhancing yields with options or any other voodoo magic. Every once in a while the market serves you up an opportunity and you can decide if you are willing to embrace that opportunity. I'm not an investment advisor and this isn't investment advice; it's more of a thought exercise. Let's dive into this idea and you can decide if your definition of blue chip or low risk is similar to mine.

In Canada we hold our big 5 banks in fairly high regard. They survived the Great Financial Crisis (2008) as some of the best performing banks in the world. So it should come as no shock that the first equity I’m looking at is one of those five – Bank of Nova Scotia (TSX: BNS | NYSE: BNS). The Bank of Nova Scotia, is a Canadian multinational banking and financial services company headquartered in Toronto, Ontario. It is the third largest Canadian bank by deposits and market capitalization (C$79 billion). As of Monday’s close of C$65.58, BNS was yielding 6.28% with its quarterly dividend of C$1.03.

Next up we have another industry giant but this time in the energy infrastructure business. Enbridge Inc. (TSX: ENB | NYSE: ENB) owns and operates pipelines throughout Canada and the United States, transporting crude oil, natural gas, and natural gas liquids. Enbridge’s pipeline system is the longest in North America. The market cap of Enbridge at the beginning of the week’s close (C$52.49) was C$106 billion and its yield was 6.55% based on its quarterly dividend of C$0.86. If you prefer natural gas exposure to the more “oily” Enbridge or you simply aren’t a fan of Enbridge, another example in the sector is TC Energy Corp (TSX: TRP | NYSE: TRP) another major North American energy company that develops and operates energy infrastructure in Canada, the United States, and Mexico. This C$57 billion market cap company closed Monday at C$57.84, giving it a yield of 6.22% based on its quarterly dividend of C$0.90.

Switching gears to another borderline monopoly business segment in Canada, the telecom sector, we find the biggest of the 4 titans (possibly soon to be three) with BCE Inc. (TSX: BCE | NYSE: BCE). BCE is a Canadian holding company for Bell Canada, which includes telecommunications providers and various mass media assets under its subsidiary Bell Media Inc. Despite being up 3.7% on the day Monday to C$60.06, this C$55 billion market cap company has a 6.13% yield based on its C$0.92 quarterly dividend.

When it comes to sustainable dividends it seems the utility sector is the poster child. Accordingly, this is the next sector to look at to help diversify holdings in the search for all those juicy dividends. There are a couple of options in this category to review. The first is Algonquin Power & Utilities Corp. (TSX: AQN | NYSE: AQN) a Canadian renewable energy and regulated utility conglomerate with assets across North America. The only shortcoming of the utility names is that they are a little on the small side with Algonquin presently sitting at a C$10.6 billion market cap but also trading at its 2 year low, which may have some appeal to investors. At C$15.59, Algonquin is yielding 6.31% with its C$0.25 quarterly dividend. An alternative name is TransAlta Renewables Inc. (TSX: RNW), another renewable energy company trading near its 2 year low at C$14.95. Even smaller at C$4 billion market cap, this may not be blue chip or low risk enough for some people's liking but it is yielding 6.29% with its C$0.07833 monthly dividend.

These next possibilities may be seen as not being much diversification from companies like the Bank of Nova Scotia. The first is Power Corporation of Canada (TSX: POW) which is a management and holding company that focuses on financial services in North America, Europe and Asia. Its core holdings are insurance, retirement, wealth management and investment management, including a portfolio of alternative investment platforms. This C$19.6 billion market cap company sports a 6.2% yield based on a C$0.49 quarterly dividend and Monday's C$31.93 closing price. If you want a more pure play on insurance without the investment management there are Power Corp's subsidiaries Great-West Lifeco, Inc. (TSX: GWO), a Canadian insurance-centered financial holding company that operates in North America, Europe and Asia. At C$30.46 GWO yields 6.43% with its C$0.49 quarterly dividend. The third option just squeaks into this article at exactly a 6% yield based on its close Monday of C$22.00 and C$0.33 quarterly dividend. That company is Manulife

Financial Corp (TSX: MFC | NYSE: MFC), a C$41.8 billion market cap multinational insurance and financial services company operating in Canada, Asia and in the United States primarily through its John Hancock Financial division

Then there are all the REITs in Canada, of which at least half a dozen trade with 6+% yields. I'm only going to provide two as examples so we aren't here all day but there are plenty more to choose from. Chartwell Retirement Residences (TSX: CSH.un) is the largest provider of seniors' housing in Canada, with over 200 locations offering independent living, independent supportive living, assisted living, memory care, and long-term care facilities. Dream Industrial REIT (TSX: DIR.un) is the owner and operator of a diversified portfolio of high-quality industrial real estate in Canada, the U.S. and Europe. Again, both are smaller cap companies and are trading close to 2 year lows, which may or may not be appealing. The stats are a 6.49% yield for Chartwell (C$2.2 billion market Cap) with its C$0.051 per month dividend closing at C$9.43 Monday, while Dream Industrial sports a 6.39% yield, a C$2.8 billion market cap and monthly dividend of C$0.5833.

And there you have it, a few examples of how a small portfolio of high dividend yield companies is possible with as much or as little risk or diversification as an investor might be comfortable with. No matter how funds might have been allocated to any or all of the names above, it would have fetched a dividend yield of over 6% based on Monday's close. With that said, with a little looking there are plenty of other investment options available that are yielding north of 6%, plus a bunch more between 5% and 6%, so if yield is an important part of a portfolio, now might be a good time to review what could potentially be upgraded to lower risk names with a higher likelihood of sustaining or even growing those lovely dividends.

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Gold market experts Jack Lifton, Byron W King, Chris Thompson and John Kontak discuss the present and future gold market

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In this **InvestorIntel Gold Panel** discussion, InvestorIntel Editor-in-Chief & Publisher Jack Lifton and Geologist and Newsletter Writer Byron King are joined by Chris Thompson, President of eResearch Corp. and John Kontak, President and Director of West Red Lake Gold Mines Inc. (CSE: RLG | OTCQB: RLGMF) to discuss the present and future gold market.

With the theme of the discussion around gold as a secure asset class, the panelists agree that the investment cycle may be setting up for "…a very good day for gold is in the near future." To hear this **InvestorIntel Gold Panel** discussion, click here

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Peter Clausi with David Morgan on the rising interest in silver for 2021

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In a recent InvestorIntel interview, Peter Clausi speaks with David Morgan of The Morgan Report, about investing in silver, the silver market and the source of the rising demand.

In this InvestorIntel interview, which may also be viewed on YouTube (click here to subscribe to the InvestorIntel Channel), David went on to say that he is bullish on silver and also commented on the gold to silver ratio. He said, "It is good for looking at long term trends and preview what you might use as an exit strategy." He further added, "Gold has outperformed at this time, but silver is catching up and will continue to outperform."

"Based on our current economic situation globally you should have some physical metal," David commented. "Then you gain leverage by going into mining equities. A lot silver stocks have done quite well."

To watch the complete interview, click here

Or to subscribe to The Morgan Report, click here: You Can Make a Killing Even In These Uncertain Markets (themorganreport.com)

To access **InvestorChannel's** daily Silver Watchlist of the top 20 silver companies that David Morgan has selected for us to watch in the public markets, go to Silver – InvestorChannel

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The Astrologers Fund's Henry Weingarten on the Biden market winners – copper, gold and critical materials win.

written by InvestorNews | October 18, 2022

In a recent InvestorIntel Interview, Tracy Weslosky speaks with Henry Weingarten, Fund Director of The Astrologers Fund, Inc., about the current market trends and the likely triggers for the market to be up.

In this InvestorIntel interview, which may also be viewed on YouTube (click here to subscribe to the InvestorIntel Channel), Henry went on to say, "If you own copper stocks you should stick with them." He also said that gold is doing well and added, "we are on our way to $2,000 by the year end." He also expressed his positive sentiments for oil and said that critical materials like rare earths and lithium are very good long term investment.

To access the complete interview, click here