

Integrating sustainability insights into BlackRock Canada LifePath® Index Funds

What it means for participants

At BlackRock, we believe in research-backed innovation. It’s what led us to pioneer the target date fund in 1993, a retirement investment strategy that takes asset allocation and investment decisions off investors’ plates. Nearly three decades later, we’re still focused on helping investors reach their long-term investment goals. Providing resilient and well-constructed portfolios is at the heart of that mission. That’s why we’re continuing to evolve our BlackRock Canada LifePath Index strategy by beginning to integrate Environmental Social Governance (ESG) building blocks in the latter half of 2022.

What’s changing?

In the late second half of 2022, we will begin to transition the equity components of the Canada LifePath Index target date funds suites to include sustainable building blocks. Specifically, we will begin to transition the current, market cap weighted global equity building blocks to ESG-optimized equity indices covering the same asset classes and geographies.

What isn’t?

The investment objective of our funds has not changed. We seek to help participants maintain consistent consumption in retirement, and the overall asset allocation (stocks/bond/alternatives mix) and glidepath of the strategy remain unchanged.

Figure 1: Replacing traditional market-cap weighted exposures with ESG indices

Asset Class	Current Exposure	Future Exposure
Canadian Equities	S&P/TSX Capped Composite Index	MSCI Canada IMI Extended ESG Focus Index
International Equities	S&P Global Infrastructure Index	MSCI EAFE Extended ESG Focus Index
	S&P Total Market Index (TMI)	MSCI Emerging Markets Extended ESG Focus Index
	MSCI Emerging Markets Investable Market Index	MSCI USA Extended ESG Focus Index
Core Fixed Income	FTSE Canada Universe Bond Index	FTSE Canada Universe Bond Index
Inflation Protection	FTSE Canada Real Return Bond Index	FTSE Canada Real Return Bond Index
	FTSE EPRA Nareit Global REITS Net Total Return Index	FTSE EPRA/NAREIT Developed Index
	S&P Global Infrastructure Index	Dow Jones Brookfield Global Infrastructure Index

Source: BlackRock, for illustrative purposes only.

What’s driving this change?

At BlackRock, our focus is to help participants invest for the long-term, and our research finds that ESG integrated investment solutions can provide better risk-adjusted returns to investors over the long-term. We have a strong conviction in this approach for many reasons:



Better risk-adjusted returns

There is a growing body of evidence linking sustainable investing to improved risk-adjusted returns over the long-term. Meaning better returns or similar returns with lower overall level of risk and volatility



A long-term outlook

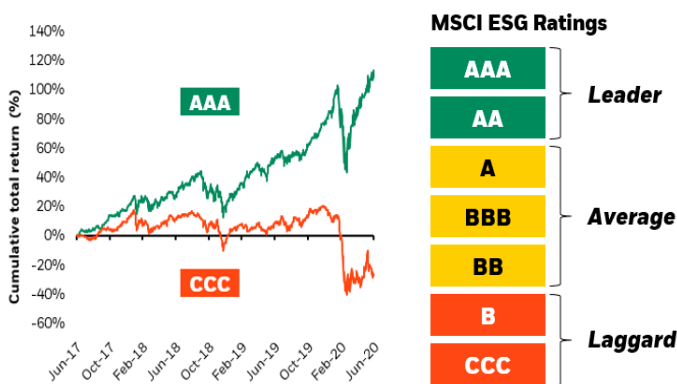
Our view is that companies with strong profiles on material sustainability issues have the potential to outperform those with poor profiles (as shown in the chart below) . Our research indicates that, over time, these companies should be better positioned to weather adverse market conditions, versus their less sustainable peers.



The leading edge of a tectonic shift

We believe financial markets are only just beginning to appreciate the potential impact that such an investment shift could have on asset prices over the long term.

Figure 2: Higher rated ESG companies have outperformed



What do we mean by “sustainable investing?”

While the term “sustainable investing” can be used differently throughout the industry, BlackRock sticks to a simple definition. When we say “sustainable investing,” we refer to the process of combining traditional investing with environmental, social, and governance-related (ESG) insights to improve long-term investment outcomes for our clients.

Source: BlackRock, as of 6/30/20. Cumulative Total Return of MSCI ESG-rated AAA and CCC companies within the MSCI USA Index. Underlying stock ESG Rating data from MSCI ESG research and performance data from MSCI. Index performance is for illustrative purposes only. Index performance does not reflect any management fees, transaction costs or expenses. Indexes are unmanaged and one cannot invest directly in an index. Past performance does not guarantee future results” Index performance is for illustrative purposes only. Index performance does not reflect any management fees, transaction costs or expenses. Indexes are unmanaged and one cannot invest directly in an index. Past performance does not guarantee future results.

Still have questions?

We encourage you to reach out to your Plan Sponsor or Record-keeper.

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