

## AIA Customized Racial Equity Investment Portfolios: Our Approach to Investing for Racial Equality



Heightened focus on racial equity and justice is more than just a social issue. Companies that factor changing US demographics and the economic power of underrepresented populations into their business models may be better positioned for success. Diversity can also be intentionally addressed in investment portfolios, where there is credible evidence that companies that are leaders in diversity, equity and inclusion outperform their peers.

Leading global management consulting firm McKinsey & Company has been studying the link between diversity and financial performance since 2016. Their analysis consistently suggests that companies with greater diversity in their executive teams are more likely to outperform their peers in terms of profitability – 36% more likely, according to the 2020 report. The research also shows the converse to be true: The companies with the least diverse executive teams were 29% more likely to underperform. While this link is based on correlation rather than causation, it does provide evidence that an investment portfolio focused on more diverse companies doesn't necessarily lead to a sacrifice in performance.

---

**“For diverse companies, the likelihood of outperforming industry peers has increased over time, while the penalties are getting steeper for those lacking diversity.”**

– Diversity Wins, McKinsey & Company, 2020

---

The McKinsey research cites a number of reasons why a focus on diversity might contribute to better company performance, including:

- An advantage in talent recruitment by sourcing a larger talent pool
- Increased innovation and deeper customer insight
- Greater employee satisfaction and reduced conflicts
- Improved decision making incorporating more diverse perspectives
- Enhanced company image

### Customized Indexing Specialists

Active Index Advisors® (AIA) specializes in customized direct indexing portfolios. These separately managed account portfolios can be customized for tax purposes, to align with investor values and concerns, or a combination of both. The AIA Racial Equity investment approach is designed to track the S&P 500® reasonably closely on a pre-tax basis, but with a deliberate focus on racial equity and justice.

(Continued)



Active  
Index  
Advisors®

> For more information, please contact your Natixis Investment Managers sales representative:  
Visit: [im.natixis.com](https://im.natixis.com)  
Call: 800-862-4863



## AIA Customized Racial Equity Investment Portfolios: Our Approach to Investing for Racial Equality (continued)

To accomplish this, AIA uses a range of third party data and proprietary research to invest in companies that are leaders in or help to promote diversity, equity and inclusion – and avoid or divest from companies that cause, contribute to, exploit or profit from racial injustice.

Positive screening to <i>invest in</i> companies that:	Negative screening to <i>exclude</i> companies that are involved with:
Establish diversity policies and targets	Predatory lending or discriminatory lending practices
Institute pay equity policies	For-profit bail, for-profit prisons, use of prison labor, surveillance efforts or immigrant detention
Disclose and promote diversity on their board and management team and in their workforce	Manufacture or sale of firearms or ammunition
Actively support businesses owned by people of color through corporate diversity supplier programs	Significant diversity controversies
Actively address inequities in access to healthcare	Notably poor environmental practices or significant controversies

### Methodology and Availability

AIA relies on research and information from a range of sources including Just Capital, Venn Diagram, LLC and MSCI’s ESG research as well as other NGOs and advocacy organizations to identify companies that are appropriate to include in the portfolio. Criteria and holdings are reviewed quarterly or when new information surfaces.

This customized indexing approach is available in separately managed accounts for individual investors or as a values-based holding for institutional portfolios.

➤ For more information, please contact your Natixis Investment Managers sales representative:  
Visit: [im.natixis.com](http://im.natixis.com) Call: 800-862-4863

This material is provided for informational purposes only and should not be construed as investment advice. Investors should not make choices solely on the content contained herein, nor should they rely on this information to apply to their specific situation or any specific investments under consideration. This is not a solicitation to buy or sell any specific security.

Investing involves risk, including the risk of loss. Investment risk exists with mutual funds, ETFs and SMAs. There is no assurance that any investment will meet its performance objectives or that losses will be avoided. Investors should consider the investment objectives, risks and expenses of any investment carefully before investing. Please read the risks associated with each investment prior to investing. Detailed discussions of each investment’s risks are included in Part 2A of each firm’s respective Form ADV. The investments highlighted in this presentation may be subject to certain additional risks. Future tax liabilities may be higher in an SMA that uses loss harvesting because it may have larger unrealized capital gains. Tax law and tax rate changes may also impact the relative value of index mutual funds, ETFs, and SMAs.

Natixis Advisors, L.P. does not provide tax advice. Please consult with your financial advisor or tax professional.

Natixis Advisors, L.P. provides advisory services through its divisions Active Index Advisors® and Managed Portfolio Advisors®. Advisory services are generally provided with the assistance of model portfolio providers, some of which are affiliates of Natixis Investment Managers, LLC.

Natixis Advisors, L.P. is one of the independent asset managers affiliated with Natixis Investment Managers.

Natixis Distribution, L.P. is a limited purpose broker-dealer and the distributor of various registered investment companies for which advisory services are provided by affiliates of Natixis Investment Managers. Natixis Distribution, L.P. is located at 888 Boylston Street, Suite 800, Boston, MA 02199-8197. Natixis Investment Managers includes all of the investment management and distribution entities affiliated with Natixis Distribution, L.P. and Natixis Investment Managers S.A.