



# North Growth's Erica Lau sees the opportunities in decarbonization.



**Erica Lau** is CEO and lead portfolio manager at Vancouver-based North Growth Management. She's been with the firm since it opened in 1998 and is currently the lead manager of 4-star North Growth US Equity and 5-star North Growth Canadian Equity. Both funds score well on Morningstar's Sustainability Rating, with 5 and 4 globes, respectively. Lau earned a bachelor's degree of commerce from the University of British Columbia in 1997. After college, she worked at Phillips, Hager, & North and followed that firm's cofounder, Rudy North, when he launched North Growth Management the following year.

Photography by Kyle Cong.

Ruth Saldanha, editorial manager for Morningstar Canada, interviewed Lau in August.

**1. Where are you finding the best opportunities?**

Based on our growth-at-a-reasonable-price investment philosophy, we are finding good opportunities in specialty retailers and in emerging technologies.

**2. With the reliance that we have on energy in Canada, how do you balance environmental, social, and governance concerns with investing in the region?**

The North Growth Canadian Equity Fund has not had any direct exposure to oil and gas for over a decade, and this has not sacrificed returns. In fact, the fund's exposure to the three largest sectors of the S&P/TSX Composite (energy, financials, and materials) is less than 5%. The fund has a drastically different profile than the index and offers an attractive diversification opportunity, in contrast with the mainstream Canadian equity fund, which is typically heavily invested in resources and financials.

**3. What are the main ESG risks you're watching? Where are the ESG opportunities?**

As the world continues to transition toward decarbonization to mitigate the risks of climate change, we are closely monitoring the process. We believe clean and renewable energy investments will enhance long-term returns as non-carbon-based energy sources capture an increasing share of global energy demand growth going forward. Broadly, there are ESG opportunities with all companies as society collectively needs to promote sustainable economic growth, social equality, and improved corporate governance.

**4. What are the top three things you look for when you pick stocks?**

We look for solid business fundamentals, meaning companies with strong financial metrics,

competitive advantages, and long-term growth prospects; quality management with a track record of delivering earnings growth and strategic planning; and reasonable valuation, according to traditional metrics, notably price/earnings ratios.

**5. Where would you be working now if not in financial services?**

I excelled as a student in high school and university, so I think I could have pursued a career in academia.

**6. What's the best investment advice you've received?**

Stay disciplined and focus on the long term. While the short term is unpredictable, over the long run, equities have been the best asset class available for maximum total return or growth of capital.

**7. What are you recommending to friends these days?**

To take care of themselves and their families (e.g., get vaccinated) during this ongoing pandemic.

**8. What do you enjoy doing when you aren't investing?**

I am an avid reader of fiction. Diving into a good novel is one of the best moments of my day. I also love traveling with my husband and our two daughters.

**9. What are you reading?**

*Malibu Rising*, by Taylor Jenkins Reid. My teenage daughter recommended the author after enjoying one of her earlier books, *The Seven Husbands of Evelyn Hugo*.

**10. Do you have a favorite charity you wish more people knew about?**

The KidSafe Project Society. KidSafe provides programming and food security for some of Vancouver's most resilient kids, both after school and during break times.