PRESS RELEASE

Successful investing with a social conscience

It *is* possible to do well by doing good – even in the hard-nosed money markets. Here Volantis Capital's Nomathamsanqa Khoza and Rhandzo Mukansi explain their approach to environmental, social and governance (ESG) investing.

The relationship between private capital markets and the well-being of society has grown in importance in recent years. While inequality and the poverty divide have often served to separate people, the spectre of global warming – with its unselective threat to human existence – has served as a unifying force for the democratisation of global financial markets. In this new approach investment outcomes are not only measured by their profitability but also by their broader economic and social impact.

The financial world undoubtedly has a role to play in addressing social issues, such as vast income and wealth disparities, endemic unemployment, corporate governance failures and an often-poor environmental track record. One way to address these challenges from an investment perspective is to introduce an environmental, social and governance (ESG) framework as the basis of a more rounded credit due diligence process.

Data driven ESG metrics
One example of this is the ESG framework adopted by Volantis Capital anddeveloped by my colleague Nomathamsanqa Khoza. Our framework is data-driven, designed to objectively measure a company's relative ESG performance, commitment, and effectiveness based on publicly available information. The data-driven nature of this approach not only contributes to its objectivity, but also allows for the assessment of investment risk in real-time.

The three key pillars of this ESG framework – environmental, social, and corporate governance considerations – are further subdivided into 10 broader risk categories that are monitored in order to work out companies' ESG scores. These categories include: emissions monitoring, resource use, human rights monitoring, shareholder rights, and workforce treatment. Such risk categories represent 186 of the most important and comparable company-level ESG measures per industry – ensuring that the scoring methodology is sufficiently varied across industries.

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In this context ESG is 'scored' using percentages between 0-100 for each counterparty, based on relative performance. We have assigned a minimum ESG hurdle of 25% to be included in our funds, below which we believe that particular counterparty demonstrateseither poor performance or insufficient transparency in reporting ESG data.

Performance *and* transparency
Our Volantis Money Fundhas a weighted average ESG score of 72%, which represents a strong degree of relative ESG performance and transparency. In the admittedly early stages of management of the Fund, our ESG framework has already served to reject unfavourable investments on ESG grounds – an investment discipline we are proud of given the often-outsized yields offered by low ESG scoring counterparties in the domestic capital markets. Far from simply foregoing yield enhancement, not contributing to funding these investments in favour of ESG conscious opportunities contributes to us playing a small but gratifying role in improving environmental, social and governance conditions.

As the global economy continues to pivot to sustainable development, we expect a strengthening of the relationship between private capital markets and responsible investing. This is not only evidenced in the broadening spectrum of ESG-conscious investment opportunities, but so too the suitability of the resultant investment returns. As our Money Market Fund returns shows, a robust ESG framework can be complementary to investment performance, contributing to the generation of impactful and sustainable investment returns for clients.

Ends.

About the Authors:

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Volantis Capital (Pty) Ltd is an independent, specialized fixed income asset manager, offering a diverse range of portfolio management solutions to meet varying investor requirements. Its skilled investment professionals have a strong performance track-record in financial markets. It employs fundamental investing principles across both of its alpha generating capabilities – interest rate and credit risk management. Its adoption of technological excellence constitutes an additional layer to its investment and operational framework. Its approach is to optimize technology and tradition, ensuring the consistent application of fundamental investment principles in a data-intensive age.