

Future fit fund solutions through ESG

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The investment industry cannot argue that it bears no responsibility for the choices that it makes beyond financial outcomes - to do so would be to ignore its broader social and economic function as an allocator of capital in market-based economies.



Source: © 123rf [123rf](#) Veenesh Dhayalam, Head: Asset Manager Research, Sasfin, says the integration of ESG should be a fundamental consideration for investors

Yet while ESG could be at a crossroads, and although it may have not been fully appreciated or taken seriously enough in the past, the integration of ESG should be a fundamental consideration for investors.

Whilst there is a focus on responsible practice, there still is an impetus of poor disclosure, irresponsible behaviour, lack of alignment in ESG ratings (even with an increase in demand) and even anti-ESG legislation (currently primarily in the US).

Despite these challenges, companies that embrace ESG are more likely to be resilient and future-ready in this ever-changing world.

Being mindful of ESG considerations, at a minimum lends itself immediately to risk identification and management which could lead to improved downside outcomes.

Overhyped or not – it's undeniable that ESG is the right way forward and real progress has been made.

Whilst some companies/industries have taken a more proactive approach in addressing or establishing “valid” ESG credentials, others have been slower to respond - trying to incorporate ESG practices or principles into existing well-oiled processes can be challenging yet, it is a necessity in the current market.

“ *In the quest for profit there needs to be an appreciation for sustainable practices that will benefit consumers, employees, the environment as well as investors* ”

Looking beyond profitability

The demand for companies to integrate ESG standards/practices has shifted out of neutral and into a higher gear.

Investors (and regulators) are taking a stronger interest in asking companies to take a more mindful interest in ESG and to look beyond just profitability.

The intent is a mindset shift beyond this, with investors having the ability to engage and affect change in company policy, from the business-as-usual approach, to drive and seek new or additional forms of value creation.

In the quest for profit, there needs to be an appreciation for sustainable practices that will benefit consumers, employees, the environment as well as investors, however, practicality and cost are key considerations in making meaningful change.

Investment professionals can promote ESG

Investment professionals (asset managers and similar) are in a strong position to promote dialogue, enlighten, and effect change and these asset managers have taken different approaches to their ESG journey to meet the wide range of investor needs.

Sasfin Asset Managers (SAM) like its peers face a future characterised by accelerated change and in this environment, there is an urgency to adapt business models to succeed.

SAM has adopted a multi-strategy approach to money management merged with the mantra of “taking the appropriate risk at the appropriate time”.

In advocating this multi-strategy approach, there is an intentional slant into traditional and non-traditional asset classes.

This includes partnerships with entities that have specialised skills and expertise for niche investment strategies.

Our entry into impact investing is a deliberate move to position ESG and sustainability investing as an important part of our investment offering. Impact investing allows the integration of ESG, alongside financial returns while making a positive, material and measurable difference.

This form of active management is a deliberate investment practice that takes a practical ESG consideration into decision-making.

Not a box ticking exercise

What is also noteworthy is that this is more than just a box-ticking exercise and the outcomes can be evidenced and measured, in this case, the creation of temporary and permanent jobs.

SAM recognised the need for meaningful impact and therefore accepted the opportunity to participate in this activity.

There remains undoubtedly much more work to be done in this space, however, SAM has embarked on a responsible journey in using its investment capability for good.

ABOUT THE AUTHOR

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