



## SUSTAINABLE INVESTING

Sustainable Investing has taken centre stage recently within the investment world with more and more investors across the spectrum realising the need to incorporate Sustainable Investing practices into their investment portfolios. Sustainable Investing, sometimes referred to as ‘socially responsible investing’, ‘impact investing’ or ‘ESG investing’, is a *“means of investing in which an investor strongly considers environmental, social, and governance (ESG) factors before contributing money and resources to a particular company or venture.”* The proponents of sustainable investing take full consideration of ESG concerns within their investment strategy, both to enhance investment performance and to contribute to stakeholder value.

The origins of Sustainable Investing can be traced back to the practices of religious groups in the early 17<sup>th</sup> Century where religious leaders set restrictions on the type of investments allowed. Religious leaders sought to prohibit investing in what they deemed as ‘sin stocks’ such as tobacco, alcohol, weapons, and gambling. As a result, religious beliefs shaped the earliest instances of sustainable investing. In fact, the first “sustainable funds” in the United States and the United Kingdom used screening tools to avoid businesses that dealt in alcohol, weapons, and tobacco. In the 1900s, the Sustainable Investing movement focused on the current social issues at the time being, the Civil Rights Movement, the Vietnam War, and Apartheid.

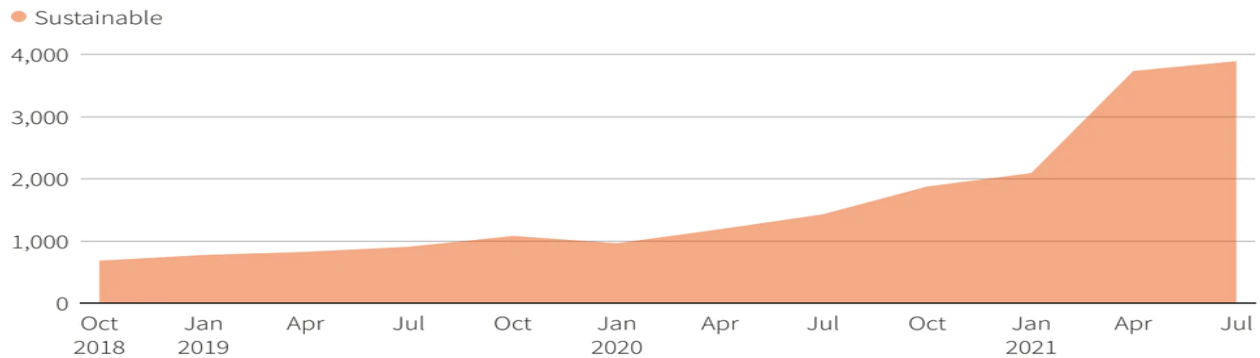
In the early 2000s, climate change and concerns over global warming were the main drivers of the sustainable investing movement with initiatives centered around providing funding for alternative sources of energy and divesting from activities that contribute to global warming. Much like the religious groups of the early 17<sup>th</sup> century, the proponents sought to ban and divest from companies engaged in practices that contribute to global warming. However, the modern-day 2021 iteration of sustainable Investing has evolved to more than just specific restrictions on investing in particular companies and investment decisions are now viewed more holistically with an emphasis on returns as well as societal good.

With more focus on Sustainable Investing, there has been significant growth in strategies that incorporate ESG considerations. According to a Morningstar report, Sustainable Investment strategies saw their assets under management grow to \$3.9 trillion at the end of September 2021. The number of sustainable funds grew by more than 51% over the period, reaching 7,486 funds at the end of September.



## Sustainable funds' asset size

Sustainable fund assets touched \$3.9 trillion in third quarter



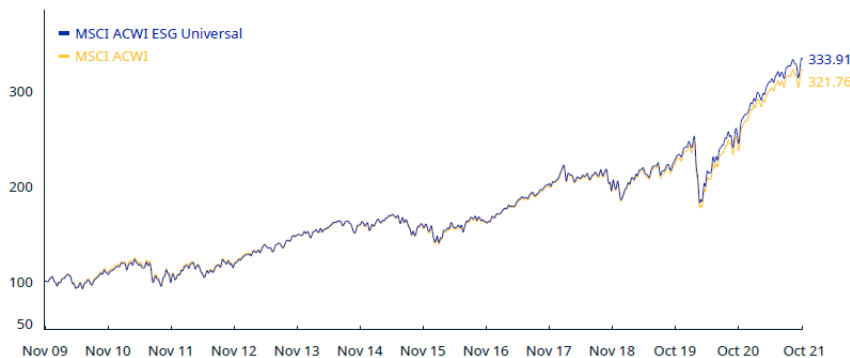
Note: Amount in \$ billions  
Source: Morningstar data

The growth in sustainable investing strategies is attributable to increasing investor demand as well as improved performance of companies with strong ESG and sustainability metrics.

The rising demand for sustainable investments is being driven, in part, by millennials who prefer to invest in funds that incorporate sustainability within their investment process in alignment with their personal values. The 2021 'Morgan Stanley Sustainable Signals' survey reported that 99% of millennial investors surveyed were interested in sustainable investing compared to only 79% of the general population reporting that they were interested in sustainable investing.

Furthermore, the performance of firms with strong sustainability metrics, as measured by the MSCI ACWI ESG Universal Index, has improved. The MSCI ACWI ESG index has outperformed the overall market as measured by the MSCI ACWI over the last 3 years.

### CUMULATIVE INDEX PERFORMANCE – NET RETURNS (USD) (NOV 2009 – OCT 2021)



### ANNUAL PERFORMANCE (%)

Year	MSCI ACWI ESG Universal	MSCI ACWI
2020	17.20	16.25
2019	28.00	26.60
2018	-9.34	-9.41
2017	24.13	23.97
2016	7.16	7.86
2015	-1.76	-2.36
2014	4.24	4.16
2013	24.79	22.80
2012	15.56	16.13
2011	-6.15	-7.35
2010	10.54	12.67

Source: MSCI <https://www.msci.com/documents/10199/0ca6fd46-3b5e-410e-bbde-e3bdbea88ef3>



With ESG investing on the rise globally, it is important for investors in Botswana to appreciate the value of Sustainable Investing and how it can be incorporated in their investment portfolios.

At Bifm, we believe that we have a part to play in driving the transformation to a more sustainable future for all whilst continuing to deliver innovative investment solutions to our clients. To this end, we have launched the Bifm Global Sustainable Growth Fund, an offshore equity fund that seeks to invest in truly responsible companies that are managed for the long term, recognize their responsibilities to all their stakeholders, and respect the environment and the societies in which they operate.

**Please contact Bifm Unit Trusts at 395 1564 or [retailservices@bifm.co.bw](mailto:retailservices@bifm.co.bw) for more information on the Bifm Global Sustainable Growth Fund and whether it may be suitable for you.**

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