

## **INVESTORS TURNING TO IMPACT INVESTMENT APPROVED FUNDS FOR VIABLE RETURNS**

December 2012: The concept of impact investing is growing in popularity among the global investment community, encouraging investments into companies and funds with the intention of generating positive, measurable social and environmental impact alongside a financial return.

Increasingly, potential local and international investors are using independently assessed fund rating systems, such as the Global Impact Investment Rating System (GIIRS), to assess the social and environmental impact of South African and African companies and funds, as part of their investment selection criteria.

According to Herman Marais, managing partner at Agri-Vie, the Sub-Saharan private equity fund investing in food and agribusiness, impact investments differ from socially responsible investing, which uses a negative fund screening approach to avoid 'harmful' companies.

"Impact investors use, in addition, a positive screening approach and actively seek to invest capital in businesses and funds that can harness business and investment disciplines to solve social or environmental challenges in a sustainable manner. It is geared towards positively influencing fund manager practice and offer investors market-rate, or even market-beating financial returns."

He explains that against a backdrop of food security issues, environmental challenges, employee well-being and global upheaval as a result of stagnant and volatile financial markets, the GIIRS utilises a ratings and analytics approach, similar to Morningstar, which is intended to change investor behaviour and unlock the potential of this new asset class.

"The GIIRS recognises the positive impact generated by a fund and its investee companies and provides investors with rigorous, transparent, comprehensive and comparable ratings of a fund's impact, grading the fund's impacts on a scale of one to five stars and an overall score.

"It also allows investor companies to allocate investments into the most ideal fund of their choice, benefiting from benchmark reporting performances, while tracking the impact of their investments," says Marais.

Three of Agri-Vie's investments recently received a five-star international rating from GIIRS, outperforming international indices. Agri-Vie invests for above average financial returns and optimum impact.

The GIIRS Fund Rating is comprised of a weighted average of the fund's 'Investment Roll-up' score and its 'Fund Manager Assessment' score. To determine the investment roll-up, a weighted average of the scores of the investments in the fund's portfolio and the total amount invested in each investment (company) are aggregated, which comprises of four impact categories: Governance; Workers; Community; and Environment.

The Fund Manager Assessment score is measured against three categories regarding a fund's policies and practices in deploying and managing its capital: Targeted for Investment; the Investment Criteria; and Portfolio Management.

The Agri-Vie Fund has completed eight investments across Southern and East Africa and has completed more than 60% of its investment programme. Agri-Vie is among the highest rated impact investments internationally in the food & agribusiness sector. Marais says that the fund is also on track to delivering its targeted, risk adjusted return in keeping with private equity investment performance benchmarks in emerging markets.

“The fund’s mission is to generate an above average investment return, as well as demonstrable socio-economic development and environmental impacts through its private equity investments in food and agribusinesses, and envisages to complete its current investment programme over the next two years.” The Agri-Vie fund manager intends to introduce further investment opportunities to the market in due course.

In December Agri-Vie won the Agribusiness Investment Initiative of the Year award at the African Investor Agribusiness Investment Awards 2012.

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