

MERGENCE INVESTMENT MANAGERS

Impact investing meets developmental needs

Impact investing represents a step up from socially responsible investing

Lucy Reyburn
editor@itinews.co.za

Impact investing is an emerging investment trend ideally suited to South Africa's growth and developmental needs.

It can help to make a measurable positive impact in areas such as housing, education, job creation and energy while providing long-term investors with viable returns.

Impact investing represents a step up from socially responsible investing (SRI) which is based on "negative screening", such as avoiding investments in companies that are perceived harmful in some way.

This is the view of Mark van Wyk, portfolio manager at Mergence Investment Managers, one of whose impact investment funds has recently been successfully rated by the Global Impact Investing Rating System (GIIRS).

The GIIRS is a worldwide ratings system for impact investing, analogous to Morningstar investment ratings or S&P credit risk ratings.

The GIIRS rating was given to the Mergence High Impact Debt Fund, formed three years ago to provide institutional investors with long-term capital growth while promoting environmental, social and governance (ESG) criteria.

It has key investments, among others, in the Trust for Urban Housing Finance (TUHF), Lendcor, SA Taxi Finance Solutions and Eduloan.

The GIIRS methodology rates both the investment fund and the underlying investments on their ESG impact.

Mr van Wyk said: "Impact investing is rapidly becoming formalised through the GIIRS system. Investors can now get analytics on the underlying investments and measure the positive contribution that projects are making to addressing social needs.

"Impact investing provides an answer to the new Code of Responsible Investing in South Africa (CRISA) and changes to Regulation 28 of the Pension Funds Act which have increased awareness of incorporating ESG factors into fund managers' investment processes."

"Through their pension funds, individual South Africans can make a contribution to the country's development."

The Mergence High Impact Debt Fund is classified as one of 53 global pioneer funds globally. It is one of only two funds in South Africa to have been rated by GIIRS.

