MoneyMarketing

First for the professional personal financial adviser

Meeting Peta Kobrin, Credit Analyst, Mergence Investment Managers

- **Q: How did you get involved in financial services - was it always something you wanted to do?**
- **A:** No! After I had qualified as a CA in 2007 I wanted to be involved in something that made a sustainable difference in South Africa but I didn't think that could be achieved through a career in financial services. I was lucky enough to be offered a great role at Metropolitan Capital in private equity where many of the investments were related to developmental finance. It was there that I realised that finance could be used as an effective tool to bring about sustainable change in a manner that benefited all stakeholders. I have continued my pursuit of making a sustainable difference at Mergence where I work as a credit analyst on their suite of innovative impact debt funds which seek to make an impact inter alia in the areas of housing, education and energy security. I first got to know and respect the work that Mergence does when I was involved in their maiden audit in 2005 during my articles at Deloitte.

- **Q: What are the differences between responsible investing, sustainable investing and impact investing?**
- **A:** Socially responsible investing (SRI) – also known as responsible investing or sustainable investing - considers both financial return and social good in the investment process. It encourages firms to use good corporate practices that promote environmental wellbeing, social justice and good governance (known as ESG characteristics). Investments are often screened for selection on a negative basis, for example avoiding investment in tobacco companies. Impact investing is a form of SRI but it goes a step further as impact investors seek to create change by only investing in companies where the primary intention is to generate a measurable social and environmental impact along with a financial return. The dual focus on creating impact and generating a sound financial return over the long term is important to promote sustainability and self-sufficiency in target investments.

- **Q: Too many South Africans see a trade-off between returns and sustainable and impact investing. Is this changing and how do we successfully measure the complete consequences and returns of impact investing?**
- **A:** The Mergence suite of impact funds invests in unlisted debt as we believe this generates returns comparable to listed bonds but with far less volatility. Our clients include pension funds, parastatals and unions and as we invest pension fund money, we only invest in companies where we believed we can generate a sound return for our investors. Worldwide, it is difficult to measure the complete impact generated through impact investments but as the industry grows, measures are becoming increasingly standardised. For example, the US-initiated Global Impact Investment Rating System (GIIRS) is gaining traction. This method rates the fund itself as well as the underlying investments and we were proud to achieve a successful GIIRS rating for the Mergence High Impact Debt Fund ealier this year. We also use the internationally recognised Impact Reporting and Investment Standards (IRIS) which is the catalog of generally accepted performance metrics that leading impact investors use to measure social, environmental, and financial success, evaluate deals, and grow the credibility of the impact investing industry. Finally, we have also developed a measure that uses the number of lives directly impacted per R1million per year to provide an objective impact measure when assessing the impact of potential investments.

- **Q: Unlisted investments - what are three important things an investor must look at before investing?**
- **A:** The most important consideration is the quality of management and the soundness of the business model. From our perspective as a fund manager that invests only in debt (as opposed to equity), we acknowledge that long-term debt has liquidity constraints. We therefore ensure that any investment generates sufficient cash flows to service operating expenses and interest payments and we also make sure that the investment is supported by adequate security.

- **Q:** What was the first investment you bought and do you still have it?
- **A:** The first share I bought was Calgro, which I analysed as part of my MA in Financial Management (UCT, 2011). I selected the share as I wanted to better understand the affordable housing sector. When I reviewed it the share price was 40c and the net asset value per share was well over R1. I most definitely still have the share!

- **Q:** What is your wish for SA for the year ahead?
- **A:** I feel that more and more people want to make a difference in South Africa and that we have finally started to see a paradigm shift. My wish is that we are able to mobilise resources to start making a meaningful difference in the growth of South Africa. It is astounding that only 1% of pension fund assets are currently invested in SRI and impact investments. In essence I wish that all stakeholders can work learn to work effectively together for the greater good of South Africa and its people.