

Why impact and profitable growth can go hand in hand

Fund manager John William Olsen explains how investors can use the M&G Positive Impact Fund to help solve major social and environmental problems whilst aiming to outperform the global equity market.

How does the M&G Positive Impact Fund offer access to Impact Investing as an equity fund?

The fund invests globally in equities of companies that have a positive impact on society that are involved in some of the world's major social or environmental problems. The impact must be fully aligned with the company's strategy and that it accounts for the majority of its business activities. We focus the fund on six areas of impact, three environmental and three social.

Are the two categories environment and social impact equally weighted in the fund?

We don't have a hard division rule. So far, however, the categories have each accounted for around half of the portfolio, with a slight overhang in the social segment. This is mainly due to the fact that our "Better Health" impact area accounts for about one third of the total portfolio. Our focus is not on the large pharmaceutical groups, but on niche companies with innovative approaches.

Do you have an example?

ALK-Abelló is a specialist in allergy immunotherapy. The treatment not only addresses the symptoms, but also the triggers. Over 500 million people suffer from allergies such as hay fever, which is closely linked to allergic asthma. However, there are only 4.5 million people, less than one percent, in treatment. ALK's work has the potential to improve the lives of a significant proportion of the world's population.

You address the United Nations Sustainable Development Goals (SDGs). How important are these for your strategy?

The SDGs are a solid and accepted framework for identifying key areas of impact, and it helps measure how the positive impacts have been achieved. We use the SDG framework for the fund. We assign all our investments to an SDG and define specific key performance indicators to measure the impact achieved.



Ratings should not be taken as a recommendation.

Do you seek a dialogue with companies to influence their behaviour in terms of sustainability?

We believe that through engagement with the portfolio companies, impact investors can bring a variety of changes, not only promoting responsible behaviour and long-term thinking, but also pushing them towards greater transparency or stronger sustainability goals. Even companies with a strong positive impact can improve. For example, a wind turbine manufacturer that has a clear environmental goal may have a relatively large CO₂ footprint, or may need to improve workers' rights or address safety concerns.

Is there a compromise on performance when it comes to impact investing?

On the contrary, we believe that companies that achieve a positive social impact as well as a return on equity have a strong tailwind. Especially companies whose products or services meet acute social or ecological needs are likely to show strong growth characteristics. The M&G Positive Impact Fund therefore aims to outperform the broad global equity market over a five-year period.

The value and income from the fund's assets will go down as well as up. This will cause the value of your investment to fall as well as rise. There is no guarantee that the fund will achieve its objective and you may get back less than you originally invested.

The fund holds a small number of investments, and therefore a fall in the value of a single investment may have a greater impact than if it held a larger number of investments.

The fund invests mainly in company shares and is therefore likely to experience larger price fluctuations than funds that invest in bonds and/or cash.

The fund's benchmark, the MSCI ACWI index, is a target which the fund seeks to outperform. The index has been chosen as the fund's benchmark as it best reflects the scope of the fund's investment policy. The benchmark is used solely to measure the fund's performance and does not constrain the fund's portfolio construction.

The fund is actively managed. The fund manager has complete freedom in choosing which investments to buy, hold and sell in the fund. The fund's holdings may deviate significantly from the benchmark's constituents.

Past performance is not a guide to future performance.

