



OPPORTUNITY

PRIVATE CAPITAL

Economic Snapshot August 2022

LOCAL ECONOMIC INDICATORS

- All-Share Index mid Aug: 71,127
- All-Share YTD return: - 3.82%
- Market PE ratio: 9.77
- USD/ZAR currently at R16.71/\$,
- South Africa 10Y Government Bond yield: Current 10.170%

(Data: Bloomberg; Sharenet; www.tradingeconomics.com)

NEWS

- A new study suggests that rainwater is not safe to drink anywhere on earth anymore, stating that 'forever chemicals' is now found in the furthest reaches of earth.
- The UK has banned Bain from bidding for state contracts after the company was strongly linked to corruption under the presidency of Jacob Zuma.
- In sport, the PGA and LIV golf tours are at arms with each other, the LIV tour is being accused as a 'greenwashing' exercise by the Saudi government.

ESG much?

The last 40 to 50 years seen many changes occur in the world of finance & investing in both thought and technology. One of the latest changes has been the rapid rise of 'ESG' to be near the top of the pile of *flavour-of-the-months*. And it is not expected to go away any time soon.

ESG is short for **E**nvironmental, **S**ocial, and **G**overnance. It is actually a modern and replacement acronym for SRI, which stems from the 1960s era of investing.

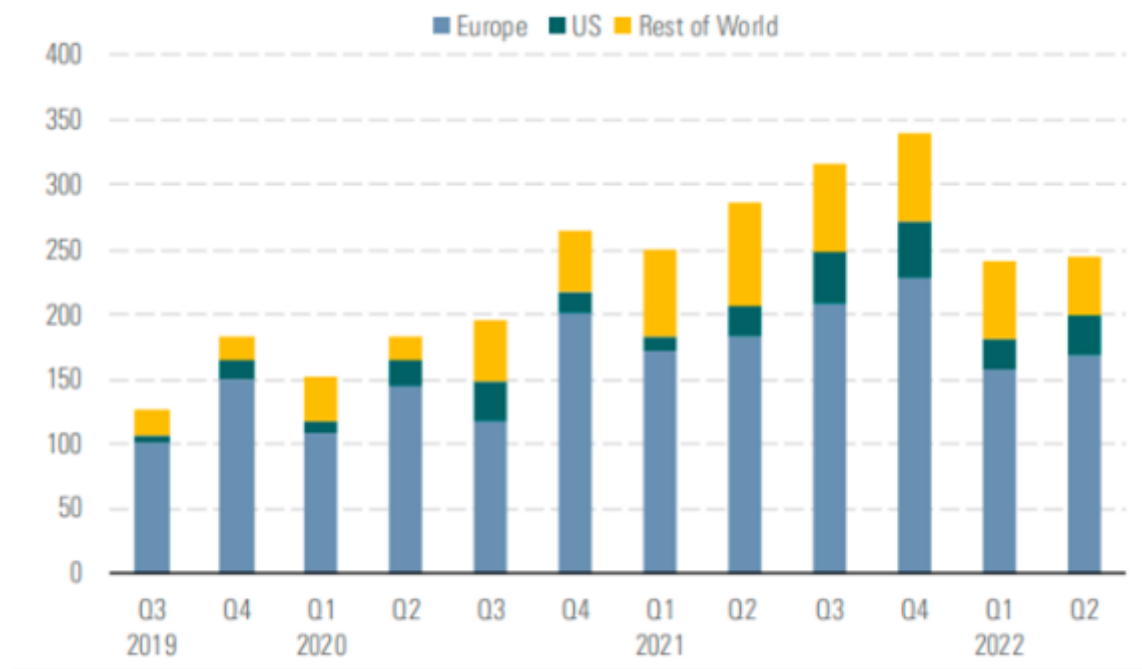
SRI is reported to have begun with investors excluding companies or even entire sectors/industries from their investment portfolios because they felt the investment or company practices violated some rule. For example, companies involved with tobacco production or with involvement in the South African apartheid regime were initially excluded from portfolios.

Fast forward to present day, and there are entire companies and business analytics units set up to create ESG scores for companies, with each letter having its own unique assessment. In short, (i) the Environmental criteria evaluates everything from policies about climate change to recycling, while (ii) Social criteria scrutinises the relationships with employees, business partners, suppliers, surrounding communities, etc. Lastly, (iii) Governance deals with everything from shareholder rights to the company's leadership and executive pay.

An honourable mention should also go to the recently established 'Controversy' score, which is reported alongside the ESG score and partially led to Tesla's recent exclusion from many global ESG funds.

While ESG and SRI have been with us for many years, the social awareness of it is at an all-time high. The only problem is that a slight re-think of the 'total exclusion' practice is currently needed - investors have finally realised it can do more harm than good if harmful operations are sold off to unlisted entities due to public pressure. The focus is swiftly moving to 'healthy' ESG and activism environment, with fund solutions and frameworks following suite. Our graph of the month shows just how many options are coming to the investment table.

GRAPH OF THE MONTH: - Quarterly Global Sustainable Fund launches.



Source: Morningstar Direct, Morningstar Research. Data as of 30 June 2022.

[Click to view Current Available Investments from 14% p/a](#)

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