

# Innovation and impact at the core of new global private markets team



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The value of investments will fluctuate, which will cause prices to fall as well as rise and you may not get back the original amount you invested. Where past performance is shown, please note that this is not a guide to future performance.

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Over the next five years, M&G will commit £5 billion to sustainable private markets investments through a newly-created global team, Catalyst.

Catalyst has been designed with the express intention of fulfilling this investment objective, but also to strengthen M&G's position at the forefront of investment innovation and ESG (Environmental, Social and Governance) and impact investing.

## Directing capital to tackle real world challenges

Catalyst will have access to a global opportunity set through its local originating presence in London, Singapore, New York and Mumbai. The 25-strong team sits within our well-established Private & Alternative Assets business, which manages over £65.5 billion in private credit, private equity and real estate on behalf of our clients<sup>1</sup>.

With over two decades of experience and long track record of investing across the private assets spectrum, we have continued to evolve our investment capabilities in response to the changing and growing global opportunity in private assets, and in the recognition that our clients and customers are increasingly looking to align their investments with their social and environmental values. At M&G, we have committed to reach net zero carbon emissions on our total book of assets under management and administration by 2050, in line with the Paris Agreement and the UK Government's target.

The creation of Catalyst further underscores our commitment to driving action on ESG, sustainability and impact – and our role in channelling private capital towards opportunities that seek to address some of the world's most pressing social and environmental challenges.

## Building solutions that drive innovation and impact

The Catalyst team will leverage existing capabilities and utilise its unique flexibility to target innovative opportunities in private credit, real and financial assets and private equity, by investing across the full capital structure – from senior debt, mezzanine debt and other forms of junior capital to asset and platform equity. This flexible approach enables the team to match the capital to the stage and nature of the opportunity, and provide ongoing support to borrowers and investee businesses along their growth journey.

By taking an opportunity-led approach and by putting ESG and impact front and centre of the strategy, the Catalyst team will seek to provide capital to underserved, privately-owned businesses across the globe which may be struggling to access the institutional capital needed to develop and grow their businesses over time, so they can work towards creating a more sustainable world.

Equally, by building and owning specialist platforms, the team can reach new markets, industries, technologies, sectors and geographies typically underserved by institutional investment. This is where we believe scalability is key to maximising opportunities that can deliver meaningful financial, environmental and social value.

In this way, Catalyst also aims to create differentiated access to interesting assets in private markets over the long run, helping to drive innovation from within and develop investment capabilities in new markets.

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<sup>1</sup> AUM figures as at 30 June 2020.

## Making a positive difference

M&G will look to invest responsibly in privately-owned businesses that are seeking to avoid and reduce negative impacts for people and the planet. Many of these businesses have a positive purpose or are bringing fresh thinking to sustainability challenges such as climate change, poverty and inequality, and are looking for institutional capital partners to support them at every stage of their growth. We are seeing a number of investment opportunities in sustainable private assets, including SME and consumer financing such as microfinance and trade receivables; asset and development financing such as affordable housing and energy from waste (EfW) facilities, and technology investments with a positive social or environmental purpose.

Catalyst will operate with a broad impact focus that flexibly encompasses ESG risk management, ie those businesses and assets which act to avoid harm, through to opportunities that target positive impact for vulnerable groups, when assessing potential investments.

One of the benefits of being an active, private markets investor is the ability to directly engage with our borrowers, investee companies and platform partners to build trusted and long-term partnerships. We can also engage at an early stage to encourage businesses to improve their ESG and impact practices, and to increasingly bring about positive change, deliver value and protect long-term access for our clients.

Now, more than ever, capital is needed at scale to advance innovative solutions that can go some way to address key social and environmental challenges and generate positive outcomes for people and the planet. The UN Commission on Trade and Development (UNCTAD) estimates that to achieve the UN Sustainable Development Goals (SDGs) by 2030 will require US\$6 trillion of investment each year<sup>2</sup>. Taking into account the SDG financial flows coming from public and private sources each year, this leaves an estimated median annual funding gap of US\$2.5 trillion, on average, to fill.

For investors, there has never been a more crucial time to act. Investment decisions made today and in this Decade of Action, have the potential to transform our world in the coming decades and beyond.

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<sup>2</sup> UNEP FI, "Rethinking Impact to Finance the SDGs", November 2018.



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