

# M&G (Lux) Positive Impact Fund

## Impactful companies' response to Covid-19

FOR INVESTMENT PROFESSIONALS ONLY

April 2020



*The social and human costs of the Covid-19 pandemic have made it obvious that more resources must be deployed in many areas targeted by the Sustainable Development Goals as a matter of urgency. This is where we believe impact investing can make a difference, supporting companies who have at their core the intention to make a positive impact on society and the environment.*

Investing with the intention to generate positive societal impact alongside a financial return is still often perceived as a 'nice to have', or something which is really only appropriate for the 'responsibly minded'. However, as Covid-19 severely disrupts markets and society, priorities are being reset, and viewpoints reframed, out of sheer necessity. This shift in focus could see impact investing move into the mainstream, as a world in lockdown focuses on the problems we are facing, and the need to find solutions.

While environmental challenges have started to capture mainstream public attention in recent years, the pandemic has framed the vast scale of the world's social challenges, and demonstrated how intertwined both environmental and social challenges actually are.

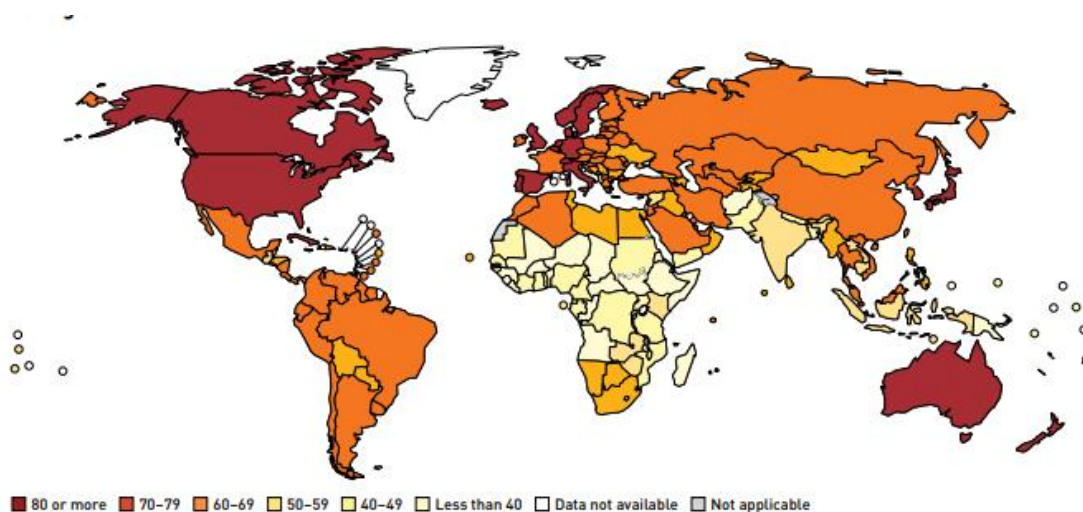
Perhaps most visibly, in a matter of weeks the virus has laid bare the sad reality of inadequate health provision. The World Health Organisation estimates that at least half of the world's population does not have access to essential health

services (see Figure 1), and around 100 million people are pushed into extreme poverty because they need to pay for healthcare.

While developing countries are the most exposed to poor provision, this also affects some of the world's richest nations. In the US in particular, the Census Bureau has estimated that some 27.5 million people went without health insurance in 2018, in a country with the world's most expensive healthcare system.

The social and human costs of the pandemic have made it obvious that more resources must be deployed in many areas targeted by the Sustainable Development Goals (SDGs) as a matter of urgency, not least of which being SDG 3, Good Health and Wellbeing. But it has also highlighted that extracting ourselves from the current crisis will require more than government intervention. Industry at large must step in to fill the gap. While industry can channel much needed capital, its ability to innovate and deliver immediate

**Figure 1. Universal Health Coverage: Service Coverage Index, 2017**



Source: World Health Organisation, 2019. Colours represent % of population with access to essential health services

relief to those suffering, as well as long-term solutions to systemic challenges, will be just as meaningful.

This is where we believe impact investing can really make a difference, supporting companies who have at their core the intention to make a positive impact on society and the environment. This is not to say that these are philanthropic organisations – on the contrary, they will be judged on their ability to produce financial returns, aligned with the positive impact they are producing. And while these impactful companies are creating solutions for some of the world's biggest challenges, at times like this many of them will display a more inclusive version of capitalism by putting in place special measures to support their employees, their customers and the wider community.

## Companies going the extra mile

A number of the fund's companies are ramping up efforts to offer solutions, either leveraging their expertise or, in some cases, developing brand new products.



Source: Getty Images

On the healthcare side, at time of writing, US diagnostics leader **Quest** has managed to perform more than 400,000 Covid-19 tests since 9 March. In less than four weeks, it grew its testing capacity three-fold from 10,000 to 30,000 a day, with testing performed across 12 different sites. This was made possible by using in vitro diagnostic testing equipment from Roche, which allowed it to test a larger number of samples at once.

While we do not hold Roche in the M&G (Lux) Positive Impact Fund, we do hold a company that manufactures similar state-of-the-art equipment. In response to the virus, **Thermo Fisher Scientific** has developed a diagnostic kit that shortens the processing of Covid-19 testing to four hours after samples have reached the lab. Its products have been approved for use throughout Europe and it is planning to ramp up its production of testing kits from two million to five million a week by April.

On the research side, a number of the fund's holdings are bringing their know-how into the fold to participate in the search for a treatment against Covid-19.

Plasma specialist **Grifols** is collaborating with the US government to establish if the plasma therapy it successfully developed during the Ebola crisis can be used effectively to treat Covid-19. By collecting plasma from patients who have recovered from the virus, Grifols can process it into hyperimmune globulin in a purpose-built facility in North Carolina, and determine if it can be a viable treatment for the disease.

This is a great example of collaboration between the state and private sector that should speed up the research process, and if proved successful, could validate a therapy to treat Covid-19 and future outbreaks.

And solutions are not just confined to healthcare. One of the fund's holdings, recycled packaging specialist **DS Smith**, has collaborated with food retailers across Europe to design and produce emergency provision or essential boxes that can be delivered to the doorstep of the most vulnerable. These boxes can easily be stacked in delivery vans, quickly dropped and are fully recyclable. From first design to production, the idea became reality in less than a week, providing instant support to those who cannot make it to the shops.

Many companies held in the fund have also introduced financial relief schemes to their customers.



Source: Getty Images

Kenyan telecommunications company **Safaricom**, for example, has announced a broad range of support measures to help its customers over the next three months. It is waiving the fees it normally charges on its mobile payment system. This is to help reduce the risk of contamination via cash transactions. It is also suspending charges for calls to hospitals and dispensaries throughout the country. And it is doubling the bandwidth of its home fibre customers at no extra cost. To directly support the

government in their efforts to contain the spread of the virus, it has also set up a toll-free emergency line number which Kenyans can call to get immediate assistance.

While we support broad corporate responsibility efforts, importantly for us, all these are examples of companies taking steps to support their community of stakeholders in ways that are directly aligned with their core purpose.

Positive actions like these are testament that impactful businesses can materially help and provide innovative solutions in times of crisis. In fact, it is their capacity and willingness to adapt quickly that will most probably make them more resilient in the long run.

The immediate effects of this pandemic are horrifying, from a human, as well as an economic, point-of-view. We just hope there's a silver lining. We also hope that this will be a painful reminder of how important a well-functioning healthcare system is. Wouldn't it be nice if the canals in Venice could remain clear and people could breathe the air in Beijing, L.A. and London without fearing for their health. Climate change, pollution and inequality will still be with us on the other side of Covid-19. We hope that governments and industries will step up the effort to find solutions to our all too obvious societal challenges, and we are convinced that the commitment of impactful companies to combat them will remain firmly in place.

**M&G**  
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The value of 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 and you may get back less than you originally invested.

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.

Further risks associated with the fund can be found in the fund's Key Investor Information Document.

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