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Sustainable investment across generations

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Sustainable investment across generations

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Children that follow in a successful company's founder's footsteps are paying more attention to sustainability

When Dutch coffee & tea giant Jacobs Douwe Egberts (JDE) bought over Singapore-founded Super Group for S\$1.45 billion (US\$1.04 billion) in April 2017, the latter's founding Teo family had to figure out a future post 3-in-1 coffee mix.

"[After we sold the business] we had the head space to think about how we want to invest the money but also, 'How do we want to create longevity and legacy for our future generations,'" explains **Darren Teo**, son of Super Group founder David Teo and Managing Partner of the Teos' single family office, Apricot Capital.

"We want to be a company that invests with a purpose. We want to be a company that invests in businesses and entrepreneurs that create positive impact and benefitting future generations. That's the background behind what we did when we started Apricot Capital back in 2017."

FAMILY MATTERS

Teo was relating his experience in a discussion panel "Sustainable Investing Across Generations – What Does it Mean?" at the recent SMU Business Families Institute (BFI) conference, "Building a Sustainable World – The Role Business Families Can Play". Along with sister and co-Managing Partner **Elaine Teo**, the second-generation entrepreneur has been engaging with business partners with legacy assets to pivot towards the green and renewable space while managing Apricot's portfolio of real estate, fund management, and consumer assets.

"What really interests us is investing in the right entrepreneur [who has] the intent of doing good, because what Elaine and I truly believe is that you can do well and do good at the same time."

Fellow panellist, **Ronil Sujan**, Managing Director and co-founder of multi-family office Raaga Holdings, notices "a lot of reallocation happening in portfolios towards the venture investing business, and that really implies venture capital, private equity, as well as impact".

"We are seeing numerous businesses coming up, which address pain points in markets like India or the Middle East," notes Sujan, who runs Raaga with wife and fellow Managing Director **Reshma Lalvani Sujan**. "You see where huge opportunities exist thanks to the under-penetration of simple things like food or health or basic education or financial inclusion.

"So, a lot of entrepreneurs are addressing these pain points and opportunities by setting up technology-enabled businesses, which is the quickest way to really leap-frog the opportunity and build value. We see this happening across the board in the venture space."

He adds: “A lot of next-gen entrepreneurs are also focusing on their own businesses and reinventing them by incorporating principles of sustainability as well as technology. And in the family office space, they want to step into the financing and asset management piece of the business, wherein they’re setting up the family office for the patriarch.

“We see these three different areas where the venture development is happening, and it's a booming opportunity right now.”

MEASURING IMPACT AND INTENTIONALITY

Jansen Phee, UBS head of Fund Investment Solutions APAC and Global Investment Management in China, points out that inter-generational investing has become increasingly values-driven. He is quick to add that while returns on investment is still a KPI, “the risk-return profile of the investment portfolio actually figures a little bit lower than aligning the values that they have or the impact that they hope the investments will make on the society”.

With regard to measuring impact, Phee highlights the importance of a fund manager’s intentionality with regard to sustainable and impact investments. Essentially it asks the question: Is the impact a deliberate and measurable consequence of the investment commitment?

“What we are talking about is the intentionality score,” he elaborates. “From there, we see how the proceeds are being used. How does the manager influence the companies? What are the companies actually doing?”

Mitch Reznick, Head of research and sustainable fixed income at Federated Hermes, identified companies’ willingness to disclose details of their operations’ sustainability as a key gauge.

“That's a very big step for companies, because then they're starting to make themselves more vulnerable,” he emphasises. “So first thing, disclose. Then we can start reporting KPIs and aggregate those through the fund and then back to our clients.

“You have to start by understanding where the company stands from an ethos positioning point of view, and that culture should work its way and penetrate everything they do down to the stock selection.”

BENEFITTING SOCIETY

While much of the focus on impact investing is on the environmental or ‘E’ in ESG, Reshma Sujjan tells panel moderator Prof. Annie Koh that the ‘S’ or social component is something she is paying special attention to.

“As awareness and commitment to ESG in Asia continues to grow, we find that more Asian companies and families are looking more closely at the ‘S’, the social benefit, from the outset of making investment decisions,” she says. “Issues like human rights and inclusivity have been

brought to the forefront...in addition to gender and diversity, which has been a talking point for a long time.”

For Elaine Teo, who muses that “I like to partake in building businesses, and not just being a passive investor”, it is back to the consumer packaged goods (CPG) space with a new company with a built-in sustainability ethos.

“We put purpose and impact as priorities because we feel that once you get that right, then the profits will slowly roll in,” she explains. “Rather than saying, ‘I want to have X amount of margin, and therefore I need certain ingredients,’ we want to feed the community well with quality products. And from there, we will talk about profits later.”

Darren Teo, Elaine Teo, Jansen Phee, Mitch Reznick, Reshma Lalvani Sujan, and Ronil Sujan were members of the discussion panel “Sustainable Investing Across Generations – What Does it Mean?” at the recent SMU Business Families Institute (BFI) conference, “Building a Sustainable World – The Role Business Families Can Play” that was held on 16 September 2021.

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