

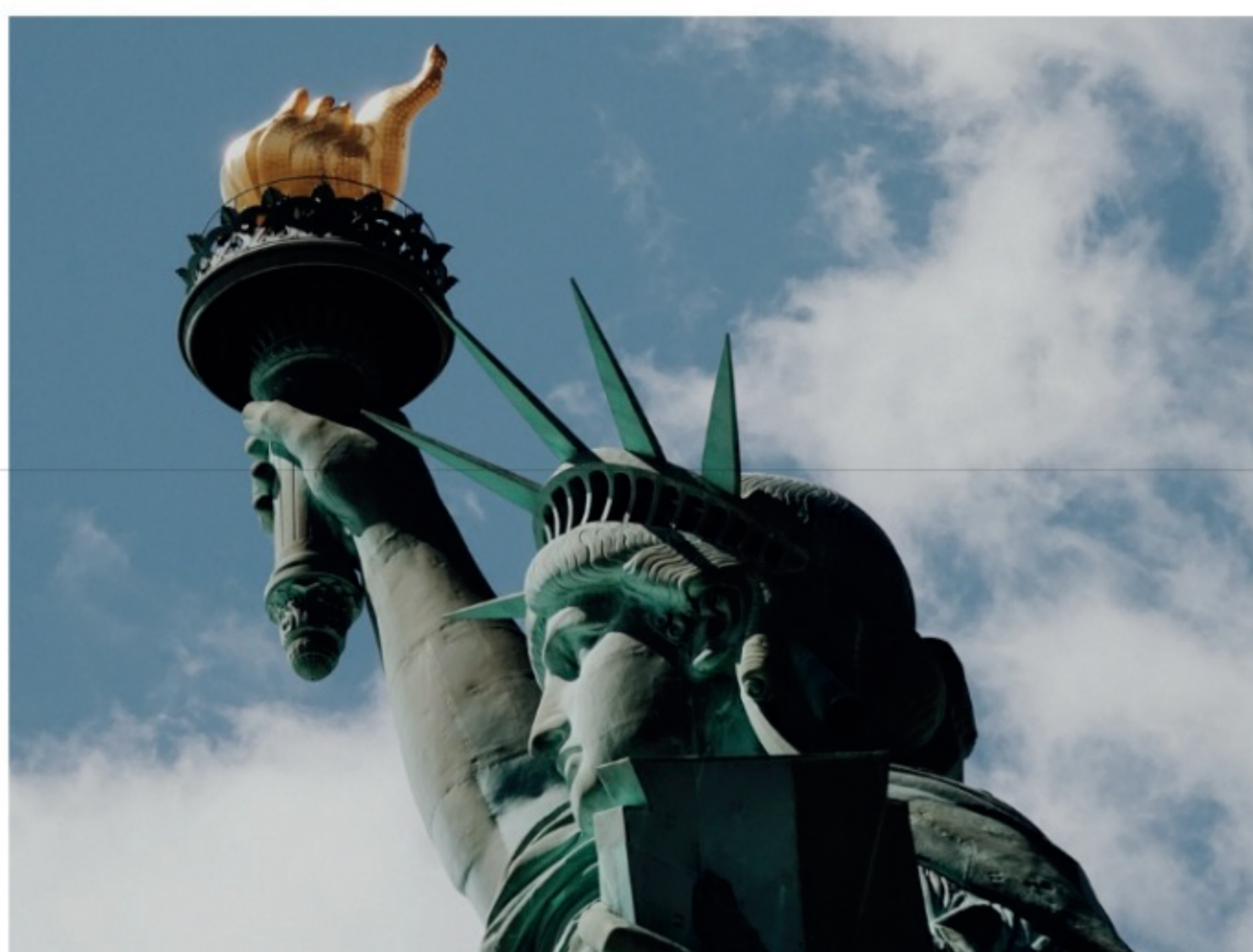
LAUNCHES

Investing for Liberty

by Julia Axelsson, CAIA



September 14, 2023



Stockholm (NordSIP) – Most investors dread geopolitical tensions and the uncertainty fostered by autocracies, having experienced first-hand the negative consequences of investing in non-democratic countries. Recently, Russia's invasion of Ukraine has highlighted those risks. Yet, even in peaceful times, autocracies tend to be much less economically efficient. It is, however, not a trivial matter for investors to avoid or mitigate their exposure to countries governed by autocratic regimes.

To aid equity investors in this pursuit, on 13 September, TOBAM, a French research-driven systematic asset manager, **launched LBRTY®**, a civil and democratic rights equity strategy which leverages the company's quantitative expertise. The strategy aims to systematically assess the risks associated with a lack of civil liberties and democratic rights to build equity portfolios that substantially mitigate the exposure to autocratic regimes.

"This new strategy is the logical extension of TOBAM's dedication to liberty and diversity, together with its high-tech ability to measure exposures and build portfolios," comments Yves Choueifat, TOBAM's President and Chief Investment Officer. "We are convinced that protecting human rights and democracy is one of the two keys to economic growth and innovation, alongside diversification. Our only motivation is risk-reward and financial performance. Investing in democracy and civil liberties is financially beneficial for long-term investors, providing attractive risk-reward and financial performance."

TOBAM's new strategy is based on original and extensive research on portfolios' exposure to authoritarian regimes. Having established that there is indeed a 'tyranny risk driver' independent from other risk drivers, the analysts reach the conclusion that most of a portfolio's exposure to this driver is indirect. More importantly for investors, the tyranny driver is negatively rewarded over time.

"Research shows that greater freedom leads to improved economic conditions, which has a positive effect on local stock markets," explains Christophe Roehri, Deputy CEO at TOBAM. "Countries with autocratic regimes underperform in the end, both in terms of economic and investment performance."

The LBRTY® strategy will, therefore, strive to exclude non-democratic countries based on factors including civil liberty, inclusiveness, rule of law and corruption, etc., based on a proprietary methodology. The portfolios will be constructed to drastically lower the exposure to stocks with significant economic ties to non-democratic countries.

"The LBRTY strategy offers a ground-breaking solution to the investment risks attached to authoritarian regimes exposure," says Roehri. "It provides a two-pronged approach: a top-down country view combined with a bottom-up corporate view, measuring exposure to autocratic regimes. Given the interdependence of global supply and distribution channels, it is essential to include both approaches in the investment process."

TOBAM is simultaneously launching three Luxembourg-registered UCITS funds covering global, global ex-US and emerging markets equities. All of the funds are Article 9 SFDR compliant. The strategy is also available via three live indices, published with a start date as of September 2008, illustrating the potential benefits of the approach over the last 15 years.

Image courtesy of Jerome on Unsplash



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Julia has accumulated experience in asset management for more than 20 years in Stockholm and Beijing, in portfolio management, asset allocation, fund selection and risk management. In December 2020, she completed a program in Sustainability Studies at the University of Linköping. Julia speaks Mandarin, Bulgarian, Hindi, Russian, Swedish, Urdu and English. She holds a Master in Indology from Sofia University and has completed studies in Economics at both Stockholm University and Stockholm School of Economics.

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