

TOBAM launches civil and democratic rights equity strategy

LBRTY



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12 September 2023 • 2 min read

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Image: 'Research shows that greater freedom leads to improved economic conditions, which has a positive effect on local stock markets.'

TOBAM has launched a civil and democratic rights-focused strategy named LBRTY.

The equity strategy will aim to mitigate exposure to countries governed by autocratic regimes to make sure investors do not bear the potential risks related to a lack of civil and democratic rights.

The company's portfolio research has revealed several issues on the matter, including the presence of a 'tyranny risk driver' which is negatively rewarded over time. Most of a portfolio's exposure to such risk is indirect; and the tyranny risk driver is independent from other ones, the firm said.

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As a result, TOBAM explained the LBRTY strategy will exclude non-democratic countries based on factors including civil liberty, inclusiveness, rule of law and corruption, as well as constructing portfolios by "drastically lowering" the exposure to stocks with significant economic ties to non-democratic countries.

LBRTY will be available via three UCITS equities funds domiciled in Luxembourg: a global fund, a global ex-US strategy and an emerging markets fund. All three are labelled as Article 9 under the EU SFDR.

The strategy will also be available via three indices: the TOBAM LBRTY All World Equity, All World ex-USA and Emerging Markets Equity index, to mirror the same universes as the three Luxembourg-domiciled funds.

Yves Choueifaty, president and CIO of TOBAM, said: "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.

"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."

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Christophe Roehri, deputy CEO of TOBAM, added: "The LBRTY strategy offers a groundbreaking solution to the investment risks attached to authoritarian regimes exposure. 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.

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