



The Investment Landscape in the Post-Pandemic World

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The Changing Investor Landscape

The Investor Relations (IR) professional so far has very much been building on the responsiveness to challenges they were facing in the industry. Over the course of the past years, we have seen the effects of MiFID II, growth of passive investing, a shift towards thematic investing as well as an increased focus on Environmental, Social and Governance (ESG) and not to mention, the pandemic.

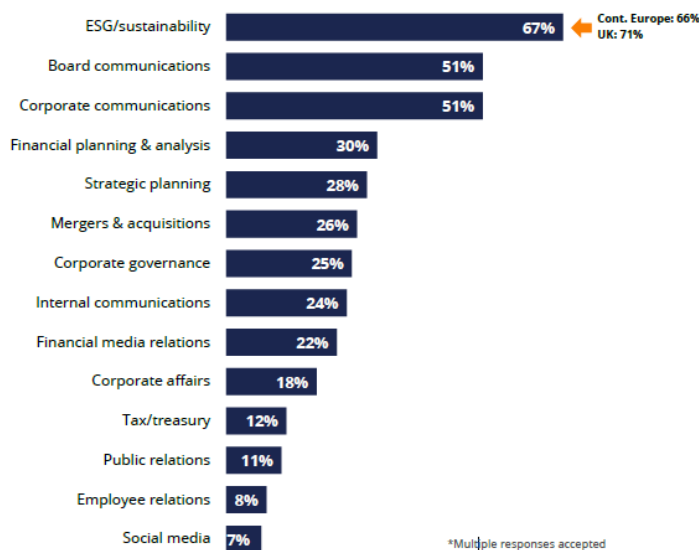
Initially, many of the changes were already on the way, however the pandemic enforced these changes and developments to take shape much quicker. I recall from an event I attended back in 2017 – which was an ESG

Roundtable where representatives from all sides were present – the meeting outcome basically stated: Governance will remain an umbrella topic. Much has been done on the Environmental aspect and that is likely to continue... but going forward we will see a stronger shift towards Social. I believe, that is exactly where we are now. More and more investors' topics throughout the pandemic have been focusing on health and safety measures implemented in the work place, processes and procedures to support employees and their families as well as remote working and working from home concept details.

Interestingly enough ESG/sustainability is gaining more and more importance in the IR workflow, while Board communications and Corporate Communications remain parallel leading responsibilities, according to the Rivel publication on IRO Compensation.

THE IR WORK ENVIRONMENT

Other Responsibilities That Require an Important Amount of Time* (Aided)
(Among Europe Senior-Most IROs; n=269)

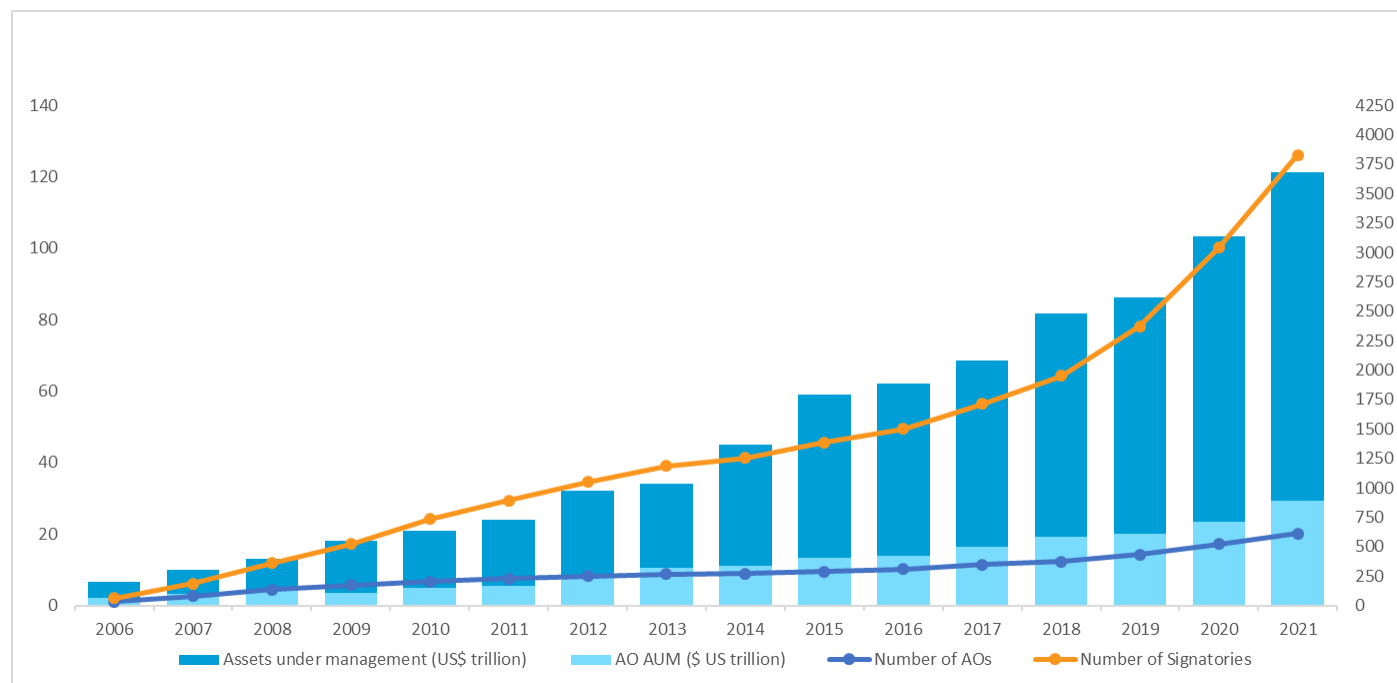


Source: IRO Compensation, Rivel, Inc., July 2021

Now, taking a step back and considering the COVID-19 pandemic, environmental challenges and deepening social inequalities, we can see that the signatories to PRI nearly doubled in the past two years and concurrently the Assets under Management increased exponentially. PRI's 2021 – 2024 Strategy is to focus on building a bridge between financial risk, opportunities and real-world outcomes. "In the coming three years, the PRI will help signatories understand what this looks like in practice, how to integrate and how to measure outcomes, while remaining grounded in fiduciary duty and the broader role of investors in society."¹ Its strategy further points out the integration of ESG

¹Principles for Responsible Investment, PRI 2021 – 24 Strategy, <https://www.unpri.org/about-us/pri-2021-24-strategy>

into the financial and regulatory environment, as well as the alignment of financial systems and sustainability. All of which will lead to a global sustainability reporting system for investors as well as corporations.



The Future of Investments

Digital transformation and technological advancements had already been a part of our lives before the pandemic. Yet, during this time, developments have taken place much quicker, even in the investment world. Alongside the trends in sustainable investing and ESG, states Franklin Templeton APAC in its Investment Themes piece, “artificial intelligence, cloud computing, gene therapy, personalised medicine, biotech innovation, state-of-the-art robotics, data science, decentralised networks and blockchain, and other disruptive technologies are reinforced during the pandemic and it’s seen not only in the developed markets, but the emerging markets as well. Such trend will shape the society for years to come and it presents investment opportunities for long-term investors.”²

With the pandemic and the increase in passive funds, index funds and ETFs, thematic investing have become a trend topic again. While thematic funds are typically launched towards the end of a bull market, it is a niche item without being limited to geographical reach necessarily. Interest clusters are formed into distinct groups that carry a broad theme, such as the rise of the internet or the dot.com fury. Blackrock’s “Thematic Research and Investment Group (TRIG) identifies long-term themes driven by one or more of the 5 global megatrends” and further proceeds to “apply a repeatable process to decide if the theme is better suited to an index approach (investing in a broad range of companies selected through a set of rules), or an active approach (investing in a select number of companies chosen by a fund manager).”³ As the world is in turmoil, with pressure on the world’s food systems, the restoration need for lands, forests and oceans, environmental thematic investing is expected to grow in 2022. For instance, the rise in gas and power prices calls for an increased need for renewable energy infrastructure, such as wind, solar and hydrogen.

² Franklin Templeton APAC, Investment Themes, Investing in a Post-Pandemic World; <https://www.ftinstitutionalapac.com/investment-capabilities/investment-themes/investing-in-a-post-pandemic-world>

³ BlackRock, Thematic Investing, <https://www.blackrock.com/lu/individual/themes/thematic-investing/why-invest-thematically>

With the recent COP26 priorities, areas such as green hydrogen, residential solar energy, offshore wind development also become remarkable investible topics.⁴

New Consequences for the IR Workflow?

After MiFID II, we had seen a trend of specialists leaving way for the generalists. Back then I wrote a piece discussing how I used to go about educating generalists. "Communicating with generalist investors tends to rely very much on a personal effort from IR, while meetings with specialists tend to be more target-oriented."⁵ At that time, we had already seen a shift towards a more top-down investment style. Investors make their assessments according to the macro and country analysis, followed by sector allocation and investment themes, funneling through to stock picking and the final construction of the portfolio, today... what has changed? The top-down approach is still there, however corporate governance and sustainability questions have become an important criteria in the stock picking process. I would think, by the rate these holistic meetings are happening, no longer would there be a need for ESG only Roadshows. From personal experience, I can state that investors reaching out, irrespective of their style, definitely include questions pertaining to the companies' sustainability framework. The interest of how the company chooses to mitigate its risks, on a financial and non-financial basis, are questioned on a larger scale. The efforts of the senior management team, their personal performance criteria as well as their personal view on the overall country, sector and company business are now part of the regular discussion points. Some investors even present their strategy, processes or standards to enforce a proactive working environment with the company. Even though AGM topics may be discussed with proxy advisors, investors reach out prior to the General Assembly to better understand the company's position on certain agenda items.

Once again, and still continuing, are we, as IROs, faced with change. No one day resembles another day in our lives. Thankfully, we are flexible enough to adapt to changes quickly, adjust ourselves to regulatory as well as non-regulatory developments. Technological advancements, algorithmic implementations and robotic developments are already part of our daily work environment and we will continue to remain flexible as this is part of our work.

⁴ "Environmental thematic investing set for strong growth in 2022", The official blog of BNP Paribas Asset Management, <https://investors-corner.bnpparibas-am.com/investing/environmental-thematic-investing-set-for-strong-growth-in-2022/>

⁵ Educating generalists: Top tips for IROs, Müge Yücel, IR Magazine, <https://www.irmagazine.com/corporate-access/educating-generalists-top-tips-iros>