Dream Machine

Episode 5: Thembeka Stemela Dagbo: Impact, inclusion and mocktail margaritas

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Alex Matcham: Welcome to Dream Machine with me, Alex Matcham, and my colleague Laura Brown. Each episode, we're going to be speaking to one of our fund managers in an attempt to get to know the people behind the portfolios.

Laura Brown: That's right. Every episode we're going to be asking our investment expert what their favourite drink, packet of crisps or chocolate bar is.

Alex: As well as some other questions to help to get you to know them a little bit better.

Laura: Obviously we should say this isn't a promotion for any of the items that we're talking about. There is a whole world of snacks out there.

Alex: Indeed, as always, the content of Dream Machine should not be considered as financial advice nor nutritional advice. If you are unsure, you should speak to a financial advisor or a nutritionist. So with the disclaimers well and truly done, let's begin. This episode we're talking to Thembeka Stemela Dagbo, fund manager on our Impact Investing team at M&G Investments. Thembeka has been with us since 2018 and has a particular focus on diversity and inclusion investing. Welcome to Dream Machine, Thembeka.

Thembeka Stemela Dagbo: Thanks for having me.

Laura: And my first question is kind of how you felt about the idea of coming on a podcast about your dream vending machine item.

Thembeka: That was new. I was like, am I celebrity now?

Laura: Maybe after.

Thembeka: I know it was very interesting. I clearly have never been asked to do anything like that. So yes, found it quite intriguing.

Alex: Excellent. So I think it might be a good place to start to find out how you got into the world of investments within your career more generally.

Thembeka: So I actually had the opportunity to invest for a large bank in South Africa. And true story, I wasn't fully sure if I wanted to do it, but they sold me because at the time I hadn't been abroad and they said, well, you know, we actually going to take, interns from South Africa to do training in London. And I was like, sold. I’m definitely going to go for this one.

Laura: The glamour of London.

Thembeka: And it worked out. Unfortunately, we couldn't actually go abroad after all. But it was a good opportunity, and it sort of helped me see the world of equity research, which I didn't know existed before. I did economics before, so I liked, you know, analysing, economies. And for me, it didn't seem that much more different, was just kind of now doing it within the context of a company. So I actually was given the opportunity to go to the London office, and that's basically where I was for six years looking at the insurance stocks, and then kind of fell into the fund management world when, you know, I had the opportunity to join the Positive Impact team. And that's really how I ended up here. It wasn't necessarily planned, wasn't really sure what I wanted to do for quite a big chunk of my university career. But really, the world led me here and it's been interesting and cool so far.

Alex: And impact investing more specifically. Is that something that drew you in? Is there something in particular that you like about that area?

Thembeka: To be honest, I didn't really have a proper idea of impact investing. I think as with many clients, when we initially launched the fund, the distinction between ESG and impact wasn't quite clear, even to me when I was interviewing. But interestingly enough, my line manager at the time, his approach was more around you can turn an investment professional into a sustainability or an impact investor, but it's difficult to turn someone who just did impact and sustainability into a good analyst. And I think that was probably the right approach because, you know, it was a very nascent industry within the publicly listed market. So we were really all learning in real time how to think about impact, how to measure impact whilst looking at listed stocks. And so from that perspective, it was actually really helpful for me to be able to break into the industry because it didn't feel as though I was starting at a deficit.

We're all pretty much new to this, and so it was really about trying to create new frameworks, trying to even create, I guess a franchise out of nothing. So it was very entrepreneurial, you know, having to take quite minimal seed funding and grow it into a $1 billion fund in a short space of time. That was something that was pretty exciting. And from what I hear, because I obviously I haven't been in fund management my whole career is very new. You know, it's not like you were inheriting a fund. It was really just as a team starting from the ground up, learning the industry, actually having a say or having a voice in how the frameworks within the industry were being developed, in how we can measure and to hold companies accountable from an impact investing perspective outside of just ESG and sustainability. And so it was actually a really great, it's been a really, really great very entrepreneurial. And I can be quite risk averse so that was a good way to explore.

Laura: So will we see that in your snack choices? That is probably an excellent way for me to kind of segway clumsily into our first vending machine. At your dream vending machine, what is your drink of choice?

Thembeka: Well, if it's a dream world, I would love to, you know, go there and have a nice cheeky margarita cocktail.

Laura: Amazing.

Thembeka: Is this real?

Laura: It is a real non-alcoholic margarita. Cheers.

Thembeka: That's pretty good.

Laura: It's quite herbal at the back.

Thembeka: Is that non-alcoholic tequila or something? It must be.

Laura: I mean I would go non delicious as a conclusion.

Alex: As I mean I'm not a massive margarita fan and it's not changed.

Thembeka: You can't say that in my presence.

Alex: No, but this this is your dream machine.

Laura: So yeah it would be a properly iced.

Thembeka: Yes, shaken. I don't like the frozen ones. Yes. Just nice refreshing lemony, limey, rather drink.

Laura: You're relatively recently back from maternity leave. Is that right?

Thembeka: It's probably been about eight months now.

Laura: So isn't that recent at all. So return from maternity, how's that changed your kind of approach. Not approach to investing, sounds a bit too much. But your thought process about work, having been through that process myself.

Thembeka: Yeah. I mean I'm sure as someone who's gone through it, it's definitely, it feels like a baptism of fire. Like there's different phases just being away and sometimes being anxious about, oh my goodness, what am I missing? But then being back and then feeling as though you have to catch up everything and there's just not enough time. And whilst you're still catching up, you're having to also make decisions in real time so it can really feel, like a quite a big juggling act. And I think it's really just also about re-defining who you are as a person in a way, because there's now you've got a new title, right, mother. But you also don't want to lose your old titles as a fully formed adult human being. So I think there is a level of, you know, identity realignment in a way.

Alex: I'm going to ask the question that Laura half asked. But do you think it does change your perspective for an investor?

Thembeka: Yes. I mean, obviously, because we are part of the Global Positive Impact Fund. We do invest in social inclusion companies. And then of course, the Diversity and Inclusion Fund is around both diversity and social inclusion. You basically do get a more lived experience of how important social inclusion is, right? So what does it actually mean to have an inclusive work environment? It's not actually just about poor diversity. What how does it permeate throughout the organisation? How do policies go from just being a written policy to being a lived experience of a policy? There's sometimes gaps in workplaces with regards to that and how companies working to bridge those gaps.

I think one of the more interesting elements that I've had a newfound appreciation for is the fact that on our Impact Fund, we and the Diversity Inclusion Fund, we've invested in a child care company, for instance, and before it's just topical, child care will allow women to, you know, be able to remain and thrive within the workforce. But then when you actually do become a mother, you're like, oh my gosh, this is so important. So it does actually give you a better perspective about what is what that solution actually looks like in practice. And it allows you to be able to ask more probing and fully formed questions to these companies around how are you actually going about this and how effective are you being at, driving social inclusion through your products or services or just generally creating an inclusive workplace. So, yes, I think being able to walk a mile in someone's shoes and that in that way is it is, is certainly helpful. And it also reminds you to, in a sense, be humble about what you don't know about other areas of a portfolio that you might not have had a real life experience on, you know? So when we think about any social inclusion companies, if I'm in a position where I've got the privilege in this case, how would it feel to not be part of the represented group?

Alex: So thank you for your first choice. The jury's still out for me on the mock tail margarita. So let's move back to your dream vending machine and give us your choice of crisps.

Thembeka: Yeah, this was a tough one for me because they said crisps, but I actually love popcorn. Yes.

Alex: So we're making an allowance.

Laura: It is a dream machine after all.

Thembeka: Yes.

Alex: Here we have sweet and salty popcorn. Yes, but what would be your go to?

Thembeka: I just like the standard salt popcorn. If I'm feeling extra adventurous, I'll have butter. But you know, honestly, the sweet and salty is not bad. Because I don't like sweets. If I'm going to have sweets, having them through popcorn is also not bad.

Alex: So you're very much team savoury?

Thembeka: Absolutely. I never have dessert.

Laura: It's always.

Thembeka: It's always just. Yeah. My three course meals become two course meals really.

Laura: And you weren't tempted with any, like South African snacks at all?

Thembeka: And I mean, I like biltong.

Laura: Okay.

Thembeka: Yeah, but I didn't want to go there because biltong, unfortunately, in the UK is just not great.

Laura: Our sourcing might have struggled.

Thembeka: Yes, it would be logistically complex to acquire the right.

Laura: The biltong drying vending machine can wait.

Thembeka: Yes, exactly. Maybe the South African version for this podcast.

Laura: And something about, you know, what keeps you motivated, what motivates you in your day to day coming into work?

Thembeka: I think generally I just like what I do. I've always liked analysing companies. And I think just basically to be able to come to work and understand where a company has its competitive edge. Really also just be educated, just by, even listening to my team go through some of the companies they've been covering. It can really feel, it's a very mentally stimulating, I think, environment for me. Another thing is just it's it feels very different the day to day. Right. So one day I could literally just be analysing a company, the next day could be educating a conference room full of people about impact investing. The next day it's doing site visits in Tanzania without a hard hat on. So it can really feel very, I guess, adventurous. You know, you do different things. Experience companies in different ways and so that's very exciting for me.

Alex: And on the flip side, how do you switch off all of that excitement? What do you do to switch off?

Thembeka: Oh this is embarrassing. But just watching guilty television.

Laura: Thank goodness.

Thembeka: I know it sounds bad, and everyone's like “oh my goodness. Breaking bad is so amazing”. And I'm sure it's a wonderful show. It's just too serious and intense. I just want to watch some good Housewives of X. Love Is Blind is right now my jam.

Alex: Selling sunset.

Thembeka: I think there's been enough Love Is Blind and Married At First Sight. To like, keep me interested for now. So yeah, I just like to be able to just rest my brain sometimes.

Laura: Yes, I can completely resonate with that. Shall we go on to our final item? Let's do it. So I suppose this is quite difficult then given sweet is not your area, but you're going to have to pick a dream chocolate bar.

Thembeka: Definitely Snickers, simply because, just the energy you get from it.

Laura: This is serious.

Thembeka: It's the caramel and then the chocolate. I mean, yes, I think it's just.

Alex: An excellent chocolate bar. It's interesting. You know, you referenced the energy thing. I've never thought of it as a particular energy booster, but I think you're probably right.

Thembeka: Yes. I mean, when I was in banking, we used to come in to work at 6:30 in the morning and then sometimes would leave like eight, nine. Quite a lot actually. So there's always be that 4 p.m. lull where I was like I need a Snickers bar because I didn't really like coffee, so the this used to be my boost.

Alex: You talked a bit earlier on about what you learned in terms of that inclusion. Can you talk a little bit more about diversity and inclusion investing? Because it's a nascent area I think it would be fair to say, for anyone who's listening to this and give us I guess, the reasons that you see a strong future for that particular area of investing.

Thembeka: Yes. You know, I think you're right. It's definitely nascent, especially in how people think about it. Before it was really just about, make sure you have at least 30% women on board. But I think anyone can sort of attest to the fact that that's clearly not necessarily even scratching the surface when we think about our companies becoming more inclusive. But more and more, the case for diversity and inclusion is becoming less about just creating inclusive environments, but actually creating a situation where companies can continue to be on the front foot when it comes to their evolving customer needs. So we are seeing quite significant demographic changes across the board. As far as you know, women currently are estimated to make anywhere between 70% to 80% of the household decisions. So from a consumption perspective and large economies like the US and Europe, there's clearly a good business case for companies to have proper representation from a gender perspective, because the actual end user more and more within households is actually women. Even with regards to ethnic minorities, you're seeing a situation where because women and ethnic minorities are becoming more educated, they're getting good jobs. The consumption power is increasing quite significantly. And then even from an investment perspective, you're seeing women essentially gather quite a lot in assets. Part of it is because of inheritances.

Also, you've come to a situation where, like for instance, in the UK, around 60% of the UK's wealth is expected to be in the hands of women literally by next year, in the US as well in the next decade, about 30 trillion worth of assets are going to be in the hands of women. And so when you've got an environment where you've got these huge demographic shifts, both from a gender and ethnic minority perspective, to have companies that are not reflecting those evolving customer bases starts to not make quite good business sense right. So you have to futureproof your company to be able to pre-empt what those customers will need, to be able to do to create differentiated products. And generally, it doesn't just stop with ethnic minorities and women. There are so many pockets of opportunities, for solutions, whether it's creating solutions to help people with disabilities live full, lives, or there are so many opportunities and business cases that can really, frame the growth opportunities that are there when you just think about having an inclusive environment.

And so from an investment perspective, that's why we decided, to essentially launch a fund that could properly capture companies that are future proofed to be able to benefit and to thrive, given those changing landscapes from a demographic perspective. And that's essentially where, the idea to have a social fund came from.

Laura: Should we take wrap up and do an overview Alex of the Dream Machine.

Alex: Okay, so as your dream drink, we have ideally an ice cold margarita. In this instance, a mocktail margarita, as your dream savoury snack we'll say to extend the definition, we have popcorn, ideally salted and then as your chocolate bar, a very solid selection in Snickers. Thank you very much for your time today.

Thembeka: Thank you so much. Thank you.