



Circular economy solutions

Creating value through sustainable cycles



My-Linh Ngo
Head of ESG Investment

Marketing Communication

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“Active allocation to businesses focused on circular economy transition results in a positive impact and has the potential to deliver above market-rate returns.”

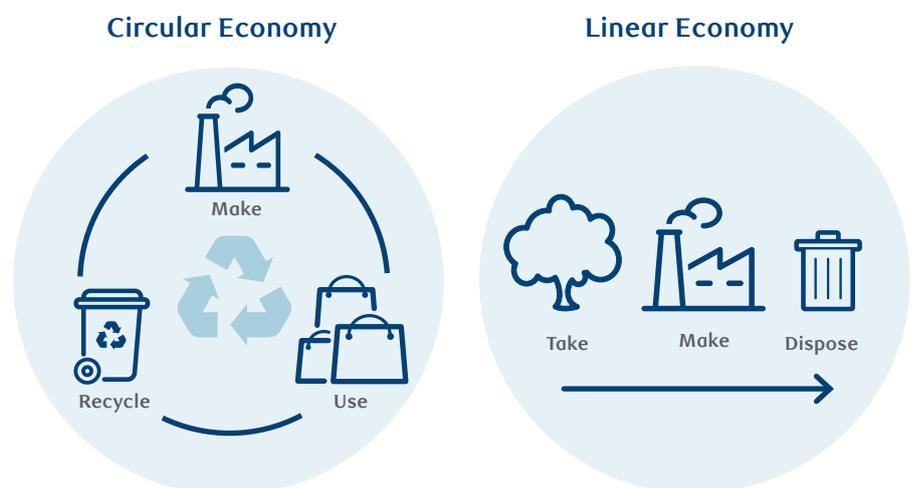
A circular economy makes sense

As sustainable investing continues to gather pace, the pressure on the investment community to promote ever more sustainable ways of consumption is also increasing. This stems from a need to preserve our natural environment, as global sustainability challenges like climate change, biodiversity loss and pollution become ever more pressing. The evidence is growing that such challenges are becoming systemic and are therefore starting to impact financial markets, economies and society as we know them.

From the linear to the circular

In contrast to the traditional ‘take-make-waste’ linear model, a circular economy is regenerative by design and aims to gradually decouple economic growth from the consumption of finite resources, which can degrade the natural environment.

The concept of a circular economy embodies the principles of how we need to reframe our thinking to break away from the destructive practices that currently dominate daily life. It is a systematic approach to economic development, designed to benefit businesses, society and the environment.



Reduce, reuse, regenerate...

Taking such an approach means looking at the products being produced, as well as the operational processes which result in their production. The investment community has been active in addressing both these aspects. For instance, in the last few years, there has been a focus on waste management, with single-use plastics in consumer goods and packaging getting a lot of attention.

Increasingly, efforts have expanded to consider the management of 'natural capital', in terms of how we are managing resources such as forests or the fish in our oceans. Improving process efficiency – 'doing more with less' – has also been a prominent theme, manifesting through efforts such as energy efficiency.

Investing with purpose

The aim of investors' efforts is two-fold. First, they're encouraging companies (whether through their investment selections or engagement activities) to consider alternative business models. Second, investors want to highlight that by taking a more proactive, strategic and holistic approach, businesses can gain competitive advantage – and if they refuse to change, they risk getting left behind.

This is particularly true in light of growing regulation, with regulators introducing targets on the treatment of waste and recycling, or with the taxation of certain products to disincentivise harmful practices, whilst introducing incentives to encourage those practices they want to promote.

Consumers and society at large represent another catalyst, as evidenced by public outrage at the damaging effects of plastics on our wildlife, and being fuelled by the rise of the millennial voice. Millennials are typically more focused on sustainability than previous generations, with a willingness to adopt socially-conscious consumer habits.

In conclusion, circular economy investing makes both environmental and economic sense, with businesses, investors and consumers benefiting from this innovative, long-term and sustainable model.

Circular economy investing at BlueBay



Our Impact-Aligned Bond strategy, which launched in May 2021, is a sustainability-focused, thematic public debt strategy focused on allocating capital to 'solution providers' – companies that make a difference today by addressing the problems of tomorrow. The team's highly experienced ESG specialists invest across seven people and planet-orientated sustainability themes, of which 'enabling a circular economy' is one. This circular economy theme centres around investing in solutions that improve the quality of the environment by designing out waste and pollution, keeping products and materials in use and promoting stewardship of natural systems.

Beneath this are sub-themes that encompass a range of topics including:

- energy & resource efficiency
- environmentally preferable products
- pollution control
- sustainable agriculture & food
- sustainable forestry/land/marine management
- waste management/recycling

The strategy invests in companies that focus on using materials in their products that are recyclable or contain recycled content, promoting energy or resource efficiency in industrial processes, as well as those which promote more sustainable waste management.

“A circular economy enables the opportunity to generate revenue from waste and to create innovative products and services that millennials and future generations engage with.”

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