



ESG Investing

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Awards 2023 Interview  
V-Square Quantitative  
Management



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# ESG Investing Awards 2023 Interview V-Square Quantitative Management

V-Square Quantitative Management was awarded Best Specialist ESG ETF Provider and Runner-Up for Most Innovative ESG ETF at the ESG Investing Awards 2023.





### **Mamadou-Abou Sarr** **Co-Founder, President and Chief Executive Officer**

Mamadou is the Co-Founder and President of V-Square Quantitative Management (V-Square) and V-Shares ETF, a subsidiary of Valor Management L.P. Mamadou founded V-Square Quantitative Management in 2020 after an accomplished career in asset management whilst working for global financial services company across the U.S., Europe, Middle East, and Africa.

His investment firm specializes in financial engineering, development and management of quantitative portfolios and processing of sustainability big data. Industry leader in the field of sustainable investing and financial innovation, Mamadou's previous role was global head of product development and sustainable investing at Northern Trust Asset Management in Chicago, where he was responsible for driving innovation and product development across asset classes. Mamadou spearheaded, developed, and led one of the largest sustainable investing platforms in the industry.

He has over twenty years of experience in asset management. Previously, Mamadou worked for HSBC Global Asset Management, Morgan Stanley Investment Management, Amundi Alternative Investments and Citi in trading, product specialist and business development roles in London, Paris, Abu Dhabi, and Dakar.

Mamadou is a Certified Investment Fund Director (CIFD) by the CIFD Institute. Mamadou received his bachelor's in economics from the Universite Paris-Saclay and holds a master's in international project management from the European School of Management (ESCP), Paris. He has published many articles and papers in professional and academic journals including Pensions & Investments, European Pensions, Environmental Finance, and the Journal of Portfolio Management. Mamadou has also spoken at more than 150 conferences in North America, Europe, Asia, Middle East and Australia and is a guest lecturer on sustainability at Wharton and ESCP Business School.

Mamadou is actively involved in philanthropic and civic activities. He serves on the boards of CFA Society Chicago, the Art Institute of Chicago, the Andy Warhol Foundation for the Visual Arts, the Nature Conservancy Illinois Chapter (TNC), the US SIF (The Forum for Sustainable and Responsible Investment).

In 2014 he was named in the Financial News "Top 40 under 40 Rising Stars in Asset Management" in Europe, Middle East, and Africa. In 2017, Mamadou was named a "40 under 40" by Crain's Chicago Business. In 2017 he was also recognized in Top 50 Individuals who contribute the most sustainable & responsible investment industry in the world (IRRI). He is a fellow of Leadership Greater Chicago since 2019, a member of the Economic Club of Chicago and an adjunct professor of ESG Investing at the Baumhart Center (Loyola University Chicago). Mamadou is a French Foreign Trade Advisor, appointed by decree of the Prime Minister of France. The French government bestowed the award of Knight of the Order of Arts and Letters (Chevalier de l'Ordre des Arts et des Lettres) on Mamadou-Abou Sarr in 2022.

# Interview

## Can you give us an overview of your ESG ETF offerings?

The “V” of V-Square stands for Virtus, Value, Values and Velocity. All these attributes contribute to the ethos upon which V-Square Quantitative Management LLC (V-Square) was formed.

V-Shares ETFs, the Fund Family of V-Square, was created to amplify very specific ESG themes in client portfolios. For example, we built the V-Shares MSCI World ESG Materiality and Carbon Transition ETF (ticker VMAT) with a vision that sustainability should be set upon an accounting standard. Our unique solution was to partner with SASB to create the first MSCI SASB aligned index that encompasses accounting standards and focuses on the financial impacts of sustainability, considering both the current and potential exposure to climate change transition risks and opportunities.

For ESG to become standard, and finally find its own place in portfolios as a core allocation, I believe that it must rely more on fundamentals as opposed to views that are slightly away from just pure investment merits.

Through the V-Shares ETFs, we are trying to achieve a set of outcomes that encompass environmental, social and governance, yet we also account for many drivers of performance that link to equity risk premia.

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## Where is most of the demand for your funds coming from at the moment, both in terms of company type and geographically?

We’ve listed our two ETFs on prestigious US Exchanges. VDNI is listed on the New York Stock Exchange and VMAT is listed on the Chicago Board of Exchange. We see global demand through investors that have the ability to buy internationally listed ETFs can access our Funds. From a client standpoint, we have seen great traction with individuals, wealth platforms, broker dealers and advisory firms.

## What changes over the last 2 or 3 years have you noticed in the type of ESG products that investors are demanding in terms of types of products and the thematics behind them?

This year we have highlighted four trends. The first one is the politicizing of ESG. If I were to show you the map of the US from an electoral standpoint, you have a significant divide between a Republican states and Democrat states in how they view ESG. For now, this division has narrowed the scope of ESG to only one subsector; energy, and one sub approach; negative screening. My view is that ESG will continue to go through cycles that I hope will conclude with ESG being considered multi-faceted with a plethora of approaches, styles and objectives.

Number two, innovation, is critical in our approach. If I were to tell you that 95% of the ETFs have the same top ten holdings, you’ll understand our concern and our urge to be the 5% difference. If you are replicating or mimicking other ETFs underlying indexes from an ESG standpoint, you’re not adding value to the marketplace or new securities to investor portfolios. So, I believe that innovation is extremely important.

Third, biodiversity, as we know, is a very important theme. More than a by-product of climate change, in 2023 and beyond, I’m expecting to see a hyper focus from asset owners on biodiversity in terms of overall allocation.

Finally, of all the asset classes, fixed income is probably the one that the industry hasn’t kept pace with the innovation of government bonds and other sub securities. Of course, Fixed Income is an asset class that V-Square have worked hard at to create new capabilities within.

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## On politics, if we have a Republican victory in the next election, is that going to be a threat to ESG in the US?

I do not consider it a threat per se. If you look at the political landscape, it’s a matter of state laws as opposed to federal laws. So regardless of who is in power, states will dictate their own policies and investors ultimately will make their own judgment, so I’m not concerned about the overall trajectory of ESG in the U.S.

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### **You have mentioned biodiversity. In terms of funds, what are the challenges and the risks associated with the investability of diversity?**

Indeed, the investability of biodiversity is the hard part. When we think about the Sustainable Development Goals (SDGs) as an investable concept, many may ask, “how can buying securities within a portfolio make an impact on biodiversity?”. One potential solution is a biodiversity fund designed to provide complementary value as opposed to a general fund. This solution increases the focus on companies engaged in the ecosystem and addresses biodiversity directly.

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### **Can you give an overview of what your data sources are, what data you use and your research?**

We ask ourselves a simple question; “How can we harvest and harmonize data when it comes to ESG?”. This is a cumbersome task because, with so many data points and so many data providers, it's hard for any analyst to read everything, understand all metrics and capture that information in a way that adds value. At V-Square, we answered that challenge by building a repository tool that is data agnostic. Our tool takes various feeds from data providers as opposed to just the holistic scores provided by index and research providers.

Our tool allows us to look at the different data elements which inform how we may use the sub-data within our investment process for any given security.

Also, research is critical. We come from a quantitative background and so believe that academic research should be the pinnacle of how we think. As such, we have partnered with different academic institutions in Europe and in the US so we can keep a pulse on what's happening on the research side in academia and force ourselves to question our own judgment and improve our own capability.

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### **Do you use third party ratings providers? Do you think that there is still a problem with the quality of ratings?**

We use different data sources, and we subscribe to several providers but do not buy their scoring methodology. Indeed, I'm interested in the underlying data and the impact on the bottom line of companies to formulate my own perspective. Today, 2%

of S&P500 companies provide sustainability reports; the data is improving but it's not going to be perfect. I'm excited about the evolution of the data and the fact that now there will be one consolidated reporting framework with SASB and the IFRS. This is the part that I think is ground-breaking and will allow us to have better quality data going forward.

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### **And with regards to funds, what's the situation in the US at the moment regarding greenwashing? For an investor, what's the best way to avoid greenwashing?**

People may say that ESG or sustainability could be the holy grail of investing with its potential to outperform and save the planet. But I feel that it is way more complex than that. Investors can start being more selective and question the narrative of asset managers.

We see this questioning approach in the US where regulators are looking to address greenwashing through policy, indeed, this questioning is a global theme. The great news for investors is that those asset managers who added the word “ESG” to their fund have had to take a more meaningful approach in light of changed policy. In fact, Morningstar has reclassified over a thousand funds that were previously listed as ESG on its database and MSCI fine-tuned their rating for all funds. These are signs of a move in the right direction where increased transparency is helping the end investor understand their ESG options.

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### **Can you just give us a quick overview of you of what you see happening to ESG in terms of growth of the market in the next sort of 1 to 2 years?**


I think about it over the longer-term rather than 1 or 2 years because, like many, I could not have forecasted the recent backlash on ESG. Through the industry saw a dip of ESG inflows in 2022, context tells us that there was a dip across all investment styles due to underperformance concerns and other asset portfolio risks being reshuffled.

Going forward, I see a strengthened credibility for ESG with investors. This will be a pivotal moment for our industry as investors learn more about how their ESG products fulfil their investing objectives. With better policy and more data, investors

will likely reshuffle their allocation as opposed to a trend down as asset managers see more scrutiny on the way they recommend capabilities to investors.

I'm still a true believer that over the medium and long run we will continue to enjoy growth in ESG.

For further information on anything you've read, please don't hesitate to get in contact with one of our team:

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**Important information:**

**BEFORE INVESTING YOU SHOULD CAREFULLY CONSIDER THE FUND'S INVESTMENT OBJECTIVES, RISKS, CHARGES AND EXPENSES. THIS AND OTHER INFORMATION IS IN THE PROSPECTUS, A COPY OF WHICH MAY BE OBTAINED FROM [WWW.V-SHARES.COM](http://WWW.V-SHARES.COM) OR BY CALLING 1 844 VSHRETF (1 844 874 7383). PLEASE READ THE PROSPECTUS CAREFULLY BEFORE YOU INVEST.**

Investing involves risk including the possible loss of principal.

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