CITYWIRE DUE DILIGENCE REPORT 2024

Capes of sustainability

Meet the change makers

Managers with a focus on sustainability and impact wear many different capes in their quest for positive change. We spoke to five managers, investing in bonds and equities across large and small caps and developed and emerging markets, to learn more about their superhero strategies and their investments that are making an impact.

The approach of Artisan Partners' sustainable emerging markets team centers around progress and not imposing first-world absolute standards.

'Even companies in negatively connotated industries and countries can be sustainability leaders in emerging markets,' says Maria Negrete-Gruson, a New York City-based portfolio manager.

One holding in its Sustainable Emerging Markets fund is Vale, a Brazilian multinational metals and mining company with a focus on nickel, copper and iron ore – increasingly important materials for electric vehicles and renewable energy systems. Another is Copa Holdings, a Panamanian regional airline with a focus on employee diversity and retention.

The team sees sustainability as an intrinsic capacity to make the right strategic choices that bring continuity to shareholders, employees, customers, suppliers and communities. 'We avoid companies that aren't open to engagement on sustainability practices or won't commit to improvement,' says Negrete-Gruson.

The first, empirical component of its sustainability assessment is forward-looking and centered on long-term coverage of companies, industries and countries. The second, incident-based component is based on the frequency and severity of sustainability transgressions. Every portfolio holding has a sustainability score, which informs its target price for a company.

'Following a series of catastrophic incidents, Vale transformed its culture to become a leader in health and safety. In 2023, it recorded its lowest accident rate in the past 15 years,' adds Negrete-Gruson.

'Copa trains and employs one of the highest numbers of female pilots. Its robust pilot recruiting and training initiatives mitigate availability concerns and help to create a sustainable competitive advantage.'

Investment Risks: Non-diversified portfolios may invest larger portions of assets in securities of a smaller number of issuers and performance of a single issuer may have a greater impact to the portfolio's returns. International investments involve special risks, including currency fluctuation, lower liquidity, different accounting methods and economic and political systems, and higher transaction costs. These risks typically are greater in emerging and less developed markets, including frontier markets. Such risks include new and rapidly changing political and economic structures, which may cause instability; underdeveloped securities markets; and higher likelihood of high levels of inflation, deflation or currency devaluations. Securities of small- and medium-sized companies tend to have a shorter history of operations, be more volatile and less liquid and may have underperformed securities of large companies during some periods. Investments will rise and fall with market fluctuations and investor capital is at risk. Investors investing in strategies denominated in non-local currency should be aware of the risk of currency exchange fluctuations that may cause a loss of principal. These risks, among others, are further described in Artisan Partners Form ADV, which is available upon request

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For the purpose of determining the portfolio's holdings, securities of the same issuer are aggregated to determine the weight in the Strategy. The holdings mentioned above comprised the following percentages of a representative account within the Sustainable Emerging Markets Composite's total net assets as of 30 June 2024: Vale 1.3% and Copa Holdings 1.1%. Securities named in the Commentary, but not listed here are not held in the portfolio as of the date of this report. Portfolio holdings are subject to change without notice and are not intended as recommendations of individual securities.

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