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## Changing the Landscape of Sustainable Investing Again

Rockefeller Asset Management Introduces a Complementary Approach to Mainstream Climate Funds

by Filipe Wallin Albuquerque on August 26, 2021

In the quest for sustainable investments, the European Union's regulatory leadership has put the bloc ahead of the rest of the world. However, with a new, climate-friendly administration in the White House, new opportunities are likely to emerge on the other side of the pond. European investors seeking to support these efforts and reap the returns of America's impending green transition will benefit from having a partner overseas to help them navigate the landscape of sustainable investment opportunities.

Rockefeller Asset Management (RAM), an American asset manager with a long track record, a commitment to ESG investing and extensive access to sustainability expertise, is keen to guide European institutional investors through these new opportunities. RAM has been expanding into Europe by leveraging ESG Improvers and thematic equity research capabilities, its 30-year history of sustainable investing, decades of shareholder engagement experience and a unique network of experts and specialists in the field of climate change. Encouraged by this proposition, European and Nordic interest in the asset manager's approach has been on the rise, according to RAM. The firm recently surpassed US\$2.5 billion in assets from European investors and launched its third equity UCITS fund, the Rockefeller Climate Solutions Fund, in December 2020.

### ROCKEFELLER ASSET MANAGEMENT'S PROPOSITION

For over 9 years RAM has been incubating its Climate Solutions strategy, designed to benefit from the global efforts to adapt and mitigate the effects of climate change. The strategy, which offers a differentiated, often complementary approach to the widely held larger cap, mainstream climate funds, was only recently made widely available to investors. In addition to the UCITS fund unveiled late last year, RAM launched a mutual fund for U.S.-based investors in July.

Three characteristics differentiate RAM's thematic equity proposition regarding climate adaptation and mitigation solutions, according to Chip Montgomery (Pictured), Head of Business Strategy and Corporate Development efforts across RAM. Montgomery argues that RAM's 9-year track record investing in environmental markets, a "pure-play" global approach, and its scientific network, all testify to the asset manager's credibility in this field.

RAM stands out from its peers because of its long-standing commitment to sustainable investment, shareholder engagement expertise, and ability to leverage scientific experts to bridge the gap between climate science and investing," Montgomery says. Montgomery highlights



*Chip Montgomery,  
Head of Business  
Strategy and Corporate  
Development at RAM*



*Casey Clark, Global  
Head of ESG  
Investments and  
Portfolio Manager at  
Rockefeller Capital  
Management*

RAM's ability to take advantage of its intellectual capital built from over 30 years of global and sustainable investing, to help investors navigate changing waters.

"Rockefeller has a rich history in sustainable investing, dating back to our first mission-related fund back in 1977. Our global ESG track record is 30 years long," Montgomery explains. "Our Climate Solutions strategy, which is only now being broadly marketed to outside investors for the first time, can be traced back nearly a decade. Investors have been drawn to the strategy given our global pure-play approach, meaning we focus on firms with meaningful revenue exposure to key environmental sectors such as renewable energy, energy efficiency, water, waste management, pollution control, food & sustainable agriculture, healthcare mitigation, and climate support services."

"We believe this global equity strategy is differentiated in that it focuses mostly on earlier stage public equities in the field, using the style box the strategy mostly falls into the small and mid-capitalization category and therefore complements the larger mainstream funds currently available in the market with little overlap in holding." Montgomery points to research from Bernstein on ESG Unicorns (startups with a valuation in excess of US\$1 billion) supporting this early investment approach and highlights the relevance of early-stage companies seeking to aid in the transition to a sustainable future. "Unicorns collectively represent US\$2.9 trillion in equity valuation, with approximately 50% based in North America, followed by Asia and Europe," Montgomery says. According to the Bernstein report, 23% of these Unicorns are companies focused on ESG or meaningfully contributing to one or more of the UN Sustainable Development Goals. "This pipeline of unicorns leads us to believe that more companies producing climate mitigation or adaption solutions will become public in the months and years ahead."

Casey Clark, Global Head of ESG Investments and Portfolio Manager at Rockefeller Capital Management, elaborated on the benefit of leveraging scientific experts. "Understanding the intersection between science and investing is key to our thematic equity research process. Our long-standing collaboration with The Ocean Foundation, a leading scientific non-profit led by Mark Spalding, has helped support our idea generation, research, and engagement process." In several instances, RAM starts looking at and following companies pre-IPO to understand what lies ahead in terms of competition and new products and services.

## THE NETWORK EFFECT

The networks of experts available to RAM cannot be overstated, according to Montgomery. "By virtue of the global reputation that the Rockefeller name and brand enjoy, we believe we have access to one of the world's foremost networks when it comes to information on climate change adaptation and mitigation. By investing alongside the Rockefellers, our partners, in many cases, can gain access to that network," he explains.

"Mark Spalding and his team of experts at The Ocean Foundation regularly advise our portfolio managers and engagement experts, bridging the gap between science and investing," Montgomery adds.

"We also have a large network of specialists that we reach out to when the occasion presents itself. For example, our investors have benefited from our ability to tap the expertise of the Rockefeller Foundation about the future of agriculture, professors at the New York University (NYU) to discuss emerging solar panel technologies, and researchers at the World Resources Institute (WRI) about the potential of hydrogen in the energy transition," Clark adds.

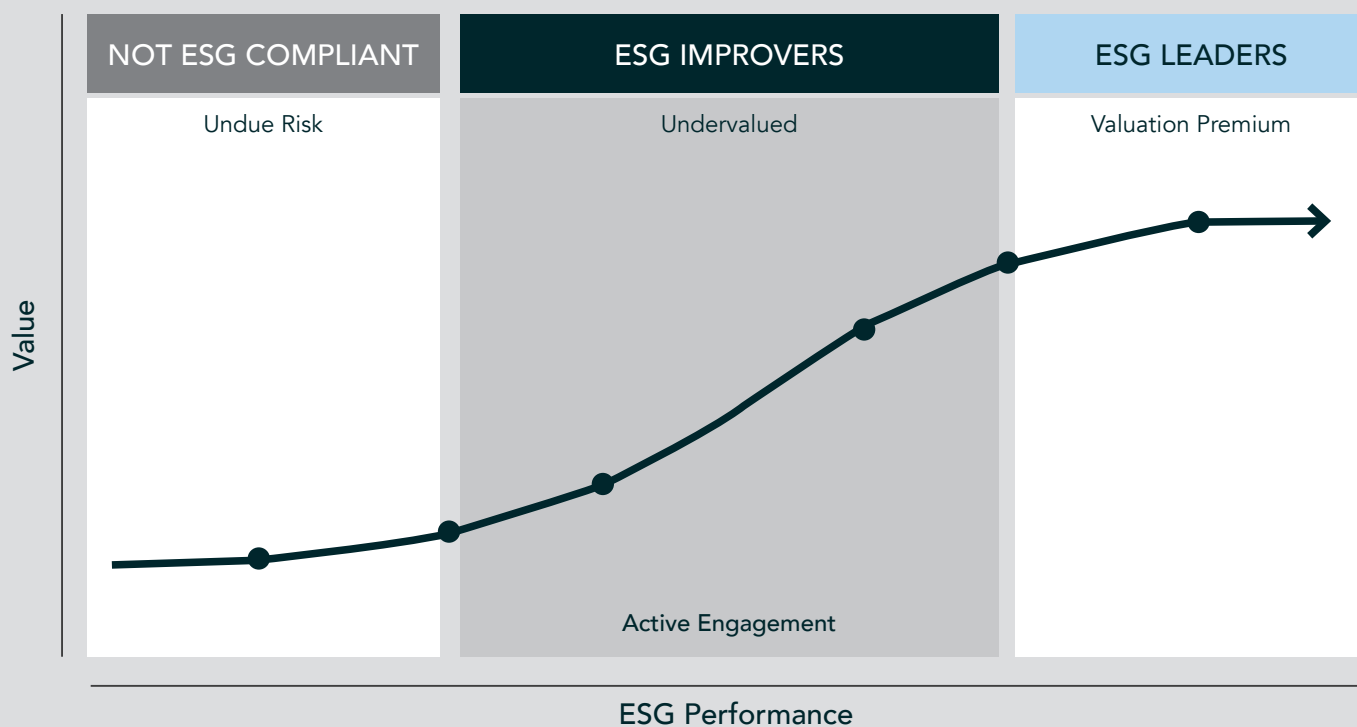
## NEW INVESTMENT OPPORTUNITIES ACROSS THE POND

Despite Europe's leadership, new opportunities are arising on the other side of the Atlantic Ocean. "I believe that U.S. policymakers are starting to make great strides," Montgomery says. "The Administration's commitment to climate policy is real, and it cuts across many aspects of the federal government. There is also a seat at the national security council dedicated to climate change. The focus will eventually turn to policies that will help the U.S. mitigate and adapt to the impact of climate change," Montgomery continues.

"Infrastructure is one key focus for the Administration," Clark says. "Companies helping to improve energy efficiency, produce renewable energy, offer sustainable agriculture solutions, deliver low-carbon and healthy sources of food, and upgrade the infrastructure stand to benefit," Clark explains.

"Investors should consider whether their investment portfolio is too European-centric," Montgomery suggests. "If America is about to take off with regards to climate adaptation and mitigation solutions, savvy investors want to identify a reliable partner to tap into the market at this early stage and invest," Montgomery continues.

## ESG Improvers are Tomorrow's Leaders



Source: Rockefeller Asset Management; Serafeim, G. 2018, 'Public Sentiment and the Price of Corporate Sustainability', Financial Analysts Journal, 76 (2): 26-46.

"Our Climate Solutions strategy is well-diversified across regions, including meaningful exposure to U.S.-based companies. As we identify opportunities that arise in the U.S., we are well-positioned to understand them and invest early," Clark adds.

### LEADERS, IMPROVERS AND THEMATIC APPROACHES OFFER DIVERSIFICATION OPPORTUNITIES

As European allocators consider diversifying geographically, the appeal of RAM's broad product offering is the range of approaches the asset manager can tailor to investors' preferences and their sustainable investment area of focus. "We believe that asset allocations of the future will have sleeves for thematic strategies, ESG leaders and also ESG improvers" Montgomery explains.

"ESG improvers strategies focus on firms with an improving ESG footprint, complement thematic styles of investing and can help deliver uncorrelated alpha over the long-term. At Rockefeller, our portfolio managers leverage fundamental, quantitative, and engagement analysts to understand companies' ESG trajectory and areas for improvement." Montgomery continues.

"ESG Improvers strategies are different from our thematic strategies, such as Climate Solutions, that invest in companies delivering products or services that are solving some societal challenges," Montgomery adds.

"We believe that we can generate alpha and positive outcomes by identifying ESG Improvers - or tomorrow's leaders - and utilize our shareholder engagement process to drive change and position companies to thrive in a sustainable future," Clark says.

### EUROPEAN AND NORDIC INVESTORS CONTINUE TO LEAD THE WAY

RAM's approach, combined with its expertise, positions the asset manager to help guide European investors through the impending U.S. sustainable revolution which Montgomery and Clark foresee taking their country by storm in the coming years. European asset owners' recognition of the value of sustainable investments places them at the front of this queue to tap America's sustainability potential, the asset managers explain. Interest from the Nordic region, in particular, has been encouraging, according to Montgomery.

"European and American investors are at different stages of experience when it comes to sustainable investments broadly, and climate change specifically," says Montgomery. "Europeans and Scandinavians tend to have a clear understanding of the implications of climate change on their investment portfolios. This recognition has spilt over from the public at large to the investment community. According to research published recently by Morningstar, Europe represents approximately 80% of sustainable assets globally. We appreciate the leadership from Europe and the Nordics,

and believe that the U.S. will follow," Montgomery adds.

"Unsurprisingly, the Nordic region is a very important opportunity and the focus of our European journey, given the region's leadership on climate change. According to the World Economic Forum (WEF)'s Clean Energy Transition index published in May, Sweden ranks at the top, followed by Norway, Denmark, with Finland ranking in 6th place. The rest of the leading countries are also European. European investors, particularly in the Nordic region, understand climate change, feel its effects and care about it, which means they are acutely tuned to our investment proposition," Montgomery continues.

"Our commitment to Nordic and European investors is going to grow. RAM intends to establish an office in London shortly as a starting point to our European expansion plan. To ensure that we are doing this in a first-class way, it is paramount that we are on the ground, partnering with European allocators and asset owners. I plan to relocate to Europe in early 2022 to establish and forge these relationships. We see that our research and engagement process is already resonating with investors in Sweden, Norway, Finland, and Denmark. We are only just beginning," Montgomery concludes.

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