

‘We want the guys who drive that change’



In line with its motto ‘Invest in a sustainable future’, Paris-based asset manager Montpensier has launched the M Climate Solutions Fund, an all-cap, global thematic strategy.



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WHAT'S THE IDEA BEHIND THE M CLIMATE SOLUTIONS FUND?

We want to invest in businesses that drive change and generate a positive impact on climate change. Based on our belief that corporates are part of the solution, we have identified three investment themes within the Fund - responsible energy, natural capital preservation and efficient transportation.

Unlike other thematic strategies that might follow a broad approach, we want to offer clients a strategy that is purely committed to the thematic idea. The Fund is certified with the Greenfin label, created by the French Ministry of Ecological and Solidarity Transition. The label follows strict exclusion criteria and defines three levels of so-called green share intensity. Green share refers to the percentage of revenues generated by green activities - from low or below 10%, to medium, which is between

10 and 50%, and high, so more than 50%. We only consider stocks for our core portfolio that are part of the medium or high range.

WHAT ELSE MAKES THE FUND STAND OUT FROM OTHER CLIMATE-FOCUSED THEMATIC STRATEGIES?

The M Climate Solutions Fund is not just a green energy fund. It's a climate transition fund. We invest in innovative products and solutions that seek to keep global warming to a minimum and positively impact climate change. That's why we have the Towards Sustainability label that covers the social and governance side and the Greenfin label, which we interpret in a much stricter way than is required by the label itself.

You see, many companies are looking for ways to benefit from the appetite for green assets right now, but they haven't actually built a solution yet. They may work on developing one that is ready to be sold in a few years' time, but that's not what we are interested in. We invest in already established or fast growing businesses, because they provide solutions that have been accepted by the market and can benefit from secular growth trends. We want the guys who drive that change, not the ones who might become greener eventually. Our goal is to be invested in the people who will help others achieve their climate targets.

WHAT DOES YOUR INVESTMENT PROCESS LOOK LIKE?

We start with a very broad investment universe, the MSCI World index. Based on international conventions and the exclusion of sectors like fossil fuel and nuclear, we narrow it down to about 4,500 firms.

The next step consists of scoring and ranking

the companies, which is based on a two-fold approach. For one, our in-house model determines the eligibility of these companies within the climate transition theme to ensure that the businesses fulfill our specific requirements.

Additionally, we also conduct carbon emission scoring, which takes the firms' previous and current emissions as well as past and future targets into account. Once we have a good understanding of these companies' involvement in the climate transition and the potential of their technology, we exclude the lowest-rated 20% of them.

The resulting 600 stocks also include firms that screen well but are not actively driving climate transition. Real estate companies, for example, may be building green houses, but they get their technology elsewhere. They are not at the heart of innovation. We exclude these companies, which leaves us with approximately 400 firms, c.40 of which make it into our portfolio.

HOW DO YOU BUILD YOUR PORTFOLIO?

We combine our strong thematic focus with regulatory analysis. For us, it's important to invest in businesses that are not dependent on subsidies but can operate and thrive on their own.

Based on technology assessments, we can identify technologies at different maturity steps, which enables us to generate alpha over time. Once we have established the thematic base, we refer to conventional bottom-up stock picking. We invest in today's and tomorrow's leaders, so companies that have an edge and or are able to provide products and services at cheaper costs than their peers. Put differently, we bet on technology and innovation to fight climate change.