Responsible Investing

Philosophy & Approach

The increasing relevance of environmental, social and governance (ESG) factors may present challenges or opportunities that impact long-term investment performance. Identifying material ESG issues and incorporating them into our investment decision-making is part of our fiduciary duty and is consistent with our objective to invest in enduring businesses over the long term. We believe assessing long-term risks and opportunities related to ESG issues enhances our ability to build resilient portfolios that will provide strong risk-adjusted returns.

Our approach to responsible investing (RI) is consistent across all of our investment strategies. We only invest in companies that perform strongly across our bottom-up investing framework, including factors such as quality of management, franchise and business outlook. We recognize that ESG risks and opportunities may meaningfully impact our assessment of a business within this framework, including its competitive position, ability to innovate and the changing dynamics of the industry in which it operates. A company must be able to stay relevant and generate long-term benefits for stakeholders in an ever-evolving world.

In our view, strong governance underpins a company's ability to effectively identify and address risks and opportunities in the interest of all stakeholders. We have found that companies with strong governance qualities, including a thoughtful board and management team, a long-term focus and strong alignment of interests, tend to address environmental and social issues more effectively. Companies that manage these issues well tend to view them as fundamental aspects of corporate culture, strategy and operations. For more information on our guiding corporate governance beliefs, please refer to our Proxy Voting guidelines.

Strong management of ESG issues may benefit companies in a myriad of ways, including brand strength, pricing power, operational efficiency, productivity, ability to pursue new sources of revenue, ability to attract and retain employees, lower balance sheet and/or operational risks, and lower cost of or greater access to capital. Ultimately, the integration of ESG factors helps us identify industry leaders with sustainable competitive advantages.

We do not employ a values-based or exclusionary approach to ESG matters. Potential issues are considered on a case-by-case basis, weighing challenges against potential offsetting positives within our investing framework. We value transparency and a commitment to continuously improve over time. We will choose not to invest if a company's approach to ESG is likely to impede our ability to realize attractive risk-adjusted returns.