

Investing for a better world

Charles Montanaro, Chairman of asset manager Montanaro, explains how climate change poses a global threat that requires investors to be more engaged and proactive

Amid the permafrost of Siberia's Yamal Peninsula, a group of reindeer herders called the Nenets strive to make a living. Their way of life is in danger. Climate change threatens centuries-old migration patterns. Herds arrive too late or too early to pasture. Communities dependent on reindeer crumble. As I learned, climate change kills. The same is true in warmer climates. The Korowai of West Papua told me: "dimone letel ul laniam hakko bamolo" ("the weather is all mixed up"). It's scary when well-trodden jungle paths unexpectedly turn into swollen rivers.

By day I am an investor in the City of London. But I am an anthropologist by training. Each year, I spend time with remote indigenous tribes, seeing with my own eyes the destructive force of climate change. Something needs to be done. Can investors help?

The world is facing major challenges and the UN SDGs are a call to action. The investment community has a role to play in transforming our world. Research suggests that, for the goals to be realised, some \$6 trillion must be funded by the private sector each year.

At Montanaro – the asset manager I founded in 1991 – we invest in smaller companies whose products or services support the aims of the UN goals.

Even though they may not be household names, their reach is large: many have global operations, employ thousands of people, and sell their products and services to many more.

One such company makes actuators, small devices which help businesses to run their buildings with greater energy efficiency. Another produces enzymes used

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A family of Nenets reindeer herders in Yamal Peninsula, Siberia, whose way of life is threatened by climate change. Charles Montanaro pictured second from right

to enhance crop yield, helping to feed growing populations. One entrepreneur is working hard to power homes with financially viable renewable energy solutions.

Driving meaningful change

But creating a better world requires more than simply owning the shares of these companies. A change in investor and corporate behaviour is needed. Investors need to lift their line of sight from the short-termism of quarterly earnings and broaden their investment horizons. The UN SDGs must be realised by 2030 and to support the goals we must invest with this timeframe in mind.

As long-term, proactive investors, we can help to drive meaningful change in the way businesses operate. Through shareholder engagement, we challenge and support companies as they invest for the future. This takes time. A company that we own in the US is developing new techniques for water and air purification for use in developing markets. We will support them on this journey.

We can't do this on our own. Our recently launched Better World Fund is £120 million in size, a credible amount for a new fund, but a drop in the ocean compared to the \$6 trillion needed each year. To truly make a difference, we will need to win the further support of asset owners, such as pension funds, family offices, charities and other savers.

We are excited about this challenge. As the UN Secretary-General said upon taking office: "we live in a world where problems became global and there is no way they can be solved on a country by country basis." We all have a part to play. ■



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