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Financing the Energy Transition | Episode 2
Nikita Singhal, Managing Director and Co-Head of Sustainable Investment & ESG, Lazard Asset Management

We continue our Financing the Energy Transition series with Nikita Singhal, Managing Director and Co-Head of Sustainable Investment & ESG at Lazard Asset Management. SmarterMarkets™ host David Greely sits down with Nikita to discuss her approach to ESG investing and building investment strategies in public equities.

Nikita Singhal (00s):
I think particularly in the next five years, a lot of it is going to be around technologies and businesses that help mitigate climate change and adapt to climate change. There are thousands of companies that are being incubated as we speak, thousands of technology folk, whether it's software engineers to industrial engineers who are finding jobs in climate tech and are going to work at this problem to try and solve it. It's one of the reasons I stay quite optimistic about our ability to tackle and mitigate climate change, but it's also one of the reasons why it's going to create tremendous disruption in various industries, and, therefore, tremendous opportunities for investors like us.

Announcer (43s):
Welcome to Smarter Markets, a weekly podcast featuring the icons and entrepreneurs of technology, commodities, and finance ranting on the inadequacies of our systems and riffing on ideas for how to solve them. Together we examine the questions, are we facing a crisis of information or a crisis of trust and will building smarter markets be the antidote?

David Greely (01:08):
Welcome back to Financing the Energy Transition on Smarter Markets. I'm Dave Greely, Chief Economist at Abaxx Technologies. Our guest today is Nikita Singhal, Co-Head of Sustainable Investment and ESG at Lazard Asset Management. We'll be discussing her approach to ESG investing and building investment strategies and public equities. Hello, Nikita. Welcome to Smarter Markets.

Nikita Singhal (01m 31s):
Hi David.

David Greely (01m 31s):
Thanks so much for joining us today. You're the Co-Head of Sustainable Investment and ESG at Lazard, and there's been a proliferation of labels such as ESG impact and sustainable investing in the past few years and some pretty strong feelings and opinions around them. So maybe the best place for us to start today is with how you think about ESG investing and more specifically what is your definition of what ESG is and what it's not.

Nikita Singhal (02m 01s):
Thanks, David. Thanks for having me here. I will start with, I guess, my definition of ESG and as you pointed out there are so many terms thrown about in this space. It's a bit of an alphabet soup from ESG to its predecessor SRI or socially responsible investing to sustainable investing to impact investing and sometimes these terms are used interchangeably, but I do believe that they have distinct purposes because ESG in some shape or form has been around for many, many years, going all the way back to the Methodist movement of faith-based investing in the 1700s where individuals decided to invest alongside their religious values and you see that in all faiths, from Jewish faith to Sharia law, from Muslims to Christian faith. It has over the years, evolved into many forms going back to the 1950s with the Vietnam War era, and people choosing to not invest in companies that provided weapons to that part of the world to the a apartheid era.

Nikita Singhal (03m 06s):
We are not choosing to invest in businesses that were engaging in South Africa, and very recently a lot of focus on investing in businesses that are not creating negative externalities for the planet, but all of these kinds of investing, in my mind, are more of values

based investing, where you are reflecting your values, whatever your personal values are in your portfolios, and that is very personal. You David may care, you know, passionately about climate change and trying to mitigate it and I personally may care deeply about socioeconomic development and emerging markets and the two issues can often be at tradeoffs for each other, so India still has 70% of electricity. It's electricity grid dependent on coal generating a ton of carbon emissions that's creating the issues of climate change today, but on the other hand, there are equally 300 million plus people that don't have access to a light bulb and having access to any form of energy would significantly result in their in societal development and advancement.

Nikita Singhal (04m 05s):
So these are very tricky issues. So when I grapple with these, what I always come back to, to my definition of ESG, which is it is about recognizing that these ex so-called external issues, environmental, social issues like climate change, like deepening economic inequalities are starting to get priced into the market and they're getting priced in because of different catalysts, because of different, in different regions, in different sectors, in systemic ways and in idiosyncratic ways and our job as investors, as fiduciaries is to figure out how do we discover and price these new risks and opportunities before the market does so we can create that long term value for our clients.

David Greely (04m 45s):
And when you're looking at how to price those, you know, new factors in into your investment thesis, you and your team invest in public equities and how do you see that affecting your approach to ESG relative to say, someone who's more in venture capital or private equity, how they might approach it?

Nikita Singhal (05m 06s):
So I don't believe ESG is a product or it is specific to an asset class, right. It is a process, it is an additional lens that you could apply. Think of it, you know, my friend Emily Chazen talks about it being a new pair of glasses and it's a way to improve any investment process, especially a fundamental investment process. So whether you're in private equity or in public equities, what you're thinking about is what are risks and opportunities related to a particular investment opportunity that are not currently priced into its valuation and that might be because there isn't consensus around whether that issue is really a risk or an opportunity. So you're making a probability adjusted bet to say, well, there's a chance that there will be a regulation that then results in this issue being priced like regulation related to wages or regulation limiting emissions from automobile manufacturers or building emissions codes.

Nikita Singhal (06m 06s):
These are examples of social and environmental regulation that act as catalyst, you know, eventually pricing these into investment opportunities and that happens regardless of whether you're on the public or private equity side. I do think it's particularly exciting for public markets, especially for active for the US and developed public markets because these markets tend to be highly efficient and they price in the, you know, the tiniest of changes, but ESG is a space you know, a contrary to my comments earlier about ESG having been around for a long time in its most recent form where we're talking about discovering and pricing risks and opportunities, it's very nascent. It's only been around for the last couple dozen years, and I compare it kind of to the history of financial markets that have been around for several decades now and I would liken our current state to perhaps where overall financial markets were pre SEC, we have no clear definitions.

Nikita Singhal (07m 01s):
We don't have descriptions of what the right accounting treatments should be for these various issues, benchmarking and attribution techniques or any frameworks and how to contextualize and quantify ESG you know, we have so many concepts in regular finance, right. We think about Miller-Modigliani framework for optimal capital structure, or we have the CAPM model as we think about cost of capital and discount rates, but we don't have those kinds of frameworks ready for ESG yet and while one can complain about that, it's the other side of the coin is it is the greatest opportunity one can see an active asset management because if you are able to price that in today ahead of market consensus, you can really create alpha for your clients.

David Greely (07m 47s):
Right and when I listen to you describe your approach, it sounds like you're seeing these ESG considerations as predominantly an A viewing them predominantly as another source of risk in return, rather than factors to look to in addition to risk in return. Is that fair?

Nikita Singhal (08m 07s):
Exactly. I find it odd when some people talk about ESG as non-financial factors. Because what we're trying to do actually and do this every day in their daily lives, portfolio managers look at seemingly qualitative observations about the world, whether it's the macro environment or industry competitiveness or company's kind of idiosyncratic business model choice and you translate those factors into how you, what you believe the long term organic revenue growth rate should look like for a business or the expected future CapEx or just if a market or an industry or sub-industry is being disrupted, the expected volatility and so you're gonna tinker with maybe your bear case or you know, scenario or you're just gonna up your discount rate because you think the cash flows are gonna be more volatile than they have been in the past. So analysts and portfolio managers are particularly good at converting qualitative insights into quantitative metrics and they're best position, therefore, to think about these, you know, so-called external issues and think about how those issues start to impact the income statement balance sheet and cash flow statements of the companies and well securities that we invest in.

David Greely (09m 19s):
Is there a company, and maybe that's too narrow, maybe an industry that you can think of where it makes a really good example of how these ESG factors are financial factors as opposed to none financial factors.

Nikita Singhal (09m 34s):
Several and I think a, a nice way to think about it is examples of how these issues have gotten priced into those industries. So I gave you the earlier example of regulation as a catalyst, and you see that building emission standards and auto emission standards have resulted in a significant uptick for certain kinds of technologies. When it comes to HVAC systems or other kind of building in industrial building providers, same thing on the electric vehicle. The mix shift from electric vehicles to ice vehicles and that adoption in some markets, particularly in Europe is driven by, you know, regulatory catalyst. And the decision for automotive manufacturers to try and lower the carbon emissions through in their products has been part of this reason of move towards hybrid and now towards EVs. You also see this in actually decisions made by consumers.

Nikita Singhal (10m 29s):
So in different parts of the world, consumers are starting to vote with their wallet about issues that they really care about and some examples are there is a noticeable shift again in Europe towards more sustainable protein consumption and that is creating opportunities for pure play companies, like in the alternative protein or meat space in alternative dairy with, you know, shifts that we're seeing in in allergies and other health patterns, but also opportunities for companies like a Norwegian fisheries company because the demand for that you know, more sustainable protein is, is picking up and lastly, on the technological disruption front, if you just think about three areas of renewable energy, electric vehicles and LED lighting as an example, there are probably about 3% to 5% of the MSEI equity index today has pure play companies in that space that are experiencing tailwinds because these technologies are disrupting the individual industries they're in.

Nikita Singhal (11m 26s):
But what's really interesting, David, is that the knock on effects of their supply chains is already impacting 25% of the equity index. So as an investor that's crosscutting across industries, across value chains, and if you're thinking about EVs, you're not just thinking about a Tesla or its impact, let's say on a Volkswagen, you're thinking about the battery manufacturers, you're thinking about what actually goes into that, the impact on semiconductors or cobalt and nickel or even materials like graphite and silicon carbide. So there are some really interesting implications if you start to think about this just as you would as a good fundamental investor. These so-called concerns about the environment or society are starting to shape normative values. That is then creating the catalysts that, that price these into the markets.

David Greely (12m 16s):
That's fascinating the way it, it crosses across all those different areas and I want come back to that in terms of, you know, maybe how that shapes some of your strategies, but first I wanted to take a chance to ask you something on a more personal level because you've had a really interesting background and a really interesting career, and I imagine that much of your approach and your perspective has been shaped by that experience. So I was hoping you might be able to tell us a little bit about the path that brought you into ESG investing and how that has shaped your investing approach.

Nikita Singhal (12m 48s):
Sure and I must admit, you know, it's always easier to connect the dots looking backwards, but I will say it certainly shaped how I, my philosophy and how I think about ESG, my background and particularly going back to my childhood because I grew up in Thailand and India half and half, and then I came to the US for my undergraduate degree and I think growing up in emerging markets just makes you aware of the differences between developed and emerging markets and they are very stark and you recognize that the realities in, in a country that's trying to just emerge from significant levels of poverty has many more challenges and I therefore have much less of a moral high horse about a lot of issues in the ESG world where I find a lot of ESG professionals themselves, but also every, everyone kind of in the, in the space has views about a certain business activities or companies being good or bad, or a fund being good or bad.

Nikita Singhal (13m 51s):
And I just going back to my point where ESG is not about assigning morality or values preference to a company, we really shouldn't be. We can't even do that for people, right, you and I have strengths and weaknesses and how do you say, okay, overall, are you good or bad, I don't think we could come up to that answer, let alone trying to put thousands of people together in an enterprise and then assume that an enterprise is good or bad, but what I can do is say that you have certain weaknesses, David, that are going, that could create liabilities for you down the road, or you have certain strengths that give me a sense for how successful you're going to be down the road and that's what ESG is about. It's about assessing the strengths and weaknesses, the risks and opportunities, and then also weighing them against the current context that a company or a business is sitting in, which might be the competitive landscape, it might be a specific region. You know, a utility company in China is facing very different environmental risks and opportunities than a European utility company and that's kind of my experience of growing up in emerging markets has helped me understand that that context really matters.

David Greely (15m 01s):
And then taking that experience and you and your co-head, if I understand correctly, I mean, you've built your team and this business more or less from scratch over the past few years and when you think about that, you know, taking that investment approach and then making it operational in terms of an investment team, could you walk us through how you did that and what do you see as some of the key pillars or components that you need to build a, an ESG investing business like your own?

Nikita Singhal (15m 33s):
Sure. you know, I will say, I agree that, you know, over the last four years that I've been at Lazard, we've been able to make some amazing progress and it's been a really thrilling ride, but the only reason I came to Lazard is because it's, it's a place where I thought it was ripe for doing ESG the right way. There are so many asset managers and others in the value chain of, of investing that are thinking about this as a check the box or a regulatory requirement, or a marketing and PR opportunity and you know, Lazard will celebrate 175 years next, next year I believe and we've been around as an asset management firm for over 50 years. The principles of Lazard really resonated with me when I joined, which is, you know, first and foremost we're a research driven shop, and it's all about having differentiated insights and doing your homework.

Nikita Singhal (16m 27s):
And I never wanted to approach ESG from that moral, ethical or, you know god forgive political lens. I wanted to always approach it with an investment lens. So there was a very natural, immediate kind of meeting of minds when I met senior management here and was talking to Lazard about joining and secondly, it's also a culture that is because it's, it has so much cultural diversity as a firm, as a global firm, I find that it's very hard to replicate that culture in like policies and practices. We all talk about DNI all the time, but if you truly have a certain amount of cultural and cognitive diversity as a firm, then you're willing to have the difficult conversations and you're willing to challenge your assumptions and change your views and it's that spirit of rational debate that has, I think, kept me here and why we've been able to make this progress.

Nikita Singhal (17m 21s):
So I just want to make sure I give you credit to, you know, the firm and, and its investment and culture because of which I think we've been able to have this ride. We started out as a two person team today. We are a 19 person team, and the goal was never to create a team that then did the ESG work and therefore it, you know, absolves every one of their responsibilities of ESG, quite the opposite and what, but what we have done is we brought in technical experts that we think help us have those unique differentiated insights and can help the analysts, you know, leverage those insights to, in a way that they wouldn't be able to do on their own as sector analysts or as portfolio analysts and so that includes a climate scientist who got his PhD from the Earth Institute at Columbia, a gentleman who got his master in carbon finance and you know, is our go-to expert on everything, net zero and decarbonization of women who was in oil

and gas credit analyst at Moody's and then switched to ESG and has a incredible understanding of the oil and gas markets and are dependencies on it as an economy at the same time the externalities it's creating.

Nikita Singhal (18m 31s):
So as we've built out this team, our goal has always been a lift all boat strategy to enable every functional area of our business embed ESG in what they do, whether it's research portfolio management, risk compliance, marketing, client service, but on the other hand, it's another part has been this recognition that there is a healthy and growing subset of our clients that are interested in focused solutions around sustainability and so today we're proud that we have a suite of about 10 solutions that approach solving sustainability challenges in different ways, none of which expect that they will trade off returns in any way. So these are market rate strategies, but that's been an extraordinary privilege to get to be part of that design and launch of these strategies and where we are today is trying to take that to the next level and say, where's the innovation in ESG and how do we, you know, beyond process, beyond product, how, how do we think about the next generation of asset management and what ESGs role is in that.

David Greely (19m 35s):
Yeah, and I'd really like to hear about some of the, the public equity ESG investing strategies that you have or are in the midst of creating. Can you walk us through a few of those?

Nikita Singhal (19m 45s):
Sure at the heart of it, you know, on, on a flagship basis, we have our US sustainable strategy and a global sustainable strategy and these are strategies that are core equity strategies with those regions in mind. The idea is to invest in businesses that we think are helping make the world cleaner, fairer, healthier, or safer and it's inextricably linked with the idea that by virtue of doing those things, they will also generate internal high levels of financial productivity and be compounds of that, which is a, you know, core part of lizard's investment philosophy. So those are more we also have a global fixed income sustainable strategy, and that's on the, on the fixed income side that invests significantly in sovereign bonds. So we, so we then have a framework to think about sustainability in the context of sovereigns.

Nikita Singhal (20m 40s):
And then what we are seeing a lot of our clients are very interested in specific sustainability themes. So that has led to launching products like Minerva, which is a global gender diversity strategy focused on investing in businesses that meet certain thresholds of diversity, but then going beyond that and she's an incredibly passionate pm she spends most of her time actually engaging with those companies to try and push them to have even better practices and to embed diversity into their business strategy as opposed to just, you know, an HR need. We also have strategies like a climate action strategy as we think about, you know, where the big opportunities are today on the climate side, and we are thinking about the same team is, thinking about launching a circular economy strategy, and then we have strategies like sustainable agriculture and digital health, which are, again, themes that, that inevitably intersect with sustainability today.

David Greely (21m 38s):
I was curious when you, you brought up the idea of working with the companies to make them even better along certain dimensions. Do you find that you, you almost end up having a role as like a cross pollinator because as an investor you're kind of seeing best practices along certain ESG themes at different companies?

Nikita Singhal (21m 57s):
Absolutely and what what's exciting is, you know, in the past I've seen it be done across industries, but what I see here at Lazard and I feel very grateful for is we're also doing it across regions and, you know, you might have certain governance practices that are a really cutting edge in one part of the world and other, another part of the world is really thinking about carbon emissions and doing and in fact has regulated scenario analysis you know, as for, for all of their asset managers. And because we have to develop those capabilities for one part of the world, we're then able to even within Lazard cross pollinate and do that at a global scale which just strengthens our, our ability to be better investors across the board.

David Greely (22m 42s):
And I, I wanted to know, what were some of the biggest challenges you faced in creating these strategies and was it more internally or externally, like the internal problems of just, you know, can be difficult to stand up a new strategy and having to get the right people and processes in place or were the challenges more on the external side of getting investors to understand them and want to invest?

Nikita Singhal (23m 06s):
I would say most certainly the latter, which is external you know, internally, I think a lot of this and I have, you know, a lot of friends in, in this space who are, you know, across the investment value chain. A lot of, I think it comes down to the messaging from the top and the belief in senior management that this is a strategic imperative for our business and that is something that, you know, we have not wavered from and has really helped set the tone for why we do things. It helps us be better investors, it helps us be better listeners to what our clients are looking for and so there's an equal amounts business case and investment case, and for those reasons we haven't really seen as much of internal resistance to, to putting together these strategies. If anything, actually, you know, we've been very measured in, in saying no to a lot of things, even internally generated ideas because we don't want to create product for the sake of creating product.

Nikita Singhal (24m 05s):
You want to, if you do something, it has to be a genuine effort to really solve a challenge and are you designing the product in a way that actually does what it says it's doing. Not just to protect yourself from regulatory or reputational risk, but because that product is then going to, you know, be sustainable, for lack of a better word. So I think we've had a lot more discussions about why we can't do stuff and, and, you know, holding the line where we think it's, we're not gonna do it just for the sake of it. Externally, I think often the conversations are about educating our clients because clients often conflate these different terms of ESG and sustainability and impact or just pure exclusions based strategies that I would call kind of socially responsible investing. Each of these clients in different parts of the world also think about ESG differently and their expectations on returns or their expectations on what the characteristics of that portfolio and the level of impact you can evidence you know, also varies.

Nikita Singhal (25m 07s):
So there's a lot of client education and there's also a lot of convincing of why this, in my, my mind at least, is very hard to do in just a systematic, pure quant way because it's too nascent in industry for you to say, I'm gonna boil everything down to a handful of numbers and then just make a decision based on that. It needs to be bottom up rigorous fundamental research and that nuance is not always very easy to communicate to a client when you have a little time. So that's kind of, I would say is the bigger challenge.

David Greely (25m 37s):
Yeah, you may have just answered the, the question I was thinking of because you brought up the idea that with your, your work in ESG investing, it also, there are times when it makes you a better investor period and I was wondering if there was an example that you had of like a way in which something you learned along the way developing these strategies. You're like, oh, now I feel like I'm a better investor across the board because of what I've learned.

Nikita Singhal (26m 02s):
A lot of the examples I gave you I guess I would kind of I'm trying to think of a few different examples. So for example, our analyst that covers packaging companies, we have a process internally for ESG integration that we call materiality mapping and we basically try to map out what are the most financially material issues that impact different sectors that we, we cover as a firm and for the packaging industry one of the prominent issues has been plastic packaging. Now what this analyst was able to do was build a framework around how to think about plastic packaging and what he saw was basically that when you look at the peers in the space a plastic packaging company had de-rated by two turns during a time period, whereas where its EPS had only fallen by 5% and that was because plastic packaging was a big part of its product mix.

Nikita Singhal (26m 55s):
And consumers down the value chain with CPG companies are, are, you know, consumer product goods companies are expecting less plastic in their packaging and that's had a impact across the value chain to these packaging manufacturing companies and at the same time, one of its peers that is not do plastic packaging, it's another form of packaging had rerated in terms of its eve but down multiple and so this is starting to have an impact in valuation and as he started to do more work now in adjacent sectors, if he's noticing consumer behavioral shifts that might be sustainability related, he will start to tinker with what does the product mix look like. What could I be maybe have as a downside for my margin assumptions for this business if it has a huge product you know mix shift that happens and that's the kind of work that we try and do and reinforce you know, year over year.

David Greely (27m 49s):
Right and getting back to the, the strategies you've created, you know, what do you see as some of your biggest successes so far?

Nikita Singhal (27m 56s):
I would say our US and global sustainable strategies it was just such a privilege to get to work on those and design those because you know, I had been grappling with this idea for, for years in my head and I was such a great example of, you know, what the possibilities at a firm like Lazard I was, I took the day off, I'd been, you know, working my butt off and I was sitting at a Barnes and Nobles cafe just, you know, reading, taking a break and I got this idea as I thought about this concept of what, what makes a company net sustainable and this idea that it is about not just financial capital, but human and natural capital and within human capital you're thinking about the relationship with various stakeholders, your community, certainly your customers, your supply chain, your employees.

Nikita Singhal (28m 45s):
And on the natural capital side, you were thinking about both the level of resource dependency and the quality of resource management and what started out as a diary entry at that Barnes and Nobles Cafe, I came back to the office the next day, typed it up as a memo. Eventually it became the construct for what we developed as our sustainability framework that we then presented to a very large Northern European client who perhaps has the highest threshold for what they would, you know allow as a sustainable portfolio and we were able to bring them in as an anchor investor and those two strategies have, you know, grown over time and so we're quite proud about how quickly we've been able to grow those strategies and build track records beyond them, but most importantly, to get the, the buy in and the nod from, you know, somebody who considers themselves at the cutting edge of sustainability to say I yes, what you've built is a genuine product that is, is also expected to, you know, outperform the market over across cycles.

David Greely (29m 45s):
That's great. Yeah, it's always great when you get the people really understand what you're doing and seeing that what you're doing is unique and leading edge and I wanted to bring you back, it was great the way you, you started us off talking about the, the evolution of ESG and the, the different forms that it's gone under and because I think a lot of people still see ESG as a constraint on investing as opposed to a way to push investing into areas where it can be better return for the risk. So how do you make your strategies a force for deploying investment capital to where it's needed rather than a constraint?

Nikita Singhal (30m 21s):
Yeah, I think the answer is almost in your question, David, you know, when, when you're investing with the lens that you don't want to participate in certain business activities or kinds of businesses. So for example, you do not want to invest in weapons companies or let's say thermal coal or companies that have any characteristic that you personally or you know, communally don't like, then inevitably you are creating constraints and restricting your universe and by virtue of doing that, your performance is going to look different than the benchmark. Or in other words, you know, you are creating a lot more tracking error but if your definition is the one that I gave or, or have been talking about through this podcast, it is about risks and opportunities that are largely idiosyncratic and can be very different depending on the sector your business is in, the region it operates in or just an idiosyncratic business model choice or a product type, then it's not about restricting your universe, it's actually about protecting downside and creating opportunities.

Nikita Singhal (31m 25s):
And the best way I can describe that is, you know, we talked a lot about our US sustainable equity strategy today, and the same portfolio manager when, he was recently asked about whether he was excited about 2023 and, you know, given the macroeconomic outlook, how do you, how do you think about the performance of a strategy like that and not just into 2023, but beyond that, You know, one of his responses, which I think just as clearly articulates our approach to all of this is he thinks that there will be opportunities to identify and invest in market leading companies across a whole host of sustainability technologies, whether it's energy efficiency related electric vehicles, solar water, carbon capture, and sig sequestration and at attractive entry points admits this, you know, ongoing market volatility and this is especially more pronounced because of the newfound momentum for these technologies as a result of government action. We're seeing, particularly the federal government in the US with the passage of like the inflation reduction act, the launching of, you know, the net zero game changers initiative. We believe that this is gonna help sustainability focus strategies like ours, you know, outperform in 2023 and beyond and so the focus actually is very much on how you can invest in businesses that are solving some of the most crucial sustainability challenges that we're facing today, but also inevitably by doing that, that is enhancing their own financial productivity or their valuation.

David Greely (32m 56s):
And when you look out over, you know, 2023 and beyond and look for some of those biggest opportunities in sustainability, the biggest needs for investment capital in public markets, you know, where do you see the big opportunities over say the next five, 10 years?

Nikita Singhal (33m 14s):
I think particularly in the next five years you know, a lot of it is going to be around technologies and businesses that help mitigate climate change and adapt to climate change and there are thousands of companies that are being incubated as we speak, thousands of technology folk, and whether it's software engineers to industrial engineers who are finding jobs in climate tech and are going to work at this problem to try and solve it and it's one of the reasons I stay quite optimistic about our ability to tackle and, and mitigate climate change. But it's also one of the reasons why it's gonna create tremendous disruption in, in various industries and therefore tremendous opportunities for investors like us.

David Greely (34m 03s):
And I want to ask you one last question where, you know, because you're investing in public markets, public equities, companies have to be publicly traded before they can enter into your investible universe and when you just brought up, you know, there's so many interesting things happening at the, the startup and the growth stage kind of companies. How are you keeping an eye on what's gonna be entering your investible universe incoming years?

Nikita Singhal (34m 30s):
I think just as any good analyst and portfolio manager would do that in their sector you obviously cover the companies that are trading actively on the exchanges, but you're always thinking about what m and a opportunities might exist for those companies, which can be much smaller private companies and this is in any context, not just in the context of sustainability and if you are coming back to my point about, you know, ESG is just part and parcel of good fundamental investing as a good fundamental investor, you're keeping tabs on the competitive landscape of an industry which is agnostic to whether you're private or public. It's about your competitiveness and your ability to win market share and create, even create new TAM opportunities, new total addressable markets, like expand that tam. And so it's, it's just that, it's, it's empowering our analysts and PMs to have a better understanding of what those could look like and sometimes that is about bringing in technical experts who understand carbon markets or specific technologies like hydrogen and carbon capture so that they, they feel empowered to understand how their individual landscapes are going to shift over time.

David Greely (35m 43s):
Thanks again to Nikita Singhal, Co-Head of Sustainable Investment and ESG at Lazard Asset Management. We hope you enjoyed the episode. Join us next week with our guest, Don Casturo and Matt Schwab. Don is the Founding Partner and CIO, and Matt is Head of Investor Solutions at Quantix Commodities. We hope you'll join us.

Announcer (36m 03s):
This episode has been brought to you in part by Base Carbon. The trading of carbon credits can help companies and the world meet ambitious goals for reducing greenhouse gas emissions, but how do we judge the quality of these projects and how can we ensure that our investments are creating real value. At Base Carbon, we are focused on financing and facilitating the transition to net zero through trusted and transparent partners. It's time to focus on what's important. It's time to get serious on carbon. learn more at basecarbon.com. That concludes this week's episode of SmarterMarkets by Abaxx. For episodes, transcripts, and additional episode information, including research, editorial and video content, please visit smartermarkets.media. Please help more people discover the podcast by leaving a review on Apple Podcast. Spotify, YouTube, or your favorite podcast platform, SmarterMarkets is presented for informational and entertainment purposes only. The information presented on Smarter Markets should not be construed as investment advice always consulted licensed investment professional before making investment decisions. The views and opinions expressed on SmarterMarkets are those of the participants and do not necessarily reflect those of the show's hosts or producer. SmarterMarkets, it's hosts, guests, employees, and producer, Abaxx Technologies, shall not be held liable for losses resulting from investment decisions based on informational viewpoints presented on SmarterMarkets. Thank you for listening, and please join us again next week.