

# PM Spotlight: A Systematic Approach to Climate Transition

**Peter Weidner,**  
Senior Portfolio Manager



**Peter Weidner** is senior portfolio manager and head of Allspring’s Systematic Edge Equity team. The team researches, designs, and manages equity portfolios, including climate transition global equity strategies.

**Q:** HOW DID YOU MOVE FROM THE HEDGE FUND WORLD TO GLOBAL EQUITIES AND CLIMATE TRANSITION STRATEGIES?

**A:** I started out in the systematic global macro space before focusing on equities in 2006 and then joined a multi-asset team in 2013 to build portfolios across the product suite. Asset owners are ultimately multi-asset investors, so it’s helpful to understand the thought process that goes into building cross-asset portfolios to target specific outcomes. Being located in different regions and serving a global client base has also given me more diverse viewpoints. I was based in the U.K. for 15 years and have been in the U.S. for the past 4 years.

I started thinking about how to incorporate sustainability data into the investment process in 2009 as markets recovered from the Global Financial Crisis. When I joined Allspring, our belief that outcomes should drive the process and that the delivery of robust excess returns is key provided a perfect opportunity to launch a climate transition equity strategy. We can focus on return generation through

the investment in companies that are positioned to benefit from the transition to a decarbonized economy.

**Q:** YOU’VE BEEN MANAGING EQUITY PORTFOLIOS USING A SYSTEMATIC APPROACH FOR DECADES. HOW DOES THAT TRANSLATE TO A CLIMATE PORTFOLIO?

**A:** With a systematic process, we can take a core set of tools for both alpha identification and portfolio construction and apply them to deliver different kinds of outcomes for investors. Sometimes that means delivering excess returns or high levels of income—other times, it’s climate alignment. We can use these common tools for different objectives with efficiency and transparency. But we also recognize the need to supplement data with fundamental analysis to ensure companies belong in the portfolio.

Broadly speaking, the goal for a climate transition portfolio is to identify companies that are well positioned for the transition to a decarbonized economy. Getting to net zero by 2050 will be immensely disruptive to all segments of the economy. Disruption creates risks, but it also offers huge opportunities for companies that are well positioned for that transition versus their peers.

**“ The data landscape is changing rapidly— as data consumers, we continually assess the quality of data and adapt as it evolves over time.**



Building a portfolio with a bottom-up stock selection process means we have to be very deliberate about how we manage overall portfolio risk. That's particularly true given the macroeconomic environment of the past few years and how sentiment has affected stock returns. When we evaluate a stock, we look at its individual alpha potential, temperature alignment, and the broader role it plays in the portfolio. For example, can this stock help mitigate interest rate risk, withstand high inflation, or be resilient to commodity price volatility? We think of it like building a team—you don't want a team with only the very best players, you want the very best team. So we look to build all-star portfolios rather than portfolios of all-star companies.

**Q:** WHY HAVE YOU FOCUSED ON CLIMATE TRANSITION INSTEAD OF CLIMATE SOLUTIONS?

**A:** Climate solutions are a small segment of the market, but the transition to a decarbonized economy is going to affect the entire economy. Within our Climate Transition Global Equity strategy, for example, rather than narrowing our focus on the climate solutions space, we want to invest broadly across the economy in companies that are prepared strategically to address this transition. We believe these companies are better positioned to outperform financially.

These companies are attractively valued, have high-quality earnings and management, and show good levels of market support. You can think about that broadly as value, quality, and momentum factors. Each one is important but not in equal measure at all points in time. Our process is dynamic, which allows us to shift exposure to those factors being rewarded by the market at the time and tilt away from those exposures that aren't. The overall process and philosophy are consistent, while the strategy is flexible to adapt as market forces fluctuate.

The added advantage is we're able to build a portfolio that reflects the broad index characteristics in terms of beta and factor exposures while immediately reducing carbon intensity so it fits nicely into the investor's asset allocation where they want to generate returns over the long run while being aligned with the transition to a decarbonized economy.

From an asset owner perspective, some investors use a climate transition strategy to fit their core global equity allocation and others use it as a thematic allocation. It can provide core or satellite exposure, depending on the investor's needs.

**“ These companies are attractively valued, have high-quality earnings and management, and show good levels of market support.**

**Q:** HOW DO YOU ADDRESS CLIENT CONCERNS AROUND THE QUALITY OF CLIMATE-RELATED DATA?

**A:** Quality of the data has gotten better over time, but it's not perfect. I think it's crucial for investment professionals to understand the strengths and weaknesses of the data they're using and the other data available. If you have that understanding, you can build portfolios that leverage the strengths and help address the weaknesses to aim for the best outcomes. No data set is perfect, so you don't want to throw it out just because it has some limitations.

We use a number of climate and sustainability data providers in different ways, depending on their particular strengths, and we tailor the type of data and how we use it to the investment process and the investment outcomes we're seeking to deliver. The data landscape is changing rapidly—as data consumers, we continually assess the quality of data and adapt as it evolves over time.

A big advantage we have as quantitative investors is that our approach revolves around how to extract value from all kinds of data. It might seem counterintuitive, but our focus on data makes us very critical of data weaknesses. One of the ways we do this is by using different lenses to assess alignment. For example, we use a forward-looking lens for temperature alignment, and we also look at point-in-time data. We look at carbon intensity, carbon footprint, and things like the energy mix of utilities companies. It's a mosaic approach that helps us manage data risks by building a well-rounded view. We supplement that with fundamental analysis to build further conviction in what the data are telling us.

**Q:** HOW DO YOU APPROACH THE TOPIC OF CLIMATE-RELATED STRATEGIES WITH CLIENTS GIVEN THAT IT'S BECOME MORE POLARIZED AMONG CERTAIN INVESTORS?

**A:** First and foremost, it's key to note our strategy seeks to deliver excess returns versus a standard market-capitalization-weighted benchmark (MSCI All Country World Index). We do that through building a portfolio of 80–100 names driven by our bottom-up stock selection process that identifies companies that are both fundamentally attractive and positioned to win through the transition to a decarbonized economy.

Investors are driven by their own perspective and circumstances. Younger investors, for example, are often more interested in climate transition than older generations. We also find globally many large institutional investors have clear climate goals, targeting to decarbonize their portfolios over the next 25 years. There are some investors who will never be interested. And for others, a climate transition strategy isn't enough—they want an impact strategy. What's common among investors is the pursuit of outperformance and desire for transparency, and we aim to deliver on both. Our goal is to produce outperformance versus the broad market by investing not only in the low-carbon companies of today but also companies that will thrive in a low-carbon world of tomorrow. We see this as a winning approach.



## For further information

We're committed to thoughtful investing, purposeful planning, and the desire to deliver outcomes that expand above and beyond financial gains. Visit our website at [www.allspringglobal.com](http://www.allspringglobal.com).

## Contact details

### FOR U.S. INVESTORS ONLY

- For retail clients, contact your financial advisor.
- To reach our intermediary sales professionals, contact your dedicated regional director, or call us at **+1-866-701-2575**.
- To reach our institutional investment professionals, contact your existing client relations director, or email us at **AllspringInstitutional@allspringglobal.com**.
- To reach our retirement professionals, contact your dedicated defined contribution investment only specialist, or call us at **+1-800-368-1370**.

### FOR EMEA and APAC INVESTORS ONLY

- To reach our EMEA- and APAC-based investment professionals, contact us at **AllspringInternational@allspringglobal.com**.

### FOR SUSTAINABLE INVESTING

- To discuss sustainable investing solutions, contact **Henrietta Pacquement**, head of Sustainability, and **Jamie Newton**, deputy head of Sustainability, at **henrietta.pacquement@allspringglobal.com** and **jamie.newton@allspringglobal.com**.

Source: MSCI. MSCI makes no express or implied warranties or representations and shall have no liability whatsoever with respect to any MSCI data contained herein. The MSCI data may not be further redistributed or used as a basis for other indexes or any securities or financial products. This report is not approved, reviewed, or produced by MSCI.

This marketing communication is for professional/institutional and qualified clients/investors only (as defined by the local regulation in the respective jurisdiction). Not for retail use.

THIS DOCUMENT AND THE INFORMATION WITHIN DO NOT CONSTITUTE AN OFFER OR SOLICITATION IN ANY JURISDICTION WHERE OR TO ANY PERSON TO WHOM IT WOULD BE UNAUTHORIZED OR UNLAWFUL TO DO SO.

**Investment risks: Your capital may be at risk. Past performance is not a guarantee or reliable indicator of future results. Returns may increase or decrease as a result of currency fluctuations. The value, price or income of investments or financial instruments can fall as well as rise. You may not get back the amount originally invested.**

Allspring Global Investments™ (Allspring) is the trade name for the asset management companies of Allspring Global Investments Holdings, LLC (Allspring Holdings), a holding company indirectly owned by certain private funds of GTCR LLC and Reverence Capital Partners, L.P. Unless otherwise stated, Allspring is the source of all data (which is current or as of the date stated); content is provided for informational purposes only with no representation regarding its adequacy, accuracy or completeness and should not be relied upon; views, opinions, assumptions or estimates are not necessarily that of Allspring Holdings, Allspring or their affiliates and are subject to change without notice; and this communication does not contain investment advice, an investment recommendation or investment research, as defined under local regulation of the respective jurisdiction.

**Distribution in the United States:** Allspring companies include, but are not limited to, Allspring Global Investments, LLC, and Allspring Funds Management, LLC. Certain products managed by Allspring entities are distributed by Allspring Funds Distributor, LLC (a limited-purpose broker-dealer and Member FINRA/SIPC). Associated with Allspring is Galliard Capital Management, LLC (an investment advisor that is not part of the Allspring trade name/GIPS company).

**Distribution in the United Kingdom (UK), European Economic Area (EEA) and Switzerland:** Allspring companies include, but are not limited to, Allspring Global Investments (UK) Ltd. (Allspring UK), an investment management company authorised and regulated by the UK Financial Conduct Authority (FCA), and Allspring Global Investments Luxembourg S.A. (Allspring Luxembourg), authorised and regulated by the Commission de Surveillance du Secteur Financier. Allspring Luxembourg has branches in Frankfurt, Paris and Milan and is allowed to provide services on a cross-border basis in the EEA. This material has been approved for distribution in the UK by Allspring UK for the purposes of Section 21 of the Financial Services and Markets Act 2000 (FSMA). Allspring UK does not provide services to retail clients, the FSMA rules for retail clients will not apply and the United Kingdom Financial Services Compensation Scheme is not available. Unless otherwise stated, information does not contain investment advice, an investment recommendation or investment research as defined under FCA regulations or the Markets in Financial Instruments Directive (Directive 2014/65/EU (MiFID II)) and therefore does not comply with the requirements for the provision of such services. For professional investors only. Recipients who do not wish to be treated as professional should notify their Allspring contact immediately.

**Distribution in the United Arab Emirates (excluding Dubai International Financial Centre and Abu Dhabi Global Market):** Allspring companies include, but are not limited to, Allspring Global Investments (UK) Ltd. (Allspring UK), an investment management company authorised and regulated by the UK Financial Conduct Authority; Allspring Global Investments Luxembourg S.A. (Allspring Luxembourg), authorised and regulated by the Commission de Surveillance du Secteur Financier; and Allspring Global Investments, LLC. This material is intended for professional clients (defined by DFSA). This material and the information contained herein do not (intend to) constitute a public offer in the United Arab Emirates (UAE) and should not be construed as such. The material is offered to a limited number of exempt investors in the UAE who fall under one of the following categories of non-natural qualified investors: 1. an investor that is able to manage its investments on its own, namely the federal government, local governments, government entities and authorities or companies wholly owned by any such entities; international entities and organisations; or a person licensed to carry out a commercial activity in the UAE, provided that investment is one of the objects of such person, or 2. an investor who is represented by an investment manager licensed by the Securities and Commodities Authority (SCA), each a non-natural qualified investor. The materials have not been approved by or licensed or registered with the UAE Central Bank, the SCA, the DFSA, the Financial Services Regulatory Authority or any other relevant licensing authorities or governmental agencies in the UAE (the authorities). The authorities assume no liability for any investment that the named addressee makes as a non-natural qualified investor.

**Distribution in Australia:** Allspring Global Investments (UK) Ltd. (Allspring UK) is exempt from the requirements to hold an Australian financial services licence under the Corporations Act 2001 in respect of



the financial services it provides to wholesale clients in Australia. Allspring UK is regulated and supervised by the Financial Conduct Authority under the laws of the United Kingdom, which differ from Australian laws. Allspring Global Investments, LLC (Allspring Investments), is exempt from the requirements to hold an Australian financial services licence under the Corporations Act 2001 in respect of the financial services it provides to wholesale clients in Australia. Allspring Investments is regulated by the United States Securities and Exchange Commission under US laws, which differ from Australian laws.

**Distribution in Brunei:** Allspring does not have a banking license under the Banking Order 2006, or a capital market services license under the Securities Markets Order 2013 to provide investment advice to clients in, or to undertake investment business in, Brunei. By requesting financial services from Allspring, you agree, represent and warrant that you are engaging our services wholly outside Brunei and subject to the laws of the contract governing the terms of our engagement. This document does not constitute an offer or an advertisement within the meaning of the Securities Markets Order 2013 and shall not be distributed or circulated to any person in Brunei.

**Distribution in New Zealand:** this information does not constitute an offer of financial products for issue requiring disclosure to an investor under Part 3 of the Financial Markets Conduct Act 2013 (N.Z.) (the Financial Markets Conduct Act (N.Z.)) or an offer of any other financial services requiring disclosure under the Financial Markets Conduct Act (N.Z.). Allspring is not offering or selling any financial products or financial services to any persons in New Zealand other than from offshore and other than to a person who is an “investment business” within the meaning of clause 37 of Schedule 1 of the Financial Markets Conduct Act (N.Z.), or meets the investment activity criteria specified in clause 38 of Schedule 1 of the Financial Markets Conduct Act (N.Z.), or is “large” within the meaning of clause 39 of Schedule 1 of the Financial Markets Conduct Act (N.Z.), or is a government agency within the meaning of clause 40 of Schedule 1 of the Financial Markets Conduct Act (N.Z.).

**Distribution in Singapore:** this advertisement has not been reviewed by the Monetary Authority of Singapore. This material and the information contained herein are for general information only. Nothing in this material is to be construed as an offer, solicitation or recommendation to buy or sell or subscribe for any security, unit in a fund or any other financial product or instrument or to enter into any transaction or to participate in any particular trading or investment strategy. This material does not constitute a prospectus, information memorandum, offering document or any other document required to be approved by, registered with or lodged with the Monetary Authority of Singapore. This material and the information contained herein do not constitute investment advice nor take into account the specific investment objectives, financial situation or particular needs of any person. Please seek advice from your professional advisor(s) before making any financial or investment decisions. This material and the information contained herein are directed only at, and intended only for, institutional investors and accredited investors (both as defined under the Securities and Futures Act 2001 of Singapore) and other classes of investors for which Allspring Global Investments (Singapore) Pte. Ltd. (Allspring Singapore), a capital markets services licence holder for fund management regulated by the Monetary Authority of Singapore, is licensed to serve. This material and the information contained herein are not intended for, and should be disregarded by, any retail investor.

**Distribution in Hong Kong:** this document is distributed in Hong Kong by Allspring Global Investments (Hong Kong) Ltd., which is a Hong Kong-incorporated company licensed and regulated by the Securities and Futures Commission to carry on Types 1 and 4 regulated activities, as defined in the Securities and Futures Ordinance (Cap. 571 The Laws of Hong Kong; the SFO), subject to the following conditions: it shall not hold client assets and it shall provide services only to professional investors (the terms “hold”, “client assets” and “professional investors” are as defined in the SFO and its subsidiary legislation). There may be information relating to funds that are not authorised for retail distribution and are available only to qualified professional investors. This document is not intended for, and should not be relied on by, any person other than professional investors (as defined in the SFO or the Securities and Futures (Professional Investor) Rules (Cap. 571D of The Laws of Hong Kong)). Neither the issue of this document nor the information contained in it has been approved or reviewed by any regulatory authority in Hong Kong.

**Distribution in South Korea:** this document is distributed in the Republic of Korea by Allspring Global Investments, LLC, which is registered with the Financial Services Commission pursuant to the Financial Investment Services and Capital Markets Act (the Act) to conduct investment advisory and discretionary investment business with qualified professional investors (as defined in the Act). This document is not intended for, and should not be relied on by, any person other than qualified professional investors.

**Distribution in Japan:** this information is a marketing communication, unless stated otherwise, for “qualified institutional investors”, as defined in Article 10 of the Cabinet Office Ordinance on Definitions under Article 2 of the Financial Instruments and Exchange Act of Japan. Not for retail use. This material and the information contained herein do not constitute and are not intended to constitute investment advice or an offer of securities and accordingly should not be construed as such. Any products or services referenced in this material may not be licensed or registered in all jurisdictions, and, unless otherwise indicated, no regulator or government authority has reviewed this material or the merits of the products and services referenced herein. This material and the information contained herein have been made available in accordance with the restrictions and/or limitations implemented by any applicable laws and regulations. This material is directed at and intended for “qualified institutional investors”, as defined in Article 10 of the Cabinet Office Ordinance on Definitions under Article 2 of the Financial Instruments and Exchange Act of Japan. This material is provided on a confidential basis for informational purposes only and may not be reproduced in any form. Allspring does not provide tax, legal or accounting advice, and this material does not take an investor’s personal investment objectives or financial situation into account. Before acting on any information in this material, prospective investors should inform themselves of and observe all applicable laws, rules and regulations of any relevant jurisdictions and obtain independent advice if required. This material is for the use of the named addressee only and should not be given, forwarded or shown to any other person (other than employees, agents or consultants in connection with the addressee’s consideration thereof).

**Distribution in China:** this material may not be provided, sold, distributed or delivered, or provided or sold or distributed or delivered to any person for forwarding or resale or redelivery, in any such case directly or indirectly, in the People’s Republic of China (the PRC, excluding Hong Kong, Macau and Taiwan) in contravention of any applicable laws. This material does not constitute an offer to sell or the solicitation of an offer to buy anything referred to in the material, expressly or implied, in the PRC (excluding Hong Kong, Macau and Taiwan) to any person to whom it is unlawful to make the offer or solicitation in the PRC.

**Distribution in Taiwan:** any investment management and advisory services will be provided by Allspring, which does not hold the required licences under the Taiwan law. The provision of any investment management and advisory services has not been and will not be approved by the Financial Supervisory Commission of Taiwan. Any transaction will be consummated outside of Taiwan. The clients within the territory of Taiwan may be required to comply with certain qualification requirements and restrictions as set forth in the relevant laws and regulations of the jurisdiction where Allspring is registered.

**Distribution in Indonesia:** investment management and advisory services will be provided to Indonesian clients from an Allspring office located outside the territory of Indonesia. No services are provided in the territory of Indonesia. Allspring is not licensed under Indonesian laws or supervised by the Otoritas Jasa Keuangan.

**Distribution in Thailand:** this material, when distributed in Thailand, is intended only for institutional investors, as defined in the Notification of the Office of the Securities and Exchange Commission No. KorNor. 43/2549 Re: Investment management not considered as private fund management dated 27 December 2006 (as may be amended). It is solely for the use of such investors and shall not be distributed, forwarded, passed on or disseminated to any other person.

**Distribution in Canada:** Allspring Global Investments, LLC (Allspring Investments), is not registered as an investment advisor in any of the Canadian provinces, is only authorised to provide investment advisory services in Canada pursuant to an exemption available to foreign investment advisors under Canada’s National Instrument 31-103 (NI 31-103) and can provide such services only to permitted clients as defined under NI 31-103. Allspring Investments is registered as an investment advisor with the United States Securities and Exchange Commission. Its head office is located at 1415 Vantage Park Drive, 3rd Floor, Charlotte, NC 28203 and, thus, substantially all of its assets are situated outside of Canada. As a result, there may be difficulty enforcing legal rights against Allspring because of the above, and investors are directed to Blakes Vancouver Services, Inc., Allspring Investments’ agent for service of process, in the event of any disputes at the following address, phone number and email address: Blakes Vancouver Services, Inc., 595 Burrard Street, Suite 2600, Three Bentall Centre, Vancouver, BC V7X 1L3; tel: +604-631-3300; e-mail lisa.marchese@blakes.com.

**Distribution in the Bahamas:** The information provided herein is intended solely for the designated recipient thereof. It is not an offer to the public. The information contained herein is for general informational purposes and is not deemed an offer to the public. Advice of local counsel in connection with information contained herein is recommended.



**Distribution in Brazil:** The information provided herein is intended solely for the designated recipient thereof. It is not an offer to the public. The information contained herein is for general informational purposes and is not deemed an offer to the public. Advice of local counsel in connection with information contained herein is recommended.

**Distribution in the Cayman Islands:** Allspring is not regulated in the Cayman Islands and is not licensed or otherwise authorized to carry on business, including securities investment business, in or from the Cayman Islands.

**Distribution in Chile:** Allspring may not offer or provide any of the products or services in Chile. Allspring is not regulated by the Chilean authorities and participation in any product or service is an offshore investment activity that is not subject to any Chilean supervision and is not guaranteed by any regulatory or governmental agency in Chile.

**Distribution in Mexico:** The information provided herein is intended solely for the designated recipient thereof. It is not an offer to the public. The information contained herein is for general informational purposes and is not deemed an offer to the public. Advice of local counsel in connection with information contained herein is recommended.

**Distribution in Peru:** Allspring and the services offered are subject to the laws and jurisdiction of the United States and are not regulated or supervised by any Peruvian entity or government authority.