



Message from Our CEOs

To our stakeholders,

In 2022, volatile geopolitics and financial markets challenged investment managers' ability to mitigate risks in their exposures, underscoring the degree to which externalities can affect financial returns and reinforcing the importance of rigorous investment analysis and informed decision-making.

Amid this backdrop, many investment managers reexamined their approach to environmental, social, and governance (ESG) risks with a more critical eye. In our view, the industry has reached a point where investors want more than earnest language and good intentions, and they understand that generating ever more datasets and systems of measurement doesn't necessarily

“As stewards of our investors' capital and a team guided by shared values, we understand that ESG analysis is central to our investment decision-making duty.”
– Rory O'Neill



“By consistently integrating ESG into our underwriting and investing work, we believe our firm can gain deeper insight into the impact of certain factors on investment outcomes over time and make more informed and effective investment decisions.”
– Evan Carruthers

produce material results. We believe investment managers have an opportunity to clarify how they assess and manage ESG risks in their investments, and for what intended purpose.

Ahead of this shift, we at Castllake decided to hone, strengthen and clarify our approach to ESG in our investment process this year. We reason that adopting a more intentional and systematic approach to our processes around ESG may lead to more consistent and excellent execution and potentially enable Castllake to make more informed and effective investment decisions. We took steps to enhance our processes for evaluating ESG factors across the investment

lifecycle with the goal of incorporating them more reliably and efficiently. We standardized due diligence steps; introduced a formal escalation policy for significant ESG factors discovered during underwriting; and created a dedicated ESG Director role to implement ESG strategy at the firm.

To promote alignment with our investors, we also want to clearly articulate our intended purpose around ESG. To be sure, Castllake’s fiduciary duty sits foremost in our minds. We maintain the belief that analyzing ESG risk and its potential impact on capital flows and liquidity is a component of that duty and that doing so has the potential to help preserve invested capital and positively influence investment returns. As our firm evolves and grows, we may seek to offer investment vehicles that target more specific impact investing goals for those who wish to direct their capital toward the same.

The markets will always shift and challenge our assumptions. Having clarity of purpose will guide us as we continue along this journey toward a more informed and thoughtful investing future. We’re glad you’re joining us.

Rory O’Neill,
Managing Partner, Executive Chair & Co-Chief Executive Officer

Evan Carruthers,
Managing Partner, Chief Investment Officer & Co-Chief Executive Officer