Avasta

[DRAFT] Potential Connecticut Exposure to CATL via Investment Channels

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1. Executive Summary:

This report assesses the likely indirect exposure of Connecticut-based public investment vehicles—specifically the Connecticut Retirement Plans and Trust Funds (CRPTF)—to Contemporary Amperex Technology Co. Limited (CATL), a prominent Chinese battery manufacturer. Although there is no evidence of direct CATL shareholding by CRPTF or other Connecticut public entities, detailed review of underlying fund managers and investment strategies reveals multiple indirect channels of exposure.

CRPTF's international and emerging market equity portfolios are managed by firms such as State Street, Schroders, and Driehaus—many of which hold CATL through mutual funds and index-tracking vehicles. Additionally, Connecticut-based asset manager Hartford Funds plays a key role in these exposure pathways through its sub-advised strategies that feature CATL as a top holding. These findings are particularly relevant in the context of escalating geopolitical scrutiny of Chinese industrial firms, suggesting a need for increased transparency and awareness among public fiduciaries and policymakers.

2. Investment Managers & Fund Holdings Linked to CATL

CRPTF shows meaningful indirect exposure to CATL through external fund managers operating its Developed Market and Emerging Market International Stock Funds.

Emerging Markets International Stock Fund (EMISF):

- **Schroders Investment Management:** Sub-advises Hartford Schroders China A Fund, where CATL is the largest holding (4.64% of portfolio).
- **Driehaus Capital Management:** Holds CATL via the DREGX – Driehaus Emerging Markets Growth Fund.
- **Other managers** (e.g., Arga, GQG, RockCreek) may have exposure through their China allocations.

Developed Markets International Stock Fund (DMISF):

- **State Street Global Advisors** holds CATL via:
    - SSTIX – State Street Total Return V.I.S. Fund
    - SSKEX – State Street Emerging Markets Equity Index Fund
    - SSGVX – State Street Global All Cap Equity ex-U.S. Index Portfolio

3. Structural Exposure Through Mutual Funds & ETFs:

Ownership exposure can be categorized into a three-tier structure that reflects the level of transparency and proximity to CATL shares:

- **Tier 1: Direct Ownership –** Institutions or entities that hold CATL stock outright. For example, USAA has direct ownership in CATL through its internal equity strategies.
- **Tier 2: Fund-Level Ownership –** Entities that own units in mutual funds or ETFs that hold CATL. These positions are typically publicly disclosed via regulatory filings such as 13F forms. In Connecticut, this includes clients and plan participants with holdings in State Street mutual funds and ETFs that have direct allocations to CATL.
- **Tier 3: Delegated Mandate Exposure –** Indirect exposure via third-party fund managers who exercise discretion over security selection. For example, CRPTF's international equity allocations are managed by external advisors such as Schroders and Driehaus, whose mutual funds (e.g., Hartford Schroders China A Fund, Driehaus Emerging Markets Growth Fund) contain CATL holdings. These exposures are often obscured from end investors and only traceable through fund-level analysis.

This framework helps illustrate both the visibility of CATL exposure and the jurisdictional proximity of the investment intermediaries. When layered against legal and operational presence in Connecticut, a **3x3 matrix** emerges to assess the potential reputational and financial risk associated with CATL holdings.

	Tier 1: Direct Ownership	**Tier 2: Fund-Level Ownership**	**Tier 3: Delegated Mandate**
High CT Presence	USAA (Indirect CT presence)	Hartford Fund (Direct CT presence)	CRPTF (Direct MS presence)
Moderate CT Presence	*TBD*	TIAA (University plans)	*TBD*
Low/Unclear CT Presence	Foreign sovereign fund (e.g. CIC)	Vanguard EM ETF	Northern Trust Index Mandates

Due to the structure of pooled investment vehicles, Connecticut-based investors—including state retirement systems and university-affiliated plan participants—are likely exposed to CATL through mutual funds and ETFs. These investment products may include CATL through either active stock selection or passive index tracking.

Representative examples include:

- **Hartford Schroders China A Fund –** Sub-advised by Schroders, CATL is the fund's largest position.
- **State Street Global All Cap Equity ex-U.S. Index Portfolio (SSGVX) –** Includes CATL through benchmark exposure.
- **Driehaus Emerging Markets Growth Fund (DREGX) –** Active EM strategy with confirmed CATL holdings.

4. Exposure Via Hartford Funds:

Hartford Funds—headquartered in Hartford, Connecticut—is a prominent mutual fund manager that both **directly advises its own investment products** and **partners with sub-advisers such as Schroders and Wellington.** Through this platform, Hartford manages a range of mutual funds with confirmed exposure to CATL, many of which are accessible to institutional and retail investors in Connecticut, including via CRPTF's Emerging Markets and International Stock allocations.

Confirmed examples include:

- **Hartford Schroders China A Fund –** CATL is the **largest single holding**, making up 4.64% of the fund as of Q1 2025.
- **Hartford Schroders Diversified Emerging Markets Fund –** CATL is disclosed as a **top 10 holding**, alongside other major Chinese issuers.
- **Hartford Schroders International Multi-Cap Value Fund –** While CATL does not appear among the fund's published top holdings, ownership records from **Fintel** confirm a position exists.

It's worth noting that some Hartford mutual fund fact sheets explicitly list CATL**,** while others do not. However, even in cases where CATL is not disclosed in top-ten summaries, third-party data platforms like Fintel confirm its inclusion in the fund's underlying portfolio.

Given Hartford Funds' strong regulatory, operational, and distribution footprint in Connecticut—as well as its status as both fund adviser and retail-facing manager—its suite of mutual funds constitutes a significant channel of indirect CATL exposure for Connecticut-based institutions.

5. Conclusion

Although no direct investment in CATL has been identified within CRPTF's disclosed holdings, significant indirect exposure exists through mutual fund vehicles and delegated investment mandates. These include index-based funds by State Street and active strategies managed or sub-advised by Schroders, Driehaus, and Hartford Funds.

Given the intensifying focus on U.S. exposure to strategic Chinese firms like CATL, these indirect pathways raise reputational, compliance, and policy concerns for Connecticut's public fiduciaries. Improving transparency around delegated mandates and underlying fund exposures is essential for public accountability and risk assessment.