

ESG/SRI gives Edge to Asset Managers, Moody's finds

Stockholm (HedgeNordic) – According to a new report from Moody's Investors Service, global AUM related to firms that are or have become signatories to the UNPRI (UN Principles for Responsible Investment) has risen 195% in 6 years, from USD 21 trillion to USD 62 trillion in April 2016.

The report, "Asset Managers – Global: Sustainable Investing Strategies Give Active Managers A Means To Stand Out," finds that investor expectations and regulations are driving demand for sustainable investing, and that several asset managers, such as BlackRock and Amundi, have obtained an edge as early movers on the issue.

Sustainable investment strategies range from exclusionary practices in some portfolios, to the application of social considerations to shareholder advocacy and the integration of ESG (Economic, Social and Corporate Governance) objectives into investment decisions with the aim of generating long-term competitive financial returns while simultaneously achieving a positive social impact.

"Integrating ESG criteria into investment decisions should limit risks within portfolios and contribute to lower volatility and better performance in the long run. The effectiveness of these strategies however will have to manifest through the cycle, as well as across teams and strategies," says Marina Cremonese, a Vice President at Moody's.

Sustainable investing strategies will likely continue to grow as demand rises, driven by large institutional investors such as pension funds, foundations and endowments, the report finds. But high net worth and retail investors are also playing an increasing role in the growth of sustainable investing. For example, European funds subscribing to ESG/SRI have almost doubled in 5 years, from EUR 136b to EUR 75b.

The report also finds that changing attitudes are being boosted by the millennial generation, which increasingly demands investment solutions that also have a positive social and environmental impact, while initiatives like the UNPRI and Ceres are ensuring that investors are becoming more attuned to ESG issues.

The Moody's report also notes some of the obstacles to making sustainable investing strategies work, such as insufficient supplies of investible products, uncertain performance expectations, evolving disclosure regimes and limited ESG data. Finding high quality ESG data is a challenge, for instance, given the lack of universally accepted ESG definitions and standard reporting guidelines.

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