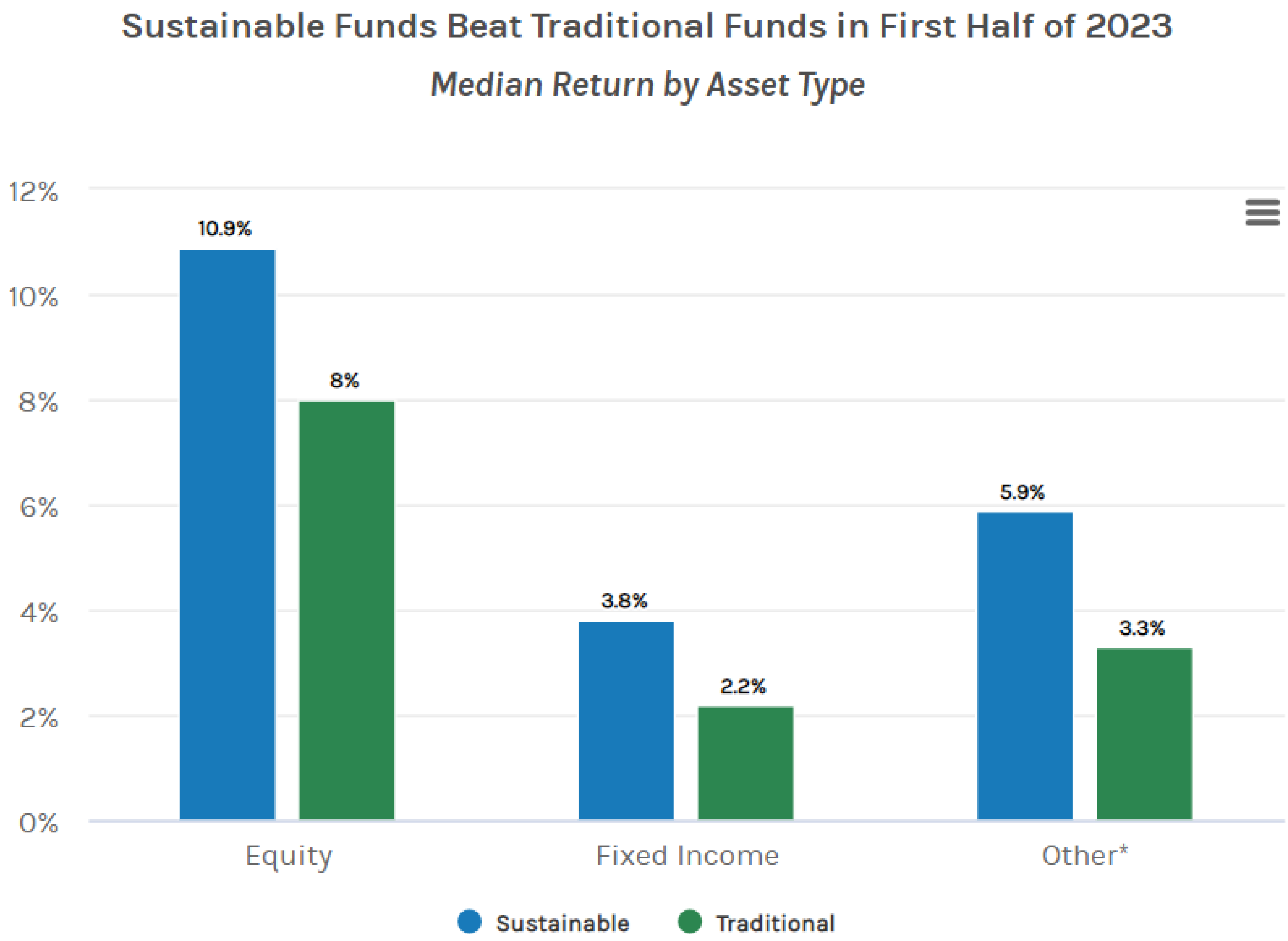
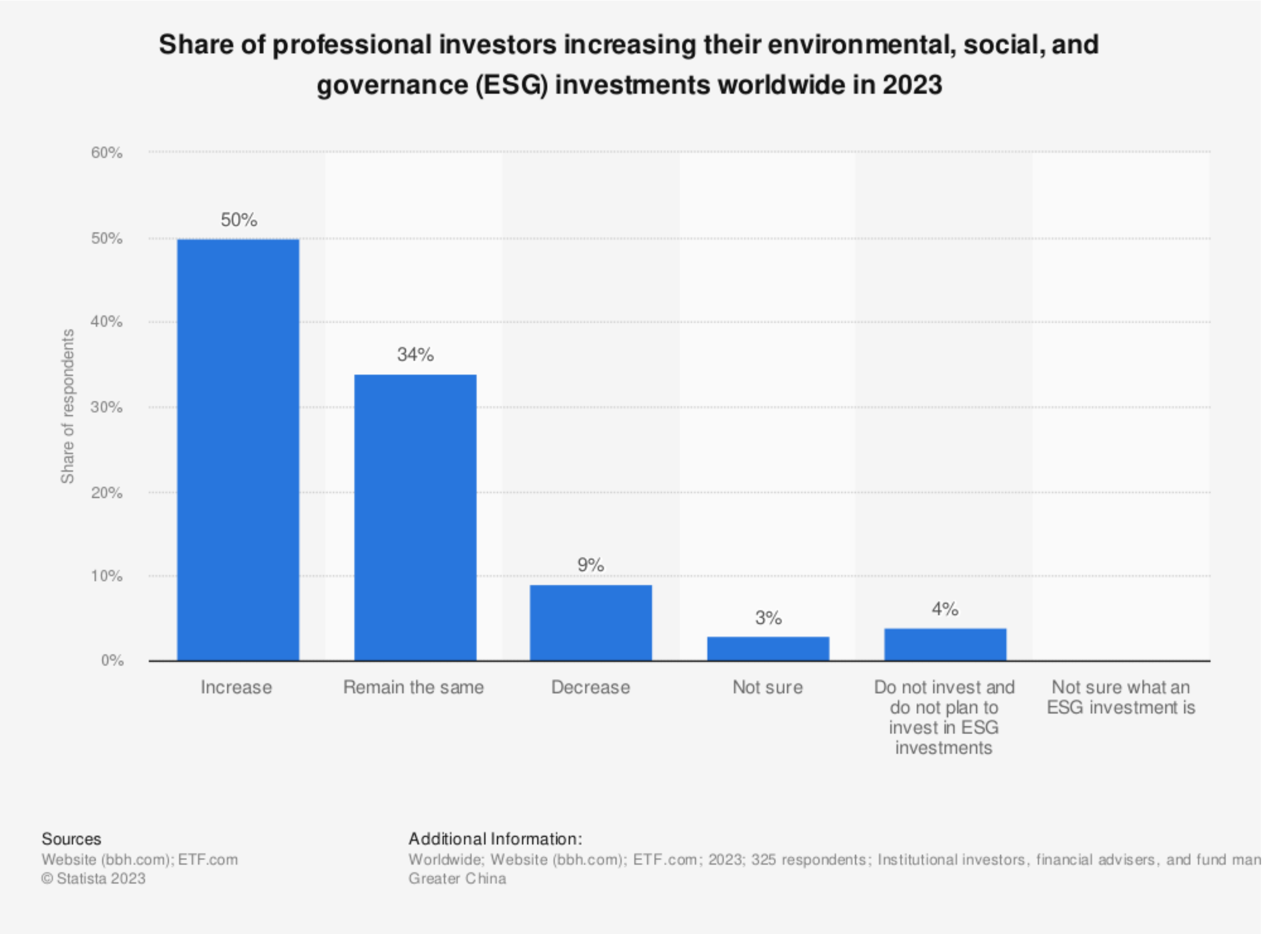
Sustainable Funds Beat Traditional Funds in First Half of 2023

Last year, a rapid rise in interest rates contributed to declines in equities across the board. Climate and sustainable stocks were among those affected. At present, the S&P Global Clean Energy Index, an index used for a variety of ESG and sustainable ETFS's, is down 35 per cent Year to Date and is at its lowest level in 3 years. However, despite these headwinds, there are some positive news in relation to sustainable funds. In the first half of 2023, sustainable equity funds have outperformed traditional equity funds, posting returns of 10.9 per cent, compared to 8 per cent. In fixed-income, sustainable funds have also outperformed their peers, with a 3.8 per cent median return vs. traditional funds' 2.2 per cent. Even in we include other funds such as multi asset, property, commodity, and alternatives, sustainable products outperformed the traditional market, posting gains of 5.9 per cent in comparison to 3.3 per cent. What we see here is despite the challenges the industry has faced over the past year or so, there are still potential returns for investors who wish to invest in more long-term sustainable solutions.



Source: Morgan Stanley Institute for Sustainable Investing analysis of Morningstar data.
**"Other" includes multi-asset, property, commodities, and alternative fund types.*

ESG (Enviornmental, Social, Governance) has become a cornerstone of investing in recent years, as both institutional and indivudial investors look to help safeguard the future of the planet. The below chart highlights the responses to a survey of 325 professional investors and managers globally in 2023. On the left hand side we can see that 50 percent of professional investors worldwide planned to increase their allocation of socially responsible investments over the course of 2023. Along with this, 34 per cent of respondants stated that their allocation would remain the same. Nine percent of investors plan to decrease their allocation to ESG investments, with four percent of investors not sure whether or not allocation to ESG investments will increase, decrease, or remain the same. What this highlights is that up to half of professional investors see the importance of ESG and are increasingtheri investment in ESG, while only a small minority are either reducing or outright refusing to invest in an area that is only going to grow as the years progress.



Sources:Statista