



Investors should look past sustainability headlines, both good and bad, and instead focus on compelling opportunities to deepen their portfolio commitment and exposure to SI. (UBS)

# Can I invest sustainably across my portfolio?

14 February 2024, 4:08 pm CET, written by UBS Editorial Team

**The sustainability transition is not just driven by policy, as investors and corporations alike are integrating SI into their portfolios and businesses.**

At UBS, we prefer sustainable investing and view less-demanding valuations and a widening breadth of SI vehicles as an opportunity to deepen exposure to SI.

**Headwinds for some green investments have drawn media scrutiny over the broader thesis.**

- Some high-profile green sectors, like solar and wind power producers, have underperformed amid challenging supply and operating conditions this year.
- Like many other tech sectors, rate-sensitive greentech has faced renewed pressure from the surge in US yields to multi-decade highs.
- The US ESG backlash has become a major political focal point, and the rhetoric could worsen into the US presidential election cycle.

**But SI is bigger than a single strategy or sector, and recent pressure may offer another entry point.**

- The sustainable opportunity set can in fact be mapped against most assets in investors' portfolios, typically offering comparable or better risk-reward performance.
- Year-to-date through 15 November, global ESG leaders have outperformed the benchmark MSCI All Country World index by 107 basis points.

- Generous US and EU green subsidies offer sustained tailwinds for EV production and adoption, energy efficiency, clean air, carbon reduction, and renewable power.

**So, we recommend investors to consider prioritizing SI portfolio alignment for long-term risk-reward.**

- Sustainable, green, and multilateral development bank bonds offer risk-return profiles comparable to traditional equivalents, while complementing our portfolio tilt to quality.
- Sustainable hedge fund and private market strategies can deliver portfolio diversification alongside thematic exposure.
- Investors may consider MSCI EM ESG Leaders strategies, which have outperformed MSCI EM equities in nine of the last 10 years.

**Did you Know ?**

- While the global fund industry saw USD 1.3tr of outflows last year, SI funds have continued to see inflows on a quarterly basis.
- Global plastic waste is projected to increase almost 3x to over 1bn tons by 2060, prompting urgency in the transition and development of circular economy policies.
- A four-decade study shows that a portfolio of listed companies demonstrating the highest employee satisfaction generated 2–2.7pps of excess returns per year.
- Climate change concerns account for 40% of the cases of investment exclusions by institutional investors, according to a new multi-NGO survey.

**Investment view**

We favor a portfolio approach to SI, which includes exposure to both thematic and integrated investment strategies across fixed income, equity and hedge funds, and where possible ESG engagement to advocate progress.

Main contributors - Jon Gordon, Stephanie Choi

Original report - [Can I invest sustainably across my portfolio?, 24 November 2023.](#)

**Important information**

As a firm providing wealth management services to clients, UBS Financial Services, Inc is registered with the U.S. Securities and Exchange Commission (SEC) as an investment adviser and a broker-dealer, offering both investment advisory and brokerage services. Advisory services and brokerage services are separate and distinct, differ in material ways and are governed by different laws and separate contracts. It is important that you carefully read the agreements and disclosures UBS provides to you about the products or services offered. For more information, please visit our website at [www.ubs.com/workingwithus](http://www.ubs.com/workingwithus).

© UBS 2023. All rights reserved. UBS Financial Services Inc. is a subsidiary of UBS AG. Member FINRA/SIPC.

There are two sources of UBS research. Reports from the first source, UBS CIO Global Wealth Management, are designed for individual investors and are produced by UBS Global Wealth Management (which includes UBS Financial Services Inc. and UBS International Inc.). The second research source is UBS Group Research, whose primary business focus is institutional investors. The two sources operate independently and may therefore have different recommendations. The various research content provided does not take into account the unique investment objectives, financial situation or particular needs of any specific individual investor. If you have any questions, please consult your Financial Advisor. UBS Financial Services Inc. is a subsidiary of UBS AG and an affiliate of UBS International Inc.