



We see strong momentum in sustainable investments. Investors should maintain a diversified portfolio approach to capture top-down and bottom-up opportunities in SI. (UBS)

# What's next for sustainable investing in 2024?

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**We see investment opportunities in key sustainability-related themes and believe that the falling rate environment (albeit delayed to 2H), resilient economic outlook, advancing regulation, and public capital spending will support broader sustainability efforts. We recommend a diversified portfolio approach to sustainable investing and see focused thematic opportunities in industrial transition, water, food and agriculture, and sustainable infrastructure assets.**

The 2024 UBS Global Family Office (GFO) Report shows sustainability is becoming increasingly important for family office investment portfolios, and business operations. The report consolidated the insights of 320 single-family offices across the world, and found that 49% view climate change as a top risk over the next five years, with 57% of those running businesses at least planning to take sustainability into account in their business operations. Additionally, around 45% at least plan to take sustainability into account in both their liquid investments, or direct investments in sustainability-related ventures.

## What you need to know about CIO's House View

*SI strategies have continued to perform.*

- Global ESG leaders equity strategies have outperformed both year-to-date until end-April (+57bps) and on a long-term basis (averaging +39bps over five years).
- Rate cuts in 2H and regulatory tightening should boost interest in SI. Global sustainable funds in 1Q24 saw USD 900mn of inflows.

*Diversification across themes and asset classes can help mitigate pockets of underperformance.*

- For example, the MSCI Alternative Energy and MSCI Agriculture and Food Chain Indexes have underperformed benchmarks year-to-date.
- We recommend a diversified portfolio approach to sustainable investing and see opportunities in industrial transition, water, and sustainable infrastructure assets.
- Beyond themes, we believe a diversified sustainable investing portfolio can deliver comparable returns to traditional equivalents over the market cycle.

*Investor focus to broaden beyond the energy transition.*

- Water remains an under-recognized theme, in our view. Diversified investment opportunities across defensive utilities, diverse cyclical industrials, and thematic ideas provide both tactical and longer-term investment opportunities.
- We believe private infrastructure investments in renewables can help stabilize returns due to their low correlation to other asset classes, with stable income streams that are often tied to inflation.

**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 contributor: Amanda Gu

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