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Sustainable Funds Gain $102 Billion of Inflows in the 15 Months through March 2019

New Launches Drive 40% of Sustainable Fund Flows

NEW YORK, NY – May 22, 2019 – Sustainable, responsible, and impact investment funds continue to grow rapidly, attracting $26 billion of net inflows worldwide during the first quarter of 2019. This comes after a record $76 billion inflow in 2018, according to a new report by Impactvesting LLC. Product development and innovation play an important role in driving the expansion, with new funds capturing 40% of inflows to such strategies last year.

"Responsible investments now exceed $1.3 trillion in assets through registered investment products such as US mutual funds, European UCITS, and exchange-traded funds (ETFs)", says Jag Alexeyev, founder of Impactvesting LLC. "Their remarkable progress shines in contrast to net redemptions of $0.3 trillion from all actively-managed funds worldwide last year. Responsible investment funds will attract at least $0.5 trillion of new money during the next five years and serve as a beacon for active investment managers."

Europe remains the center of activity with more than 85% of the global responsible investment fund business through both local products and cross-border UCITS , as detailed in a new Impactvesting report, ***ESG Innovations: The Rise of Sustainable, Responsible and Impact Investment Funds***.

Many of the highest cash flow products reflect intensifying demand for impact investments, which seek to generate competitive financial returns along with a positive and measurable impact across environmental, social, and governance (ESG) dimensions. Increasingly, such portfolios seek to align their impact objectives with the United Nations Sustainable Development Goals (SDGs).

Innovative solutions can be seen not only within mainstream equity and debt asset classes, but also across alternative strategies such as green bonds and microfinance. Some have raised substantial assets with the support of institutional investors. Amundi Planet Emerging Green One, an emerging market green bond fund in Europe, launched with $1.4 billion of assets through a cornerstone commitment from the International Finance Corporation (IFC) and capital from other institutions across Europe and the Middle East.

Emerging markets feature prominently among the best-selling new sustainable funds, driven by offerings from BlackRock, KBC, L&G, Oppenheimer, Swisscanto, and Amundi among others. Distinctive themes also include unconstrained credit, small and midcap impact, multi-factor ESG, climate change investment, and thematic strategies such as mobility, technology, and diversity.

Sub-advisory remains a key source of assets, especially in Japan. Daiwa SBI raised $1.5 billion through an electric vehicle fund introduction sub-advised by RobecoSAM, plus additional capital through a new class of a global impact portfolio managed by Wellington. Nomura collected $1.1 billion with a Medical Impact strategy run by American Century. In Canada, Desjardins added to its SocieTerra range which employs Paris-based Comgest and Edinburgh-based Baillie Gifford as advisors. Across Europe, groups such as ABN AMRO Investment Solutions, Generali, and Länsförsäkringar introduced responsible investment funds delegated to external managers.

Product development continues to accelerate as firms introduce multiple strategies. BlackRock alone added 26 new responsible investment portfolios last year that together captured (€1.4 billion), primarily from international clients outside North America. Actively-managed ESG and impact strategies related to emerging markets represented the group's most successful launches. KBC led all firms in volume with €3.7 billion going to 14 new funds. Amundi followed with €2.3 billion into 18 new products.

The US market also reached a tipping point in 2019. Finland's largest pension insurance company, Ilmarinen, seeded two ESG ETFs with $800 million each, one through DWS Xtrackers and another with BlackRock iShares. Vanguard has begun taking subscriptions for a concentrated active ESG strategy sub-advised by Wellington, an offering that will serve as a barometer for future demand.

Climate and environment-themed strategies continue to gain momentum as investors seek to capture long-term investment opportunities while mitigating the risks associated with climate change and the energy transition. Investors contributed $10 billion last year to registered funds directly addressing climate change, the environment, green bonds, renewable energy, electric vehicles, low carbon or fossil-free strategies, and related themes. This amount corresponds to 13% of total flows to responsible investment funds worldwide.

"Investment managers recognize sustainability, ESG integration, shareholder engagement, and stewardship as essential to their future success", said Alexeyev. "With a robust ESG approach, fund companies can unlock distribution potential, reduce risks for clients and for their own organizations, and align capital to promote better long-term outcomes for all stakeholders."

About Impactvesting LLC

Impactvesting is a research and consulting firm that helps asset managers to access the fastest growing segments of the global investment industry, including sustainable investments and ESG strategies. Combining data-driven analysis with insights to support business expansion, Impactvesting focuses on international fund distribution, investment sub-advisory opportunities, and product innovation. Learn more at www.Impactvesting.com.

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