



Sustainability is increasing in relevance as a consequence of the COVID-19 pandemic, creating opportunities for investors. (ddp)

Sustainable investing

How can investors profit from a green recovery?

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Christine Lagarde has promised to put green objectives at the heart of the European Central Bank's EUR 2.8tr asset purchase program. The ECB president said she wanted to "explore every avenue available in order to combat climate change."

Governments around the world have been boosting investment in green projects as part of an effort to revive growth following the COVID-19 pandemic. We expect this to add further momentum to sustainable investing, supporting already robust investor interest in sustainable opportunities in equities, credit, and private markets. Sustainable portfolios held up well in the last drawdown, and the shift is here to stay over the longer term, in our view. So we see plenty of potential in sustainability and recommend investors to seek exposure to it.

Governments and central banks have shown a strong commitment to a "green" recovery from COVID-19.

- Governments around the world have been adding funding to green projects, as part of the stimulus efforts intended to revive economies follow COVID-19 lockdowns.
- An analysis in the Wall Street Journal calculated the world's top 50 economies were putting USD 583bn into boosting green efforts.

This growing policy support provides an extra impetus for sustainable investing in equities, credit, and private markets.

- Increasing government support for SI comes at a time when there is already growing appetite in investing in SI assets from both private and corporate investors.
- Inflows into global equity ETFs have been very volatile through 2020, according to Morningstar data, whereas ESG ETFs have seen steady, cumulative investor flows.
- At the 23 March low for global equities, 21 out of 28 ESG-focused ETFs outperformed, and that outperformance against traditional cap-weighted ETFs has persisted into the recovery.

So we recommend investors buy into opportunities in the sustainable space.

- Investors can replace a portion of their traditional portfolio with sustainable alternatives, such as green bonds and firms that lead on ESG criteria.
- They can also seek longer-term opportunities aligned with the United Nations' Sustainable Development Goals, such as healthtech and renewable energy, and impact private market strategies, such as in oncology.

Investment view

We expect a diversified portfolio of SI equities and bonds to perform overall in line with conventional strategies. While ESG leaders and improvers approaches offer more defensive characteristics, we think allocations to ESG themes and ESG engagement equities and high yield bonds will be the cornerstone of growth and return opportunities. To read more about buying into sustainable opportunities, click [here](#).

Product of the Chief Investment Office.

Read the original report [How can investors profit from a green recovery?](#) 13 July 2020.

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