



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?

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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.

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

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