



(UBS)

Is there still investor appetite for sustainable investing?

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Growth in sustainable investing (SI) assets has admittedly slowed in recent years. The drivers include ESG backlash in the US and, more universally, the asset class rebalancing, geopolitics, and regulatory challenges.

While these headwinds are unlikely to abate amid President Trump's executive orders and tariff uncertainty, we believe there are solid reasons and evidence for investors to remain focused on sustainable investing.

In a 2024 Morningstar survey, asset owners indicated that guidance from senior management and stakeholder pressures are key motivators for considering sustainability in the investment process. The survey also revealed a divide in stakeholder sentiment toward sustainability: While policyholders and plan participants support embedding sustainability in the investment process, the top three barriers to investing sustainably also include reluctance from clients and stakeholders. This shows that sustainable investing is a personal journey to express sustainability intentions and offers diverse investment strategies to meet varying requirements of investment scale, risk appetite, and strategic flexibility.

Global sustainable funds reached an all-time high of USD 3.2 trillion in assets under management (AUM) at end-2024, according to Morningstar. In the first quarter of 2025, inflows were dominated by passive funds, with a skew toward fixed income investments. Meanwhile, active and equity strategies experienced outflows, primarily concentrated in US and global funds. Sustainable fixed income remained positive throughout the first quarter and across regions. As sustainable equity constitutes the majority of the sustainable fund universe, any asset class rotation from equity to fixed income is captured as net outflows in the global sustainable fund data. Additionally, fund renaming and sustainability language adjustment continues amid increased scrutiny and regulatory guidelines.

Original report: [Sustainable InSIghts: Disorder reigns - for now, 21 April 2025.](#)

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