

The ESG Report

ESG's impact on the fund industry

This time it's different



ESG is the world's biggest ever thematic investment boom. To date, all thematic investment booms have turned into bubbles which eventually burst. Will ESG be any different?

The two other great thematic investing booms of the last 30 years – the emerging markets and tech crazes – shared many common characteristics. In both cases valuations, based on fundamentals, were jettisoned in favour of owning a stake in a company that it is hoped or believed would come good at some time in the future. Being in the right sector was everything. It trumped profit and loss projections, at least in the short term to medium term.

Is ESG investing going the same way? Inflows into all forms of ESG funds have been extraordinary. Many now fear that the huge sums of money flooding in to ESG strategies will distort markets. There are signs, particularly in the renewable energy sector, that too much money is chasing a relatively limited supply of credible investment opportunities.

Investors must not lose sight of ESG fundamentals amid a 'tidal wave of inflows', says RWC fund manager Graham Clapp. *Continued on page 6 >>*

PE & ESG: growing ever closer



ESG and private equity have experienced a prolonged period of exceedingly strong growth over the last three years. How much connection is there between what is happening in the private equity and the sustainable investing worlds? And what will be the long term impact on the private equity industry of the onward march of ESG?

The boom in the private equity fund industry went into overdrive in 2021. It seemed that new records were being set on an almost a weekly basis. This is a golden age for private equity firms: soaring valuations and a frenzy of takeover deals, with the prospect of more to come in 2022. Private equity-backed M&A deals more than doubled to a record \$818.4 billion in the first nine months of last year, up from \$315.2 billion over the same period in 2020, according to Refinitiv. *Continues in News on page 12 >>*

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