



FROM BOOM TO BUST... AND BACK AGAIN?

The future of *sustainable investing*
and how *advisors* can seize
the *opportunity*

11th December 2025



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Suresh Mistry, Head of Sustainability, Alquity Group



Co-founder of Alquity Investment Management in 2010

Focus:

- **Responsible Investment process** implementation and development
- **Responsible MPS** development and implementation
- **Regulatory Reporting** and advocacy
- **Thought-leadership** on sustainability issues
- **Transforming Lives** Foundation lead

What I will cover today

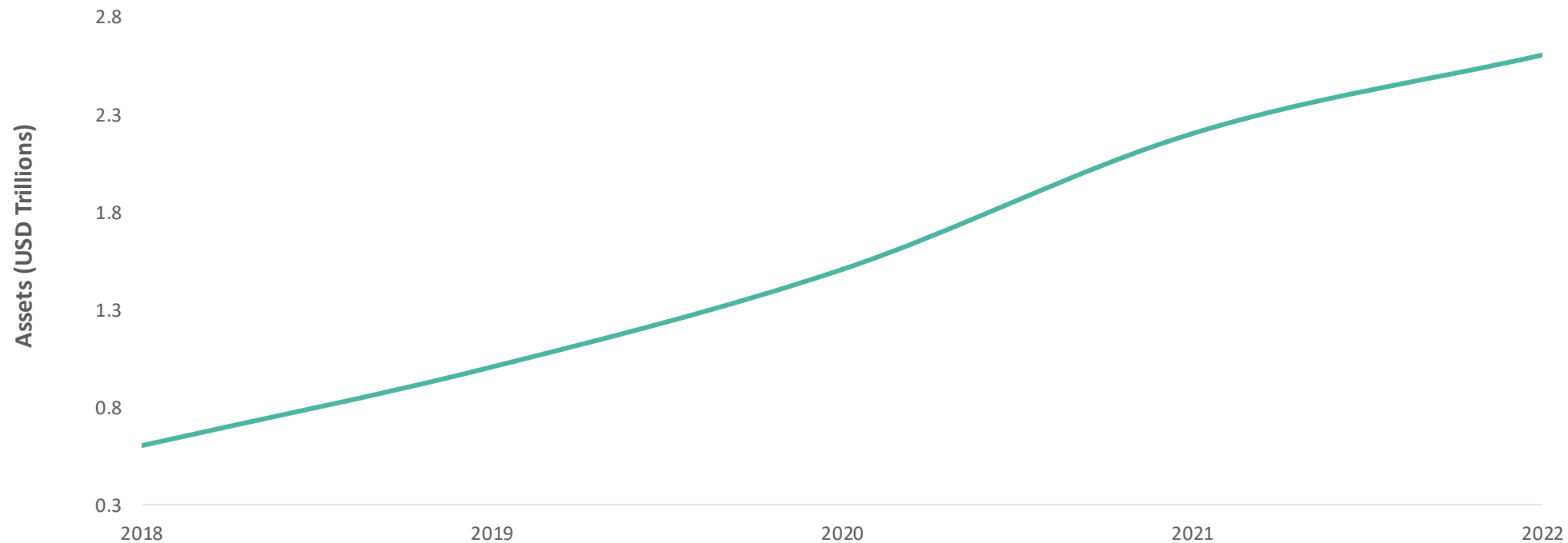
- The **boom and bust** of sustainable investing and what that means for advisors?
- **Boom again?** What needs to change for sustainable investing to deliver on its promise?
- The **fatal error** most advisors make in meeting client sustainable investing needs
- A **bespoke solution** that overcomes this

The boom of sustainable investing...

Global ESG Assets Growth

Total assets under management (2018 - 2022)

Compound Annual Growth Rate: +44.3%



...driven by a broad range of factors...

FACTORS	KEY DRIVERS
Political	Paris Agreement (2015) Government incentives Sustainable Finance Disclosure Regulation (SFDR) and EU Taxonomy
Economic	Low interest rates & Search for yield Cost of renewables dropped Climate Risk = Financial Risk
Social	Corporate accountability Consumer behaviour COVID-19 Pandemic (2020)
Technological	Data & Analytics boom Renewable Tech advances Digital platforms

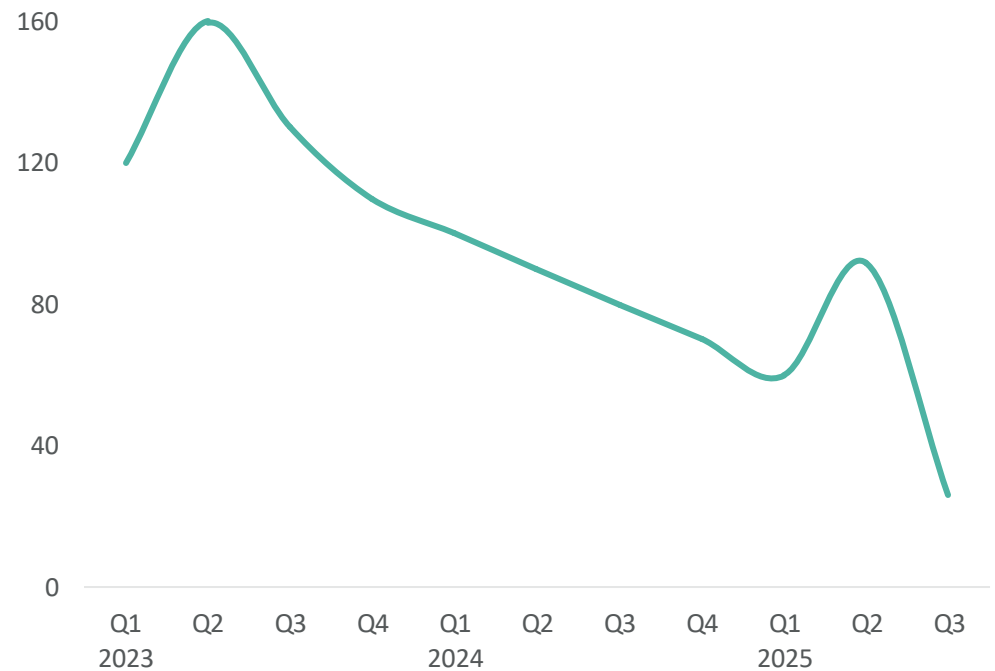
... and the bust of sustainable investing

ESG Funds: Flows & Organic Growth

Quarterly net flows and organic growth rate correlation | Q1-2023 to Q3-2025



ESG Fund Launches



Q3 2025: Synchronised Collapse

Record outflows of $-\$55.1\text{bn}$ combined with an organic growth rate of -2.1% .

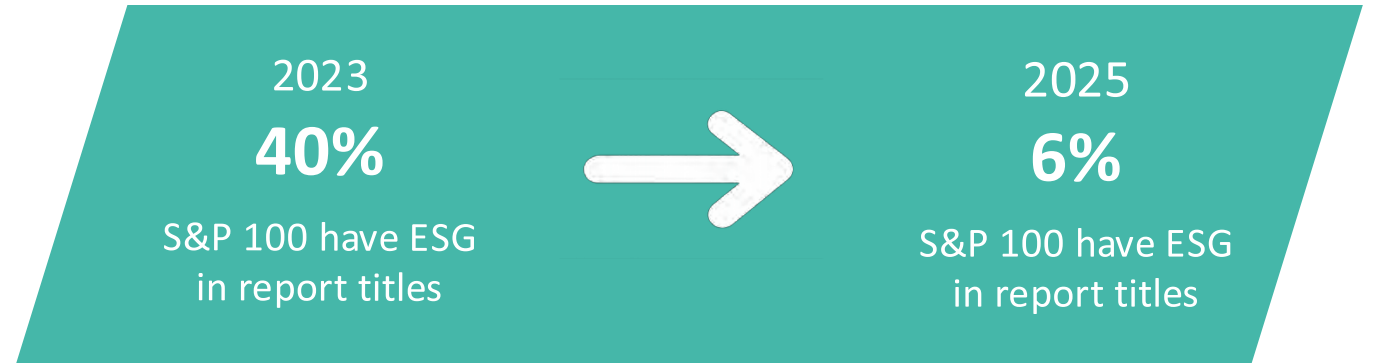
Launches peaked at 160 (Q2 2023), dropped 84% to 26 (Q3 2025)

A PERFECT STORM...

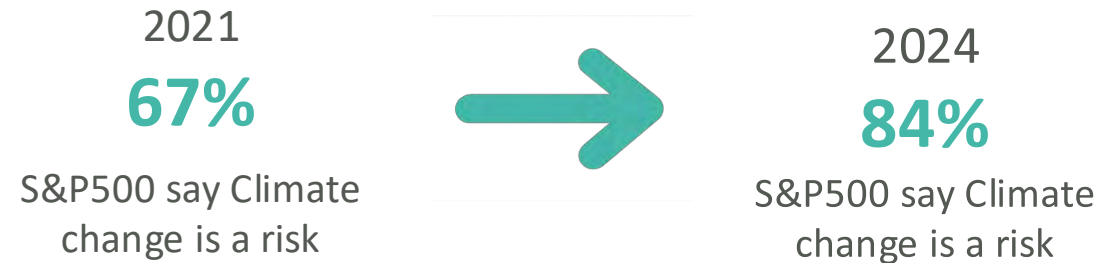
THAT WILL PASS

FACTORS	KEY DRIVERS
Political	Regulatory backlash & Greenwashing scrutiny Russia-Ukraine war (2022) Anti-ESG sentiment and legal challenges in US
Economic	High inflation & Interest rate hikes Energy price surge Performance concerns
Social	ESG fatigue & scepticism Post-pandemic shift in priorities "Anti-woke" movements
Technological	AI & Automation focus elsewhere Slow progress on Climate Tech deployment

THE S IN ESG NOW STANDS FOR *SILENCE*



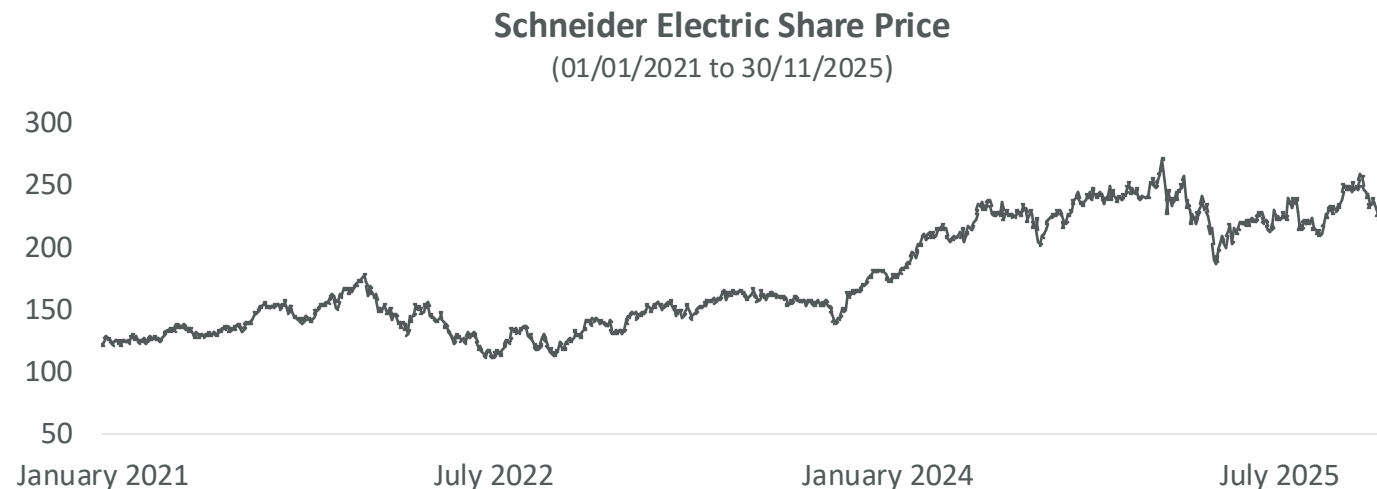
THE S IN ESG NOW STANDS FOR *SILENCE*



Real-world business impacts of sustainability

Positive Example – Schneider Electric

- Focus on energy efficiency and electrification
- Achieved 6.3% sales growth in 2024 and projected 18% share price growth



Negative Example – Greggs

- 14% drop in pre-tax profits due to extreme weather
- Climate-related disruptions show how environmental risks affect operations



THE FUTURE OF SUSTAINABLE INVESTING



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The difference between ESG and Impact investing

Environmental, Social and Governance (ESG) is an **analytical framework** used by investors to assess “**non-financial**” factors of an investment

ESG analysis’ primary concern is to **understand risks and opportunities in an investment** rather than its impact

Impact investing is a **conscious decision to invest in target themes** (and sectors) that can have **an impact on the environment** (mitigation of climate change and biodiversity loss) **and society** (alleviation of poverty and reduced inequality)

Impact investing does not by default incorporate ESG investing

From ESG-theatre to rational sustainability

ESG THEATRE	RATIONAL SUSTAINABILITY
Tick box	Real world
Superficial	Deep integrated
Ideological	Evidential
Do more	Do better
Marketing-led	Values driven
Incorporates risk at stock level	Incorporates Portfolio Risk
We are sustainability experts	We are sustainable investors

RATIONAL SUSTAINABILITY

A **common-sense approach** to responsible investing that ensures **sustainability** factors work alongside **financial** goals, focusing investment decisions on **hard evidence** and **proven outcomes** rather than just good intentions



THE FATAL ERROR

15

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The fatal error in advising clients on sustainable investing

Greta



David



Bob



The fatal error in advising clients on sustainable investing

Greta



David




Bob



How green are each of them?

The solution: respond to expressed preferences



I am worried about global warming and avoiding catastrophic climate change

Climate Change mitigation: investing in solutions that reduce or replace GHG emissions to contribute towards minimising global warming

I am worried about the loss of nature and the extinction of wild species

Nature and Biodiversity Protection: investing in solutions that reduce use or replenish use of natural resources and mitigate or avoid biodiversity loss

I am worried about the huge inequality in society and eradicating poverty

Social Justice: investing in solutions that provide sustainable livelihoods to reduce inequality and eradicate poverty

Alquity's responsible portfolio philosophy

CLIENT-CENTRIC DESIGN

Portfolios tailored
to individual
sustainability
preferences

BALANCED APPROACH

Clients choose
their level of
sustainable
exposure

DUAL FOCUS

Competitive
returns and
measurable impact

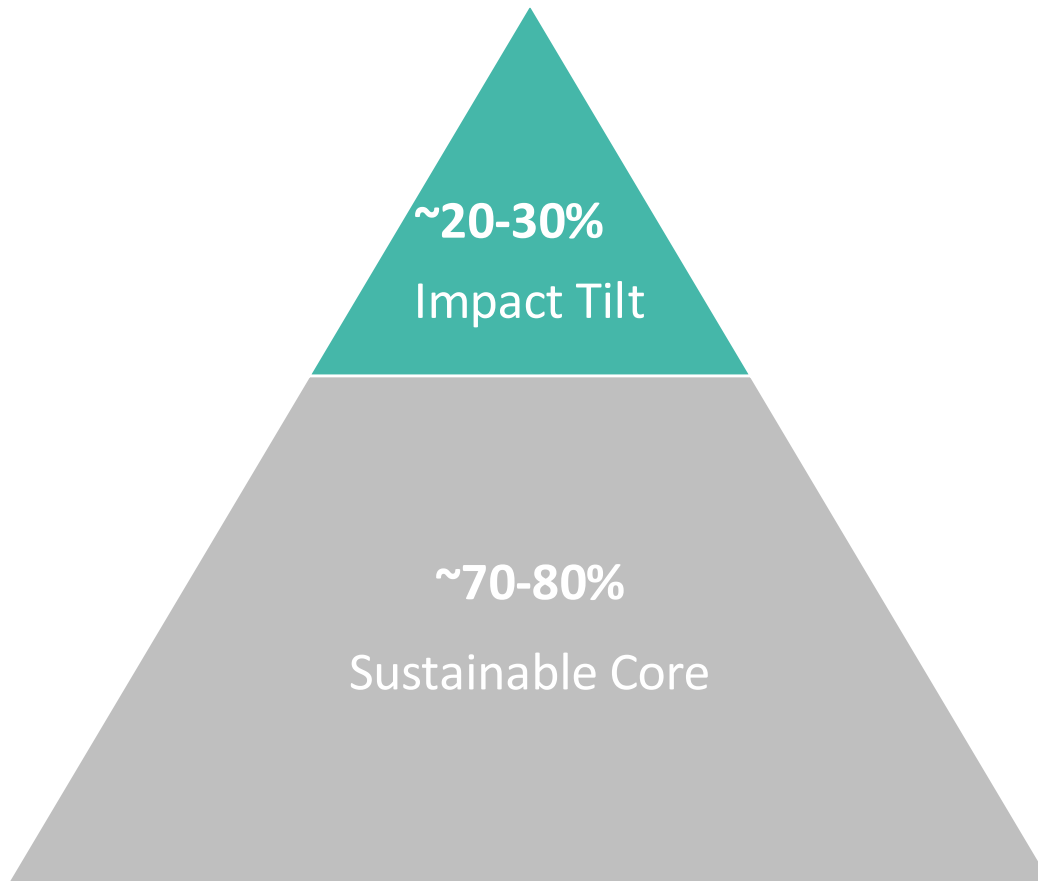
RATIONAL SUSTAINABILITY

Based on science,
risk, and long-term
profitability

CLEAR STRUCTURE

“Sustainable core
with targeted
impact” for
diversification and
thematic focus

Responsible MPS: Portfolio construction



The thematic tilts are driven by funds **with focused *impact goals***, but have been vetted for **quality teams** and **track record**

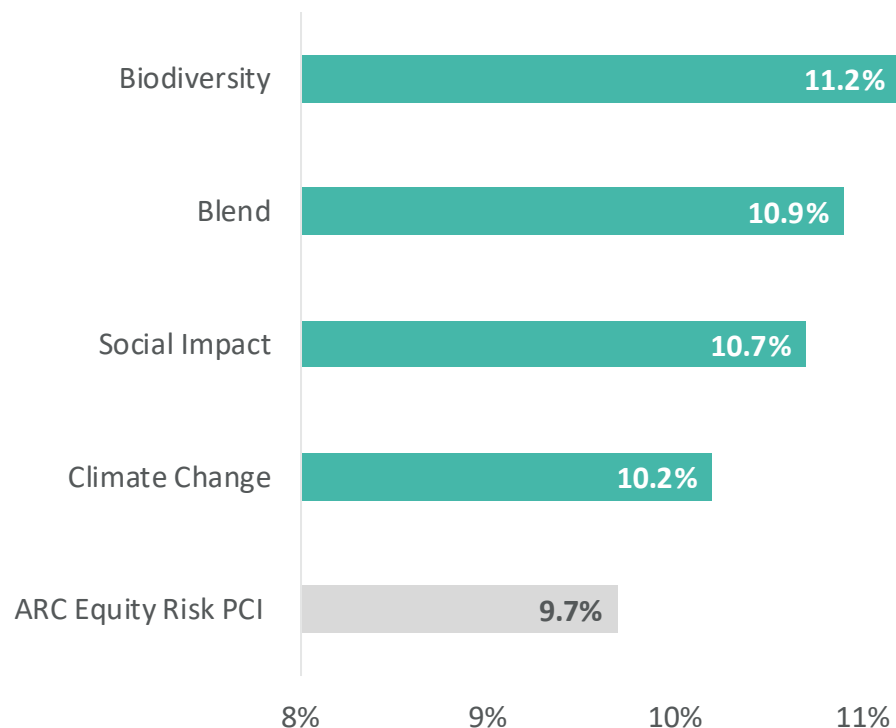
Funds in the sustainable core provide **high-quality, *ESG-integrated* strategies** with broad global coverage and a **strong track record**, encompassing both equity and bond funds

The sustainable core helps manage the portfolio's **risk rating** (between growth and adventurous) and provides ***diversification* to offset thematic tilts**

Alquity Responsible MPS Performance versus its index

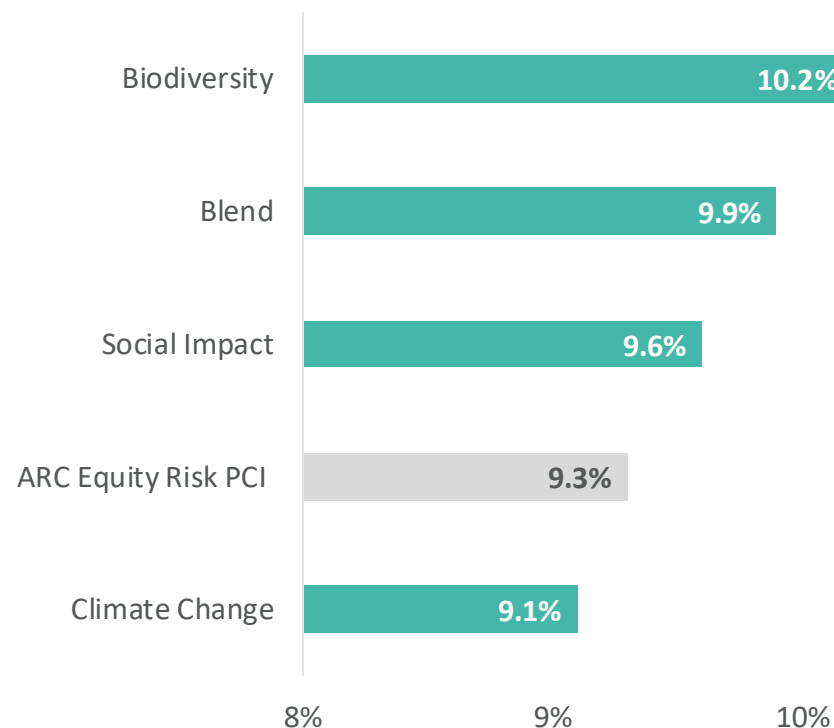
Adventurous Responsible MPS Performance (in GBP)

Since Launch (31/12/2024 to 30/11/2025)



Growth Responsible MPS Performance (in GBP)

Since Launch (31/12/2024 to 30/11/2025)



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Practical adviser training for client conversations

How to...

- **Acknowledge client concerns** about sustainable investing
- **Remain** neutral and **objective**
- **Educate clients** on the risks and opportunities of sustainable investing
- **Communicate** the real-world significance of sustainability
- **Empower clients** so they can **tailor the solution** to fit their needs

Transforming Lives: additional impact at no cost

Any investments in the portfolios in Alquity funds will also generate a **donation to support projects** backed by the firm in emerging markets. This donation **does not come from your returns**, but from the standard fees charged for managing the funds

The donations will be pooled across all investments made into Alquity funds by **your clients**, and each year we will report the total donations generated and how they have been deployed by the Alquity Transforming Lives Foundation to deliver **direct impact**

A photograph of a man with a beard and sunglasses on his head, wearing a yellow and blue striped shirt, standing next to a young girl wearing a white headscarf. They are in a shop with shelves of goods in the background.

\$2.7m donated
+66,000 lives transformed

If you would like more information...



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Q&A



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