Sustainable investing has grown dramatically in recent years.

In 2018, sustainable assets totalled $12T* — or ¼ of the $46.6T assets under professional management in the U.S.

This represents a 38% increase over 2016, so it’s perhaps no surprise that the strategy is capturing more attention.

* Includes sustainable, responsible and impact investing (SRI) assets


Search Trajectory

Interest over time (U.S.)

100 = peak popularity

Source: Google Trends, 10/18/19

* Includes sustainable, responsible and impact investing (SRI) assets
So, why are advisors and individual investors holding back?

One reason may be lingering misconceptions about sustainable investing.

Institutional investors have embraced sustainable investing, but despite the enthusiasm and momentum, financial advisors and individual investors have remained largely on the sidelines.

**The disconnect?**

- **Only 20%** of investors surveyed had been recommended an ESG-based strategy by their financial advisor.
- **38%** of the same respondents stated an extremely high interest in discussing such strategies with their financial advisor in the future.

**Source:** New York Life Investments, 2019.

So, why are advisors and individual investors holding back? One reason may be lingering misconceptions about sustainable investing.

Here, we address five key myths and shine a light on the realities.
Sustainable strategies underperform conventional strategies

Sustainable strategies have historically matched or outperformed conventional strategies

Myth Reality

In 2015, academics analyzed more than 2,000 studies—and found that in roughly 90% of the studies, companies with strong ESG profiles had equal or better financial performance than their non-ESG counterparts.²
A recent ranking of the 100 most sustainable corporations found similar results.

The Global 100 Index made a net investment return of 127.35%, compared to 118.27% for the MSCI ACWI.

The Global 100 companies show that doing what is good for the world can also be good for financial performance.

— Toby Heaps, CEO of Corporate Knights
Sustainable investing only involves screening out “sin” stocks

Positive approaches that integrate sustainability factors are gaining traction

In modern investing, exclusionary or “screens-based” approaches do play a large role—and tend to avoid stocks or bonds of companies in the following “sin” categories:

- Alcohol
- Tobacco
- Fossil Fuels
- Casinos

However, investment managers are increasingly taking a positive approach to sustainability by integrating ESG factors throughout the investment process.

Global Sustainable Investing
Assets by Strategy, 2018

Impact/community investing
Sustainability themed investing
Positive/best-in-class investing
Norms-based screening
Corporate engagement and shareholder action
ESG integration
Negative/exclusionary screening

ESG integration strategies now total $17.5T in assets, a 69% increase over the past two years.

Source: Global Sustainable Investment Alliance, 2018.
Myth 3 Reality

Sustainable investing is a passing fad
Sustainable investing has been around for decades and continues to grow

Over the past decade, sustainable strategies have shown both strong assets under management (AUM) growth and positive asset flows.

**Growth of Self-Identified “Sustainable” Funds**

<table>
<thead>
<tr>
<th>AUM (USD)</th>
<th>Flows (USD)</th>
</tr>
</thead>
<tbody>
<tr>
<td>$120B</td>
<td>$12B</td>
</tr>
<tr>
<td>$100B</td>
<td>$10B</td>
</tr>
<tr>
<td>$80B</td>
<td>$8B</td>
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<tr>
<td>$60B</td>
<td>$6B</td>
</tr>
<tr>
<td>$40B</td>
<td>$4B</td>
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<tr>
<td>$20B</td>
<td>$2B</td>
</tr>
<tr>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>$-20B</td>
<td>$-2B</td>
</tr>
</tbody>
</table>

2009 '10 '11 '12 '13 '14 '15 '16 '17 '18 '19

Not only that, the number of sustainable offerings has increased as well.

**Number of Morningstar Sustainable Funds**

<table>
<thead>
<tr>
<th>Year</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>235</td>
<td>351</td>
</tr>
</tbody>
</table>

This is a 50% increase.

Sustainable investments are here to stay—and will continue to become more entrenched in the market.
Interest in sustainable investing is confined mostly to millennials and women.

There is widespread interest in sustainable strategies, with institutional investors leading the way.

Millennials are more likely to factor in sustainability concerns than previous generations.

However, institutional investors have adopted sustainable investments more than any other group—accounting for nearly ¾ of the managed assets that follow an ESG approach.

In addition, over half of the random population is “values-driven,” having taken one or more of the following actions with sustainability in mind.

- Boycotted a brand
- Sold shares of a company
- Changed the types of products they used

Women and men are almost equally likely to be motivated by sustainable values.

Most importantly, half of “values-driven” consumers are open to ESG investing—suggesting that many individuals may begin to align their investments with their personal beliefs.


Myth: Sustainable investing only works for equities.

Reality: Sustainable strategies are offered across asset classes.

Integration of global sustainable investments across asset classes 2018

- **51%** Public equity
- **36%** Fixed income
- **7%** Other
- **3%** Real estate
- **3%** Private equity

This myth has a basis in history, but other asset classes are increasingly incorporating ESG analysis.

$580B in green bonds—which finance projects with beneficial environmental effects—were sold in 2018.

Source: Bloomberg, 3/24/19.

While the number of sustainable equity investments remained unchanged from 2017-2018, fixed-income and alternative assets showed remarkable growth over the same period.

It's clear that sustainable investing is not just a buzzword. Instead, this strategy is integral to many portfolios. By staying informed, advisors and individual investors can take advantage of this growing strategy—and improve both their impact and return potential.

All data is from New York Life Investments unless otherwise stated.

1. Source: New York Life Investments and RTi Research, September 2019. Results based on survey questions asked of 594 investors, both men and women, with investable assets over $250k, ranging in age from 25-39; 40-54; and 55+.


The MSCI All Country World Index (ACWI) captures large-, mid-, small-, and micro-cap representation across 23 Developed Markets (DM) countries and large-, mid-, and small-cap representation across 26 Emerging Markets (EM) countries.

The Corporate Knights Global 100 Index represents the top 100 most sustainable corporations in the world.

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