



FROM BOOM TO BUST... AND BACK AGAIN?

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

11th December 2025

Alquity
Group

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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

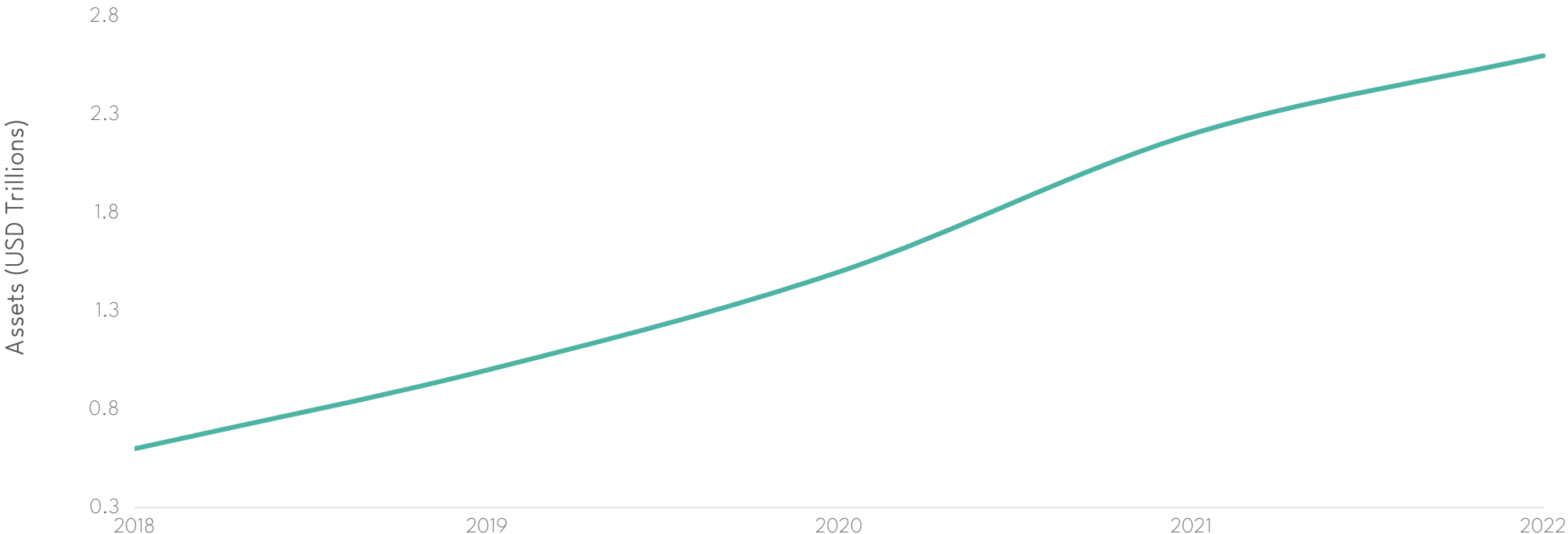
What I will cover today

- 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%



Source: Morningstar (Global ESG Q3 2025 Flow Report), as of October 2025



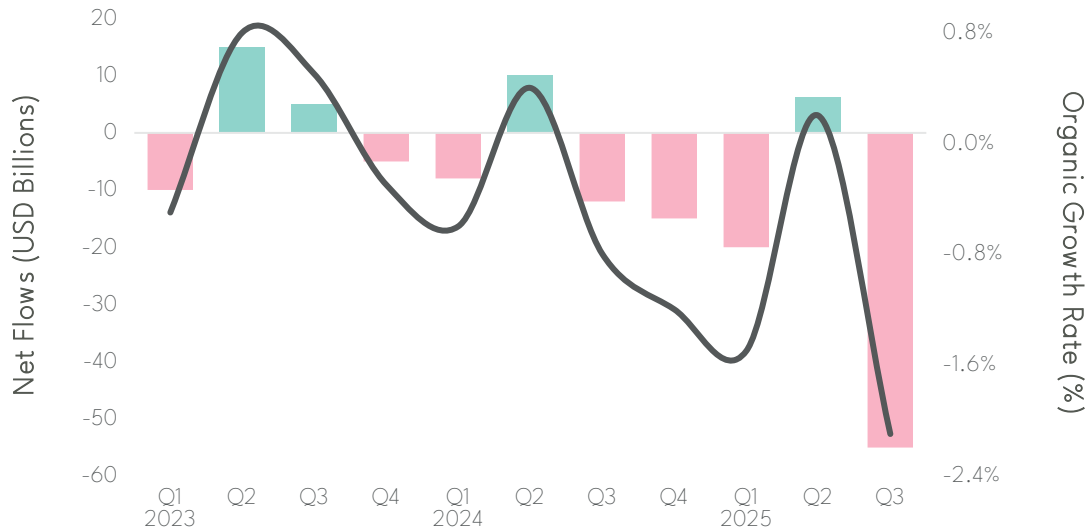
...driven by a broad range of factors...

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

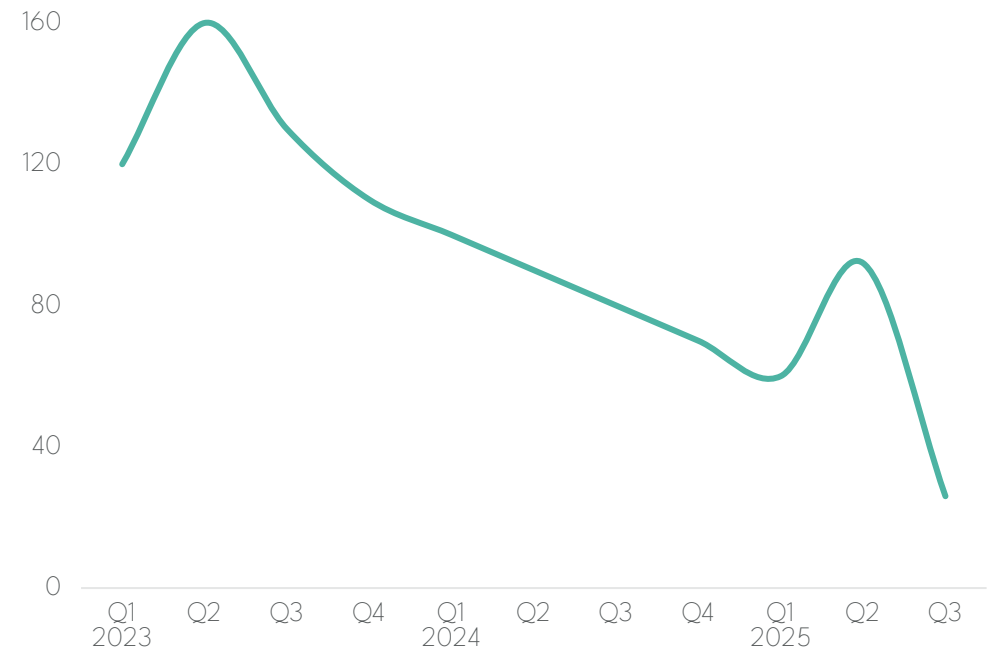
... and the bust of sustainable investing

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 $-\$55.1bn$ combined with an organic growth rate of -2.1% .

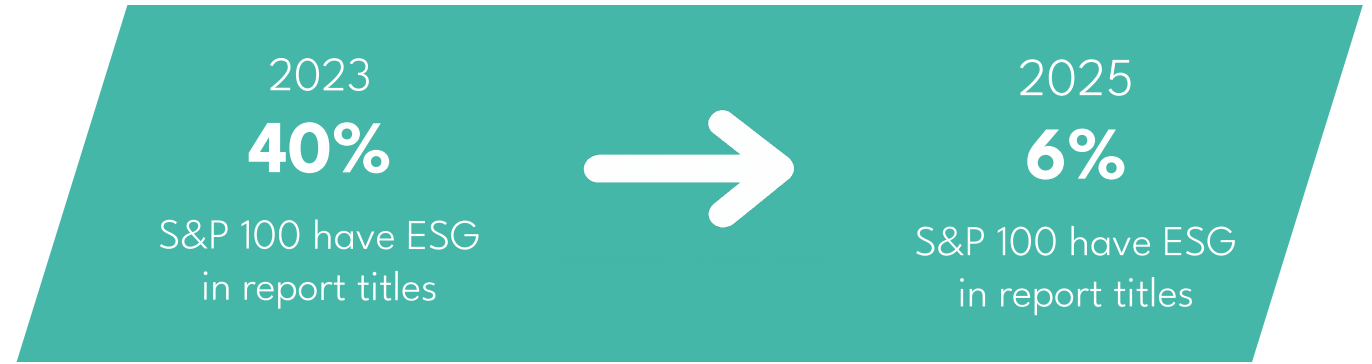
Launches peaked at 160 (Q2 2023), dropped 84% to 26 (Q3 2025)

A PERFECT STORM ...

THAT WILL PASS

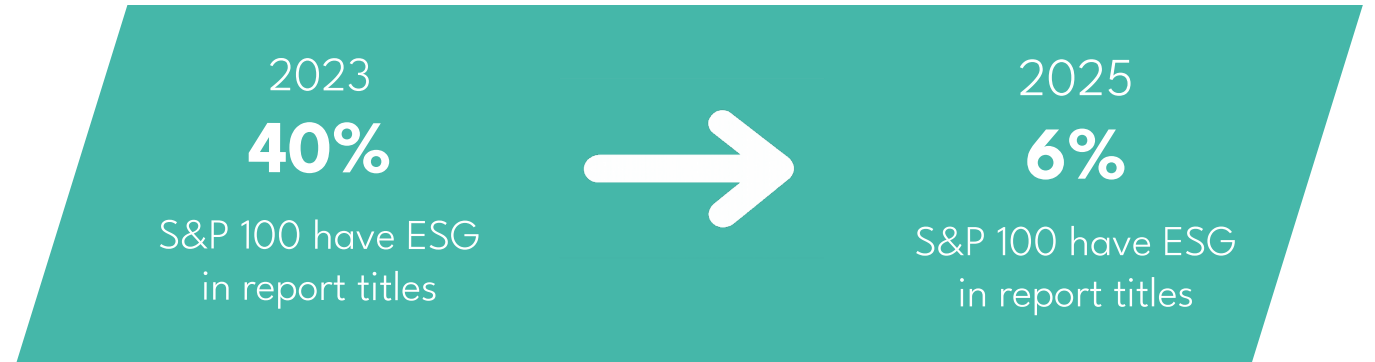
FACTORS	KEY DRIVERS
Political	Regulatory Backlash & Greenwashing Scrutiny Russia-Ukraine war (2022) Anti-ESG sentiment and legal challenges in US
Economic	High Inflation & Interest Rate Hikes Energy Price Surge Performance Concerns
Social	ESG Fatigue & Scepticism Post-pandemic shift in priorities "Anti-woke" movements
Technological	AI & Automation Focus Elsewhere Slow Progress on Climate Tech Deployment

THE SIN ESG NOW STANDS FOR *SILENCE*



Source: The Conference Board, as of 28th April 2025

THE SIN ESG NOW STANDS FOR *SILENCE*



Source: The Conference Board, as of 28th April 2025

THE FUTURE OF SUSTAINABLE INVESTING



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The difference between **ESG**

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

and Impact investing

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
Tick box	Real world

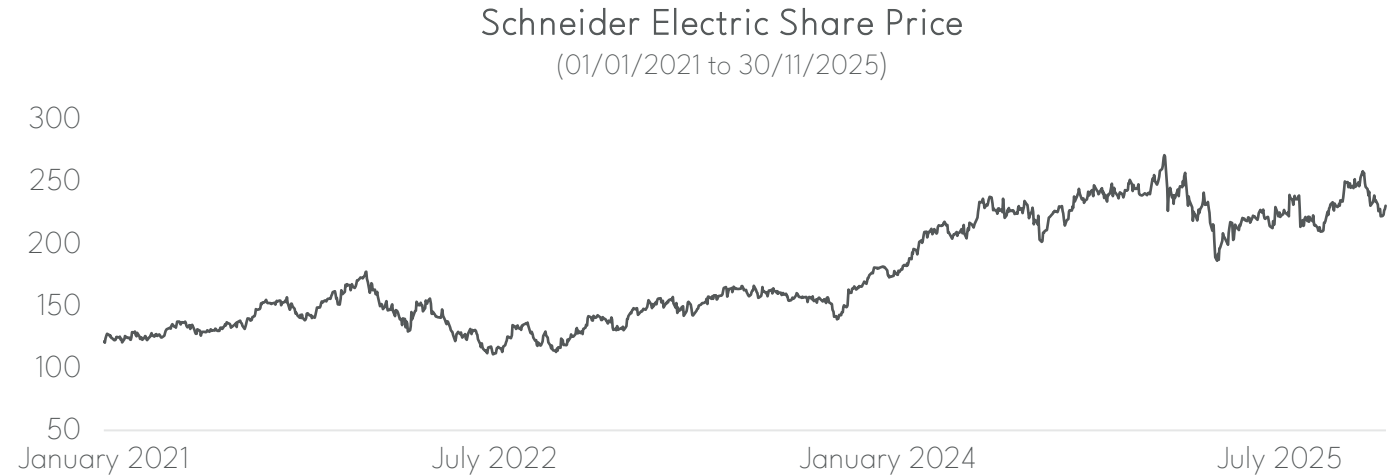
RATIONAL SUSTAINABILITY

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

Real-world business impacts of sustainability

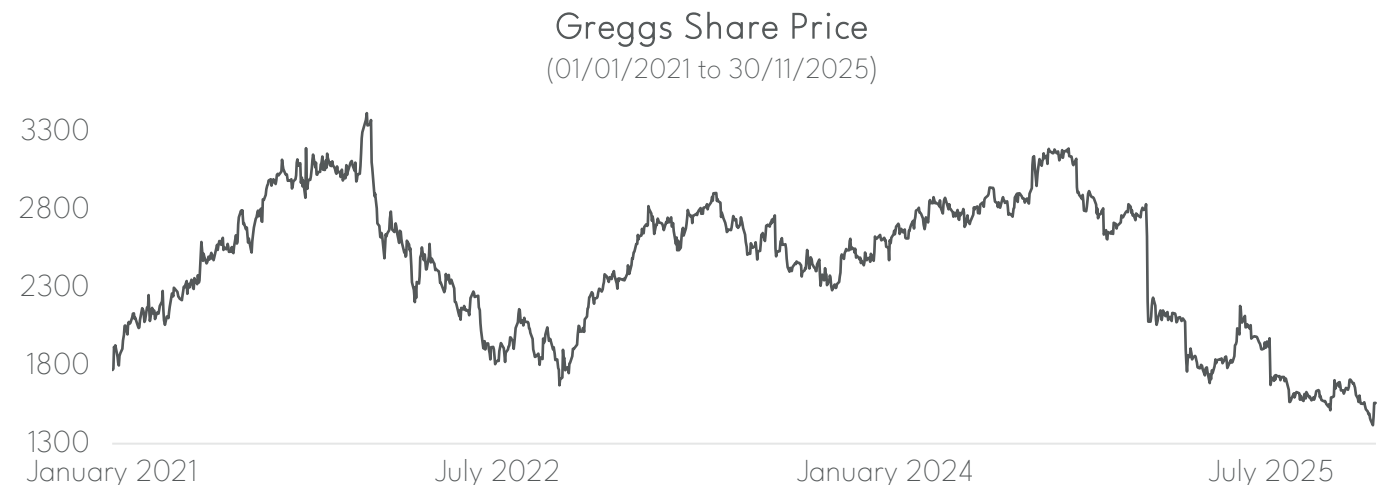
Positive Example – Schneider Electric

- 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



Source: Google Finance, as of 30th November 2025.

The securities discussed above are provided for information purposes only, and this is not a recommendation to buy or sell any of them.



THE FATAL ERROR

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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

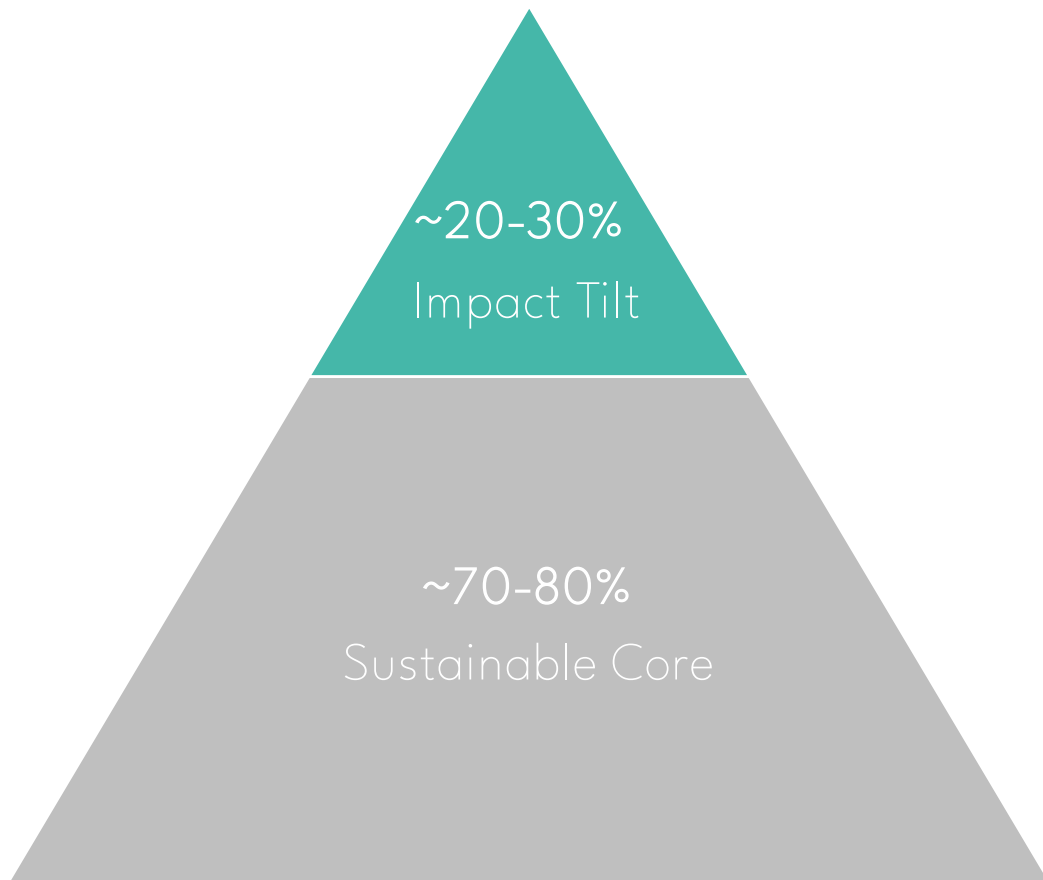
RATIONAL SUSTAINABILITY

Based on science, risk, and long-term profitability

CLEAR STRUCTURE

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

Portfolio construction



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

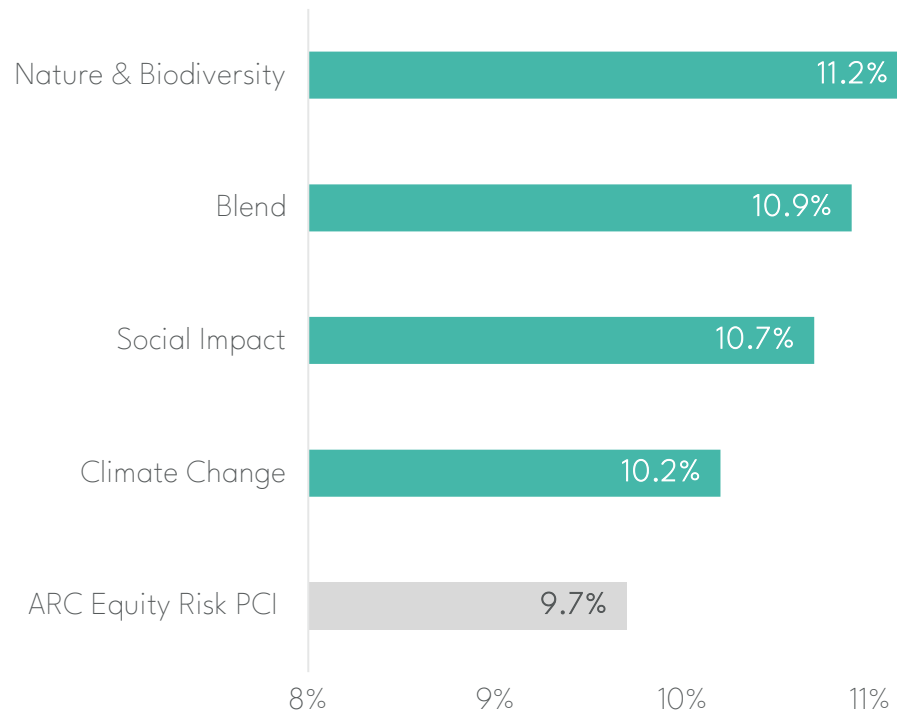
Funds in the sustainable core provide **high-quality, ESG-integrated strategies** with broad global coverage and a **strong track record**, encompassing both equity and bond funds

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

Alquity MPS Performance versus its index

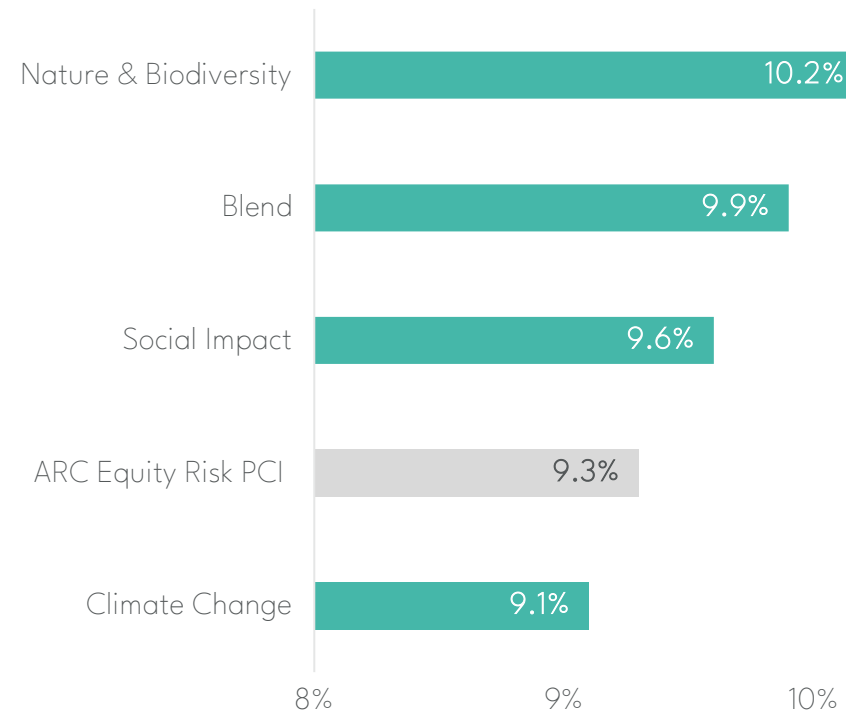
Adventurous Responsible MPS Performance (in GBP)

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



Growth Responsible MPS Performance (in GBP)

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



Past investment performance is not a reliable indicator of future results. Portfolios consist of both Alquity funds and third-party funds.

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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**



\$2.7m donated
+66,000 lives transformed

If you would like more information...



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Q&A

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