Why ESG Matters to Fund Managers: Equities vs. Fixed Income

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Executive Summary:



Environmental, social and governance (ESG) investing means different things to different people. For some, it is a major input into generating returns over long time horizons. Others view it as a component of prudent risk management (please see ESG in Fixed Income: Quantifying the Risks). And for many more, it is a way to drive positive change in the world and help minimize the effects of climate change. The investment management industry is far from having a universally accepted stance on ESG, with some even moving away from using the term ESG. While regional differences in perception and focus on ESG receive much of the attention—especially from a regulatory perspective—differences by asset class are also notable. More specifically, equity and fixed-income investors often have very distinct views. Neither is "right;" rather, fundamental differences in investing in these markets drive the variation. These differences must be acknowledged to ensure that portfolio managers have the technology and data solutions they need.

Methodology:

Coalition Greenwich conducted interviews with 47 fixed-income professionals globally in Q3 2023 and 103 equity professionals globally during Q4 2023 to ascertain their views about key issues in the market, including the role of ESG. Questions explored whether ESG is important, and if so, why is it important.

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