

A SUSTAINABLE INVESTING FOCUS

Jeremy Schwartz — Global Chief Investment Officer

10/13/2020

Our latest *Behind the Markets* podcast features Audrey Choi, the chief sustainability officer at Morgan Stanley. Choi started her career as an investigative journalist covering post-reunification Germany. She spent six years in the Clinton administration, where she was chief of staff to Janet Yellen. She also worked on Internet policy as an advisor to Al Gore. She joined Morgan Stanley 13 years ago, and in 2009, Morgan Stanley launched a Global Sustainable Finance Group. Morgan Stanley launched its first set of [sustainable investing](#) portfolios in 2012 and had a “stretch” goal of raising \$10 billion over five years. Eight years later, their team has \$47 billion in sustainable portfolio assets.

Back in 2009, sustainable finance and sustainable investing were not common terms, but Morgan Stanley felt this was part of mainstream capital market activities. Only 10% of investment mandates included sustainability considerations. Now, Choi sees exponential growth.

According to the latest asset owner survey Choi’s team conducted, more than \$12 trillion in U.S. assets have sustainable goals—more than one in four dollars invested. Globally, the sustainable rates are even higher, with one in three dollars invested in sustainable mandates.

Millennials and women were early adopters of sustainable goals, but over the last decade, men have closed the gap. Today, 85% of investors suggest they want their personal priorities incorporated into investments. Further, 95% of institutional investors say they either want to incorporate sustainable goals or plan to in the future.

In the early years, the biggest challenge for sustainable investing adoption was the fear that it would come at the expense of returns. Choi and Morgan Stanley founded the Institute for Sustainable Investing and looked at 11,000 mutual funds over 15 years of performance. Their research found no trade-off in lower returns, but sustainable funds had less [downside risk](#) and [volatility](#). That trade-off attracted clients to sustainable investing, with their data showing investors do not need to sacrifice returns to achieve their personal priorities.

The next challenge is to understand how investments are aligned with goals such as climate change or eliminating waste and pollution. Morgan Stanley has developed tools to x-ray a portfolio for various sustainability exposures.

Sustainable investing is often incorporated into thematic expressions, and the top three themes from the recent survey of asset owners showed interest in climate change, plastic waste reduction and a circular economy (taking a resource and recycling its use multiple times).

Morgan Stanley believes firms focused on sustainable investments need to go beyond the investment offerings to living and breathing the ethos of sustainable investing.

Since plastic was invented, we’ve created eight trillion metric tons of plastic and six trillion has stayed as waste. Morgan Stanley committed to facilitating the prevention, reduction, and removal of 50 million tons of plastic waste from rivers, oceans, and landfills. Morgan Stanley worked with the World Bank to issue a \$10 million bond with the specific focus on trying to reduce plastic waste. Later, Morgan Stanley worked with Pepsi to issue a \$1 billion bond, with a significant amount of the proceeds intended to reduce plastic waste from their value chain. Then, Morgan Stanley worked with Alphabet to issue a \$5.75 billion bond—the largest green bond issued to date—that had green goals and circular economy intentions. To Choi, this showed there is large demand for financial instruments tied to sustainable investment goals.

Morgan Stanley also recently launched a sustainable assets solution accelerator that is giving out five awards of \$250,000 to accelerate solutions focused on issues like climate change that need both capital and a partnership to aid their development.

This was a great conversation on one of most important trends in the market today. You can listen to our full conversation with Audrey Choi below.

Behind the Markets on Wharton Business Radio · Behind The Markets Podcast: Audrey Choi

For standardized performance and the most recent month-end performance click [here](#) NOTE, this material is intended for electronic use only. Individuals who intend to print and physically deliver to an investor must print the monthly performance report to accompany this blog.

For more investing insights, check out our [Economic & Market Outlook](#)

View the online version of this article [here](#).

IMPORTANT INFORMATION

U.S. investors only: Click [here](#) to obtain a WisdomTree ETF prospectus which contains investment objectives, risks, charges, expenses, and other information; read and consider carefully before investing.

There are risks involved with investing, including possible loss of principal. Foreign investing involves currency, political and economic risk. Funds focusing on a single country, sector and/or funds that emphasize investments in smaller companies may experience greater price volatility. Investments in emerging markets, currency, fixed income and alternative investments include additional risks. Please see prospectus for discussion of risks.

Past performance is not indicative of future results. This material contains the opinions of the author, which are subject to change, and should not to be considered or interpreted as a recommendation to participate in any particular trading strategy, or deemed to be an offer or sale of any investment product and it should not be relied on as such. There is no guarantee that any strategies discussed will work under all market conditions. This material represents an assessment of the market environment at a specific time and is not intended to be a forecast of future events or a guarantee of future results. This material should not be relied upon as research or investment advice regarding any security in particular. The user of this information assumes the entire risk of any use made of the information provided herein. Neither WisdomTree nor its affiliates, nor Foreside Fund Services, LLC, or its affiliates provide tax or legal advice. Investors seeking tax or legal advice should consult their tax or legal advisor. Unless expressly stated otherwise the opinions, interpretations or findings expressed herein do not necessarily represent the views of WisdomTree or any of its affiliates.

The MSCI information may only be used for your internal use, may not be reproduced or re-disseminated in any form and may not be used as a basis for or component of any financial instruments or products or indexes. None of the MSCI information is intended to constitute investment advice or a recommendation to make (or refrain from making) any kind of investment decision and may not be relied on as such. Historical data and analysis should not be taken as an indication or guarantee of any future performance analysis, forecast or prediction. The MSCI information is provided on an "as is" basis and the user of this information assumes the entire risk of any use made of this information. MSCI, each of its affiliates and each entity involved in compiling, computing or creating any MSCI information (collectively, the "MSCI Parties") expressly disclaims all warranties. With respect to this information, in no event shall any MSCI Party have any liability for any direct, indirect, special, incidental, punitive, consequential (including loss profits) or any other damages (www.msci.com)

Jonathan Steinberg, Jeremy Schwartz, Rick Harper, Christopher Gannatti, Bradley Krom, Tripp Zimmerman, Michael Barrer, Anita Rausch, Kevin Flanagan, Brendan Loftus, Joseph Tenaglia, Jeff Weniger, Matt Wagner, Alejandro Saltiel, Ryan Krystopowicz, Jianing Wu, and Brian Manby are registered representatives of Foreside Fund Services, LLC.

WisdomTree Funds are distributed by Foreside Fund Services, LLC, in the U.S. only.

You cannot invest directly in an index.

DEFINITIONS

Sustainable investing : Investing in companies that seek to combat climate change, environmental destruction, while promoting corporate responsibility.

Downside : Currency depreciation.

Volatility : A measure of the dispersion of actual returns around a particular average level. .