

# Financial advisers hone their focus on ESG strategies



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As investor demand grows, advisers are realizing they need to step up their ESG game.



September 10, 2021 *By Jeff Benjamin*

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The groundswell of investor [interest in ESG](#) investments has not been lost on most financial advisers, but when it comes to getting up to speed, there remains a gap.

According to a [new report from PGIM Investments](#), 54% of advisers surveyed say they expect to increase allocations to environmental, social and governance investments over the next three years, while 33% say they plan to maintain the same exposure.

Only 2% say they plan to decrease ESG exposure in client portfolios, and 11% say they will not be investing in ESG products or strategies.

When asked to rate their familiarity with ESG investments, only 14% said they were very familiar with the products, while 52% said they are somewhat familiar, 24% said they had only heard about ESG, and 10% said they are not at all familiar.

“Our immediate impression is that demand for ESG is changing,” said Wendy Strutt, head of U.S. national accounts at PGIM.

“As an asset manager, this is a moving target,” Strutt said. “And we will continue to adapt as demand changes.”

From a general investment product perspective, she pointed out that the shelves are being “winnowed down,” except with regard to ESG strategies, where “the floodgates are open.”

As the asset management industry rushes to keep pace with the growing demand for ESG strategies, the latest trend is [converting and rebranding traditional mutual funds and ETFs into strategies](#) with a more appealing sustainable focus.

According to Morningstar, since 2013, 64 funds have been rebranded as sustainable, including 25 last year.

The [stampede into the ESG space](#) has left some financial advisers reluctant to chase the herd for fear of getting carried away by the momentum.



“I am not focusing on any mutual funds that invest primarily in ESG,” said Scott Bishop, executive director of wealth solutions at Avidian Wealth Solutions.

“I think it is more marketing than reality for those wanting to truly have an impact on the environment,” Bishop said.” I have seen this before with sin-stock themed investments, etc. It is more for the sales theme than to have a true impact in many cases to the underlying cause.”

Even with all the noise about sustainable investing, it still can be an acquired taste among financial advisers.

According to the PGIM research, 62% of advisers with less than 20 years of experience plan to increase allocations to ESG, while only 47% of those advisers with more than 20 years of experience say they plan to increase allocations to ESG.

The spread is starker when it comes to discussing ESG investments with clients. The research shows about half of the younger set are discussing the strategies with clients, while only 38% of the older advisers are talking about ESG with clients.

Strutt believes the future will involve more, not less, focus on ESG, beginning with the clients.

“Clients are asking us, as a firm, to be transparent about our internal policies and procedures related to things like diversity, equality and inclusion,” she said. “This is a good thing for our industry. The more transparent all of us are as an industry, the more I believe it will prompt product development and help accelerate change in the industry.”



said nobody had ever asked them about it before.”

As a dedicated environmental enthusiast who drives a hydrogen-powered car and has solar panels on his house, Kraus has learned to keep his eyes wide open when it comes to anything touting an ESG label.

“With the funds, there’s a lot that don’t match my clients’ goals and values, because some say they’re ESG but in reality, it’s just greenwashing or a marketing ploy,” he said. “I get calls from wholesalers all day long, and the first thing I ask is how they vote their proxies. If they don’t know the answer, I generally find it’s not a true ESG fund.”

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