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2022 Investor / GP Trends in ESG for Alternative Investments

Due to significant growth in interest on the part of alternative investors, ESG is increasingly becoming a key focus for GPs and LPs as part of their core investment process. What's driving this interest?

LP / Investor Focus

Investor demand is the chief motivator for ESG policies, and GPs are facing increased pressure from LPs regarding the integration of ESG into investment screening and management. The biggest issue for LPs is the large number of GPs they must collect data from, and the housing / monitoring of that data.

Source: https://www.preqin.com/esg/esg-trends

Source: https://corpgov.law.harvard.edu/2020/01/13/into-the-mainstream-esg-at-the-tipping-point/

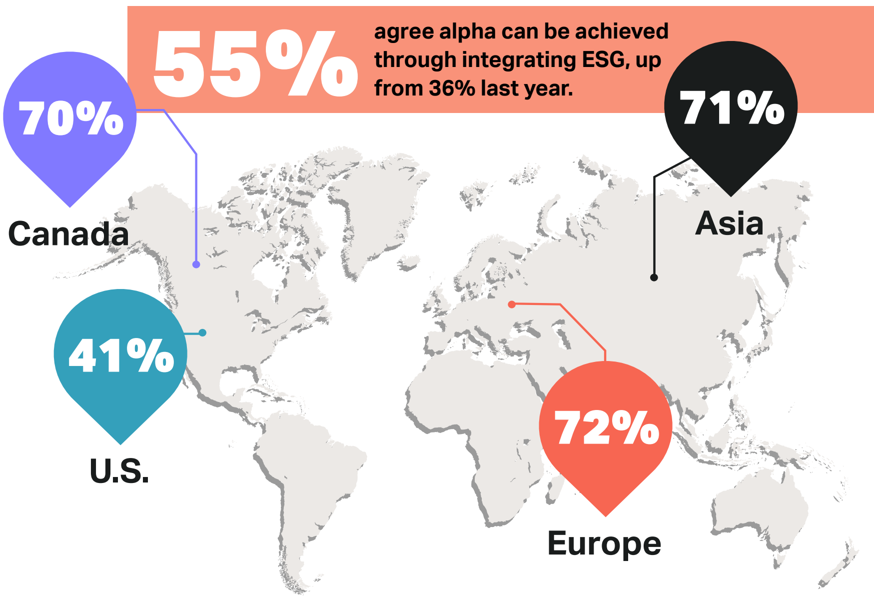
Regulatory Issues

Especially in Europe, GPs are facing new requirements related to disclosures around ESG standards. One example is SFDR reporting requirements and the UK Pension fund act. As a result of adopting ESG policy, GPs and LPs will be subject to fewer regulatory and legal interventions.

Profitability

The industry belief that ESG scores will continue to align with profitability is growing, as companies not in adherence with ESG standards will face challenges in fundraising and valuations in both the public and private markets. Along with alpha – i.e., portfolio performance relative to a benchmark– more highly-rated ESG companies saw lower tail and systematic risks.

SOURCE OF ALPHA



Source: https://www.rbcgam.com/en/ca/about-us/responsible-investment/our-latest-independent-research

How Allvue can help

Allvue is a leading provider of investment management solutions in the alternative investments industry. Through our offerings, we provide alternative asset investors with the ability to track, analyze, and disseminate ESG metrics quickly and easily across their networks.

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