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News Release

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Casey Quirk: By 2025, Asset Managers Will Vie for Projected $3.2 Trillion of New Money in Sustainable Investing

NEW YORK and STAMFORD, Conn., July 15, 2021 – Dedicated sustainable investing assets will reach an estimated $13 trillion globally by 2025, more than quadruple the $2.8 trillion total at yearend 2020. This growth will likely be fueled by retail investor demand, increased sustainability disclosure and market regulation, and widespread adoption by institutional asset owners and financial intermediaries, according to new research from asset management strategy consultant Casey Quirk, a Deloitte business.

Dedicated sustainable investing represents an evolution, with asset managers actively implementing environmental, social and governance (ESG) attributes within investment objectives, beyond merely considering ESG factors as one of multiple investment inputs, Casey Quirk authors wrote in "It's Not Easy Being Green: Managing authentic transformation within sustainable investing."

The estimated $13 trillion dedicated to sustainable investing will likely represent about 12% of total assets under management by 2025, compared with 3.4% as of yearend 2020, Casey Quirk said, representing $3.2 trillion of organic growth, $5.6 trillion of strategy conversions, and $1.3 trillion of market appreciation.

Casey Quirk defines dedicated sustainable investing as a subset of ESG investing strategies. Casey Quirk only includes strategies with a primary investment objective to positively promote sustainability, such as positive tilt, SDG (sustainable development goals)-aligned, and impact investments.

Casey Quirk's model shows that Europe has been in the forefront of this phenomenon and the EMEA region (Europe, Middle East and Africa) will likely make up almost three-quarters of all sustainable investing assets by 2025 — $9.5 trillion. The U.S. will have an estimated $2.5 trillion and the Asia Pacific (APAC) region will have $1 trillion. At year-end 2020, EMEA represented $2.2 trillion, the U.S. $400 billion, and APAC $200 billion. Of the $3.2 trillion of new money flowing into sustainable investing by 2025, $1.8 trillion will be in EMEA, $1.0 trillion in the U.S., and $400 billion in APAC.

"The opportunity is massive, yet we believe many asset managers are still unprepared for this broad and long-term shift in investor preferences, especially U.S.-domiciled firms," said Benjamin Phillips, Casey Quirk principal and co-author of the paper.

As asset managers enhance their approaches to defend market share and take advantage of sustainable fund conversions and new money flowing into this category over the next four years, Casey Quirk has identified four distinct archetypes of firms:

- **ESG risk integrators** that have limited commitment to date to dedicated sustainable investing or strategies, choosing instead to focus on off-the-shelf third-party ESG data as one of many inputs used to build portfolios. This group consists of firms primarily based outside of Europe.
- **Client-led ESG providers** that have shown flexibility in their positions on sustainability, but tend to follow client direction in this area.
- **Goals-oriented outcome providers,** or managers that are making significant commitments to adopt sustainability throughout their businesses and investment processes.
- **Sustainability purists**, primarily boutiques that have been in the lead on ESG for years.

According to Casey Quirk's analysis, goals-oriented managers are likely best-placed to gain market share as sustainable investing gains assets and adherents while the ESG risk integrators and client-led ESG providers are expected to struggle to defend their businesses. The sustainability purists will also likely make gains, but their capacity constraints could limit their ability to make meaningful advances compared with the other archetypes.

"The opportunity is there for active management to capture market share from indexed strategies and reap considerable economic rewards if firm leaders can commit and execute on plans to retool with credible sustainable investing processes," said Alyssa Buttermark, co-author of the paper, manager and lead ESG analyst, Casey Quirk.

Casey Quirk, a business of Deloitte Consulting LLP, is a leading management consultancy that focuses solely on advising asset management firms. Casey Quirk was established in 2002 and acquired by Deloitte in June 2016. The organization has advised a majority of the 50 largest asset management organizations worldwide, including eight of the top 10. Casey Quirk provides senior leadership teams with broad business strategy reviews; investment positioning and strategy consulting; market opportunity evaluations; organizational design; ownership and incentive structuring; and transaction due diligence. For more information, please visit the Casey Quirk website here.

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Data and estimates cited in this release are supported by Casey Quirk proprietary modeling, proprietary firm tagging based on public reporting, executive interviews, and product strategy data. Product data was sourced from industry databases of Morningstar and Evestment.