For professional investors only

A Sustainability S-Curve?

17 September 2020

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Not quite so linear

The past several months have embodied a period of considerable change. Previous expectations of both the near and distant future have undergone significant reappraisal and large behavioural shifts have been necessitated throughout society. The impact experienced by many individuals, corporates and institutions have been both highly dynamic and challenging in nature.

The onset of the current crisis has caused a significant shock to society and the abrupt changes that initially followed have since continued to evolve. Adaptability — and companies that have been able to help facilitate this — has consequently been of significant importance during this period . Many of the solutions used to solve the material problems faced by both individuals and corporates already existed, but have often been at differing phases of uptake, ranging from the fairly early-stage (virtual communication platforms/edtech/telemedicine/e-bikes) to the relatively more established and mainstream (e-commerce/digital payments/cloud infrastructure services). There has been rapid adaption to these changed circumstances, resulting in an increase in the adoption rates in both sets of such solutions. Previous expectations of a gradual linear progression have had to shift to include (at the very least) a phase of progression that has been accelerated in a non-linear fashion.

For companies that provide innovative products or services in early stages of adoption, or those with solutions that are more established but have low penetration in certain markets, this may mark an inflection point in uptake — and in fact represent a pivotal stage in their adoption S-curves (If the concept of a S-curve is new to you, a concise explanation can be found here).

The unlocking of positive impact that such (often disruptive) companies can generate from the rising adoption of their products, and the changes in perception of what a sustainable company looks like, could have wider implications for the way in which the intrinsic value of a sustainable investment strategy is ultimately assessed.

The sustainable impact that a company has via its products and services has very much been front and centre due to current events. Many of the companies that have been pivotal in helping us function during this crisis have had a visible positive impact beyond simple first order effects, and have often been outside the traditional opportunity sets generated by typical quantitative ESG screens/third-party rating agencies. The scope for companies beyond just the conventional sustainable leaders to address many of today's challenges — and the opportunities that this presents to capture ESG alpha — has now hopefully become far more apparent.

Sustainable investment has experienced strong momentum and further shifts in societal awareness, the introduction of additional policy measures (e.g. green recovery funds) and further regulatory pushes should only accelerate this further. We hope to see a greater scrutiny of sustainable investment strategies. Investors will likely become more discerning about who they entrust their money to and authenticity will be key ('green-washers' and 'rainbow-washers' beware). Sustainable investing is not a badge but a discipline, and by disciplined investing at the intersection of disruptive innovation and sustainability challenges, we believe we can meet this growth of demand; delivering positive impact and alpha, with authenticity to our clients.

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