Institutional Investor Study 2023
Global Report

Marketing material for professional clients only.

Schroders

1 Executive Summary

About the Study

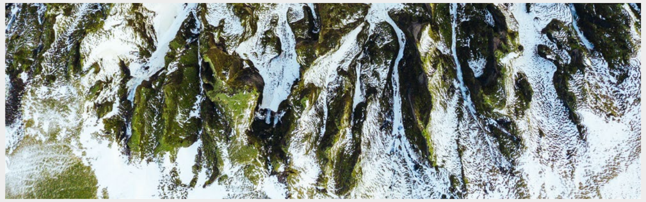
Schroders annual Institutional Investor Study analyses the investment perspectives of 770 global institutional investors on the investment landscape, sustainability and private assets. The respondents represent a spectrum of institutions, including corporate and public pension plans, insurance companies, official institutions, endowments and foundations, collectively responsible for US$34.7 trillion in assets. The research was carried out via an extensive global survey by CoreData Research.

Any opinions expressed reflect our Study as of June 2023. They are not intended to be a forecast or guarantee of future results. Throughout the report, we complement our global findings with regional results and insights from Schroders experts.

Click here for a breakdown of the respondents' demographics

Key themes

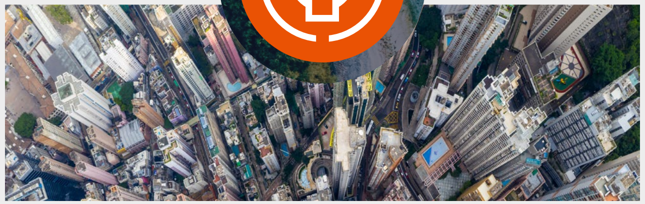
Investment Outlook



Find out more

Sustainability

Find out more



Private Assets

Find out more

2 Investment Outlook

Geopolitical and inflationary concerns expected to impact portfolio performance in the short-term

Over half of the respondents to this year's Institutional Investor Study expect geopolitical uncertainty (55%) and rising inflation (53%) to have the greatest impact on portfolio performance over the next 12 months. Geopolitical uncertainties are putting a four-decade long period of globalisation to the test, not least amid signs the world is heading in a more 'protectionist' direction.

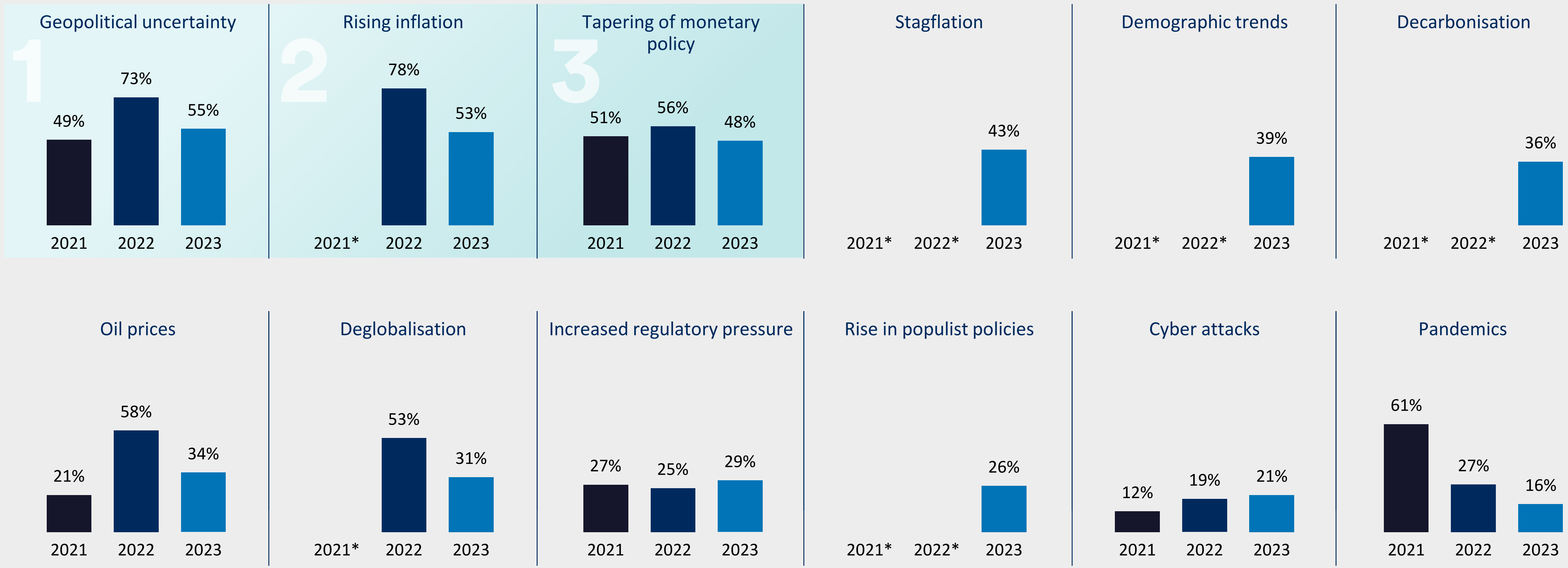
Tapering of monetary policy (48%) and stagflation (42%) follow suit. These two issues are directly related, with stagflation that particularly vexing combination for asset values of slowing growth and accelerating inflation.

Regionally, EMEA-based investors (59%) are the most likely to have concerns over geopolitical uncertainty, ahead of the Asia Pacific (APAC) region (52%) and North American investors (51%). This is likely because of the greater impact of the Russia-Ukraine conflict on countries in Europe. And for North American investors, rising inflation appears less of an influence on their portfolios (50% vs. 55% for APAC investors and 53% for European investors). Investors based in the US and Canada also appear to be less fearful of stagflation (34% vs. 47% for APAC region investors and 46% for European investors).

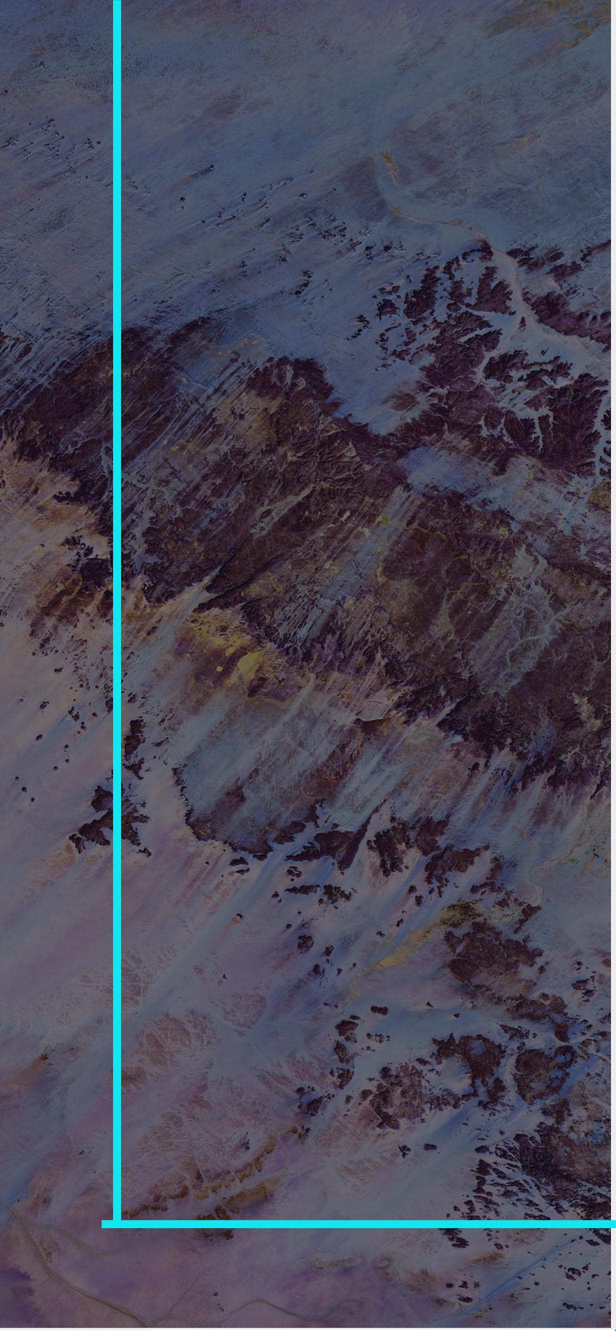
Click here to view graph

Geopolitical and inflationary concerns expected to impact portfolio performance in the short-term

Q. What influence do you expect the following to have on your overall portfolio's performance in the next 12 months?



Source: Schroders Institutional Investor Study 2023.
Notes: Respondents were asked to rate on a scale of 1–5 where 1 = No influence at all and 5 = Significant influence. % Influence (4+5). Other influences: 31.9% . *This option was not asked in previous years. 'Other' response (32%) was not included here.



Johanna Kyrklund
Group CIO and Co-Head of Investment

"Markets continue to be caught in the cross currents of concerns about rate increases and worries about recessionary risks. The Study found that institutional investors' allocations to equities may look to increase as they intend to capitalise on the opportunities presented by the deglobalisation, decarbonisation and demographic trends. With concerns about high inflation and high interest rates, valuations matter. A renewed focus on valuations rather than speculative growth may be required.

More broadly, in terms of the impact on portfolio performance, the Study found that a number of issues are increasingly on the radar of investors: rising inflation, hawkish monetary policy stances, global conflicts and stagflation. These are all factors that Schroders as an active manager is also looking to navigate on behalf of its clients globally. We believe it's time to be discerning, analytical and valuation-focused once again."

Deglobalisation trends set to positively impact asset allocation to private assets

In response to the geopolitical disruption and uncertainty we are facing, we are seeing a new world order develop. Companies are diversifying their production and relocating it nearer to home in a process known as ‘reshoring’. This year’s respondents agreed with this sentiment. When asked how deglobalisation will impact the global economy, 52% highlighted that deglobalisation will drive investors towards companies with more localised supply chains. Developed market equities (32%) and infrastructure (24%) are identified as key asset classes to capture opportunities presented by deglobalisation in the next two to three years.

Additionally, 49% of global investors highlighted that the deglobalisation trend may cause them to seek more exposure to private markets and alternatives, to capture innovation, particularly in productivity-enabling technologies. North American (56%) and Latin American (LATAM) investors (53%) are especially likely to gravitate towards private markets to gain exposure to the theme. This is relative to 45% of EMEA investors and 48% of APAC investors. Latin American investors also highlight seeking more exposure into small cap stocks with a domestic production base (50%), which is relatively higher than the global average of 31%.

Click here to view graph

Deglobalisation trends set to positively impact asset allocation to private assets

Q. As deglobalisation accelerates, what impact do you think this will have on the global economy and asset allocation?

	Global	Asia Pacific	EMEA	Latin America	North America
Institutional investors will look towards investing in companies with more localised supply chains	52%	53%	51%	43%	54%
Institutional investors will seek more exposure into private markets and alternatives to capture innovation in productivity-enabling technologies	49%	48%	45%	53%	56%
Deglobalisation is a threat to the global economy as it moves the global economy into a stagflationary direction	34%	36%	35%	40%	29%
Institutional investors will seek more exposure into small cap stocks with a domestic production base	31%	30%	32%	50%	29%

Source: Schroders Institutional Investor Study 2023.
Note: Respondents were asked to select at most two answers.

Deglobalisation trends set to positively impact asset allocation to equities and private assets

Q. What asset classes do you believe present the best investment opportunities over the next 2 to 3 years in a scenario of deglobalisation?

Top five results shown

Source: Schroders Institutional Investor Study 2023.
Note: Respondents were asked to select all that apply.

Decarbonisation is expected to accelerate innovation in green energy technologies

Around the world, we are seeing a huge surge in the energy transition as nations move from fossil fuel reliance to greener energy sources. Countries are likely to rapidly accelerate the decarbonisation of power generation as emissions need to fall by more than 40% in the next seven years as a vital step toward meeting net zero requirements by 2050. The shift to net zero emissions represents a new key structural trend for the global economy. It will require a radical change in the energy system and in other key sectors of the economy.

When looking at this year's results, we can see this sentiment come through. 67% of investors agree that the energy transition will spur investment in innovation thereby creating significant investment opportunities. Similarly, 46% of global investors believe that infrastructure/renewables are best placed to capture energy transition investment opportunities in the medium-term.

More investment opportunities presented by the energy transition/decarbonisation though greater exposure to private assets. At the same time, many investors also think that decarbonisation could have an inflationary impact; 61% agree that shortages of key minerals and metals for green technology will add to inflation. Meanwhile 55% think that stricter carbon pricing will be inflationary for at least the next decade.

Regionally, North American investors (68%) and APAC region investors (66%) are most likely to agree that shortages of key minerals and materials will add to inflation. In addition, APAC based investors (59%) are the most likely to agree that the response to climate change will prompt investors to consider more sustainability and impact portfolios, in comparison to 37% in North America.

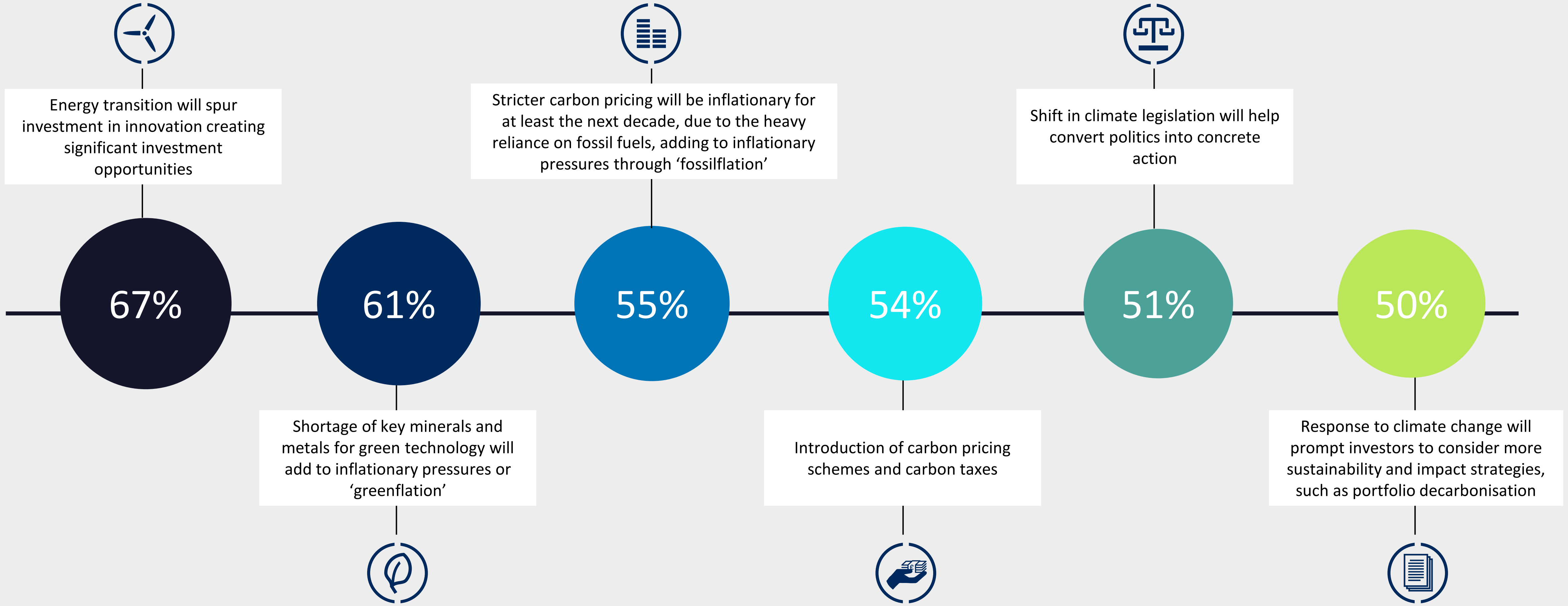
Irene Lauro
Environmental Economist

"It is no surprise that this year's Institutional Investor Study highlights that the energy transition will spur on innovation. We are seeing globally that investment in key technologies is rising, with innovation set to be another important force disrupting the global economy. The changes will support activity across the entire sustainable energy value chain, creating many opportunities for investors as the expansion of green energy technologies keeps gaining traction."

Click here to view graph

Decarbonisation is expected to accelerate innovation in green energy technologies

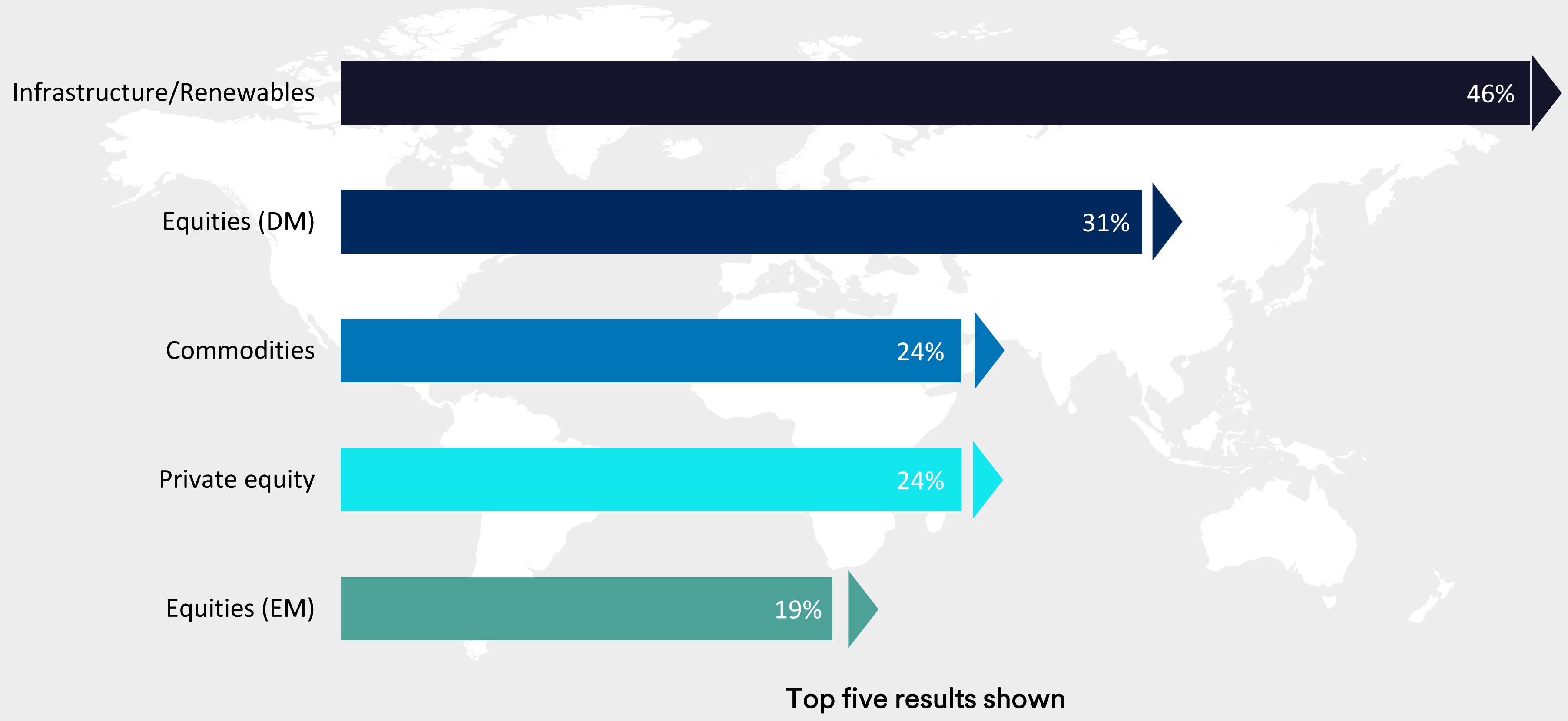
Q. How likely are these potential outcomes in relation to climate initiatives and investment?



Source: Schroders Institutional Investor Study 2023.
Note: Respondents ranked approaches from 1–5. This graph shows % Likely (4+5).

Decarbonisation trends set to positively impact asset allocation to equities and private assets

Q. What asset classes do you believe present the best investment opportunities over the next 2 to 3 years given a decarbonisation/energy transition scenario?



Source: Schroders Institutional Investor Study 2023.
Note: Respondents were asked to select all that apply.

3 Sustainability

Executive summary

Andy Howard
Global Head of Sustainable Investment

"In the seventh year of our Institutional Investor Study, we are starting to see some new trends emerging as investors continue to grow and evolve their approach to sustainability. This year's findings highlight that institutional investors are increasingly focused on the thematic exposures and the impact of their investments. This implies clients want to take a more nuanced approach to sustainable investing than in the past. They increasingly consider integration to be a given and instead want to take advantage of more focused opportunities. As the world grapples with regime shift and the trends of deglobalisation, decarbonisation and demographics on the investment landscape, sustainability themes are becoming increasingly important, creating new opportunities for companies and investments that provide sustainable products and services. As a result, investors are looking to identify and allocate capital to these emerging sustainable investment themes.

The Study also shows a growing focus on impact among respondents (59% identified this as a preferred approach vs. 34% in 2020). It's worth noting that there can be differences in the way many terms in the sustainable investment landscape are interpreted across the industry. Impact investing is a prime example of this, as evidenced by it being a focus of regulators in some markets.

What is clear is that asset owners are seeking to deliver positive outcomes by investing sustainably, followed by avoiding harm and supporting transition through active ownership. There are regional differences still, with integration listed as one of the preferred approaches in LATAM, and representing a sizeable contribution in North America, as opposed to EMEA and APAC where it ranks lower.

Corporate governance has been highlighted as the top engagement theme for the second year in a row. Climate continues to be a key priority for institutional investors, ranking second globally followed by human capital management.

This year's Study highlights institutional investors' desire to see real-world investment outcomes through active ownership. When asked about key features of an engagement strategy, the top results were tangible evidence of real world outcomes (56%) and evidence of improved financial performance (44%). These findings are in line with our active ownership philosophy. We believe active ownership and engagement are driven by risk mitigation and efforts to enhance the durability of investee companies' business models. Investment is not just about researching and selecting the right positions, but also about what you do once you hold them. That means both maintaining a comprehensive understanding of the business and providing guidance and influence on policies that we believe can lead to better outcomes and returns. This is especially relevant given the need for companies to transition, and the role that active ownership can play in encouraging this, through active dialogue, sharing best practice, and where necessary, holding companies to account using voting rights.

However, we see similar challenges cited year-on-year. The lack of transparency around sustainability data and reporting (46%) and unclear definitions around sustainability (50%) continue to be a major challenge for investors, whilst performance concerns are still a barrier though less so than last year (46% in 2023 vs. 53% in 2022).

Sustainability is a complex and multi-faceted topic. It is also ever-changing, whether that be through new research, expanding data availability, regulation or government action. In this landscape, we cannot stand still. We will continue to review the priorities and expectations of our clients and market best practice to ensure we are supporting change in the most effective way."

Key approaches to sustainable investing

We recognise that investors may adopt a variety of approaches to sustainable investment, reflecting their values and investment objectives. In this year's Study, institutional investors noted that they are increasingly looking to themes or impact. Exclusion of certain activities and sectors (54%) and engagement and voting (52%) were also identified, which in practice can be used to support all sustainable investment approaches.

Respondents' focus on impact has continued to grow, rising from 34% in 2020, 48% in 2022 and now 59%. Impact is ranked first by EMEA (63%) and LATAM investors (64% – joint with integration). This mirrors our experience that a growing number of institutional investors are focusing on understanding the impacts of their investments on real world social and environment challenges.

Q. What is your preferred approach to investing sustainably?

	Global	Asia Pacific	EMEA	Latin America	North America
Thematic	61%	61%	60%	61%	65%
Impact	59%	53%	62%	64%	57%
Exclusion of certain activities/sectors	54%	53%	55%	20%	59%
Engagement and voting	52%	60%	52%	44%	44%
Integration	40%	38%	34%	64%	48%
Carbon offsetting	33%	35%	37%	47%	21%

Source: Schroders Institutional Investor Study 2023.
Notes: Respondents ranked approaches from 1–6. This graph shows %Rank 1+2+3. Other for Global = 1% and Other for North America = 5%.

Global investors likely to select impact if it was more easily measured

When selecting an impact investment, global investors highlight their top criteria is an impact that is easily measured and understood (60%). Aligning impact with issues that are important to their ESG approach, organisational values and beneficiaries (both 53%) follow suit. This is a clear shift from what we have seen in the past as intended impact is now just the first step to measured impact where investors seek rigorous impact management, measurement frameworks and best industry standards.

By region, North American investors tend to select impact investments that have an impact which is easily measured and understood (60%) and could be of benefit to their stakeholders (58%). In contrast, EMEA investors (61%) are more likely to pursue impact on issues that are important to their ESG approach, or to further organisational commitments, for example, net zero (54%). The latter is also a driver for investors in Latin America (63%).

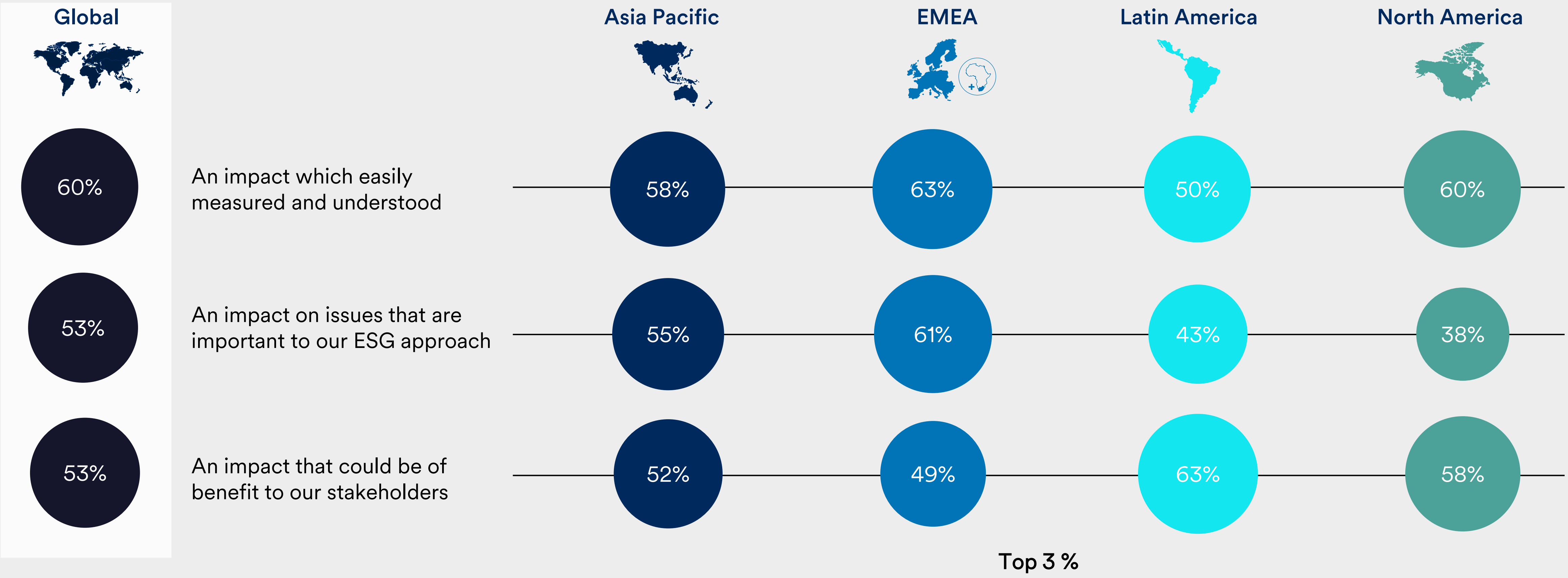
Maria Teresa Zappia
Head of Sustainability and Impact at Schroders Capital

"Impact is becoming increasingly important in sustainable investing to deliver financial returns with real world environmental and social impact. However, we are mindful that impact is a complex and ever-moving challenge that requires transparency, monitoring and continuous improvement in how we measure outcomes. In response to this, we have become signatories to Operating Principles for Impact Management (OPIM) and have such developed a robust impact management framework in line with this industry standard to ensure we are investing in companies that achieve measurable and quantifiable impact and are generating financial returns."

Click here to view graph

Global investors likely to select impact if it was more easily measured

Q. What do you see as the most important criteria when selecting an impact investment?



Source: Schroders Institutional Investor Study 2023.
Notes: Respondents ranked approaches from 1–6. This graph shows %Rank 1+2+3. Other for Global = 1% and Other for North America = 5%.

Institutional investors' journey to net zero vary per region

While there is a global need to decarbonise and meet net zero targets, only 50% of our respondents have made a commitment to reach net zero carbon emissions either by or after 2050. If you look at the data further, out of the 50%, only 29% have developed and implemented a strategy to meet these targets. EMEA investors lead the way in terms of commitment with 39% stating that they are implementing a strategy to meet these targets, in comparison to 17% in North America.

19% of global respondents highlight that they currently don't have a strategy in place but are drafting plans and 21% indicated they have no intention of committing to net zero for now, with US investors (44%) being most prominent here. This is likely to be due to various factors, from the power of the domestic energy sector, or climate change scepticism, in North America.

Among organisations, insurance companies (47%) are most committed to net zero by or before 2050, ahead of pension plans (37%) and endowments and foundations (29%). The latter are the most likely to have no intention of making a net commitment for now (29%). This is likely because the endowments and foundations universe is predominately made up of North American organisations.

Click here to view graph

Jenny Mill
Climate Change Specialist

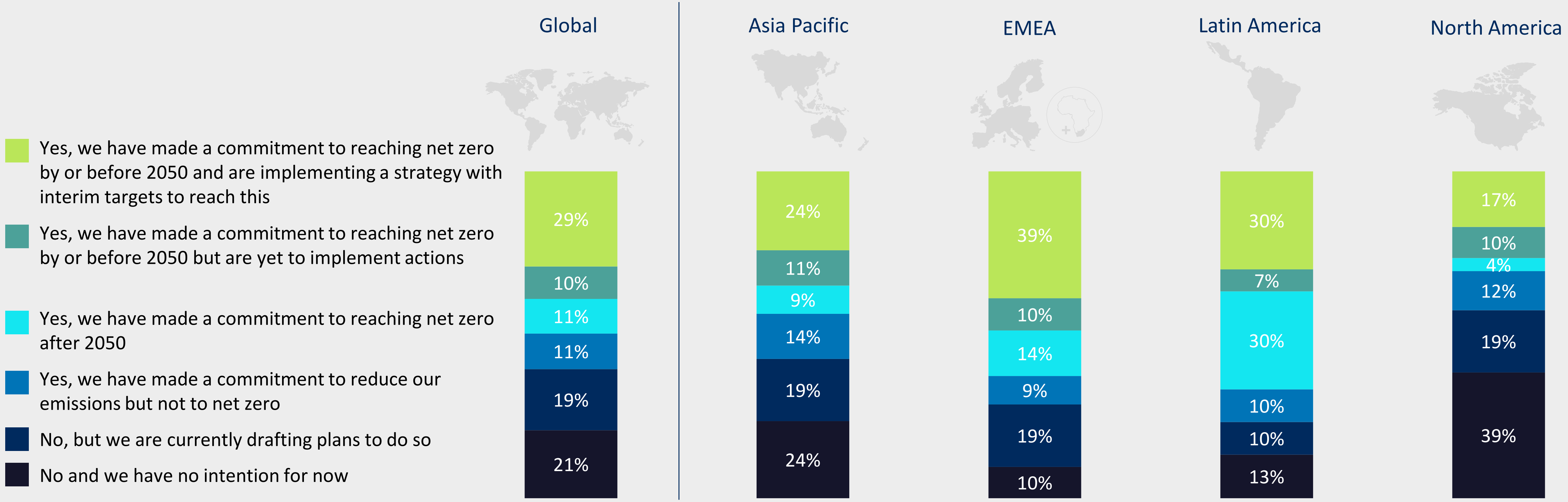
"As financial institutions, we can only reach net zero if the companies we invest in make commitments, set transition plans and decarbonise their businesses. Encouraging companies to develop credible transition plans is the key focus of the Net Zero Engagement Initiative. Not only does this help us to meet our climate goals, it helps us to mitigate risks in our portfolios and unlock long term value for our clients.

This is no longer a question of whether a transition is taking place. Climate change is causing damage around the world, incurring costs for businesses now, and we know these are likely to get much worse. Meanwhile increasing action to mitigate climate change taken by policymakers, regulators, companies and people are set to transform economies and create opportunities.

It is notable that insurance companies are most likely to have taken steps to commit to net zero, after a year of record breaking losses due to natural catastrophes. It is encouraging to see that more institutional investors are making commitments to net zero, but there are still many who have not yet begun the journey. Those who fail to take action now risk being left behind."

Institutional investors’ journey to net zero vary per region

Q. Has your organisation made a commitment to achieving net zero greenhouse gas emissions from your portfolio by 2050, or another date?



Data may not sum up to 100% due to rounding

Source: Schroders Institutional Investor Study 2023.

Importance of individual active ownership themes varies across regions

Social and environmental forces are reshaping societies, economies, industries and financial markets and in doing so, are increasingly influencing investment returns.[1] Encouraging businesses and their management teams to adapt to these changes, and to hold them accountable, can strengthen the long-term competitiveness and value of their businesses

When asked about issues for active ownership, corporate governance came out on top (71%) across global respondents. However, when we look at the regions individually, there are some differences. Climate change (58%) is highlighted as the next most important issue, driven in particular by EMEA (68%) and APAC investors (53%). Human capital management was the first priority for LATAM, and ranking second for North America; two markets that are widely regarded as being more focused on social, 'S'. Diversity and inclusion (D&I) scored within the top three priorities for APAC, EMEA and LATAM.

[1] https://www.stern.nyu.edu/experience-stern/about/departments-centers-initiatives/centers-of-research/center-sustainable-business/research/research-initiatives/esg-and-financial-performance

Kimberley Lewis
Head Of Active Ownership

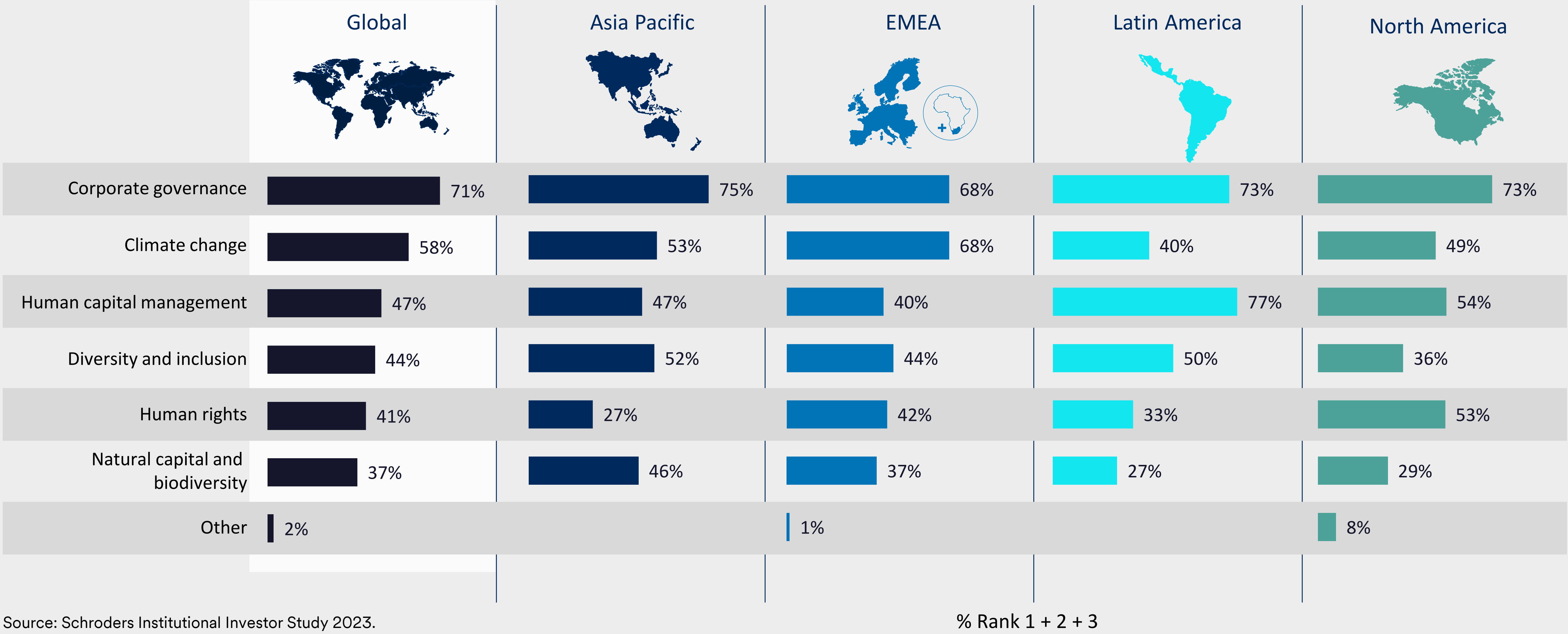
"Engagement is one of the important tools we can use to influence the companies in which we invest, to strengthen the long-term value of those assets, enhancing outcomes for clients, and to accelerate positive change towards a fairer and sustainable global economy. We published our first Engagement Blueprint in 2022 which sets out what active ownership means at Schroders, how we engage with the companies in which we invest and what our clients can expect from us.

In this year's Institutional Investor Study, we were pleased to see that corporate governance was a priority for all markets. We believe that strong corporate governance is essential to progress all of our thematic priorities. Interestingly, we see regional differences in the prioritisation of human capital management, D&I and human rights. This demonstrates that while these themes affect investments globally, client priorities will vary regionally. We believe that all of the themes are interrelated - as well as how these themes materialise in different parts of the globe."

Click here to view graph

Importance of individual active ownership themes varies across regions

Q. Which of the following issues are the most important to you in terms of active ownership?



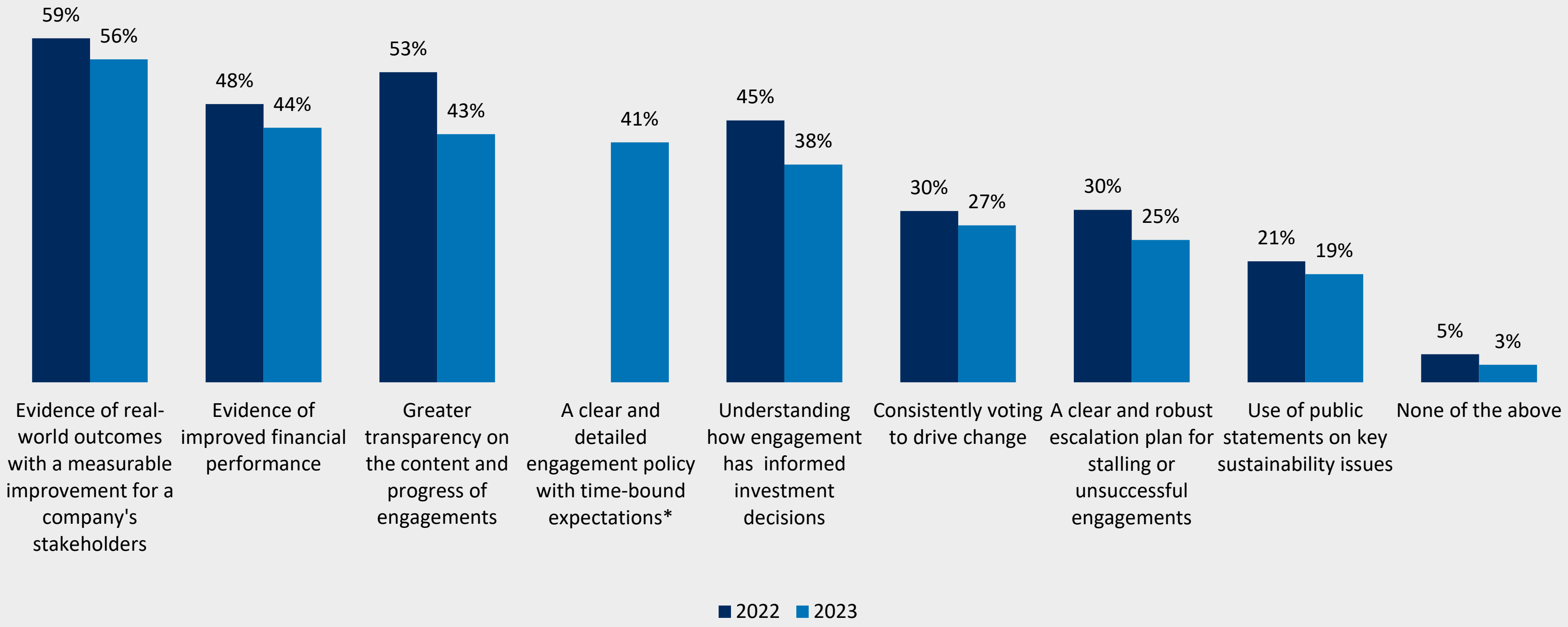
Source: Schroders Institutional Investor Study 2023.
Note: Respondents rank their top three answers.

Outcomes-driven approach for active ownership is key for global institutional investors

On the topic of engagement strategies, the importance of real-world outcomes and evidence of financial returns is key for all markets and client segments. 56% of global respondents cited that evidence of real-world outcomes with a measurable improvement for stakeholders as most important, followed by evidence of improved financial performance (44%). Greater transparency on the content and progress of engagements (43%) and a clear and detailed engagement policy with time-bound expectations (41%) came next. followed.

APAC investors (61%) and North American investors (61%) both place importance on evidence of real-world outcomes. In the meantime, a third of EMEA investors say consistently voting to drive change is important to them, compared to investors in North America (21%) and the APAC region (22%).

Q. What features of an engagement strategy are most important to you?



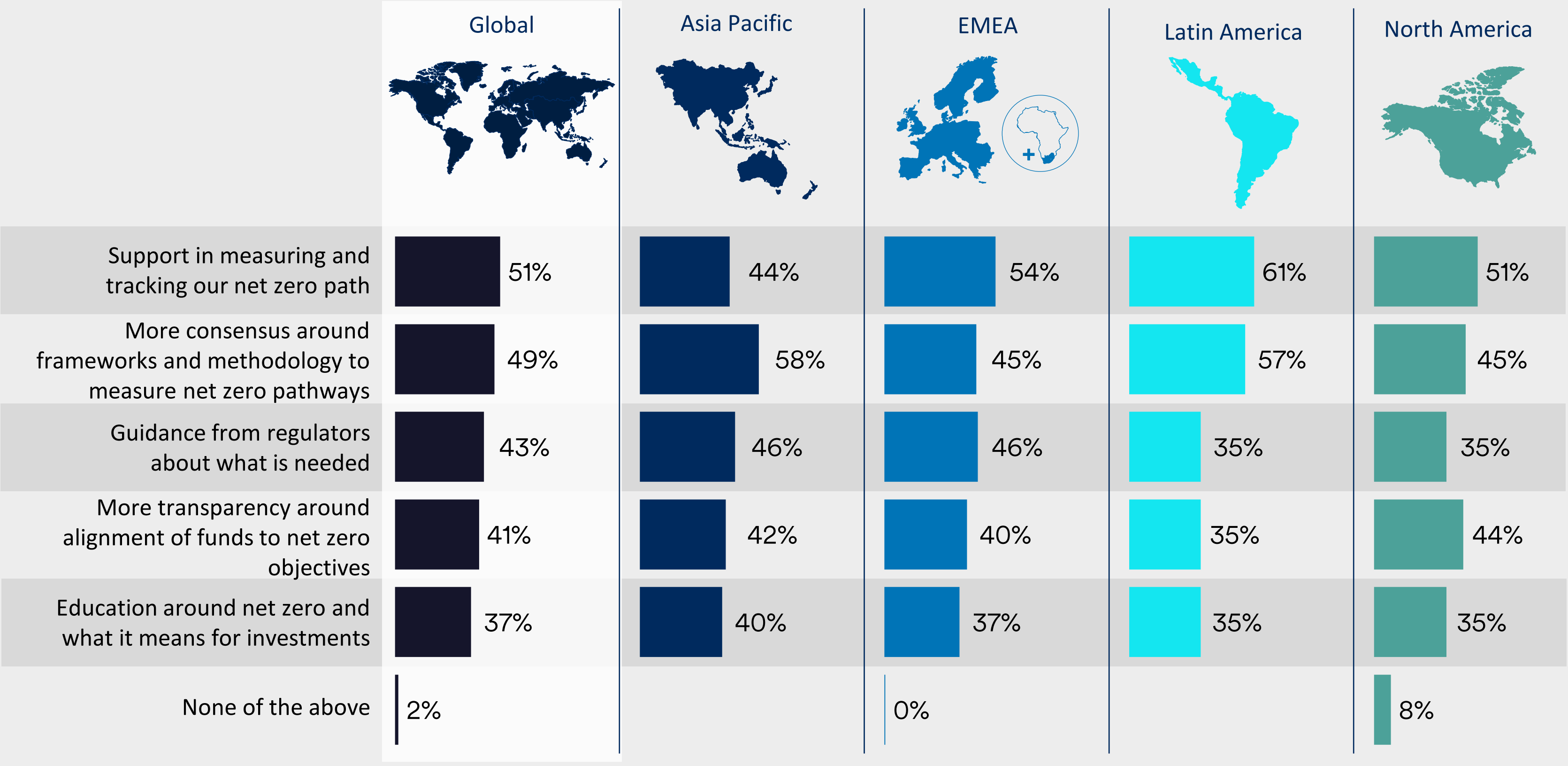
Source: Schroders Institutional Investor Study 2023.
Note: Respondents were asked to select top three answers. *This option was not asked in previous years.

More support is needed to help reach global institutions' net zero goals

Above, we noted that 50% of global respondents have made a commitment to net zero by or after 2050. However setting a target is only the first step of the journey. Across all markets, more support is needed in measuring and tracking net zero targets, with 51% of global respondents highlighting this need, up from 37% last year. This isn't surprising given investors have to consider multiple factors such as their definition of a decarbonisation pathway, engagement strategy, and science-based targets amongst other things.

This year's results also showed that 49% of investors believe that a greater consensus is required around the respective frameworks and methodologies which measure net zero pathways, in order for them to achieve their commitments.

Q. Where does your organisation most need external support to help it reach its net zero goal?



Source: Schroders Institutional Investor Study 2023.
Note: Respondents were asked to select all that apply.

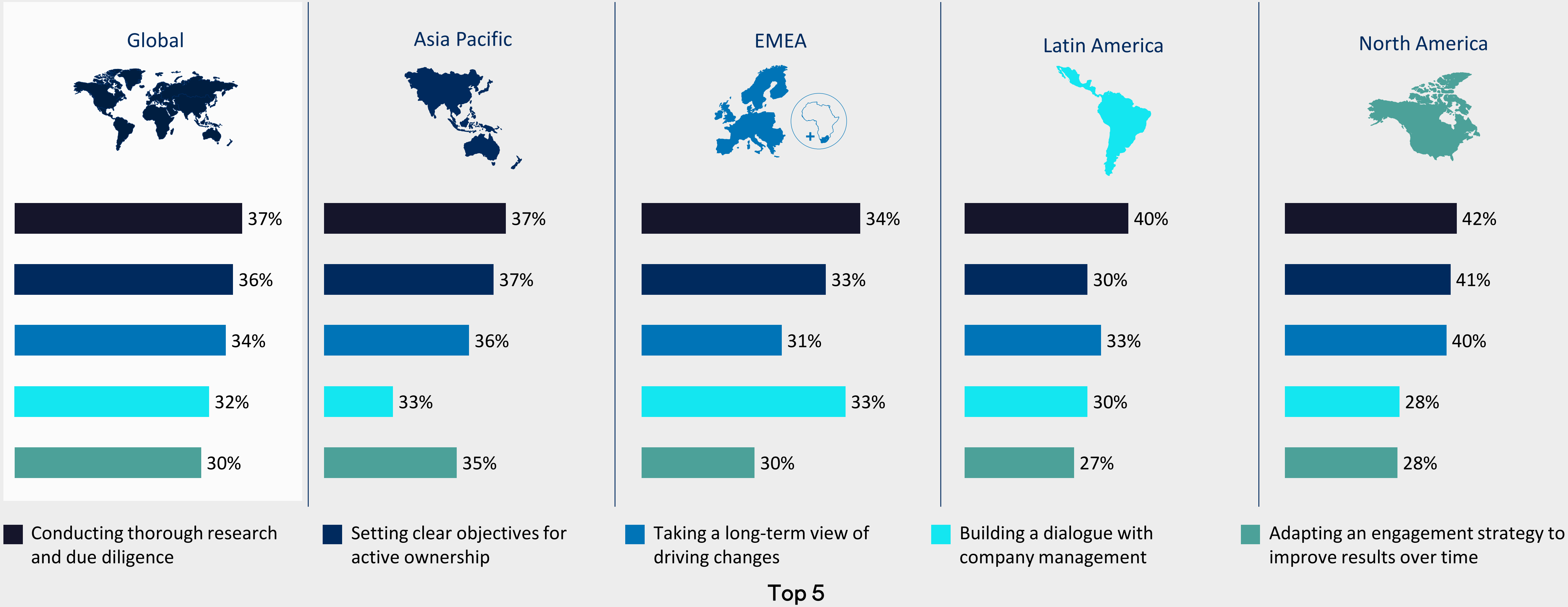
Support needed from asset managers to help setting active ownership strategies

When it comes to supporting an active ownership strategy, investors are looking for a range of support measures from their external asset managers. These include conducting thorough research and due diligence (37%), setting clear objectives for active ownership (36%), taking a long-term view of driving changes (34%) and building a dialogue with company management (32%). For North American investors, conducting thorough research and due diligence (42%) and setting clear objectives (41%) are particularly important, while European investors place weight on collaborative engagement with other investors (37% vs. 30% overall).

Click here to view graph

Support needed from asset managers to help setting active ownership strategies

Q. For which of the following factors do you need the most support from external managers when it comes to setting your active ownership strategy?



Source: Schroders Institutional Investor Study 2023.
Notes: Top 5 – Multiple answers allowed. Respondents were asked to select all that apply.

4 Private Assets

Nils Rode
Chief Investment Officer, Schroders Capital

"The 2023 Study shows that investors have grown less certain. Confidence levels have taken a knock from unstable, unpredictable geopolitics, and the delicate task facing central banks of cooling inflation without unwanted side-effects. We think investors are right to exercise caution, but should also view this disruptive environment not as merely a temporary phase, but the emergence of a new era altogether. What is clear from the Study's results, is that many investors continue to be drawn to private assets as a means to engage with change, as well as to add resilience to portfolios.

Private equity, private lending and real assets – both infrastructure and real estate – were the areas investors said they were most likely to add to in the coming year and beyond. Thematically, investors are aware that private assets are plugged directly into durable trends of disruption and progress that will be catalysed by rapid improvements in AI tech, the ongoing energy transition and decarbonisation, as well as demographic change. The report also highlights investor engagement with deglobalisation trends that - supportive of companies with localised supply chains – also supports private asset allocations.

We believe the above trends are central to identifying opportunities for value creation in the new environment. We are prioritising strategies aligned with these themes, with low correlation to stock markets, low or no dependence on leverage and multiple avenues for exit. Demand "hotspots" have emerged in places where too much capital is chasing too few deals and inflated entry multiples. There are many opportunities to deploy capital at more attractive levels. In the case of debt, the retrenchment of banks has seen the demand dynamics shift in favour of private lenders who can set preferential terms and secure strong returns."

Why private assets - now and in 2 years?

Diversification and higher returns have consistently been seen in this Study as the primary reason investors allocate to private markets. These motivations have, in general, not changed over time.

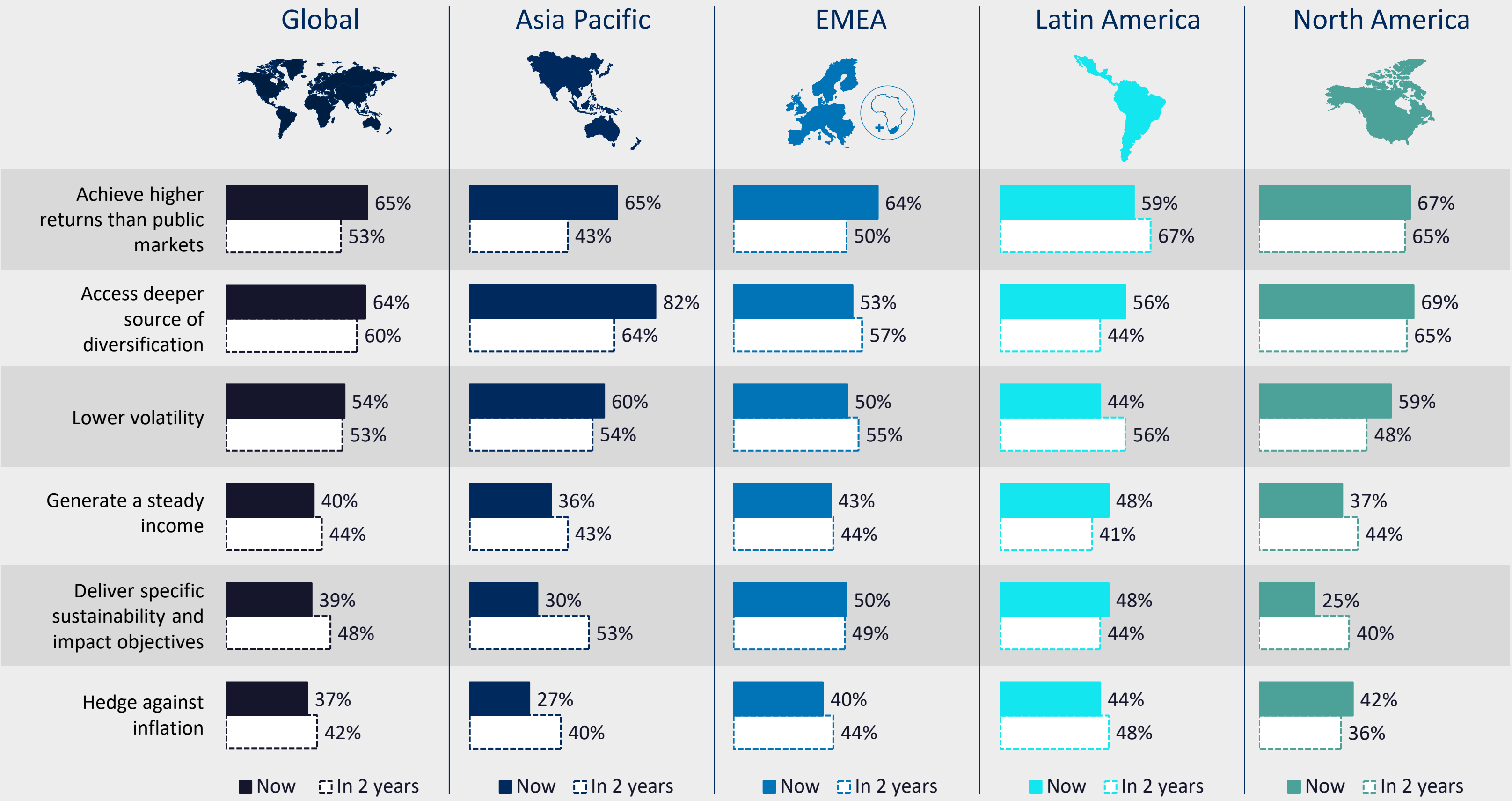
In this year's Study, investors ranked diversification alongside higher expected returns as the key reasons for using private assets. 65% of investors see higher return potential as the main reason for using private assets, following closely by 64% who see diversification as the most valued quality of private market allocations.

Asked what they expect the most important benefit will be in two years' time, diversification becomes the first choice (60%), followed by lower volatility (53%) and higher returns (53%). Hedging against inflation, income generation and delivering against specific sustainability and impact objectives see an uptick in investors' response to benefits for investing in the next two years.

The Study suggests investors expect private markets will continue to evolve in their ability to deliver against sustainability and impact (S&I) objectives. 38% of all respondents see private assets' ability to achieve S&I goals as a key reason for incorporating them, but this rises to 48% in two years' time.

The key reasons to invest in private assets differ significantly by region. APAC investors are overwhelmingly choosing to invest in private assets for the diversification benefits (82%). For EMEA investors, delivering specific sustainability and impact objectives is just as important as lower volatility (50% for both). In North America, diversification (68%) and higher returns than public markets (67%) stand out.

Q. What do you see as the most important benefits for investing in private assets now vs in 2 years?



Source: Schroders Institutional Investor Study 2023.
Note: Respondents were asked to select top three answers for both questions – now and in two years. 'Other' response not included.

Growth in private assets allocation set to continue

Looking ahead to the next 12 months, global respondents expect to increase allocations to private equity (44%) and infrastructure (42%), followed by private debt (39%). When asked which asset classes would present the most attractive opportunity set in response to the themes of decarbonisation and deglobalisation, institutional investors see infrastructure and renewables as offering some of the best investment opportunities for both trends (24% vs 45% respectively). And over two-thirds (67%) of global investors agree that the energy transition will spur investment in innovation creating significant investment opportunities, while 49% believe said investors will seek more exposure into private markets and alternatives to capture innovation in productivity-enabling technologies.

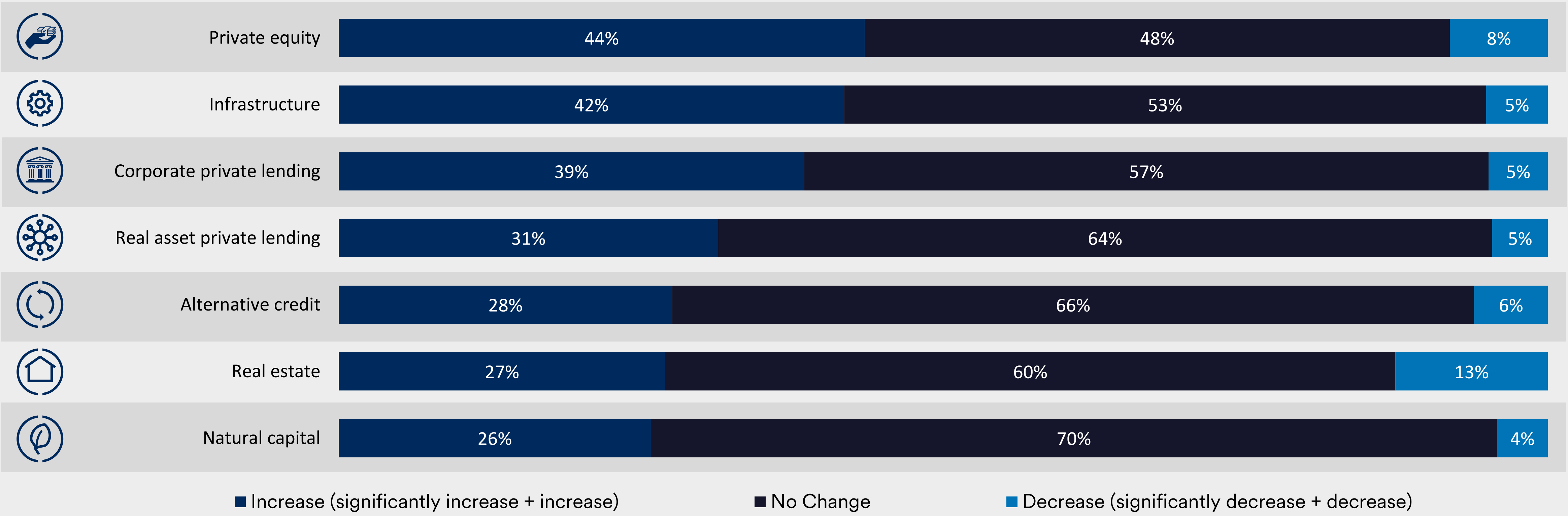
Rainer Ender
Global Head of Private Equity

"As private equity has matured as an asset class, its ability to deliver against investors' specific needs has grown. Increasingly aware of its deep versatility, investors are demanding highly sophisticated solutions. These require specialist skillsets for positive outcomes to be delivered. The question is no longer, "What can private equity do for my portfolio?" It has become instead, "How can private equity deliver what I need?""

Click here to view graph

Growth in private assets allocation set to continue

Q. Do you intend - over the next 12 months - to significantly increase or decrease your allocation to the following categories of private assets?



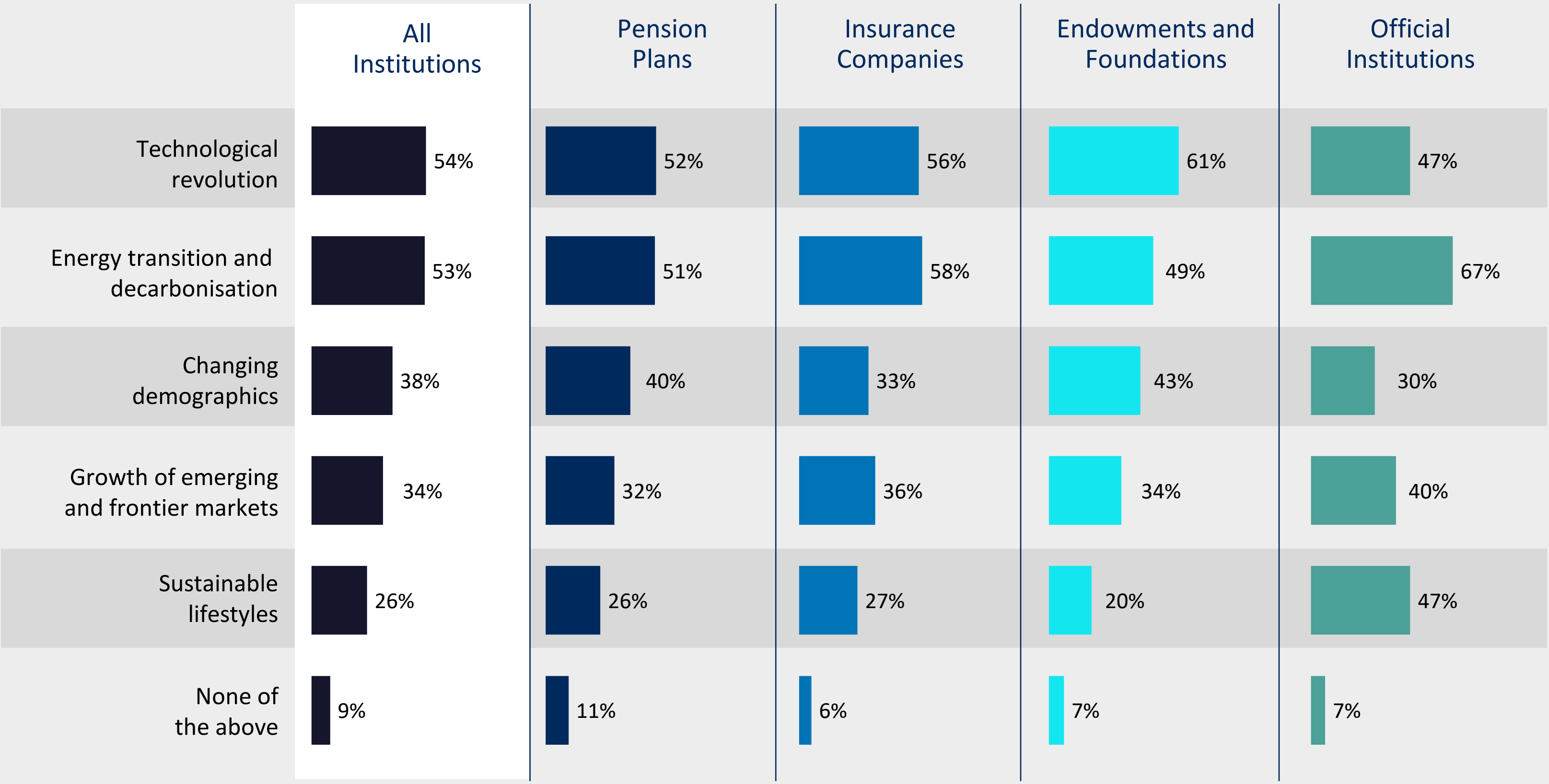
Source: Schroders Institutional Investor Study 2023.
Note: 'None of the above' responses are now shown in the graphs.

Accessing key investment themes via private assets

The results from this year's "Investment Outlook" section indicate that investors are concerned with geopolitical uncertainty and high inflation impacting portfolio performance in the next 12 months. However, the Study suggests respondents are also cognisant of the connection between private assets and enduring trends of disruption and progress, expected to be accelerated by advancements in AI technology, the ongoing energy transition and decarbonisation efforts, and demographic shifts.

Asked about some of the key investment themes investors want to allocate to through private assets, the participants listed technological innovation (54%) and the energy transition (53%) as top choices. Energy transition was particularly popular amongst official institutions (67%). Changing demographics was cited amongst the top three, being most chosen by Endowments and Foundations (43%) as well as Pension Plans (40%).

Q. What key investment themes and/or sectors are you seeking to proactively allocate to via private assets?



Source: Schroders Institutional Investor Study 2023.
Notes: Respondents were asked to select all answers that apply. 'Other' response not shown. Global = 1%, Pension Plans = 1%, Insurance Companies = 1%.

Long-term financial returns driver for investing in sustainability & impact strategies

As has been the case for several years, the importance of sustainability factors continues to rise amongst institutional investors. Indeed, 64% of global respondents value sustainability and impact (S&I) strategies for their long-term financial returns. 62% cite an appetite for investing in new sectors to achieve portfolio diversification. Endowments and Foundations are most likely to believe that sustainable and impact strategies will achieve long-term financial returns (41%). Pension Plans (28%) are more likely to invest in climate-aligned investment opportunities for lower risk, along with Official Institutions (27%).

60% agree that investing in sustainability and impact strategies is in line with legal and regulatory directives, while 58% say it reduces portfolio risk to move from carbon-intensive strategies to climate-aligned investment opportunities.

The desire to invest in new sectors is strongest among APAC region investors (71%) and North American investors (66%), while European investors are more likely to be motivated here by a belief that sustainable investing is linked to good long-term returns (64%) and regulatory alignment (64%).

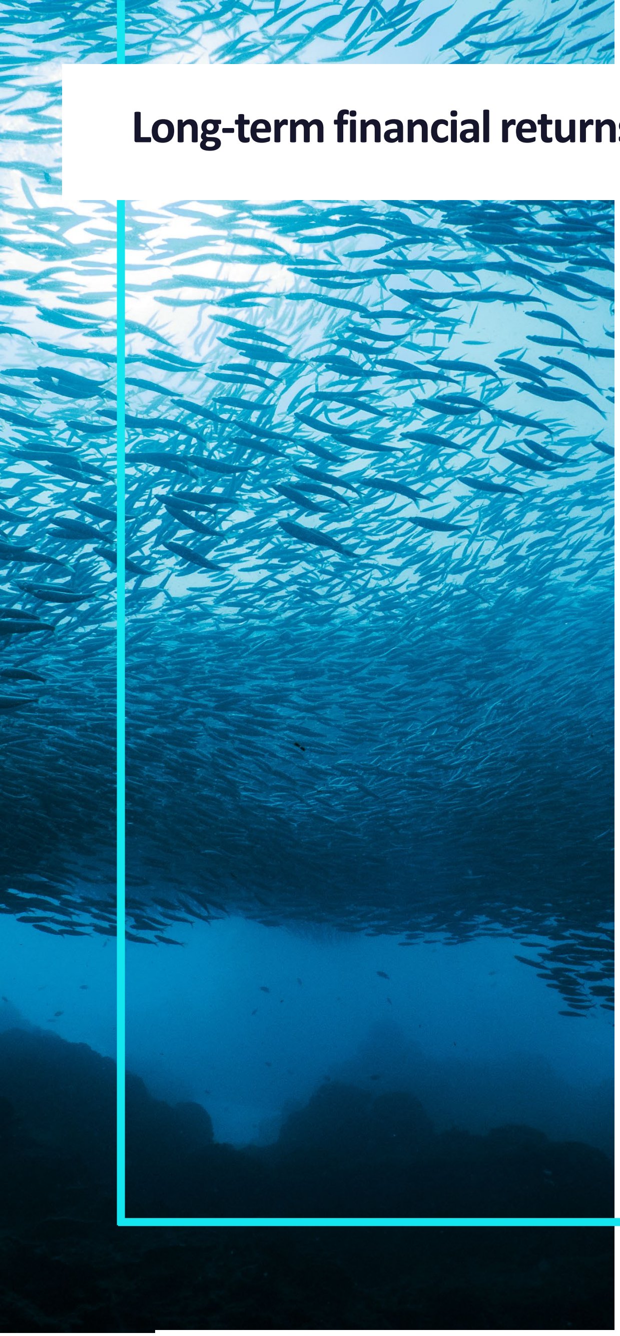
Maria Teresa Zappia

Head of Sustainability and Impact at Schroders Capital

“We have long held the view that sustainability and impact (S&I) priorities align well with many areas of private assets as we typically have a greater ability to operate and enhance the assets we are investing in and where a longer investment horizon can enable long-term changes.

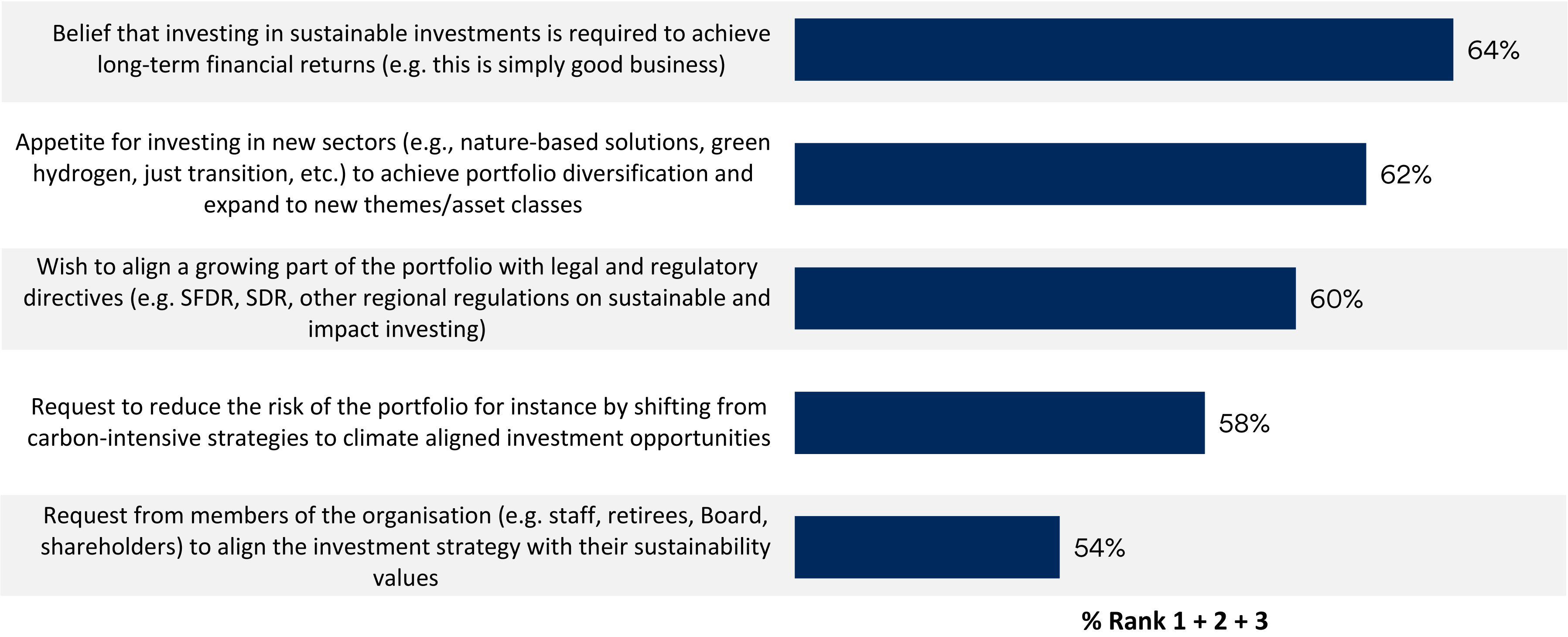
We believe that sustainability and impact goes beyond operational improvements or sustainability performance. It targets what a company is actually providing to the world, in addition to how it provides it. Impact does not come at the expense of strong sustainability performance, but in addition to it. It is great to see this year’s respondents also agree with this sentiment.”

Click here to view graph



Long-term financial returns driver for investing in sustainability & impact strategies

Q. Why would you invest in sustainability and impact strategies?



Source: Schroders Institutional Investor Study 2023.
Note: Respondents were asked to rank their top three answers. Rank 1+2+3. 'Other' response not shown. Global = 2%.

Infrastructure and natural capital considered to be most suited for achieving sustainability and impact objectives

We also asked respondents about what asset classes would be better suited to deliver S&I objectives now and in two years. Infrastructure (55%) and natural capital and biodiversity (51%) came out as the top two asset classes. From a natural capital perspective, this reflects a steady increase in interest in this vital sector as our understanding grows about its importance to global sustainability efforts. We would expect interest to grow with the advent of the Taskforce on Nature-related Financial Disclosures, which aims to improve the availability, consistency, and quality of natural capital data in the same way the TCFD has done for climate finance.

Q. Which asset class do you feel is best suited to deliver sustainability and impact objectives now and in two years?

Source: Schroders Institutional Investor Study 2023.
Note: Data may not sum to 100% due to rounding.

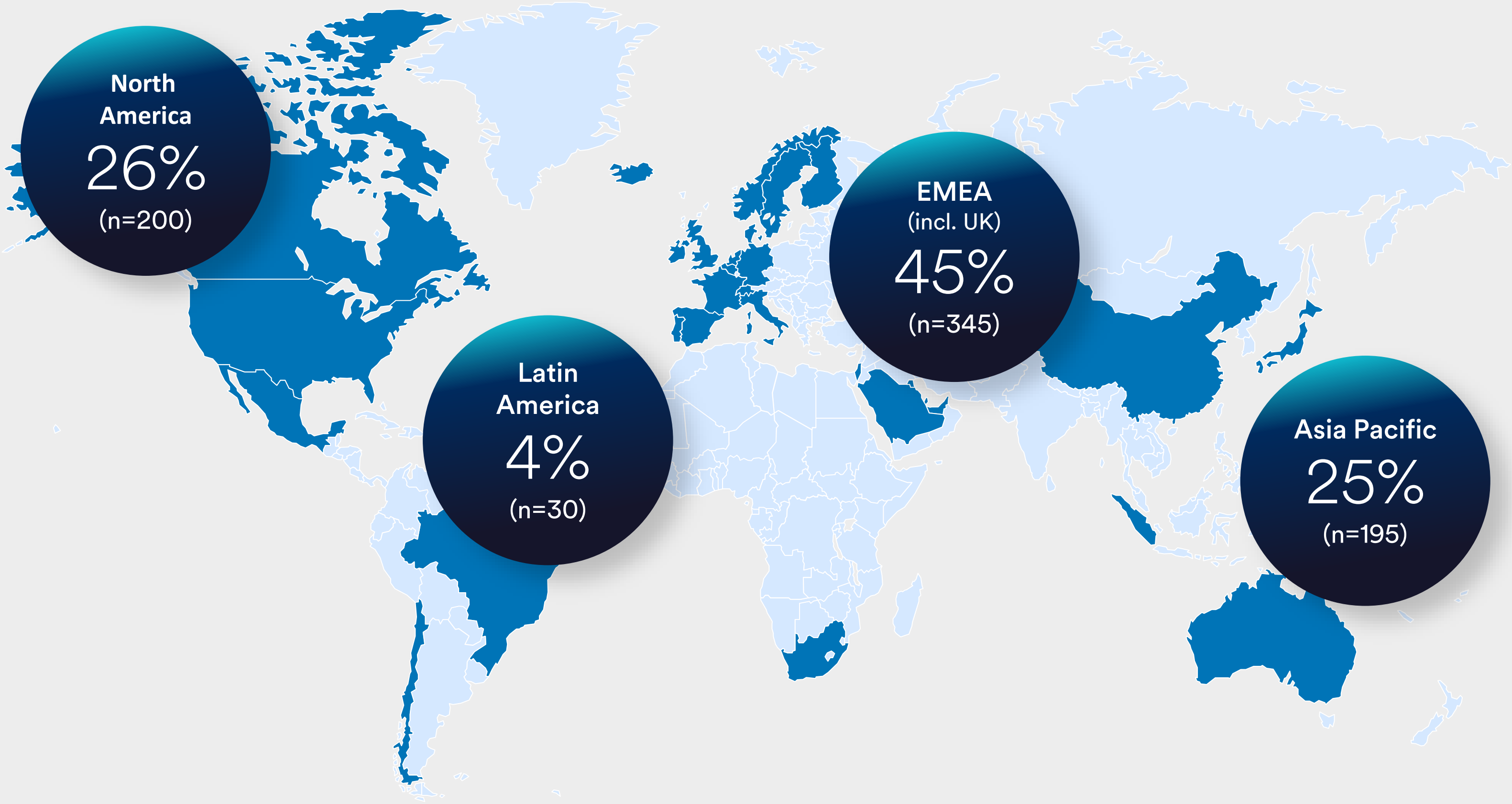
5 About the Study

Respondents breakdown

770
institutional respondents

36
locations worldwide

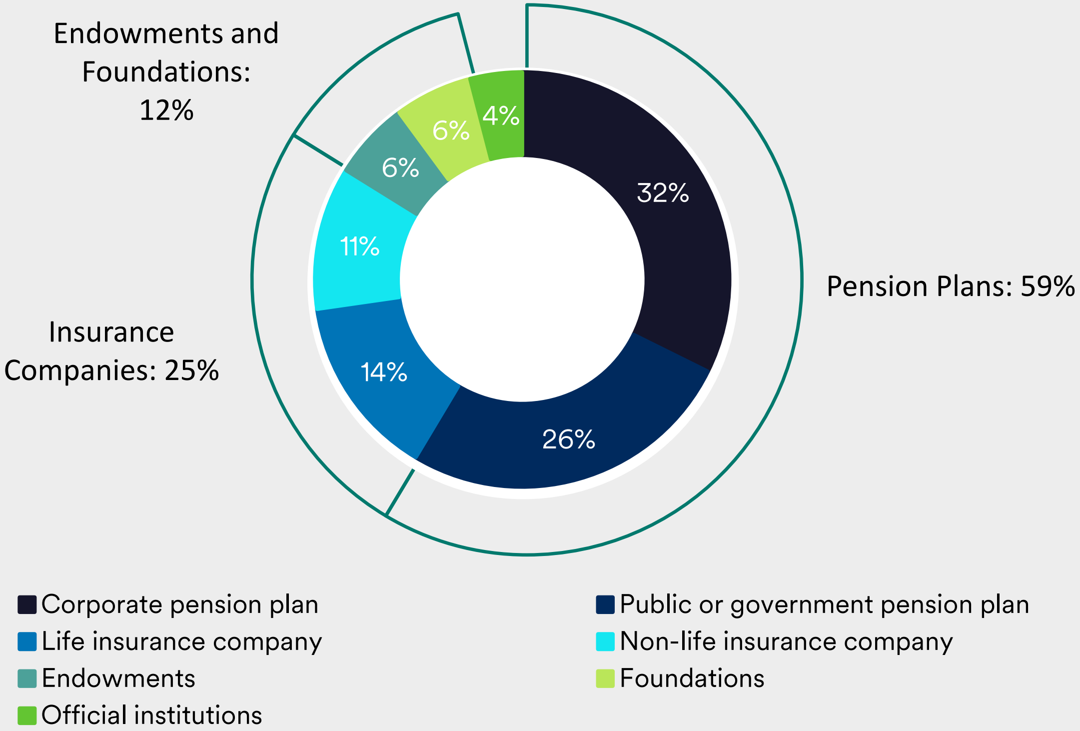
US$34.7trn
in AUM



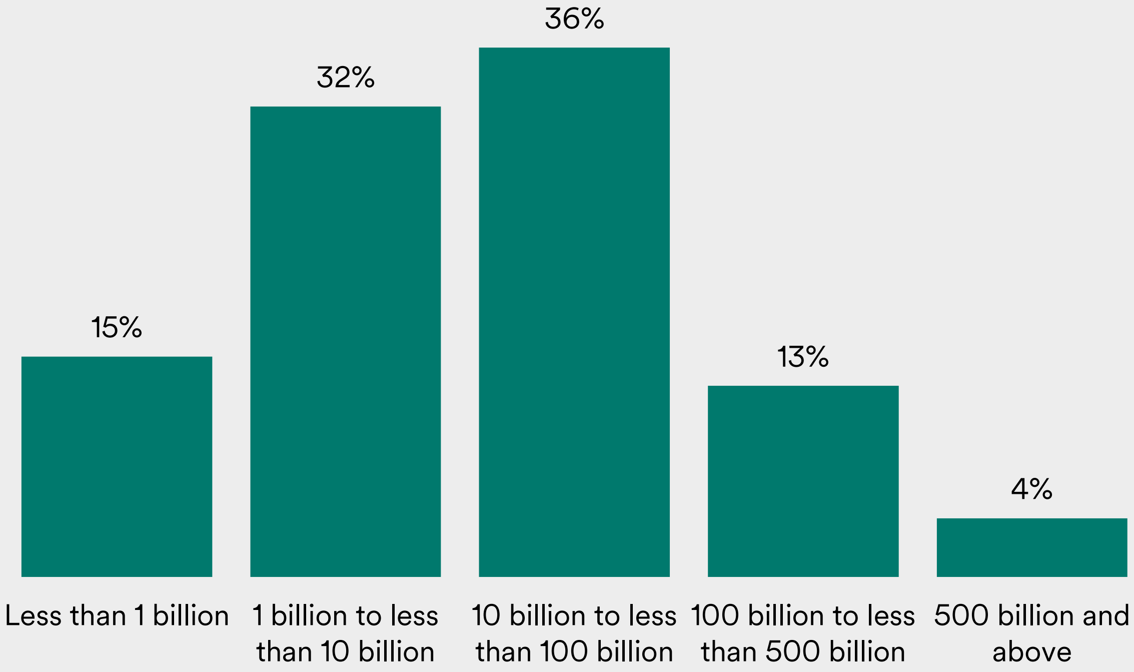
Source: Schroders Institutional Investor Study 2023.

Respondents breakdown

Q. Which of the following best describes the type of institutional assets your organisation oversees/manages?[1]



Q. What is the cumulative size of assets (in USD) your organisation is responsible for?



Source: Schroders Institutional Investor Study 2023.
[1] Data may not sum to 100% due to rounding.

Important information

Marketing material for professional clients only

Investment involves risk.

Any reference to regions/countries/sectors/stocks/ securities is for illustrative purposes only and not a recommendation to buy or sell any financial instruments or adopt a specific investment strategy.

The material is not intended to provide, and should not be relied on for, accounting, legal or tax advice, or investment recommendations.

Reliance should not be placed on any views or information in the material when taking individual investment and/or strategic decisions.

Past Performance is not a guide to future performance and may not be repeated.

The value of investments and the income from them may go down as well as up and investors may not get back the amounts originally invested. Exchange rate changes may cause the value of investments to fall as well as rise.

Schroders has expressed its own views and opinions in this document and these may change.

Information herein is believed to be reliable but Schroders does not warrant its completeness or accuracy.

No Schroders entity accepts any liability for any error or omission in this material or for any resulting loss or damage (whether direct, indirect, consequential or otherwise), in each case save to the extent such liability cannot be excluded under applicable laws.

This document may contain 'forward-looking' information, such as forecasts or projections. Please note that any such information is not a guarantee of any future performance and there is no assurance that any forecast or projection will be realised.

This material has not been reviewed by any regulator.

Not all strategies are available in all jurisdictions.

For readers/viewers in Argentina: Schroder Investment Management S.A., Ing. Enrique Butty 220, Piso 12, C1001AFB – Buenos Aires, Argentina. Registered/Company Number 15. Registered as Distributor of Investment Funds with the CNV (Comisión Nacional de Valores). Nota para los lectores en Argentina: Schroder Investment Management S.A., Ing. Enrique Butty 220, Piso 12, C1001AFB - Buenos Aires, Argentina. Inscripto en el Registro de Agentes de Colocación y Distribución de PIC de FCI de la Comisión Nacional de Valores con el número 15.

For readers/viewers in Brazil: Schroder Investment Management Brasil Ltda., Rua Joaquim Floriano, 100 – cj. 142 Itaim Bibi, São Paulo, 04534-000 Brasil. Registered/Company Number 92.886.662/0001-29. Authorised as an asset manager by the Securities and Exchange Commission of Brazil/Comissão de Valores Mobiliários ('CVM') according to the Declaratory Act number 6816. This document is intended for professional investors only as defined by the CVM rules which can be accessed from their website www.cvm.gov.br.

For readers/viewers in Canada: Schroder Investment Management North America Inc., 7 Bryant Park, New York, NY 10018-3706. NRD Number 12130. Registered as a Portfolio Manager with the Ontario Securities Commission, Alberta Securities Commission, the British Columbia Securities Commission, the Manitoba Securities Commission, the Nova Scotia Securities Commission, the Saskatchewan Securities Commission and the (Quebec) Autorité des marchés financiers.

For readers/viewers in Israel: Note regarding the Marketing material for Qualified Clients and Sophisticated Investors only. This communication has been prepared by certain personnel of Schroder Investment Management (Europe) S.A (Registered No. B 37.799) or its subsidiaries or affiliates (collectively, 'SIM'). Such personnel are not licensed nor insured under the Regulation of Investment Advice, Investment Marketing and Investment Portfolio Management Law, 1995 (the 'Investment Advice Law'). This communication is directed at persons (i) who are Sophisticated Investors as listed in the First Schedule of the Israel Securities Law (ii) Qualified Clients ('Lakoach Kashir') as such term is defined in the Investment Advice Law; and (iii) other persons to whom it may otherwise lawfully be communicated. No other person should act on the contents or access the products or transactions discussed in this communication. In particular, this communication is not intended for retail clients and SIM will not make such products or transactions available to retail clients.

For readers/viewers in Switzerland: This document has been issued by Schroder Investment Management (Switzerland) AG, Central 2, CH-8001 Zurich, Switzerland a fund management company authorised and supervised by the Swiss Financial Market Supervisory Authority FINMA, Laupenstrasse 27, CH-3003 Bern.

For readers/viewers in the European Union/European Economic Area: Schroders will be a data controller in respect of your personal data. For information on how Schroders might process your personal data, please view our Privacy Policy available at www.schroders.com/en/privacy-policy or on request should you not have access to this webpage. Issued by Schroder Investment Management (Europe) S.A., 5, rue Höhenhof, L-1736 Senningerberg, Luxembourg. Registered No. B 37.799

For readers/viewers in South Africa: Issued in September 2023 by Schroders Investment Management Ltd registration number: 01893220 (Incorporated in England and Wales) which is authorised and regulated in the UK by the Financial Conduct Authority and an authorised financial services provider in South Africa FSP No: 48998.

Important information

For readers/viewers in the United Arab Emirates: Schroder Investment Management Limited, located in Office 506, Level 5, Precinct Building 5, Dubai International Financial Centre, PO Box 506612 Dubai, United Arab Emirates. Regulated by the Dubai Financial Services Authority. This document is not subject to any form of approval by the DFSA. Accordingly, the DFSA has not approved any associated documents nor taken any steps to verify the information and has no responsibility for it. This document is intended to be for information purposes only and it is not intended as promotional material in any respect. This document is intended for professional investors only as defined by the DFSA rules which can be accessed from their website www.dfsa.ae

For readers/viewers in the United Kingdom: Schroders will be a data controller in respect of your personal data. For information on how Schroders might process your personal data, please view our Privacy Policy available at www.schroders.com/en/privacy-policy or on request should you not have access to this webpage. Issued by Schroder Investment Management Limited, 1 London Wall Place, London EC2Y 5AU. Registered Number 1893220 England. Authorised and regulated by the Financial Conduct Authority.

For readers/viewers in the United States: For financial professionals and consultant only. Schroder Investment Management North America Inc., 7 Bryant Park, New York NY 10018-3706. CRD Number 105820. Registered as an investment adviser with the US Securities and Exchange Commission.

Note to readers/viewers in Australia: Issued by Schroder Investment Management Australia Limited Level 20, Angel Place, 123 Pitt Street, Sydney NSW 2000 Australia ABN 22 000 443 274, AFSL 226473. It is intended for professional investors and financial advisers only and is not suitable for retail clients.

Note to readers/viewers in Hong Kong S.A.R.: Issued by Schroder Investment Management (Hong Kong) Limited. Level 33, Two Pacific Place, 88 Queensway, Hong Kong. This material has not been reviewed by the Securities and Futures Commission of Hong Kong.

Note to readers/viewers in Indonesia: This document is intended to be for information purposes only and it is not intended as promotional material in any respect. This document is intended for professional investors only as defined by the Indonesian Financial Services Authority ('OJK'). Issued by PT Schroder Investment Management Indonesia Indonesia Stock Exchange Building Tower 1, 30th Floor, Jalan Jend. Sudirman Kav 52-53 Jakarta 12190 Indonesia PT Schroder Investment Management Indonesia is licensed as an Investment Manager and regulated by the OJK. This material has not been reviewed by the OJK.

Note to readers/viewers in Japan: Issued by Schroder Investment Management (Japan) Limited 21st Floor, Marunouchi Trust Tower Main, 1-8-3 Marunouchi, Chiyoda-Ku, Tokyo 100-0005, Japan Registered as a Financial Instruments Business Operator regulated by the Financial Services Agency of Japan ('FSA'). Kanto Local Finance Bureau (FIBO) No. 90. Member of Japan Investment Advisers Association, The Investment Trusts Association, Japan and Type II Financial Instruments Firms Association. This material has not been reviewed by the FSA

Note to readers/viewers in Malaysia: This presentation has not been approved by the Securities Commission Malaysia which takes no responsibility for its contents. No offer to the public to purchase any fund will be made in Malaysia and this presentation is intended to be read for information only and must not be passed to, issued to, or shown to the public generally. Schroder Investment Management (Singapore) Ltd does not have any intention to solicit you for any investment or subscription in any fund and any such solicitation or marketing will be made by an entity permitted by applicable laws and regulations.

Note to readers/viewers in Singapore: This presentation is intended to be for information purposes only and it is not intended as promotional material in any respect. This document is intended for professional investors only as defined by Securities and Futures Act to mean for Accredited and or Institutional Clients only, where appropriate. Issued by Schroder Investment Management (Singapore) Ltd (Co. Reg. No. 199201080H) 138 Market Street #23-01 CapitaGreen, Singapore 048946. This document has not been reviewed by the Monetary Authority of Singapore

Note to readers/viewers in South Korea: Issued by Schroders Korea Limitedn26th Floor, 136, Sejong-daero, (Taepyeongno 1-ga, Seoul Finance Center), Jung-gu, Seoul 100-768, South Korea . Registered and regulated by Financial Supervisory Service of Korea ('FSS')This material has not been reviewed by the FSS

Note to readers/viewers in Taiwan: Issued by Schroder Investment Management (Taiwan) Limited 9F., No. 108, Sec. 5, Xinyi Road, Xinyi District, Taipei 11047, Taiwan. Tel +886 2 2722-1868 Schroder Investment Management (Taiwan) Limited is independently operated. This material has not been reviewed by the regulators.

Note to readers/viewers in Thailand: This presentation has not been approved by the Securities and Exchange Commission which takes no responsibility for its contents. No offer to the public to purchase any fund will be made in Thailand and this presentation is intended to be read for information only for professional investors as defined by regulations and it is not intended as promotion material in any respect. It must not be passed to, issued to, or shown to the public generally. Schroder Investment Management (Singapore) Ltd does not have any intention to solicit you for any investment or subscription in any fund and any such solicitation or marketing will be made by an entity permitted by applicable laws and regulations.

Schroders may record and monitor telephone calls for security, training and compliance purposes.
609560

Institutional Investor Study 2023
Global Report