

## **New Study Finds Gap Between Intention and Action in Growing ESG Investment Market**

- **Singapore investors more attuned to ESG investing than US and UK counterparts**
- **Even with rapidly growing interest, investors struggle to align portfolio to personal beliefs and preferences**
- **Opportunity to bridge the gap through enhanced client profiling and education**

**SINGAPORE, 2 November 2021** – A new insights report released today by [Capital Preferences](#), a leading behavioural economics, decision science and financial technology firm, reveals that despite rising demand for socially responsible investing, 3 in 4 investors are not confident that their current portfolios are aligned to their Environmental, Social and Corporate Governance (ESG) values.

The '[ESG is Personal: 2021 Study of ESG Preferences and Advisory Practices](#)' collected responses from a total of 908 investors from Singapore, the United States (US) and the United Kingdom (UK), who invest with banks or financial advisors, against the backdrop of a rapidly growing ESG investment market. Estimates from the [Global Impact Investing Network's 2020 report](#) show the global market for ESG investments has grown to US\$715 billion (S\$970b) — a 42 per cent jump from US\$502 billion the year before.

### **Singapore investors more attuned to ESG investment trends**

The study reveals that investors in Singapore are more likely than counterparts in the UK or US to prioritise ESG investments, with close to three-quarters (74%) of Singaporean investors saying that ESG factors are important or very important to their investment decisions, compared to 65% in the US and 63% in the UK.

Singapore also bucked the trend for diminishing interest in ESG investing among older demographics. In the over 50 age group, investors in Singapore were more likely to prioritise ESG concerns as 'very important' (42%), versus just 19% in the US and UK. Likewise, only 9% of respondents in Singapore were classed as 'ESG sceptics' who did not consider ESG concerns when investing, compared to 14% in the UK and 26% in the US.

### **Investors struggle to turn ESG preferences into portfolio choices**

Although most investors recognise the importance of ESG investing, many are unclear on how to translate these preferences to their ESG portfolio. 62% of Singaporean investors who say that ESG is important or very important are unsure how much of their total portfolio should be invested in ESG, and close to two thirds (65%) do not know how they want to balance individual Environmental, Sustainability or Corporate Governance elements within their portfolio.

As part of the study, Capital Preferences used a proprietary tool to create a personalised investment map for respondents based on ESG investment criteria. This criteria identified five investment themes, drawing on principles of the UN Sustainable Development Goals: Empowerment, Climate Change, Basic Needs, Natural Capital and Ethical Behaviour. The exercise revealed over half (55%) of respondents have a mismatch in their current portfolio composition against their actual intention for ESG impact.

A more systematic approach to understanding ESG investing preferences could be key to addressing these concerns.

## **Education for industry players key to bridging the gap**

The survey also showed that many investors lack the confidence to put their ESG investment preferences into practice due to confusion over ESG terms and concepts, conflicting ratings, and a lack of guidance on how to identify the right investments in this sector.

**Bernard Del Rey, Co-founder and Group CEO, Capital Preferences** said, “As interest in sustainable investing has grown, so has the complexity and variety of options available to investors, creating knowledge and confidence gaps within the industry and investment community. The financial services sector has a real opportunity to harness better data and insights to educate these investors.”

Better information and guidance from financial advisors, who usually have the highest level of interaction with investors, could hold the key to bridging this gap. In Singapore, only one in five (20%) respondents believe their banks or financial advisors have been effective in explaining ESG concepts and terms to them. Even when investors receive ESG reports from their advisors or wealth managers, less than half (46%) say that the reports give them a clear understanding of the impact of their ESG investments.

Del Rey explained the opportunity for the financial services sector: “Four out of five investors we surveyed are being profiled using unsound and outdated methods, even though advances in technology allow us to create customised investor and advice profiles. We believe that the financial industry can use technology to transform investor profiling and help investors realise performance-driven ESG investing that is more closely aligned to their personal beliefs and preferences.”

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## **About the *ESG is Personal: 2021 Study of ESG Preferences and Advisory Practices***

The study, conducted by Capital Preferences in August 2021, collected responses from 908 investors who invest with banks or financial advisors. Survey respondents were distributed between Singapore (301), the United States (304) and the United Kingdom (303).

## **About Capital Preferences**

Founded in 2014, Capital Preferences is a personalisation technology firm that uniquely understands and models human behaviour. Its suite of profiling tools helps the world’s top financial firms understand latent insights about their clients, spanning Risk, ESG, Goals, Spending, and Insurance preferences. Capital Preferences enables wealth managers to improve the quality of advice and create more personalised and engaging experiences. Originating in the life work of a leading decision theorist and economist out of UC Berkeley, Capital Preferences’ technology is a quantum leap over existing client profiling methods.

Capital Preferences is the ESG Vertical winner of the Global Fast Track Pitching competition at Hong Kong Fintech Week 2021. For more information, please visit [www.capitalpreferences.com](http://www.capitalpreferences.com).