

Examining E, S and G performance across sector portfolios

Our research found that ESG contributes to positive returns in bond portfolios in the USD and euro investment grade (IG) credit markets. To take our analysis a step further, we investigated the performance effect of ESG at the sector level. By comparing both the overall and the individual E, S and G scores of high- and low-ESG portfolios, we uncovered interesting nuances among major sectors in each region.

Sectors analysed in our study



Non-cyclical
consumer goods



Transport
& Energy



Banking &
Brokerage



Utility

Read on to dive deeper into the sector findings for each market

Our US market findings

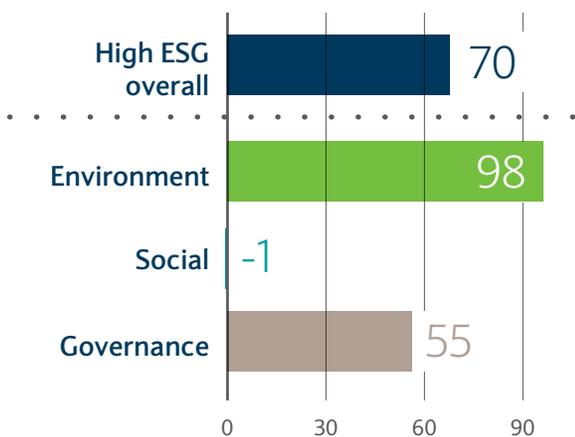
In line with our overall results, the average returns of ESG-tilted portfolios in the US IG market are positive in most cases. Within the three sectors we feature, results are consistent between the two ratings providers, MSCI ESG Research and Sustainalytics, despite their differing rating methodologies.



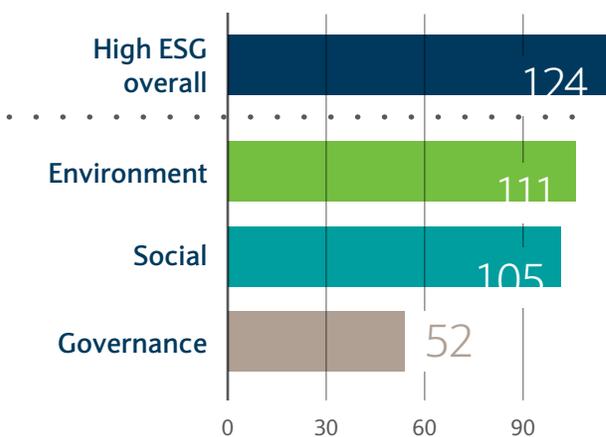
Non-cyclical consumer goods¹

High-ESG portfolios outperformed low ones most emphatically. Individually, Environmental and Governance factors are important in this sector.

MSCI



Sustainalytics



Average outperformance of high over low ESG portfolio, in basis points per year

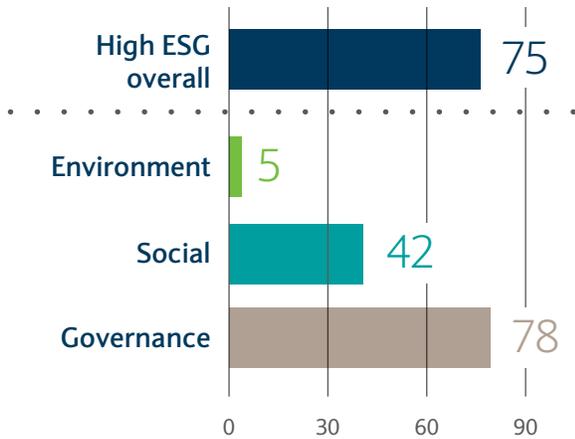
¹The non-cyclical sector refers to the “essential” goods and services people need, including food, water, gas and electricity. Also known as defensive stocks.



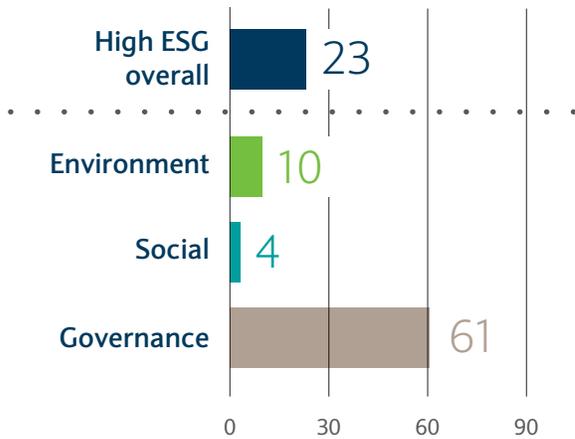
Banking & Brokerage

As would be expected, Governance is the most important factor in this sector.

MSCI



Sustainalytics



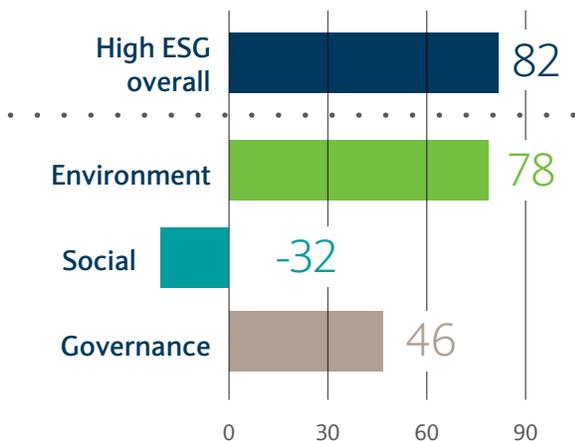
Average outperformance of high over low ESG portfolio, in basis points per year



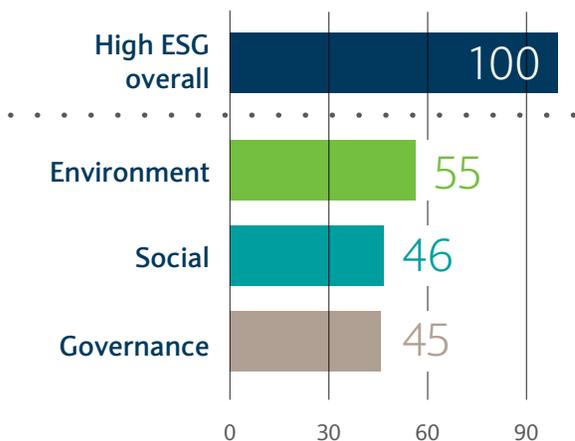
Transport & Energy

High Environmental scores are most important in this sector.

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Average outperformance of high over low ESG portfolio, in basis points per year

Our euro market findings

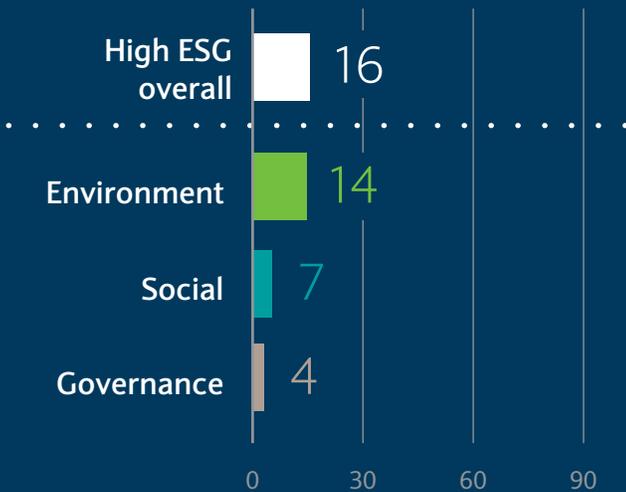
Broken down by sector, the overall effect of ESG in the euro IG market is more variable than in the US. This market does, however, also show fairly similar results for the two ESG providers in most sectors.



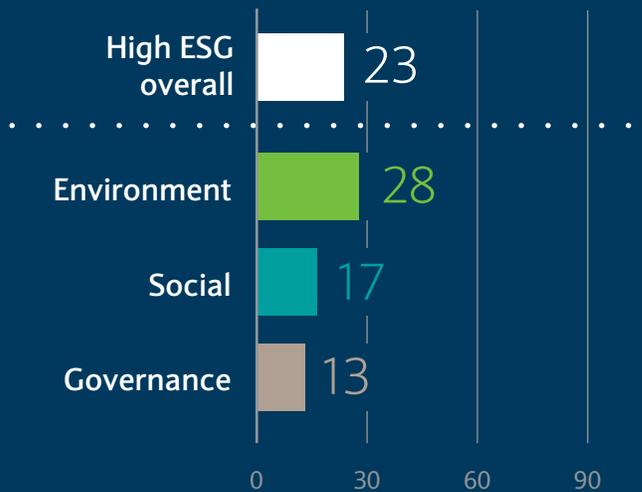
Non-cyclical consumer goods

This sector is one of two where the link between ESG and performance is most visible.

MSCI



Sustainalytics



Average outperformance of high over low ESG portfolio, in basis points per year

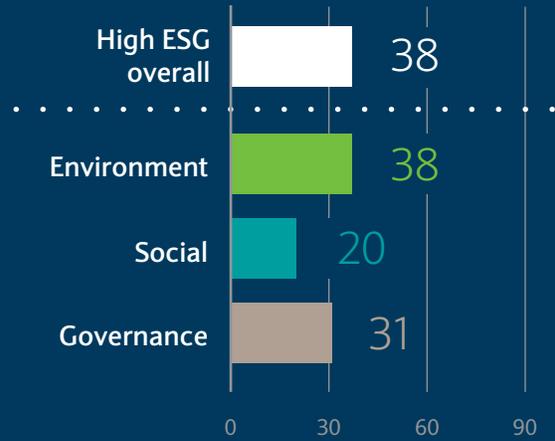
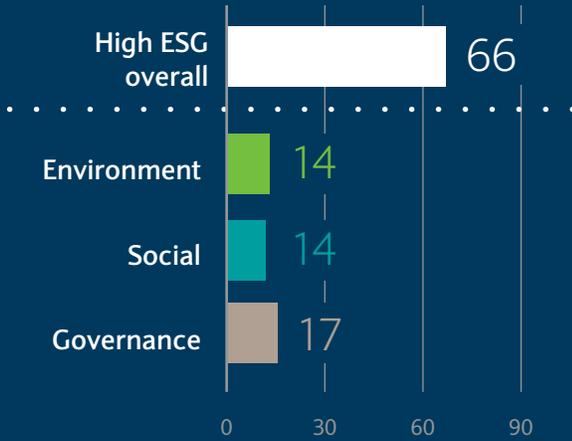


Banking & Brokerage

As in the US IG market, the ESG influence is strong in the Banking and Brokerage sector in euro bonds as well.

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Sustainalytics



Average outperformance of high over low ESG portfolio, in basis points per year

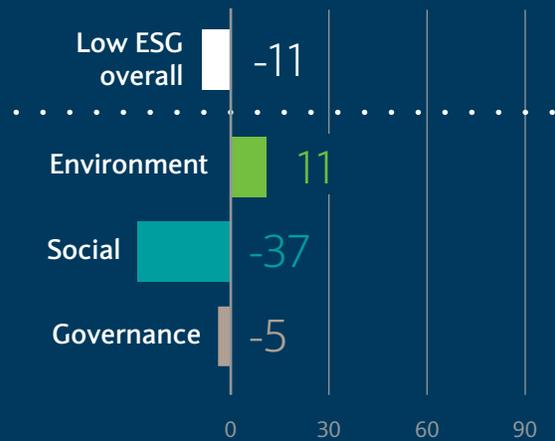


Utility

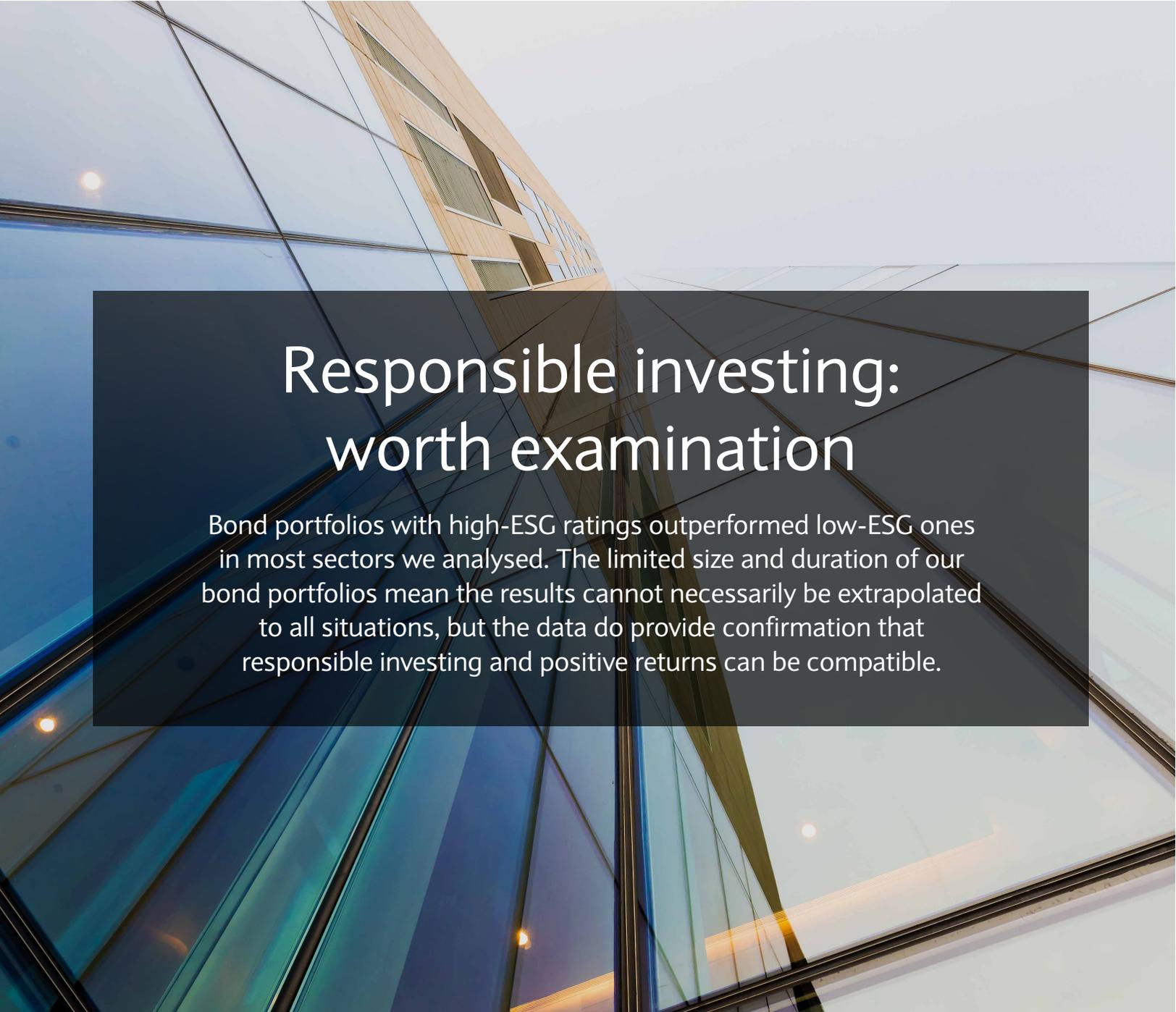
In the less diversified utility sector, the high-ESG portfolio has underperformed the low-ESG portfolio. This is the only sector to produce this result across both rating providers.

MSCI

Sustainalytics



Average outperformance of high over low ESG portfolio, in basis points per year



Responsible investing: worth examination

Bond portfolios with high-ESG ratings outperformed low-ESG ones in most sectors we analysed. The limited size and duration of our bond portfolios mean the results cannot necessarily be extrapolated to all situations, but the data do provide confirmation that responsible investing and positive returns can be compatible.

Sources: Bloomberg Barclays Bond Indices, MSCI ESG Research, Sustainalytics, Barclays Research

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