



Responsible Investment Funds Build Consistent Market Presence

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Executive Summary

Over the past decade, investment firms have been increasingly incorporating environmental, social, and governance (ESG) factors into the investment process, in response to increased expectations about sustainability from policymakers, investors, and society at large. As noted by Amel-Zadeh and Serafeim (2018), investors and investment professionals use a variety of ESG approaches, some of which include screening (positive and negative), portfolio tilts, active ownership, and integration. These approaches are incorporated into a range of sustainability-related products and strategies that have grown in popularity. These trends have implications for the industry, because investment firms and business models are undergoing significant changes in part as a response to the rising popularity of sustainability-themed investments and an expanded product set. Investment professionals need to understand the trends facing the responsible investment fund market so they can better address investor preferences and policy objectives.

This study focuses on the key trends currently shaping the market for responsible investment funds. For this analysis, we use data from the Lipper database and, therefore, base our terminology on Lipper's definitions. Lipper classifies a fund as a "responsible investment"¹ if the fund explicitly states that it considers and acts on responsible investment factors when making investment decisions.²

¹According to Lipper, "To receive a responsible investing attribute, fund documentation must give a clear commitment that responsible investment factors are not just considered, but such policies must be acted on as an integral part of a fund's investment process, with no override options or discretionary caveats" (see Refinitiv's "Sustainability in the Fund Industry" brochure at www.refinitiv.cn/content/dam/marketing/en_us/documents/brochures/sustainability-in-the-fund-industry.pdf).

²CFA Institute, the Global Sustainable Investment Alliance, and the Principles for Responsible Investment released a publication in November 2023 that aims to form standardized definitions for responsible investment funds with

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We start by briefly describing the regulatory environment for responsible investment funds and review different investors' motivations for investing in these funds. Numerous studies and surveys examine the motives behind incorporating ESG factors into the investment process, and many of these studies conclude that retail and institutional investors differ somewhat regarding their primary motives for investing in responsible investment funds. Further, different jurisdictions have opposing policy perspectives on why ESG considerations should or should not be incorporated into the investment process, complicating the landscape for global investment firms. Firms increasingly must consider the interests of multiple stakeholders beyond shareholders as they balance societal expectations, investor interests, and legislative and regulatory policy considerations.

We use insights from existing (survey-based) studies to enrich our understanding of market dynamics and to contextualize our analysis of current trends. Specifically, we examine underlying data on total net assets and fund flows for responsible investment funds and the split of responsible investment fund assets according to strategy type. We also analyze the split of responsible investment fund ownership between retail and institutional investors (proxied by assets held in retail and institutional share classes, respectively), given their often contrasting motives for investing in these funds. Retail and institutional ownership of responsible investment funds differs across regions, and therefore, we compare trends in the United States and Europe (the two largest capital market jurisdictions) to provide further insight. Examining these trends will enable industry stakeholders to better understand the characteristics and key factors shaping the market for responsible investment funds and to adapt to the changing market landscape.

the goal of increasing consistency. See CFA Institute, Global Sustainable Investment Alliance, and Principles for Responsible Investment (2023).

Key Findings

- Total net assets and net inflows into various categories of responsible investment funds (collective investment schemes including mutual funds and exchange-traded funds) increased worldwide during the study period from 31 December 2012 to 31 December 2022. Total net assets for “responsible investments” as defined by Lipper increased by a factor of 2.7×, from \$2,215.6 billion in 2012 to \$5,974.6 billion in 2022.
- The market share of responsible investment funds remained relatively constant during the same period, increasing from 14.2% in 2012 to 15.4% in 2022. This finding suggests that these funds are not gaining popularity at the expense of non-responsible investment funds—rather, their growth is in line with the broader investment fund market.
- Retail ownership dominates institutional ownership of responsible investment funds globally. In the United States, however, institutional assets surpassed retail assets in 2018, indicating a relative shift in demand preferences.
- Although retail and institutional investors may have contrasting motives for incorporating ESG factors into the investment process, they both invest more assets into negative screening funds than any other type of responsible investment strategy. Additionally, institutional investors invest more of their share of assets in positive screening funds than do retail investors (i.e., overweighting to investments that score relatively highly on ESG characteristics).
- A review of the literature suggests that fund fees of responsible investing funds are largely in line with those of non-responsible investment fund fees in the United States. In Europe, however, responsible investment fund fees tend to be lower than non-responsible investment fund fees.

Background

One of the key trends currently shaping the landscape for responsible investment funds is an increase in regulation in several markets globally. Because our analysis focuses on responsible investment funds domiciled in the United States and Europe, we provide a brief overview of key regulatory developments in these regions. Examining the regulatory environment for these funds provides us with the necessary background to assess the factors driving product and market developments. There are important differences between the United States and Europe regarding the regulation of responsible investment funds.

The United States has less stringent regulations relative to the EU involving the disclosure of ESG-related data. The US SEC currently does not formally require that companies disclose ESG-related data, leading to inconsistencies in the reporting of ESG information (Wright 2023). Company disclosures may include ESG information, but because the company decides what information is “material,” the company essentially chooses whether to disclose ESG

information (Wright 2023). This situation results in the voluntary disclosure of ESG-related data among US firms. Many investors, however, are pushing for more-consistent standards, hoping to increase the level of predictability in ESG disclosures (Wright 2023).

Unlike US firms, companies in the EU are under greater scrutiny to disclose ESG-related data because the EU has implemented several statutes aimed at increasing disclosure of ESG information. The Sustainable Finance Disclosure Regulation (SFDR), which took effect in March 2021, requires firms to disclose relevant ESG-related data regarding their investment products and firm-wide policies (Espeute 2023). Similarly, in April 2021, the EU adopted the Corporate Sustainability Reporting Directive (CSRD), which sets out specific requirements for large companies to disclose how they manage ESG issues (Wright 2023). According to Wright (2023, p. 350), the CSRD “expanded the scope of the Non-Financial Reporting Directive (‘NFRD’) after the European Commission determined that the sustainability reporting guidelines it published in 2017 and 2019 did not noticeably improve the quality of the reporting data.” Additionally, the EU Taxonomy went into effect in 2022, which provides asset managers with a framework to assess how their investing activities contribute to six environmental objectives (Espeute 2023). According to Ditlev-Simonsen (2022, p. 194), to be considered “green,” an investment must meet at least one of these six objectives while simultaneously not causing harm to any of the other objectives.

As noted earlier, retail investors and institutional investors differ in terms of their motivations for incorporating ESG factors into the investment process. According to the 2022 CFA Institute Investor Trust Study (CFA Institute 2022), a relative majority of retail investors are motivated to invest in ESG and responsible investment funds that align with their personal values and beliefs, whereas most institutional investors invest in these funds with the goal of enhancing risk-adjusted returns. Additionally, Amel-Zadeh and Serafeim (2018) surveyed 652 institutional investors and found that 82% of them consider ESG information in the investment decision-making process. Among those investors, 63% claim they “do so because ESG information is financially material to investment performance” (Amel-Zadeh and Serafeim 2018, pp. 91–92).

Amel-Zadeh and Serafeim (2018) found that a greater percentage of large firms relative to small firms consider ESG information for strategic financial reasons and for the development of investment products. In contrast, small firms tend to consider ESG information for ethical reasons. Further, the authors found that 41% of European investors view the incorporation of ESG factors into the investment process as an ethical responsibility, compared with only 19% for US investors. They also found that European investors are more likely than US investors to believe that ESG considerations are effective in bringing changes to a firm’s behavior. Eccles, Kastropeli, and Potter (2017) conducted a similar study by surveying 582 institutional investors that were either already implementing or planning to implement ESG strategies. The authors found that 47% of asset owners surveyed in the Americas were motivated to incorporate ESG factors into the investment process to enhance the risk/return profile

on their investments, compared with only 26% of those surveyed in Europe, the Middle East, and Africa.

Additionally, Amel-Zadeh and Serafeim (2018, p. 94) found that “ESG information is predominantly (but not overwhelmingly) used to engage with companies, integrated into valuation models, and used for portfolio screening, particularly negative [screening].”³ Further, according to Amel-Zadeh and Serafeim (2018), large firms are more likely than small firms to use ESG information as a screening tool for both positive screening and negative screening. The authors also concluded that 48% of investors in Europe use ESG information to engage with companies, whereas only 27% of US investors use ESG information for this reason. This finding is consistent with the finding noted earlier that more European investors than US investors believe ESG considerations are effective in changing a firm’s behavior.

Overall, the results from the surveys by Amel-Zadeh and Serafeim (2018) and Eccles et al. (2017) indicate that relative to investors in Europe, investors in the Americas are more likely to focus on investing in responsible investment funds to improve risk-adjusted returns. More European investors than American investors, however, believe they have an ethical responsibility to incorporate ESG factors into the investment process and use ESG information to engage with companies. These varying motives for investing in responsible investment funds prompts us to assess how these differences manifest in fund assets and flows.

Trends in Fund Flows and Total Net Assets for Responsible Investment Funds

The recent proliferation of responsible investment funds has resulted in high net inflows into these funds globally. To assess these trends, we gathered yearly data on total net assets (TNA) and fund flows for various categories of responsible investment funds from the Lipper database for the period from 31 December 2012 through 31 December 2022. Lipper first classifies a fund as a “responsible investment” based on the definition stated earlier and then further classifies it into one of the following subcategories: ESG, socially responsible investing (SRI),⁴ negative screening, positive screening, impact investing,

³Amel-Zadeh and Serafeim (2018, p. 94) define engagement/active ownership as “the use of shareholder power to influence corporate behavior through direct corporate engagement (i.e., communicating with senior management and/or boards of companies), filing or co-filing shareholder proposals, and proxy voting that is directed by ESG guidelines.”

⁴The distinction between Socially Responsible Investing (SRI) and negative screening is subtle but notable. As noted in Exhibit A4 in the Appendix, Lipper defines SRI as “ethical” or “values based” investing that is managed towards a described impact or responsible outcome. According to Lipper, SRI funds may use negative screening in the investment process, but this is not always the case. Negative screening, as defined by Lipper, refers to funds that specifically use negative screening criteria in the investment process.

or religion. We include Lipper's definitions of each subcategory in the appendix (Exhibit A4). These subcategories are not mutually exclusive, and many funds fall into more than one subcategory. Thus, one fund classified as a responsible investment may be further categorized into more than one subcategory. Specifically, Lipper classifies almost every responsible investment into the ESG subcategory (which refers to the integration of ESG factors into the investment process) and one of the remaining subcategories. Consequently, to avoid double-counting of fund assets and flows at the subcategory (i.e., strategy) level, we exclude the "ESG" subcategory from the remainder of this analysis. This approach does not affect the overall analysis of fund assets and flows at the category level of "responsible investment."⁵ We gathered data on TNA and fund flows for funds globally, as well as for funds domiciled in the United States and Europe, in each of these subcategories except for religion, owing to the very low percentage of funds in that subcategory. Additionally, we obtained data on TNA and fund flows for retail and institutional share classes separately.

Exhibit 1 displays cumulative fund flows for the various subcategories of responsible investment funds⁶ at the global level. The green line shows the overall trend for responsible investment funds, and the other lines depict the breakdown of this trend into the subcategories of responsible investment funds.⁷ The data are also broken down by asset class, with data for equity funds shown in the panel on the left, data for bond funds shown in the center panel, and data for mixed asset funds⁸ shown in the panel on the right.

The graphs show high net inflows into responsible investment funds among the three asset classes over the previous decade. Interestingly, cumulative net inflows for equity funds and bond funds were nearly the same in 2021 and 2022, although non-cumulative net inflows differed slightly between these funds. Further, the red dotted line indicates that significantly more funds engage in negative screening relative to impact investing, positive screening, or SRI. This trend holds true for all three asset classes.

Exhibit 1 shows significantly lower net inflows into equity and mixed asset responsible investment funds in 2022, as well as net outflows from bond funds that year. **Exhibit 2** highlights this trend, showing that the TNA for all categories of responsible investment funds among the three asset classes declined in 2022, reflecting the global downturn in equity and bond markets and a reduction in flows into responsible investment funds that year.

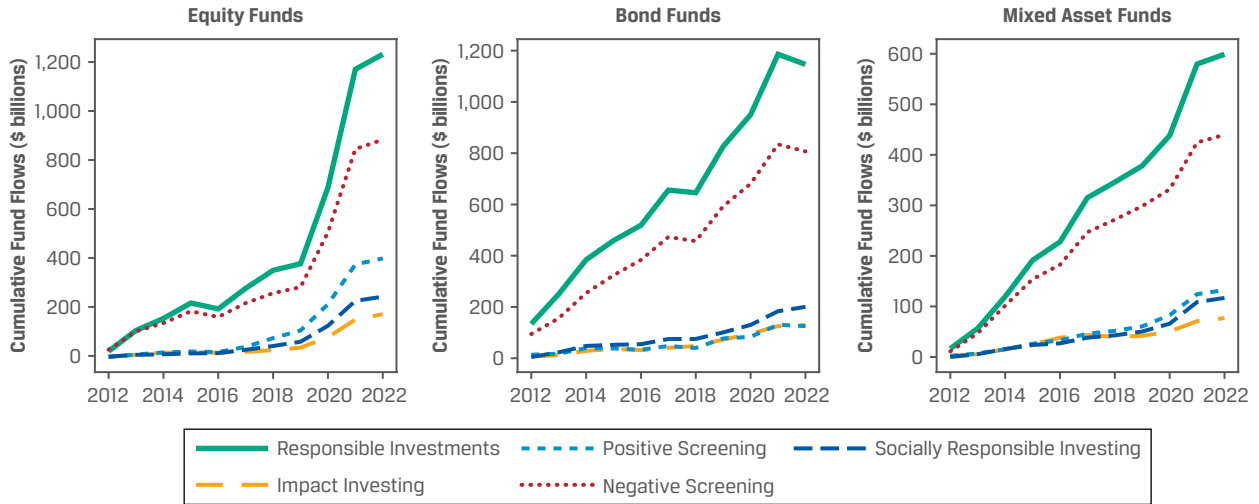
⁵Each responsible investment fund is counted only once in the "responsible investment" category irrespective of whether it is included in more than one subcategory.

⁶The graphs in Exhibit 1, as well as each subsequent exhibit, display data for mutual funds and exchange-traded funds.

⁷Because nearly all responsible investment funds are further classified into the ESG subcategory, as noted earlier, the data on assets and flows for ESG funds are nearly identical to the overall data on assets and flows for responsible investment funds, and therefore we excluded this subcategory from the subsequent graphs and analysis.

⁸According to Lipper, mixed asset funds "strategically invest in a mix of fixed-income and equity securities. Funds are classified by base currency of portfolio, risk degree and geographic focus" (Refinitiv 2019).

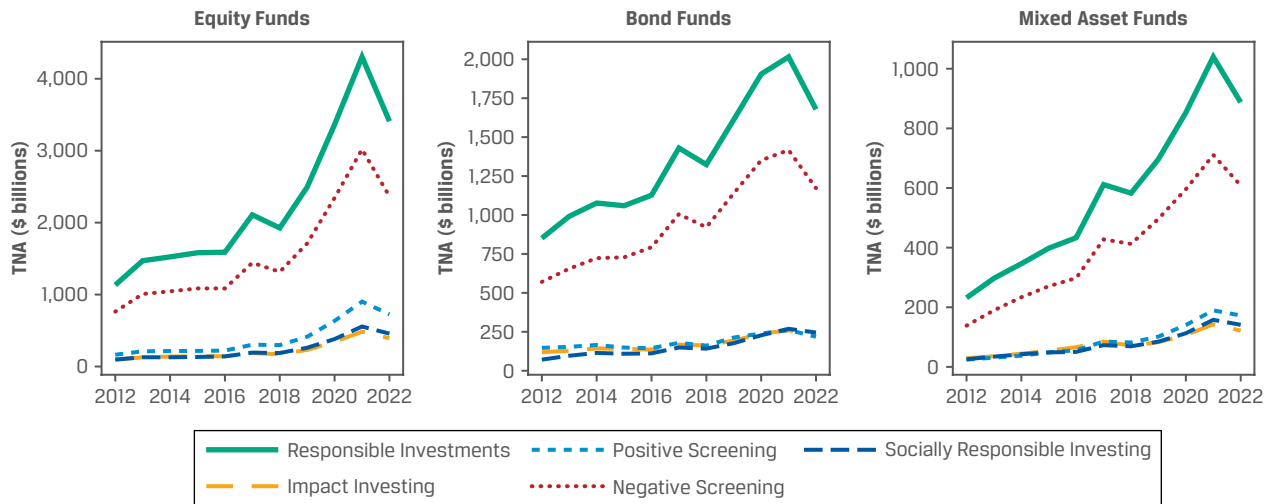
Exhibit 1. Cumulative Fund Flows for Global Responsible Investment Funds, 2012-2022



Note: Global responsible investment funds consist of all responsible investment funds domiciled in all markets in the Lipper database: 45,790 equity funds, 29,580 bond funds, and 12,782 mixed asset funds.

Source: Lipper data from Refinitiv.

Exhibit 2. Total Net Assets for Global Responsible Investment Funds, 2012-2022



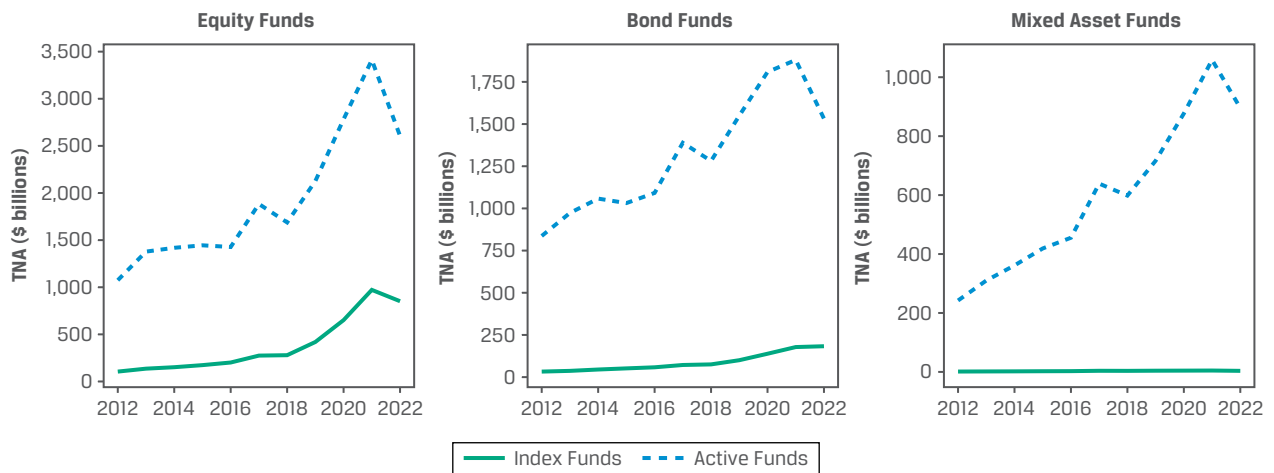
Source: Lipper data from Refinitiv.

Assets for actively managed responsible investment funds dominate assets for responsible investment index funds globally. **Exhibit 3** shows that assets held in actively managed responsible investment equity, bond, and mixed asset funds far exceed assets held in index funds. This trend is most pronounced among mixed asset responsible investment funds: \$896 billion was held in active funds as of year-end 2022, compared with \$3.6 billion held in index funds in this category. The customized nature of responsible investment funds may lead to more active decisions on the part of active fund managers as they integrate ESG factors that align with investor preferences, resulting in greater deviations from benchmark allocations.

Investment fund assets under management have grown tremendously during the past decade, and responsible investment fund assets have mostly followed this trend, rather than outpacing the broader investment fund market. Consequently, the market share of responsible investment funds changed little over the sample period. **Exhibit 4** shows the TNA of responsible investment funds as a percentage of the TNA for all funds (responsible and non-responsible investment funds) globally, indicating a minimal increase in market share for responsible investment funds, from 14.2% in 2012 to 15.4% in 2022.

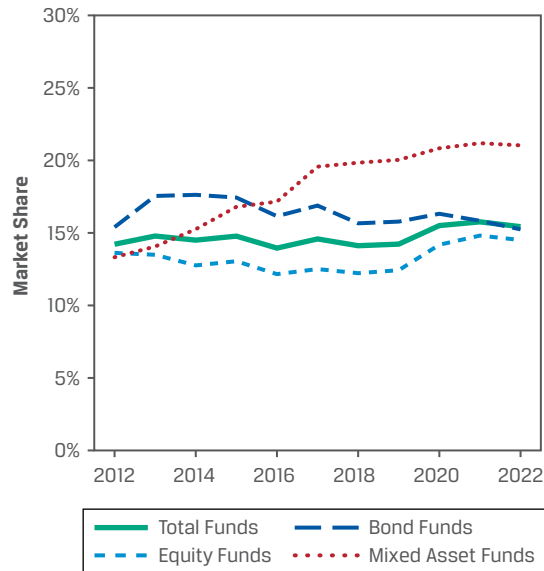
Additionally, the market shares for responsible investment equity and bond funds are little changed during the period, with the market share for each ranging between 14% and 16% as of 2022. This finding reflects the fact that the growth in these funds' TNA has largely mirrored the growth in all equity and bond funds globally during the same period. The market share for responsible investment mixed asset funds, however, increased by a greater amount than

Exhibit 3. Total Net Assets for Active and Index Global Responsible Investment Funds, 2012–2022



Source: Lipper data from Refinitiv.

Exhibit 4. Market Share of Global Responsible Investment Funds, 2012–2022



Source: Lipper data from Refinitiv.

that of responsible investment equity and bond funds, indicating that the growth in these funds helped drive the overall growth in responsible investment funds during the period.

Responsible Investment Fund Fees

According to recent literature, fees charged by responsible investment funds are generally lower than those charged by non-responsible investment funds (by which we mean funds not specifically designated as “responsible investing” according to the Lipper classification), although fees for both types of funds have decreased in recent years.⁹ In 2022, the European Securities and Markets Authority attempted to provide insights into the fees charged by these funds by conducting a study aimed at assessing common drivers of ongoing charges in the EU. The study concluded that funds with holdings primarily in large-cap companies tend to charge lower fees than those with significant holdings in small-cap companies. Similarly, funds that invest a greater amount in developed

⁹See Duvall and Johnson (2022); Duvall and Mykolenko (2022); European Securities and Markets Authority (2022, 2023).

markets offer lower fees than those that invest relatively more in emerging markets.

According to the European Securities and Markets Authority (2022), responsible investment funds invested more in large-cap companies and in developed markets than non-responsible investment funds as of September 2021, potentially contributing to their relatively lower fees. The study analyzed this dynamic further by regressing ongoing charges against several factors that explain fund fees. The regression results indicated that responsible investment funds continued to display lower fees than non-responsible investment funds even after controlling for high exposure to large-cap companies and developed markets, suggesting that other factors may contribute to relatively low fees charged by responsible investment funds. The European Securities and Markets Authority (2022) also concluded, based on its analysis, that impact funds are the cheapest category of responsible investment funds.

Fisch and Robertson (2023) analyzed characteristics of US-domiciled responsible investment and non-responsible investment mutual funds with the goal of examining similarities between the two. The authors note that one of the SEC's concerns regarding responsible investment funds is that some investment managers engage in greenwashing (see Gehrig and Moreno 2023) by using ESG branding to attract net inflows but without implementing ESG strategies. According to Fisch and Robertson (2023), a related concern is that responsible investment funds may cost more than non-responsible investment funds. Indeed, Brown (2021) provided examples of responsible investment funds that contained holdings similar to those of comparable non-responsible investment funds but with higher fees. Fisch and Robertson (2023), however, arrived at different results by comparing expense ratios of responsible investment funds with those of their "sister funds" (i.e., the most similar non-responsible investment funds in the same fund management company). They found that responsible investment funds charged slightly lower expense ratios than non-responsible investment funds, although the difference was minimal. More broadly, the authors concluded that there is no evidence that responsible investment funds in the United States are more expensive than other investment funds.

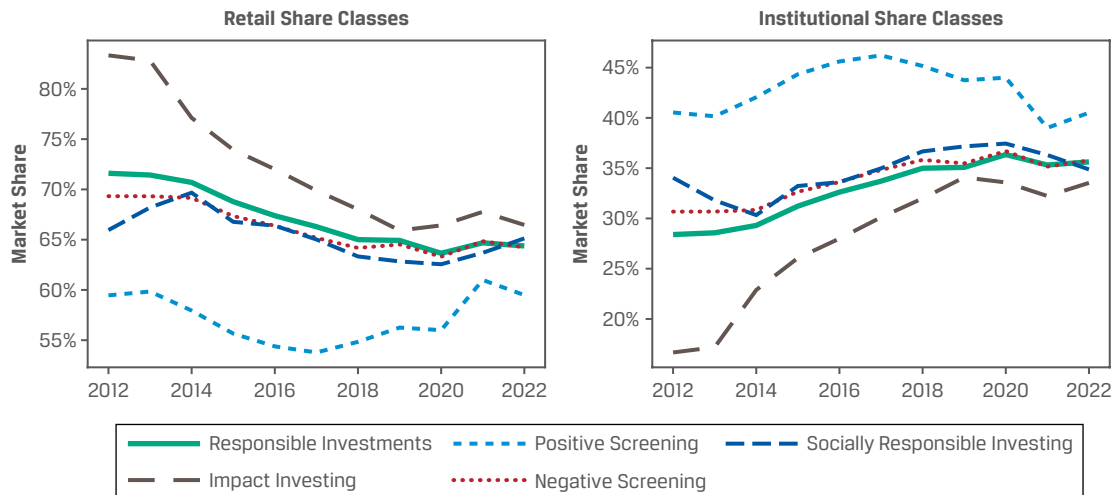
From the results obtained in these studies, we can conclude that in general, responsible investment fund fees tend to be in line with those of non-responsible investment funds in the United States and slightly lower than those of non-responsible investment funds in Europe. These findings are interesting, given the high degree of active management among responsible investment funds (Exhibit 3) relative to non-responsible investment funds. Overall, further research is needed to fully understand the drivers of responsible investment fund fees relative to other investment funds.

Retail vs. Institutional Ownership of Responsible Investment Funds

The differing motives between retail and institutional investors for investing in responsible investment funds prompted us to examine the split between retail and institutional ownership of these funds and to analyze the various strategies these investors use when investing in these funds. **Exhibit 5** illustrates the proportion of responsible investment fund TNA held in retail share classes (left panel) and in institutional share classes (right panel) globally for various subcategories of responsible investment funds. The share of responsible investment funds held in institutional share classes rose slightly from 2012 to 2022, although retail assets continue to dominate institutional assets for all categories of responsible investment funds.

We find differences in the split of retail and institutional ownership when comparing trends in the United States and Europe.¹⁰ In the United States, assets held in retail share classes exceeded those held in institutional share classes

Exhibit 5. Proportion of Global Responsible Investment Fund Total Net Assets Held by Retail and Institutional Share Classes, 2012–2022



Source: Lipper data from Refinitiv.

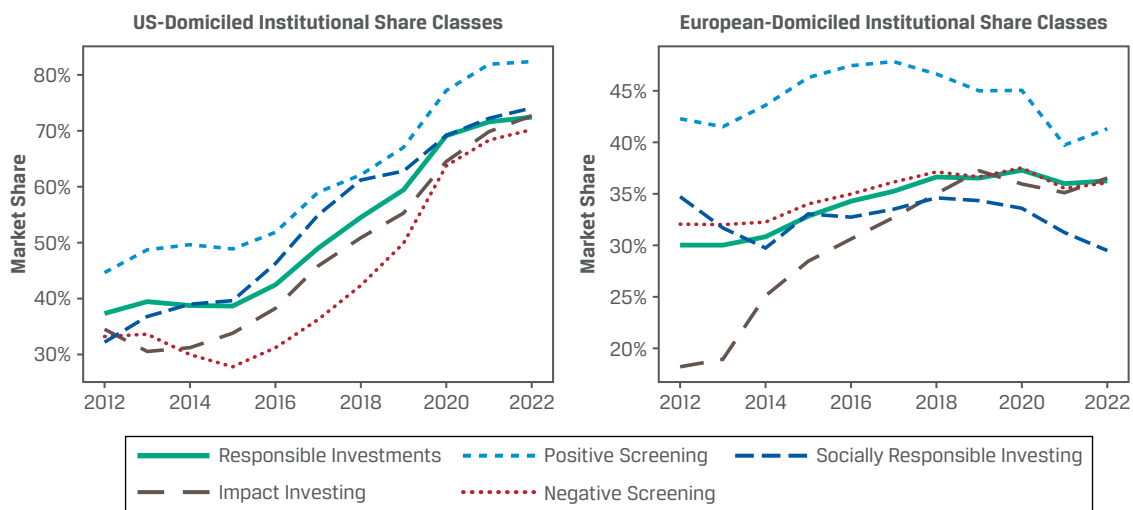
¹⁰Our analysis for Europe includes all countries in the EU plus the United Kingdom.

through 2017, with institutional assets surpassing retail assets beginning in 2018, as shown in the left-hand panel of **Exhibit 6**. In comparison, the trends in institutional responsible investment fund assets in Europe (right-hand panel of Exhibit 6) closely resemble global trends (right-hand panel of Exhibit 5). Thus, it is evident that European trends are driving global trends.

Both the US and European markets experienced growth in assets held by institutional investors during the period from 2012 to 2022, which has contributed to the overall growth of responsible investment funds in these regions. The growth in institutional ownership of responsible investment funds was smaller in Europe (an increase from approximately 30% to 35%) compared with the United States (an increase from approximately 38% to 70%).

Overall, in Europe (and globally), retail ownership dominates institutional ownership of responsible investment funds, whereas in the United States, the opposite is true since 2018, indicating a relative shift in demand preferences. As noted earlier, asset owners in the Americas are more likely to incorporate ESG factors into the investment process to enhance the risk/return profile on their investments (Eccles et al. 2017). In the United States, the relatively greater share of assets held in responsible investment funds by institutional investors aligns with this conclusion, given that increasing risk-adjusted returns is one of the primary motivations of institutional investors for incorporating

Exhibit 6. Proportion of US- and European-Domiciled Responsible Investment Fund Total Net Assets Held by Institutional Share Classes, 2012–2022



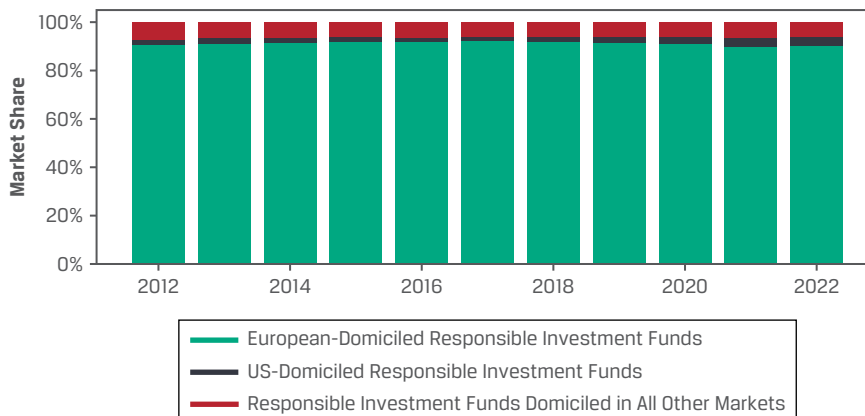
Source: Lipper data from Refinitiv.

ESG considerations in their investments. This situation contrasts with that of European investors, who are more likely to incorporate ESG factors into the investment process for ethical reasons (Amel-Zadeh and Serafeim 2018).

As noted previously, European trends appear to be driving global trends for responsible investment funds. This phenomenon is evident in **Exhibit 7**, which shows the proportion of global responsible investment fund TNA held by European- and US-domiciled responsible investment funds as of 31 December each year from 2012 through 2022. Europe continues to dominate the market, with TNA for European-domiciled responsible investment funds accounting for 90% of TNA for responsible investment funds globally as of 2022. This result, however, considers data only for mutual funds and exchange-traded funds and, therefore, might differ if we were to include other investment products and strategies in the analysis.

Exhibit 8 highlights the extent to which retail and institutional investors globally use different fund strategies. The left-hand panel examines retail share classes by showing the TNA of each strategy as a percentage of the TNA of all retail responsible investment funds, and the right-hand panel provides the same analysis for institutional share classes. Exhibit 8 shows that both retail and institutional investors favor negative screening over the other fund strategies, with both types of investors holding a majority of responsible investment fund TNA in negative screening funds. This result is broadly consistent with

Exhibit 7. Proportion of Global Responsible Investment Fund Total Net Assets Held by European- and US-Domiciled Responsible Investment Funds, 2012–2022



Source: Lipper data from Refinitiv.

Exhibit 8. Proportion of Responsible Investment Fund Total Net Assets Invested in Each Strategy (retail and institutional share classes), 2012–2022



Source: Lipper data from Refinitiv.

Amel-Zadeh and Serafeim's (2018) conclusion that negative screening is one of the primary uses of ESG information, along with engagement/active ownership and integration into valuation models.

Additionally, the right-hand panel of Exhibit 8 shows that approximately 25% of all institutional responsible investment fund assets are held in positive screening funds as of 2022, compared with approximately 20% for retail investors. This finding suggests that institutional investors invest more of their share of responsible investment fund assets in positive screening funds relative to retail investors and further aligns with Amel-Zadeh and Serafeim (2018, p. 95), who observed that 60% of institutional investors believe the financial impact of positive screening is "moderately or significantly positive." We can also observe from Exhibit 8 that impact investing strategies remain a relatively small proportion of responsible investment fund assets (approximately 10%–15% among institutional and retail share classes), with relative growth in assets held in institutional share classes during the period. The data, however, do not reveal the full extent of impact investing strategies that are typically deployed in private market funds, which are outside the scope of this analysis.

Conclusion

Responsible investment funds have significantly increased in popularity in recent years, as illustrated by the trends of increasing assets and net inflows into these funds globally during the past decade. The data we presented illustrate the varying motives and strategy preferences among retail and institutional investors in different regions for investing in responsible investment funds.

Understanding the key factors and trends currently shaping the responsible investment funds market, including the demand drivers, differences among retail and institutional investors, and differences across jurisdictions, will enable investors, firms, and professionals to better assess the outlook for these funds. A key takeaway from this analysis is that the growth in responsible investment fund assets has only marginally outpaced that of non-responsible investment fund assets, as indicated by the minimal increase in market share of these funds. This finding suggests that although these funds are increasing in popularity, the gain in popularity is not at the expense of non-responsible investment funds. Further, retail assets continue to dominate institutional assets globally for responsible investment funds, although institutional assets surpassed retail assets in the United States in 2018. The complex regulatory environment for responsible investment funds, however, may affect the growth of institutional assets and potentially deter investment firms from further increasing their investments in these products in the coming years.

The growing demand for personalization in the investment process will likely affect the market for responsible investment funds because investors increasingly prefer to invest in products tailored to their preferences. Additionally, many young investors (those aged 25–34) want to invest in responsible investment funds (see CFA Institute 2022). The interests and motivations of this younger cohort of investors will likely exert a growing influence on responsible investment fund product developments in the coming years.

Our analysis has limitations that motivate further research. As noted earlier, we focused only on mutual funds and exchange-traded funds, and therefore, we did not account for assets held in segregated mandates or for assets held in private market funds. Private market funds may account for a growing amount of responsible investment fund assets, particularly in less liquid strategies, such as impact investing, that are less suited to the daily liquidity requirements of retail funds. Consequently, our analysis understates the level of assets held in responsible investment funds overall. Additional research is necessary to examine net flows into private market responsible investment funds. Further, as noted previously, the determinants of the relatively low fees charged by responsible investment funds are ambiguous, and thus an examination of the drivers of responsible investment fund fees across markets, as well as the drivers of active management among these funds, is another area for future research.

Finally, the contrasting regulatory environments around the world for responsible investment funds, particularly in the United States and Europe, create inconsistencies regarding the reporting and disclosure of ESG-related data. A general lack of clarity surrounding the terminology for “responsible investment funds” exacerbates these inconsistencies. Although we based our terminology on Lipper’s definitions, many investors, firms, and investment professionals have their own definitions for responsible investment funds, as well as opposing perspectives on what factors should be considered when classifying products as responsible investments. Moreover, many of these definitions are subjective in nature, resulting in further inconsistencies among firms when classifying these products. Investment professionals and policymakers need to be aware of these challenges and their implications for the industry.

Appendix A. Additional Data for Total Net Assets, Cumulative Fund Flows, and Terminology

In this appendix, we show TNA (**Exhibit A1**) and cumulative fund flows (**Exhibit A2**) for mutual funds and exchange-traded funds classified as responsible investments globally and for the United States and Europe. We also show TNA and cumulative fund flows for UK-domiciled mutual funds and exchange-traded funds classified as responsible investment funds (**Exhibit A3**). This enables us to examine UK-specific trends relative to the broader European trends shown in Exhibits A1 and A2. In addition, we provide Lipper's definitions of each responsible investment subcategory (**Exhibit A4**).

Exhibit A1. Total Net Assets for Mutual Funds and Exchange-Traded Funds Classified as Responsible Investments (\$ billions)

	Global			United States			Europe		
	Equity	Bonds	Mixed Assets	Equity	Bonds	Mixed Assets	Equity	Bonds	Mixed Assets
2012	1,132.83	851.10	231.70	45.11	20.20	1.96	975.17	807.55	208.53
2013	1,470.67	991.72	297.19	56.07	20.61	1.99	1,290.44	946.40	273.17
2014	1,523.84	1,076.68	346.14	58.58	19.00	2.28	1,339.17	1,031.45	321.38
2015	1,581.56	1,059.54	398.04	54.82	17.68	2.32	1,404.36	1,013.58	369.30
2016	1,588.72	1,126.93	433.32	59.87	18.88	2.42	1,406.96	1,074.27	403.45
2017	2,108.34	1,430.03	611.45	77.08	22.09	2.55	1,879.99	1,365.23	575.23
2018	1,926.31	1,323.74	582.77	73.18	22.90	2.42	1,708.52	1,258.36	550.71
2019	2,494.73	1,612.21	696.88	115.68	28.25	3.17	2,205.91	1,531.53	660.77
2020	3,363.71	1,904.63	852.98	199.81	36.31	4.19	2,927.57	1,799.00	806.87
2021	4,303.71	2,015.08	1,039.71	294.48	49.41	5.31	3,676.90	1,885.86	972.18
2022	3,409.28	1,677.97	887.38	235.47	45.70	4.20	2,898.83	1,563.13	830.29

Note: Data are as of 31 December each year.

Exhibit A2. Cumulative Fund Flows for Mutual Funds and Exchange-Traded Funds Classified as Responsible Investments (\$ billions)

	Global			United States			Europe		
	Equity	Bonds	Mixed Assets	Equity	Bonds	Mixed Assets	Equity	Bonds	Mixed Assets
2012	18.98	134.08	16.53	-11.97	-0.37	-0.28	34.41	129.53	15.70
2013	104.04	250.08	56.75	-12.78	-0.44	-0.57	118.69	241.46	55.57
2014	152.85	384.21	119.56	-13.18	-2.80	-0.49	161.06	374.57	116.97
2015	215.86	459.12	191.31	-14.90	-4.03	-0.41	218.82	445.34	186.39
2016	191.97	518.70	227.84	-15.40	-3.65	-0.48	195.55	499.23	221.63
2017	276.05	656.05	315.18	-13.42	-2.49	-0.69	271.68	629.32	306.64
2018	349.42	645.68	346.06	-10.62	-1.63	-0.73	325.25	614.03	336.55
2019	376.24	826.44	378.34	8.21	1.75	-0.52	334.64	782.84	369.76
2020	687.56	950.21	438.14	53.23	7.98	-0.03	573.69	888.45	426.54
2021	1,170.36	1,185.92	579.73	111.50	21.13	0.40	935.08	1094.58	559.00
2022	1,231.74	1,146.44	599.01	114.50	23.16	0.16	976.99	1054.62	576.99

Note: Data are as of 31 December each year.

Exhibit A3. Total Net Assets and Cumulative Fund Flows for UK-Domiciled Mutual Funds and Exchange-Traded Funds Classified as Responsible Investments (\$ billions)

	Total Net Assets			Cumulative Fund Flows		
	Equity	Bonds	Mixed Assets	Equity	Bonds	Mixed Assets
2012	67.69	10.09	8.47	2.72	1.27	1.32
2013	84.39	11.76	9.92	-2.42	2.54	1.85
2014	87.85	11.98	11.71	-1.20	2.81	2.96
2015	90.97	11.92	13.31	2.46	3.35	5.15
2016	92.50	13.26	16.41	4.67	6.19	6.83
2017	115.67	21.13	20.82	4.40	11.78	8.27
2018	101.09	24.20	21.48	1.81	13.10	9.37
2019	130.49	32.08	27.15	-0.10	16.93	10.52
2020	165.09	38.27	37.12	15.20	20.52	16.23
2021	235.24	47.84	47.78	57.75	30.64	22.86
2022	206.96	41.38	38.39	80.12	34.74	24.85

Notes: This table shows UK-specific trends relative to the overall trends in Europe (European Union plus the United Kingdom) shown in Exhibits A1 and A2. Data are as of December 31 each year.

Exhibit A4. Definitions of the Various Subcategories of Responsible Investments as Defined by Lipper

ESG: ESG identifies funds that include material Environmental and/or Social and/or Governance factors into their overall screening process. ESG factor integration alone encompasses all sectors without exclusions. This attribute is the macro attribute, automatically populated for any fund that implies a single or a mixture of Environmental, Social or Governance screenings in the investment process.

SRI: Socially Responsible Investing identifies funds that include social impact in their overall screening process where investments must meet defined social criteria. It means “ethical” or “values based” investing. SRI funds are managed towards a described impact or responsible outcome, while ESG funds are managed with a focus on the financial returns of the fund. SRI funds often, but not always, employ negative screening as part of the investment process.

Negative screening: Negative Screening identifies funds that include Negative Screening criteria in their overall selection process. This attribute is the macro attribute, automatically populated, for any fund that implies a single or a mixture of negative screens in the investment process.

Positive screening: Positive Screening identifies funds that include Positive Screening criteria in their overall selection process. Positive screening implies one or a mix of approaches.

Impact Investing: Impact Investing identifies funds that aim to measure and achieve a positive impact on the behavior of companies with regards to their environmental, social or governance performance and/or contribute to the achievement of the UN sustainable development goals (SDGs). The Impact Investing attribute is the macro attribute, automatically populated, for any fund that implies a single or a mixture of investments themes.

Religion: The fund is aimed at a faith or has a stock selection universe constrained by faith approved assets or principles of the faith. The immediate selections are: Islamic, Jewish, Christian. This merely reflects the number of funds which exist, and other types may be added if required later.

Source: Refinitiv, “Sustainability in the Fund Industry” (www.refinitiv.cn/content/dam/marketing/en_us/documents/brochures/sustainability-in-the-fund-industry.pdf).

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