

ESG Investing

Hong Kong insurer AIA invests \$200mn into impact funds

Allocation to LeapFrog highlights growing Asian demand for funds with social and environmental goals

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Hong Kong-based insurer AIA plans to invest \$200mn into impact funds, its first such allocation, in a sign of the growing demand among Asian investors for strategies combining the prospect of financial returns with social or environmental goals.

AIA's allocation to funds run by LeapFrog Investments, a specialist impact fund manager, is one of the largest investments into portfolios trying to meet social or environment targets such as those in the UN's Sustainable Development Goals. Between \$5tn and \$7tn of annual financing will be needed to meet such goals, according to the UN.

While Asian investors have been slower than their European peers to commit to impact funds, AIA's allocation highlights how they have been rapidly putting money into the sector.

"Asian clients now account for almost 30 per cent of our investor base, up from less than 5 per cent three years ago. It is a significant increase as Asia is now almost as important as a source of funding as Europe or the

US," said Andy Kuper, LeapFrog's chief executive.

Asian interest is coming particularly from sovereign funds, family offices and individuals who have inherited significant wealth, he added.

Damian Payiatakis, head of sustainable investing at Barclays private bank, said that while around a third of Asian investors had not yet engaged, close to a quarter had adopted impact strategies with "even more enthusiasm than other regions, such as Europe".

The damaging impacts of climate change are being seen more quickly across many Asian countries than in the US or Europe, encouraging Asian investors to accelerate their response to rising global temperatures, Kuper added.

"Asia is a region where there are significant social and environmental needs. The tangible effects of climate change are more notable. It is also a region of rapidly developing markets and is becoming a rapid adopter of sustainable investments," Payiatakis said.

He added that wealth was often newer in Asia and frequently still linked to operating businesses.

"The strategies of many family businesses across Asia are increasingly driven by climate change and sustainability considerations. So there is often a link that is driving sustainability in the operating business that links into impact strategies in the family investment portfolio."

AIA and LeapFrog have also agreed to establish a new strategic partnership that will see the businesses work together to develop products and services in their shared areas of interest in financial services, healthcare and climate solutions.

LeapFrog-backed companies employ close to 230,000 people and provide services to 451mn customers, more than 5 per cent of the world's population.

The partnership with AIA marks the third-biggest mandate win for LeapFrog, which secured a \$500mn commitment in 2021 from Temasek, the Singapore state-backed investment company, and a \$350mn allocation in 2016 from the US insurer Prudential Financial, which has now grown to more than \$500mn.