

The Novethic Indicator

High-impact SRI numbers



1st quarter 2017

The Novethic Indicator focuses its analysis on a portion of the 400 SRI funds sold in France. **High-impact SRI** includes SRI funds and themed funds whose construction relies heavily on the ESG analysis of issuers. It is defined as the set of strategies that demonstrate a difference.

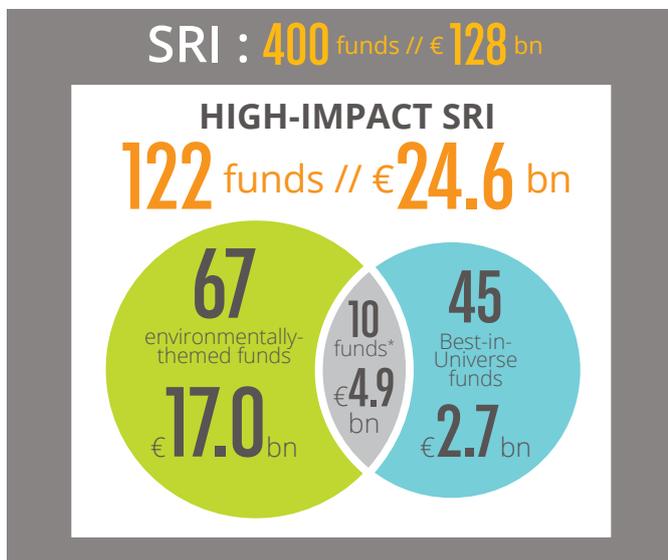
The Indicator's numbers cover the period from January 1st 2017 to March 31st 2017. They bear witness to the positive momentum of high-impact SRI. With 122 funds and nearly €25 billion in assets under management, it represents nearly 20% of the SRI fund market.



122 funds
€ 24,6 bn
+ 11,6%

Source: Novethic

Dominant trends and major players



*Funds both environmentally-themed and best-in-universe Source: Novethic

Top10 management companies (in bn€)

Pictet AM	5.1
BNP Paribas AM	4.5
Mirova	2.4
Lombard Odier IM	1.9
BlackRock	1.7
RobecoSAM	1.6
Sycomore AM	1.3
Pioneer Investments	1.0
Henderson	0.6
AXA IM	0.5

Source: Novethic

The 122 high-impact SRI funds, managed by 38 management companies, are valued at almost €25 billion and have shown dynamic growth (+19.9% in 2016, +11.6% in Q1 2017). **This growth has been driven by environmentally-themed funds and best-in-universe funds offered by some thirty management companies.** These high-impact funds make up nearly one-third of the French market in terms of number of funds, and nearly 20% in terms of asset under management. High-impact SRI is a concentrated market in which just eight management companies exceeded the €1 billion mark, often because they have long-established themed solutions.

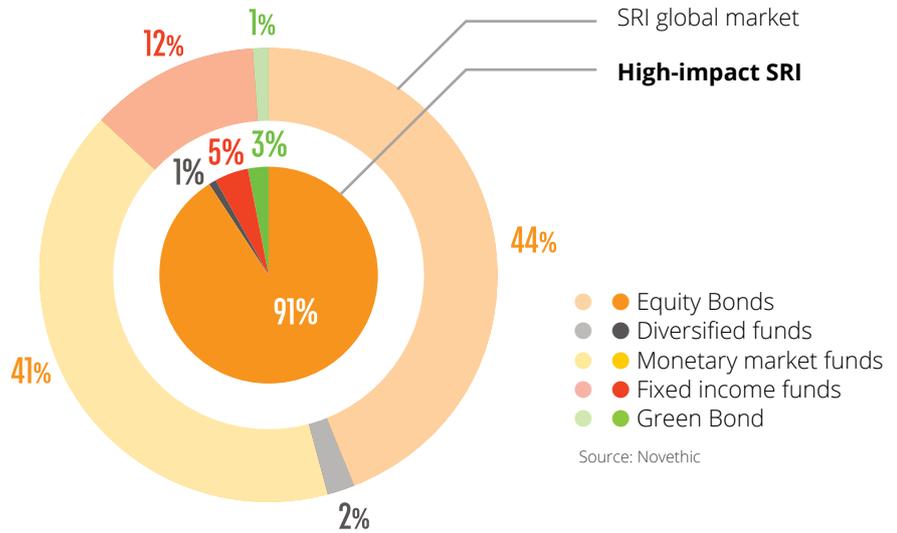
This movement fits in with the strong momentum of the global SRI fund market. Management companies are upgrading their product lines (for example, OFI AM and Candriam), creating new funds (thirty-odd new funds in recent months, worth €3 billion) and converting existing products (worth €6.4 billion) to responsible investment.



High-impact SRI funds

Breakdown market by asset class

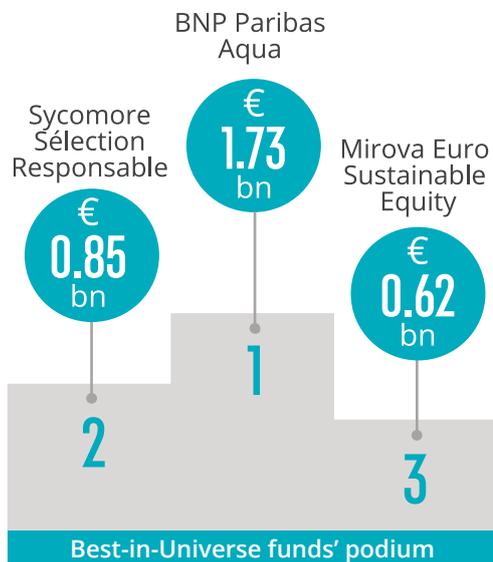
Equity funds, a dominant category within high-impact SRI, earned 10% over the first quarter of 2017. Green bond funds, still few and far between, are growing quickly and feeding the momentum of high-impact SRI bond funds. There is a notable absence of money market funds, whose average volume amounts to €1.5 billion on the high-impact SRI segment.



Spotlight: Best-in-Universe funds



The best-in-universe approach is distinguished from best-in-class by the use of ESG analysis. For the former, it is applied in absolute terms; for the latter, sector by sector. Managers using best-in-universe can therefore penalise the most problematic sectors and overweight those that offer ESG solutions. This approach maximises the environmental and social impact of the funds while maintaining a degree of sectoral diversification.

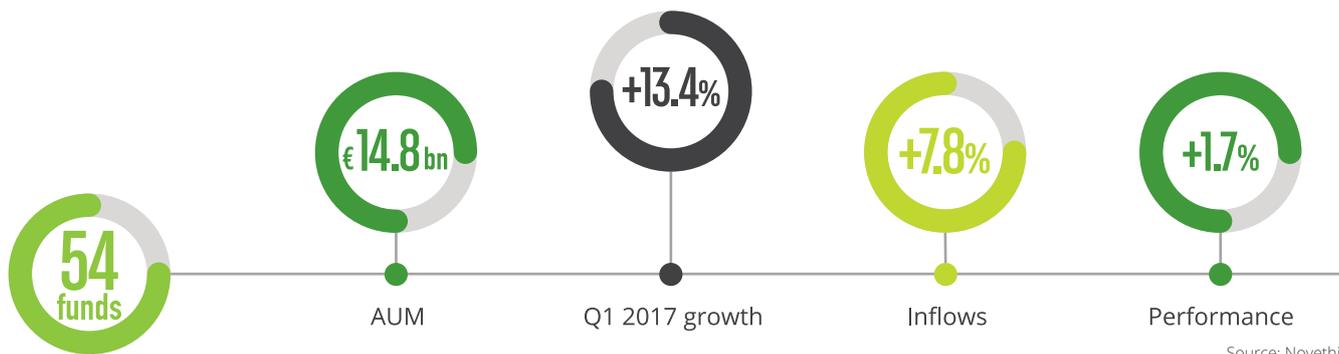


Top5 management companies (in bn€)



Analysis

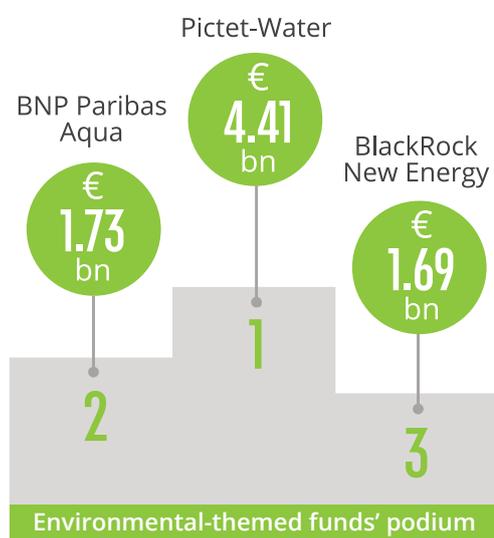
The leading trio of management companies (BNP Paribas AM, Sycomore and Mirova) offering high-impact SRI have all made it a strong selling point. This explains not only why they each have a fund above €500 million, but also why their other products are seeing the same momentum. The Sycomore Sélection Crédit fund, Parvest Smart Food fund and Mirova Insertion Emploi Dynamique fund posted inflows of 35%, 25% and 21%, respectively, in the first quarter of 2017. Their assets amount to between €200 million and €400 million.



Source: Novethic

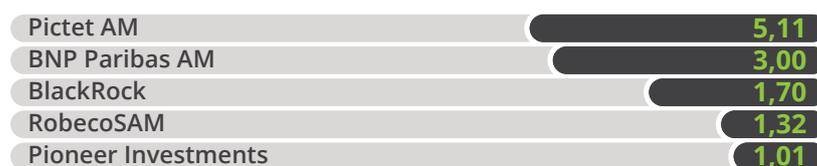
Environmental funds are the most common of the themed approaches of high-impact SRI. They are seeing strong momentum in inflows, especially where they offer strong consistency between the fund's marketing positioning and its portfolio mix. This is in line with the wider European green fund market trend described by Novethic in its March 2017 survey.

The water theme is still dominant, although over the past quarter these funds had inflow rates comparable to those invested more broadly in the energy transition and other environmental services.



Source: Novethic

Top5 management companies (in bn€)



Source: Novethic

BNP Paribas and Lombard Odier take on the lion's share of environmental subscriptions, with respectively +387 M€ and +215 M€. Pictet, RobecoSAM, Amundi AM, Nordea Investment Funds and Humanis GA are coming after, with subscriptions ranging between 20 and 200 M€ for their green funds.

- Noteworthy:**
- There was relative stability in the six Low Carbon UCITS which have asset volumes above €380 million. They lost €4 million in the first quarter.
 - There is some exclusion within the environmental line, although it is still modest. Nuclear, for example, is rejected by 6% of environmental funds making up 3% of assets.
 - We can also find exclusions for environmental reasons in high-impact SRI funds, but these are variable and the trend is still emerging. The formal exclusion of fossil fuels is still far from a consensus, seeing as it is applied to only 4% of high-impact SRI funds and representing 5% of the assets.



Green bond funds: momentum in environmental bonds

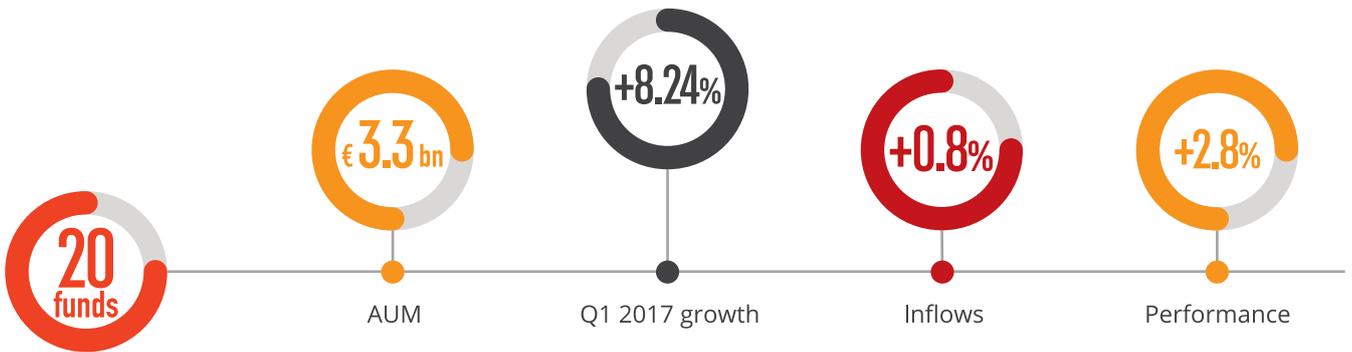
Green bonds are an emerging phenomenon that is attracting investors. This explains why one-fourth of the funds that have the French green TEEC label (Energy and Ecological Transition for the Climate certification) are green bond funds. While the volumes invested in the dozen or so dedicated funds remain modest in view of the total volume of bond investments by institutionals, they have increased by 83.5% over the last 18 months. This trend is illustrated by the creation of the LO Funds - Global Climate Bond by Lombard Odier at the start of the year. It has already surpassed €200 million.



Source: Novethic



Spotlight on social impact funds



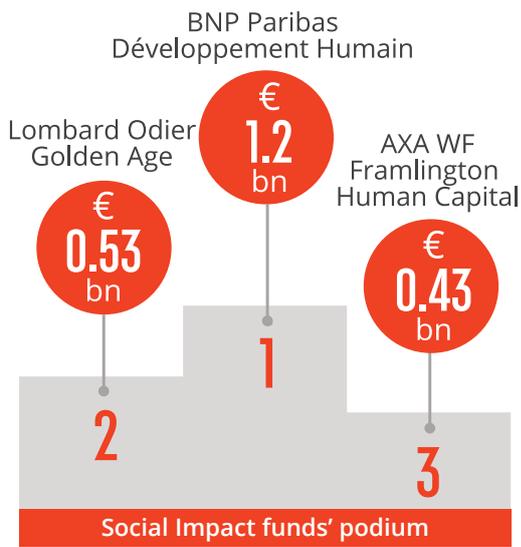
Source: Novethic

Themed funds focused on social issues are fewer in number and involve topics as varied as the quality of labour conditions, job creation, public health, demographics, gender equality and child welfare. This category includes some twenty products, about 10 of which are in excess of €100 million. In the first quarter of 2017, their inflow was relatively stable with the exception of Mirova's Empløi («Employment») and Sycomore's Happy@Work funds. Performance-wise, Trusteam's funds are ahead of the rest.

Top5 management companies (in bn€)



Source: Novethic



Source: Novethic

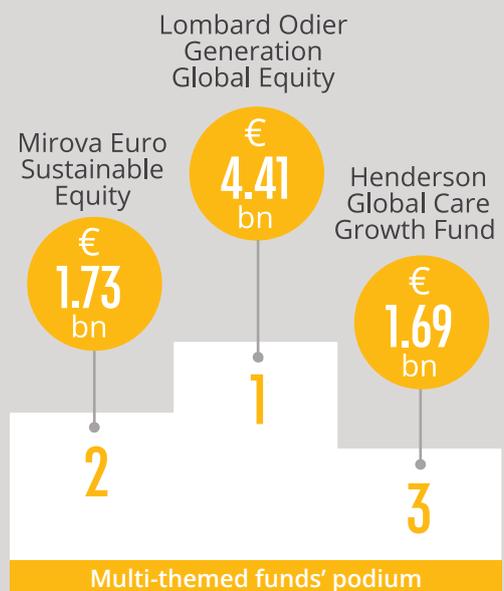
Noteworthy:

- Exclusions for social reasons are applied in high-impact SRI funds. One out of three funds applies a norm-based exclusion process emphasising human rights and violations of fundamental labour agreements.
- The tobacco exclusion is gaining new traction for health and economic reasons in connection with the Tobacco Free Portfolio initiative, which unites investors around an approach implemented by approximately one-quarter of SRI funds.



Multi-themed funds

Approximately 20 funds, totalling €3.8 billion, combine social and environmental themes in their approach. The management companies most committed to this strategy are Lombard Odier IM, Mirova, Henderson, BNP Paribas AM and Triodos IM, with outlooks that differ quite considerably. This fund type saw nearly 9% growth in the first quarter of 2017.



Source: Novethic



THE NOVETHIC INDICATOR: High-impact SRI numbers

This survey was conducted by the Novethic research centre, June 2017

Main source for the financial data: Six Financial Information

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