

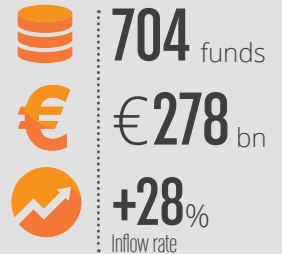
# The Novethic Indicator



The Novethic Indicator analyzes and quantifies the supply of sustainable investment funds that are open to individual investors on the French market (SRI, Ethical, Sustainable, Responsible, SDG, High Impact...).

Novethic has focused its analysis on the thematic funds market and on the dynamics and main trends of the global sustainable funds market: label growth and the emergence of responsible index funds.

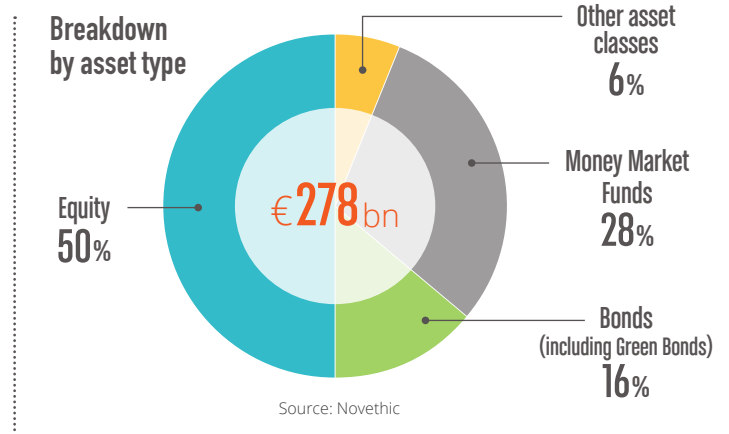
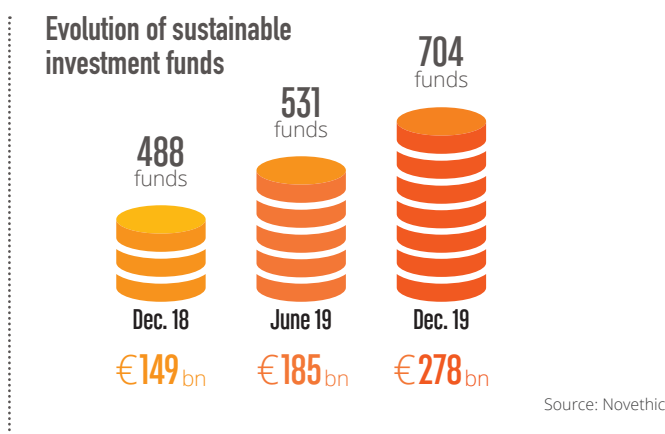
## Sustainable funds on December 31, 2019



Source: Novethic

## Sustainable investment portfolios boom in 2019

In one year, assets under management in the sustainable investment funds open to individual French investors have almost doubled.



### Excellent financial performance for sustainable investment funds

Half of the €278 bn in assets under management belong to equity funds displaying an average performance of +28%. This figure is higher than that of CAC 40 (+26%). The average performance for all asset categories combined (excluding money market funds) is +22%.

### Robust volumes of SRI labelled funds

SRI labelled funds represent more than 46% of the assets under management in sustainable investment funds, reflecting the 117 new funds that obtained this label in 2019.

### Index funds: an emerging phenomenon proposed by some of the biggest players

The 41 sustainable index funds still only represent a small portion of the French sustainable investment market, with €11 bn in assets under management. It is a very concentrated market which is shared by roughly a dozen management companies.

### Approximately thirty new management companies have been identified

The number of players present on the market is increasing. The top three new entrants are ODDO BHF AM (8 funds), Tikehau IM and KBC AM (5 funds each).

**25%** of sustainable investment funds are **THEMATIC** funds

Source: Novethic

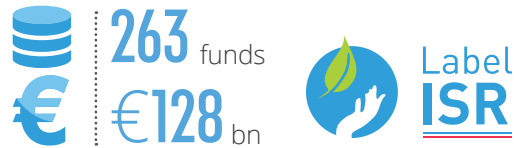
The attractiveness of thematic funds is increasing. With 80% in equity assets, environmental, social and multithematic funds have a total inflow rate of **+44%**.

# State-owned labels: two distinct dynamics

The legal obligation created by the French Pacte Law to distribute at least one labelled life insurance product boosted the number of SRI labelled funds. The amount more than doubled in 2019.

However, more than half of the Greenfin labelled funds are not open to individual French investors and only 7 equity funds obtained the label. This phenomenon can be explained by evaluation difficulties concerning the green share of listed companies and the low representation of “pure players” on the financial markets.

## SRI Label: volume-driven growth



### Rise in the range of SRI labelled funds

In 2019, asset managers multiplied SRI labelling efforts (+117 funds) either to make their conversion strategy credible (approximately forty converted funds obtained the SRI label) or expand their range of labelled products. The top management companies to have implemented this strategy include La Banque Postale Asset Management with 35 funds, Natixis IM via its affiliates Mirova and Ostrum with 31 funds, and BNP Paribas Asset Management with 22 funds.

- The SRI labelled funds represent 46% of the sustainable funds market open to individual investors, compared to 28% in 2018. However, they represent only 20% of overall inflows.
- These funds offer an attractive average performance of +24.4% year-on-year (excluding money market funds).
- Non-French management companies are increasingly represented on the market with 62 labelled funds managed by companies located outside of France.

### Confusion over funds' sustainability promises

Though the SRI label guarantees a quality selection process for companies, based on ESG criteria, it is not necessarily guaranteed that those funds are financing a more sustainable economy. Nonetheless, the strong presence of thematic funds opens the door to this possibility.

- More than a quarter of labelled funds (68) are thematic funds. The majority of these funds are environmental funds (renewable energy, water, energy efficiency-related, etc.) but health is also a very prominent theme.
- 19 labelled funds have chosen one or more Sustainable Development Goals (SDG) as the focus of their sustainability management: SDG 3 Good Health & Well-Being, and SDG 13 Climate Action, are the most represented SDGs.
- Lastly, another source of confusion is that the SRI label is primarily attributed to funds that do not put forward the terms of Socially Responsible Investment: only 84 labelled funds contain the word *SRI* in their name, all languages combined.

## Greenfin Label: a significant increase in assets under management



### A large variety of impact indicators for Greenfin labelled funds

Assets under management for Greenfin funds have almost quadrupled in one year, reaching €6 bn at the end of December 2019. The label was given to 9 new funds open to individual French investors. These investors do not normally have access to non-listed infrastructure funds, which represented more than half of all the funds.

- Noteworthy in 2019, the first fund-of-funds obtained the label: AXA Sélection Obligations Monde, a fund exclusively

composed of Greenfin labelled funds, a proof of market growth and evolution.

- While the labelling criteria include impact indicators, they are always extremely disparate: the most used environmental indicator is the portfolio's carbon footprint or its carbon intensity calculated using non-standardized methodologies, as well as the tonnes of CO2 avoided per million euros invested for green bonds.