

MARKET DATA

GREEN FUNDS

EUROPE

at 31.DEC.2020



INFLOWS OF €52BN IN 2020 FOR EUROPEAN GREEN FUNDS

Renewable energy: a top-performing flagship theme

The environmental theme is particularly dynamic and promising on the financial aspect. The average performance of the 340 funds is of 14.2% but this figure is dragged down by bond funds. If we only look at funds dedicated exclusively to renewable energy and energy efficiency, their performance is of +38%.

Novethic identified 142 funds that invest in companies operating in the wind, solar and hydropower sectors, and some 40 funds dedicated solely to renewable energy and energy efficiency. Their success can be measured by the volume of their inflows of €10bn in 2020 for €20bn in total assets under management.

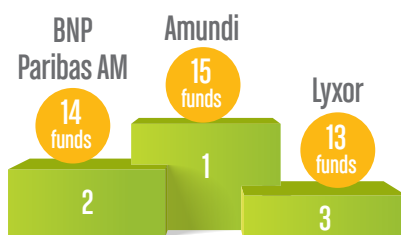
The average performance of funds whose description mentions energy transition (around 30 funds) is 59.6%. Finally, the particularly outstanding performance of solar funds in 2020 should be highlighted: the most successful fund, LSF Active Solar, achieved +173% in one year.

24% of funds have an environmental impact indicator

More than 80 funds propose an impact indicator, a practice that is not yet standardised either in terms of methodology or in terms of selected indicators. The vast majority of funds target climate, with 67 publishing a carbon footprint or carbon intensity indicator. Around 15 companies use the Sustainable Development Goals (SDGs) as a benchmark for measuring their extra-financial performance by associating each impact indicator with the specific SDG it is contributing to.

A market dominated by three major French players

Among the asset managers that have the most green funds, there are three players that have made their environmental strategy a clear focus for their communication.



€ 130 bn* ↑ +120%**

340 Funds

232 funds

€ 103 bn

Environmental themes

91 funds

€ 21 bn

Low-carbon approach

64 funds

€ 18 bn

Green bonds

One fund can combine multiple approaches

Funds communicating a physical environmental impact indicator

Yes: 24%

No: 76%

*AUM

**AUM evolution since 31.DEC.2019

Novethic has analysed and quantified the European green funds market since 2017. Their identification is based on wording and documentation analysis including a verification of the existence of an investment strategy with an environmental focus.

CLIMATE-ORIENTED ENVIRONMENTAL APPROACH

When we take a closer look at the management practices of European green funds, we see that a third of them exclude fossil fuels, and that low-carbon approaches are gaining ground, particularly in index-based management.

Sharp growth of low-carbon funds

The appeal of low-carbon funds can be measured both by the growth in the number of funds, which represent almost a third of the offer, and by the growth in assets under management, reaching €21bn in 2020 with inflows of €9.4bn.

Continuing their rise in the world of sustainable finance, low-carbon funds are increasingly visible in Europe. Novethic has identified 30 low-carbon funds with a quantified carbon footprint reduction target, and 61 funds designated as «low-carbon transition» funds by Novethic, without a quantified target. In the sample, these funds account for 20% of inflows but only 16% of total assets under management.

Thirty-three funds are index funds, whose benchmarks are generally low-carbon versions of conventional indices, but a third use European benchmarks that are Paris Agreement Aligned (PAB) or Climate Transition (CTB) indices.

The French are backing Green Bonds

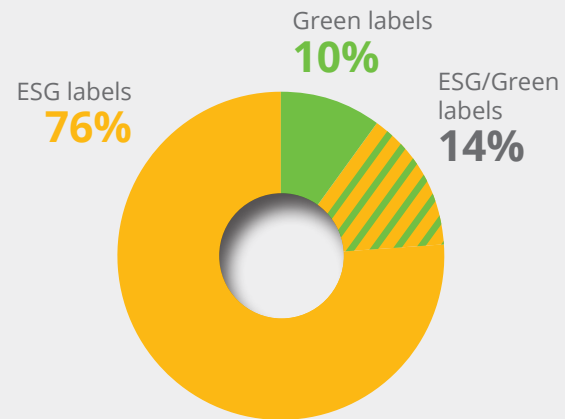
Novethic has identified 64 "pure" green bond funds, i.e. without other types of bonds such as SDG-bonds, social bonds, or sustainability bonds.

France dominates this market, with a third of the funds being managed by French asset managers. Luxembourg is close behind (19 funds), followed by Germany (5 funds), the Netherlands and Switzerland (4 funds each). This ranking is consistent with that of the countries issuing green bonds in 2020, dominated by France followed by Germany.

Coal - the number one exclusion











The first three environmental exclusions for green funds concern energy, with coal, fossil fuels and nuclear power being excluded by a good third of the panel. With regard to coal, there are around a hundred funds whose exclusion thresholds (revenues and production share) are equal to or stricter than those of the Global Coal Exit List, revised in 2020. In the other exclusion categories, we can see a sharp focus on the food industry with GMOs, deforestation, and palm oil excluded by at least twenty funds.

Breakdown of the 115 labelled funds by type



Green labels: Greenfin, LuxFLAG Environment, LuxFLAG Climate Finance

Top 10 of environmental exclusions

Exclusion type	Funds
 Coal	163
 Fossil Fuels	149
 Nuclear	117
 GMO	42
 Palm Oil	24
 Mining	18
 Pulp and Paper	15
 Intensive Farming	14
 Forestry	9
 Pesticides	8

NOVETHIC MARKET DATA

Every quarter, Novethic captures trends in the European sustainable finance funds market.

Also refer to the Market Data:

[SUSTAINABLE FUNDS FRANCE](#)

[EUROPE SUSTAINABLE LABELS](#)

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