

SRI, GREEN, HIGH IMPACT, SDGs...

Is the supply of sustainable finance funds ready to capture the French savings market?

Paris, 16 April 2019. Novethic announces the publication of its annual Indicator analysing the Socially Responsible Investment Funds distributed in France. The dynamics of this market remain strong, with +11% growth between 2017 and 2018. Novethic has listed 488 "sustainable" funds and less than half boast an SRI label. If sales take hold, the diversity of marketing terminologies used to describe them could complicate investor buy-ins, as described in the French Pacte Law, through massive diffusion of SRI-labelled funds in life insurance from 2020.



Source: Novethic

A growing SRI label, including thematic funds

Responsible investment remains strong for French asset management, which is retracting as a whole (-6% in 2018 for French UCIs according to the French Asset Management Association, AFG). The attractiveness of funds benefiting from the public label is obvious as they represent more than 52% of the inflows. At the end of 2018, there were 146 funds (excluding employee savings plans), compared to 96 at the end of 2017, with a 67% increase in assets under management (AUM). This is a movement supported by recommendations of the French financial markets regulator (AMF), which considers that the funds claiming SRI positioning must obtain the label ; as well as through PACTE law provisions which plans to include at least one SRI-certified fund in all life insurance contracts by 2020..



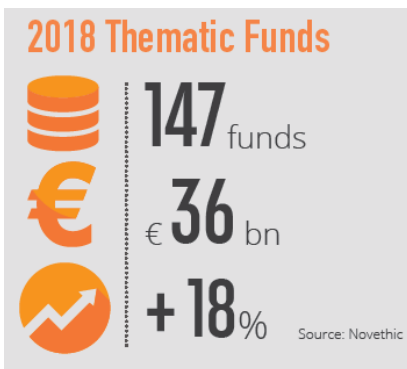
Source: Novethic

Terminologies causing confusion for investors

The acronym SRI (for Socially Responsible Investment) is unfamiliar to average investors. Explaining in simple and accessible terms that such financial products incorporate environmental, social and governance (ESG) dimensions will be all the more complicated for account managers, so much so that more than 70% of SRI-labelled funds do not include the term "SRI" in their title. The analysis of SRI-labelled funds reveals that more than a third of them (i.e. more than a quarter of AUM) follow an environmental, social or multi-thematic

approach, which is more often than not within the framework of the Sustainable Development Goals (SDGs). This abundance in abbreviations can be explained by the fact that fund proponents are free to choose their methods and impact indicators.

Thematic funds with clear intentions

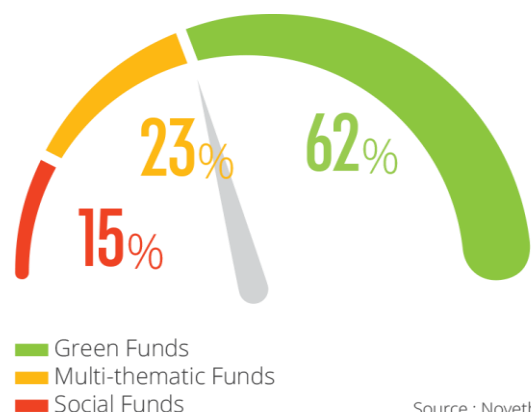


Massive diffusion in distribution networks will push sustainable finance funds to demonstrate their ability to generate not only financial but also environmental and social performance. This is an easier option for thematic funds that invest in sectors directly related to their positioning. That's why Novethic focused its 2018 analysis on this type of product. These 147 thematic funds on the French market had record growth of 18%, reaching €36 billion in assets under management.

These figures cover two dynamics, the strongest being multi-thematic funds (AUM: +27.5% and performance: +11.2%) followed by green funds (AUM: +19.3%). Their performance engine is based on green bond funds (18.2% for only 12% AUM).

Breakdown of Impact Indicators

If the impact indicators are part of the framework for two French public labels (SRI and TEEC – Energy and Ecological Transition for the Climate), they are far from being systematic, and even less so standardised. There are, for example, 14 different impact indicators for the 9 TEEC listed funds! The table outlined by Novethic in its 2018 Indicator shows the need to encourage greater distribution of labelled products. We must be able to set up not only customer and commercial account manager training in the banking and insurance sector, but also effective communication with the average investor.



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Sustainable Transformation Accelerator. Novethic combines approaches to offer financial players, companies and their employees the keys to a sustainable transformation. A pioneer in the labeling of responsible investment funds in Europe, Novethic is committed to enhancing the transparency, reliability and trust of public, private and institutional investors. Through the development and auditing of ambitious and demanding sustainable financial labels, Novethic's goal

is to accelerate the transition to a low-carbon and inclusive economy. www.novethic.fr | [Contact](#) | [@novethic](#)