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Accelerated growth in the sustainable fund market with an average growth in assets under management of almost 50%

Sustainable Finance Research

Novethic Market Data continues its analysis of the European sustainable finance fund market. The first half of 2021 has seen a clear acceleration in its development. A changing regulatory framework, a trend towards multi-labelling, changes in market practices...: in a transforming market, the assets under management of the three perimeters analysed - French Sustainable Funds, European Sustainable Labels, European Green Funds - have jumped by almost 50% on average over the period.

€683bn in sustainable funds available to French private investors

Reaching €683 billion in assets under management for nearly 1,100 investment funds in the first half of 2021, the sustainable funds market for French savers in France is growing rapidly. The implementation of the European SFDR regulation is the highlight of the first half of the year. It requires asset managers to classify sustainable investment products according to two categories based on the ambition of their practices from March 2021.



In April, Novethic found that 20% of sustainable funds were classified as "Article 9", the most demanding category requiring funds to demonstrate their strategy for impact. In July, 235 funds had already adopted the approach, i.e. nearly a third of the Market Data panel, representing €219 billion in assets under management.

Notably, less than a quarter of SRI-labelled funds, which total 649 funds representing €491bn or nearly 80% of sustainable assets, fall under Article 9.

For thematic funds, the analysis shows that renewable energy and energy efficiency remain the dominant environmental themes, with also a strong presence of health, healthy food and pollution control.

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Labelled European funds reach €1,000 billion in assets under management, a rapid rise

The landscape of European sustainable finance labels continues to change. The implementation of the Pacte Act in France, the creation of the Belgian Towards Sustainability label and the need for recognition of asset managers' ESG policies have enabled the market to grow exponentially. Assets under management increased by 45% in the first half of 2021. They have increased tenfold in two years. This development is accompanied by new transparency requirements and regular updates of their frameworks.



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An increasingly heterogeneous European green fund market

Despite the increase in assets under management which testifies to their attractiveness, only 148 out of 390 European green funds are classified under the banner of Article 9 of the SFDR Regulation. Most of them include a green bond component. This is particularly true for funds with a low-carbon approach which are classified in this demanding category in less than a third of cases.

On the other hand, while coal and fossil fuels remain at the top of the list of environmental exclusions for European green funds, we note the rise of exclusions related to biodiversity. Until now, biodiversity tended to be dealt with at the stage of ESG analysis of companies.

Finally, with 195 labels awarded to 140 funds, the multi-labelling trend is also spreading to European green funds. There is a strong preference for sustainable labels, which is the case for 72% of the green funds awarded labels: some of them even prefer the SRI label, which alone covers 60% of the French sustainable fund market, to the more demanding Greenfin label.



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About Novethic Market Data

As a long-time observer of the responsible investment market, Novethic has reviewed best market practices since 2004, comparing fund strategies and carrying out studies to identify best practices and compare different approaches. Following the publication of the French Responsible Investment Market Figures and the Novethic Indicator for Sustainable Funds available to individual investors, the launch of Market Data helps us support a new stage in the development of sustainable finance by offering accurate and reliable market data.

About Novethic, Sustainable transformation accelerator

Novethic guides financial institutions, companies, and citizens in their sustainable transformation. A pioneer in the certification of sustainable investment funds in Europe, Novethic is committed to strengthening the transparency, reliability, and confidence of public, private, and individual investors. Through the development and audit of ambitious and strict sustainable finance labels, Novethic's objective is to accelerate the transition to a low-carbon and inclusive economy.

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