

Changes in ESG Preferences

ESG strategies continue to attract headlines in the asset management world and beyond, especially as it has become an increasingly politicised topic internationally. However, sales of related strategies have fallen short of expectations in many cases, perhaps due to poorer results, scepticism and confusion. Analysis of the latest European fund statistics from EFAMA (the “European Fund and Asset Management Association”) illustrates these changes in demand in practice, with Article 9 funds continuing to experience outflows but increased investment into Article 8 funds.

Background

The Sustainable Financial Disclosures Regulation (“SFDR”) introduced three broad classifications for financial products, including funds, in the European Union (“EU”) pertaining to ESG characteristics. An Article 8 fund is one which promotes, among other characteristics, environmental or social characteristics, or a combination of those characteristics. An Article 9 fund is one which has a sustainable investment as its objective. Funds other than those which fall under Article 8 or Article 9 are considered Article 6 funds.

Court Findings

The most recently published quarterly statistics released by EFMA show that net outflows from Article 9 funds continued and increased in volume. Net outflows from Article 9 funds amounted to €4.1 billion in Q1 2024, compared to €3.5 billion in Q4 2023. Meanwhile, but sales of Article 8 funds turned positive again in 2024. Article 8 funds attracted net inflows of €19 billion in Q1 2024,

compared to net outflows of €27.1 billion in Q4 2023.

Implications

Recently the debate around ESG in Europe has tended to focus on definitions, greenwashing and potential changes to existing elements of the SFDR to combat scepticism and boost credibility. As we previously reported, ESMA, the European Securities and Markets Authority has issued guidance on the use of ESG terms like sustainability in fund names, while the European Supervisory Authorities, including ESMA have issued an Opinion recommending changes to the existing regime to provide for clearer labelling. Enforcement of existing rules seems likely as regulators strive to boost compliance and discourage greenwashing

How Clerkin Lynch Can Help

Clerkin Lynch advises on fund formation and a range of ESG strategies including compliance with the SFDR and similar legislation. Reach out to us for more information or with related queries.



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