

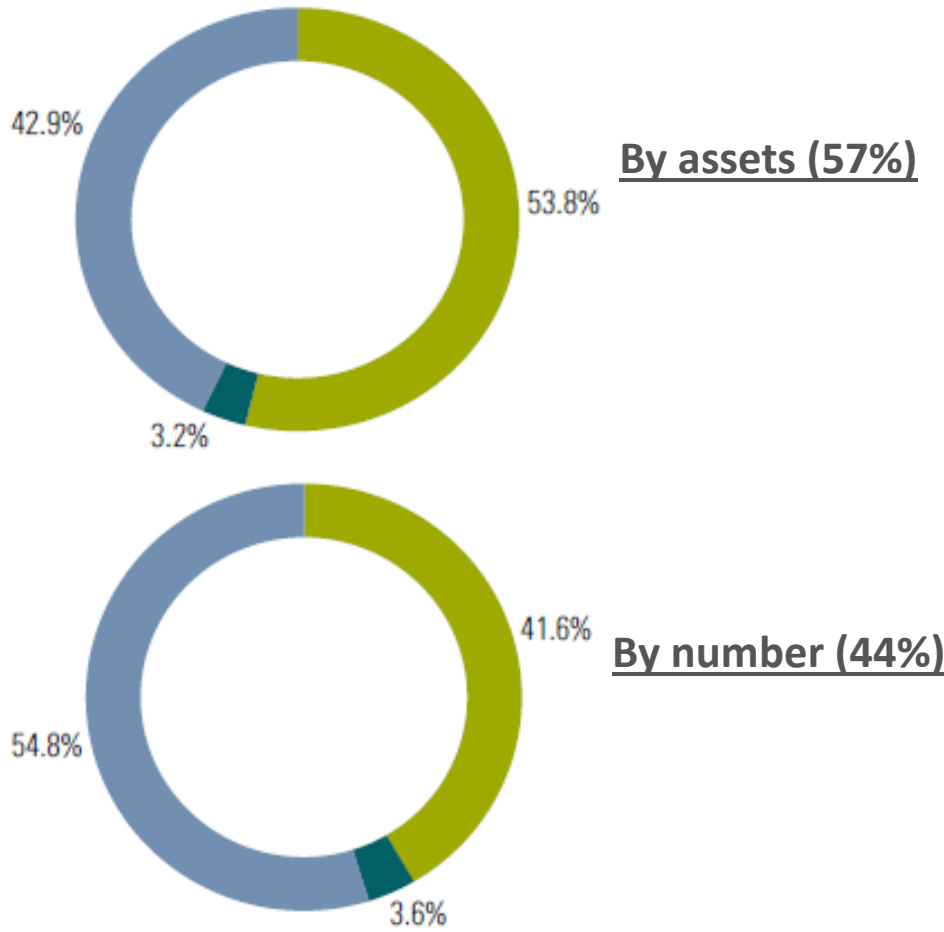
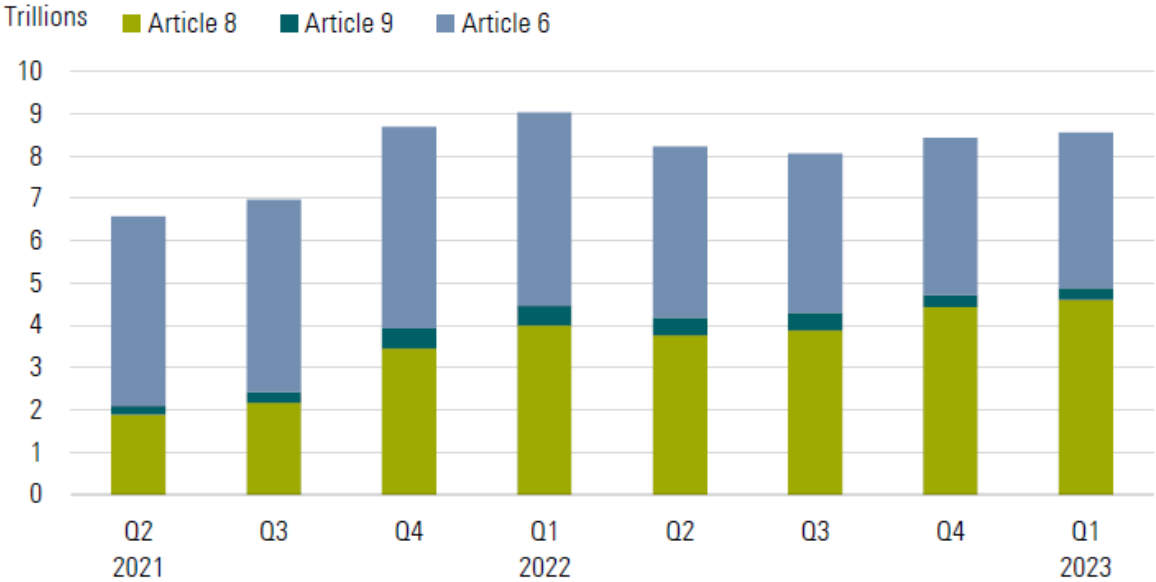
# SFDR Article 8 and Article 9 Funds: Q1-2023 in Review

June 2023

Hortense Bioy, CFA  
Director of Sustainability Research, Global Manager Research, Morningstar



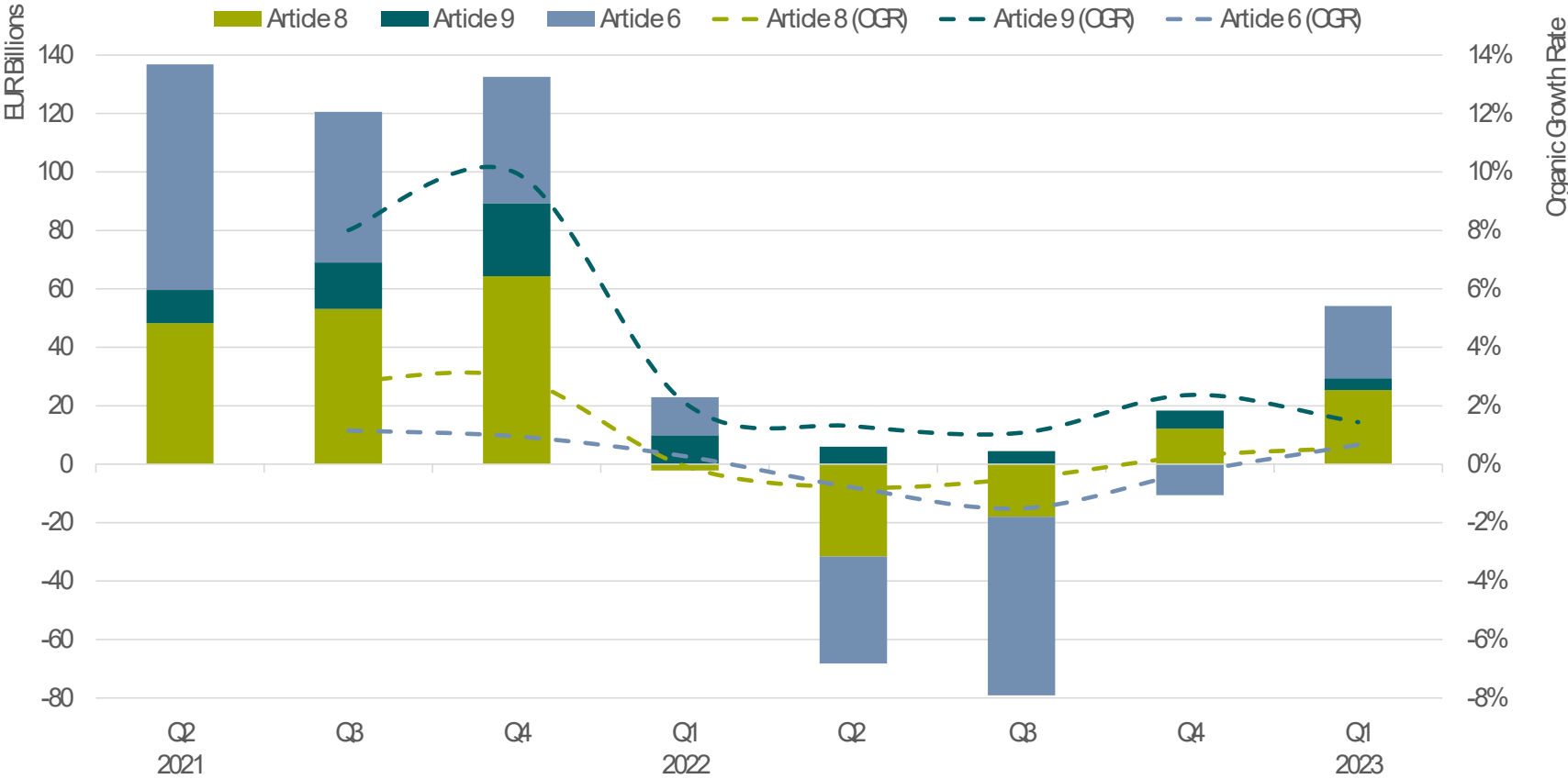
# SFDR - Article 8/9 funds account for 57% of EU fund assets



2 Source: Morningstar Direct & Morningstar Research. Data as of March 2023; excluding money market funds, fund of funds and feeder funds.

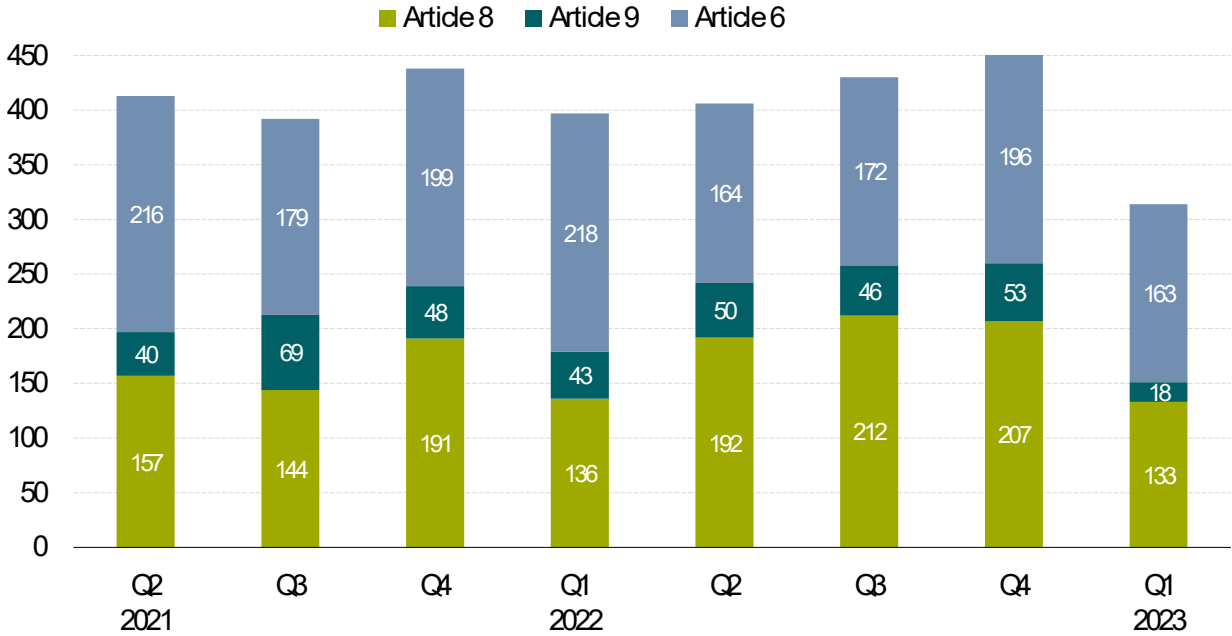
# Article 8/9 fund flows show resilience

## Article 9 funds grow the fastest



# SFDR spurs product innovation - Article 8/9 fund launches

Quarterly Number of Fund Launches



- 1,700+ new funds launched as Article 8 or 9 since the introduction of the regulation
- Representing 50% of new funds launched in in the EU
- Broad ESG & environmental strategies
- Slowdown in Q1-2023

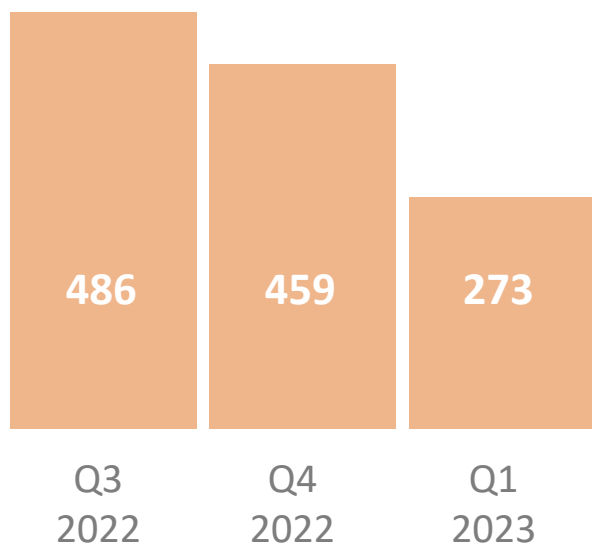
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## The great reclassification

Still more upgrades, but the wave of downgrades is likely over

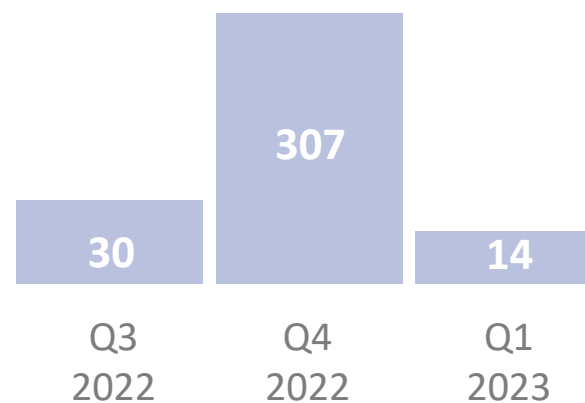
Upgrades from Article 6 to Article

8

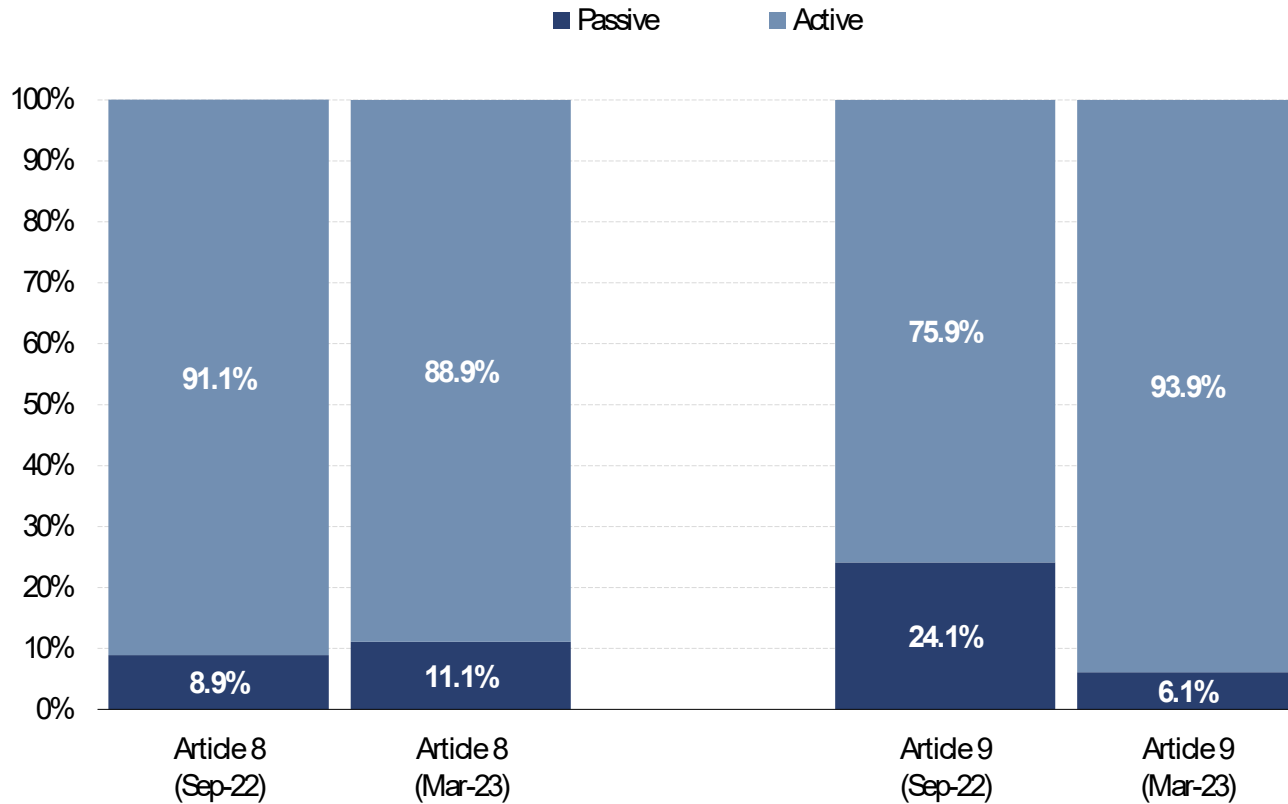


Downgrades from Article 9 to Article

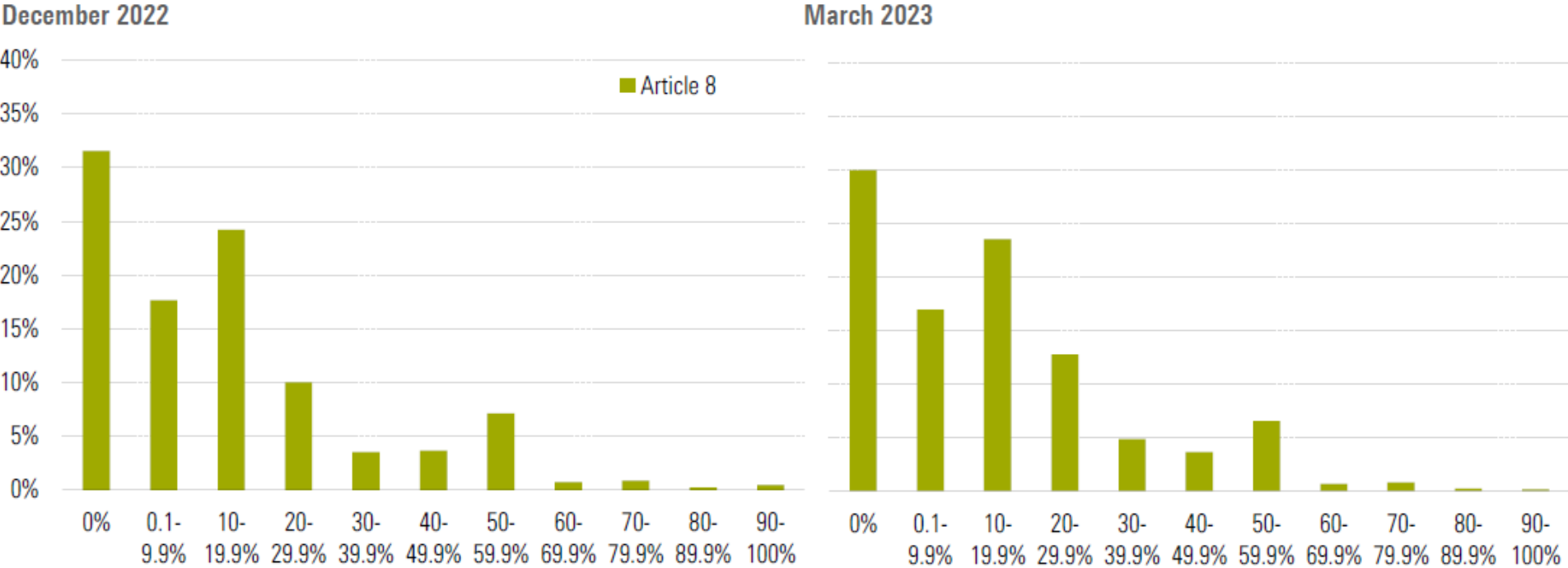
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## Post-reclassification – passive Article 9 funds lose ground



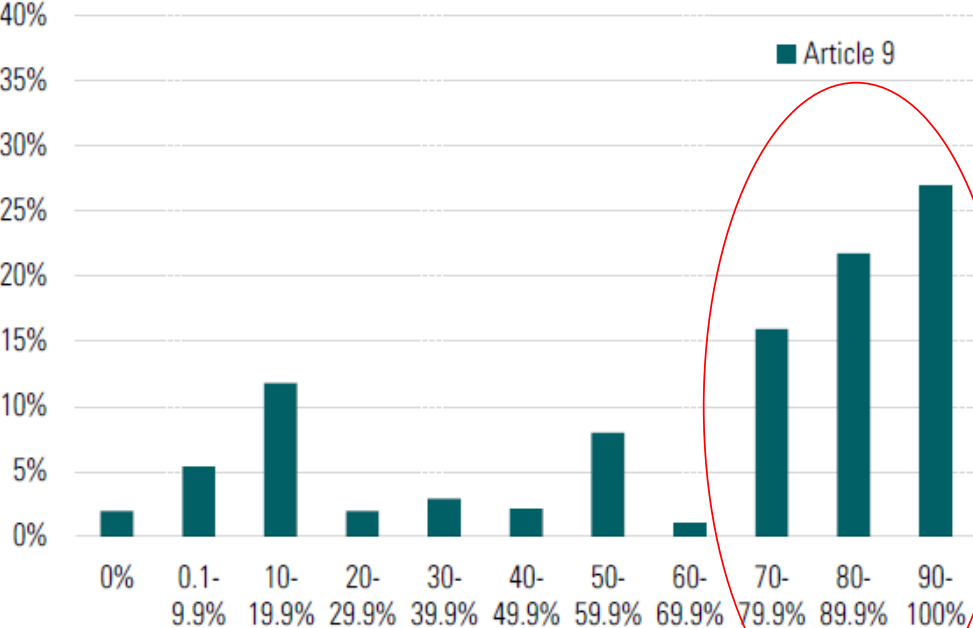
# Article 8 funds – slight increase in committed sustainable investments



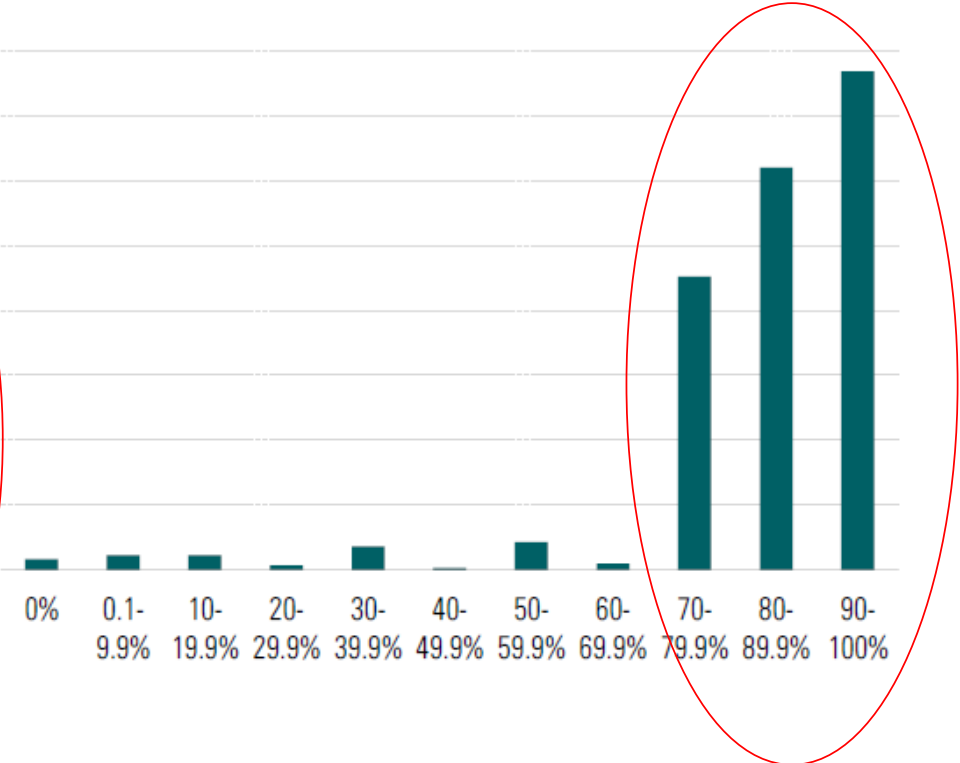
7 Source: Morningstar Direct & Morningstar Research. Data as of March 2023. December 2022 data is based on 4,692 Article 8 funds that report the field. March 2023 data is based on 6,142 Article 8 funds that report the field.

# Article 9 funds - significant increase in committed sustainable investments

December 2022



March 2023



8 \* Reported targets include cash and assets used for hedging purposes.  
 Source: Morningstar Direct & Morningstar Research. Data as of March 2023.  
 December 2022 data is based on 652 Article 9 funds that report the field. March 2023 data is based on 607 Article 9 funds that report the field.





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## ‘Sustainable Investments’ - Interpretations of the definition differ

Article 2(17) of SFDR defines the term *sustainable investment* as:

- × An investment in an economic activity that **contributes to an environmental or social objective,**
- × Provided that such investments **do not significantly harm** any of those objectives,
- × And provided that the investee companies follow **good governance** practices.

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## ...Rendering product comparability impossible

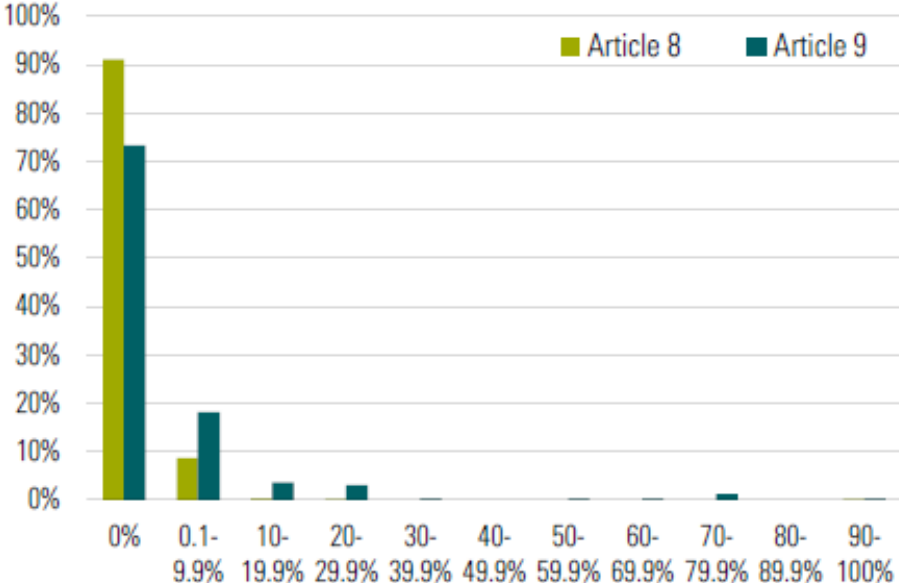
### Example

<b>Fund Name</b>	<b>Min. % Sustainable Investments</b>
Handelsbanken Global Index Criteria	90%
Danske Invest Global Index Restricted	75%
Invesco MSCI World ESG Climate Paris Aligned	50%
BNPPARIBAS EASY - Low Carbon 300 World PAB	40%
BNP Paribas Easy MSCI World SRI S-Series PAB 5% Capped	35%
iShares MSCI World Paris-Aligned Climate ETF	25%
UBS MSCI World Climate Paris Aligned ETF	20%
UBS MSCI ACWI Climate Paris Aligned ETF	20%
HSBC MSCI World Climate Paris Aligned ETF	20%
Xtrackers World Net Zero Pathway Paris Aligned ETF	10%
Amundi Index MSCI World SRI PAB	5%
Lyxor Net Zero 2050 S&P World Climate PAB (DR) ETF	5%
Amundi MSCI World Climate Paris Aligned Pab	5%

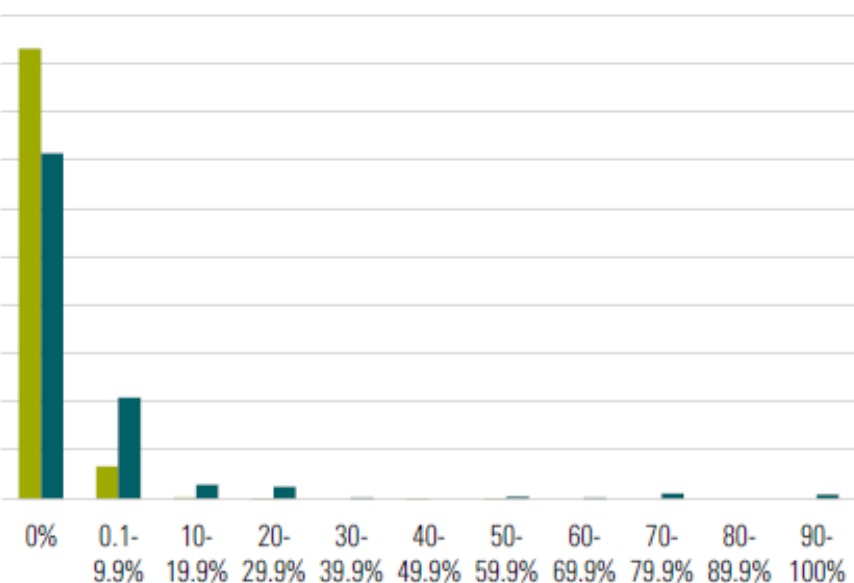
# Article 8/9 funds - taxonomy-aligned investments remain low

## Asset managers are cautious

December 2022



March 2023



# Article 8/9 funds tend to have lower ESG risk

75% of Article 9 carry 4 or 5 globes (vs. 52% of Article 8 and 33% of Article 6)

Morningstar Sustainability

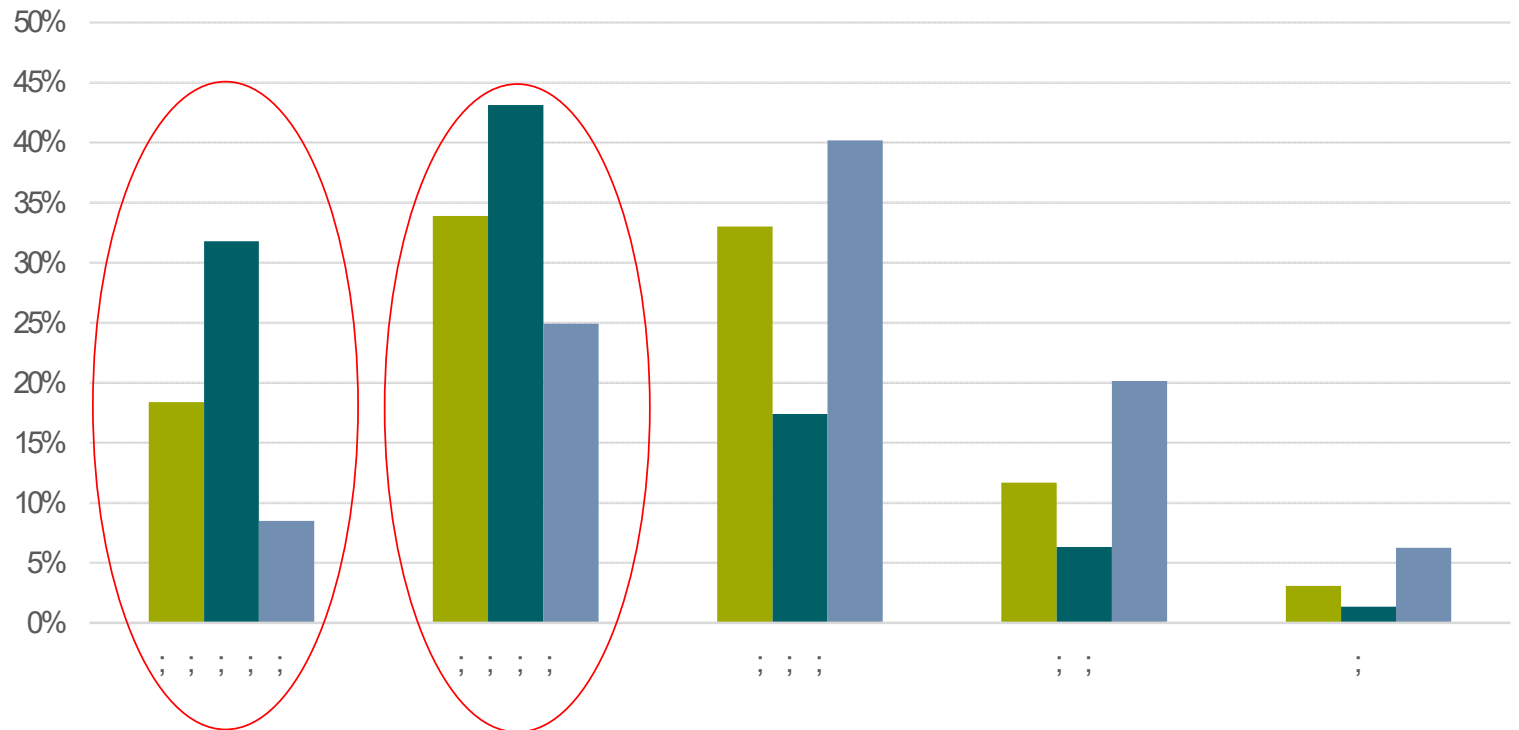
Article 6)

Rating



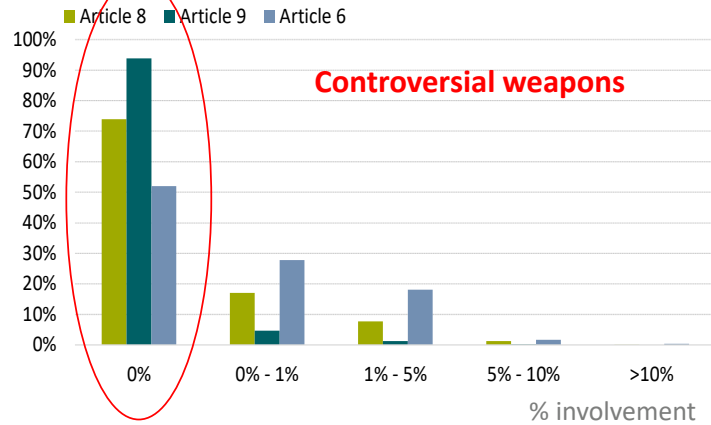
Proportion of funds

■ Article 8 ■ Article 9 ■ Article 6

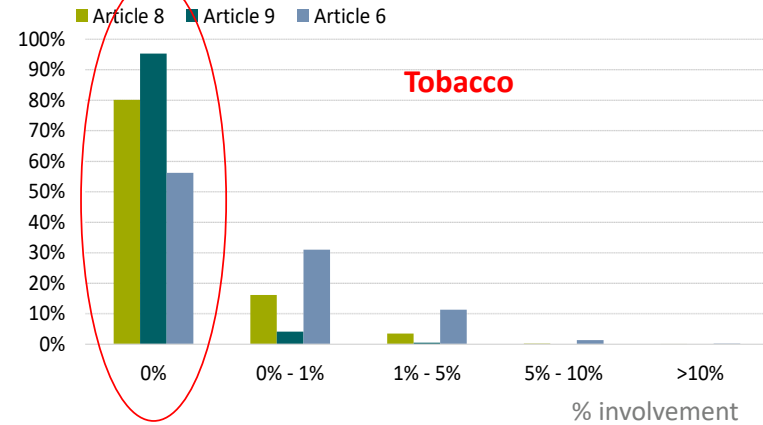


# Article 8/9 funds are less exposed to controversial activities

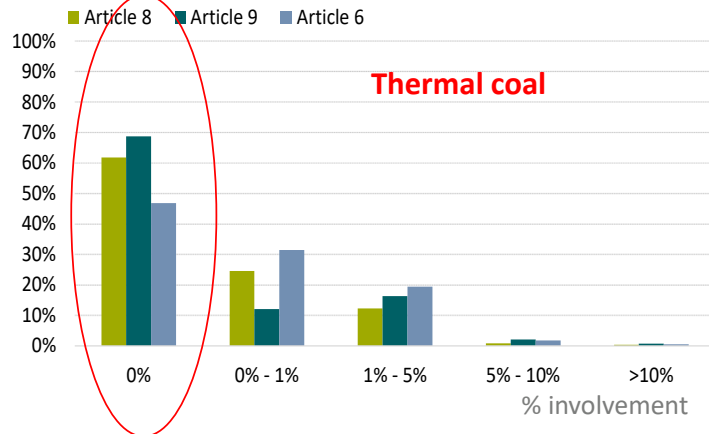
Proportion of funds



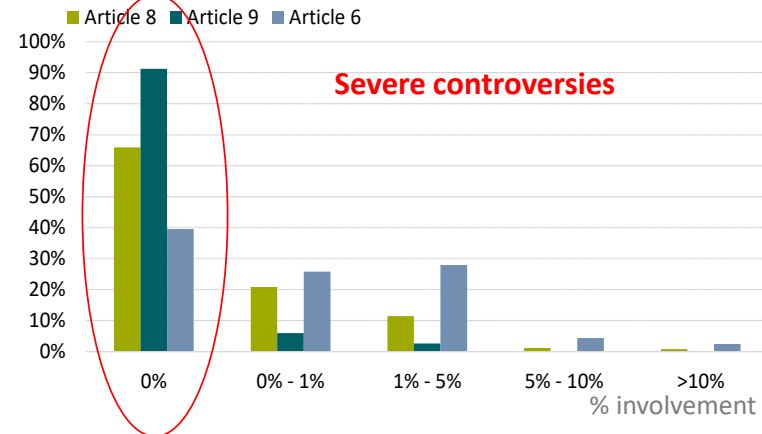
Proportion of funds



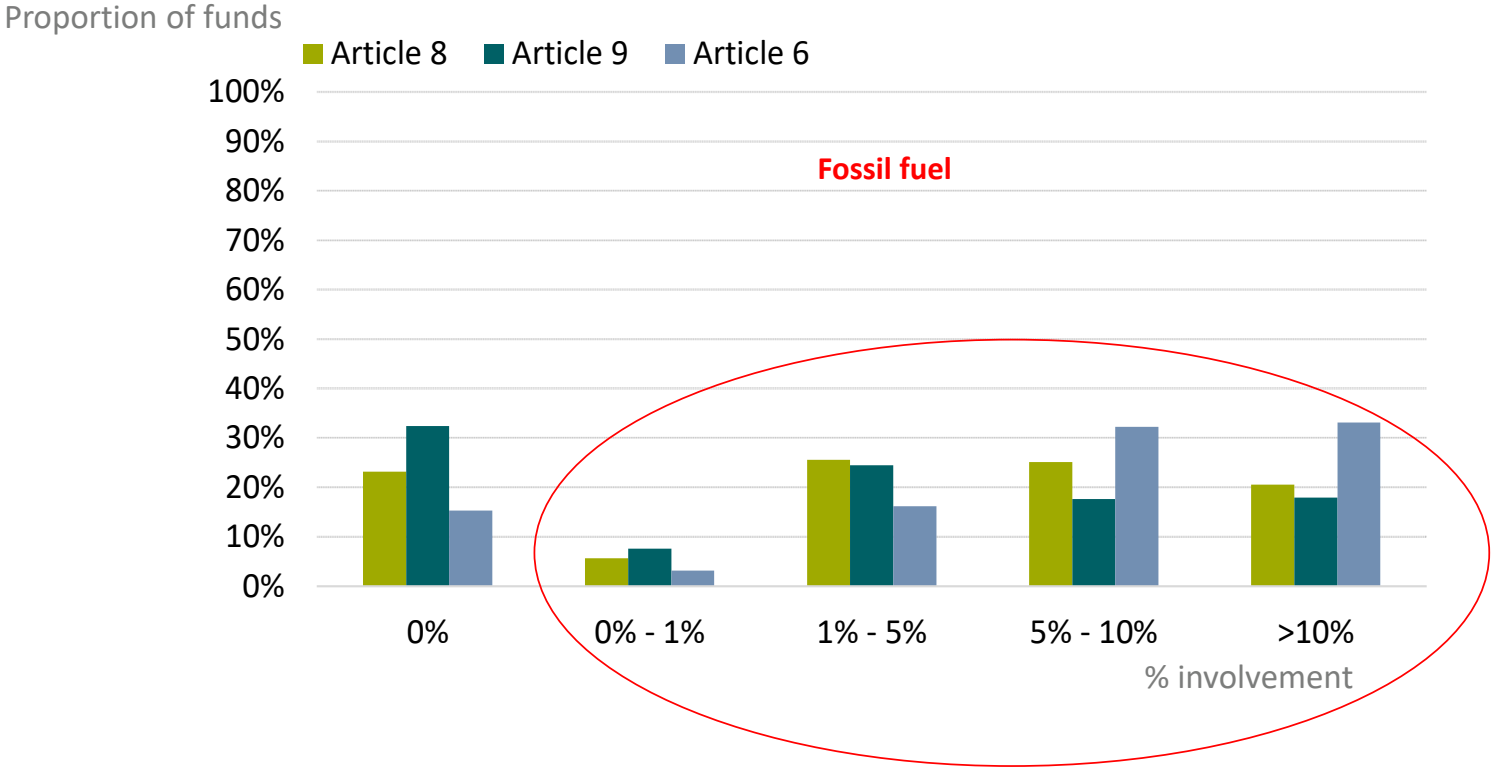
Proportion of funds



Proportion of funds



# The majority of Article 8/9 funds are exposed to fossil fuel



# Top 20 asset managers by Article 8 fund assets

# Top 20 asset managers by Article 9 fund assets

