Global Sustainable Fund Flows: Q1 2026

Global flows rebound: European sustainable fund flows turn positive

Morningstar
May 2026

Contents

Kenneth Lamont
Principal, Manager Research

Alyssa Stankiewicz
Principal, Manager Research

Lia Mitchell
Senior Analyst, Policy Research

Shamir Popat
Senior Analyst, Manager Research

Juri Yanagi
Analyst, Manager Research

Stephanie Ting
Associate, Manager Research

Anna Lennkvist
Senior Data Research Analyst

Claire Zhang
Analyst, Manager Research

Monika Calay
Director, Manager Research

Key Takeaways

- Global sustainable open-end and exchange-traded funds returned to positive territory in the first quarter of 2026, recording estimated net inflows of USD 3.5 billion, compared with restated outflows of USD 27 billion in the fourth quarter of 2025. The recovery was driven by a strong turnaround in European flows.

  European sustainable funds returned to positive flows for the first time since the second quarter of 2024, attracting net inflows of USD 9.1 billion in the first quarter of 2026, driven by a surge in passive fund inflows.

- In the US, sustainable funds saw net outflows for the 14th consecutive quarter, totaling USD 4.3 billion in the first quarter of 2026.

- The rest of the world, in aggregate, recorded net outflows. Canada and Australia/New Zealand were the only regions outside Europe to record positive flows.

  The ongoing anti-ESG political backdrop, particularly in the US, and mixed performance, combined with renewed market volatility driven by heightened geopolitical uncertainty, continued to weigh on sustainable fund flows into 2026.

- Global sustainable fund assets declined by approximately 10% in the first quarter of 2026 to USD 3.51 trillion, compared with USD 3.90 trillion at the end of 2025, driven primarily by market volatility. Since the end of 2018, global sustainable fund assets have grown nearly sixfold from roughly USD 600 billion.

- Product development activity dipped to new lows, with just 17 new sustainable funds launched globally in the first quarter of 2026—down sharply from a revised 50 in the prior quarter.

The Global Sustainable Fund Universe

The global sustainable fund universe encompasses open-end funds and exchange-traded funds that, through their prospectus or other regulatory filings, claim to focus on sustainability, impact, or environmental, social, and governance factors.[1] (See the Appendix for more details on how we define the global sustainable fund universe.)

The global universe is divided into three segments by domicile: Europe, the US, and the Rest of the World. There is more granular data available in this report for Canada, Australia/New Zealand, and Japan. Meanwhile, China, Hong Kong, India, Indonesia, Malaysia, Singapore, Taiwan, Thailand, and South Korea are grouped under Asia ex-Japan because of their relatively low level of assets.

This report examines recent activity in the global sustainable fund universe and details regional flows, assets, and launches during the first quarter of 2026. A summary is provided in Exhibit 1.

Exhibit 1 Global Sustainable Fund Statistics

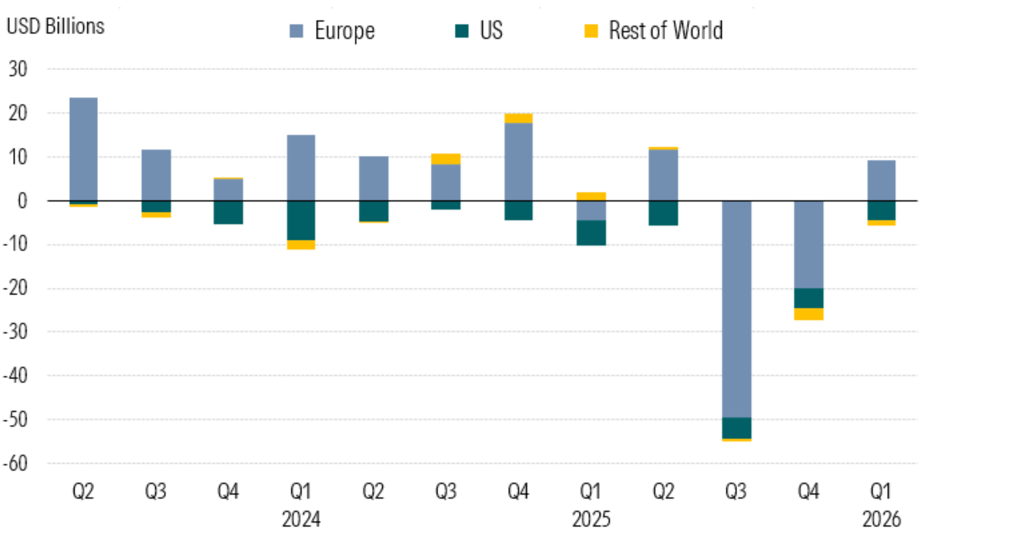
	Flows Q1 2026	Flows Q4 2025	Assets Q1 2026	
Region	USD Bn	USD Bn	USD Bn	% Total
Europe	9.1	-20.0	2,969.1	84.6
United States	-4.3	-3.9	350.7	10.0
Asia ex-Japan	-1.8	-1.4	92.2	2.6
Canada	0.4	-0.1	42.2	1.2
Australia/New Zealand	0.3	0.5	37.3	1.1
Japan	-0.2	-1.5	20.0	0.6
Total	3.5	-26.4	3,511.5	100

Source: Morningstar Direct. Data as of May 2026, excluding money market funds, funds of funds, and feeder funds. For Canada and the US, the number of live sustainable funds includes funds of funds and feeder funds (these are, however, excluded from flow and asset calculations). For Japan and South Korea, the number of sustainable funds, flows, and assets includes funds of funds and feeder funds.

Global sustainable funds recorded an estimated USD 3.5 billion in net inflows in the first quarter of 2026, returning to positive territory following net outflows throughout 2025. This compares with USD 27 billion in net outflows in the fourth quarter of 2025. The recovery was driven by Europe, where sustainable fund flows reversed sharply to register inflows of USD 9.2 billion.

[1] Note: Our definition of "sustainable fund" is not based on any regulatory framework, nor does it meet the criteria of any particular regulatory framework. See Appendix for further details.

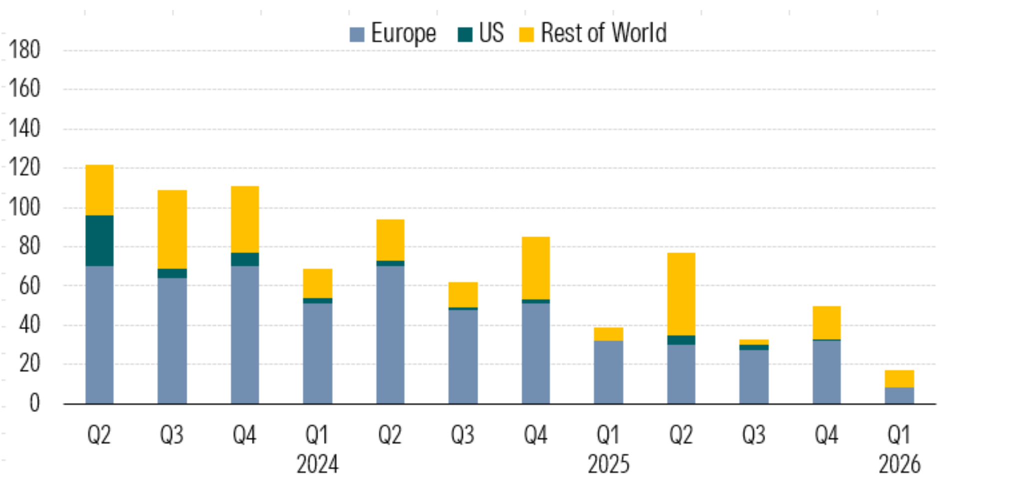
Exhibit 2 Quarterly Global Sustainable Fund Flows



Source: Morningstar Direct. Data as of May 2026.

The US faced net withdrawals for the 14th consecutive quarter, totaling USD 4.3 billion—broadly in line with the restated USD 3.9 billion recorded in the prior quarter. The Rest of the World, in aggregate, faced net redemptions of USD 1.3 billion. Canada and Australia/New Zealand bucked the regional trend with modest inflows of USD 0.4 billion and USD 0.3 billion, respectively, while Japan and Asia ex-Japan recorded net outflows.

Exhibit 3 Global Sustainable Fund Launches Per Quarter

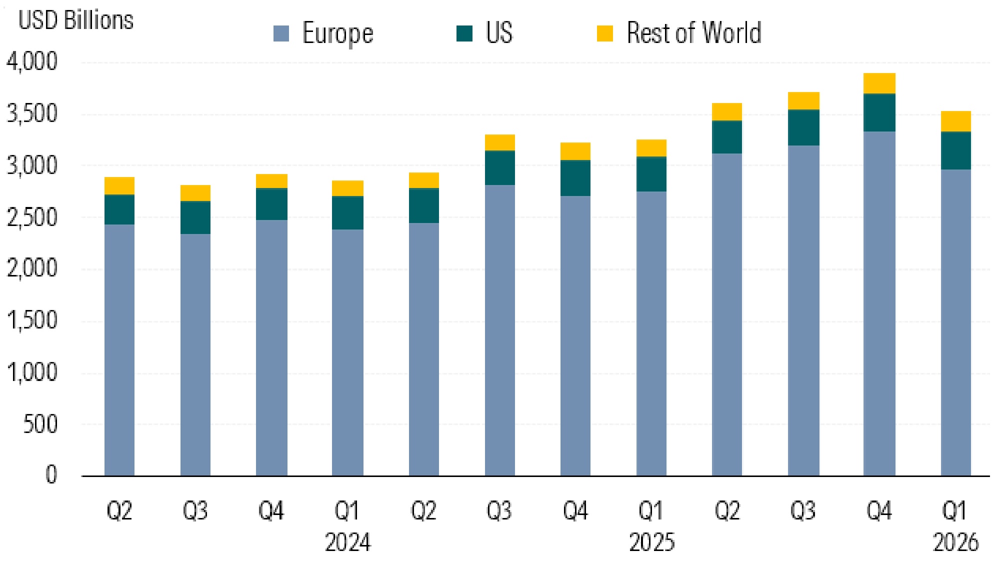


Source: Morningstar Direct. Data as of May 2026.

Global Fund Launches

Product development activity in the sustainable funds space remained notably subdued in the first quarter of 2026, with just 17 new sustainable funds launched globally—down sharply from a revised 50 in the fourth quarter of 2025. The largest share of new launches came from Asia ex-Japan, where nine new sustainable funds were incepted, while Europe contributed eight. No new sustainable funds were launched in the US, Canada, Australia/New Zealand, or Japan in the quarter.

Exhibit 4 Quarterly Global Sustainable Fund Assets



Source: Morningstar Direct. Data as of May 2026.

Global Assets Decline to USD 3.5 Trillion

At the end of the first quarter of 2026, global sustainable fund assets declined by approximately 10% to USD 3.51 trillion, compared with a restated USD 3.90 trillion at the end of 2025. The contraction was primarily driven by negative market performance as equity markets pulled back amid heightened uncertainty over global trade policy. Europe continues to dominate, accounting for approximately 85% of global sustainable fund assets, followed by the US at around 10%, with the rest of the world making up the remainder.

Quarterly Statistics Per Domicile

Europe

European Sustainable Fund Flows Turn Positive in Q1 2026

European-domiciled sustainable fund flows returned to positive territory in the first quarter of 2026, recording net inflows of USD 9.1 billion—a notable reversal from net redemptions of USD 16.6 billion in the final three months of 2025.

The turnaround was driven by passive sustainable funds, which attracted USD 24.0 billion in net new money over the quarter. Actively managed sustainable funds continued to face redemptions, shedding USD 14.8 billion over the same period.

The return to positive flows marks an encouraging development after a difficult 2025, during which European sustainable funds registered their first annual outflows since our records began back in 2018, with redemptions reaching USD 62 billion—a reversal from the USD 54 billion of inflows in 2024. Several factors weighed on flows in recent years: mixed performance, greenwashing concerns, political and regulatory uncertainty, and a growing anti-ESG sentiment most prevalent in the US but also present in Europe.

European sustainable funds nonetheless continue to face significant headwinds amid a complex geopolitical environment, where sustainability concerns are overshadowed by priorities such as economic growth, competitiveness, and defense.

The political backlash against ESG investing in the US—and its spillover effects in Europe—have prompted asset managers to adopt a more cautious stance toward ESG initiatives, with some even scaling back their commitments. The situation is further complicated by lingering regulatory uncertainties amid an evolving policy landscape, including the Omnibus Package and the ongoing review of the Sustainable Finance Disclosure Regulation. (see regulatory update at the end of the Europe section).

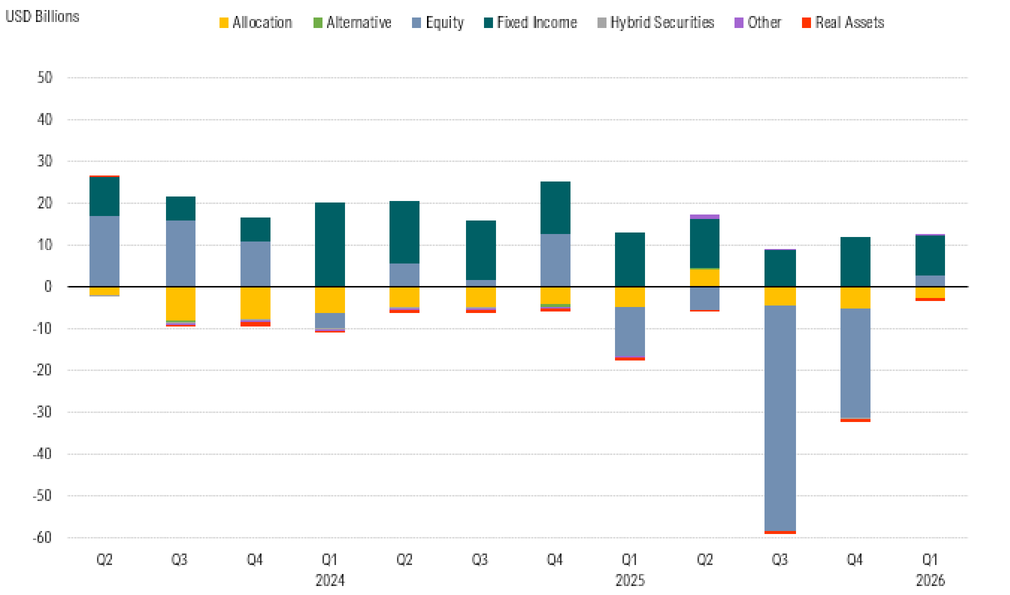
Exhibit 5 European Sustainable Fund Flows

Source: Morningstar Direct. Data as of May 2026.

Flows by Asset Class

In the first quarter, sustainable equity funds swung to inflows of USD 2.8 billion, reversing the USD 26.1 billion of net redemptions seen in the fourth quarter of 2025. Sustainable fixed-income funds continued to attract new money, posting USD 9.5 billion in net inflows, albeit below the USD 12.1 billion seen in the previous quarter. Investors' continued preference for bond funds reflects a cautious stance amid ongoing economic uncertainty and rising geopolitical tensions. Allocation funds continued to face redemptions, though at a reduced pace, totaling USD 2.6 billion, compared with USD 5.0 billion in the fourth quarter of 2025.

Exhibit 6 European Sustainable Fund Flows by Asset Class



Source: Morningstar Direct. Data as of May 2026.

Flow Leaders and Laggards

The top-selling sustainable fund in the first quarter was 1895 Aandelen Thematic Opportunities, which attracted USD 3.1 billion in net inflows.

Also prominent among the bestsellers were Swisscanto (CH) Index Bond Fund World (ex-CHF) Aggregate Responsible (USD 1.9 billion) and Coutts Emerging Markets Equity Index (USD 1.4 billion). Amundi Funds Global Equity and XACT OMXS30 ESG ETF each gathered approximately USD 1.0 billion in net new money, also featuring in the top 10.

Exhibit 7 Top 10 European Sustainable Fund Flows in Q1 2026

Fund Name	Net Flows (USD Million)
1895 Aandelen Thematic Opportunities Fonds	3,077
Swisscanto (CH) Index Bond Fund World (ex CHF) Agg Responcible	1,925
Coutts Emerging Markets Equity Index Fund	1,362
Coutts North America Equity Index Fund	1,227
Amundi Funds - Global Equity	1,009
XACT OMXS30 ESG UCITS ETF	1,004
Blackrock ACS North America ESG Insights Equity	919
FF - Global Dividend Plus Fund	868
ERSTE STOCK WORLD	866
iShares ESG Screened Overseas Corporate Bond Index Fund (UK)	866

Source: Morningstar Direct. Data as of May 2026.

On the outflow side, the worst-selling fund of the quarter was MM Access II US Multi Credit, with net redemptions of USD 1.2 billion, followed by Stewart Investors APAC Leaders (USD 1.2 billion) and Xtrackers MSCI World ESG ETF (USD 1.1 billion). The bottom 10 included funds across a range of asset classes and geographies, with emerging market and global equity strategies featuring prominently among the laggards.

Exhibit 8 Bottom 10 European Sustainable Fund Flows in Q1 2026

Fund Name	Net Flows (USD Million)
Multi Manager Access II - US Multi Credit Bl	-1,247
Stewart Investors Asia Pacific Leaders Fund	-1,169
Xtrackers MSCI World ESG ETF 1C	-1,127
Celsius Inv SICAV ESG Emerging Markets	-1,029
iShares MSCI World CTB Enhanced ESG UCITS ETF	-994
Storebrand Global Plus	-988
Raiffeisen Futura Swiss Stock	-956
MM Access II European Mlt Crdt Bl	-908
Fédéris ISR Euro MH	-867
JPM Global Research Enhanced Index Equity Active UCITS ETF	-834

Source: Morningstar Direct. Data as of May 2026.

The 10 best-selling asset managers collectively recorded approximately USD 30 billion in net inflows in the first quarter. BlackRock topped the leaderboard with USD 10.5 billion in inflows, a significant turnaround after two consecutive quarters of net redemptions. Swisscanto followed with USD 4.0 billion, and Amundi ranked third with USD 3.4 billion.

On the outflow side, DWS topped the redemption ranking with USD 3.0 billion in net outflows, followed by Pictet with USD 2.2 billion and LBP AM with USD 2.1 billion.

Exhibit 9 Top and Bottom 10 European Sustainable Fund Providers by Flows in Q1 2026

Inflows		Outflows	
Firm	Net inflows (USD Million)	Firm	Net outflows (USD Million)
BlackRock (incl. iShares)	10,528	DWS (incl. Xtrackers)	-3,014
Swisscanto	3,956	Pictet	-2,240
Amundi (incl. Lyxor)	3,435	LBP AM	-2,126
Handelsbanken	2,914	BNP Paribas	-1,828
Northern Trust	2,030	State Street	-1,660
UBS (incl. Credit Suisse)	1,991	First Sentier Investors	-1,571
Robeco	1,550	Degroof Petercam	-1,398
Nordea	1,449	Groupama	-1,374
Cardano Asset Management	1,284	Eurizon	-1,226
VanEck	1,001	JPMorgan	-1,218

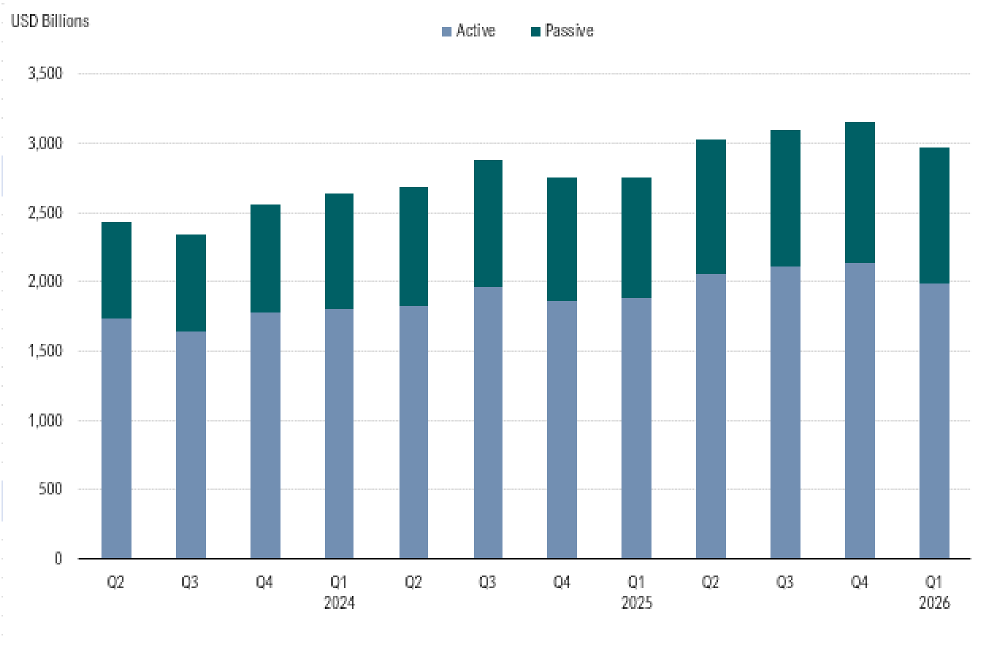
Source: Morningstar Direct. Data as of May 2026.

European Sustainable Fund Assets

European sustainable fund assets fell by approximately 6.0% in the first quarter of 2026, ending March at USD 3.0 trillion, down from USD 3.2 trillion at the end of December 2025. Despite the positive flow picture, the asset decline reflected negative market movements during the quarter—including significant equity market volatility triggered by the war in Iran—which more than offset the inflow improvement.

While flows steadily declined over recent years, European sustainable fund assets had expanded to reach a record of USD 3.3 trillion at the end of 2025—up 23% from a year earlier and representing a tripling of assets since late 2018—before retreating in the first quarter of 2026 amid market headwinds. Passive sustainable funds continued to modestly grow their share of the universe, reaching approximately 33% as of March 2026, up from 32% at year-end 2025.

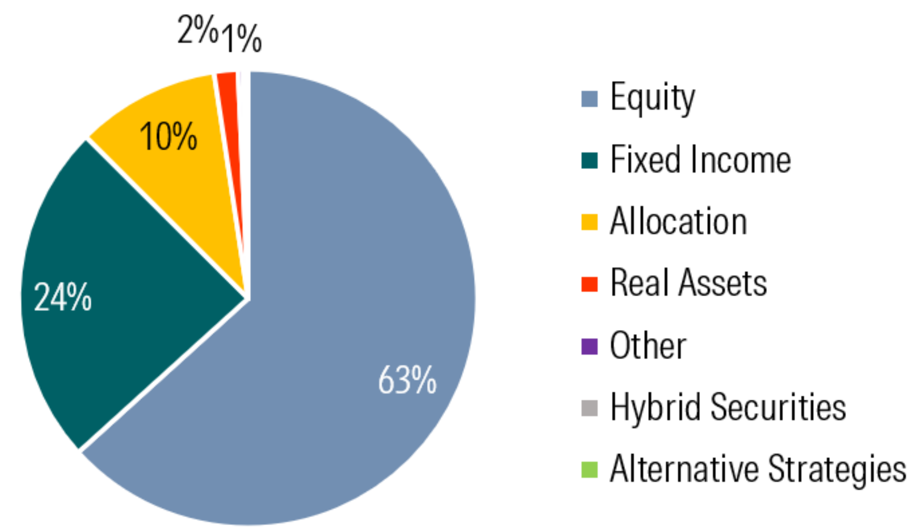
Exhibit 10 European Sustainable Fund Assets



Source: Morningstar Direct. Data as of May 2026.

In terms of broad asset classes, equity funds continue to dominate, representing the majority of European sustainable fund assets. Sustainable bond funds take up close to one-fourth of the total, followed by allocation funds. These proportions are broadly similar to those seen at the end of 2025.

Exhibit 11 European Sustainable Fund Asset Breakdown



Source: Morningstar Direct. Data as of May 2026.

BlackRock, UBS, and Amundi Dominate the European Sustainable Fund Landscape

Presented below are the foremost asset managers distributing sustainable funds in Europe. As of March 2026, BlackRock remains the leading manager of ESG-focused open-end assets and ETFs in Europe, overseeing USD 407 billion. Amundi followed in second place with USD 220 billion in sustainable fund assets, and UBS ranked third with USD 207 billion.

Exhibit 12 Top Asset Managers by Sustainable Fund Assets in Europe

Overall		Actively Managed		Passively Managed	
Firm	Total Assets (USD Billion)	Firm	Total Assets (USD Billion)	Firm	Total Assets (USD Billion)
BlackRock (incl. iShares)	407.4	BlackRock (incl. iShares)	142.9	BlackRock (incl. iShares)	264.5
Amundi (incl. Lyxor)	219.5	Amundi (incl. Lyxor)	96.9	Amundi (incl. Lyxor)	122.7
UBS (incl. Credit Suisse)	207.2	Nordea	94.7	UBS (incl. Credit Suisse)	119.4
BNP Paribas	122.9	UBS (incl. Credit Suisse)	87.8	Swisscanto	58.6
Swisscanto	120.2	BNP Paribas	77.3	Northern Trust	58.2
DWS (incl. Xtrackers)	101.5	Natixis	71.7	BNP Paribas	45.6
Nordea	94.7	Swisscanto	61.7	Handelsbanken	45.3
Natixis	74.4	Allianz Global Investors	58.8	DWS (incl. Xtrackers)	44.7
Northern Trust	62.9	DWS (incl. Xtrackers)	56.8	Legal & General	25.7
Allianz Global Investors	58.8	KBC	43.4	Länsförsäkringar	21.2
Handelsbanken	51.1	Royal London	42.7	Vanguard	18.1
JPMorgan	43.6	JPMorgan	39.8	State Street	18.1
KBC	43.4	Union Investment	38.5	Cardano Asset Management	15.0
Royal London	42.7	Pictet	38.1	HSBC	11.9
Pictet	39.8	Robeco	31.5	Invesco	11.3
Union Investment	38.5	LBP AM	28.6	Mercer Global Investments	11.1
Robeco	31.5	Vontobel	28.0	Goldman Sachs (incl. NNIP)	10.7
Goldman Sachs (incl. NNIP)	31.4	Schroders	27.5	Storebrand	10.4
Deka	29.9	Deka	24.9	VanEck	8.2
Legal & General	29.8	Fidelity International	24.6	OP	6.6

Source: Morningstar Direct. Data as of May 2026.

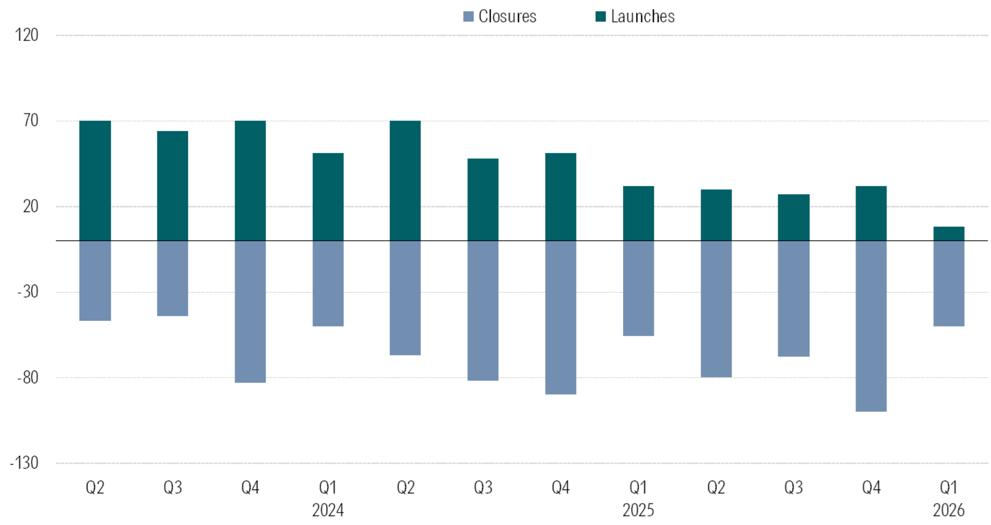
Sustainable Fund Launches at a New Low

Launches of sustainable funds domiciled in Europe fell to just eight in the first quarter of 2026, down sharply from 32 in the fourth quarter of 2025 and reaching a new low for the series. Closures also moderated to 50 in the first quarter of 2026, compared with 100 in the fourth quarter of 2025.

The continued low level of sustainable fund launches reflects the challenging backdrop for ESG and sustainable investments discussed above. The cooldown in 2024 and 2025, compared with previous years, reflects a normalization of product development activity after three years (2020–22) of high growth, during which many asset management firms hastened to build their core sustainable fund ranges to meet growing demand. Asset managers have also become more cautious about developing new ESG and sustainable strategies because of greenwashing accusations and uncertainty around regulations (see Regulatory Update section).

In early 2026, the emphasis remains on consolidation and rationalization of existing fund ranges rather than new product launches.

Exhibit 13 European Sustainable Fund Launches



Source: Morningstar Direct. Data as of May 2026.

European Regulatory Update

With the Omnibus I package finalized late in 2025, sustainable finance legislative focus in the EU has shifted squarely to the SFDR review. This was begun in November with the European Commission's proposal. The Commission outlined a reimagined SFDR that shifts to a product-level focus and emphasizes simplification. The basis of the new framework would be three product categories—transition, ESG basics, sustainable—with different exclusionary and positive contribution criteria for each. The next phase for this process is the development of the Council and Parliament positions, which has been underway in the first quarter. The Council has convened a handful of working party sessions to shape its view and compromise approaches. Elements that may differ between the three EU institutions' positions include the approach to product-level PAI disclosures, the scope of financial products, transition timelines, and positive contribution criteria. These divergences will be addressed through trilogues, which could still begin toward the end of 2026 or early 2027.

In the UK, the government published the final versions of the UK Sustainability Reporting Standards. These were consulted on in 2025 and are largely based on the ISSB IFRS S1 and S2, with some small changes. With UK SRS S1 covering sustainability-related disclosures and UK SRS S2 addressing climate-related disclosures, these were formally endorsed for voluntary use. Ahead of these being finalized, the FCA opened a consultation on changes to the UK Listing Rules that would replace the current TCFD-aligned listing rules with requirements for in-scope companies to report against UK SRS. The FCA is expected to publish a policy statement on this later in 2026, with the rules potentially applying from as early as January 2027.

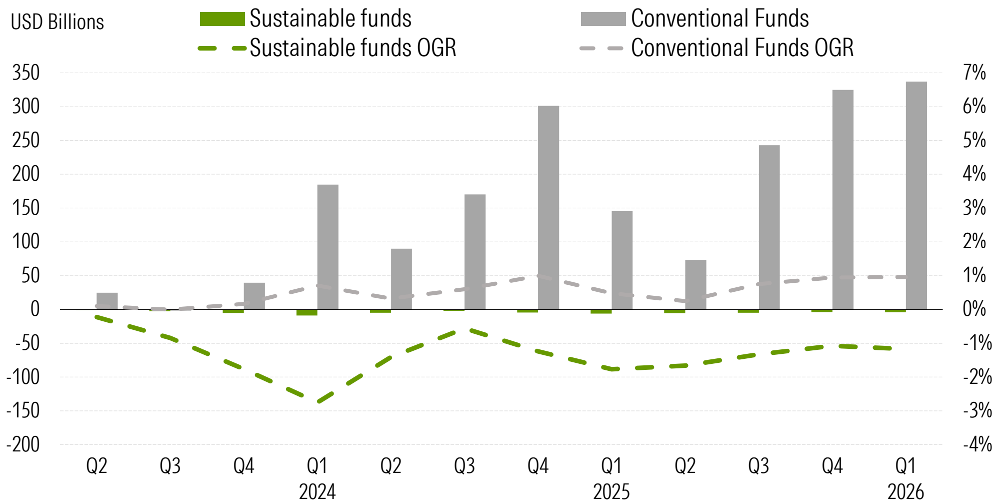
United States

Outflows Persist in Sustainable Funds

Continuing the trend of capital outflows, investors withdrew USD 4.3 billion from sustainable US funds in the first quarter of the year, falling between the restated outflows of USD 3.9 billion and USD 4.7 billion in the preceding two quarters. This translated into an organic growth rate of negative 1.2%.

In contrast, conventional funds attracted USD 337 billion over the same period, a 4% increase from the previous quarterly inflows, equating to an organic growth rate of 1.0%.

Exhibit 14 US Funds' Quarterly Flows: Sustainable versus All US Funds

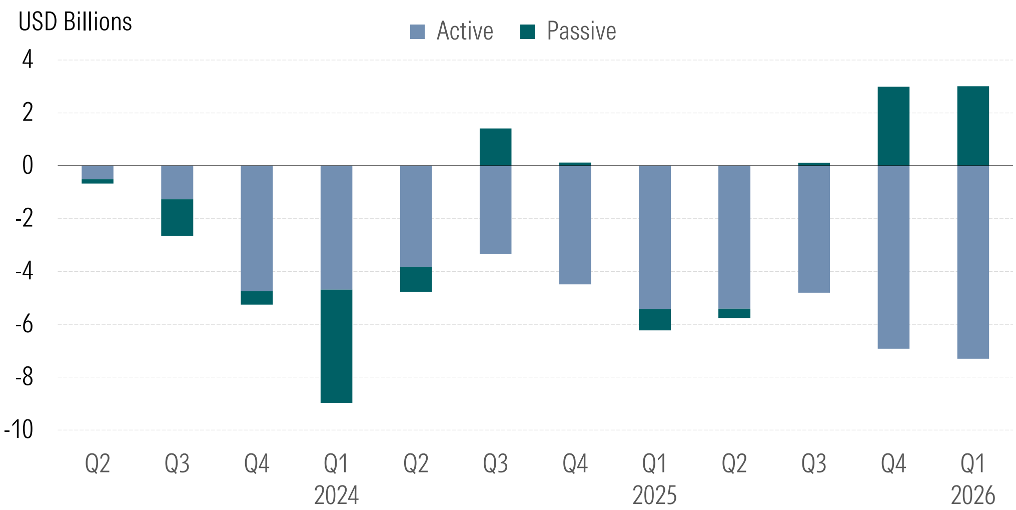


Source: Morningstar Direct. Data as of May 2026.

Active-Passive Imbalance

Flows to sustainable US funds remained divergent between active and passive strategies for a second consecutive quarter. Passive funds attracted USD 3 billion of net inflows, far from sufficient to offset the USD 7.3 billion withdrawn from active strategies. The imbalance reflects a long-term trend of investors favoring low-cost passive funds over their active peers.

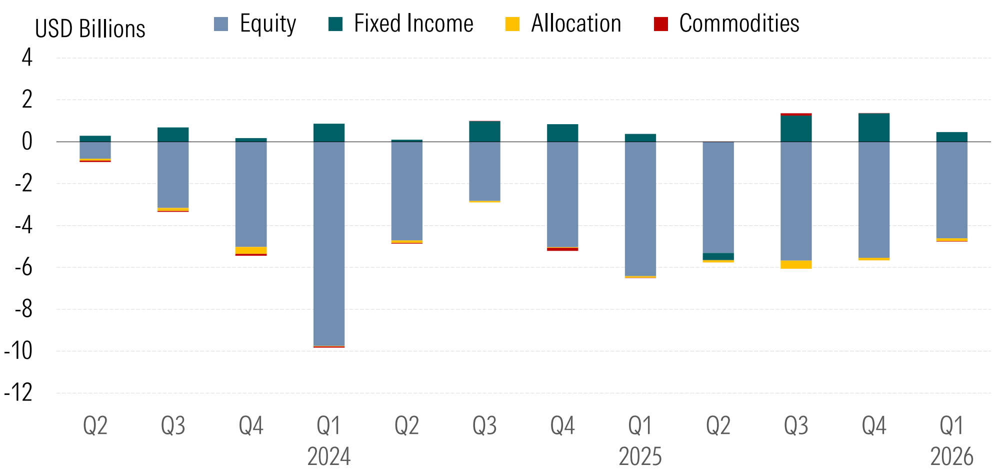
Exhibit 15 US Sustainable Fund Flows



Source: Morningstar Direct. Data as of May 2026.

At the asset-class level, fixed income remained the only segment to attract new capital, with inflows of USD 469 million. In contrast, equities extended their streak of outflows to a 14th consecutive quarter, with USD 4.6 billion withdrawn, bringing total redemptions since the first quarter of 2025 to USD 27.5 billion. Allocation and commodity funds also recorded outflows, with investors pulling USD 135 million and USD 29 million, respectively.

Exhibit 16 US Sustainable Fund Flows by Asset Class



Source: Morningstar Direct. Data as of May 2026.

Flow Leaders and Laggards

First Trust Nasdaq Clean Edge Smart Grid Infrastructure Index saw its third consecutive quarter of inflows, adding another USD 2.1 billion in the first quarter, signaling continued investor interest in energy transition enabling technologies and software. The fund targets companies involved in electric grids, metering and control devices, energy storage, and software supporting smart grid infrastructure—key technologies underpinning both the energy transition and the energy demands underpinning the AI revolution, with the latter narrative likely driving the bulk of recent inflows.

Neuberger Quality Equity ranked second, attracting USD 643 million in net new inflows, while **Nuveen ESG Large-Cap Growth ETF** followed in third place with USD 540 million of new capital.

Exhibit 17 Top 10 US Sustainable Fund Flows

Fund Name	Net Flows (USD Million)
First Trust NASDAQ® Clean Edge® Smart Grid Infrastructure Index Fund	2,118
Neuberger Quality Equity Fund	643
Nuveen ESG Large-Cap Growth ETF	540
Invesco Solar ETF	352
iShares ESG U.S. Aggregate Bond ETF	315
RBC BlueBay High Yield Bond Fund	297
Nuveen Core Impact Bond Fund	281
Impax U.S. Sustainable Economy Fund	280
TCW Transform Systems ETF	273
Sprott Critical Materials ETF	249

Source: Morningstar Direct. Data as of May 2026.

After shedding close to USD 2 billion in the first quarter of the year, bringing the total outflows since the end of 2018 to 14.3 billion, Parnassus Core Equity has lost its position as the largest sustainable US fund. It is now ranked as the second-largest sustainable US fund. Brown Advisory Sustainable Growth Fund experienced the second-largest outflow, with investors withdrawing close to USD 1.5 billion, broadly aligned with the outflows seen in the fourth quarter of 2025.

Exhibit 18 Bottom 10 US Sustainable Fund Flows

Fund Name	Net Flows (USD Million)
Parnassus Core Equity Fund	-1,952
Brown Advisory Sustainable Growth Fund	-1,487
Invesco MSCI North America Climate ETF	-1,120
Putnam ESG Core Bond ETF	-898
Putnam Sustainable Leaders ETF	-808
Calvert Equity Fund	-577
Putnam Sustainable Future ETF	-391
Calvert Small-Cap Fund	-323
Impax LARGE CAP FUND	-308
Vanguard FTSE Social Index Fund	-306

Source: Morningstar Direct. Data as of May 2026.

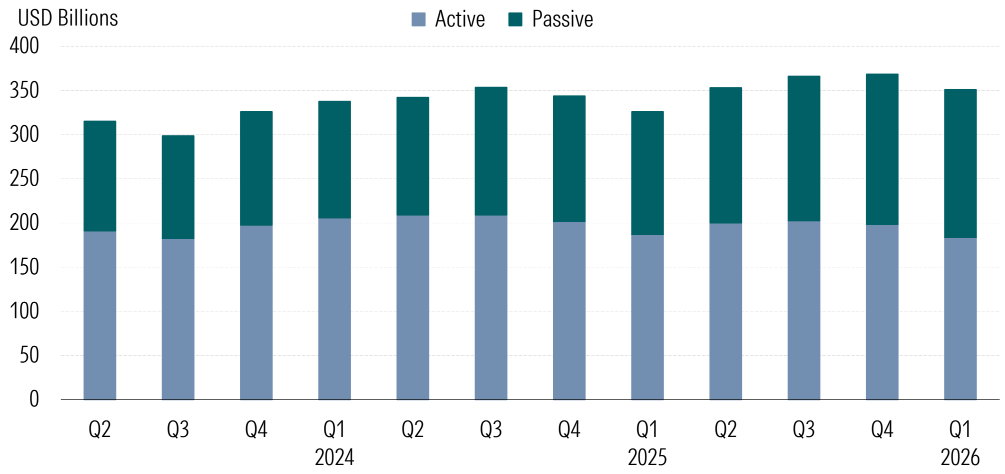
Market Volatility Drives Sharper Decline in Sustainable Fund Assets

Despite USD 4.3 billion in net outflows, US sustainable funds' assets fell more sharply, declining by USD 17.6 billion to USD 351 billion at the end of March, down 5% from the restated USD 368 billion recorded by the end of December, indicating weak market performance over the period.

Active strategies, which account for 52% of total assets, fell by 8% to USD 184 billion, while passive strategies declined by a more modest 1.6% to USD 167 billion.

For context, the Morningstar Global Markets Index decreased by 4.5% over the first quarter.

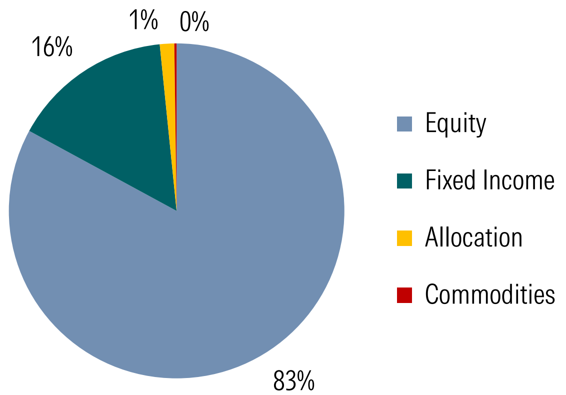
Exhibit 19 US Sustainable Fund Assets (USD Billion)



Source: Morningstar Direct. Data as of May 2026.

Equity continued to dominate, accounting for 83% of total assets, followed by fixed income just below 16%. Allocation funds represent just above 1%, while commodities account for just 0.2% of overall assets.

Exhibit 20 US Sustainable Fund Asset Class Breakdown (USD Billion)



Source: Morningstar Direct. Data as of May 2026.

Vanguard FTSE Social Index Becomes the Largest Sustainable Fund in the US

At the end of the first quarter of 2026, **Parnassus Core Equity** lost its position as the largest sustainable fund in the US to **Vanguard FTSE Social Index**. After shedding close to USD 14 billion since the last quarter of 2018, **Parnassus Core Equity's** assets under management totaled USD 22.4 billion at end of the first quarter, down 13% since the previous quarter while up 52% from end 2018 levels, indicating long-term positive market performance despite continued investor withdrawals.

Vanguard FTSE Social Index Fund, the largest sustainable fund in the US as of the first quarter, had USD 23.4 billion in assets under management by the end of the quarter. While this represents a close to 9%

decrease from the previous quarter, it is sufficient to place the fund at the top of the leaderboard. **IShares ESG Aware MSCI USA ETF** maintains the third position, with USD 14.8 billion in assets.

Exhibit 21 Top 10 Sustainable Funds by Asset

Fund Name	Total Assets (USD Billion)
Vanguard FTSE Social Index Fund	23.4
Parnassus Core Equity Fund	22.4
iShares ESG Aware MSCI USA ETF	14.8
Vanguard ESG U.S. Stock ETF	11.1
iShares ESG Aware MSCI EAFE ETF	10.7
Victory Pioneer Fund	10.0
First Trust NASDAQ® Clean Edge® Smart Grid Infrastructure Index Fund	7.6
DFA U.S. Sustainability Core 1 Portfolio	7.6
Nuveen Core Impact Bond Fund	7.5
Putnam Sustainable Leaders Fund	6.0

Source: Morningstar Direct. Data as of May 2026.

US Sustainable Manager Rankings Largely Unchanged

There was little movement in the leaderboard of US sustainable asset managers, with BlackRock (including iShares), Vanguard, and Morgan Stanley (including Calvert) retaining their positions as the top three, unchanged from the previous quarter. Their respective assets under management stood at USD 65.4 billion, USD 43.3 billion, and USD 34.7 billion. The only new entrant to the overall top 20 was Neuberger, with USD 3.6 billion in sustainable assets, up from USD 3.1 billion at the end of 2025.

Exhibit 22 Top Asset Managers by Sustainable Fund Assets in the US

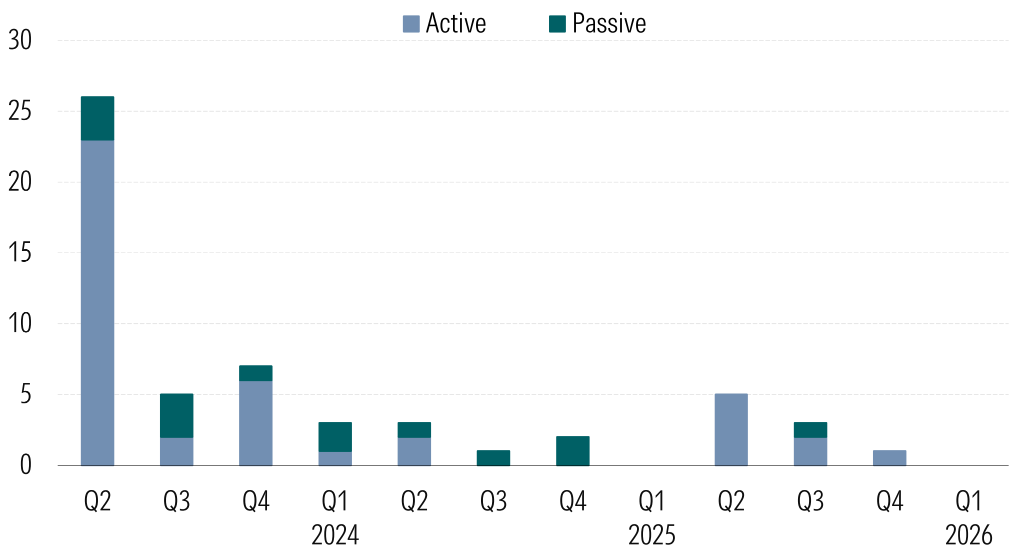
Overall		Actively Managed		Passively Managed	
Firm	Total Assets (USD Billion)	Firm	Total Assets (USD Billion)	Firm	Total Assets (USD Billion)
BlackRock incl. iShares	65.4	Parnassus	30.3	BlackRock incl. iShares	62.8
Vanguard	43.3	Morgan Stanley (incl. Calvert)	22.8	Vanguard	41.5
Morgan Stanley (incl. Calvert)	34.7	Dimensional	18.4	Morgan Stanley (incl. Calvert)	11.9
Parnassus	30.3	Nuveen	16.4	First Trust	10.3
Nuveen	24.1	Victory Capital	13.2	Nuveen	7.7
Dimensional	18.4	Impax	7.3	Invesco	7.5
Victory Capital	13.2	Franklin Templeton	6.6	DWS (incl. Xtrackers)	6.7
First Trust	10.3	Eventide	6.5	Fidelity	6.4
Fidelity	9.6	Brown Advisory	6.3	Everence	2.1
Invesco	9.6	American Century	5.1	Northern Trust	1.9
Impax	7.3	Community Capital	4.0	State Street	1.5
Franklin Templeton	7.0	Boston Trust Walden	3.6	TCW	0.9
DWS (incl. Xtrackers)	6.7	Neuberger Berman	3.6	Green Century	0.9
Eventide	6.5	Fidelity	3.2	New York Life	0.8
Brown Advisory	6.3	AllianceBernstein	2.8	Global X	0.6
American Century	5.1	PIMCO	2.6	Kraneshares	0.6
Community Capital	4.0	BlackRock incl. iShares	2.6	Sprott	0.5
Boston Trust Walden	3.6	RBC	2.6	Franklin Templeton	0.5
Neuberger Berman	3.6	Domini	2.3	VanEck	0.4
Everence	3.3	Invesco	2.1	Flexshares	0.4

Source: Morningstar Direct. Data as of May 2026.

Focusing on actively managed funds, Parnassus remained the largest manager of sustainable US strategies, with USD 30.3 billion in assets, despite an 11% decline from the previous quarter. Morgan Stanley and Dimensional held the second and third positions, also consistent with last quarter-end, with USD 22.8 billion and USD 18.4 billion in assets, respectively.

Within passive strategies, the top three leading managers maintained their positions. Meanwhile, Franklin Templeton entered the top 20 ranking, with USD 0.5 billion in sustainable assets under management, up 2% from last quarter-end.

Exhibit 23 US Sustainable Fund Launches



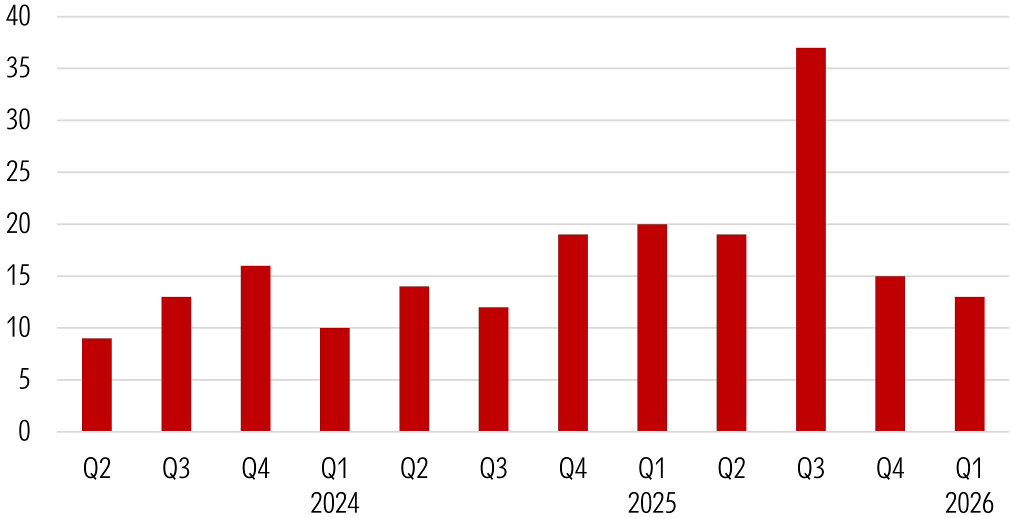
Source: Morningstar Direct. Data as of May 2026.

Fund Closures Continue While Launches Are Muted

The first quarter of the year saw no new sustainable US fund launches. A total of 13 funds were closed in the first quarter of 2026. Invesco accounted for five liquidations, including four equity funds, **Invesco MSCI World SRI Index**, **Invesco Real Assets ESG ETF**, **Invesco MSCI Green Building ETF**, and **Invesco ESG NASDAQ Next Gen 100 ETF**, and one fixed income fund, **Invesco ESG NASDAQ Next Gen 100 ETF**. Combined, these five funds held USD 105 million in assets before their closures.

Franklin Templeton liquidated two sustainable ETFs, **ClearBridge Sustainable Infrastructure ETF** and **Franklin Sustainable International Equity ETF**, which together had USD 17 million in assets by the end of 2025.

Exhibit 24 US Sustainable Fund Closures



Source: Morningstar Direct. Data as of May 2026.

US Regulatory Update

The SEC extended the compliance date for changes to the N-PORT that were adopted in 2024 in conjunction with Names Rule amendments from 2023 that would affect how sustainable funds report their investments. Announced in February, this delay moves potential compliance dates to 2027 and 2028, depending on the size of the fund group. As adopted, these changes would require funds to identify the holdings that are aligned to their investment policy, with at least 80% of the portfolio needing to fall in this basket. However, the same time as the delay was announced, the SEC also proposed a rule that would roll back the previously adopted changes. As a result, the future of these changes is uncertain, perhaps leaving investors without full transparency into how funds are aligning their holdings with their investment strategies.

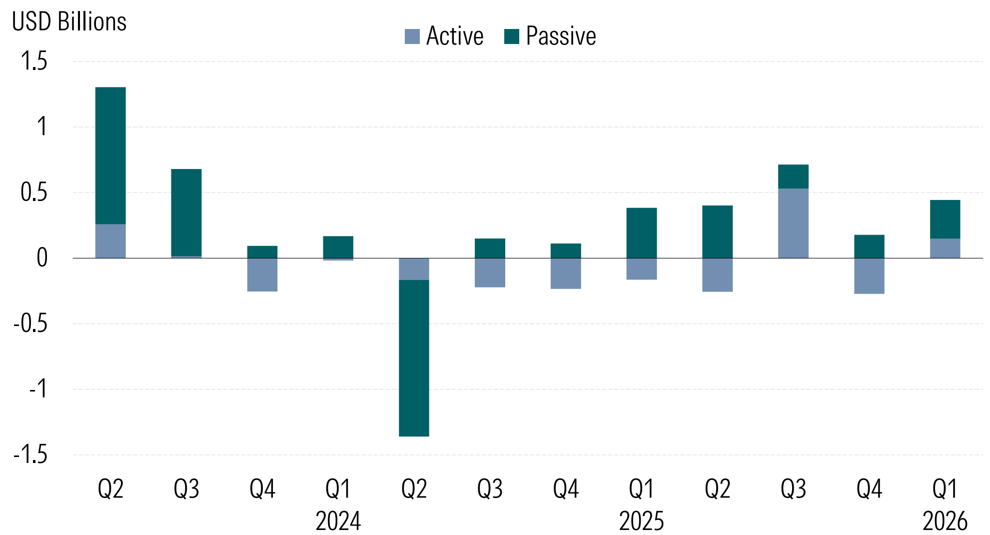
Despite legal actions in late 2025 creating uncertainty around the future of California's SB 253 and SB 261, the relevant regulatory authority of the California Air and Resources Board has finalized regulations for both in the first quarter of 2026. While SB 261, which addresses climate-related financial risks, remains halted owing to a granted injunction, SB 253, which deals with the reporting of greenhouse gas emissions, will require reporting of Scope 1 and 2 emissions from later this year. The additional requirement for reporting Scope 3 emissions under SB 253 has been deferred for future rulemaking. This was also an area of focus for the oral arguments made before the US Court of Appeals for the 9th Circuit in January. Until the court cases are resolved, there will continue to be uncertainty for companies subject to these regulations and investors seeking the information disclosed by them.

Canada

2026 Kicks off with Positive Flows

In the first quarter of the year, investors poured USD 443 million into Canadian sustainable funds, compared with a restated withdrawal of USD 93 million in the previous quarter. Passive funds attracted 67% of all the flows, contributing USD 295 million of new money. Active funds recorded inflows of USD 147 million, a 154% increase compared with last quarter.

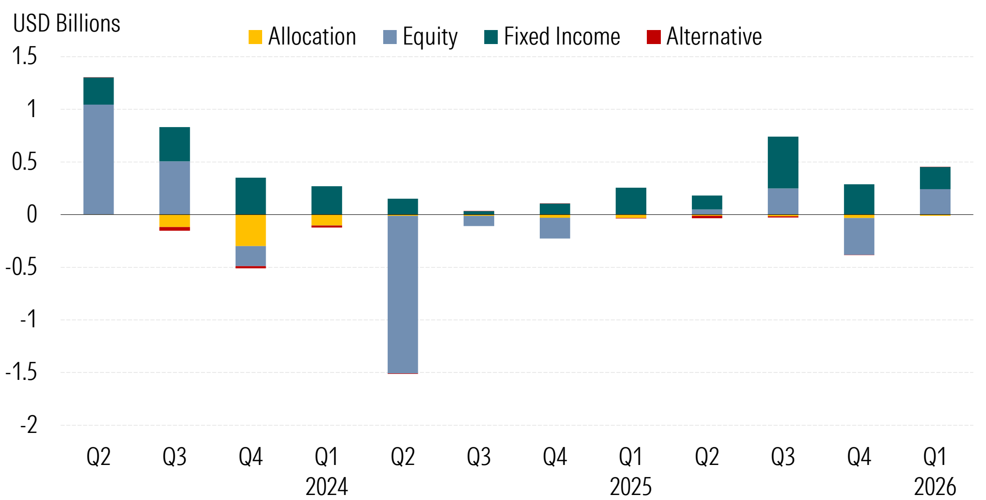
Exhibit 25 Canada Sustainable Fund Flows



Source: Morningstar Direct. Data as of May 2026.

In the first quarter, investors added USD 241 million to sustainable Canadian equities, a similar level to the third quarter of 2025 following outflows of USD 350 million in the fourth quarter of 2025. In contrast, investors withdrew funds from fixed Income, which recorded outflows amounting to USD 77 million. The Equity iShares ESG Aware MSCI Emerging Markets Index ETF recorded a growth of USD 164.5 million, making it the largest sustainable fund by far in Canada in the first quarter at USD 3.5 billion.

Exhibit 26 Canada Sustainable Flows by Asset Class

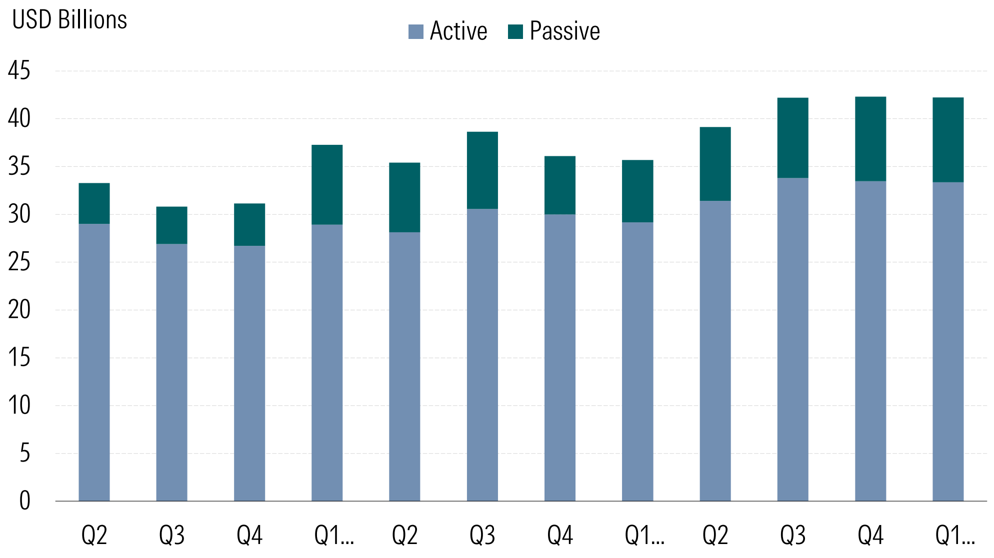


Source: Morningstar Direct. Data as of May 2026.

Assets Drop Slightly

The Canadian sustainable fund asset pool stood at USD 42 billion at the end of March, a mere 0.2% decrease from the previous quarter, marking the third consecutive quarter at a similar level. In comparison, the Morningstar Canada Target Market Exposure Index gained 1.18% over the same period. Active strategies remain the preference among investors, accounting for 79% of total fund assets.

Exhibit 27 Canada Sustainable Fund Assets

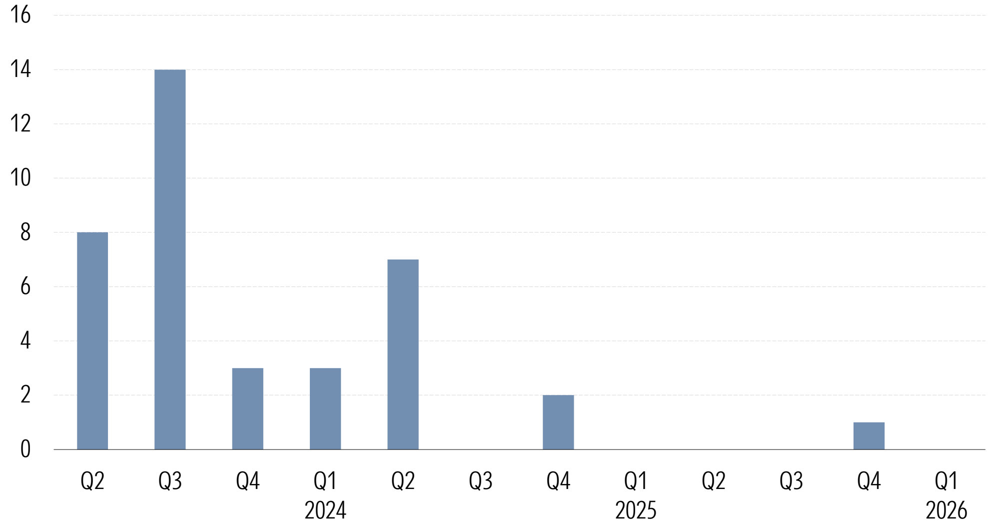


Source: Morningstar Direct. Data as of May 2026.

Product Development Activity at a Standstill

The year 2026 followed the same muted trend as 2025, with no new fund launches in Canada in the first quarter. On the closure side, Desjardins liquidated another two funds from its sustainable product lineup, **Desjardins Sustainable American Small Cap Equity** and **Desjardins Sustainable Canadian Equity Income.** The two funds had combined assets under management of USD 117 million prior to their closures.

Exhibit 28 Canada Sustainable Fund Launches



Source: Morningstar Direct. Data as of May 2026.

Regulatory Update

The CSA has remained firm in its 2025 decision to pause work on a specific climate-related disclosures rule while taking the stance that existing legislation requires companies to disclose material climate-related risks, but the way in which this information is reported may begin to change in 2026 with Canadian Sustainability Disclosure Standards going live. Finalized in December 2024, the CSDS are modelled after the ISSB IFRS S1 and S2, with minor modifications to account for the Canadian context. Voluntary adoption of the standards began in 2025, with the first disclosures due later in 2026 as firms look to publish within nine months of year-end for the first year of adoption.

Australia/New Zealand

Continued Inflows

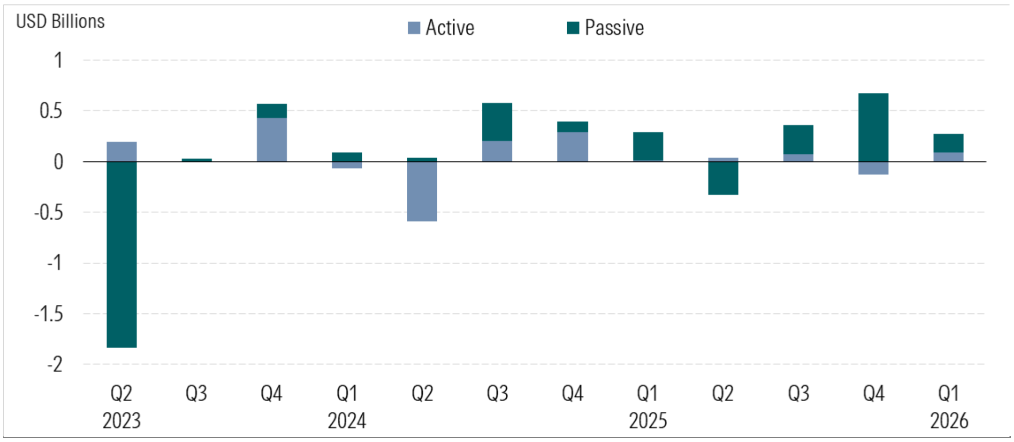
For the first quarter of 2026, the Australasian sustainable funds universe (Australia/New Zealand) recorded positive net inflows of around USD 275 million, based on flow data available up to March 31, 2026.

This marked the third consecutive quarter of positive net inflows, although the pace moderated compared with the roughly USD 900 million gathered over the second half of 2025.

Australasian active sustainable funds experienced net inflows of approximately USD 90 million, representing an improvement from the USD 120 million of net outflows recorded in the fourth quarter of 2025 (restated from the prior report's figure of USD 260 million in net outflows).

Passive sustainable funds attracted net inflows of more than USD 180 million during the quarter, though this was weaker than the USD 660 million recorded in the fourth quarter of 2025.

Exhibit 29 Australia/New Zealand Sustainable Fund Flows



Source: Morningstar Direct. Data as of May 2026.

Based on the available data, the total funds and ETF universe across Australia and New Zealand recorded net inflows of almost USD 18.4 billion in the quarter ended March 31, 2026. Passive strategies attracted approximately USD 11.2 billion in net inflows, while active strategies gathered around USD 7.2 billion.

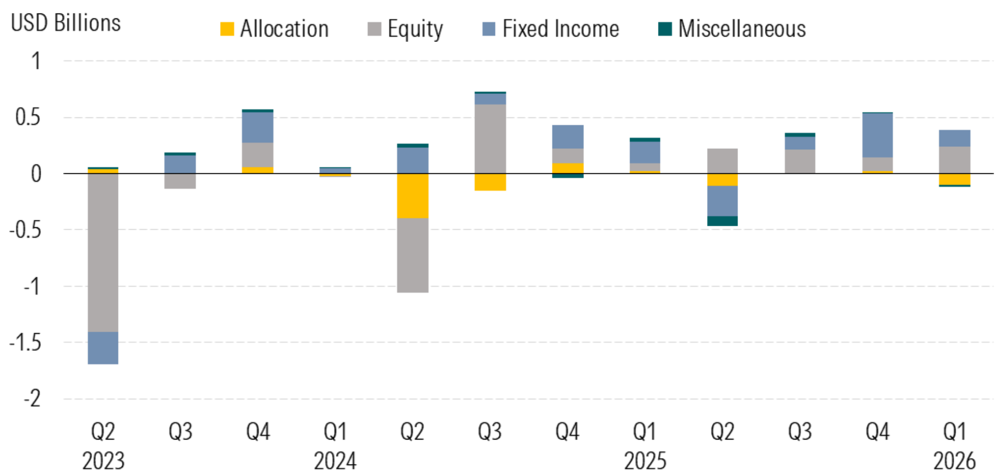
This builds on the strong momentum seen in the fourth quarter of 2025, when the region recorded roughly USD 14.4 billion in net inflows. Net inflows across Australia/New Zealand mutual fund and ETF universe have now remained positive for 10 consecutive quarters, totaling more than USD 100 billion over that period.

Equities Stands Out as the Largest Flow Contributor

In Australasia, flows were positive across two of the four major asset-class categories during the first quarter of 2026. Equity funds led the way with net inflows of around USD 240 million, followed by fixed-income funds with approximately USD 150 million in net inflows.

Allocation funds experienced nearly USD 100 million in net outflows, while the miscellaneous category saw net outflows of almost USD 18 million. Within the latter, real assets strategies recorded positive inflows, though these were more than offset by outflows from other strategies.

Exhibit 30 Australia/New Zealand Sustainable Flows by Asset Class

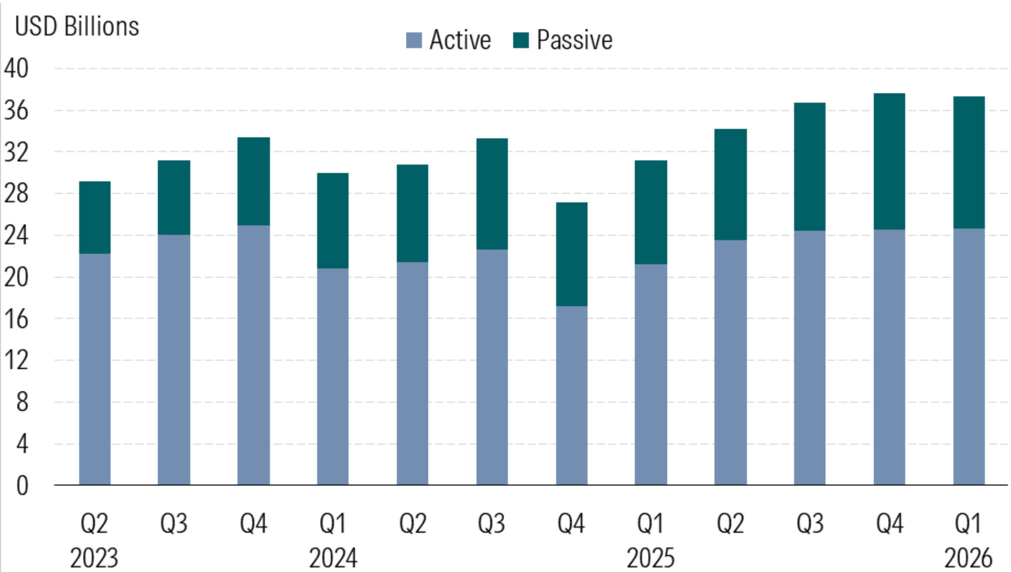


Source: Morningstar Direct. Data as of May 2026.

Assets Rise 5%, Bucking the Total Market Trend

Australasian sustainable investments are estimated at nearly USD 37.3 billion as of March 31, 2026, roughly USD 320 million (1%) lower than at Dec. 31, 2025. This modest contraction is consistent with market moves over the period, with Australian equities down 1.6% and global equities falling 6.2%.

Exhibit 31 Australia/New Zealand Sustainable Fund Assets (USD Billion)



Source: Morningstar Direct. Data as of May 2026.

As of Feb. 28, 2026, the total Australia/New Zealand mutual fund and ETF universe stood at more than USD 850 billion in assets. Conventional, or broader-market, funds accounted for approximately USD 815 billion of the asset base, while sustainable funds represented more than USD 37 billion.

Sustainable funds accounted for around 4.6% of the total Australia/New Zealand fund and ETF universe. This share has remained broadly rangebound above 4.5% over the past three years, reaching a peak of 4.93% in the first quarter of 2025.

Top 10 Firms by Total Assets in Sustainable Funds

The Australian sustainable funds market remains quite concentrated, with the top 10 firms accounting for approximately 72.5% of total assets in sustainable funds.

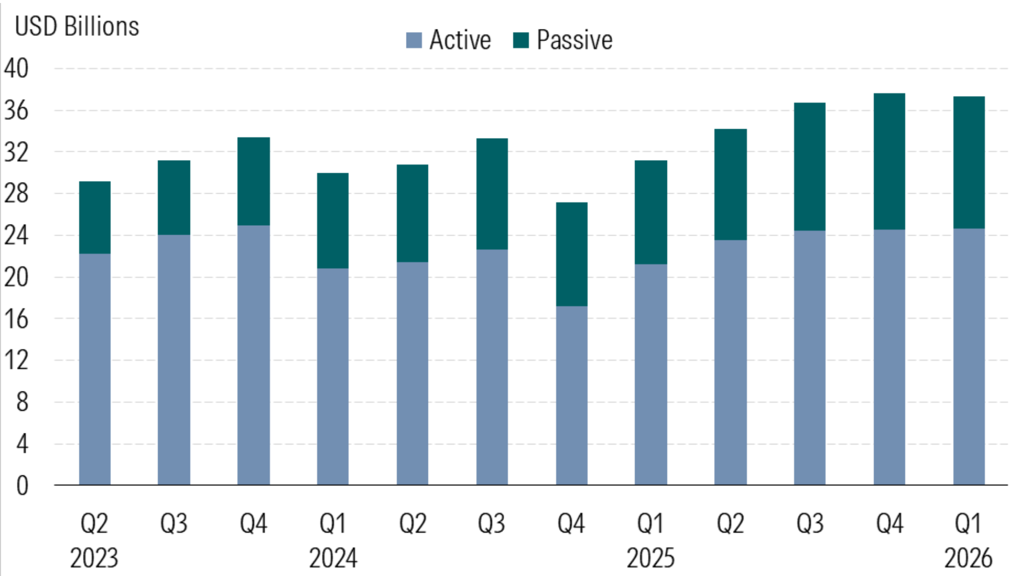
Exhibit 32 Top 10 Australia/New Zealand Fund Houses

Firm Name	% of ESG Market Share
DFA Australia Limited	19.4%
BetaShares Capital Ltd	11.0%
Russell Investment Management Limited	8.5%
Vanguard Investments Australia Ltd	7.7%
BlackRock Investment Management (Australia) Limited	7.2%
Australian Ethical Investment Ltd	5.1%
Pendal Institutional Limited	4.4%
State Street Global Advisors (Aus) Ltd	4.0%
Mercer Investments (Australia) Limited	2.9%
Alphinity Investment Management Pty Ltd	2.4%

Source: Morningstar Direct, Manager Research. Data as of May 2026.

The top 10 fund houses by sustainable fund assets are listed below, based on available data as of March 31, 2026. Dimensional has the highest market share, followed by Betashares and Russell Investment Management, which displaced Vanguard for third place this quarter.

Exhibit 33 Top Australia/New Zealand Fund Houses by Sustainable Assets



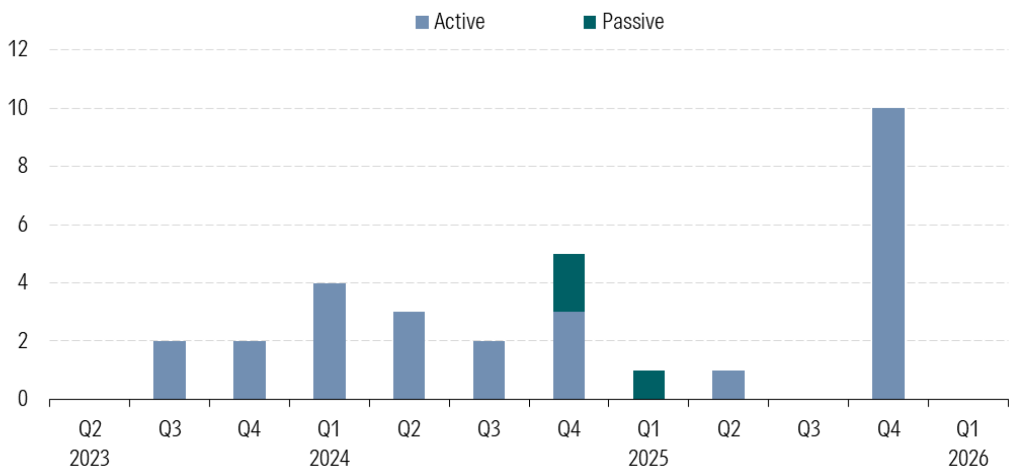
Source: Morningstar Direct. Data as of May 2026.

Launches and Closures

There were no new launches over the first quarter of 2026, but two active strategies have closed: **Baillie Gifford Sustainable Growth** and **Apostle Carbon Credit**.

As of the end of March 2026, we counted 254 funds in our Australasian sustainable fund universe.

Exhibit 34 Australia/New Zealand Sustainable Fund Launches



Source: Morningstar Direct. Data as of May 2026.

Regulatory Update

Progress is being made toward the sustainable investment product labeling regime, with National Treasury having released a consultation paper in February 2026. It sought views on potential policy around the sustainable financial product labeling frameworks. Key guidance in the consultation paper indicated the regime is targeted at retail investors and seeks to improve trust, clarity, and comparability among products marketed as "sustainable" or similar. The proposed framework is claims-based, applying only where sustainability-related terminology is used in a product's name or marketing rather than across the entire fund universe.

Key elements under consultation include:

- A claims-based scope (triggered by sustainability terminology in product names or marketing)
- Mandatory consumer-facing disclosures to supplement lengthy Product Disclosure Statements
- A principles-based evidentiary standard requiring claims to be supported by robust, credible evidence

The Treasury is consulting on whether funds should be subject to a minimum sustainability alignment threshold (with international reference points around 70%–80%) or instead be required to disclose the proportion of assets aligned with stated sustainability objectives. The regime is intended to complement existing ASIC greenwashing enforcement, not replace it, and it remains proposed rather than legislated, with a target start date around 2027 subject to final policy design.

New Zealand, by contrast, continues with a disclosure-led, principles-based approach, without formal product labels, supported by the Financial Markets Authority guidance and the ongoing development of a national sustainable finance taxonomy.

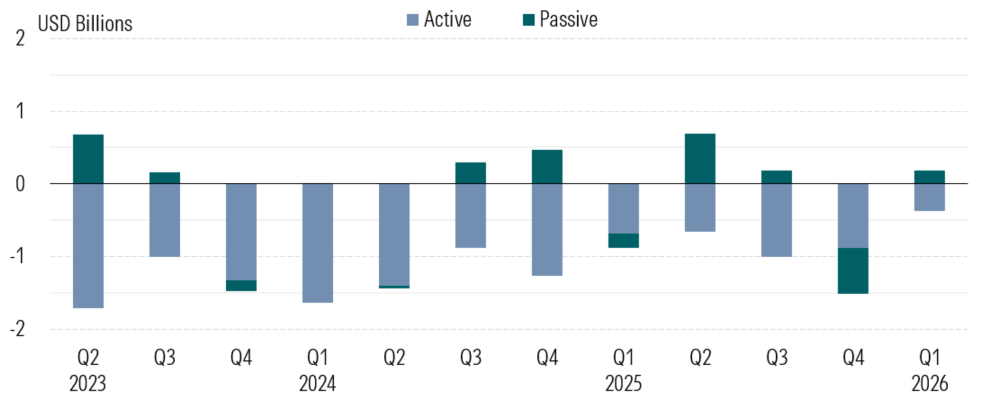
Japan

Outflows Persist While Slowing Down

In the first quarter of 2026, Japanese sustainable funds recorded a 15th consecutive quarter of net outflows, totaling USD 180 million in net redemptions. However, the pace of redemptions slowed significantly to roughly one-tenth of the previous quarter's level. This still contrasts with the broader Japanese fund landscape, which registered inflows of USD 42 billion during the same period.

Actively managed sustainable funds extended their streak of net redemptions into a 16th consecutive quarter, with first-quarter outflows of USD 370 million, roughly half the level recorded in the previous quarter. Passively managed sustainable funds rebounded from a brief period of outflows but were insufficient to offset active fund redemptions, recording net inflows of USD 190 million during the quarter.

Exhibit 35 Japan Sustainable Fund Flows (USD Billion)



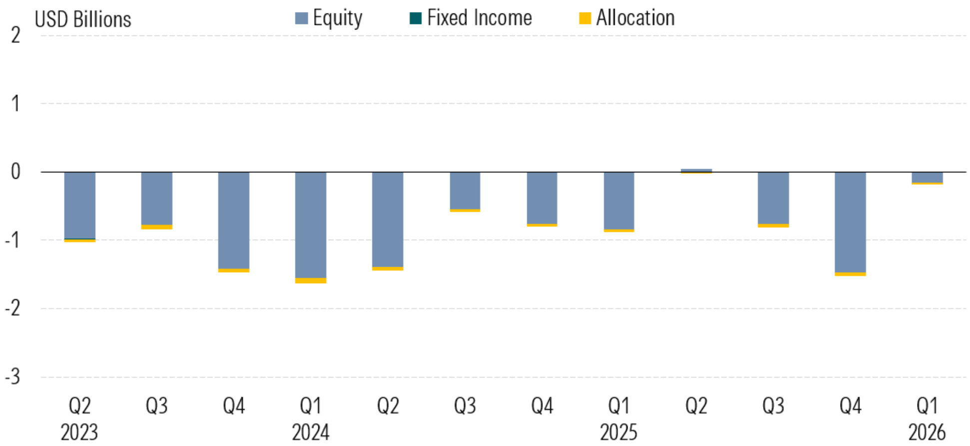
Source: Morningstar Direct. Data as of May 2026.

It should be noted that there is a possibility of double-counting at the global level. We include Japan-domiciled funds of funds and feeder funds in this review to better reflect the actual flow situation in the Japanese fund market, as many Japanese funds of funds are invested in European funds.

Global X Japan Global Leaders ETF led net inflows in the first quarter, attracting approximately USD 156 million. The ETF is tracking the index that invests in Japanese company leaders with strong international operations, applying ESG scoring to inform portfolio weightings while excluding companies involved in sectors such as tobacco, alcohol, and gambling.

Japanese sustainable equity funds, which make up over 95% of the Japanese sustainable fund universe, recorded net outflows of USD 155 million during the first quarter of 2026, while sustainable fixed-income funds posted net redemptions of only USD 2 million, and sustainable allocation funds experienced withdrawals of USD 22 million.

Exhibit 36 Japan Sustainable Fund Flows by Asset Class (USD Billion)

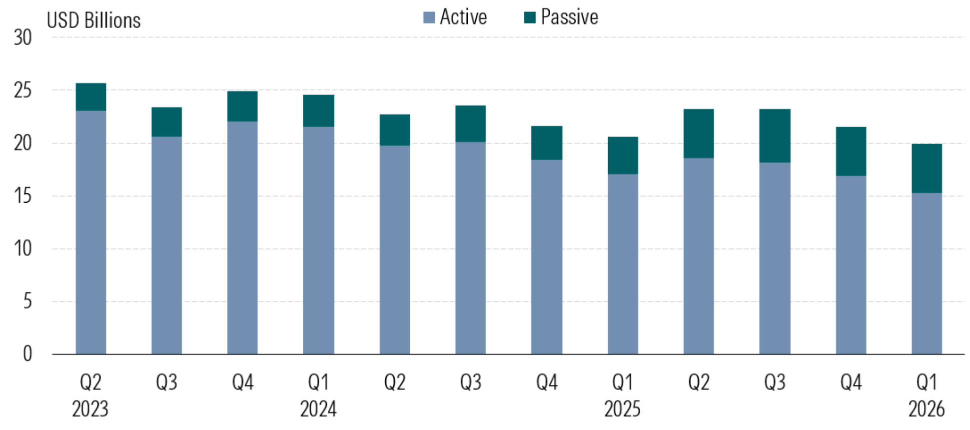


Source: Morningstar Direct. Data as of May 2026.

Assets Decline With a Doubling of Passively Managed Assets Share

Total assets in Japan-domiciled sustainable funds declined by 7% quarter on quarter, standing at USD 20 billion at the end of March 2026, as persistent net outflows continued to weigh on asset levels. Over the same period, the broader Japanese equity market, measured by the Morningstar Japan PR JPY Index, rose by 2.6%. Actively managed funds remain the dominant segment, accounting for 76% of total sustainable fund assets. However, persistent outflows from active strategies alongside inflows into passive vehicles have led the share of passively managed funds to more than double since the second quarter of 2023.

Exhibit 37 Japan Sustainable Fund Assets (USD Billion)

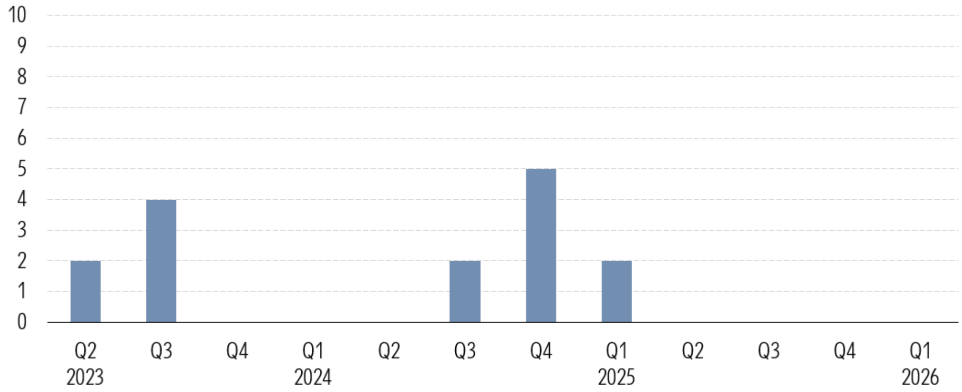


Source: Morningstar Direct. Data as of May 2026.

Product Development Activity Stays Muted

Japan recorded no new sustainable fund launches in the past three months, and none have come to market since the first quarter of 2025.

Exhibit 38 Japan Sustainable Fund Launches



Source: Morningstar Direct. Data as of May 2026.

Regulatory Update

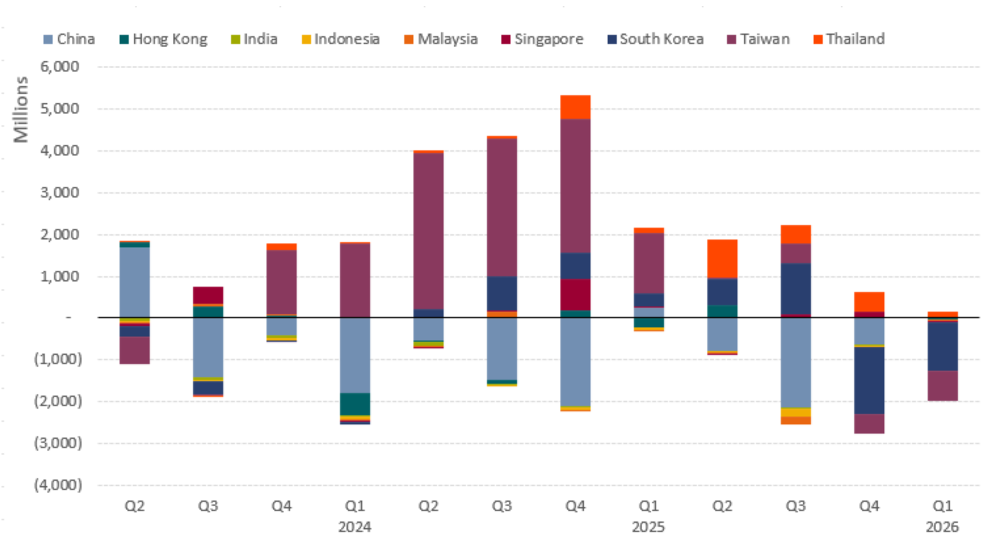
In April 2026, draft revisions to Japan's Corporate Governance Code were released following multiple expert panel discussions in 2025 and 2026, with public consultation conducted by the Tokyo Stock Exchange until May 15, 2026. The proposed changes place greater scrutiny on companies' balance-sheet efficiency, explicitly requiring assessment of financial asset holdings, including cash, to ensure alignment with growth investment and capital productivity objectives. The draft also advances earlier disclosure of financial information ahead of annual general meetings, with a lead time of three weeks emerging as the expected standard. While deliberations remain ongoing, the revised code represents the first update since 2021.

In January, Japan's Financial Services Agency published a Working Group report on Disclosure and Assurance of Sustainability-related Financial Information alongside a roadmap for statutory sustainability reporting. The report confirms a phased adoption of the Sustainability Standards Board of Japan standards, with mandatory application for Prime Market-listed companies based on average market capitalization. The rollout will begin with companies valued at JPY 3 trillion or more (USD 19 billion) for the fiscal year ending March 2027, followed by those between JPY 1 trillion and JPY 3 trillion from the fiscal year ending March 2028, and those between JPY 500 billion and JPY 1 trillion from the fiscal year ending March 2029. Mandatory assurance will follow one year after each phase of required adoption, beginning in March 2030. The report reinforces a policy direction toward timely and integrated disclosure, indicating that sustainability information should be incorporated into annual securities reports without extending existing filing deadlines, thereby tightening reporting discipline. It also signals a more flexible assurance regime, with regulators considering a registration-based system that allows qualified non-audit providers to participate, reflecting capacity constraints and a desire to foster competition.

Asia ex-Japan

We used the most recent data available within the past quarter for funds whose full quarterly data was unavailable at the time of publication. Because China data was not available, we used fourth-quarter 2025 data as a proxy for first-quarter 2026 data in the Asia ex-Japan Sustainable Fund Assets exhibit within this section.

Exhibit 39 Asia ex-Japan Sustainable Fund Flows by Country (USD Billion)



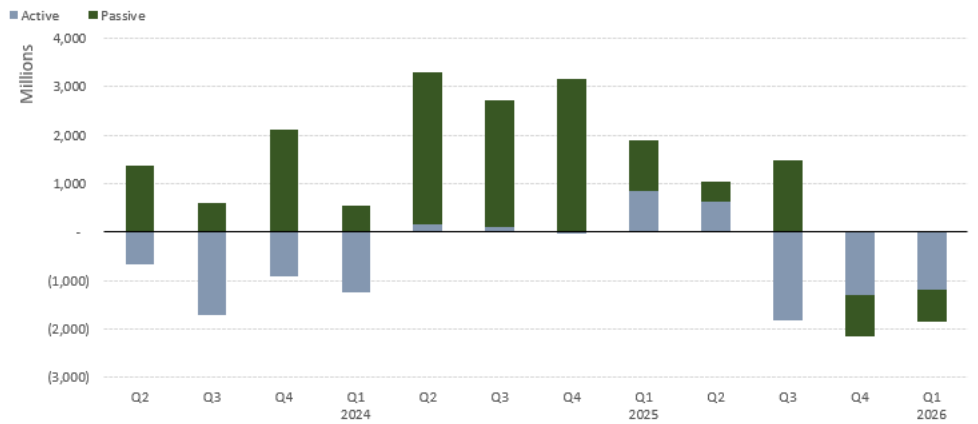
Source: Morningstar Direct. Data as of May 2026. China is not included in fourth-quarter flows owing to data unavailability.

China-domiciled sustainable funds recorded USD 639 million in outflows in the fourth quarter of 2025, representing a third consecutive quarter of net outflows. The biggest single-fund outflow came from **Huatai-PineBridge CSI Photovoltaic Industry ETF**, an ETF tracking the CSI Photovoltaic Industry Index, which saw USD 407 million in net redemptions during the quarter. The index is a free-float adjusted, market-cap-weighted benchmark that acts as a barometer for China A-shares in the solar power sector. This marked the fund's third consecutive quarter of outflows, with redemptions accelerating sharply from approximately USD 10 million and USD 24 million in the preceding two quarters.

Sustained Outflows Across the Region

Excluding China, the Asia ex-Japan region posted USD 1.8 billion in net outflows in the first quarter of 2025, marking the second consecutive quarter of outflows.

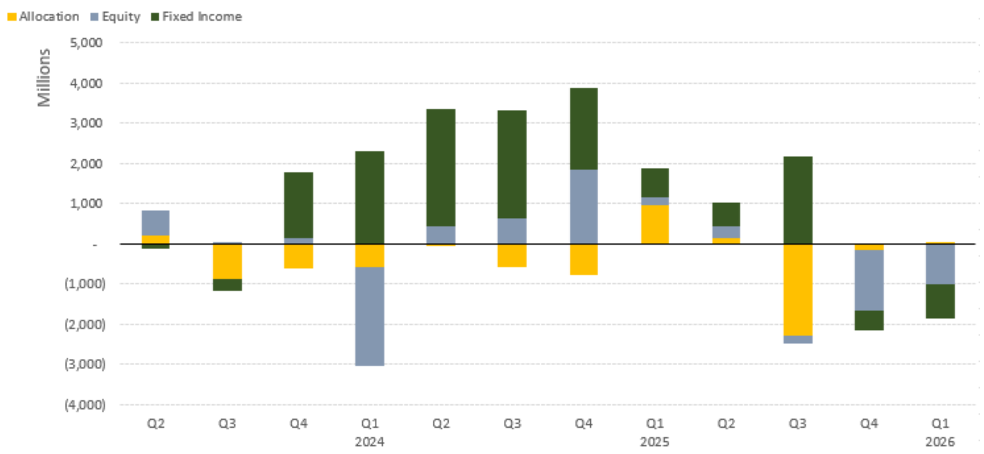
Exhibit 40 Asia ex-Japan Sustainable Fund Flows (USD Billion)



Source: Morningstar Direct. Data as of December 2025. China is not included in fourth-quarter flows owing to data unavailability.

South Korea continued to lead the decline with USD 1.2 billion in outflows, while Taiwan registered USD 733 million in outflows, the second-largest outflow in the quarter. The market's largest sustainable fund, **Cathay Sustainability High Dividend ETF**, continued to draw the largest outflows in the market at USD 1.0 billion. Within South Korea, fixed income accounted for most of the outflows mainly on account of redemptions from **KIM Credit Focus ESG Feeder Bond 1**. The fund saw USD 894 million withdrawn during the quarter, its second consecutive quarter of outflows.

Exhibit 41 Asia ex-Japan Sustainable Fund Flows by Asset Classes (USD Billion)



Source: Morningstar Direct. Data as of May 2026. China is not included in fourth-quarter flows owing to data unavailability.

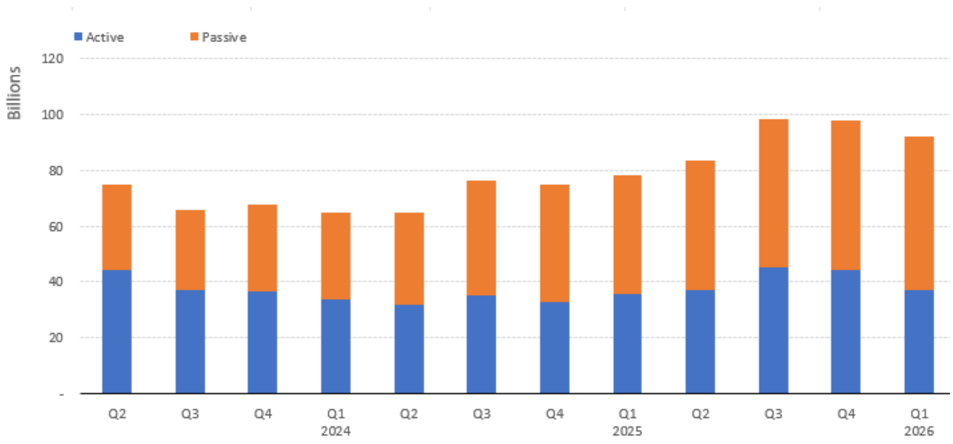
Thailand continued to stand out as a positive contributor, attracting USD 117 million in inflows, supported by Thai ESG bond funds such as **KKP Government Bond Thailand ESG** and **SCB Thai Sustainability Bond**.

The quarter saw outflows across asset classes, though equity funds accounted for most of the outflows mainly owing to redemptions from Taiwan-domiciled **Cathay Sustainability High Dividend ETF**. The fund saw USD 1.0 billion withdrawn during the quarter, the third consecutive quarter of outflows.

Assets Decline Modestly Amid Continued Outflows

Total sustainable fund assets in Asia ex-Japan (including China) closed the first quarter of 2026 at USD 92.2 billion, down 5.7% from the prior quarter's reconstituted AUM. Passive funds represented USD 55.0 billion (59.6%), while active funds accounted for USD 37.2 billion (40.4%).

Exhibit 42 Asia ex-Japan Sustainable Fund Assets (USD Billion)



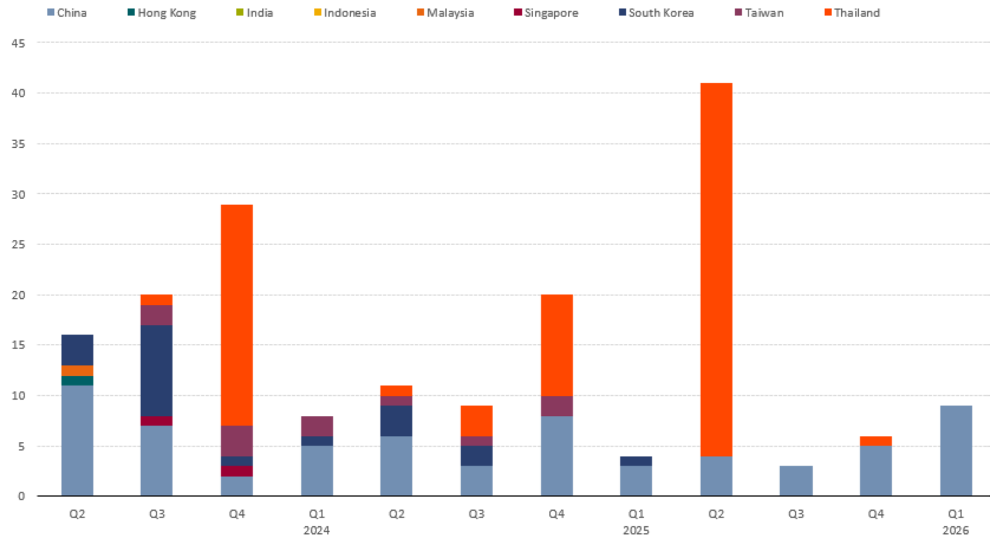
Source: Morningstar Direct. Data as of December 2025. Because China's fourth-quarter data was unavailable, we used third-quarter data as a proxy for fourth-quarter assets.

After China (for which up-to-date data was not available at the time of publication), Taiwan remains the second-largest market, making up roughly one-third of total Asia ex-Japan AUM or two-thirds of ex-China assets. South Korea ranked next with a 6.1% share of total Asia ex-Japan assets, followed by Thailand (3.5%) and Singapore (2.1%), which together complete the top five. By asset class, regional assets are distributed across USD 54.5 billion in equity, USD 22.0 billion in fixed income, and USD 15.4 billion in allocation strategies.

China Dominates New Fund Launch Activity

In the first quarter of 2026, nine sustainable funds were incepted in the Asia ex-Japan region. All new launches were in China, including eight passive products and one active strategy: **Guotai Haitong Low Carbon Economy Securities Investment Mix A**, an allocation fund. The equity portion accounts for 60%-95% of the fund's assets and is primarily invested in securities related to the low-carbon economy theme.

Exhibit 43 Asia ex-Japan Sustainable Fund Launches



Source: Morningstar Direct. Data as of May 2026.

Within the passive launches, four tracked the CSI Photovoltaic Industry Index, three tracked new energy themed indexes—CSI New Energy Vehicle Index, ChiNext New Energy Index, and CSI New Energy Vehicle Battery Index—and the remaining fixed-income strategy tracked the ChinaBond High-Grade Technology Innovation and Green Bond Index.

Regulatory Update

During the first quarter of 2026, regulatory bodies and government-related agencies continued to expand and strengthen sustainability-focused initiatives relevant to the asset-management sector. Hong Kong's Green and Sustainable Finance Cross-Agency Steering Group (co-led by The Hong Kong Monetary Authority and The Securities and Futures Commission) set out its strategic priorities for 2026 to 2028 in January to further strengthen Hong Kong's role as a sustainable finance center. Building on the 2023-25 priorities, which focused on ISSB-aligned disclosure, product innovation, technology adoption, and capacity building, the 2026-28 priorities are anchored on two pillars: enhance sustainability disclosure, sustainable finance markets, external engagement, and talent development, and focus on transition finance and adaptation finance.

The HKMA also published the Hong Kong Taxonomy for Sustainable Finance Phase 2A in January. The updated taxonomy builds on earlier work by the HKMA to create a clear and consistent framework for classifying economic activities that contribute to sustainability objectives. Among other updates, Phase 2A expanded on the decarbonization roadmap from the first phase by adding two new sectors, manufacturing and information communications and technology, and incorporating new green and transition activities for the energy and transportation sectors.

Meanwhile, in Taiwan, The Financial Supervisory Commission continues to implement the Green and Transition Finance Action Plan in alignment with Taiwan's climate policies and global sustainable development trends. Efforts during the first quarter of 2026 focused on expanding green and transition financing, preparing the rollout of a green stock designation framework later in 2026, and supporting sustainable bond issuance, including the first central government sustainable development bond issued in January 2026. The plan aims to channel financial resources toward industrial net-zero transition and facilitate reaching Taiwan's 2050 net-zero emissions goals.

To strengthen corporate governance, the South Korea Financial Services Commission approved revised rules on corporate disclosures in January. The rule changes are aimed at expanding the scope of listed companies being subject to the mandatory English disclosure requirement and making corporate disclosure practices more transparent regarding annual general meetings of shareholders and executive compensation.

Appendix

Defining the Global Sustainable Fund Universe

The global sustainable fund universe encompasses open-end funds and ETFs that, by prospectus or other regulatory filings, claim to focus on sustainability, impact, or ESG factors.

Our definition differs from the EU's SFDR, which defines "sustainable investments" at a holdings level.[2] Our definition is not based on any regulatory framework, nor does it meet the criteria of any particular regulatory framework.

Our universe of sustainable funds is based on intentionality rather than on holdings. To identify intentionality, we relied on a combination of fund names (a strong indicator of intentionality) and information found in fund documents. The fund's documents should contain enough details to leave no doubt that ESG concerns figure prominently in the security selection and portfolio construction process.

The global sustainable fund universe does not contain the growing number of funds often referred to as "ESG integrated funds," which formally consider ESG criteria in the investment process and engage with portfolio holdings but do not make ESG considerations the focus of the investment process.

Furthermore, the global sustainable fund universe does not include funds that employ limited exclusionary screens, such as controversial weapons, tobacco, and thermal coal (combined with an ESG integration approach or not). We, however, include ESG-screened passive funds in our universe, as the exclusions are typically the sole purpose of the strategy.

Finally, when calculating flows and assets, we exclude feeder funds and funds of funds to avoid double-counting. We make an exception for Japan and South Korea to better reflect the actual flow situations there, as many Japanese funds of funds are invested in European funds. Money market funds are excluded from all markets.

To identify sustainable funds in their respective regions, analysts use the ESG Intentional Investment—Overall datapoint (formerly known as Sustainable Investment—Overall) in Morningstar Direct. We also

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

- An investment in an economic activity that contributes to an environmental objective, as measured, for example, by key resource efficiency indicators on the use of energy, renewable energy, raw materials, water, and land, on the production of waste, and greenhouse gas emissions, or on its impact on biodiversity and the circular economy;
- Or an investment in an economic activity that contributes to a social objective, in particular an investment that contributes to tackling inequality or that fosters social cohesion, social integration, and labor relations, or an investment in human capital or economically or socially disadvantaged communities;
- Provided that such investments do not significantly harm any of those objectives;
- And provided that the investee companies follow good governance practices, in particular with respect to sound management structures, employee relations, remuneration of staff, and tax compliance.

use the ESG Intentional Investment Overall Start Date data point to account for repurposed funds, where relevant.

General Disclosure
"Morningstar" is used throughout this section to refer to Morningstar, Inc., and/or its affiliates, as applicable. Unless otherwise provided in a separate agreement, recipients of this report may only use it in the country in which the Morningstar distributor is based. Unless stated otherwise, the original distributor of the report is Morningstar Research Services LLC, a USA-domiciled financial institution.

This report is for informational purposes only, should not be the sole piece of information used in making an investment decision, and has no regard to the specific investment objectives, financial situation, or particular needs of any specific recipient. This publication is intended to provide information to assist investors in making their own investment decisions, not to provide investment advice to any specific investor. Therefore, investments discussed and recommendations made herein may not be suitable for all investors; recipients must exercise their own independent judgment as to the suitability of such investments and recommendations in the light of their own investment objectives, experience, taxation status, and financial position.

The information, data, analyses, and opinions presented herein are not warranted to be accurate, correct, complete, or timely. Unless otherwise provided in a separate agreement, neither Morningstar, Inc., nor the Research Group represents that the report contents meet all of the presentation and/or disclosure standards applicable in the jurisdiction the recipient is located.

Except as otherwise required by law or provided for in a separate agreement, the analyst, Morningstar, Inc., and the Research Group and their officers, directors, and employees shall not be responsible or liable for any trading decisions, damages, or other losses resulting from, or related to, the information, data, analyses, or opinions within the report. The Research Group encourages recipients of this report to read all relevant issue documents—a prospectus, for example—pertaining to the security concerned, including without limitation, information relevant to its investment objectives, risks, and costs before making an investment decision and, when deemed necessary, to seek the advice of a legal, tax, and/or accounting professional.

The report and its contents are not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any locality, state, country, or other jurisdiction where such distribution, publication, availability, or use would be contrary to law or regulation or that would subject Morningstar, Inc., or its affiliates to any registration or licensing requirements in such jurisdiction.

Where this report is made available in a language other than English and in the case of inconsistencies between the English and translated versions of the report, the English version will control and supersede any ambiguities associated with any part or section of a report that has been issued in a foreign language. Neither the analyst, Morningstar, Inc., nor the Research Group guarantees the accuracy of the translations.

This report may be distributed in certain localities, countries, and/or jurisdictions ("territories") by independent third parties or independent intermediaries and/or distributors ("distributors"). Such distributors are not acting as agents or representatives of the analyst, Morningstar, Inc., or the Research Group. In territories where a distributor distributes our report, the distributor is solely responsible for complying with all applicable regulations, laws, rules, circulars, codes, and guidelines established by local and/or regional regulatory bodies, including laws in connection with the distribution of third-party research reports.

Risk Warning
Please note that investments in securities are subject to market and other risks and there is no assurance or guarantee that the intended investment objectives will be achieved. Past performance of a security may or may not be sustained in future and is no indication of future performance. A security investment return and an investor's principal value will fluctuate so that, when redeemed, an investor's shares may be worth more or less than their original cost.

A security's current investment performance may be lower or higher than the investment performance noted within the report. Morningstar's Uncertainty Rating serves as a useful data point with respect to sensitivity analysis of the assumptions used in our determining a fair value price.

- Morningstar's overall earnings are generated in part by the activities of the Investment Management and Research groups, and other affiliates, who provide services to product issuers. Morningstar does not receive commissions for providing research and does not charge issuers to be rated.
- Morningstar employees may not pursue business or employment opportunities outside Morningstar within the investment industry (including, but not limited to, working as a financial planner, an investment professional or investment professional representative, a broker/dealer or broker/dealer agent, a financial writer, reporter, or analyst) without the approval of Morningstar's Legal and, if applicable, Compliance teams.
- Certain managed investments use an index created by and licensed from Morningstar, Inc. as their tracking index. We mitigate any actual or potential conflicts of interests resulting from that by not producing qualitative analysis on any such managed investment as well as imposing information barriers (both technology and no-technology) where appropriate and monitoring by the compliance department.

- Neither Morningstar, Inc., nor the Research Group is a market maker or a liquidity provider of the securities noted within this report.
- Neither Morningstar, Inc., nor the Research Group has been a lead manager or co-lead manager over the previous 12 months of any publicly disclosed offer of financial instruments of the issuer.
- Morningstar, Inc.'s Investment Management group has arrangements with financial institutions to provide portfolio management/investment advice, some of which an analyst may issue investment research reports on. In addition, the Investment Management group creates and maintains model portfolios whose underlying holdings can include financial products, including securities that may be the subject of this report. However, analysts do not have authority over Morningstar's Investment Management group's business arrangements or allow employees from the Investment Management group to participate or influence the analysis or opinion prepared by them.
- Morningstar, Inc., is a publicly traded company (ticker: MORN) and thus a financial institution the security of which is the subject of this report may own more than 5% of Morningstar, Inc.'s total outstanding shares. Please access Morningstar, Inc.'s proxy statement, section "Security Ownership of Certain Beneficial Owners and Management," at https://shareholders.morningstar.com/investor-relations/financials/sec-filings/default.aspx. A security's holding of Morningstar stock has no bearing on and is not a requirement for which securities Morningstar determines to cover.

Morningstar, Inc. may provide the product issuer or its related entities with services or products for a fee and on an arm's-length basis, including software products and licenses, research and consulting services, data services, licenses to republish our ratings and research in their promotional material, event sponsorship, and website advertising.

Further information on Morningstar's conflict-of-interest policies is available at http://global.morningstar.com/equitydisclosures. Please note analysts are subject to the CFA Institute's Code of Ethics and Standards of Professional Conduct.
For a list of securities the Research Group currently covers and provides written analysis on, or for historical analysis of covered securities, including fair value estimates, please contact your local Morningstar office. Morningstar Research methodologies can be found at Investor Relations | Morningstar, Inc.

For current Morningstar clients, please reach out to your respective Client Success Manager for more information on how you can best leverage this research within your firm. For all others, please reach out to our business development team at dtainsidesales@morningstar.com to learn more about Morningstar's various offerings and more details about how you can leverage this research.

For recipients in Australia: This report has been issued and distributed in Australia by Morningstar Australasia Pty. Ltd. (ABN: 95 090 665 544; ASFL: 240892). Morningstar Australasia Pty. Ltd. is the provider of the general advice ("the service") and takes responsibility for the production of this report. The service is provided through the research of investment products. To the extent the report contains general advice, it has been prepared without reference to an investor's objectives, financial situation, or needs. Investors should consider the advice in light of these matters and, if applicable, the relevant Product Disclosure Statement before making any decision to invest. Refer to our Financial Services Guide for more information at http://www.morningstar.com.au/s/fsg.pdf.

For recipients in New Zealand: This report has been issued and distributed by Morningstar Australasia Pty Ltd and/or Morningstar Research Ltd (together "Morningstar"). This report has been prepared and is intended for distribution in New Zealand to wholesale clients only and has not been prepared for use by New Zealand retail clients (as those terms are defined in the Financial Markets Conduct Act 2013).

The information, views, and any recommendations in this material are provided for general information purposes only, and solely relate to the companies and investment opportunities specified within. Our reports do not take into account any particular investor's financial situation, objectives, or appetite for risk, meaning no representation may be implied as to the suitability of any financial product mentioned for any particular investor. We recommend seeking financial advice before making any investment decision.

For recipients in Canada: This research is not prepared subject to Canadian disclosure requirements.

For recipients in Europe: This report is distributed by Morningstar Holland B.V., a wholly owned subsidiary of Morningstar, Inc. Morningstar Holland B.V. is not required to be regulatory by the European Securities and Markets Authority for the provision of investment research data. The analyst/s involved in the creation of the report do not take into account any particular investor's financial situation, objectives, or appetite for risk, meaning no representation may be implied as to the suitability of any financial product mentioned for any particular investor. Registered address: Haaksbergweg 58, 9th Floor, 1101 BZ Amsterdam, North Holland, Netherlands.

For recipients in India: This report is issued by Morningstar Investment Research India Private Limited (formerly known as Morningstar Investment Adviser India Private Limited). Morningstar Investment Research India Private Limited is registered with SEBI as an Investment Adviser (Registration number INA000001357), as a Portfolio Manager (Registration number INP000006156) and as a Research Entity (Registration Number INH000008686). Morningstar Investment Research India Private Limited has not been the subject of any disciplinary action by SEBI or any other legal/regulatory body. Morningstar Investment Research India Private Limited is a wholly owned subsidiary of Morningstar Investment Management LLC. In India, Morningstar Investment Research India Private Limited has one associate, Morningstar India Private Limited, which provides data related services, financial data analysis, and software development. The Research Analyst has not served as an officer, director, or employee of the fund company within the last 12 months, nor has it or its associates engaged in market making activity for the fund company.

For Recipients in Hong Kong: The report is distributed by Morningstar Investment Management Asia Limited, which is regulated by the Hong Kong Securities and Futures Commission to provide investment research and investment advisory services to professional investors only. Neither Morningstar Investment Management Asia Limited, nor its representatives, are acting or will be deemed to be acting as an investment advisor to any recipients of this information unless expressly agreed to by Morningstar Investment Management Asia Limited.

For Recipients in Japan: This report is distributed by Morningstar Japan, Inc. for informational purposes only. Neither Morningstar Japan, Inc. nor its representatives are acting or will be deemed to be acting as an investment advisor to any recipients of this information.

For recipients in Korea: The report is distributed by Morningstar Korea Ltd., which has filed to Financial Supervisory Service, for informational purposes only. Neither Morningstar Korea Ltd., nor its representatives, are acting or will be deemed to be acting as an investment advisor to any recipients of this information.

For recipients in Singapore: This report is distributed by Morningstar Investment Adviser Singapore Pte Limited, which is licensed and regulated by the Monetary Authority of Singapore to provide financial advisory services in Singapore. Recipients of this report should contact their financial advisor in Singapore in relation to this report. Morningstar, Inc., and its affiliates rely on certain exemptions (Financial Advisers Regulations, Section 27(1)(e), Section 32, Band 32C) to provide its investment research to recipients in Singapore.

For recipients in the United Kingdom: This report is distributed by Morningstar UK Ltd, a wholly owned subsidiary of Morningstar, Inc. Morningstar UK Ltd. is not required to be registered nor authorized by the Financial Conduct Authority for the distribution of investment research data. The analyst/s involved in the creation of the report do not take into account any particular investor's financial situation, objectives, or appetite for risk, meaning no representation may be implied as to the suitability of any financial product mentioned for any particular investor. There are information barriers in place between Morningstar UK Ltd and Morningstar regulated entities based in the UK. Registered address: 1 Oliver's Yard 55-71 City Road London EC1Y 1HQ.

About Morningstar Manager Research

Morningstar Manager Research provides independent, fundamental analysis on managed investment strategies. Morningstar views are expressed in the form of Morningstar Medalist Ratings, which are derived through research of three Fundamental Pillars—People, Process, and Parent and a quantitative assessment of costs in the form of the Medalist Rating Price Score. The Morningstar Medalist Rating is the summary expression of Morningstar's forward-looking analysis of investment strategies as offered via specific vehicles using a rating scale of Gold, Silver, Bronze, Neutral, and Negative. A global research team issues detailed research reports on strategies that span vehicle, asset class, and geography.

Medalist Ratings are not statements of fact, nor are they credit or risk ratings, and should not be used as the sole basis for investment decisions. A Medalist Rating is not intended to be nor is a guarantee of future performance.

About Morningstar Manager Research Services

Morningstar Manager Research Services combines the firm's fund research reports, ratings, software, tools, and proprietary data with access to Morningstar's manager research analysts. It complements internal due-diligence functions for institutions such as banks, wealth managers, insurers, sovereign wealth funds, pensions, endowments, and foundations. Morningstar's manager research analysts are employed by various wholly owned subsidiaries of Morningstar, Inc. including but not limited to Morningstar Research Services LLC (USA), Morningstar UK Ltd, and Morningstar Australasia Pty Ltd.

For More Information

For current Morningstar clients, please reach out to your respective Client Success Manager for more information on how you can best leverage this research within your firm. For all others, please reach out to our business development team at dtainsidesales@morningstar.com to learn more about Morningstar's various offerings and more details about how you can leverage this research.

MORNINGSTAR®

22 West Washington Street
Chicago, IL 60602 USA