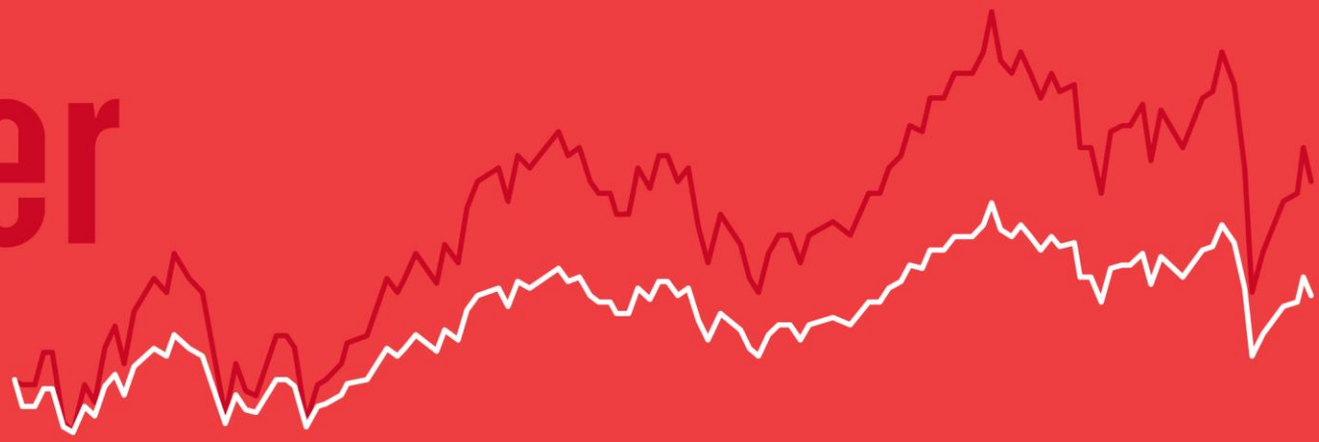
MORNINGSTAR

Silver



Gold

Global Sustainable Fund Flows Q3 2026

Bronze

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Important Disclosure
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Key Takeaways

Global sustainable funds, excluding China, attracted an estimated USD 6.5 billion in net inflows in the third quarter of 2026. Europe drove the positive result, offsetting renewed outflows in the US. China's third-quarter flows were not available at the time of publication, while Australia and New Zealand figures cover July and August only.

Europe recorded a third consecutive quarter of net inflows, gathering USD 9.4 billion, up from a revised USD 3.7 billion in the second quarter. Passive sustainable strategies attracted USD 10.8 billion, while active funds recorded USD 1.4 billion in outflows.

US sustainable funds returned to outflows, shedding USD 2.8 billion after attracting USD 3.0 billion in the previous quarter. Passive funds gathered USD 2.7 billion, but this was insufficient to offset USD 5.5 billion in active fund redemptions. Passive assets overtook active assets, reaching 51.5% of the US sustainable fund market.

Elsewhere, flows remained mixed. Canada attracted USD 97 million, and Australia and New Zealand gathered USD 155 million through August. Japan recorded USD 204 million in outflows, while Asia ex-Japan, excluding China, lost USD 144 million as inflows in Taiwan only partly offset outflows elsewhere.

Global sustainable fund assets fell to an estimated USD 3.79 trillion from a revised USD 3.87 trillion at the end of the second quarter. Europe and the US accounted for most of the decline, despite positive global net flows. Europe remained the largest market, representing approximately 84% of global assets.

Product development remained subdued. Europe recorded just three new sustainable fund launches, while no new funds launched in the US, Canada, Australia, New Zealand, or Japan. China remained the only source of new launches in Asia ex-Japan.

Source: Morningstar Direct. Flows and assets through Sept. 30, 2026, except Australia/New Zealand through Aug. 31. China's Q3 flows are unavailable and excluded; its assets are as of June 30. Launches cover the quarter ended Sept. 30. Historical figures have been revised.

See Important Disclosures at the end of this report.

Introduction

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. 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. More granular data are available in this report for Canada, Australia/New Zealand, and Japan. China, Hong Kong, India, Indonesia, Malaysia, Singapore, Taiwan, Thailand, and South Korea are grouped under Asia ex-Japan.

To ensure timely publication, China's flows and assets are reported with a one-quarter lag. China's third-quarter flows are therefore excluded from the current-quarter totals, while its assets reflect June 30, 2026. Australia and New Zealand flows and assets are reported with a one-month lag and cover the period through Aug. 31, 2026. Launch and closure data cover the full third quarter where available. These reporting lags should be considered when comparing regions and quarters.

The Global Landscape

The Global Sustainable Fund Universe

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

Owing to reporting lags, Australia and New Zealand flows and assets cover the period through Aug. 31, 2026. China's third-quarter flows are excluded, while its assets reflect June 30, 2026. These timing differences affect the global flow and asset estimates.

Global sustainable funds attracted an estimated USD 6.5 billion in net inflows during the quarter, excluding China. Europe gathered USD 9.4 billion, more than offsetting USD 2.8 billion in US outflows and approximately USD 97.0 million in net outflows across the Rest of the World.

At the end of the third quarter, global sustainable fund assets stood at an estimated USD 3.79 trillion, down 2.1% from the revised second-quarter total of USD 3.87 trillion. Europe accounted for approximately 84% of assets, followed by the US at 10%.

Exhibit 1. Global Sustainable Fund Statistics

	Flows (USD Bn)		AUM (USD Bn)	
Region	Q3 2026	Q2 2026	Q3 2026	Share (%)
Europe	9.4	3.7	3,189	84
United States	-2.8	3.0	389	10
Asia ex-Japan, ex-China	-0.1	-2.8	55	1
Canada	0.1	-0.6	44	1
Australia and New Zealand	0.2	0.4	41	1
Japan	-0.2	-0.2	22	1
China	Not Available Yet	-2.2	47	1
Global Total	**6.5**	**1.2**	**3,788**	**100**

Source: Morningstar Direct. Data through Sept. 30, 2026, except Australia/New Zealand flows and assets through Aug. 31. China's Q3 flows are excluded, and its Q2 assets carried forward. Q2 flows include subsequently reported China data. Historical figures are revised; totals may differ from displayed components because of rounding.

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European Inflows Support Global Flows as Assets Decline

Global sustainable funds attracted USD 6.5 billion in the third quarter, excluding China. Europe gathered USD 9.4 billion, offsetting US outflows of USD 2.8 billion. The Rest of the World lost USD 97 million, as gains in Canada and Australia/New Zealand were outweighed by outflows in Japan and Asia ex-China.

Global sustainable fund assets fell to an estimated USD 3.79 trillion from a revised USD 3.87 trillion in the previous quarter. European assets declined to USD 3.19 trillion and US assets to USD 389.0 billion, while the Rest of the World remained broadly unchanged at USD 211.0 billion. China's assets reflect June 30, and Australia and New Zealand figures extend only through August.

Exhibit 2. Quarterly Global Sustainable Fund Flows

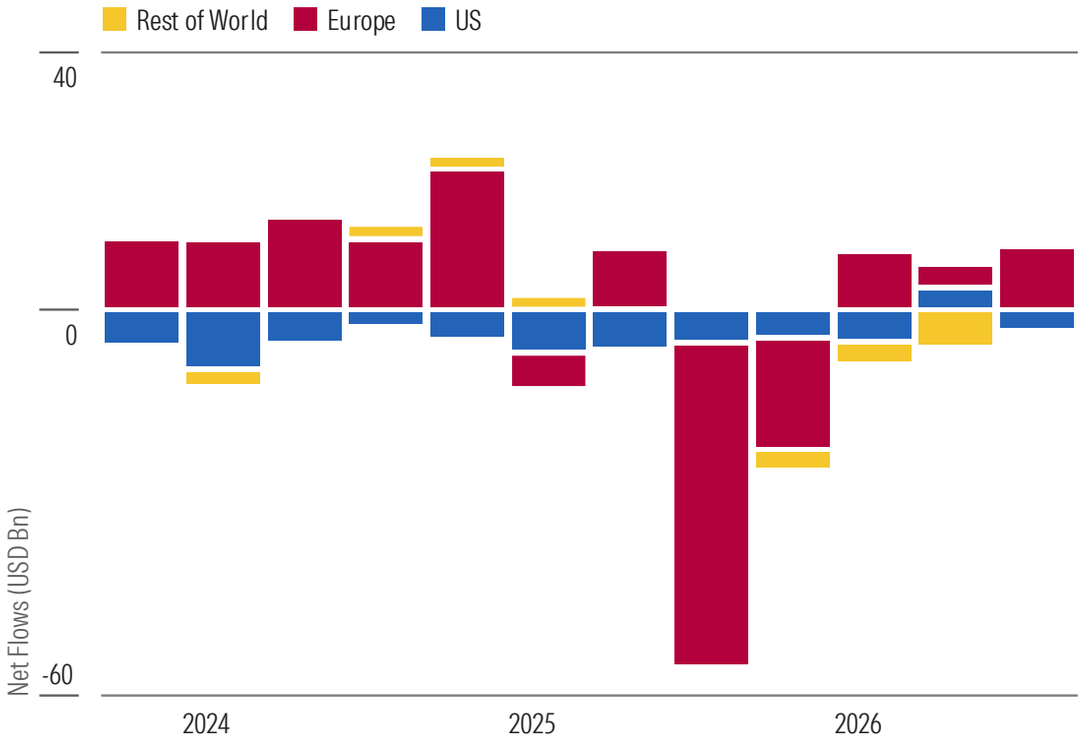
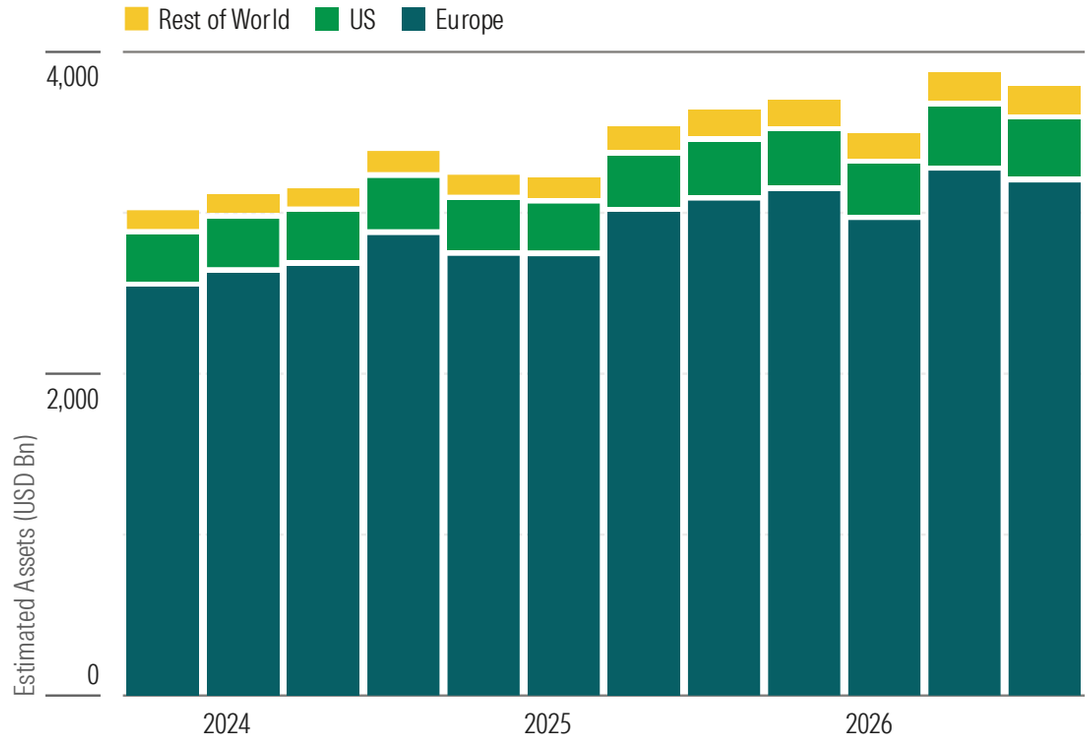


Exhibit 3. Quarterly Global Sustainable Fund Assets



Source: Morningstar Direct. Data through Sept. 30, 2026, except Australia/New Zealand flows and assets through Aug. 31. China's Q3 flows are excluded, and its Q2 assets carried forward. Q2 flows include subsequently reported China data. Historical figures are revised; totals may differ from displayed components because of rounding.

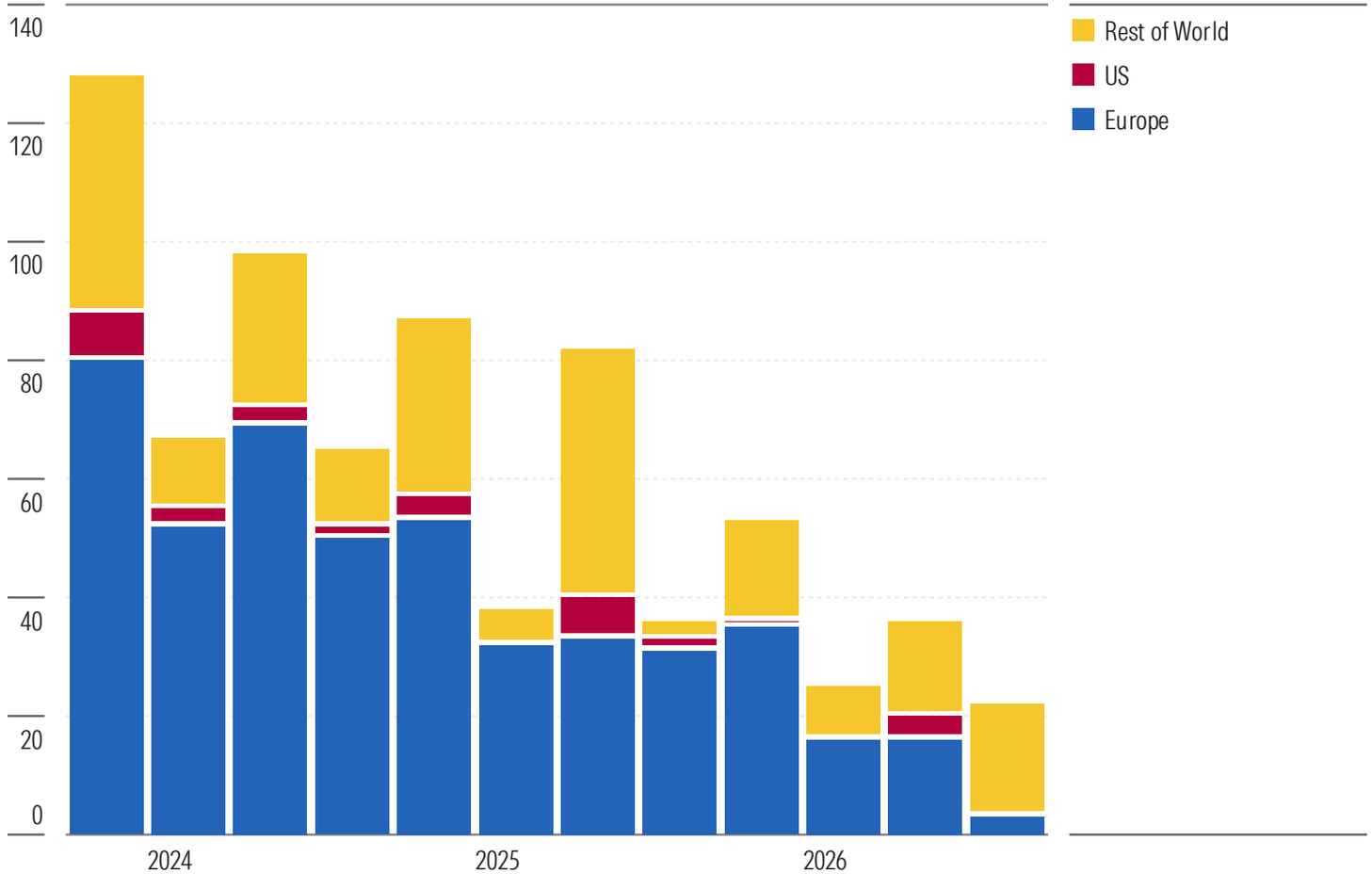
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Product Development Activity Remains Subdued

Product development activity in the sustainable funds space remained subdued in the third quarter of 2026. Europe recorded just three new sustainable fund launches, down from 16 in the previous quarter.

New product activity in Asia ex-Japan remained concentrated in China, with a continued focus on the energy transition. No new sustainable funds launched in the US, Canada, Australia, New Zealand, or Japan during the quarter.

Exhibit 4. Quarterly Global Sustainable Fund Launches



Source: Morningstar Direct. Launches cover the quarter ended Sept. 30, 2026. Historical counts may be revised as additional information becomes available.

The European Landscape

European Sustainable Fund Flows Register Third Consecutive Quarter of Net Inflows

European-domiciled sustainable funds recorded a third consecutive quarter of net inflows, attracting USD 9.4 billion in the third quarter. Inflows were again driven by passive strategies, while active funds posted a fifth straight quarter of outflows, albeit a modest USD 1.41 billion.

Sustainable fixed-income funds led third-quarter inflows again, netting USD 8.8 billion, while equity funds returned to positive territory with USD 2.2 billion. Allocation funds recorded modest outflows.

Exhibit 5. European Sustainable Fund Flows by Investment Style

USD Billion

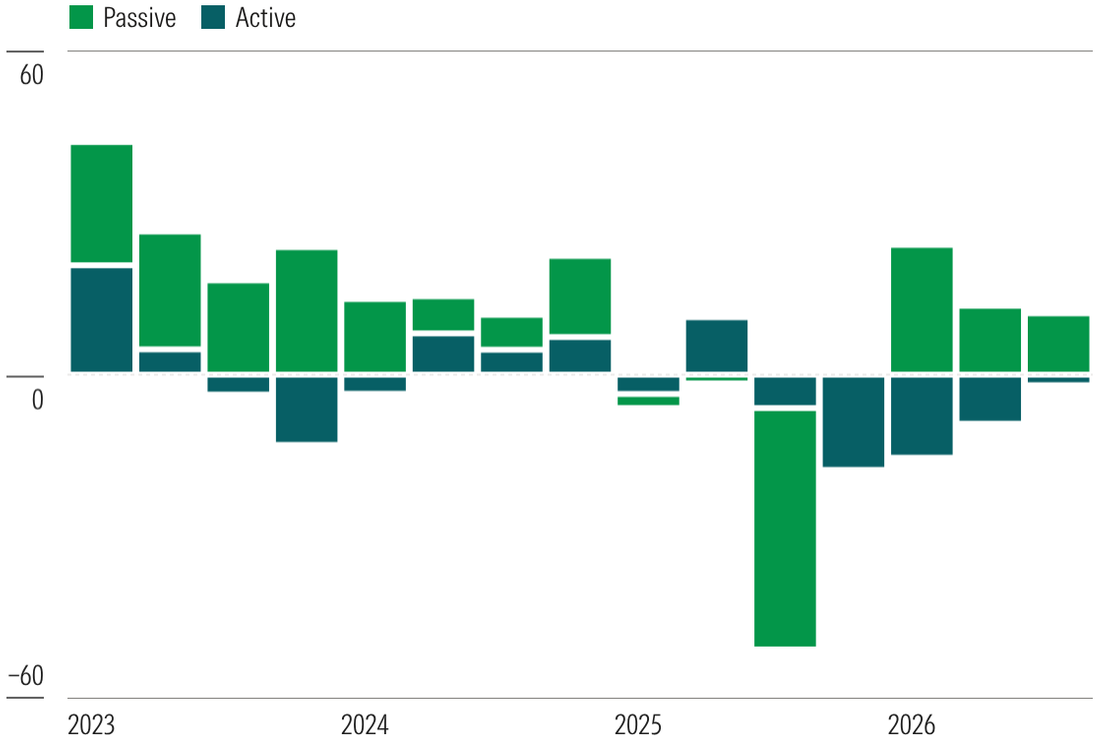
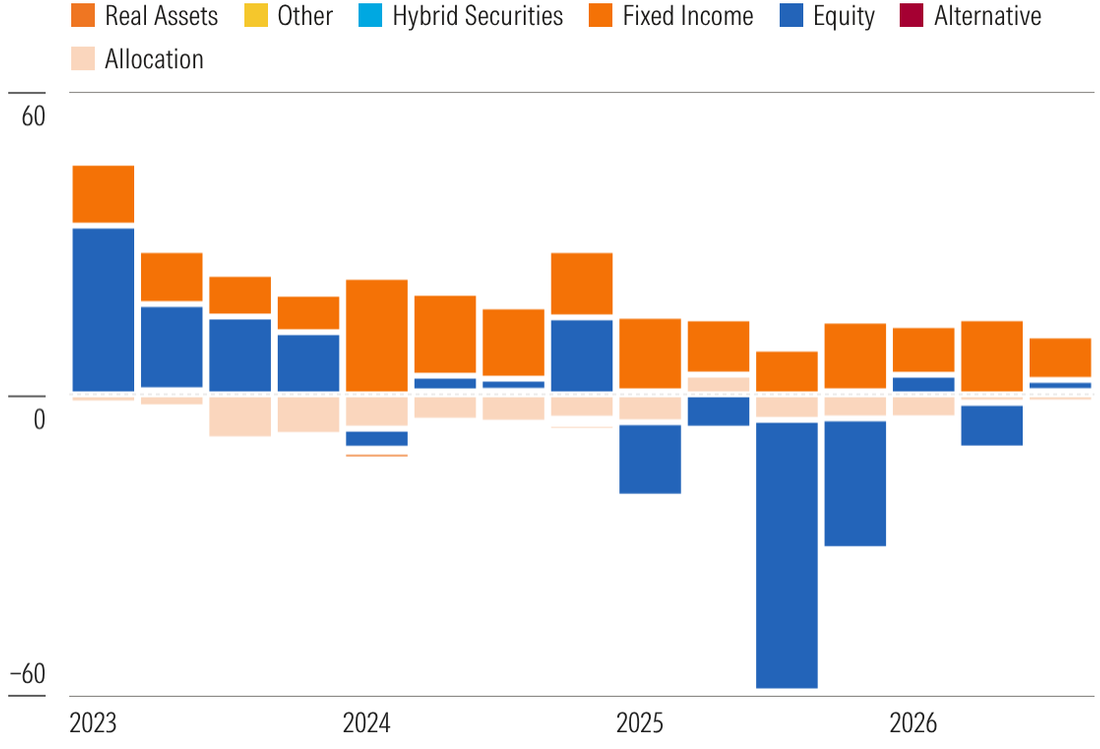


Exhibit 6. European Sustainable Fund Flows by Asset Class

USD Billion



Source: Morningstar Direct. Data as of Sept. 30, 2026.

Winner and Losers

The iShares MSCI USA CTB Enhanced ESG UCITS ETF and BlackRock ACS* North America ESG Insights Equity led European-domiciled sustainable fund inflows with USD 1.9 billion and USD 1.8 billion, respectively. Reflecting strong ETF demand, four ETFs ranked among the quarter's biggest inflow winners, versus just one among the largest losers.

BlackRock's ACS* range accounted for three of the 10 funds suffering the largest outflows in the third quarter. According to BlackRock, the outflows largely reflected client portfolio restructuring and asset-allocation changes, rather than rebalancing away from sustainable strategies

Exhibit 7. Top European Sustainable Fund Flows in Q3 2026

Fund Legal Name	Net Flows (USD Million)
iShares MSCI USA CTB Enhanced ESG UCITS ETF	1,891.8
Blackrock ACS North America ESG Insights Equity	1,849.5
UBS MSCI ACWI Climate Paris Aligned UCITS ETF	1,432.3
BlackRock Solutions Funds ICAV - Coutts Emerging Markets Equity Index Fund	1,357.5
Royal London US Equity Tilt TTF	1,314.4
Allianz Global Investors Fund - Allianz Dynamic Multi Asset Strategy SRI 75	1,285.4
L&G MSCI Europe Select UCITS ETF	1,158.7
Amundi Funds - Global Equity	1,039.5
BlackRock Solutions Funds ICAV - Coutts UK Equity Index Fund	944.9
iShares € Corp Bond 0–3yr ESG SRI UCITS ETF	853.6

Exhibit 8. Bottom 10 European Sustainable Fund Flows in Q3 2026

Fund Legal Name	Net Flows (USD Million)
Mercer Passive Sustainable Global Equity UCITS CCF	−2,063.2
Blackrock ACS Climate Transition Screened and Optimised World Equity Fund	−1,792.4
Blackrock ACS World Small Cap ESG Screened Equity Tracker Fund	−1,084.2
UBS MSCI ACWI Socially Responsible UCITS ETF	−1,073.4
Swisscanto (CH) Institutional Pension Fund I (IPF I) - Swisscanto (CH) IPF I IEF Wld ex CH Resp	−999.6
UBS (CH) Index Fund 3 - Equities USA Selection NSL	−835.3
Pictet - Global Megatrend Selection	−754.4
SG Actions Euro Sélection	−698.0
Blackrock ACS World ESG Insights Equity Fund	−639.7
Mercer Global Select Equity Fund	−614.4

*ACS stands for "Authorised Contractual Scheme". These are UK-regulated investment funds favored by pension schemes that use a contractual structure rather than the more common unit trust or OEIC structure.

Source: Morningstar Direct. Data as of Sept. 30, 2026.

See Important Disclosures at the end of this report.

Passive Fund Providers Net Biggest Inflows

Asset managers with a large passive book are overrepresented in the big winners in the third quarter.

BlackRock led provider inflows with USD 7.2 billion, with around three-quarters of that flowing into passive-dominant iShares vehicles.

Northern Trust appeared second, and here, success is also underpinned by strong flows across its core index range.

In JPMorgan's case, even where inflows were driven by active funds, they came from the benchmark-aware active ETF range, reflecting the market preference for ETFs we have seen elsewhere.

Elsewhere, Mercer led outflows, led by Mercer Passive Sustainable Global Equity UCITS CCF, with USD 2.06 billion of outflows.

This is added to the USD 614 million redeemed from Mercer Global Select Equity in August following its merger into MGI Global Equity Fund on Aug. 27, 2026. The receiving fund has a less stringent sustainability approach and no longer meets our criteria for a sustainable fund. Hence, the flows can be considered a flow out of the sustainable universe.

Exhibit 9. Top and Bottom 10 European Sustainable Fund Providers by Flows in Q3 2026

Firm	Net Inflows (USD Million)	Firm (Outflows)	Net Outflows (USD Million)
BlackRock (incl. iShares)	7,175	Mercer Global Investments	−2,868
Northern Trust	2,538	UBS (incl. Credit Suisse)	−1,805
Allianz Global Investors	2,276	Pictet	−1,382
Legal & General	2,006	Goldman Sachs (incl. NNIP)	−1,182
Amundi (incl. Lyxor)	1,924	Robeco	−1,056
KBC	1,900	Natixis	−962
Nordea	1,767	Schroders	−952
JPMorgan	1,090	BNP Paribas	−809
Royal London	1,086	ABN AMRO	−664
Swisscanto	837	Liontrust	−612

Source: Morningstar Direct. Data as of Sept. 30, 2026.

European Sustainable Fund Assets Fell Despite Inflows

European sustainable fund assets fell to USD 3.19 trillion in the third quarter from USD 3.26 trillion in the second quarter. Passive assets edged higher to USD 1.12 trillion, lifting their share of total assets to about 35%.

Equity funds accounted for two-thirds of European sustainable fund assets, at USD 2.12 trillion. Despite consistent net inflows for years, fixed-income funds still represent just 22%, or USD 701.0 billion.

Exhibit 10. European Sustainable Fund Assets
USD Billions

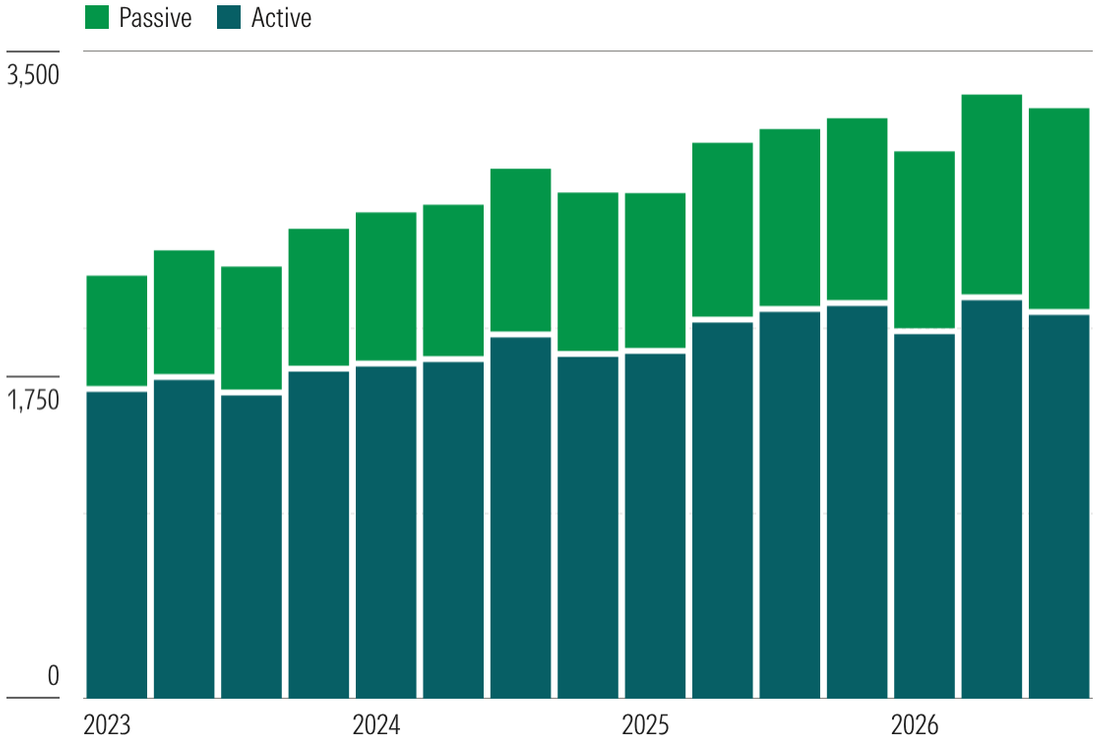
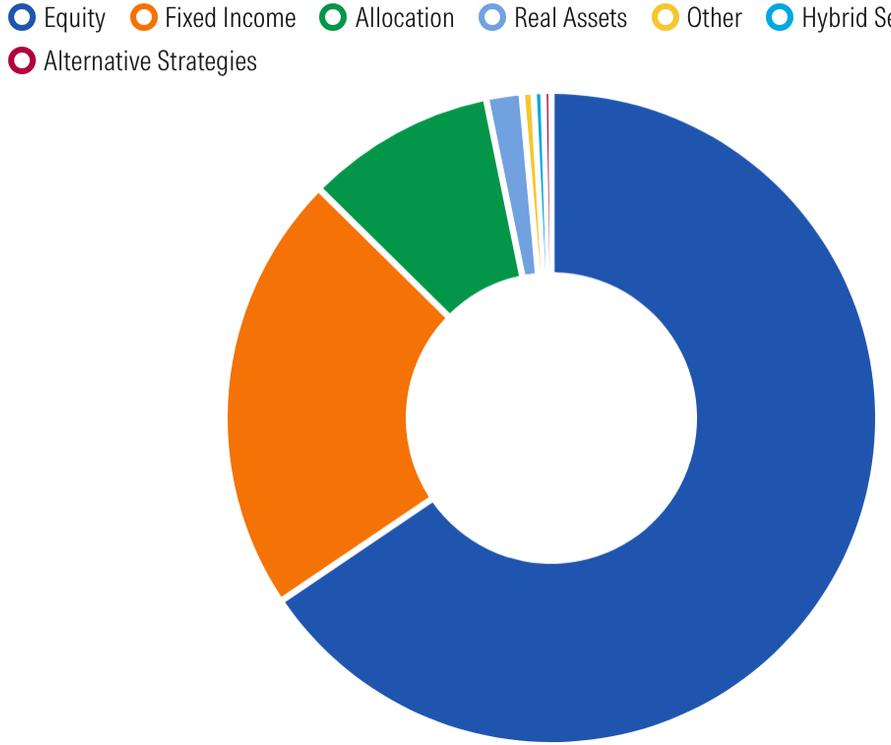


Exhibit 11. European Sustainable Fund Asset Breakdown



Source: Morningstar Direct. Data as of Sept. 30, 2026.

BlackRock Tops the Leaderboards

BlackRock remained the largest European sustainable fund manager, with USD 451 billion in assets, ahead of Amundi at USD 238 billion and UBS at USD 204 billion. BlackRock also led both the active and passive manager rankings.

Exhibit 12. Largest Sustainable Fund Managers in Europe

Overall – Firm	Total AUM (USD Bn)	Actively Managed – Firm	Active AUM (USD Bn)	Passively Managed – Firm	Passive AUM (USD Bn)
BlackRock (incl. iShares)	451.1	BlackRock (incl. iShares)	140.7	BlackRock (incl. iShares)	310.3
Amundi (incl. Lyxor)	237.9	Nordea	111.8	Amundi (incl. Lyxor)	137.0
UBS (incl. Credit Suisse)	204.3	Amundi (incl. Lyxor)	100.9	UBS (incl. Credit Suisse)	127.8
BNP Paribas	135.1	BNP Paribas	84.2	Northern Trust	65.0
Swisscanto	127.1	UBS (incl. Credit Suisse)	76.6	Swisscanto	60.7
DWS (incl. Xtrackers)	112.5	Natixis	73.8	Handelsbanken	52.6
Nordea	111.8	Swisscanto	66.4	DWS (incl. Xtrackers)	52.3
Natixis	76.4	DWS (incl. Xtrackers)	60.2	BNP Paribas	50.8
Northern Trust	70.4	Allianz Global Investors	57.5	Legal & General	27.0
Handelsbanken	58.1	KBC	49.7	Länsförsäkringar	25.7

Source: Morningstar Direct. Data as of Sept. 30, 2026.

Sustainable Fund Launches Slow to a Trickle

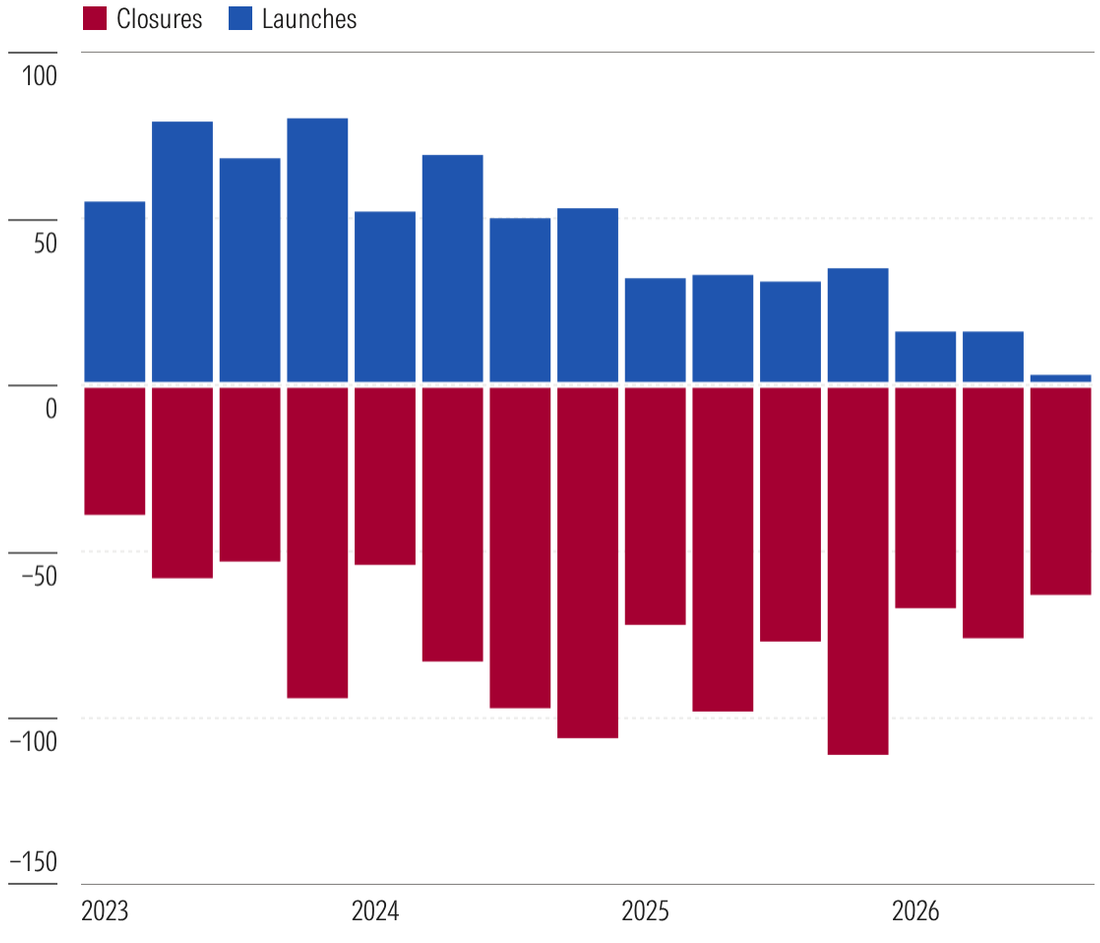
European sustainable fund launches fell to three in the third quarter, down from 16 in each of the first two quarters of 2026.

Sixty-three funds closed during the quarter, the lowest figure since the first quarter of 2024.

The slowdown in launches reflects a maturation in the market after three years of rapid growth from 2020 to 2022, when asset managers expanded their core sustainable fund ranges to meet rising demand.

Since then, greenwashing scrutiny and regulatory uncertainty have made firms more cautious, with much of the industry's current product development effort focused on preparing for SFDR 2.0 as firms await greater clarity (see Regulatory Update).

Exhibit 13. European Sustainable Fund Launches and Closures



Source: Morningstar Direct. Data as of Sept. 30, 2026.

Regulatory Update

The reworking of SFDR remains the focus of sustainable finance policy discussions in the European Union, with the European Parliament's ECON Committee adopting its report in September. The Parliament's position largely aligns with the Commission's three categories—transition, environmental, social, and governance basics, and sustainable—each with a 70% investment threshold. In line with the Council, the Parliament moves to pair the removal of entity-level PAI disclosures with greater product-level PAI requirements for funds within the categories and includes greater allowance for sovereign debt to contribute toward the threshold of aligned investments for transition category products. Areas of divergence for the Parliament and Council positions include the approach to fossil fuel-related exposures in the transition category and the threshold of taxonomy alignment for the sustainable category. Trilogues between the Parliament, Council, and Commission began in October, with the aim of reaching a political agreement before the end of the year.

In the UK, the FCA updated its Handbook, as previously proposed, to change the climate disclosure rules for asset managers, life insurers, and FCA-regulated pension providers. The new approach removes the requirement for TCFD product reporting and introduces a more targeted and outcomes-based approach. Specifically, it requires firms to periodically consider whether climate-related risks could be materially relevant to the financial performance or return of the product and disclose such risks and/or opportunities to retail clients.

The US

US Sustainable Funds Returned to Net Outflows in Q3

US sustainable funds returned to net outflows in the third quarter, losing USD 2.8 billion. Passive strategies attracted USD 2.7 billion for a fourth consecutive quarter, while active funds shed USD 5.5 billion, extending their streak of net outflows to 15 consecutive quarters.

US sustainable equity funds lost USD 4.2 billion in the third quarter, reversing the prior quarter's inflows. Fixed-income funds attracted USD 1.1 billion, marking a fifth consecutive quarter of net inflows, while allocation funds gained USD 360 million.

Exhibit 14. US Sustainable Fund Flows by Investment Style
USD Billion

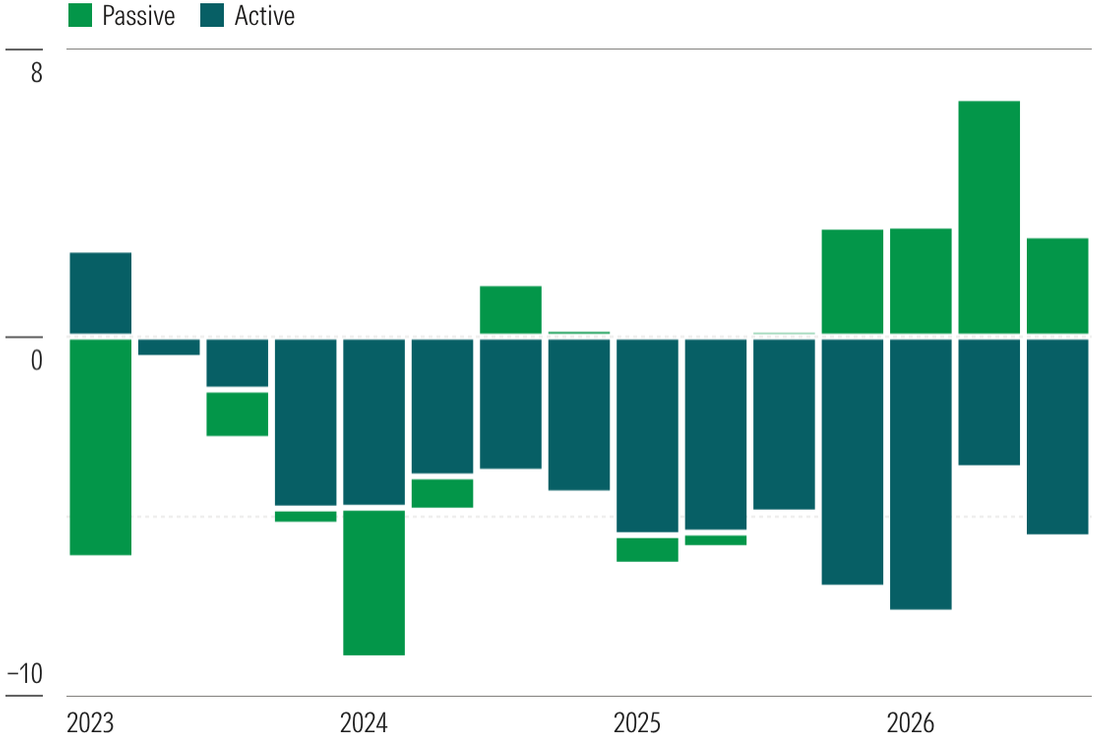
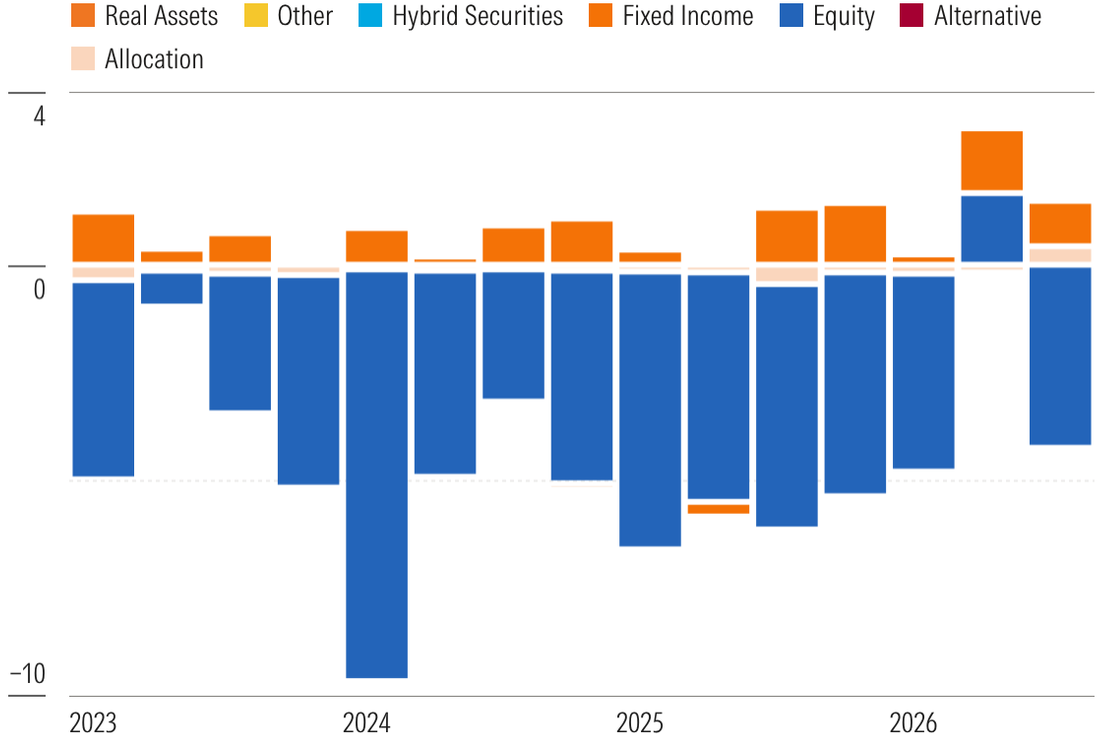


Exhibit 15. US Sustainable Fund Flows by Asset Class
USD Billion



Source: Morningstar Direct. Data as of Sept. 30, 2026.

Winners and Losers

First Trust Nasdaq Clean Edge Smart Grid Infrastructure registered another strong quarter of inflows, attracting USD 590 million in the third quarter. Investor demand continued to reflect interest in energy transition infrastructure and technologies supporting rising power usage from artificial intelligence and data centers.

Exhibit 16. Top US Sustainable Fund Flows in Q3 2026

Fund Legal Name	Net Flows (USD Million)
Vanguard FTSE Social Index Fund	997.5
First Trust NASDAQ® Clean Edge® Smart Grid Infrastructure Index Fund	590.9
Nuveen Core Impact Bond Fund	502.4
Calvert Balanced Fund	446.1
Nuveen ESG Large-Cap Growth ETF	326.6
iShares ESG U.S. Aggregate Bond ETF	285.5
Nuveen ESG Large-Cap Value ETF	284.1
Xtrackers MSCI USA Climate Action Equity ETF	241.8
Ishares Climate Conscious & Transition MSCI USA ETF	235.7
Calvert Emerging Markets Advancement Fund	208.5

Parnassus Core Equity recorded the largest sustainable fund outflows in the third quarter of 2026, with USD 2.6 billion in redemptions. Continued outflows have contributed to a cumulative USD 16.9 billion in net outflows since the end of 2018.

Exhibit 17. Bottom 10 US Sustainable Fund Flows in Q3 2026

Fund Legal Name	Net Flows (USD Million)
Parnassus Core Equity Fund	−2,582.0
Nuveen Large Cap Responsible Equity Fund	−752.6
Brown Advisory Sustainable Growth Fund	−532.2
Invesco Solar ETF	−438.0
iShares U.S. Carbon Transition Readiness Aware Active ETF	−334.9
Calvert Equity Fund	−334.4
DFA U.S. Sustainability Core 1 Portfolio	−240.1
iShares Global Clean Energy ETF	−219.2
iShares ESG Advanced MSCI EAFE Index ETF	−197.8
American Century Large Cap Equity Fund	−182.8

Source: Morningstar Direct. Data as of Sept. 30, 2026.

Passive Flows Support Biggest Winners

Passive strategies were the main contributor to net inflows at six of the 10 leading US providers in the third quarter, including Vanguard, Nuveen, and DWS/Xtrackers.

Vanguard led with USD 1.2 billion, including USD 997.0 million into its FTSE Social Index. This index mutual fund accounted for around 86% of the firm's net inflows, showing that demand for passive exposure extended beyond ETFs.

Nuveen ranked second with USD 629 million. Its passive funds attracted USD 838 million, offsetting USD 209 million of active outflows.

Fidelity provided an exception to this pattern, with active funds contributing USD 281 million of its USD 395 million in net inflows.

Demand for environmental themes was selective. Invesco, for example, lost USD 810 million, with USD 438 million redeemed from its Solar ETF.

Parnassus led provider outflows with USD 2.8 billion, around 92% of which came from its Core Equity.

Brown Advisory's USD 585 million outflow was similarly concentrated, with USD 532 million redeemed from its Sustainable Growth.

Exhibit 18. Top and Bottom 10 US Sustainable Fund Providers by Flows in Q3 2026

Firm	Net Inflows (USD Million)	Firm (Outflows)	Net Outflows (USD Million)
Vanguard	1,163	Parnassus	−2,802
Nuveen	629	Invesco	−810
DWS (incl. Xtrackers)	481	Brown Advisory	−585
Fidelity	395	Impax	−576
First Trust	337	American Century	−279
Morgan Stanley	274	Boston Trust Walden	−268
Eaton Vance	169	Franklin Templeton	−188
TCW	129	AllianceBernstein	−117
BlackRock (incl. iShares)	78	State Street	−105
Everence	73	Principal	−89

Source: Morningstar Direct. Data as of Sept. 30, 2026.

Passive Assets Overtake Active as Total Assets Decline

US sustainable fund assets totaled approximately USD 389 billion at the end of September, down slightly from USD 397 billion at the end of June. Active fund assets declined to USD 188.7 billion, while passive fund assets increased to USD 200.0 billion, overtaking actively managed funds for the first time.

Equity continued to dominate sustainable fund assets in the third quarter of 2026, accounting for 85% of total assets, while fixed income remains underrepresented with a 13.8% market share.

Exhibit 19. US Sustainable Fund Assets
USD Billions

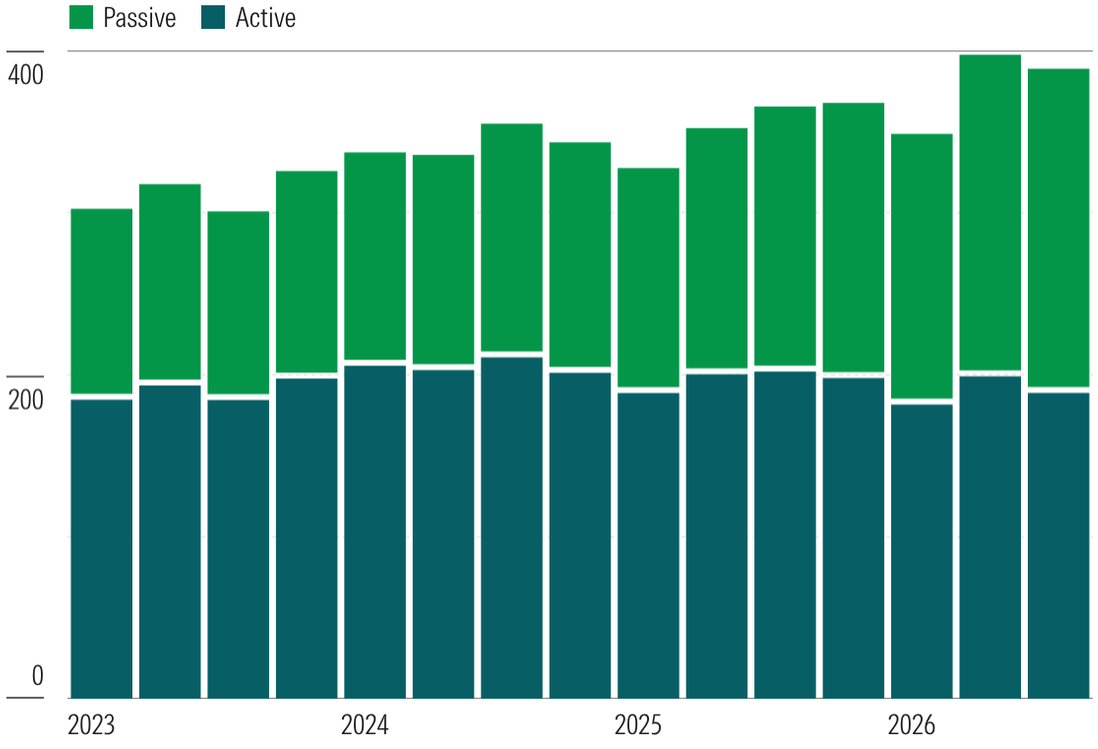
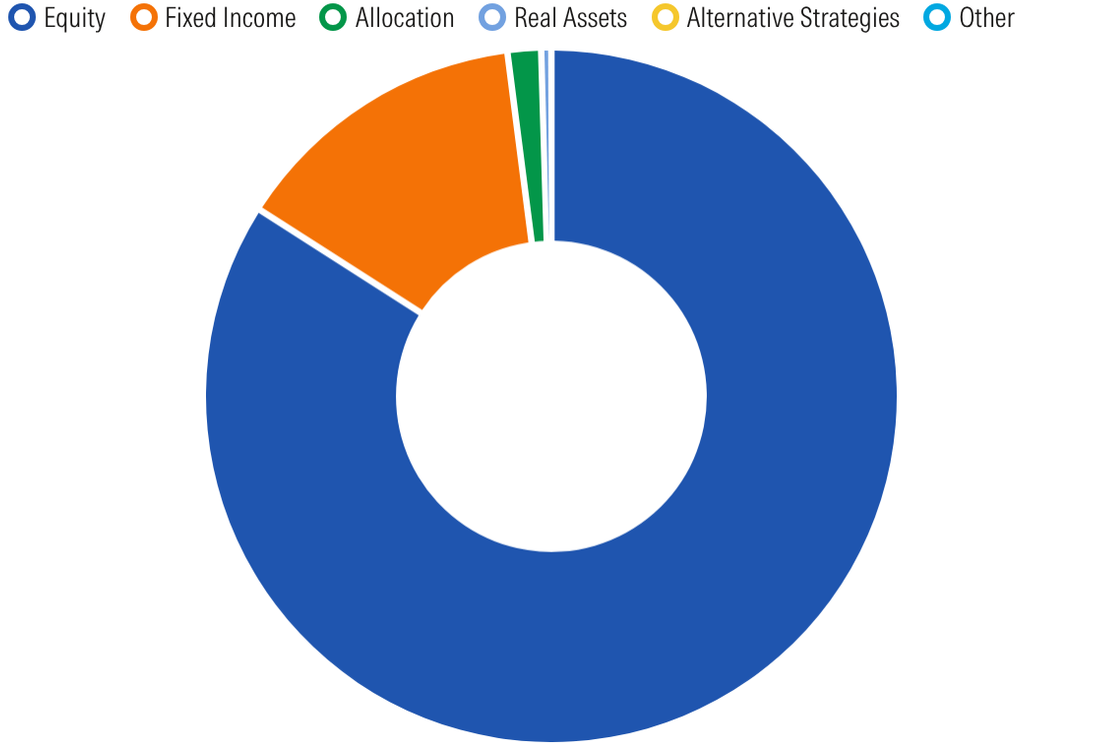


Exhibit 20. US Sustainable Fund Asset Breakdown



Source: Morningstar Direct. Data as of Sept. 30, 2026. *Only unique subthemes, that is, those that do not share a name and definition with parent "themes," are included in this chart.

BlackRock Remains the Largest US Sustainable Fund Manager

There was little movement in the leaderboard of US sustainable fund managers in the third quarter, with BlackRock (including iShares), Vanguard, and Eaton Vance (also known as Morgan Stanley, including Calvert) retaining their positions among the top two. Their respective sustainable fund assets under management stood at USD 75.7 billion and USD 53.0 billion. The remainder of the top 10 also remained largely unchanged, with Parnassus and Nuveen rounding out the top five at USD 29.9 billion and USD 27.1 billion, respectively.

Exhibit 21. Largest Managers by Sustainable Fund Assets in the US

Overall – Firm	Total AUM (USD Bn)	Actively Managed – Firm	Active AUM (USD Bn)	Passively Managed – Firm	Passive AUM (USD Bn)
BlackRock (incl. iShares)	75.7	Parnassus	29.9	BlackRock (incl. iShares)	73.0
Vanguard	53.0	Eaton Vance	22.2	Vanguard	50.9
Eaton Vance	34.7	Dimensional	20.4	First Trust	14.4
Parnassus	29.9	Nuveen	17.6	Eaton Vance	12.5
Nuveen	27.1	Victory Capital	12.4	Nuveen	9.5
Dimensional	20.4	Impax	7.6	DWS (incl. Xtrackers)	8.6
First Trust	14.4	Eventide	7.2	Invesco	7.9
Victory Capital	12.4	Franklin Templeton	6.8	Fidelity	7.6
Fidelity	11.8	Brown Advisory	6.1	Northern Trust	2.7
Invesco	9.9	Neuberger	5.7	Everence	2.4

Source: Morningstar Direct. Data as of Sept. 30, 2026.

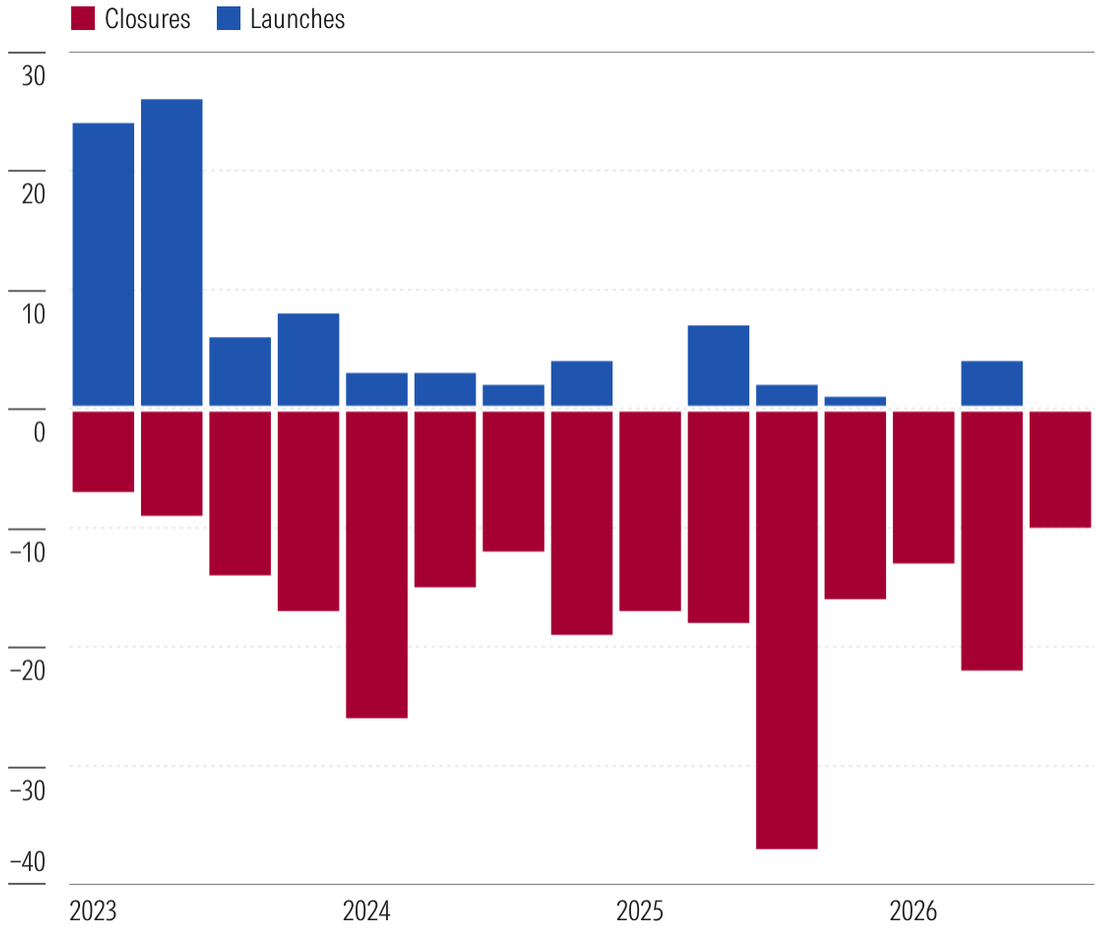
Sustainable Fund Launches Remain Muted

No new sustainable funds launched in the US in the third quarter of 2026, the third quarter without a launch since the start of 2025. Meanwhile, 10 sustainable funds closed during the quarter, down from 22 in the second quarter and the lowest quarterly total since the second quarter of 2023.

Closures have outpaced launches. Through the first three quarters of 2026, four sustainable funds have launched, and 45 have closed, reflecting continued consolidation as asset managers adjust their product lineups.

The four largest sustainable fund closures in the third quarter of 2026 held a combined USD 465.7 million in assets before liquidation or merger. These included Putnam Sustainable Future (USD 321.8 million), AB Sustainable Thematic Balanced (USD 75.2 million), iShares ESG Aware 80/20 Aggressive Allocation ETF (USD 37.9 million), and iShares ESG Aware 60/40 Balanced Allocation ETF (USD 33.3 million).

Exhibit 22. US Sustainable Fund Launches and Closures



Source: Morningstar Direct. Data as of Sept. 30, 2026.

Regulatory Update

Regulatory developments for sustainable investors in the third quarter were primarily related to shareholder engagement and the proxy process. In August 2026, the Securities and Exchange Commission Division of Corporation Finance issued a statement updating its position on its role in the shareholder proposal process, often referred to as 14a-8 in reference to the related rule number. This followed a November 2025 statement that the SEC would not respond to no-action requests or express views on companies' basis for excluding shareholder proposals from proxy materials. The latest announcement confirms this approach and goes further in withdrawing the SEC from this process by ceasing responses to almost all cases of no-action requests in relation to Rule 14a-8.

In September 2026, the SEC issued a combination of proposals that would rescind the shareholder proposal rule and reform the proxy solicitation process. Rescinding the shareholder proposal rule would end the federal shareholder proposal framework and leave the role of shareholder proposals to state law and company governing documents. This proposal aligns with the recent statements from the SEC reducing its role in the shareholder proposal process. The proposal to reform the proxy solicitation process focuses on reducing reporting costs and burdens on companies, without creating information asymmetry for shareholders. For example, the proposal would remove the requirement to deliver an annual report to security holders, relying on other corporate filing requirements to provide the same transparency.

Canada

Passive and Equity Inflows Narrow the Year-to-Date Shortfall

Canadian sustainable funds attracted USD 97 million in the third quarter, narrowing year-to-date net outflows to USD 17 million. Passive funds led with USD 183 million in inflows, while active funds recorded USD 87 million in outflows.

Equity inflows of USD 185 million offset outflows across all other asset classes. Allocation funds shed USD 45 million, while fixed income and other funds each recorded outflows of USD 21 million.

Exhibit 23. Canadian Sustainable Fund Flows by Investment Style

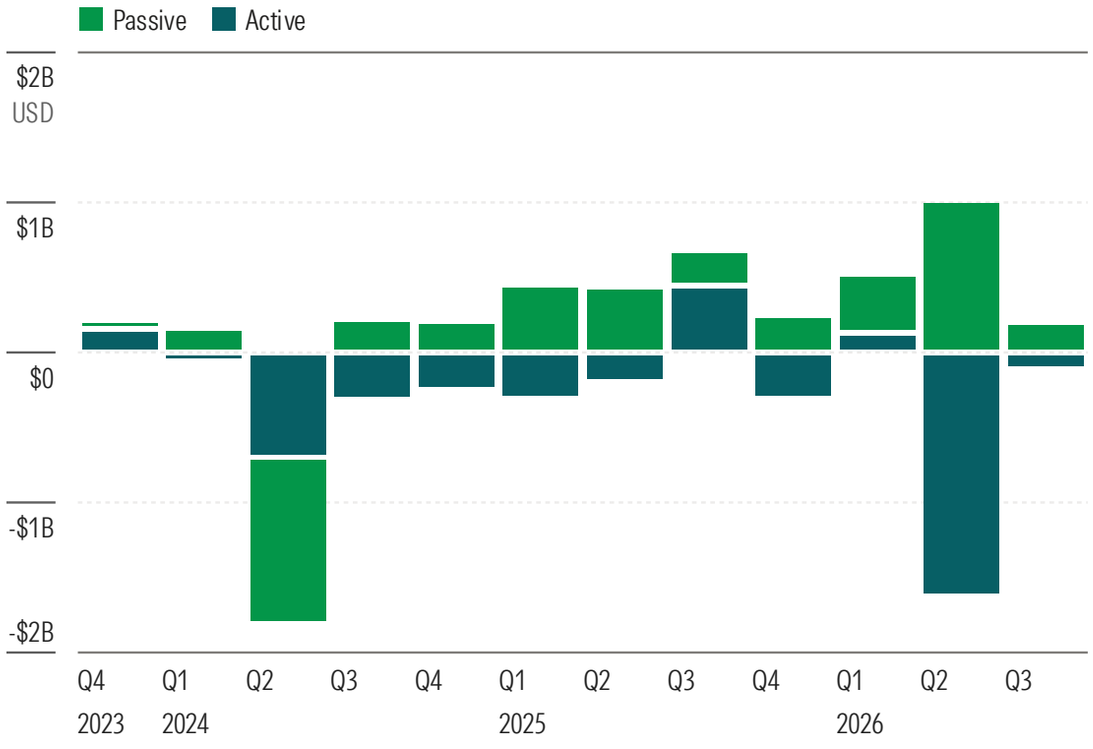
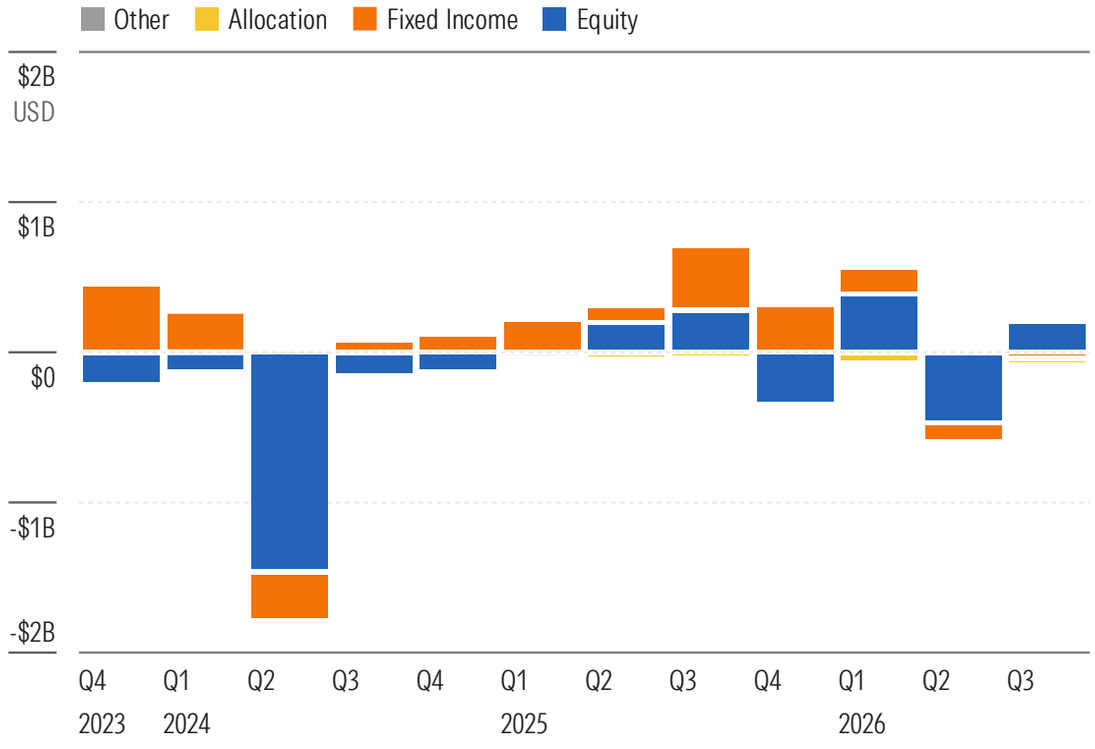


Exhibit 24. Canadian Sustainable Fund Flows by Asset Class



Source: Morningstar Direct. Data updated as of Oct. 15, 2026. Flows and assets exclude feeder funds, funds of funds, and capital preservation funds.
Prior-quarter figures were restated to reflect a change in fund-of-funds classifications.

Canada Sees No New Sustainable Fund Launches for Third Consecutive Quarter

Canadian sustainable fund assets declined 0.9% in the third quarter as investment losses outweighed modest inflows. Over the same period, the Morningstar Canada Sustainability Index fell 0.7% in USD terms.

Product development stalled for a third consecutive quarter, with no new sustainable fund launches. Two global sustainable bond funds closed in the third quarter, one each from Invesco and Pimco.

Exhibit 25. Canadian Sustainable Fund Assets

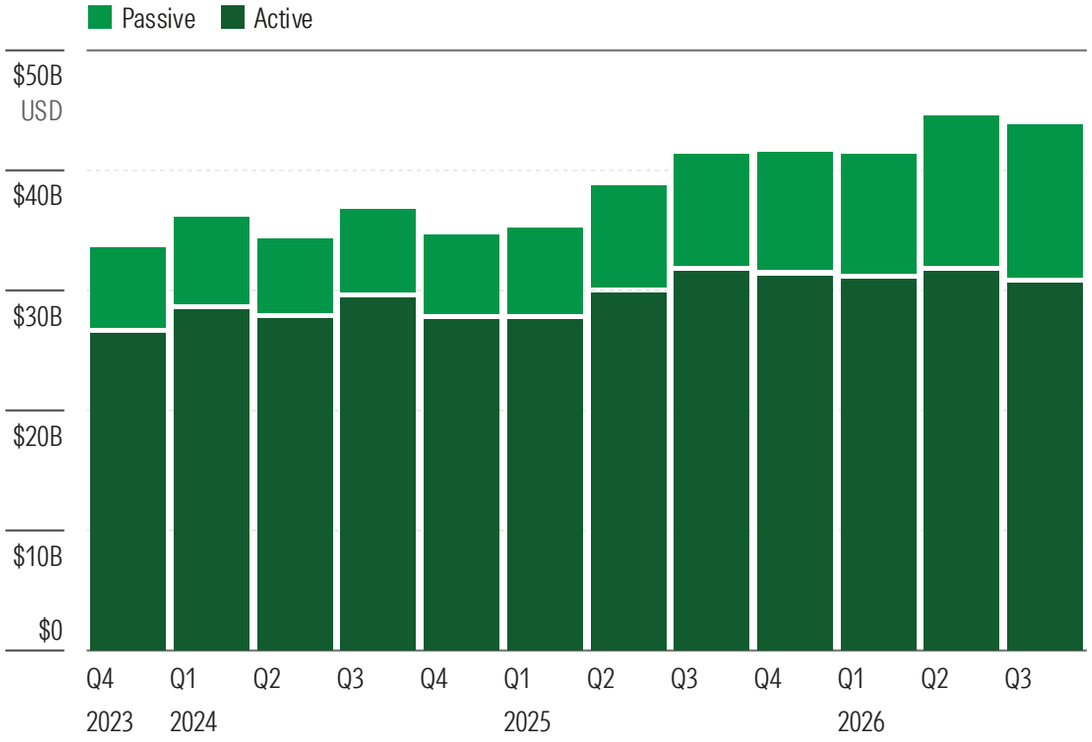
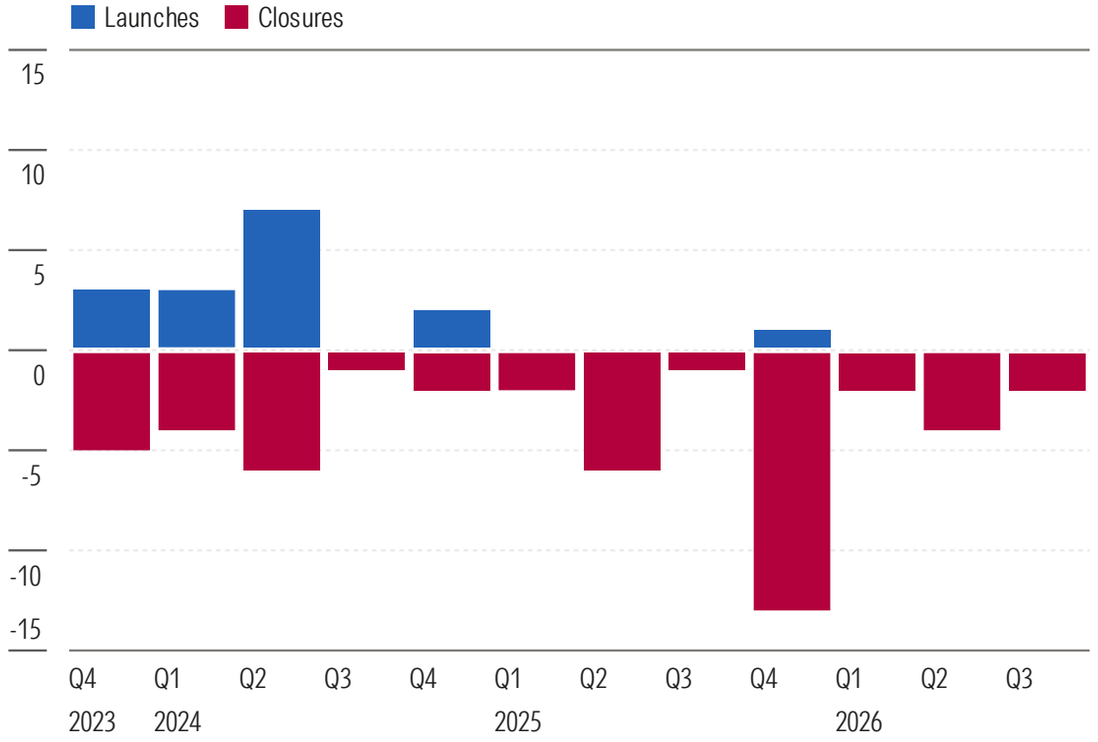


Exhibit 26. Canadian Sustainable Fund Launches and Closures



Source: Morningstar Direct. Data as of Oct. 15, 2026. Flows and assets exclude feeder funds, funds of funds, and capital preservation funds.
Prior-quarter figures were restated to reflect a change in fund-of-funds classifications.

NEI Tops Q3 Flows Following Subadvisor Change

NEI led third-quarter inflows, driven by USD 465 million in net flows into NEI International Equity RS. The inflows followed a June change in subadvisor from Addenda Capital to Boston-based quantitative manager Numeric Investors. Several Desjardins multifactor responsible investing ETFs also attracted strong inflows.

Exhibit 27. Top 10 Canadian Sustainable Funds by Quarterly Flows

Fund	Net Flows (USD Million)
NEI International Equity RS Fund	465
Desjardins RI Global Multifactor Fossil Fuel Reserves Free ETF	314
Desjardins RI Canada Multifactor - Net-Zero Emissions Pathway ETF	202
Desjardins RI EM Multifactor - Net-Zero Emissions Pathway ETF	143
Desjardins RI USA Multifactor - Net-Zero Emissions Pathway ETF	138
iShares ESG Aware MSCI Emerging Markets Index ETF	125
Mackenzie Greenchip Global Environmental All Cap Fund	76
CIBC Sustainable Canadian Core Plus Bond Fund	37
NEI Global Total Return Bond Fund	28
Mackenzie Shariah Global Equity Fund	28

Exhibit 28. Top 10 Firms by Quarterly Canadian Sustainable Fund Flows

Firm	Net Flows (USD Million)
NEI Investments	441
BlackRock	213
Mackenzie	98
CIBC	38
Fidelity International	30
CI Global Asset Management	25
National Bank (Canada)	24
Gestion FERIQUE	5
Scotia	3
Value Partners Investment	3

Source: Morningstar Direct. Data as of Oct. 15, 2026. Excludes capital preservation funds. Firm-level flows exclude feeder funds and funds of funds.

Desjardins Funds See Outflows Ahead of Planned Closures

Desjardins announced the planned closure of six sustainable funds, which closed to new investments in August. Several subsequently recorded outflows as investors moved assets elsewhere. RBC's Vision Global Equity shed USD 187 million, driving the quarter's largest firm-level net outflows.

Exhibit 29. Bottom 10 Canadian Sustainable Funds by Quarterly Flows

Fund	Net Flows (USD Million)
RBC Vision Global Equity Fund	-187
Desjardins Sustainable International Equity Fund	-187
Desjardins Sustainable Global Opportunities Fund	-183
Desjardins Sustainable Diversity Fund	-182
Desjardins RI USA Net - Zero Emissions Pathway ETF	-171
Desjardins Sustainable Balanced Portfolio	-97
Sun Life Acadian International Equity Fund	-71
Desjardins Sustainable Canadian Bond Fund	-63
Desjardins Sustainable Aggressive Portfolio	-61
IA Clarington Inhance Bond SRI Fund	-50

Exhibit 30. Bottom 10 Firms by Quarterly Canadian Sustainable Fund Flows

Firm	Net Flows (USD Million)
RBC	-201
Desjardins	-198
IA Clarington	-152
Sun Life	-71
BMO	-48
Franklin Templeton	-38
Waratah Capital Advisors	-22
Industrial Alliance (IA)	-15
AGF	-9
RGP	-8

Source: Morningstar Direct. Data as of Oct. 15, 2026. Excludes capital preservation funds. Firm-level flows exclude feeder funds and funds of funds.

NEI and BlackRock Lead the Active and Passive Markets

NEI remained Canada's largest sustainable fund manager, with USD 9.3 billion in net assets at quarter-end. The firm has held the top spot since Morningstar began tracking the segment in 2019 and continues to lead in active assets. BlackRock leads the passive market with USD 7.8 billion, more than 3 times the assets of its nearest competitor. National Bank moved from second to fifth following a fund-of-funds reclassification.

Exhibit 31. Top Canadian Firms by Sustainable Fund Assets

Overall – Firm	Total AUM (USD Million)	Actively Managed – Firm	Active AUM (USD Million)	Passively Managed – Firm	Passive AUM (USD Million)
NEI Investments	9,337	NEI Investments	8,722	BlackRock	7,819
BlackRock	7,819	Desjardins	5,677	CI Global Asset Management	1,876
Desjardins	5,867	National Bank (Canada)	4,329	Mackenzie	1,606
Mackenzie	4,397	Mackenzie	2,791	BMO	705
National Bank (Canada)	4,329	RBC	1,889	NEI Investments	615
CI Global Asset Management	2,302	Sun Life	1,547	Scotia	320
RBC	1,889	Fidelity International	1,458	Desjardins	190
Sun Life	1,547	Franklin Templeton	984	Global X	69
Fidelity International	1,458	IA Clarington	722	Evolve Funds	11
Franklin Templeton	984	CI Global Asset Management	426	First Trust	4

Source: Morningstar Direct. Data as of Oct. 15, 2026. Assets exclude feeder funds, funds of funds, and capital-preservation funds.

Regulatory Update

A proposed methodology for a voluntary Canadian sustainable finance taxonomy was released for public consultation in July. The consultation closed on Aug. 13, with submissions published on the Business Future Pathways website.

The federal government has mandated the independent Canadian Taxonomy and Transition Planning Council, in collaboration with the Canadian Climate Institute and Business Future Pathways, to develop guidelines for six priority Canadian sectors by the end of 2027.

Australia/New Zealand

Passive Funds Continue to Drive Inflows

Based on data available through August 2026 (Q3 2026 to date), the Australasian sustainable funds universe (Australia/New Zealand) saw net inflows of almost USD 155 million. Active funds saw minor negative net outflows, while passive funds continued to gain the majority of the net inflows. Our prior report stated outflows in Q2 to May 2026, though data to June 2026 now confirm a positive quarter.

Based on data available through August 2026, flows in Australasia were positive across two of the four major asset-class categories. Equity funds led the way, with net inflows of around USD 154 million, followed by fixed-income funds with approximately USD 126 million. Allocation and Miscellaneous (including real assets) funds saw net outflows of USD 74 million and USD 52 million, respectively.

Exhibit 32. Australia/New Zealand Sustainable Fund Flows by Investment Style
USD millions

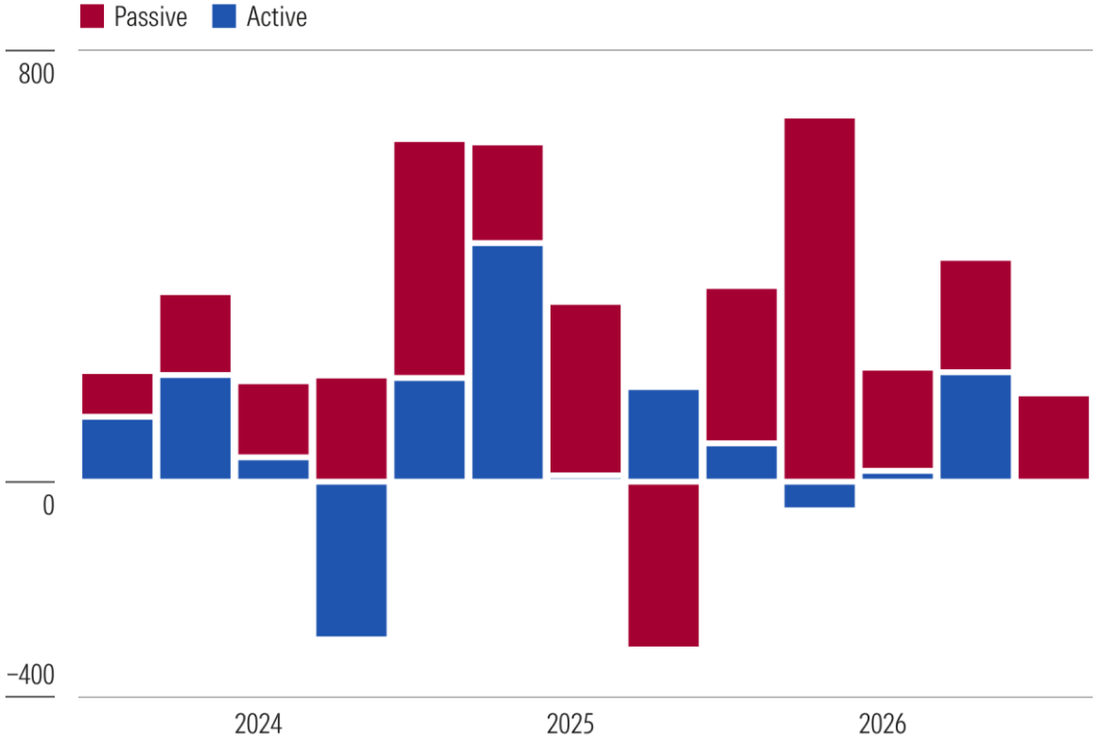
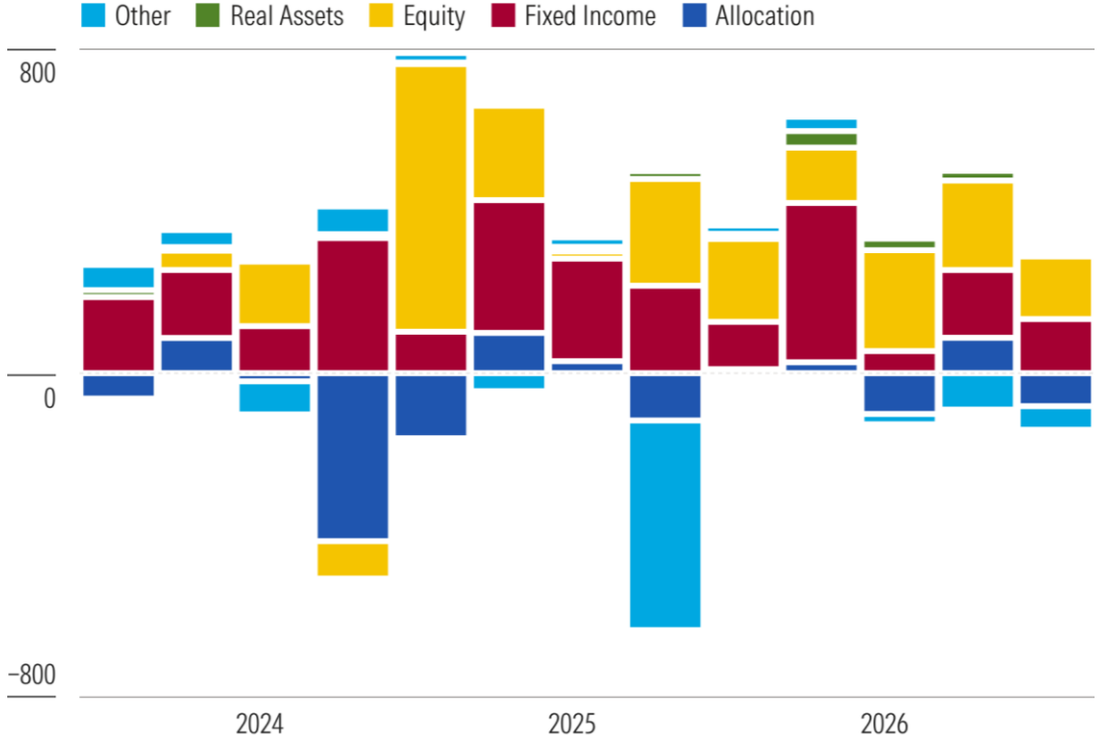


Exhibit 33. Australia/New Zealand Sustainable Fund Flows by Asset Class
USD Million



Source: Morningstar Direct. Data as of Aug. 31, 2026. Q3 2026 data includes July and August only.

Australasian Sustainable Fund Assets Rise to USD 41.3 Billion

Australasian sustainable investments are estimated at nearly USD 41.3 billion as of Aug. 31, 2026, roughly USD 1.4 billion higher than on June 30, 2026. This jump in assets is consistent with market performance, with the Morningstar Australia Growth Target Allocation benchmark delivering 4.5% in US dollar terms as of Aug. 31, 2026.

For the quarter ended Sept. 30, 2026, one Australian strategy closed, and there were no new launches across Australasia. Axa IM Clean Economy Equity closed after four years since its launch as part of a rationalization of the product menu following the BNP Paribas merger.

Exhibit 34. Australia/New Zealand Sustainable Fund Assets
USD Billions

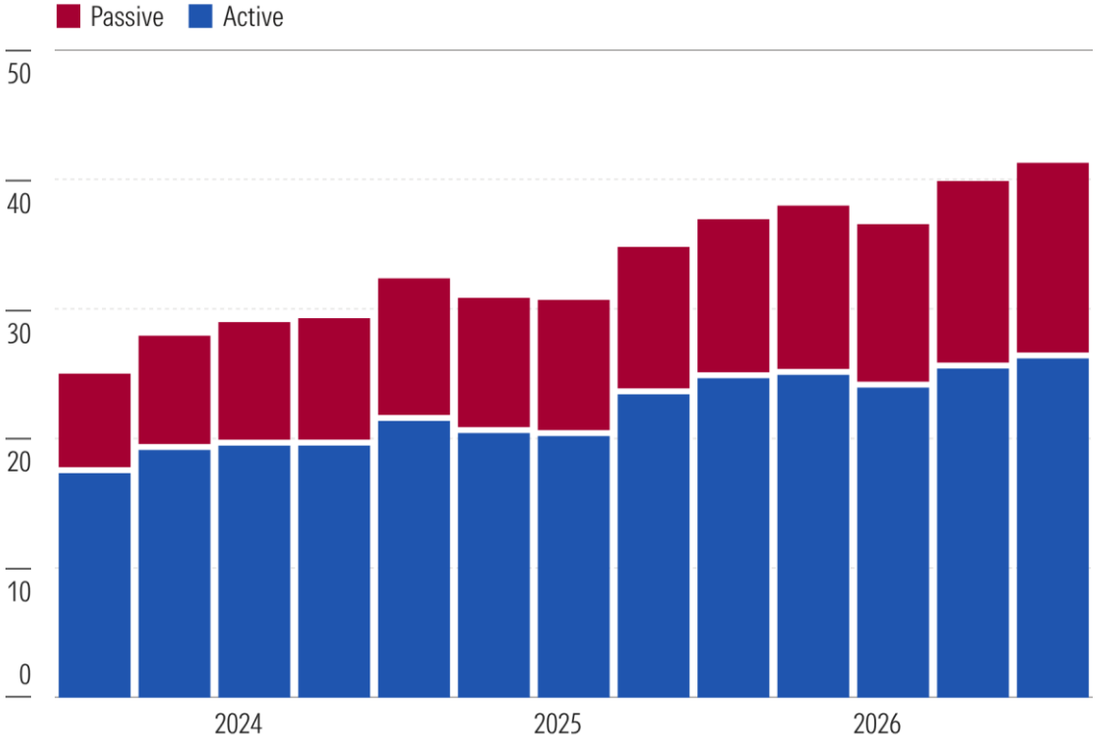
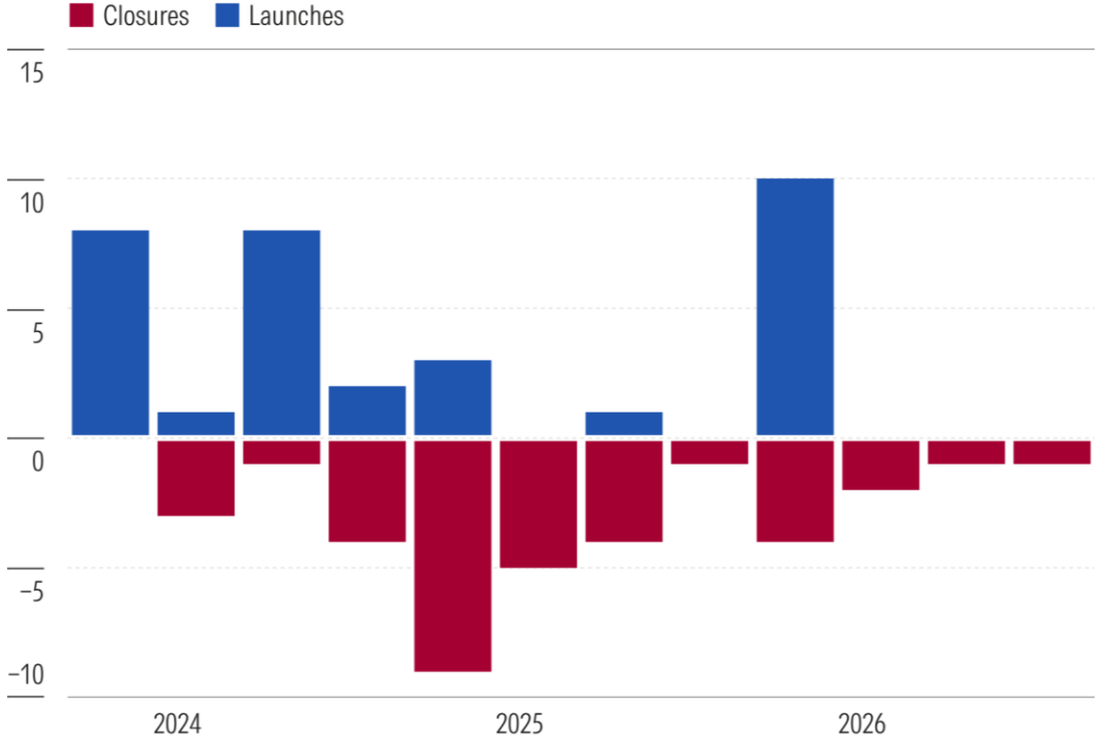


Exhibit 35. Australia/New Zealand Sustainable Fund Launches/Closures



Source: Morningstar Direct. Q3 2026 assets are as of Aug. 31, 2026; earlier periods show quarter-end assets. Launches and closures cover the full quarter ended Sept. 30, 2026.

Top 10 Firms by Total Assets in Sustainable Funds

The top 10 fund houses by sustainable fund assets, split by active and passive, are listed below, based on available data as of Aug. 31, 2026. The Australasian sustainable funds market remains quite concentrated, with the top 10 firms accounting for approximately 73.2% of total assets in sustainable funds. The Australasian sustainable funds universe remains highly segmented, with Dimensional dominating active sustainable assets and ETF providers Betashares, Vanguard, and iShares leading the passive market.

Exhibit 36. Australia/New Zealand Assets by Firm and Investment Type
USD Millions

Overall – Firm	Total AUM (USD Mn)	Actively Managed – Firm	Active AUM (USD Mn)	Passively Managed – Firm	Passive AUM (USD Mn)
Dimensional	8,420.5	Dimensional	8,420.5	BetaShares	4,395.2
BetaShares	4,611.6	Russell	2,257.4	BlackRock (iShares)	3,432.4
BlackRock (including iShares)	3,470.9	Pendal	1,966.8	Vanguard	3,342.9
Vanguard	3,342.9	Australian Ethical	1,928.7	State Street	1,553.1
Russell	2,568.9	U Ethical	929.8	Kernel Wealth	864.5
Australian Ethical	2,131.7	Alphinity	905.8	VanEck	416.8
Pendal	1,966.8	Mercer	819.5	Russell	311.6
State Street	1,848.8	Acadian	566.1	SmartShares	294.1
U Ethical	929.8	Consilium	534.5	Macquarie	234.8
Alphinity	905.8	Perpetual	504.1	Global X	40.1

Source: Morningstar Direct. Data as of Aug. 31, 2026.

Regulatory Update

Australia: Regulatory attention shifted further from framework design toward implementation during the quarter. Group 2 entities entered Australia's mandatory sustainability-reporting regime from July, while ASIC's September review of the first Group 1 reports found improved climate disclosures but scope for better forward-looking information, assumptions, and metrics.
Treasury is also consulting on changes intended to make the regime more efficient, while development of the proposed sustainable-investment product-labeling framework continues.

New Zealand: The sustainability framework remains principally disclosure-led. The Financial Markets Authority continues to emphasize clear, substantiated, and consistent sustainability claims, while its review of the second year of climate reporting found improving disclosure quality.

The FMA continues to note weaknesses around physical climate-risk reporting. Previously proposed reforms that would narrow the scope of mandatory climate reporting remained an important regulatory watch point.

Source: Morningstar Direct. Fund fees are defined as the representative annualized cost, excluding transaction fees.

Japan

Outflows Persist

In the third quarter of 2026, Japanese sustainable funds recorded a 17th consecutive quarter of net outflows, totaling USD 204 million in net redemptions. The pace of redemptions was broadly unchanged from the first and second quarters. This stood in sharp contrast to the broader Japanese fund market, which attracted USD 50 billion of net inflows over the same period.

Actively managed sustainable funds recorded net redemptions for the 18th consecutive quarter, with outflows totaling USD 430 million during the quarter. Passively managed sustainable funds continued to attract inflows, which more than doubled from the second-quarter level but remained insufficient to offset active fund outflows.

Exhibit 37. Japan Sustainable Fund Flows by Asset Class
USD Billions

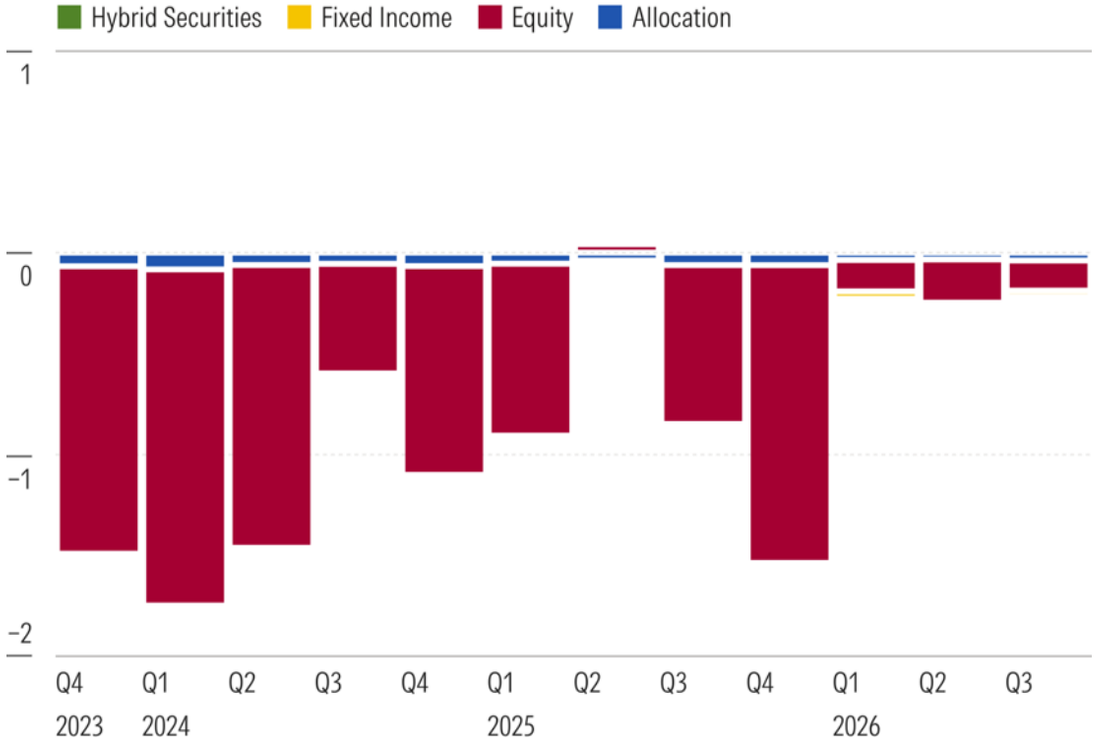
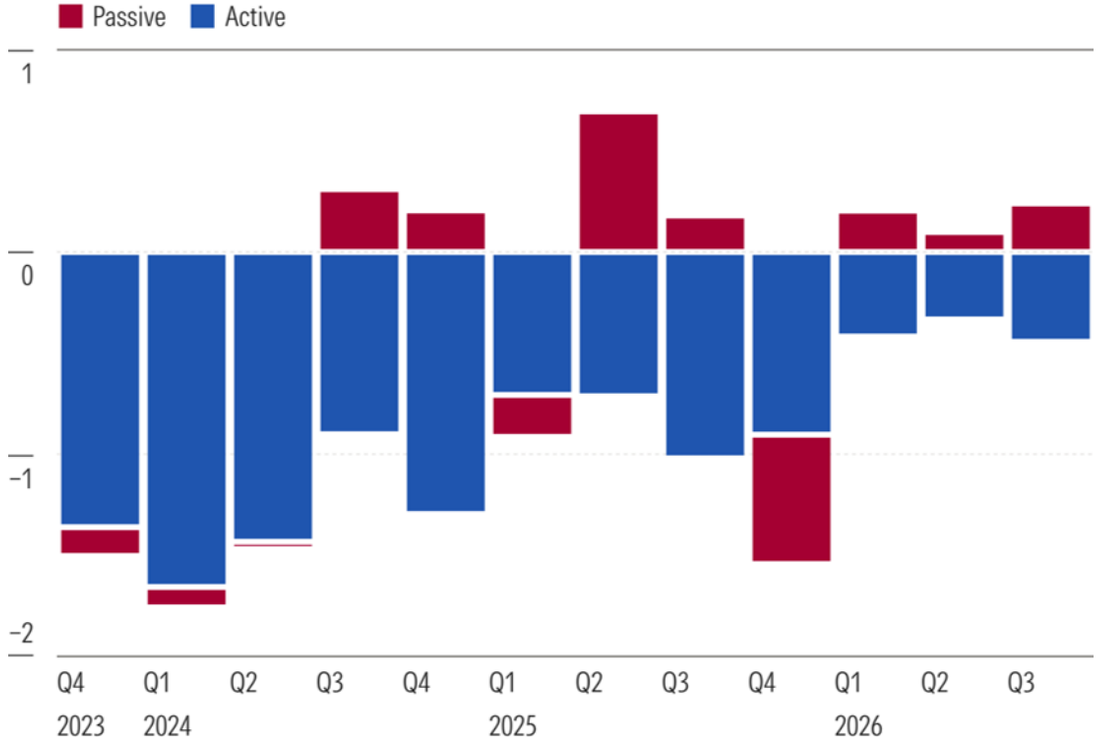


Exhibit 38. Japan Sustainable Fund Flows by Investment Style
USD Billions



Source: Morningstar Direct. Data as of Sept. 30, 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.

See Important Disclosures at the end of this report.

Assets Remain Broadly Stable

Total assets in Japan-domiciled sustainable funds remained broadly unchanged quarter on quarter, standing at USD 22.4 billion at the end of September 2026. Passive inflows partly offset active outflows, with market gains likely covering the remainder, keeping assets broadly stable. Over the same period, the Morningstar Japan PR USD Index rose 4.9% during the quarter.

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

Exhibit 39. Japan Sustainable Fund Assets
USD Billions

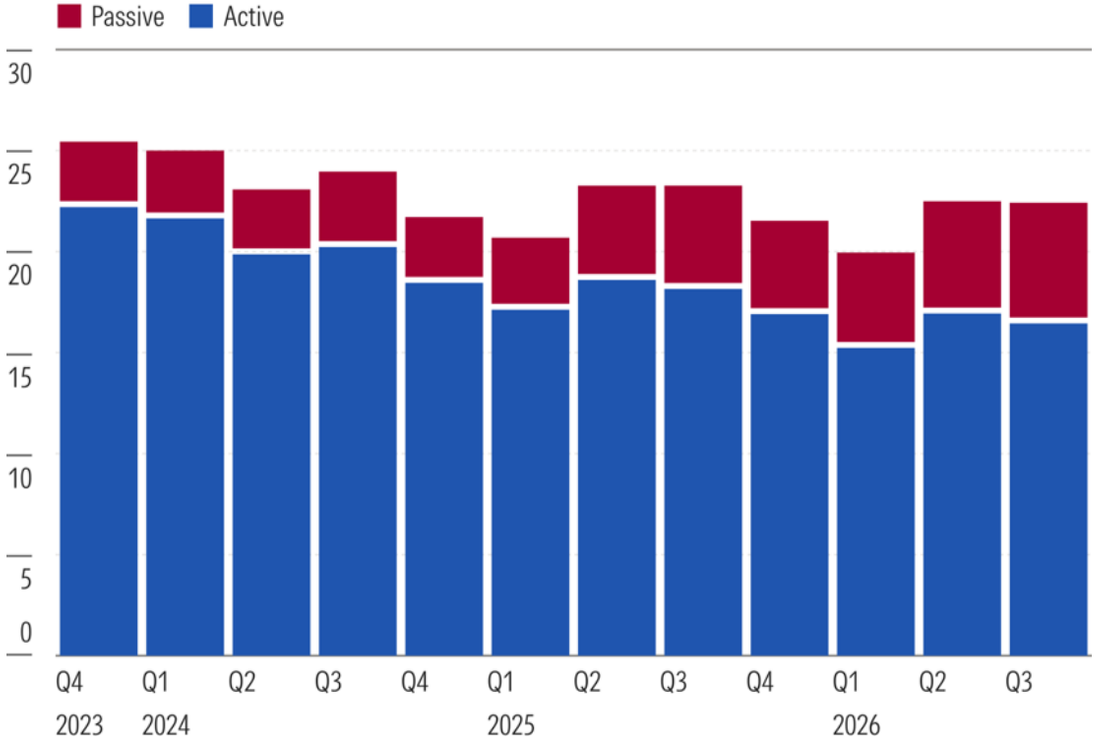
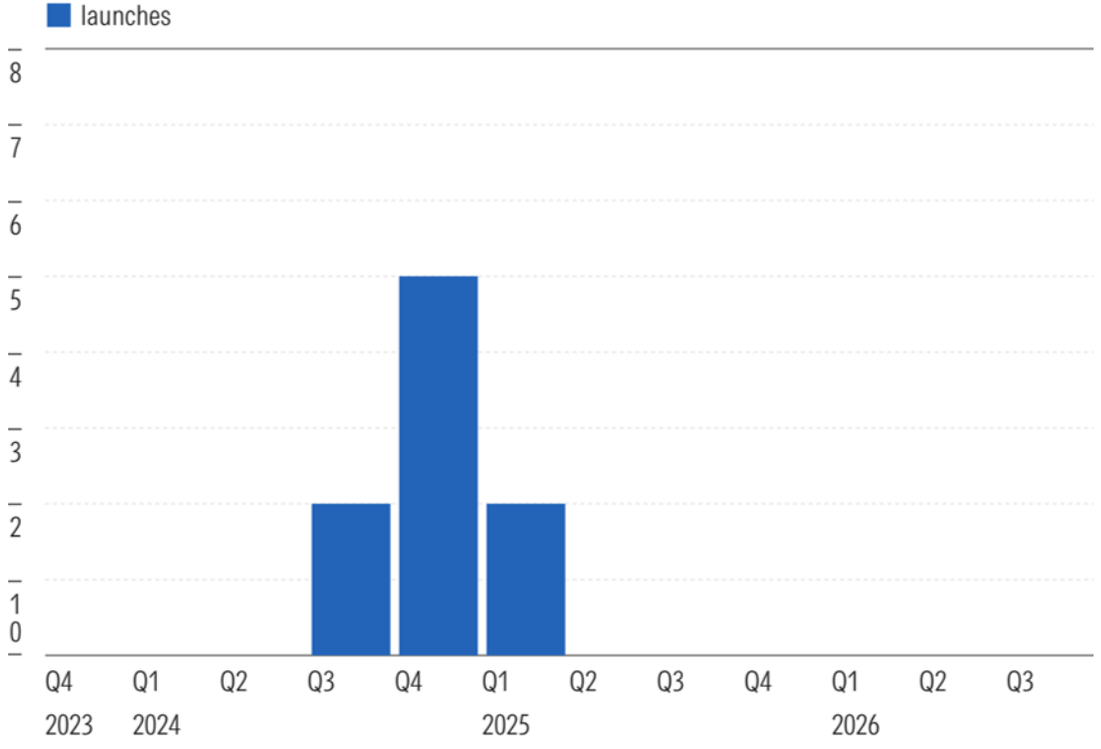


Exhibit 40. Japan Sustainable Fund Launches



Source: Morningstar Direct. Data as of Sept. 30, 2026.

Regulatory Update

Japan continued to advance its sustainability disclosure and assurance framework during the third quarter. On July 15, the Act Partially Amending the Financial Instruments and Exchange Act and the Payment Services Act was enacted. The Act establishes a framework for mandatory disclosure based on the Sustainability Standards Board of Japan standards and third-party assurance for certain Prime Market-listed companies, alongside registration and business regulation of assurance providers. Implementation arrangements also progressed. On Sept. 15, the Financial Services Agency designated SSBJ's Sustainability Disclosure Practical Standard No. 1. The standard clarifies how companies subject to Japan's mandatory greenhouse gas emissions calculation, reporting, and publication system (the SHK system) can use emissions data measured and reported using that system's methods in their climate-related disclosures.

Corporate governance reform reached another milestone on July 21, when the FSA and the Tokyo Stock Exchange finalized Japan's revised Corporate Governance Code, effective the same day. The revision streamlines the framework and introduces interpretive guidance to support substantive implementation. It emphasizes board oversight of growth investment and resource allocation, independent director effectiveness, and the submission of annual securities reports before shareholder meetings. Companies must update their corporate governance reports to reflect the revised Code by July 31, 2027.

The Tokyo Stock Exchange also continued follow-up reforms to its market restructuring. On Aug. 12, it published company and institutional investor survey results on investor dialogue and progress toward management being conscious of capital costs and share prices, alongside a list of companies recognized by investors for making progress. Separately, it established a study group on Growth Market development in August, with meetings held on Aug. 21 and Sept. 16 to examine the development of listed growth companies and startups preparing for IPOs and the market conditions needed to support them.

Source: Japan FSA, Tokyo Stock Exchange.

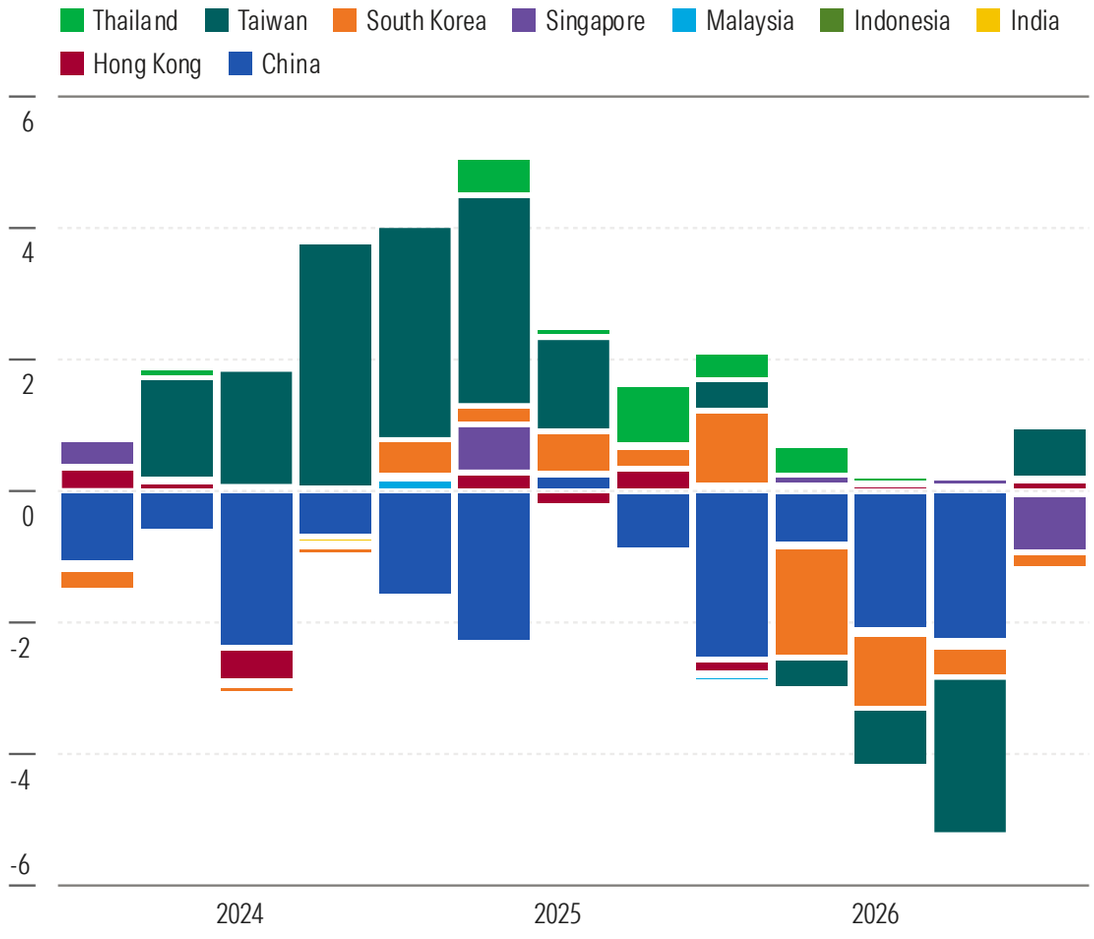
Asia Ex-Japan

Taiwan Inflows Partially Offset Singapore-Led Outflows

Excluding China, the region recorded USD 144 million in net outflows this quarter. Singapore and South Korea led the decline, registering net outflows of USD 870 million and USD 253 million, respectively. On the other hand, Taiwan was the largest source of inflows in the region, attracting USD 779 million in net inflows during the quarter.

Singapore's outflows were primarily driven by the **iShares MSCI Asia ex Japan Climate Action ETF**, which recorded an outflow of USD 880 million during the quarter.

Exhibit 41. Asia ex-Japan Sustainable Fund Flows by Country
USD Billions



Source: Morningstar Direct. Data as of Sept. 30, 2026.
*It should be noted that China 3Q 2026 fund flow data was not available at the time of writing. Accordingly, China flow data is not reflected in the Q3 2026 data in Exhibit 41.

See Important Disclosures at the end of this report.

Outflows Persist

Across asset classes, excluding China flow data for the most recent quarter, equity funds attracted USD 240 million of net inflows, ending four consecutive quarters of outflows, while fixed-income funds recorded USD 413 million of net outflows.

Excluding China flow data for the most recent quarter, passive strategies recorded a slight net inflow of USD 41 million, while active fund recorded net outflows of USD 185 million.

Exhibit 42. Asia ex-Japan Sustainable Fund Flows by Asset Class
USD billion

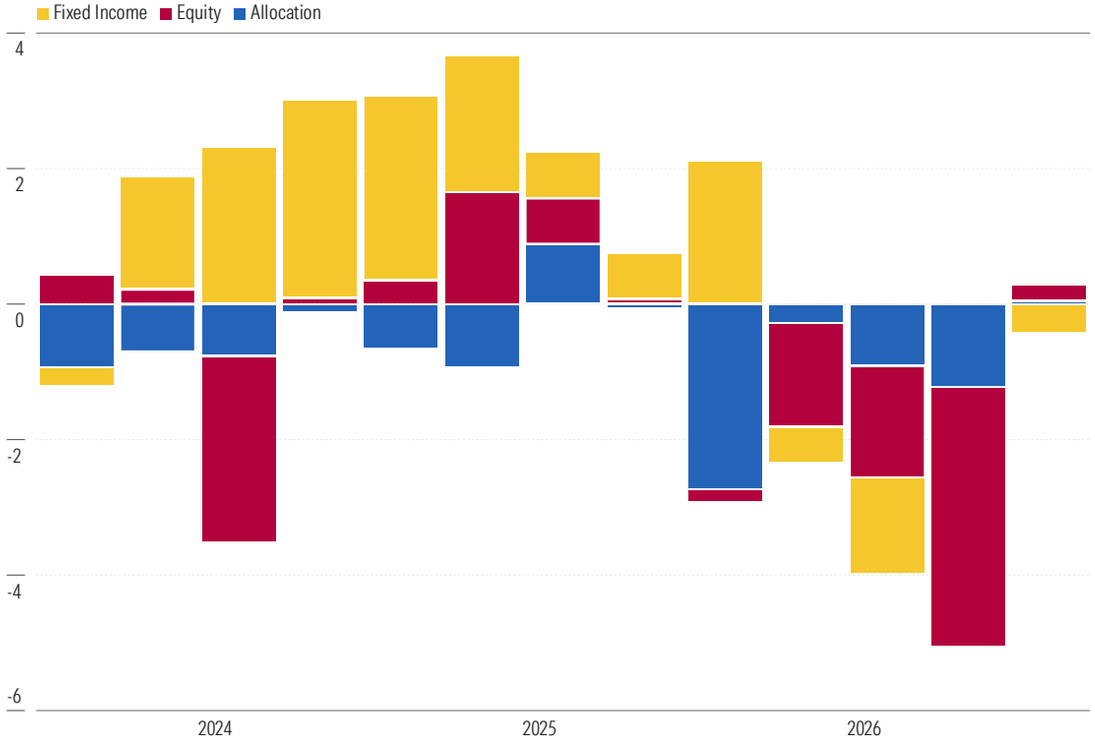
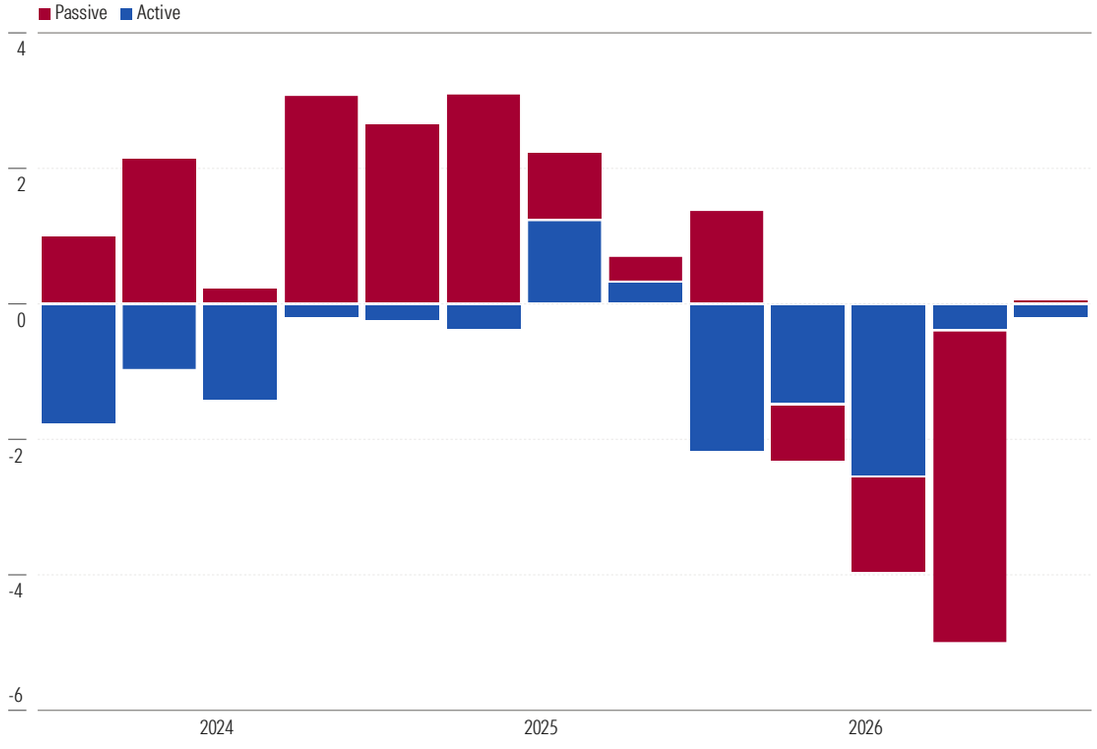


Exhibit 43. Asia ex-Japan Sustainable Fund Flows by Style
USD Billion



Source: Morningstar Direct. Data as of Sept. 30, 2026.
*It should be noted that China 3Q 2026 fund flow data was not available at the time of writing. Accordingly, China flow data is not reflected in the Q3 2026 data in Exhibits 42 and 43.

See Important Disclosures at the end of this report.

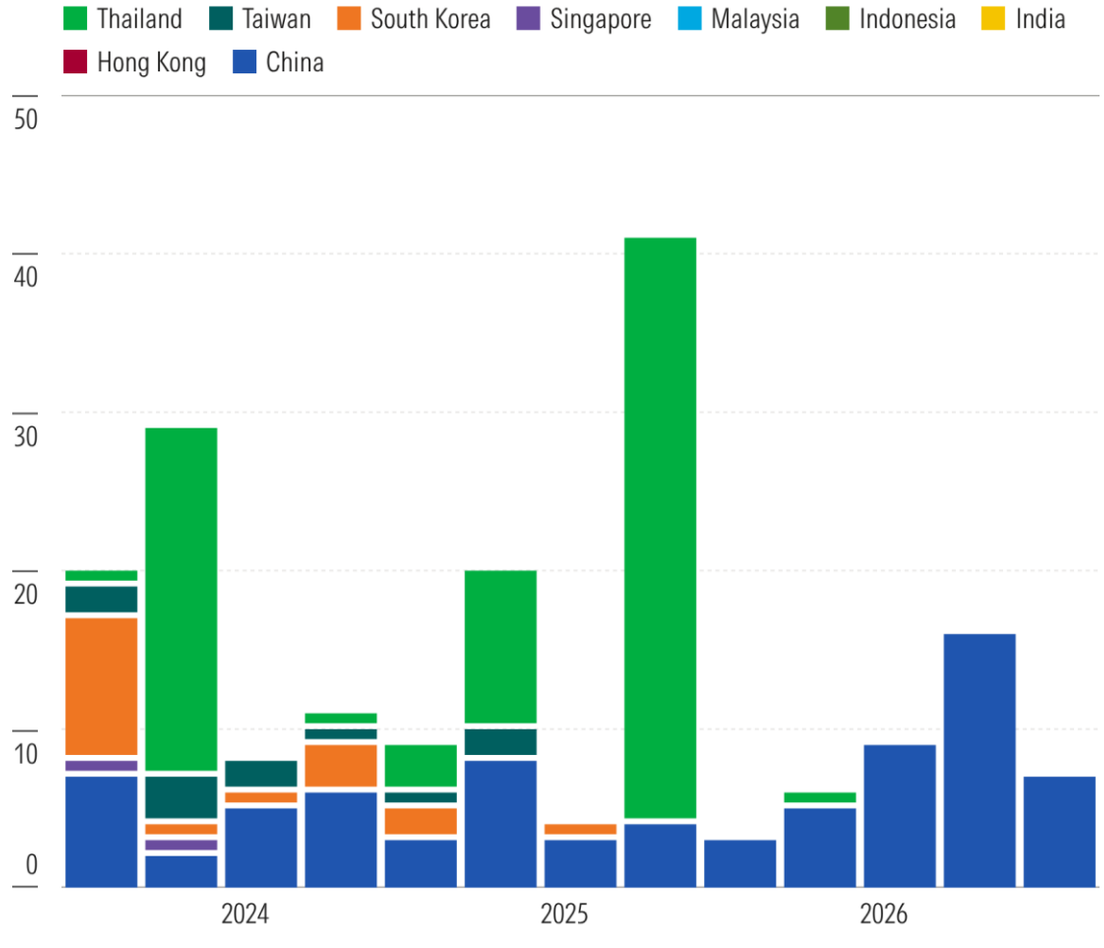
China Continues to Lead Fund Launches

In third-quarter 2026, seven sustainable funds were incepted in the Asia ex-Japan region, decreasing from 16 launches in the previous quarter. China remained the only country in the region to launch sustainable funds during the year-to-date period.

Among the new products launched, four were passive strategies, while three were actively managed. Equity strategies continued to dominate product development, accounting for five of the seven launches.

A notable theme this quarter was the continued focus on China's energy transition. Four of the seven launches included "New Energy" in their fund names, while two additional launches focused on green electricity or photovoltaic industries. This highlights sustained product development around China's renewable energy and electrification value chain.

Exhibit 44. Asia ex-Japan Sustainable Fund Launches by Country
Total Launches



Source: Morningstar Direct. Data as of Sept. 30, 2026.

Regulatory Update

Across Asia, regulators continue to enhance sustainability-related disclosure requirements for investment funds, with the overarching objective of improving the transparency, consistency, and credibility of ESG investment products.

In June 2026, ahead of the third quarter, the Monetary Authority of Singapore updated its information paper on Good Disclosure Practices for Retail ESG Funds. The revisions were informed by MAS' ongoing review of ESG fund prospectuses and reports, as well as thematic inspections of selected ESG fund managers conducted in 2025. MAS continues to encourage fund managers to clearly define subjective ESG terminology and ensure that ESG-related disclosures are supported by appropriate governance frameworks and operational processes. The updated guidance also provides further detail on the use of ESG criteria and methodologies, the treatment of investments that do not meet minimum ESG thresholds, and disclosures relating to ESG benchmarks and index construction. Overall, the revisions seek to improve the transparency, consistency, and credibility of ESG fund disclosures while further strengthening safeguards against greenwashing.

In August 2026, Thailand's SEC sought public comments on draft regulations aimed at enhancing sustainability-related disclosure requirements for Sustainable and Responsible Investing Funds. The proposed amendments would require Thai ESG and Thai ESGX funds investing in listed companies participating in the JUMP+ Value Creation Program to disclose information on those investments and the companies' progress under the program in fund factsheets.

Managers of these funds would also be required to disclose the proportion of a fund's net asset value invested in participating companies, those companies' progress in meeting program objectives, and the proportion of participating companies in the portfolio with which the manager engaged over the preceding year. The proposals are intended to strengthen the transparency and credibility of sustainable investment products.

Appendix

Appendix

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. 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 data point (formerly known as Sustainable Investment—Overall) in Morningstar Direct. We also use the ESG Intentional Investment Overall Start Date data point to account for repurposed funds, where relevant.

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