Global Sustainable Fund Flows: Q3 2025 in Review

Investor appetite remains muted against a complex geopolitical backdrop

Morningstar Sustainalytics
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Contents

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Key Takeaways

- Global sustainable open-end and exchange-traded funds registered net outflows of about USD 55 billion in the third quarter of 2025. The vast majority of the outflows stemmed from redemptions in a range of UK-domiciled BlackRock funds, following a client pension fund's decision to transfer assets into custom ESG mandates managed by BlackRock.
- Excluding these BlackRock funds, global sustainable funds still recorded estimated outflows of USD 7.2 billion in the third quarter, compared with restated inflows of USD 6.2 billion in the previous quarter. Of the redemptions, USD 3.1 billion came from Europe, marking a notable reversal from the restated inflows of USD 11.3 billion seen in the second quarter.
- Sustainable funds in the United States saw net outflows for the 12th consecutive quarter, totaling over USD 5 billion in the last three months. Despite the continued withdrawals, US sustainable fund assets still grew to USD 367 billion, matching their 2021 peak.
- The rest of the world, in aggregate, attracted over USD 1 billion.
- Fixed income stood out as the only asset class gathering new money, with net subscriptions of about USD 12.5 billion, globally.
- Global sustainable fund assets rose by about 4% in the third quarter to USD 3.7 trillion, supported by stock market appreciation.
- Product development remained subdued, with only 26 new sustainable funds launched globally.
- Renaming activity in Europe has started to wind down after the EU's ESMA fund naming guidelines took effect in May. We identified 118 renamed funds in the third 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 United States, and the Rest of the World. There is more granular data available in this report for Canada, Australia and 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.

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.

This report examines recent activity in the global sustainable fund universe and details regional flows, assets, and launches during the third quarter of 2025. A summary is provided in Exhibit 1.

Exhibit 1 Global Sustainable Fund Statistics

	Flows Q3 2025	Flows Q2 2025	Assets Q3 2025		Funds Q3 2025	
Region	USD Bn	USD Bn	USD Bn	% Total	No.	% Total
Europe	-51.0	11.3	3,187	85	5,274	74
United States	-5.1	-5.8	367	10	469	7
Asia ex-Japan	0.9	0.8	80	2	668	9
Canada	0.7	0.1	42	1	245	3
Australia/New Zealand	0.3	-0.2	36	1	253	4
Japan	-0.8	0.0	23	1	230	3
Total	**-55.1**	**6.2**	**3,735**		**7,139**	

Source: Morningstar Direct. Data as of September 2025, 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 registered outflows of about USD 55 billion in the third quarter of 2025, compared with restated inflows of USD 6.2 billion in the previous quarter. The vast majority of the outflows stemmed from redemptions in a range of BlackRock funds. Four UK-domiciled BlackRock funds saw approximately USD 48 billion of withdrawals following the decision by a client pension fund to transition into custom ESG mandates managed by BlackRock.

Excluding these funds, global sustainable funds still recorded estimated outflows of USD 7.2 billion in the third quarter. Of the redemptions, USD 3.1 billion came from Europe, marking a notable reversal from the restated inflows of USD 11.3 billion seen in the second quarter.

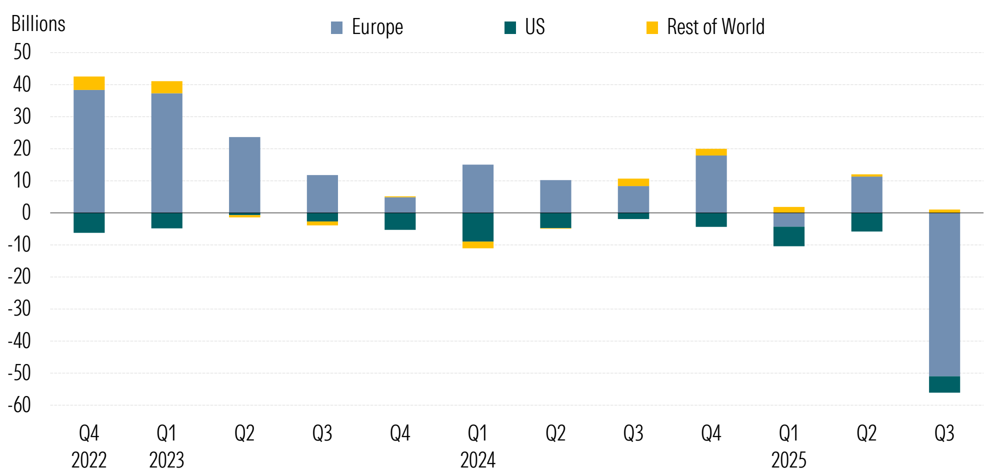
Meanwhile, the United States continued to experience net withdrawals for the 12th consecutive quarter, though the total was slightly lower at USD 5.1 billion in the third quarter, compared with the restated USD 5.8 billion in the previous quarter.

Flows into Asia ex-Japan rose to USD 902 million, up from a restated USD 811 million in the previous quarter, signaling continued investor interest in the region. Japan, by contrast, saw outflows of USD 840 million, reflecting a sustained retreat from sustainable strategies as the country registered its 13th consecutive quarter of outflows.

Canadian investors maintained their momentum, channeling net new money into sustainable funds, with inflows surging to approximately USD 700 million — a sharp increase from the restated USD 146 million in the prior quarter. Australia and New Zealand also showed signs of recovery, reversing the previous quarter's outflows with combined net inflows of USD 268 million.

Calculated as net flows relative to total assets at the beginning of the period, the organic growth rate of the global sustainable fund universe for the third quarter dropped to negative 2.1% from the restated positive 0.2% for the previous quarter. In comparison, the broader global fund universe posted an organic growth rate of 0.9% in the third quarter, doubling from the restated 0.4% seen in the second quarter. Net global fund flows totaled an estimated USD 511 billion, a significant increase from the restated USD 229 billion recorded in the prior quarter. Investor sentiment improved on signs of lower inflation and easing interest rates.

Exhibit 2 Quarterly Global Sustainable Fund Flows (USD Billion)



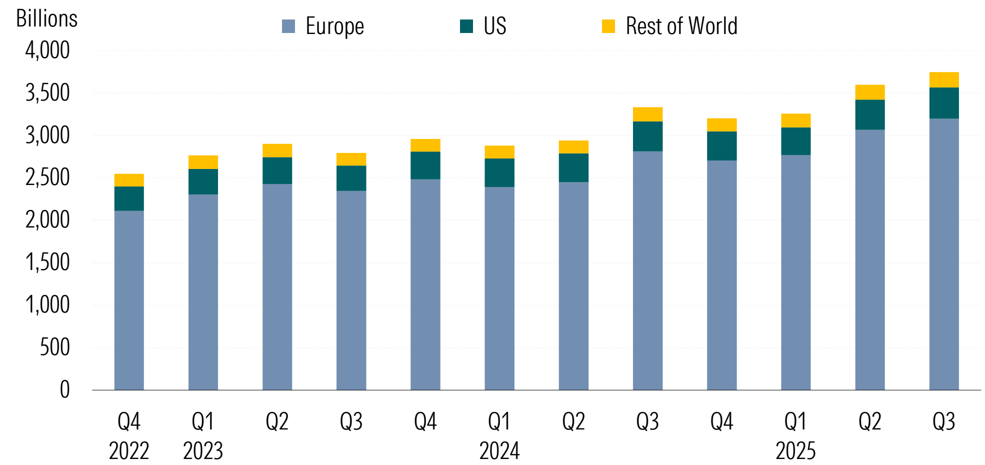
Source: Morningstar Direct. Data as of September 2025.

Fixed income stood out as the only asset class gathering new money in the third quarter, with net subscriptions of about USD 12.5 billion, globally.

Global Assets Edge Higher to USD 3.7 Trillion in an Up Market

As of September 2025, global sustainable fund assets edged up by about 4% to over USD 3.7 trillion, compared with a restated USD 3.6 trillion three months earlier. The growth was primarily driven by appreciation in both equity and bond markets. For broader context, the Morningstar Global Market Index advanced 7.6% over the third quarter and the Morningstar Global Corporate Bond Index inched up by 1.9%.

Exhibit 3 Quarterly Global Sustainable Fund Assets (USD Billion)



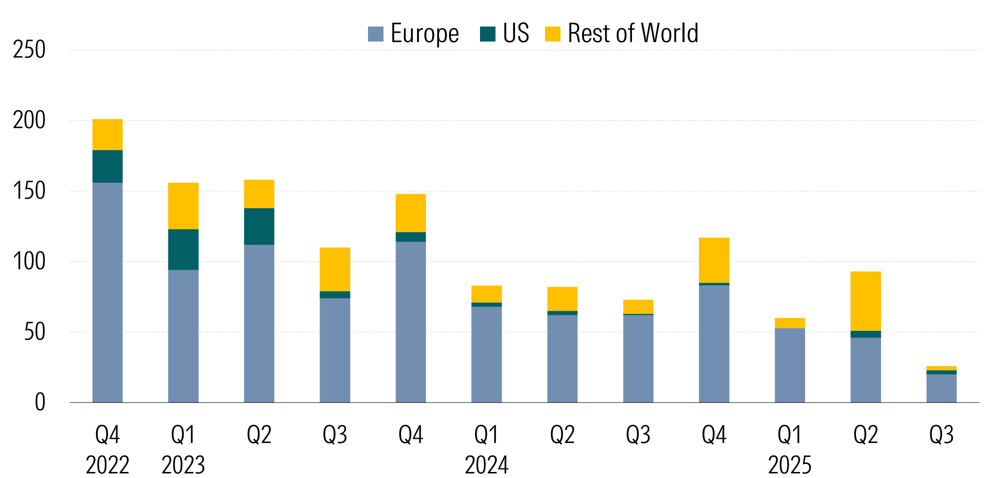
Source: Morningstar Direct. Data as of September 2025.

Europe takes up over 85% of global sustainable fund assets, followed by the United States with 10%, and the rest of the world makes up the remainder. Sustainable funds represent approximately 19% of the overall European open-end funds and ETF universe, compared to just 1% in the US.

Global Fund Launches

Product development activity in the sustainable funds space was subdued after experiencing a modest uptick in the second quarter of 2025, with 26 new sustainable funds launched globally. This was a significant decline from a revised 92 in the previous quarter. Europe, once again, was the main driver, accounting for 20 new launches.

Exhibit 4 Global Sustainable Fund Launches Per Quarter



Source: Morningstar Direct. Data as of September 2025.

BlackRock Tops the League Assets Table

Below we list the top asset managers that market sustainable funds globally. BlackRock, the world's largest manager, continued to dominate the sustainable investing space with about USD 433 billion of assets in ESG-focused and sustainable open-end funds and ETFs. Amundi overtook UBS this quarter with assets under management (AUM) totaling over USD 200 billion. UBS dipped slightly to USD 193 billion, from the restated USD 196 billion in the last quarter.

Exhibit 5 Top Asset Managers by Global Sustainable Fund Assets and Third-Quarter Flows

Overall			Actively Managed			Passively Managed		
Firm	Total Assets (USD Bil)	Flows (USD Mil)	Firm	Total Assets (USD Bil)	Flows (USD Mil)	Firm	Total Assets (USD Bil)	Flows (USD Mil)
BlackRock (incl. iShares)	433.8	-44,470	BlackRock (incl. iShares)	127.6	-6,229	BlackRock (incl. iShares)	306.2	-38,241
Amundi (incl. Lyxor)	201.0	2,174	Natixis	97.0	3,960	Amundi (incl. Lyxor)	111.3	368
UBS (incl. Credit Suisse)	193.0	-4,278	Amundi (incl. Lyxor)	89.6	1,806	UBS (incl. Credit Suisse)	107.5	-786
Swisscanto	118.1	-2,668	Nordea	86.2	-165	Vanguard	64.4	230
DWS (incl. Xtrackers)	108.8	1,216	UBS (incl. Credit Suisse)	85.5	-3,492	Northern Trust	56.8	-3,850
Natixis	100.0	3,816	KBC	74.0	2,932	Swisscanto	56.1	729
Nordea	86.2	-165	Swisscanto	62.0	-3,397	DWS (incl. Xtrackers)	53.6	2,169
BNP Paribas	86.1	-188	DWS (incl. Xtrackers)	55.2	-953	Handelsbanken	41.4	-271
KBC	74.0	2,927	BNP Paribas	50.0	-1,060	BNP Paribas	36.1	872
Vanguard	68.2	184	Allianz Global Investors	46.9	-243	Länsförsäkringar	26.0	407
Northern Trust	62.7	-4,045	JPMorgan	44.1	265	Legal & General	25.7	-1,136
JPMorgan	48.3	291	Pictet	43.3	-1,233	State Street	23.6	-6,300
Allianz Global Investors	46.9	-243	Royal London	42.6	-3	Invesco	21.1	100
Handelsbanken	46.6	-176	Union Investment	38.4	42	HSBC	11.8	182
Pictet	44.9	-1,194	Parnassus	36.3	-1,597	Eaton Vance	11.2	-330
Royal London	42.6	-40	Dimensional	34.1	774	Mercer Global Investments	10.6	162
Union Investment	38.4	42	Goldman Sachs (incl. NNIP)	33.8	-434	Storebrand Fonder	10.2	190
Parnassus	36.3	-1,597	Robeco	30.2	-578	Scottish Widows	8.9	212
Eaton Vance	36.0	-603	AXA IM	29.8	-564	First Trust	7.4	1,137
Dimensional	34.1	774	Schroders	28.9	-295	Nuveen	7.2	62

Source: Morningstar Direct. Data as of September 2025.

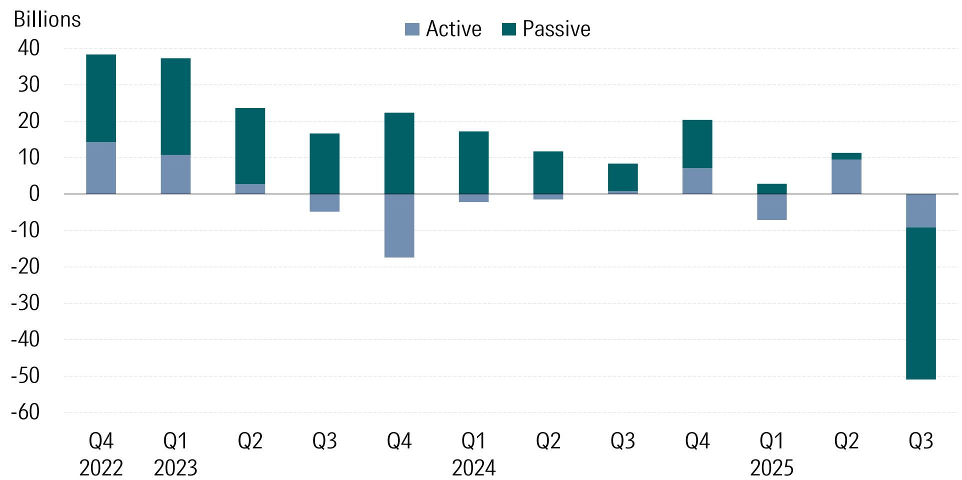
Quarterly Statistics Per Domicile

Europe

Record High Outflows Mainly Due to BlackRock In-House Client Asset Transfer

European-domiciled sustainable funds saw record outflows of USD 51 billion in the third quarter of 2025, compared with restated inflows of USD 11.3 billion in the second quarter. The bulk of these outflows can be explained by the redemptions from four BlackRock authorized contractual schemes' funds domiciled in the UK, following the decision by a client pension fund to transfer assets from the funds to BlackRock custom ESG mandates. We do not collect data on separate accounts. Excluding these redemptions, the European sustainable fund universe still experienced outflows over the quarter — though significantly smaller — amounting to USD 3.1 billion.

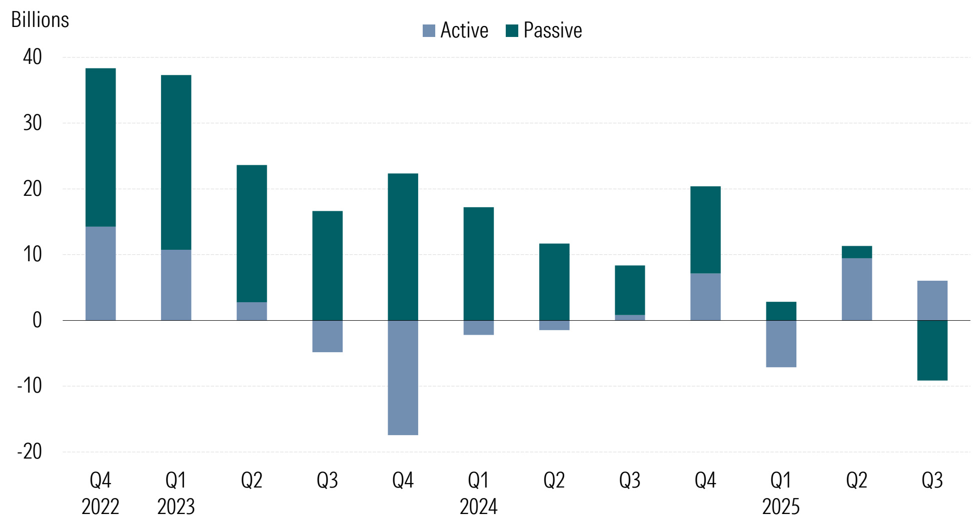
Exhibit 6a European Sustainable Fund Flows (USD Billion)



Source: Morningstar Direct. Data as of September 2025.

Excluding the four BlackRock funds mentioned earlier, the third quarter outflows of USD 3.1 billion (Exhibit 6b) were primarily driven by withdrawals from passive strategies, while active sustainable funds attracted USD 6.0 billion in inflows.

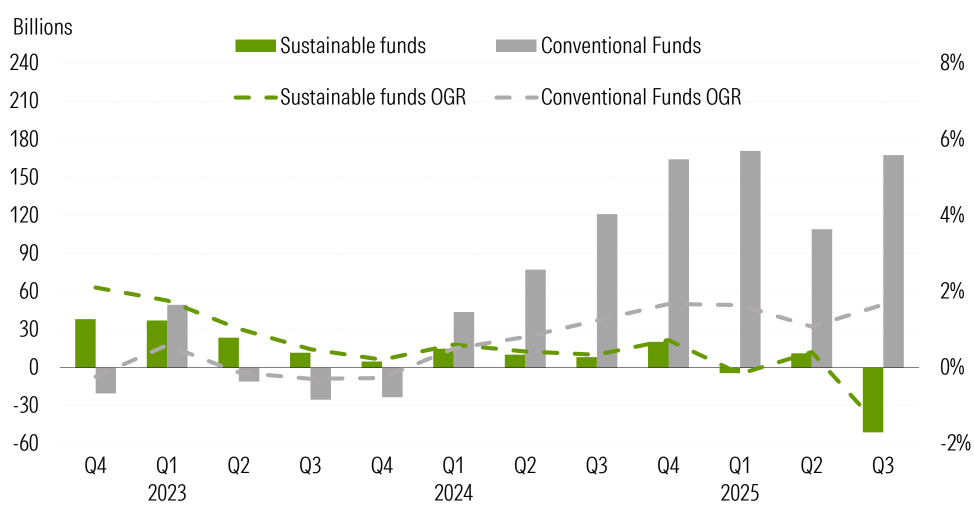
Exhibit 6b European Sustainable Fund Flows (Excluding the Four BlackRock funds) (USD Billion)



Source: Morningstar Direct. Data as of September 2025.

Following the significant redemptions (including the four BlackRock funds), the organic growth rate of sustainable funds was negative 1.7%, compared with the restated positive 0.4% in the previous quarter. Meanwhile, the broader conventional fund universe recorded an organic growth rate of 1.7% in the last quarter, as European conventional funds attracted approximately USD 168 billion in net new money, a notable increase from the restated USD 110 billion in the prior quarter.

Exhibit 6c European Sustainable Fund Flows Compared With Conventional Fund Flows (USD Billion)



Source: Morningstar Direct. Data as of September 2025.

European sustainable funds 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 United States — 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 (SFDR). (see regulatory update at the end of the Europe section).

Persistent performance challenges also continue to dampen investor appetite for sustainability-focused strategies. There has, however, been one bright spot this year: renewable energy stocks, which have rebounded, ranking among the best performing sectors. As of the end of September, the Morningstar Global Renewable Energy Index posted a year-to-date gain of 21%, compared with an 18.6% return for the Morningstar Global TME index and an 11.5% rise for the Morningstar Global Energy Index. The best year-to-date performance in the renewable energy fund sector was registered by Article 9 **WisdomTree Renewable Energy ETF**, with a gain of over 55%. Meanwhile, **BGF Sustainable Energy A2**, the largest European-domiciled renewable energy fund with USD 4 billion in assets (and also an Article 9 fund), rose by 24.5%. The sector's outperformance in 2025 follows four years of poor stock returns, primarily due to elevated interest rates, materials inflation, and supply chain disruptions.

Flows by Asset Class

In the third quarter, sustainable fixed income funds recorded net inflows of USD 8.6 billion, a decline from the restated USD 10.6 billion in the previous quarter. Outflows from sustainable equity funds reached a record of more than USD 55 billion, driven primarily by the four BlackRock ESG strategies mentioned earlier. Excluding these redemptions, outflows from equity fund flows totaled USD 7.3 billion. Investors' preference for bond funds over equity reflects a cautious stance amid ongoing economic uncertainty and rising geopolitical tensions. Meanwhile, allocation funds experienced USD 4.1 billion of redemptions, nearly offsetting the gains of USD 4.2 billion net subscriptions recorded in the previous quarter.

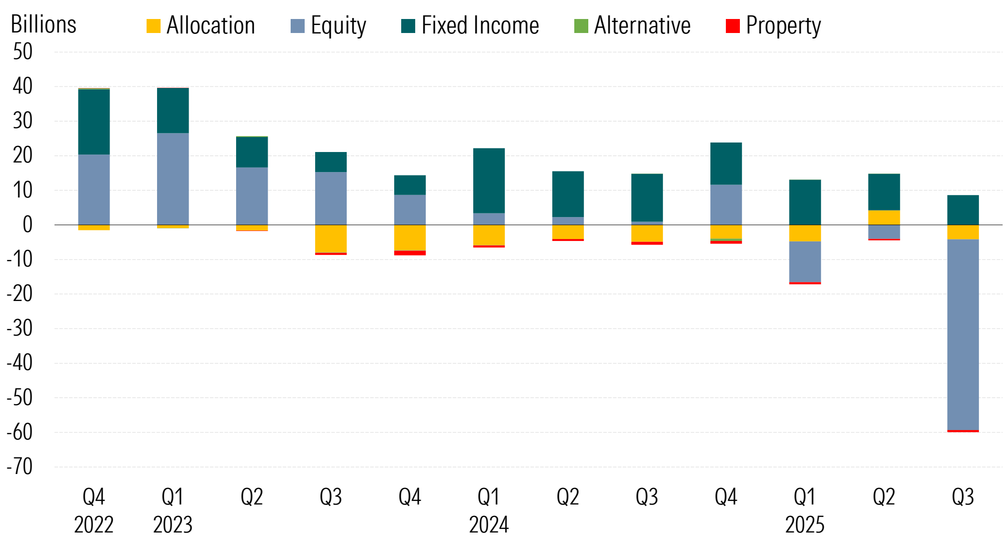
Exhibit 7 European Sustainable Fund Flows Compared With Conventional Fund Flows by Asset Class

USD Billion	Sustainable Funds		Conventional Funds		Overall Universe	
	Q3 2025	Q2 2025	Q3 2025	Q2 2025	Q3 2025	Q2 2025
Allocation	-4.1	4.2	7.8	-3.4	3.6	0.8
Alternative	0.0	0.0	5.8	2.1	5.8	2.2
Commodities	0.1	0.0	9.5	3.3	9.6	3.3
Convertibles	-0.1	0.0	0.2	-0.6	0.1	-0.6
Equity	-55.2	-4.0	84.7	53.0	29.6	49.0
Fixed Income	8.6	10.6	109.5	54.1	118.1	64.7
Miscellaneous	0.3	0.9	-0.7	2.0	-0.3	2.9
Property	-0.6	-0.4	-1.6	-1.4	-2.2	-1.8
Total	**-51.0**	**11.3**	**215.3**	**109.2**	**164.3**	**120.5**

Source: Morningstar Direct. Data as of September 2025.

The directional changes in European sustainable fund flows over the past three months diverged from those in the conventional fund market, where most asset classes saw notable growth in new subscriptions.

Exhibit 8 European Sustainable Fund Flows by Asset Class (USD Billion)



Source: Morningstar Direct. Data as of September 2025.

Flow Leaders and Laggards

Among the top 10 flow detractors, five are BlackRock funds, including three of the four UK-based authorized contractual schemes previously mentioned, which saw a pension fund client move assets into custom ESG mandates managed by BlackRock. Those are **BlackRock US Equity Tracker Fund**, **Blackrock Climate Transition Screened and Optimised World Equity Fund**, and **BlackRock Japan Equity Tracker Fund**. The three funds collectively lost USD 47.8 billion. The two passive equity funds track custom ESG-screened indices that apply product- and conduct-related exclusions. In contrast, the active climate transition strategy seeks to maximize exposure to companies with higher climate transition readiness. The fund employs a proprietary climate transition scoring methodology, which takes into account five key dimensions: energy production, carbon-efficient technology, energy management, water management, and waste management.

Another fund that lost significant assets last quarter is **SPDR Bloomberg U.S. Corporate Scored ETF**, which faced net redemptions of almost USD 7 billion. The fund tracks an index that integrates the ESG scores of underlying issuers, while excluding issuers involved in controversial activities and those that fail to comply with the UN Global Compact principles.

Exhibit 9 Bottom 10 European Sustainable Fund Flows in Q3 2025

Fund Name	Net Flows (USD Million)
Blackrock US Equity Tracker Fund	-29,508
Blackrock Climate Transition Screened and Optimised World Equity Fund	-15,198
SPDR Bloomberg U.S. Corporate Scored ETF	-6,969
Blackrock World ESG Screened and Optimised Equity Tracker Fund	-6,327
Blackrock World ESG Screened Equity Tracker Fund	-4,230
Northern Trust World Screened Equity Index Fund	-4,096
Blackrock Japan Equity Tracker Fund	-3,141
UBS Long Term Themes (USD)	-2,879
L&G ESG Paris Aligned World Equity Index Fund	-2,014
Swisscanto Equity Fund Systematic Responsible Wolrd Enhanced	-1,745

Source: Morningstar Direct. Data as of September 2025.

The 10 largest fund outflows over the past three months amounted to a record USD 76 billion in combined redemptions, with passive funds accounting for three-quarters of the total. In addition to investment vehicle transfers — from funds to mandates — these large redemptions reflect significant asset class rotation by major institutional investors, as large inflows are recorded into other funds. For example, two BlackRock equity funds topped the list of biggest money gatherers in the third quarter. Combined, **BlackRock World ESG Insights Equity Fund** and **BlackRock North America ESG Insights Equity Fund** attracted USD 8.5 billion. Alongside a 50% reduction in overall carbon intensity and a 7% annual reduction rate, both active strategies aim to balance their investment selection to achieve a portfolio with at least a 20% higher weighted average percentage of "green revenues" relative to the benchmark. Green revenues are defined as the share of revenues generated by underlying issuers from economic activities linked to clean technology themes, such as alternative energy, energy efficiency, and pollution prevention.

In a distant third place — but still noteworthy given its USD 2.9 billion net subscriptions — was allocation strategy **DNCA Invest Alpha Bonds**. Along with carbon footprint and revenue share linked to the UN Sustainable Development Goals (SDGs), this Article 8 fund applies a best-in-universe approach based on proprietary scores. These scores assess the performance of both private and public issuers across four key dimensions: shareholder, environmental, employer, and societal responsibility.

Exhibit 10 Top 10 European Sustainable Fund Flows in Q3 2025

Fund Name	Net Flows (USD Million)
Blackrock World ESG Insights Equity Fund	4,286
Blackrock North America ESG Insights Equity	4,223
DNCA Invest Alpha Bonds	2,939
iShares USA ESG Enhanced CTB ETF	1,900
iShares US Equity ESG Screened and Optimised Index Fund (UK)	1,689
iShares USA Screened ETF	1,042
Schroder Investment Fund Flexible Cat Bond	952
Xtrackers USA ESG ETF	952
iShares China Tech ETF	929
Amundi Ultra Short Term Bond Responsable	820

Source: Morningstar Direct. Data as of September 2025.

The 10 best-selling asset managers collectively recorded USD 15.7 billion in net inflows in the third quarter, representing a pronounced dip from subscriptions in the previous quarter. Natixis topped the leaderboard, driven largely by continued investor interest in DNCA Invest Alpha Bonds.

As expected, BlackRock topped the outflow ranking, posting aggregate redemptions of nearly USD 46 billion over the past three months. State Street followed with total redemptions approaching USD 6 billion, while Northern Trust and Swisscanto also registered notable outflows.

Exhibit 11 Top and Bottom 10 European Sustainable Fund Providers by Flows in Q3 2025

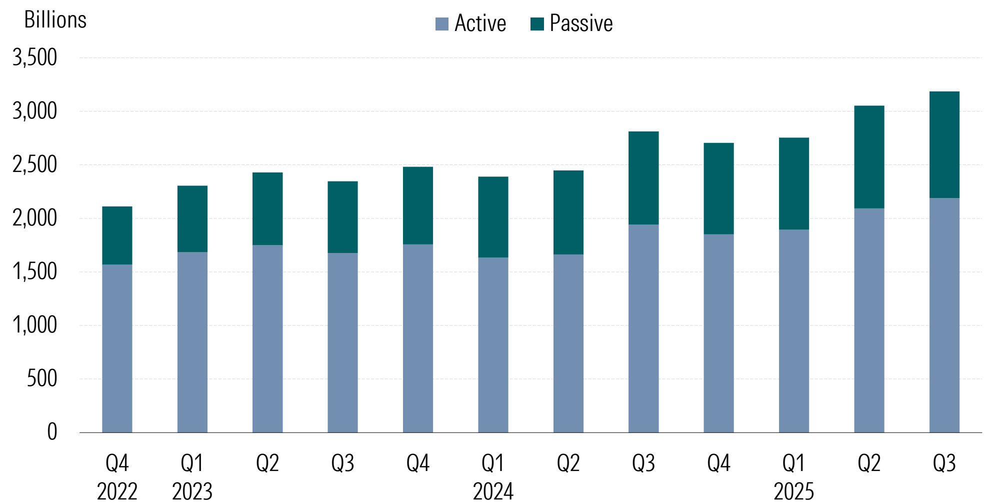
Firm	Net inflows (USD Million)	Firm	Net outflows (USD Million)
Natixis	4,365	BlackRock (incl. iShares)	-45,889
KBC	2,955	State Street	-5,815
Amundi (incl. Lyxor)	2,563	Northern Trust	-3,336
Schroders	1,578	Swisscanto	-2,560
Fidelity International	834	UBS (incl. Credit Suisse)	-2,554
DWS (incl. Xtrackers)	777	Eurizon	-1,968
LBP AM	747	First Sentier Investors	-1,885
M&G	720	Pictet	-1,248
Societe Generale Gestion	680	Baillie Gifford	-870
Aikya Investment Managemer	517	Liontrust	-808

Source: Morningstar Direct. Data as of September 2025.

European Sustainable Fund Assets

European sustainable fund assets rose by 4%, ending the third quarter at USD 3.2 trillion, from a restated USD 3.1 trillion as of June. For context, the Morningstar Global Market Index grew by 7.6% during the third quarter, while the Morningstar Europe Index gained 3.3%, and the Morningstar Corporate Bond Index edged up by 1.6%. As of the end of September, sustainable funds accounted for about 20% of the overall European open-end funds and ETF universe.

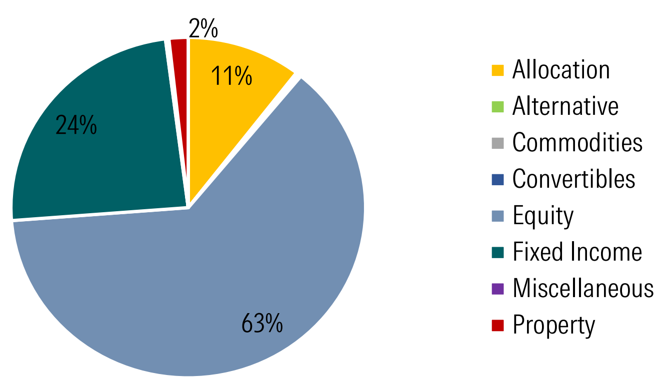
Exhibit 12a European Sustainable Fund Assets (USD Billion)



Source: Morningstar Direct. Data as of September 2025.

In terms of broad asset class, equity funds continue to dominate, representing 63% of European sustainable fund assets at the end of September. Sustainable bond funds take up almost one-quarter (24%), followed by 11% for allocation funds. By comparison, equity and fixed income strategies in the broader European fund universe account for 54% and 29%, respectively, as of September.

Exhibit 12b European Sustainable Fund Asset Breakdown



Source: Morningstar Direct. Data as of September 2025.

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

Presented below are the foremost asset managers distributing sustainable funds in Europe. As of September 2025, BlackRock remains the leading manager of ESG-focused open-end assets and ETFs in Europe, overseeing a substantial USD 418 billion — growing 0.6% over the quarter, despite the large outflows. In a distant second was UBS, with its sustainable fund assets rising by 2.9% to nearly USD 213 billion. It was closely followed by Amundi, which recorded 5.4% growth in assets.

Exhibit 12c 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)	418.2	BlackRock (incl. iShares)	148.1	BlackRock (incl. iShares)	270.1
UBS (incl. Credit Suisse)	212.9	Natixis	99.2	UBS (incl. Credit Suisse)	120.0
Amundi (incl. Lyxor)	208.9	Amundi (incl. Lyxor)	95.5	Amundi (incl. Lyxor)	113.4
Swisscanto	118.5	UBS (incl. Credit Suisse)	92.9	Northern Trust	68.9
DWS (incl. Xtrackers)	106.9	Nordea	91.5	Swisscanto	56.5
Natixis	102.2	KBC	65.1	DWS (incl. Xtrackers)	46.3
BNP Paribas	92.4	Swisscanto	62.0	Handelsbanken	43.1
Nordea	91.5	Royal London	61.7	BNP Paribas	41.4
Northern Trust	74.6	DWS (incl. Xtrackers)	60.5	Länsförsäkringar	26.0
KBC	65.2	BNP Paribas	51.0	Legal & General	25.9
Royal London	61.7	Allianz Global Investors	49.8	State Street	23.7
Allianz Global Investors	49.8	JPMorgan	43.4	Vanguard	20.5
Handelsbanken	48.3	Pictet	43.3	Invesco	12.2
JPMorgan	47.6	Union Investment	38.7	HSBC	12.0
Pictet	44.9	Glodman Sachs (incl. NNIP)	35.0	Mercer Global Investments	10.6
Union Investment	38.7	AXA IM	34.9	Storebrand Fonder	10.3
AXA IM	35.8	Schroders	31.0	Scottish Widows	8.9
Glodman Sachs (incl. NNIP)	35.3	Robeco	30.7	VanEck	6.2
Deka	31.8	LBP AM	29.8	OP	6.2
Legal & General	31.6	Vontobel	28.7	Deka	5.0

Source: Morningstar Direct. Data as of September 2025.

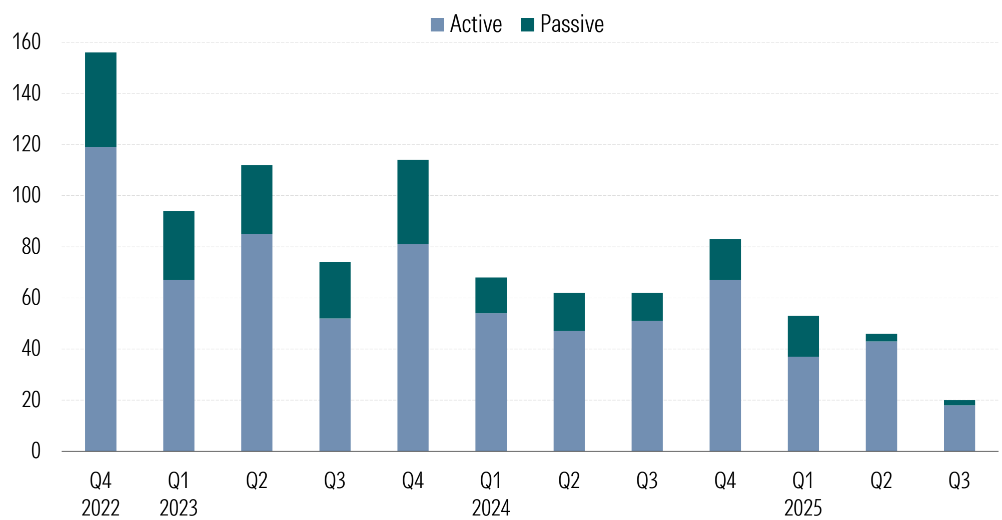
Sustainable Fund Launches

Against a challenging backdrop for ESG and sustainable investments, as discussed earlier, launches of sustainable funds domiciled in Europe reached a new low of 20 over the past three months, less than half the restated 46 seen in the previous quarter. As we continue to analyze the data and identify additional launches, we expect the Q3 number to be adjusted upward in the next report.

The cooldown of sustainable fund launches in recent quarters, 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 the growing demand. Asset managers have also become more cautious in their development of new ESG and sustainable strategies because of greenwashing accusations and uncertainty around regulations.

The European Union's Sustainable Finance Disclosure Regulation (SFDR) remains under review. The European Commission is expected to publish its proposed revisions in the fourth quarter. Meanwhile, asset managers have been busy responding to the newly enacted ESMA fund-naming guidelines, updating their fund ranges and implementing the necessary changes to ensure compliance with the new rules.

Exhibit 13 European Sustainable Fund Launches



Source: Morningstar Direct. Data as of September 2025.

For more details and analysis on SFDR, read: SFDR Article 8 and Article 9 Funds in Review.

The largest sustainable funds launched in the third quarter include **Eurizon Soluzione Protetta Riserva - Edizione 3-2025** (USD 96 million). The strategy favors government or agency securities issued by countries with greenhouse gas emissions below 850 tonnes of CO_2 equivalent per million euros of GDP, adjusted for purchasing power parity, including green bonds and sustainability bonds, while restricting investments in government or agency securities issued by countries that violate international treaties, conventions, UN principles or, where applicable, national legislation.

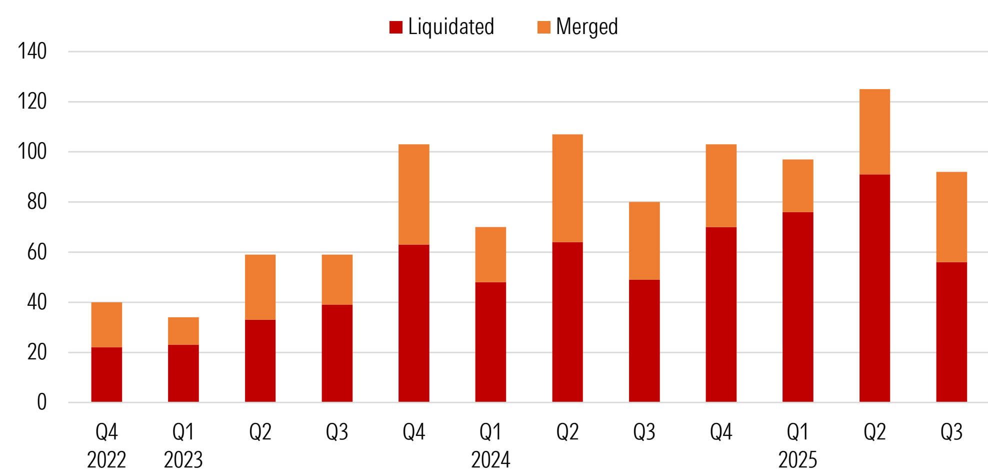
Another new launch of comparable size was **Schroder Flexible Cat Bond**, which focuses on catastrophe bonds (cat bonds) and cat bond lites linked to natural catastrophe and/or life risks. The fund aims to mitigate the negative impacts of such events, thereby supporting the rebuilding of economies and communities and enhancing their long-term resilience.

Sarasin launched its **Climate Active Endowments Ex-Energy Fund**, which applies a proprietary sustainability impact matrix to evaluate companies' exposure to climate-related risks and opportunities. The active strategy assesses each company's commitment to transition in line with a 1.5°C pathway and seeks to quantify the potential valuation implications of such a transition.

Sustainable Fund Closures

In the third quarter of 2025, 92 European sustainable funds were closed, 65 of which were liquidations and 27 mergers. This represented a modest decline from the restated closure count of 125 recorded three months earlier, although it remained above the level seen a year ago. This trend reflects the maturation of the sustainable fund market, which has grown and become more competitive. Funds that struggle to attract assets or to deliver good returns are increasingly prone to closing. We view this as a natural evolution of the industry, where only the better-performing and popular strategies will survive.

Exhibit 14 European Sustainable Fund Closures

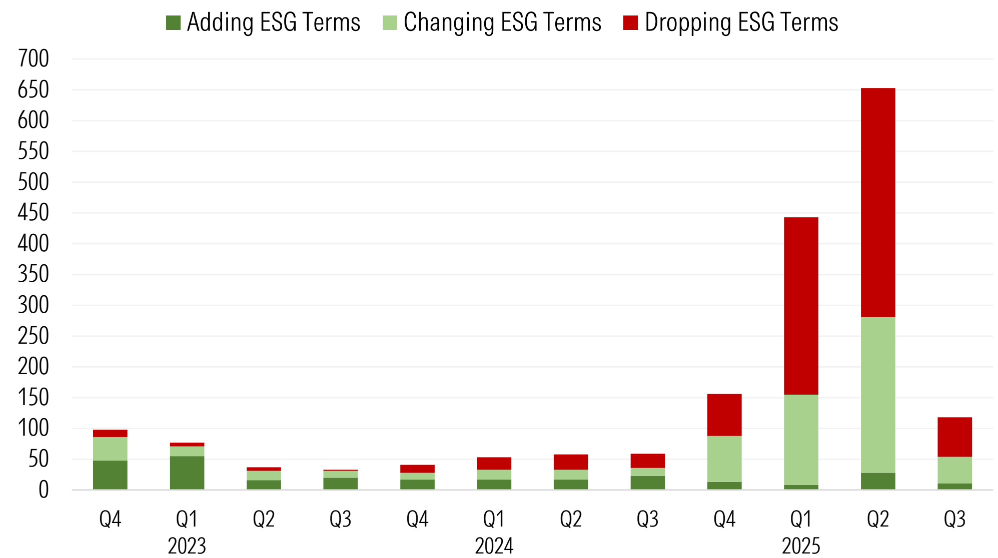


Source: Morningstar Direct. Data as of September 2025.

Renaming Activity Slows Following ESMA Fund-Naming Guidelines Deadline

After a busy first half of the year, during which asset managers rushed to implement the EU's ESMA fund naming guidelines ahead of the May 21 deadline, fund renaming activity has since slowed. In the third quarter of 2025, we identified 118 renamed funds, including 64 that dropped their ESG-related terms altogether, 43 that replaced an ESG-related term for another, and 11 that added ESG-related terms.

Exhibit 15a European Sustainable Fund Name Changes



Source: Morningstar Direct. Data as of September 2025. Based on 2,313 European ESG funds adding, dropping, or changing sustainability- or ESG-related terms in their names between 2022 and Q3 2025. This excludes money market funds, funds of funds, and feeder funds.

In the past three months, an estimated 64 funds removed ESG-related terms from their names, a considerable drop from the restated sum of 660 recorded over the first half of 2025. Examples include a series of JSS bond and equity funds, which dropped the term "sustainable", but maintained their investment objectives. **KBC Perspective World Timing 100-1** and **KBS Perspective Global Double Timing USD 100-1 Advanced** dropped the words of "Responsible Investing", leaving their underlying strategies unchanged. Out of the 64 funds that dropped ESG-related terms in the past three months, almost all (61) were actively managed.

Meanwhile, the number of funds that replaced ESG-related terms with others also declined to 43 from the restated sum of 400 seen over the first half of the year, and almost all (41) were active strategies. For example, **HI-Climate Transition Multi-Faktor Aktien Global-Fonds** replaced the word "sustainable" with the new term "climate transition". **EDM International Sustainable Global Equity Fund** replaced the word "impact" with "sustainable" in its name, while adhering to its investment strategy, under which only companies with an ESG score of at least 50 (out of 100) are eligible for investment, according to the fund's proprietary ESG scoring system.

For more details and analysis on the impact of the ESMA fund naming guidelines on renaming activity, read: SFDR Article 8 and Article 9 Funds_Q2 2025 and ESMA's Guidelines on ESG Fund Names | Morningstar.

Over USD 1 Trillion in European ESG Fund Assets Have been Renamed Since January 2024

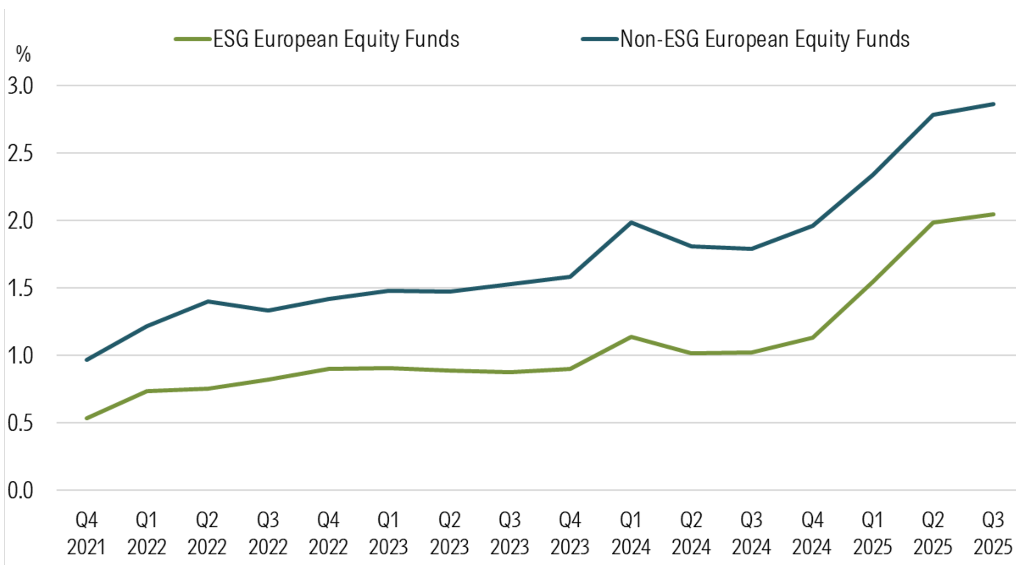
In total, we estimate that at least 1,500 funds, or 28% of our universe[2], representing about USD 1.07 trillion in assets under management[3], have been renamed since the beginning of 2024.

As of the time of writing, Morningstar's data analysts are still assessing the impact of this large number of name changes on our universe of European sustainable funds. Based on what we have seen, and also a survey done by Morningstar Manager Research, we do not expect significant changes to our universe. Most of the funds that have changed names have not changed their underlying strategy, and among those that have, only a minority have completely dropped their ESG-focused mandate.

ESG Funds Focused on European Equities Double Exposure to Aerospace & Defense So Far in 2025

With rising geopolitical tensions and increased military spending, defense has emerged as a popular investment theme this year, even among sustainability-oriented investors. Exposure to Aerospace and Defense stocks among sustainable funds focused on European equities has quadrupled since the beginning of the war in Ukraine in 2022 and doubled since January 2025, reaching over 2%, on average, at the end of September. By comparison, conventional European equity funds have seen their average exposure to the sector rise to 2.9%. This increased exposure reflects both the appreciation of defense stock prices and active buying by investors. To encourage greater capital flows into the defense industry, policymakers have clarified that financing defense activities is compatible with ESG policies.

Exhibit 15b Average Exposure of European Equity Funds to Aerospace & Defense Stocks



Source: Morningstar Direct. Data as of September 2025. Funds in pan-European and single European country Morningstar Categories.

2 At the start of 2024, our European sustainable fund universe included approximately 5,500 funds, many of which, but not all, had ESG-related terms in their names. We therefore estimate that the 1,346 funds that either dropped, changed or added ESG-related terms represent about 24% of the universe we had at the start of 2024. Our universe includes open-end funds and ETFs and excludes money market funds, feeder funds, and funds of funds.

3 Using total number of sustainable funds as of September 2025.

For more details about ESG funds' exposure to defense, read: EU ESG Funds' Exposure to Defense Continues to Increase and Defense: Assessing New Investment Opportunities Through an ESG Lens.

European Regulatory Update

In the EU, the European Parliament's position on the Omnibus package is expected to be finalized in late October 2025. During the third quarter, various leaks provided previews of what stances the Parliament might take, but the exact details have not been finalized (as of our publication date). In terms of changes to the scope of applicability for CSRD and CSDDD, it is expected that Parliament will align closely with the Council of the European Union's position, which was agreed to in July. Specifically, the Council proposed increasing the employee threshold for companies subject to CSRD from 250 to 1,000 and increasing the net turnover threshold from EUR 50 million to EUR 450 million. For the CSDDD, the Council similarly increased the thresholds, with the employee count rising from 1,000 to 5,000 and net turnover from EUR 450 million to EUR 1.5 billion. Once the Parliament's position has been finalized, trilogue negotiations will begin, with a final agreement on changes to the CSRD, EU Taxonomy, and CSDDD expected towards the end of 2025, or early 2026.

In relation to the Omnibus, the European Financial Reporting Advisory Group (EFRAG) released exposure drafts of the European Sustainability Reporting Standards (ESRS) for consultation at the end of July. The proposed changes to ESRS were focused on making reporting under the CSRD more manageable, while preserving the relevance of the standards and their alignment with the European Green Deal. The changes would substantially reduce the number of data points that are mandatory to report if material, slashing 57% from the original 2023 standards. In total, the mandatory and voluntary disclosures combined would be reduced by 68%. The EFRAG is scheduled to release its Draft Simplified ESRS in December.

In the UK, a trio of consultations related to the UK's sustainable finance framework closed in mid-September. These covered exposure drafts for the UK Sustainability Reporting Standards, assurance of sustainability reporting, and climate-related transition plan requirements. In July, HM Treasury announced the outcome of its late 2024 to early 2025 consultation on a UK Green Taxonomy. Citing consultation responses that indicated other policies should be more highly prioritized in relation to the transition to net zero and addressing greenwashing, the Treasury elected not to pursue a UK Taxonomy. The outcome report emphasizes other ways in which the government plans to deliver on its commitment to clean energy, growth missions, and environmental targets, such as the development of the Sustainability Reporting Standards and the development and implementation of transition plans to align with the Paris Agreement.

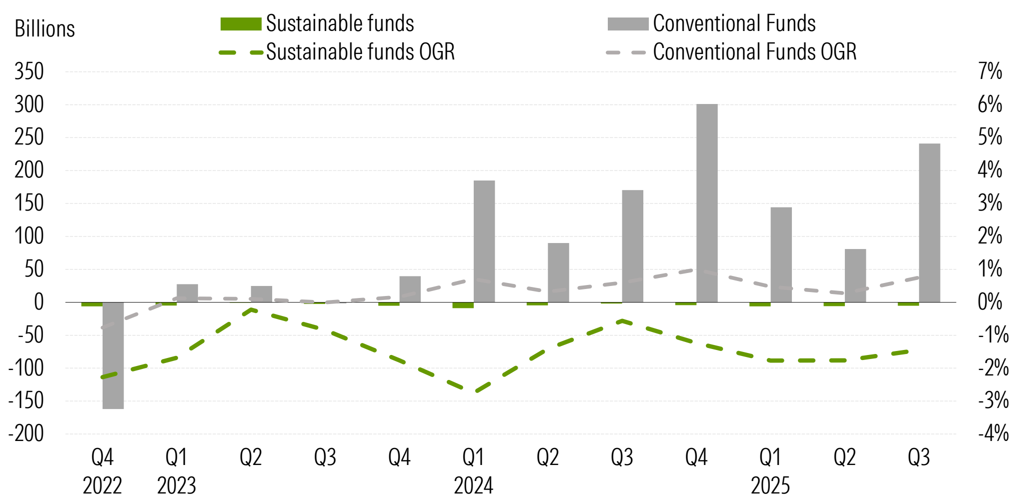
United States

Withdrawals Continue for the 12th Quarter in a Row

In the US, the trend of capital withdrawal continued for the 12th consecutive quarter, with net outflows from US-domiciled sustainable funds totaling USD 5.2 billion in the third quarter of 2025, following restated net redemptions of USD 5.9 billion in the previous quarter.

Consequently, the organic growth rate for these sustainable funds stood at negative 1.4%. In contrast, the broader US fund market experienced inflows of USD 236 billion, a sharp increase from the USD 75 billion seen in the previous quarter. This surge translated into an organic growth rate of 0.8% for the conventional fund market.

Exhibit 16 US Funds' Quarterly Flows: Sustainable versus All US Funds (USD Billion)

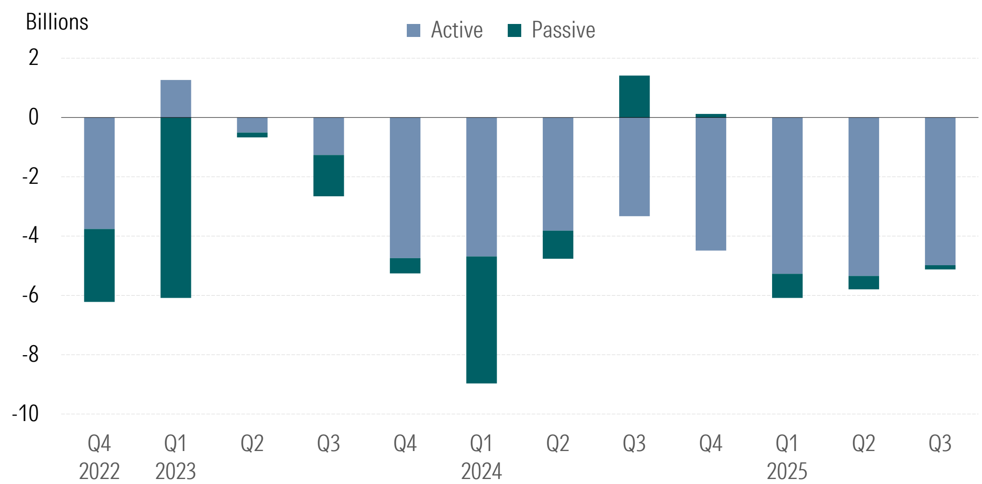


Source: Morningstar Direct. Data as of September 2025.

The reduced appetite among US investors for sustainable funds can be partly attributed to the anti-ESG backlash, which has intensified under the Trump administration. Since January, the administration has taken a number of actions that aim to eliminate or weaken climate change-related and ESG initiatives (see regulatory update at the end of the US section). In this environment, many US asset managers have scaled back their ESG commitments and adopted a more cautious approach to promoting their sustainability credentials and sustainable investment products.

In the third quarter of 2025, actively managed funds accounted for most of the withdrawals, losing USD 5 billion, while passive funds experienced modest outflows of USD 140 million.

Exhibit 17a US Sustainable Fund Flows (USD Billion)

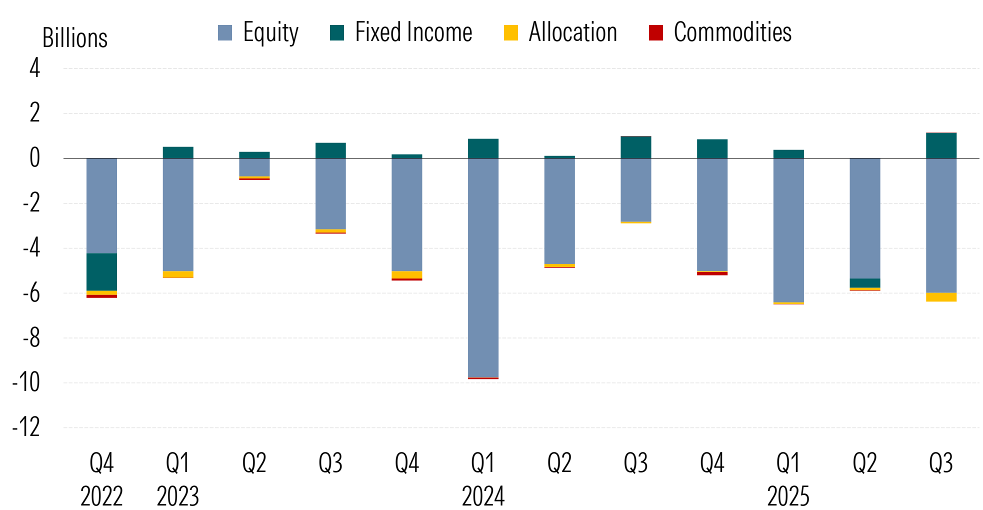


Source: Morningstar Direct. Data as of September 2025.

Flows by Asset Class

Fixed income and commodities were the only asset classes to record net inflows, with USD 1.1 billion and USD 8.4 million of subscriptions, respectively. Yet, these inflows were insufficient to offset the outpours from equity funds, which lost USD 6.0 billion over the quarter. Allocation funds experienced redemptions of USD 400 million.

Exhibit 17b US Sustainable Fund Flows by Asset Class (USD Billion)



Source: Morningstar Direct. Data as of September 2025.

Flow Leaders and Laggards

Parnassus Core Equity topped the list of largest outflows again, bleeding USD 1.3 billion during the third quarter. That fund alone accounted for nearly 25% of total outflows. While this brings the fund's total redemptions so far this year to USD 3.7 billion, it remains the largest sustainable fund in the US, with USD 28 billion in assets. The fund focuses on investing in US large-cap companies with sustainable competitive advantages, quality management, and positive ESG performance. **American Century Large Cap Equity Fund** and **Brown Advisory Sustainable Growth** recorded the second and third highest outflows, with USD 822 million and USD 730 million, respectively.

Exhibit 18a Bottom 10 US Sustainable Fund Flows

Fund Name	Net Flows (USD Million)
Parnassus Core Equity Fund	-1,305
American Century Large Cap Equity Fund	-822
Brown Advisory Sustainable Growth Fund	-730
Nuveen Large Cap Responsible Equity Fund	-590
Calvert Equity Fund	-453
Vanguard FTSE Social Index Fund	-389
Invesco MSCI North America Climate ETF	-379
Calvert US Large-Cap Core Responsible Index Fund	-245
Northern World Selection Index Fund	-189
Parnassus Value Equity Fund	-174

Source: Morningstar Direct. Data as of September 2025.

First Trust NASDAQ® Clean Edge® Smart Grid Infrastructure Index Fund emerged as the top performer in inflows in the latest quarter, recording USD 1 billion in inflows, a nearly sixfold increase from the previous quarter. This passive fund primarily targets investments within the smart grid and electric infrastructure sector, focusing on areas such as energy storage, enabling software, and grid networks. **Nuveen Core Impact Bond Fund** recorded the second largest inflows, with USD 374 million in net new money. The fund applies ESG criteria and an impact framework to construct its portfolio, targeting issuers and projects believed to deliver social or environmental benefits.

Exhibit 18b Top 10 US Sustainable Fund Flows

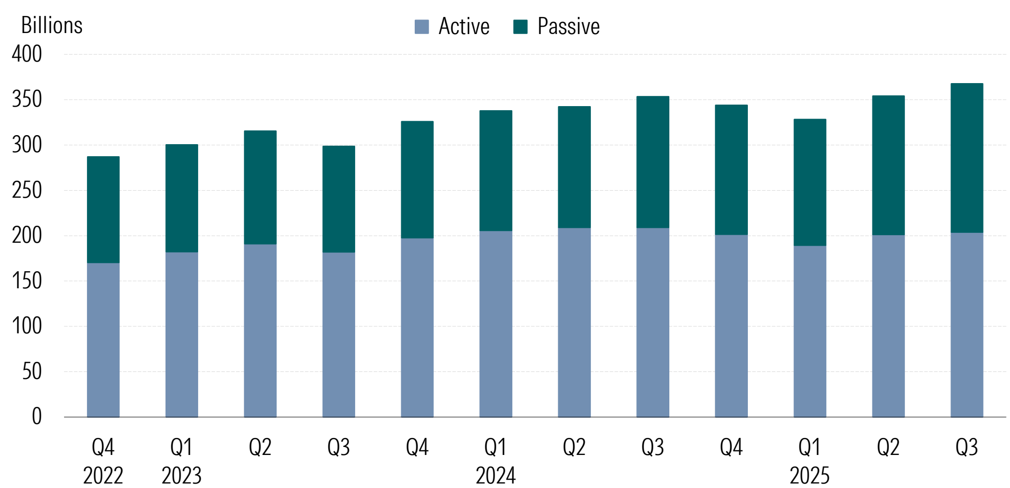
Fund Name	Net Flows (USD Million)
First Trust NASDAQ® Clean Edge® Smart Grid Infrastr. Index Fund	1,000
Nuveen Core Impact Bond Fund	374
Calvert Bond Fund	197
Vanguard ESG International Stock ETF	189
iShares ESG U.S. Aggregate Bond ETF	143
Ishares ESG Aware MSCI USA Value ETF	126
TCW Transform Systems ETF	126
Dimensional US Sustainability Core 1 ETF	109
iShares ESG Aware MSCI USA ETF	102
Calvert Income Fund	98

Source: Morningstar Direct. Data as of September 2025.

Assets Rise Back to Peak Levels of 2021

Despite continued outflows, sustainable fund assets rose for the second consecutive quarter and reached USD 367 billion, up 3.8% from USD 354 billion at the end of June. The US sustainable fund universe has now recovered, matching its 2021 peak. Passive funds represent 45% of the assets, continuing the trend toward a balanced allocation between the two management styles.

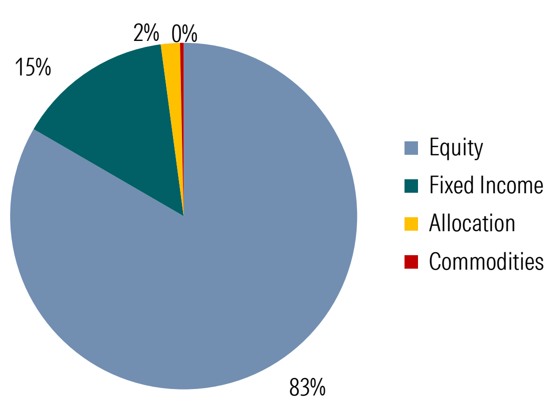
Exhibit 19a US Sustainable Fund Assets (USD Billion)



Source: Morningstar Direct. Data as of September 2025.

Equity funds continue to dominate the US sustainable fund landscape with an 83% share of the assets. Fixed income had 15% of the market at the end of September, while allocation and commodities accounted for a modest 3% and 0.4%, respectively.

Exhibit 19b US Sustainable Fund Asset Class Breakdown (USD Billion)



Source: Morningstar Direct. Data as of September 2025.

Despite continued outflows of close to USD 12 billion since the beginning of 2022, **Parnassus Core Equity Fund** retains its position as the largest sustainable fund in the US. **Vanguard FTSE Social Index Fund** ranks second, with assets rising to USD 25.3 billion from USD 23.8 billion at the end of the previous quarter. The fund invests in US large and mid-cap companies, excluding sector and normative controversies, such as adult entertainment, gambling and non-renewable energy, while also screening out companies with controversial conduct or poor diversity practices to prioritize positive social and environmental practices.

Exhibit 19c Top 10 Sustainable Funds

Fund Name	Total Assets (USD Billion)
Parnassus Core Equity Fund	28.0
Vanguard FTSE Social Index Fund	25.3
iShares ESG Aware MSCI USA ETF	15.0
Vanguard ESG U.S. Stock ETF	11.5
iShares ESG Aware MSCI EAFE ETF	10.2
Victory Pioneer Fund	9.9
DFA U.S. Sustainability Core 1 Portfolio	8.6
Brown Advisory Sustainable Growth Fund	8.4
Nuveen Core Impact Bond Fund	7.0
Putnam Sustainable Leaders Fund	6.6

Source: Morningstar Direct. Data as of September 2025.

BlackRock and Vanguard Remain at the Top

As the world's largest manager, Blackrock retained its position, with USD 64 billion in assets in the third quarter, up from USD 60 billion in the previous quarter. This is despite recording outflows close to USD 1 billion in the first three quarters of 2025. Vanguard maintained its second position, with USD 44.9 billion in assets. Totaling USD 37.2 billion, Morgan Stanley's assets again surpassed Parnassus', which declined to USD 36.3 billion.

Exhibit 20 Top Asset Managers by Sustainable Fund Assets in the US

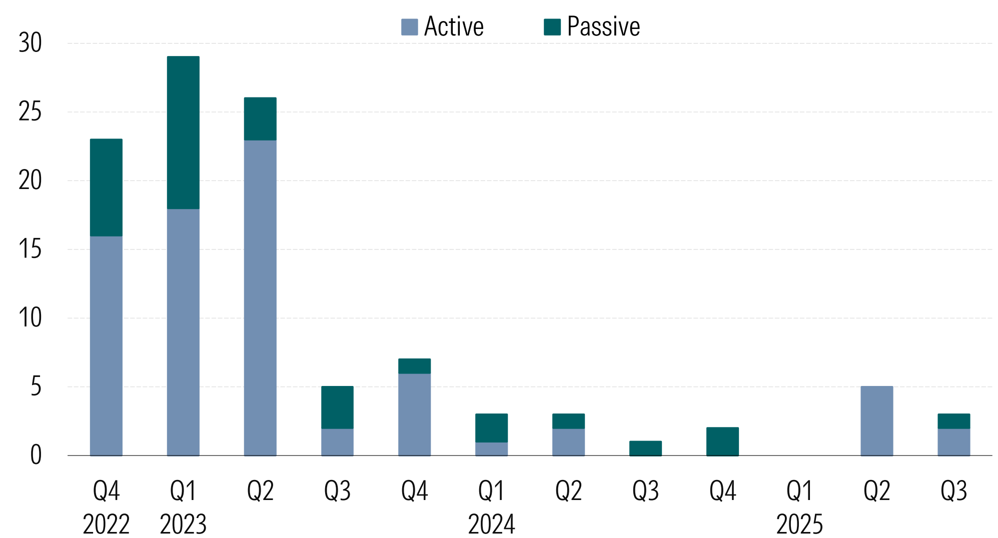
Overall		Actively Managed		Passively Managed	
Firm	Total Assets (USD Billion)	Firm	Total Assets (USD Billion)	Firm	Total Assets (USD Billion)
BlackRock (incl. iShares)	64.0	Parnassus	36.3	BlackRock (incl. iShares)	61.3
Vanguard	44.9	Morgan Stanley (incl. Calvert)	25.1	Vanguard	43.0
Morgan Stanley (incl. Calvert)	37.2	Dimensional	18.8	Morgan Stanley (incl. Calvert)	12.1
Parnassus	36.3	Nuveen	16.7	Invesco	7.9
Nuveen	23.9	Victory Capital	12.9	Nuveen	7.2
Dimensional	18.8	Franklin Templeton	10.4	DWS (incl. Xtrackers)	7.1
Victory Capital	12.9	Brown Advisory	10.3	First Trust	6.6
Franklin Templeton	10.4	Impax	8.1	Fidelity	6.0
Brown Advisory	10.3	Eventide	6.5	Everence	2.0
Invesco	10.3	American Century	5.6	Northern Trust	1.9
Fidelity	8.8	Boston Trust Walden	4.3	State Street	1.8
Impax	8.1	Community Capital	3.9	Global X	1.0
DWS (incl. Xtrackers)	7.4	AllianceBernstein	3.5	Green Century	0.9
First Trust	6.6	Neuberger Berman	2.9	TCW	0.9
Eventide	6.5	Fidelity	2.7	New York Life	0.7
American Century	5.6	BlackRock (incl. iShares)	2.7	Kraneshares	0.7
Boston Trust Walden	4.3	PIMCO	2.6	Jackson	0.4
Community Capital	3.9	Invesco	2.4	Flexshares	0.4
AllianceBernstein	3.5	Domini	2.4	VanEck	0.4
Everence	3.2	RBC	2.0	Amplify	0.2

Source: Morningstar Direct. Data as of September 2025.

Two New Sustainable Funds Come to Market

In the third quarter, two new sustainable US funds were added to the universe. Franklin Templeton launched a new fund in its target date series, **Putnam Sustainable Retirement 2070 A**. The allocation fund focuses on investments with positive ESG characteristics. **Sphere 500 Climate Fund** was the second to launch in the third quarter. This passively managed fund excludes issuers exposed to material climate change risks, such as companies deriving any revenue from the sale, use, or production of fossil fuels. The fund also excludes controversial sectors, such as tobacco and military firearms, while adopting an active engagement policy by voting for climate action initiatives.

Exhibit 21 US Sustainable Fund Launches

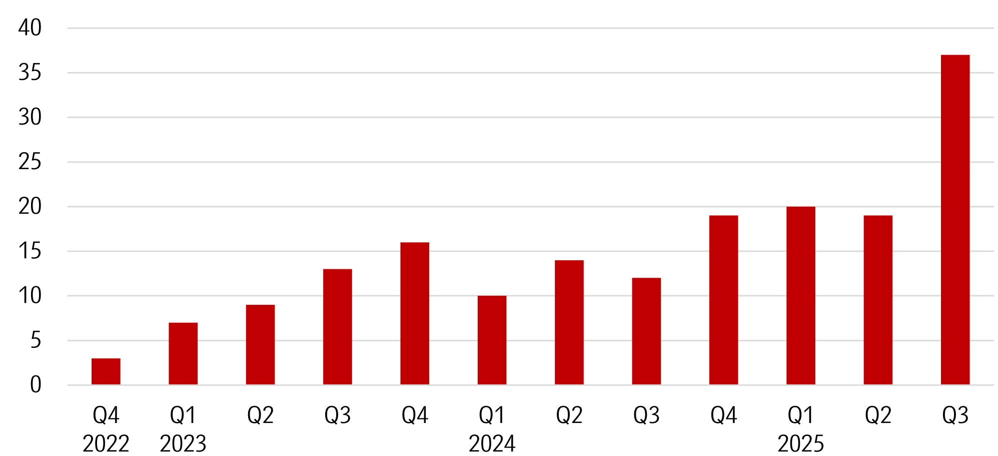


Source: Morningstar Direct. Data as of September 2025.

Fund Closures

In the third quarter, fund closures nearly doubled from the previous quarter, with 35 new liquidations and two mergers. Blackrock closed four funds, namely **BlackRock Impact Municipal Fund**, **Blackrock Sustainable Advantage Global Equity Fund**, **BlackRock Sustainable Aware Emerging Markets Equity Fund** and **BlackRock Sustainable Total Return Fund**, combining USD 187 million in assets before their closures. **Calvert Mid-Cap Fund** was the largest fund in the universe to close, with USD 211 million in assets before being merged. Natixis closed 11 Target Retirement funds, previously branded as Sustainable Future funds.

Exhibit 22 US Sustainable Fund Closures



Source: Morningstar Direct. Data as of September 2025.

Meanwhile, two funds dropped their ESG mandate in the third quarter, namely **Schwab Ariel Opportunities ETF** (formerly Schwab Ariel ESG Opportunities) and **Tortoise Global Water Fund** (formerly Tortoise Global Water ESG Fund). The Schwab fund had previously expressed an intention in its legal filings to evaluate issuers based on an ESG assessment, including an ESG-risk assessment on related impacts and practices of the invested companies. In addition, the fund had committed to performing a negative sector screen, excluding issuers involved in controversial activities, such as tobacco, fossil fuels, and controversial weapons. Meanwhile, the Tortoise passive fund has stopped using an ESG-scoring approach with pre-defined eligibility criteria for inclusion.

US Regulatory Update

Following the SEC's withdrawal of proposed rulemaking related to ESG disclosure for investment advisers and investment companies in June, the agency's regulatory agenda, released in September, did not include any plans to develop a sustainable finance framework. From a governance perspective, one agenda item that is likely to be relevant is proposed rulemaking to modernize shareholder proposals. New rules could provide companies greater latitude to exclude non-binding sustainability-related shareholder proposals. The SEC's chairman, Paul Atkins, has spoken about this idea, suggesting it may be a priority, but it could spill over to the next agenda and later next year.

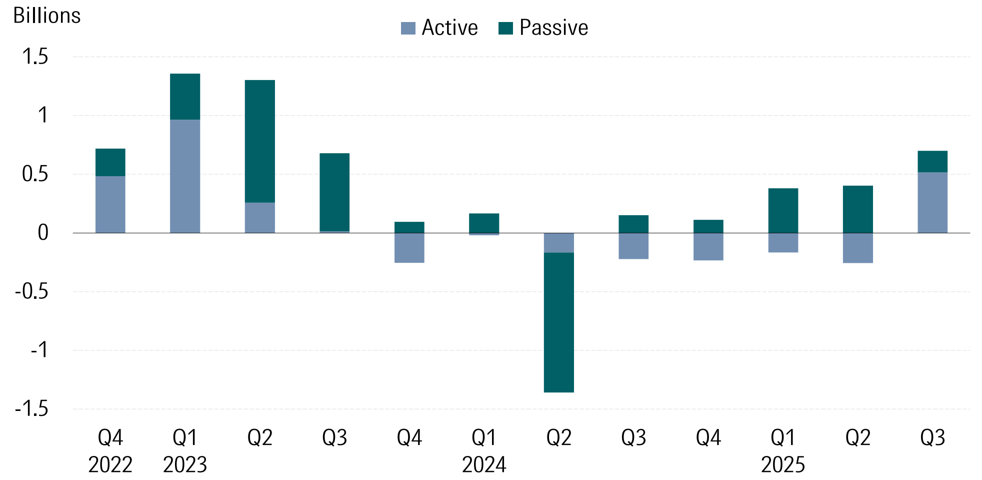
At the state level, California's SB 253 and SB 261 remain on schedule to come into effect in 2026, despite ongoing legal challenges and executive orders. These have been transposed into the California Health & Safety code as § 38532 and 38533, respectively. The former deals with companies' reporting of greenhouse gas emissions, while the latter addresses climate-related financial risks. The California Air Resources Board (CARB) is tasked with providing guidance and regulations related to implementing both. Following the virtual public workshop that the CARB held in May to share initial proposals relating to and address timing of compliance, it released an FAQ Related to Regulatory Developments and Initial Reports in July. In September, it released a preliminary list of reporting/covered entities and a voluntary survey tool allowing entities to provide feedback.

Canada

Third Consecutive Quarter of Inflows

In contrast to the outpours in the US, Canadian sustainable funds experienced their third consecutive quarter of positive flows, garnering close to USD 700 million in net new money. For the first time in two years, both active and passive strategies attracted net inflows. Active funds brought 74% of the new money.

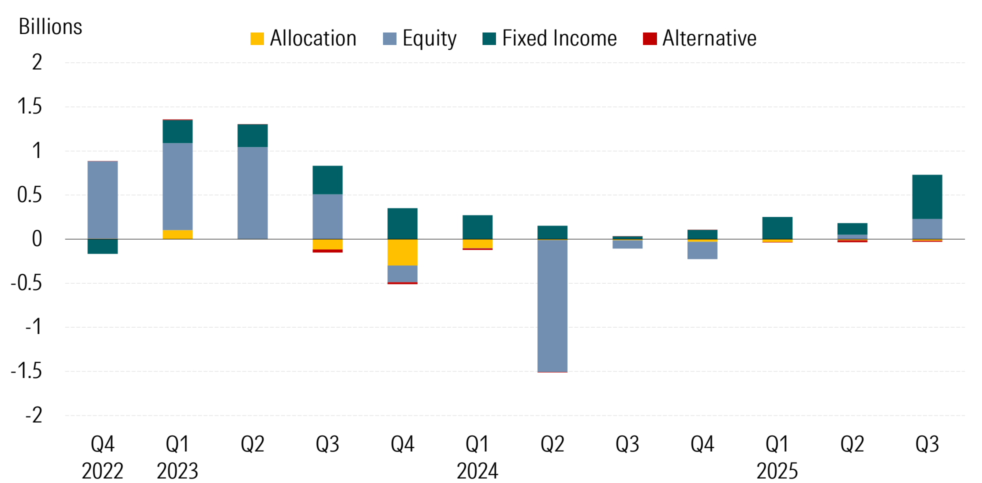
Exhibit 23a Canada Sustainable Fund Flows (USD Billion)



Source: Morningstar Direct. Data as of September 2025.

As in the previous quarter, fixed income dominated the inflows, contributing USD 500 million in new subscriptions, a notable increase from the restated USD 132 million in the previous quarter. Equity funds, the only other asset class bringing in money in the third quarter, saw inflows of USD 230 million, also a sharp uptick from the USD 49 million recorded in the previous quarter. In contrast, allocation and alternative funds both experienced outflows, recording a loss of USD 18 million and USD 12 million, respectively.

Exhibit 23b Canada Sustainable Flows by Asset Class (USD Billion)

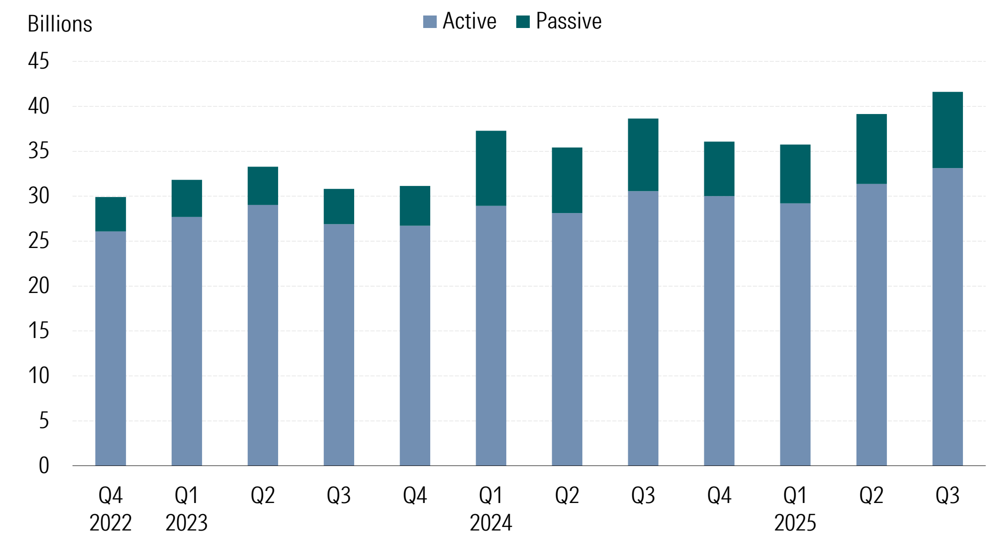


Source: Morningstar Direct. Data as of September 2025.

Assets

Partially supported by the inflows, Canadian sustainable fund assets surged by 6%, reaching over USD 41 billion in the third quarter. By comparison, the Morningstar Canada TME Index gained 9%.

Exhibit 24 Canada Sustainable Fund Assets (USD Billion)

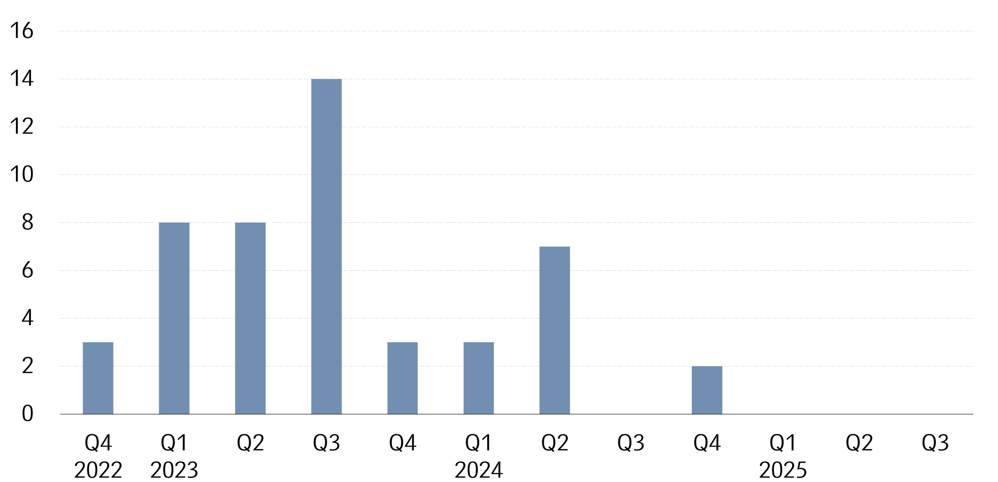


Source: Morningstar Direct. Data as of September 2025.

New Launches and Closures

Continuing the trend of minimal activity, Canada recorded its third consecutive quarter without any new additions to the sustainable fund universe. Meanwhile, the **Dynamic Active Energy Evolution ETF** was liquidated. The fund invested in companies within the renewable energy sector, targeting climate action solutions such as hydrogen, battery storage, and biofuels. It also aimed to allocate capital to technology, infrastructure and software platforms designed to contribute positively to climate outcomes.

Exhibit 25 Canada Sustainable Fund Launches



Source: Morningstar Direct. Data as of September 2025.

Regulatory Update

Following the Canadian Securities Administrators' (CSA) April announcement of a pause in their development of a mandatory climate-related disclosure rule and amendments to existing diversity-related disclosure requirements for corporates, the third quarter was relatively quiet on the sustainable finance regulation front. However, the Ontario Securities Commission (OSC), a CSA member, filed an enforcement proceeding in September against an asset manager and its founder for alleged greenwashing. The OSC accused the investment firm of making false or misleading statements about the ESG considerations in the funds it managed, spanning from September 2019 through March 2023. This is the OSC's first enforcement action related to greenwashing by an asset manager.

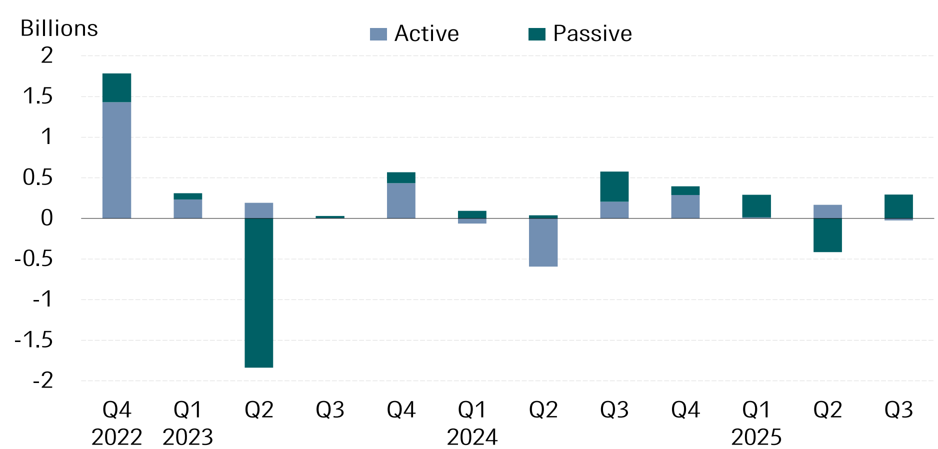
Australia and New Zealand

The flows and fund sizes reflected for the Australasian funds and ETFs universe for the quarter ended September 30, 2025 are based on available data at that date. Only approximately 45% of the flows data for the month of September was available at the time of writing.

Flows

Australasian sustainable funds registered net inflows of nearly USD 270 million in the third quarter, compared with restated outflows of USD 247 million in the previous quarter. The small rebound was driven by passive strategies, which experienced net inflows of USD 294 million, mainly across global equities, global bonds and Australian shares. Active sustainable funds saw net outflows of USD 25 million.

Exhibit 26 Australia and New Zealand Sustainable Fund Flows (USD Billion)



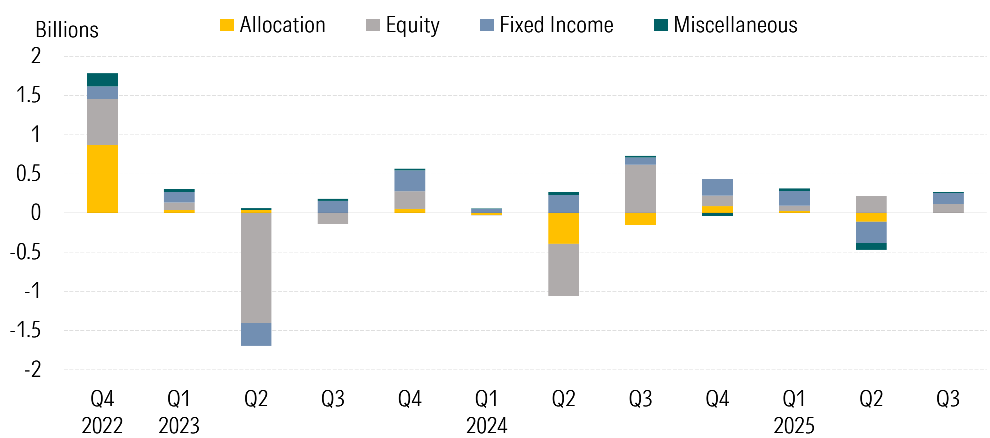
Source: Morningstar Direct. Data as of September 2025.

By comparison, the total fund and ETF universes for Australia and New Zealand experienced net inflows of almost USD 10.8 billion, also driven by passive strategies, which received net inflows of around USD 9 billion. Meanwhile, active strategies saw net inflows of nearly USD 1.8 billion.

Flows by Category

In the Australasia region for the third quarter of 2025, equity and fixed income strategies saw around USD 113 million and USD 140 million in net inflows, respectively, followed by miscellaneous and allocation funds with around USD 11 million and USD 3 million in net inflows, respectively.

Exhibit 27 Australia and New Zealand Sustainable Flows by Asset Class (USD Billion)

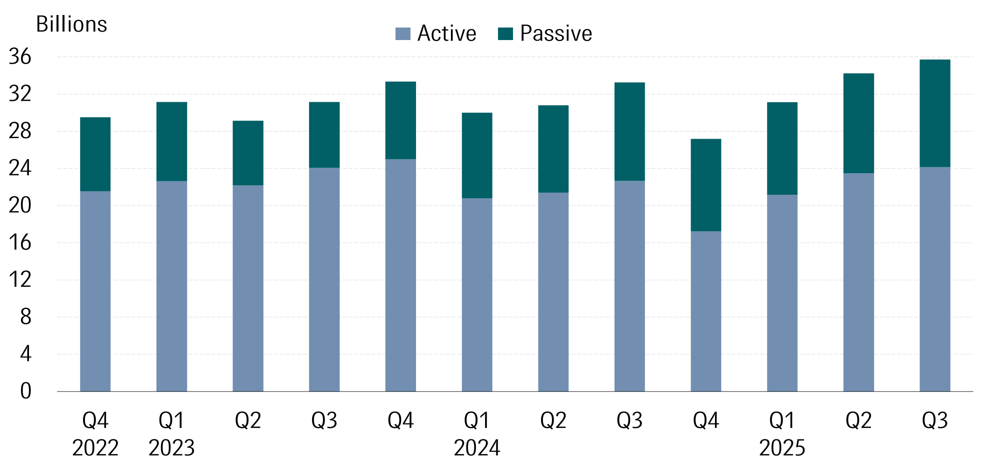


Source: Morningstar Direct. Data as of September 2025.

Assets

The total size of Australasian sustainable funds is estimated to be USD 35.7 billion as of September 30, 2025, which is almost USD 1.5 billion higher than the restated universe size at the end of June 2025. The Morningstar Australia Index was up 4.7% over the past quarter, and up 10% over the past year to September 30, 2025.

Exhibit 28 Australia and New Zealand Sustainable Fund Assets (USD Billion)



Source: Morningstar Direct. Data as of September 2025.

The Australian sustainable funds market remains quite concentrated, with the top 10 firms accounting for approximately 73% of total assets in sustainable funds.

The top 10 fund houses by sustainable fund assets are listed below, based on available data as of September 30, 2025. Dimensional (DFA) has the highest market share (18%), followed by BetaShares (12.3%) and Vanguard (8.1%).

Exhibit 29 Top Australian and New Zealand Fund Houses by Sustainable Assets

Sustainable Asset Market Share	% Market Share
DFA Australia Limited	18.0%
BetaShares Capital Ltd	12.3%
Vanguard Investments Australia Ltd	8.1%
Russell Investment Management Limited	7.4%
BlackRock Investment Management (Australia) Limited	7.0%
Australian Ethical Investment Ltd	5.3%
Pendal Institutional Limited	4.3%
Mercer Investments (Australia) Limited	4.2%
State Street Global Advisors (Aus) Ltd	3.7%
U Ethical	2.8%

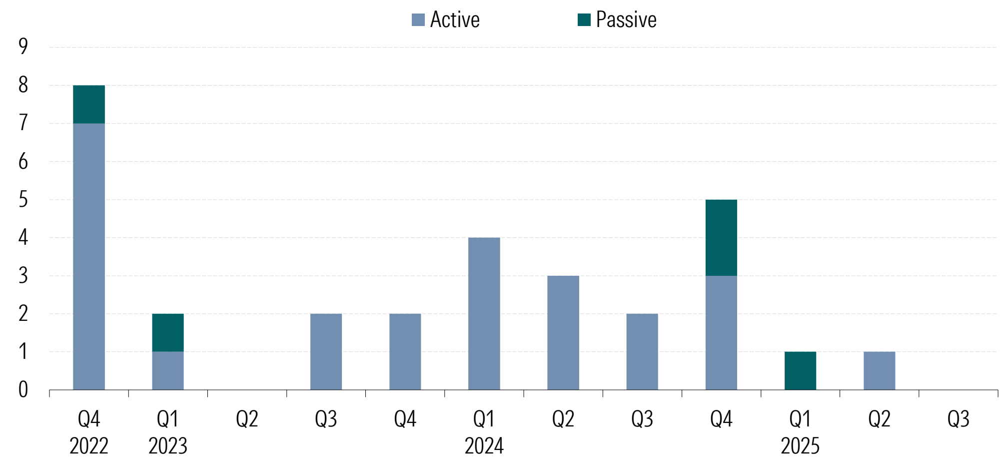
Source: Morningstar Direct. Data as of September 2025

Launches

In the third quarter of 2025, no new sustainable funds were launched, while two were closed: **Ethical Partners Australian Share Fund**, following the firm's shutdown, and **Regnan Global Equity Impact Solutions**, which had failed to gain traction since its 2020 launch.

As of the end of September 2025, we counted 253 strategies in our Australasian sustainable fund universe, which was up from 252 as at the end of June 2025.

Exhibit 30 Australia and New Zealand Sustainable Fund Launches



Source: Morningstar Direct. Data as of September 2025.

Regulatory Update

In July 2025, the Australian Treasury released a consultation paper titled Sustainable Investment Product Labels, marking a significant step in the government's broader Sustainable Finance Roadmap. This initiative aims to establish a labelling framework for financial products marketed as sustainable, ethical, or responsible, with a target implementation date of 2027. The overarching goal is to enhance transparency, comparability, and investor confidence in sustainability-related investment offerings.

Execution of the labelling regime is not without complexities, starting with the definition of the sustainable approaches and whether this should be codified into legislation or flexibly implemented by the industry. Australia has the advantage of being able to weigh the perspectives of various global jurisdictions' sustainable labelling journeys, whose evidence so far is key to designing a framework that strikes a balance in being interoperable and domestically relevant. While we have observed that retail investors increasingly seek investments aligned with their values, it is critical to ensure the labelling regime does not add to the inconsistent terminology and opaque disclosures already facing investors.

In addition to meeting investors' needs, a labelling regime must contend with addressing both greenwashing and greenhushing. To manage this properly, the framework must balance principles-based and evidence-based sustainability claims. Whereas a principles-based approach requires external validation frameworks, an evidence-based approach necessitates establishing prescriptive thresholds. A detailed design proposal is expected later this year, which should shed more light on how the Australian Treasury will navigate these challenges.

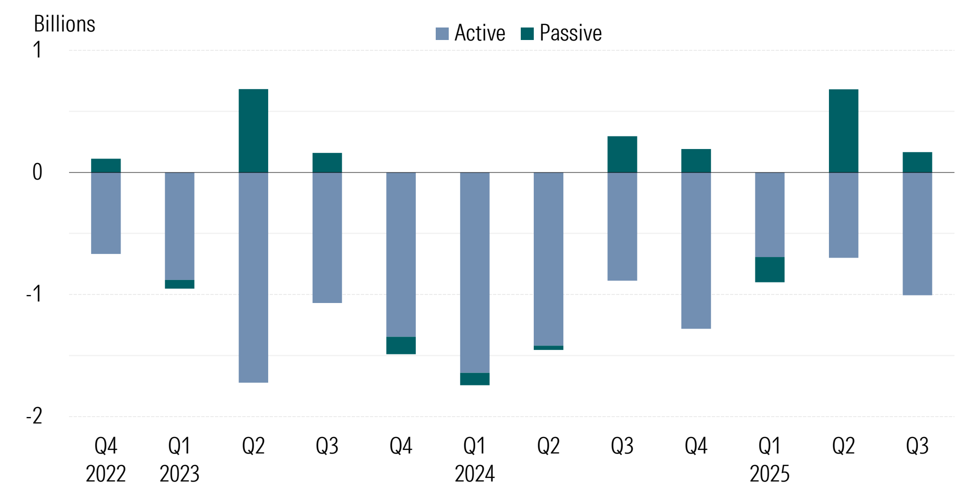
Japan

Flows

In the third quarter of 2025, Japanese sustainable funds experienced an acceleration in redemptions, marking their 13th-consecutive quarter of outflows. After the modest restated USD 18 million of net withdrawals in the previous quarter, net outflows totaled approximately USD 840 million in the latest quarter. This contrasts with the broader Japanese fund landscape, which registered inflows of more than USD 13 billion in the third quarter of 2025.

Actively managed sustainable funds continued to bleed money for the 14th consecutive quarter, and third quarter outflows totaling USD 1.0 billion. Meanwhile, passively managed sustainable funds recorded net inflows of USD 166 million. 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.

Exhibit 31 Japan Sustainable Fund Flows (USD Billion)

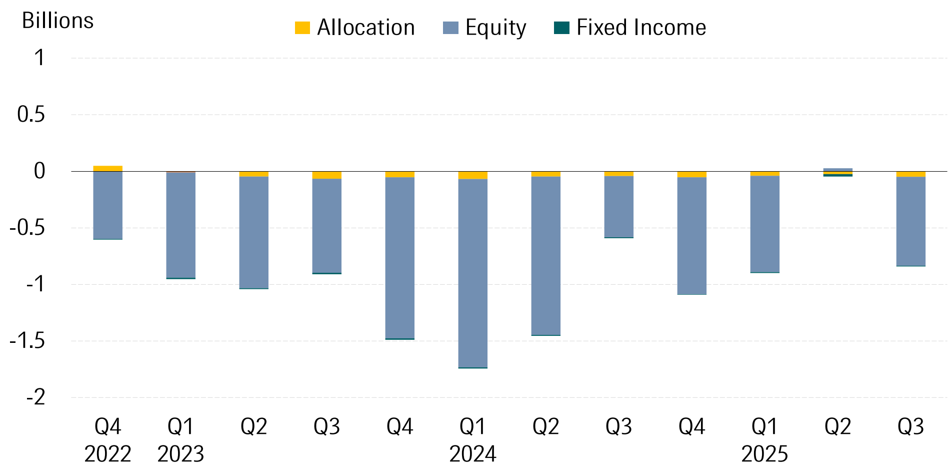


Source: Morningstar Direct. Data as of September 2025. Including funds of funds and feeder funds to better reflect the actual flow situation in the Japanese market. Many Japanese funds of funds invest in European funds. This introduces the potential for double counting at the global level.

NEXT FUNDS MSCI Global Climate 500 Japan Selection Index ETF remains the top inflow contributor, attracting USD 123 million the third quarter, and USD 880 million since its launch in December 2024. The ETF invests in Japanese companies that aim to reduce greenhouse gas, while excluding companies with negative ESG impacts.

Japanese sustainable equity funds, which make up over 95% of the Japanese sustainable fund universe, recorded net outflows of USD 787 million during the third quarter of 2025, while sustainable fixed income funds saw net outflows of just USD 6 million. Notably, 19 out of the 20 funds most affected by withdrawals/contributions were equity funds.

Exhibit 32 Japan Sustainable Fund Flows by Asset Class (USD Billion)

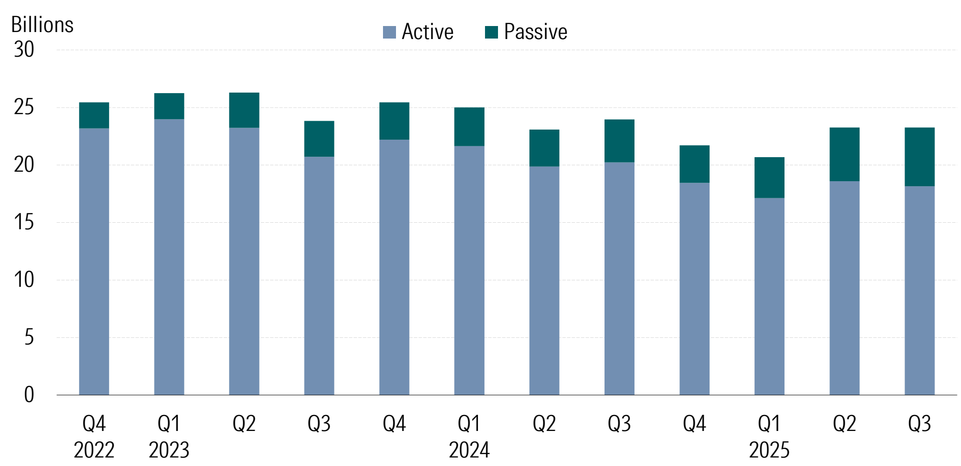


Source: Morningstar Direct. Data as of September 2025.

Assets

Total assets in Japan-domiciled sustainable funds held steady at over USD 23 billion in the third quarter, as market appreciation helped offset the persistent outflows. Actively managed funds represent the predominant share, accounting for around 80% of total assets within the sustainable fund category, with equity active funds comprising a substantial majority (75%) of the whole universe.

Exhibit 33 Japan Sustainable Fund Assets (USD Billion)

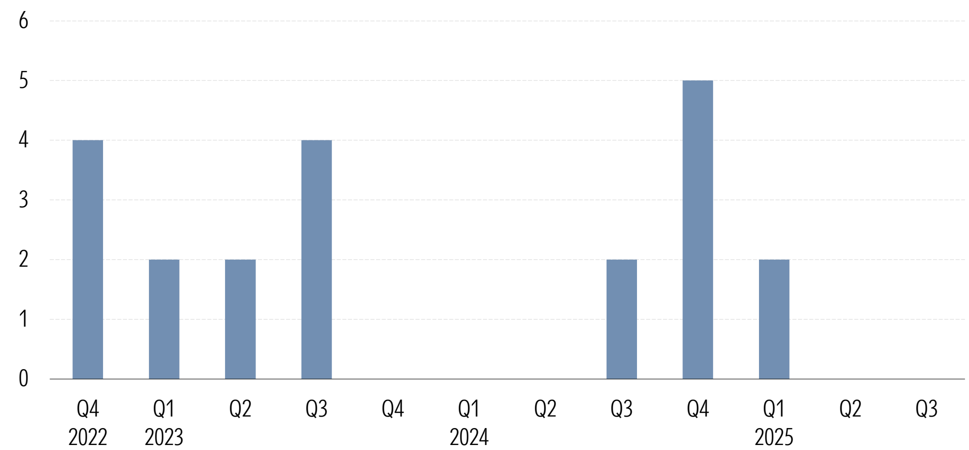


Source: Morningstar Direct. Data as of September 2025. Including funds of funds and feeder funds to better reflect the actual flow situation in the Japanese market. Many Japanese funds of funds invest in European funds. This introduces the potential for double counting at the global level.

Launches

There were no new sustainable funds launched in Japan over the past six months.

Exhibit 34 Japan Sustainable Fund Launches



Source: Morningstar Direct. Data as of September 2025.

Regulatory Update

In July 2025, Japan's Financial Services Agency (FSA) released an interim summary from the Financial System Council's Working Group on Sustainability Disclosure and Assurance. The report concluded that corporate sustainability disclosure, based on standards set by the Sustainability Standards Board of Japan (SSBJ), should be mandatorily disclosed in financial reports. The roadmap outlines several phases for implementing the new disclosure standard, with compliance discretionary until March 2027 and the initial phase requiring only companies with a market value over JPY 3 trillion to report. There are some elements that have yet to be finalized, such as the transition timeline for smaller firms and the extension of the filing deadline for financial reports.

On the investor side, in August 2025, Japan's Government Pension Investment Fund (GPIF), the world's largest pension fund, published its annual sustainability report, in which it announced that, starting from this year, it will include ESG investments in its periodic portfolio rebalancing, in order to better manage sustainability-related risks and support long-term returns. This initiative reflects the GPIF's strengthened commitment to ESG integration, aligned with its updated sustainability investment policy announced in March.

Asia ex-Japan

We used the most recent data available within the past quarter for funds whose full quarterly data were unavailable at the time of publication. Because China's data were not available, we used second quarter 2025 data as a proxy for third quarter 2025 data in every exhibit of this section. After reversing a six-quarter streak of outflows in the first quarter of 2025, China-domiciled sustainable funds returned to outflows in the second quarter of 2025. The outflows were distributed relatively evenly across locally domiciled sustainable funds. **ChinaAMC Energy Innovation Equity** recorded the largest single-fund outflow. However, the USD 86 million withdrawn represented a relatively small portion of the fund's

USD 1.1 billion in assets under management, which it had accumulated since its June 2017 launch as ChinaAMC's first ESG fund.

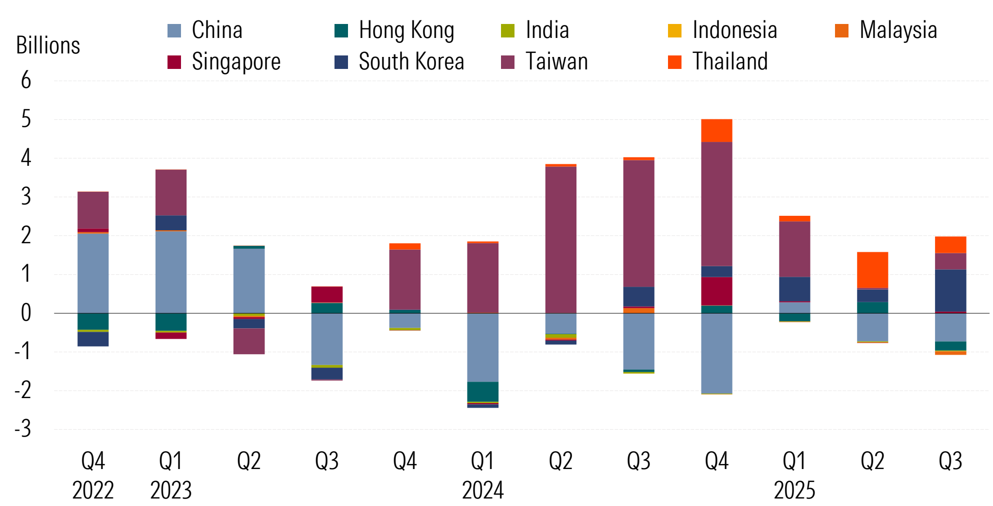
Flows

Excluding China, the Asia ex-Japan region experienced USD 1.6 billion in net inflows during the third quarter of 2025, a similar amount to the previous quarter but less than half the level seen in the third quarter of 2024. Inflows were concentrated in South Korea, Thailand, and Taiwan.

South Korea-domiciled sustainable funds saw inflows of USD 1.1 billion. The country's largest sustainable fund, **KIM Credit Focus ESG Feeder Bond 1**, continues to dominate inflows, attracting a staggering total of USD 2.0 billion in new subscriptions since the start of 2025.

Meanwhile, Thailand attracted USD 426 million over the third quarter, partly due to ongoing government support, such as special tax deductions for local investors in sustainability-focused funds. For example, the country's largest sustainable fund, **K ESG Sovereign Instruments Fund-ThaiESG**, recorded its largest quarterly inflow (USD 187 million) since its July 2024 launch during third quarter 2025.

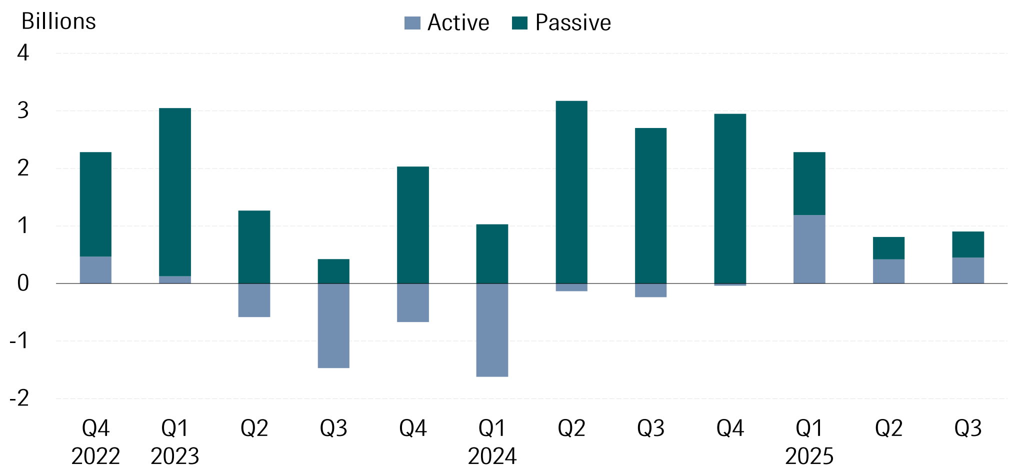
Exhibit 35 Asia ex-Japan Sustainable Fund Flows by Country (USD Billion)



Source: Morningstar Direct. Data as of September 2025.

In Taiwan, sustainable fund inflows were driven mainly by the market's largest sustainable ETFs, including **Capital ICE ESG 20+ Year BBB US Corporate ETF** and **Cathay Sustainability High Dividend ETF**, with subscriptions of USD 374 million and USD 152 million, respectively. Additionally, **Franklin Templeton SinoAm Taiwan ESG High Dividend ETF** had a particularly strong quarter, with inflows of USD 139 million. This ETF tracks the ICE NYSE Taiwan ESG High Dividend Recovery Target Index, which includes dividend-paying companies with positive return on equity growth rates, while excluding securities with high ESG risks.

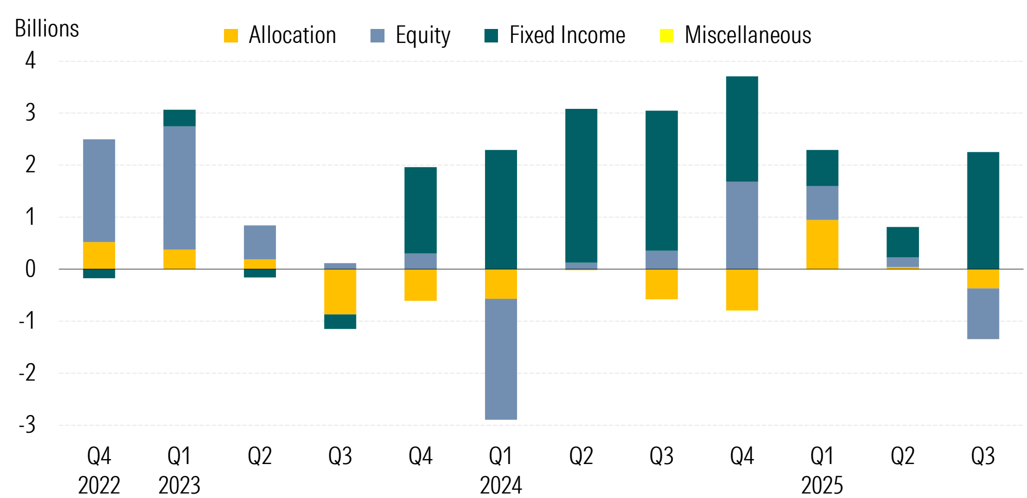
Exhibit 36 Asia ex-Japan Sustainable Fund Flows (USD Billion)



Source: Morningstar Direct. Data as of September 2025.

Sustainable fixed income funds continued to attract strong inflows of USD 2.3 billion in the third quarter of 2025, as investors sought resilient returns aligned with rising ESG standards. The consistent inflows into sustainable bond funds have also reflected supportive policy regimes for these types of products, such as in Thailand, and robust and growing issuance in the region.

Exhibit 37 Asia ex-Japan Sustainable Fund Flows by Asset Classes (USD Billion)

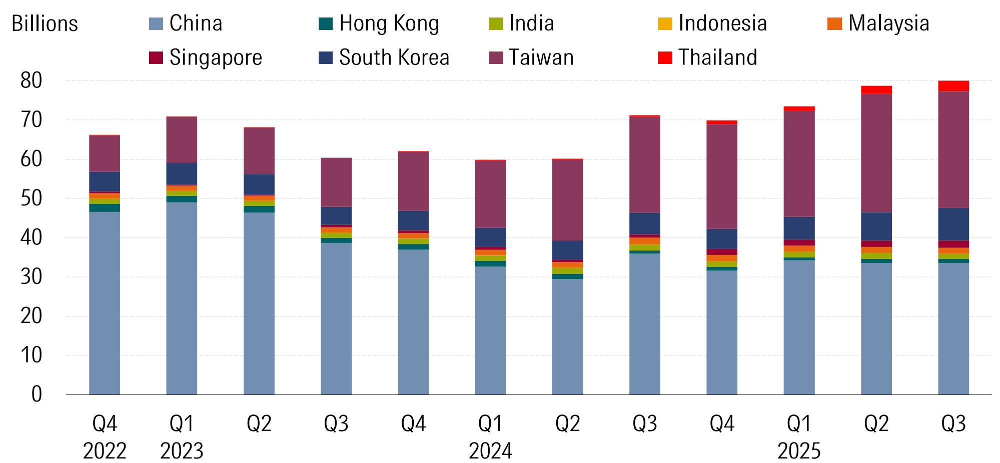


Source: Morningstar Direct. Data as of September 2025.

Assets

Total sustainable fund assets in Asia ex-Japan (including China) rose modestly by 2% during the third quarter of 2025, reaching USD 80 billion. China remained the largest fund market in the region, holding a 42% share, followed by Taiwan at 37% and South Korea at 10%. South Korea's market share increased by more than 1% over the quarter, supported by both inflows and strong equity market performance. For context, the Morningstar Korea Target Market Exposure Index gained 13% over the period.

Exhibit 38 Asia ex-Japan Sustainable Fund Assets (USD Billion)



Source: Morningstar Direct. Data as of September 2025.

By asset class, sustainable fixed income funds continued to gain ground, with assets increasing by 8% during the quarter. Asia ex-Japan sustainable fixed income fund assets have grown nearly fivefold since the third quarter of 2023, while equity fund assets have only increased by about 10% over the same period.

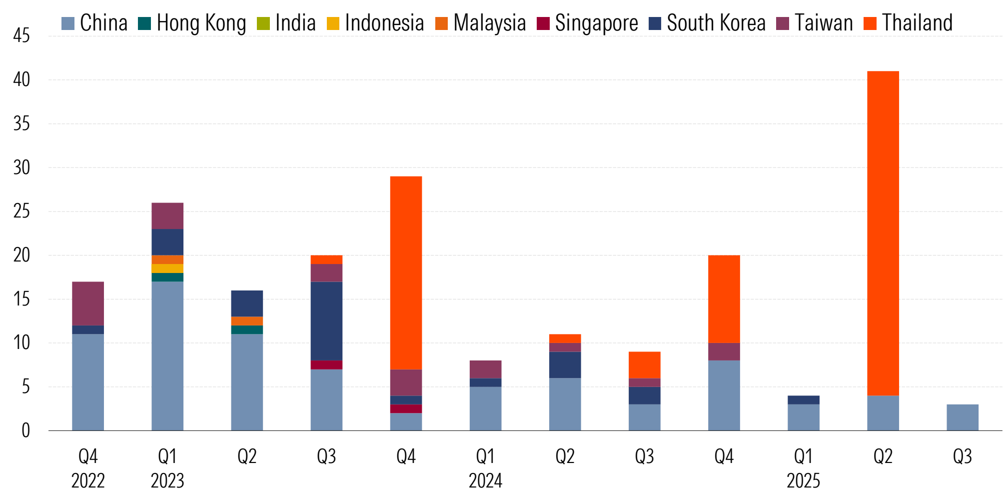
Passive Asia ex-Japan sustainable fund assets stagnated in the third quarter of 2025, while active fund assets posted moderate growth. Year-to-date through September 2025, active sustainable funds slightly regained market share from passive funds, with their share of total Asia ex-Japan sustainable fund assets rising from 42% at the end of 2024 to 44% as of third quarter 2025.

Launches

Following a record quarter for sustainable fund launches, only three sustainable funds were launched in the Asia ex-Japan region in the third quarter of 2025, the lowest number since we started collecting this data in 2021. All three launches were China-domiciled passive offerings. Two were open-ended fixed income funds tracking ChinaBond indices **BlackRock ChinaBond Preferred Green Bond Index Fund** (with a custom benchmark of 95% ChinaBond-Investment Preferred Green Bond Index and 5% fixed deposit rate) and **China Resources Yuanta ChinaBond Green Inclusive Theme Financial Bond Preferred Index Fund** (with a custom benchmark of 95% ChinaBond Green Inclusive Theme Financial Bond Preferred Index and 5% fixed deposit rate).

The remaining launch was **E Fund SSE STAR Market New Energy ETF**, which tracks an index comprised of the 50 largest new energy stocks listed on the STAR Market, including those involved in new energy power generation and new energy vehicles.

Exhibit 39 Asia ex-Japan Sustainable Fund Launches



Source: Morningstar Direct. Data as of September 2025.

Regulatory Update

In the third quarter of 2025, regulatory and governmental bodies advanced ESG-related initiatives relevant to asset managers in the Asia ex-Japan region.

In July, South Korea's Financial Services Commission expanded the universe of firms required to disclose corporate governance information from 541 companies with assets greater than KRW 500 billion (USD 352 million) to all 842 constituents of the KOSPI starting in 2026. In the same month, a lawmaker proposed a bill to increase disclosure requirements for private equity funds, including quarterly asset management reports. These proposals are part of a broader effort to improve corporate governance standards and bolster international investor confidence.

Also in July, the Philippines' Securities and Exchange Commission issued a draft circular on a new climate reporting framework for public and large non-public companies, focused on sustainability-related financial and climate disclosures. The framework, PFRS, is intended to align the Philippines' sustainability disclosure standards with international best practices and is a customized version of the International Sustainability Standards Board (ISSB)'s IFRS standards. Implementation is scheduled to begin in 2026 with larger listed companies.

In October, the Philippines' SEC also launched guidelines for companies seeking the Philippine Green Equity label. Among other considerations, these guidelines require that revenues from fossil fuels account for less than 5% of total revenues and that more than half of company revenues and investments are earned or directed toward green activities that meet the Philippine Sustainable Finance Taxonomy Guidelines or the ASEAN Taxonomy for Sustainable Finance.

In August, China's State Administration of Foreign Exchange launched a new pilot program to encourage green foreign debt financing, allowing non-financial firms to raise overseas funds for investment in qualified green and low-carbon projects. In September, President Xi Jinping announced climate pledges that include cutting emissions by 7–10% by 2035, and expanding wind and solar power capacity to more than six times 2020 levels. These commitments may drive further sustainability-related regulatory initiatives in China in the years ahead.

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 environmental, social, and governance factors.

Our definition differs from the EU's Sustainable Finance Disclosure Regulation, which defines "sustainable investments" at a holdings level.[4] 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 in order 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 use the ESG Intentional Investment Overall Start Date data point to account for repurposed funds, where relevant.

4 Article 2(17) of 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.

About Morningstar Sustainalytics

Morningstar Sustainalytics is a leading ESG research, ratings, and data firm that supports investors around the world with the development and implementation of responsible investment strategies. For 30 years, the firm has been at the forefront of developing high-quality, innovative solutions to meet the evolving needs of global investors. Today, Morningstar Sustainalytics works with hundreds of the world's leading asset managers and pension funds who incorporate ESG and corporate governance information and assessments into their investment processes. The firm also works with hundreds of companies and their financial intermediaries to help them consider sustainability in policies, practices, and capital projects. For more information, visit www.Sustainalytics.com.