



Press Release

Wednesday 29 July 2020

TABULA SURVEY REVEALS LACK OF INNOVATION IN FIXED INCOME ESG ETFs

- **82% of professional investors want to see more innovation among fixed income ESG ETFs**
- **Exclusion of the most harmful companies is the most salient product feature**
- **Outperformance is more important than tracking, indicating that investors see ESG as an opportunity as well as a requirement**

New research⁽¹⁾ from specialist fixed income ETF provider Tabula Investment Management reveals that European professional investors want to see more innovation in fixed income ESG ETFs. Tabula has recently signed the UN-supported Principles of Responsible Investment and is keen to understand and incorporate the views of investors as it implements those principles.

“We found that 96% of investors that we surveyed are already using ESG ETFs, which is a remarkable level of penetration in only a few years,” says Tabula CEO Michael John Lytle. “However, in fixed income specifically, the vast majority of respondents want to see more innovation, broader coverage of exposures and more transparency around the effect of the fund’s approach.”

The research also sheds light on specific features that professional investors look for in ESG ETFs. The top answer, cited by over 70% of respondents, was the exclusion of the most harmful companies. “The idea of avoiding harm is clearly at the forefront of investors’ minds and the exclusion of certain companies – for example, those violating the UN Global Compact or manufacturing controversial weapons – is becoming a minimum requirement,” says Lytle. “This is a great starting point but not the whole story.”

The survey also revealed an interesting preference for outperformance potential over benchmark tracking. “Many existing ESG ETFs are designed to closely track traditional benchmark indices,” says Lytle. “However, 75% of our respondents saw outperformance



Press Release

potential as important, compared to 25% preferring to minimise tracking error. This could indicate that investors are now seeing ESG as a driver of long-term performance, not just a qualitative overlay.” This ties in with strong demand (63% of respondents) for more targeted products focused on issues like climate change and diversity.

“Responsible investing is evolving rapidly,” says Lytle. “This research gives us valuable insights into the broad trends and, crucially, the different views and priorities across countries and investor types. Creating innovative ESG ETFs that meet investor needs is a challenge for providers and one that Tabula is actively embracing.”

For more information on Tabula’s research, please visit tabulaim.com.

Focus on the UK

- 100% of UK professional investors surveyed are already using ESG ETFs
- Exclusion of the most harmful companies is the top priority, cited by 95% of respondents
- 85% of respondents would like to see better corporate credit ESG ETFs

Focus on Italy

- 100% of Italian professional investors surveyed are already using ESG ETFs
- Exclusion of the most harmful companies is the top priority, cited by 95% of respondents
- Ability to target specific issues e.g. climate change and diversity is also important

Focus on Germany

- 95% of German professional investors surveyed are already using ESG ETFs
- 100% would like better coverage of the different fixed income asset classes, and more than 50% want greater transparency
- 95% see potential for outperformance as an important product feature

Focus on Switzerland

- 100% of Swiss professional investors surveyed are already using ESG ETFs
- Potential for outperformance is the most valued product feature, followed by exclusion of the most harmful companies



Press Release

- 90% of respondents would like better coverage of the different fixed income asset classes

- Ends -



Press Release

NOTES TO EDITORS:

- (1) Based on 120 professional investors surveyed by Tabula Investment management or Pureprofile. Tabula Investment Management commissioned the research company Pureprofile to interview professional investors (institutional and wealth managers) across seven European countries.

CONTACTS

Leyton Page

Phone: +44 20 3909 4703

Email: leyton.page@tabulaim.com

Perception A (PR firm)

Phil Anderson

Phone: +77 67 491 519

Email: phil@perceptiona.com

Tabula Investment Management Limited

Tabula is an asset manager focused on passive fixed income. It is based in London and offers Irish-domiciled UCITS funds to European investors, mainly in the form of ETFs.

Tabula recognises that the trend toward passive investing, which has transformed equity investing in the past two decades, has only just begun in fixed income.

tabulaim.com