



Press Release

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INVESTORS WANT PASSIVE MANAGERS TO INTEGRATE ESG IN FIXED INCOME FUNDS, TABULA RESEARCH REVEALS

Nearly sixty percent of institutional investors and wealth managers across Europe, with combined assets under management of over €150 billion, would prefer passive fixed income managers to integrate ESG considerations into their benchmark funds, even if this results in a degree of tracking error, research from European asset manager Tabula Investment Management (“Tabula”) finds.

More than a third of those surveyed say they want passive managers to take a more proactive approach to ESG – such as optimising strategies to reduce principal adverse impacts (PAI); excluding controversial issuers more quickly; and applying stricter standards – but only as long as there is no significant impact on tracking error.

Just seven percent of those surveyed say passive managers should stick to tracking the index and not focus on ESG factors.

Of the institutional investors and wealth managers surveyed almost eighty percent say they produce proprietary ESG ratings at the fund level, while over half rate fixed income funds for their alignment with the Sustainable Development Goals (SDGs).

When reviewing passive funds that use different ESG data to their own, sixty percent of investors surveyed are happy to invest if the manager uses high quality data providers with robust methodologies. Almost forty percent are happy to invest with managers using other ESG datasets if specific outcomes such as excluding the same companies are consistent with their own providers and analysis.



Press Release

Jason Smith, Chief Investment Officer at Tabula, said: “Passive managers need to work with their investors to ensure they are aligned on ESG issues. As the climate emergency intensifies, it is no longer enough for managers to hide behind an index when it comes to making a difference. Now is the time to demonstrate commitment to ensuring fixed income investments are aligned with the transition to net zero and more.”

Michael John Lytle, Tabula CEO, said: “As a passive fixed income manager we must take a thoughtful approach to incorporating ESG data into our products. Tabula is committed to engagement and has a successful track record in lobbying index providers to improve ESG screening on core benchmarks. We are active on both climate and global standards such as the UN Global Compact and are part of collaborative initiatives such as Climate Action 100+ and Nature Action 100.”

In April 2021 Tabula became the world’s first provider of a Paris-aligned fixed income ETF following the launch of the EUR IG Bond Paris-aligned Climate UCITS ETF (TABC GY) which is classified as Article 9 under the EU Sustainable Finance Disclosure Requirements. Since then the firm has expanded its ESG range to include Paris-aligned euro high yield bonds (THEP GY) and Paris-aligned global high yield fallen angels (THFA LN).

Tabula is a signatory of the PRI, member of the IIGCC and Climate Action 100+. Tabula is also an original member of the newly launched Nature Action 100 (<https://www.natureaction100.org/>) which is driving greater corporate ambition and action on tackling nature loss and biodiversity decline. Tabula fundamentally believes that the environmental challenges faced by our planet need to be tackled from a wide variety of angles and that the role of proactive financial investors is vital.

ENDS



Press Release

Notes to editors

* Tabula Investment Management commissioned the market research company Pureprofile to interview 100 fixed income investors working for pension funds, insurers, family offices and wealth managers in the UK, France, Germany, Switzerland and Italy with a total of €150.6 billion assets under management. The survey was conducted in August 2023.

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Tabula Investment Management Limited

Tabula is an asset manager and ETF provider focused on differentiated fixed income strategies. Our ETFs provide unique solutions in the fixed income space, and help investors achieve greater control of investment risks and rewards.

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