

ESG Matters - Global

2024 Jan: \$5.2bn in ESG bond fund inflows

Thematic Investing

2024 Jan: new year kickstarted with \$5.2bn of inflows

We saw \$5.2bn inflows into ESG bond funds globally in Jan 2024, the highest monthly inflow in the past year. Inflows are on a positive trajectory on the back of a strong rally in the second half of 2024. 7% of total bond inflows went to ESG bond funds in Jan 2024. Cumulative inflows to ESG bond funds reached a record \$269bn, up by 12.4% YoY. AUM in global ESG bond funds is \$641bn, 6.2% of total bond AUM. 12.7% of bond funds are now ESG funds as the number of ESG bonds is now 1372, up by 26% YoY.

Europe: \$2bn of ESG inflows, 40% of total ESG flows

Inflows to Western European ESG bond funds increased to \$2.1bn in Jan 2024, the largest since August 2023. This represents almost 40% of all ESG fund flows for the month. AUM reached \$350bn, up by 33% YoY. 21.4% of bond funds are now ESG funds as the number of ESG bond funds surged by 30% YoY. 24.5% of total bond fund AUM is now ESG funds, the highest percentages across all regions.

US: \$1.3bn of inflows is strongest in almost 2 years

Inflows to US ESG bond funds had their best month since April 2022, with an inflow of \$1.2bn. AUM in the US rose to around \$100bn, bounced up by 11% since October 2023. Cumulative inflows to ESG bond funds in the US rose to \$52bn in Jan 2024. ESG inflows accounted for 2% of total inflows in 2024, still the lowest among all regions.

EM: \$168mn ESG outflows vs \$2bn non-ESG outflows

EM ESG bond funds experienced yet another outflow of \$168mn, continuing a streak of outflows to the 5th consecutive months. To put this into context, non-ESG funds suffered a much more severe outflow over the same period, at \$27.6bn. Cumulative inflows stagnated at \$19bn. Number of ESG funds rose slightly to 6.7% of all bond funds, as non-ESG bond funds are closing at a faster pace than ESG bonds funds.

Cross-region: Number of funds up by a third YoY

Cross-regional ESG bond funds saw great inflows of \$12.6bn in 2023 and the momentum continued in Jan 2024, with \$2.1bn of inflows. Number of ESG funds increased to 451, up by a third YoY. Close to 20% of cross-regional funds is ESG-related as of Jan 2024. ESG funds are now 10.3% of all bond funds in terms of AUM. Cross-region ESG inflows accounted for 18% of total bond fund inflows YTD in this category.

Diving in: will blue bonds make waves in 2024?

We expect more issuance related to biodiversity and nature. Bonds with all proceeds used for marine- or ocean-related projects are gaining attention – these ‘blue bonds’ are a subset of green bonds. ‘Blue bonds’ are also an older name for debt-for-nature swaps, where sovereigns replace expensive debt with cheaper financing plus a commitment to conservation spending. We see both instruments as contributing to sustainable debt markets. For more, see [2024: Will blue bonds make a splash?](#)

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Global
Environmental, Social and
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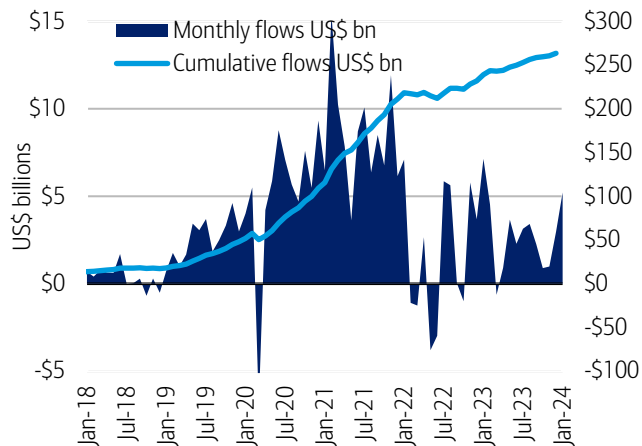
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Global ESG bond fund flows

2024 has seen a decent start with \$5.2bn inflows into ESG bond funds globally in January, continuing the positive inflows of \$32bn from 2023. 7% of 2024 Jan total bond inflows went to ESG bond funds, as non-ESG funds have also seen a strong start with almost \$75bn of inflows. Cumulative inflows to ESG bond funds reached \$269bn, up by 2% YTD. AUM in global ESG bond funds is \$641bn as of Jan 2024, staying flat from end 2023. ESG bond funds are now 12.7% of all bond funds, up by 25.6% YoY. By AUM, 6.2% of total bond fund AUM is now in ESG bond funds.

Exhibit 1: Global ESG bond funds recorded \$5.2bn in inflows YTD

Cumulative inflows to Global ESG bond funds reached \$269bn

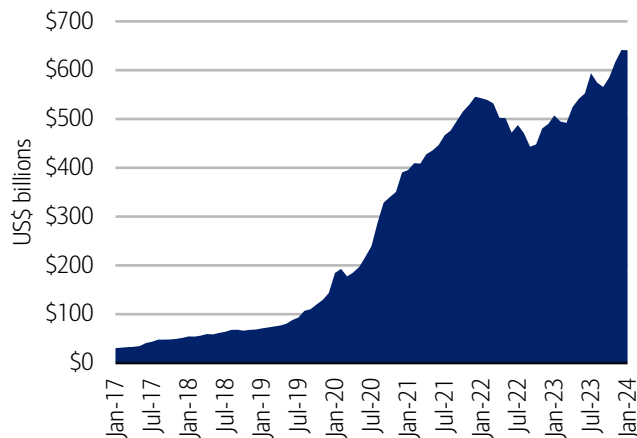


Source: EPFR Informa Financial Intelligence, BofA Global Research

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Exhibit 2: AUM in ESG bonds funds \$641bn as of Jan 2024

AUM bounced back on the back of a rally in bonds late 2023

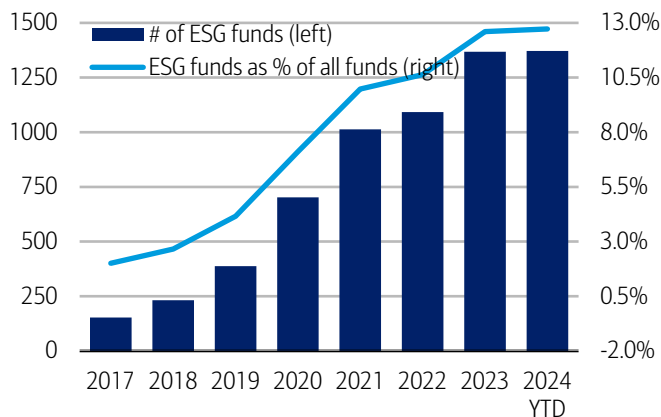


Source: EPFR Informa Financial Intelligence, BofA Global Research

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Exhibit 3: 12.7% of global bond funds is an ESG fund in Jan 2024

The total number of ESG bond funds was 1,3754 as of now

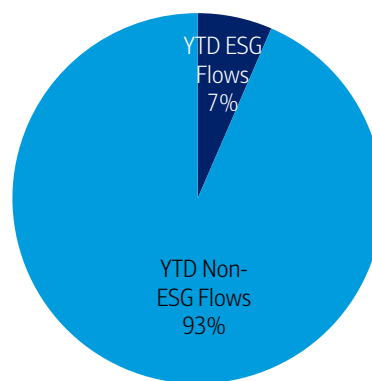


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Exhibit 4: 7% of YTD global bond inflows went to ESG funds

Non-ESG bond fund flows bounced back strongly from 2022 outflows



Source: EPFR Informa Financial Intelligence, BofA Global Research

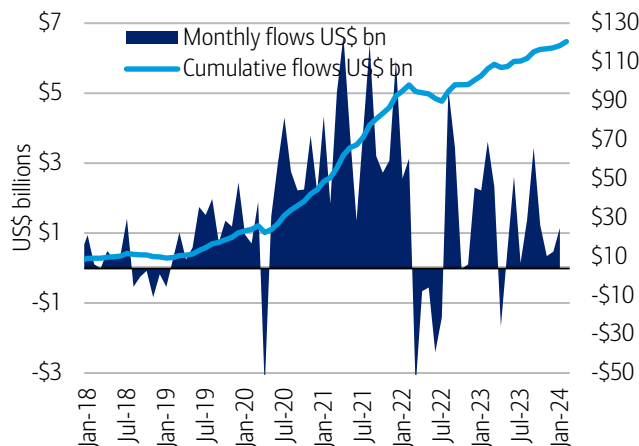
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W. European ESG bond fund flows

Western European ESG bond funds saw an inflow of \$2bn for Jan 2024. This compares to \$8.8bn in non-ESG inflows. ESG inflows accounted for 19% of total bond fund inflows for the region in Jan 2024. Cumulative inflows to ESG bond funds in Western Europe reached \$121bn, up by \$2bn YTD. AUM in Western European ESG bond is \$350bn by the end of Jan 2024, surpassing previous peak of \$292bn reached in Dec 2021. ESG funds are 21.4% of all bond funds. By AUM, 24.5% of total bond fund AUM is now in ESG bond funds, the highest percentage across regions.

Exhibit 5: Europe ESG bond funds saw \$2bn in inflows in Jan 2024

Cumulative flows into European ESG funds have reached \$121bn

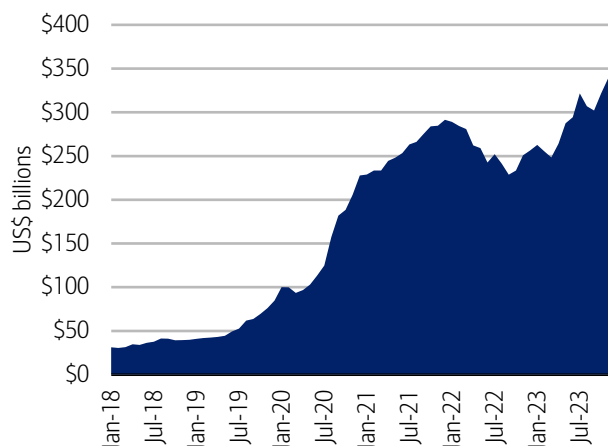


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Exhibit 6: AUM in W. Europe ESG bond funds is \$350bn in Jan 2024

AUM has been on a rising trend since second half of 2023

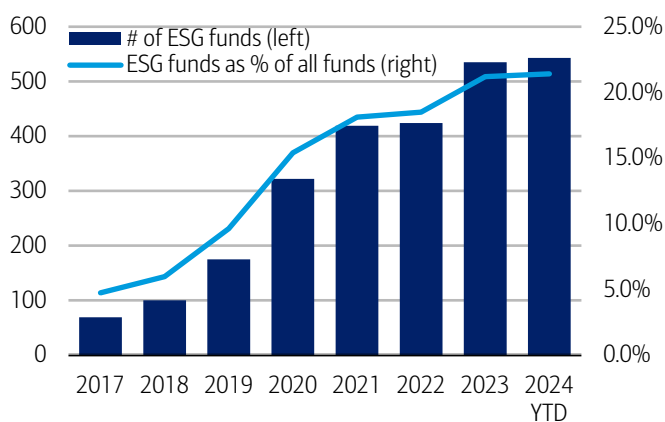


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Exhibit 7: Over 21% of European bond funds are ESG funds now

The total number of ESG funds rose by 111 in 2023

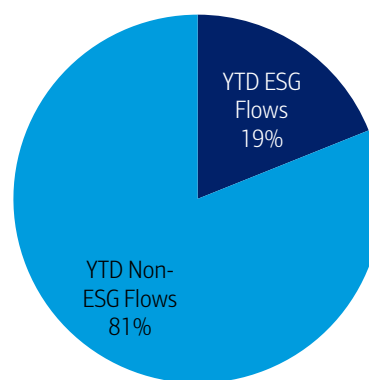


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Exhibit 8: 19% of 2024 YTD flows went to ESG funds

This is the highest proportion among regions



Source: EPFR Informa Financial Intelligence, BofA Global Research

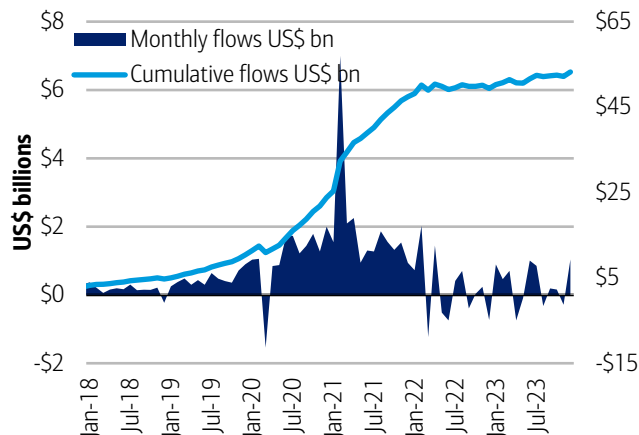
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US ESG bond fund flows

US has seen the strongest monthly inflows of \$1.2bn in Jan 2024 since April 2022, half of the total 2023 inflows of \$2.3bn. Cumulative inflows to ESG bond funds in the US rose to \$52bn in Jan 2024. AUM in US ESG bond funds rose to \$100bn, almost reaching the previous peak of \$101bn in Feb 2022. The number of ESG funds increased to 217 in Jan 2024. ESG inflows accounted for 2% of total bond fund inflows, the lowest percentage recorded across all regions. By AUM, 1.5% of total bond fund AUM is now in ESG bond funds.

Exhibit 9: \$1.2bn in inflows to US ESG funds in Jan 2024

US ESG bond funds flows have been mixed in 2023, but net positive

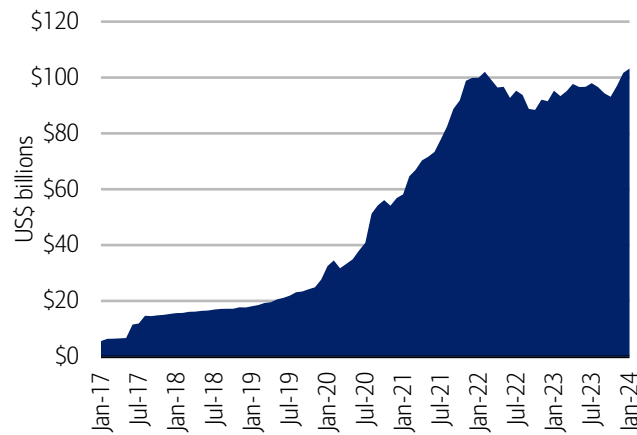


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Exhibit 10: AUM in US ESG bond funds is \$100bn as of Jan 2024

AUM has almost reached the previous peak

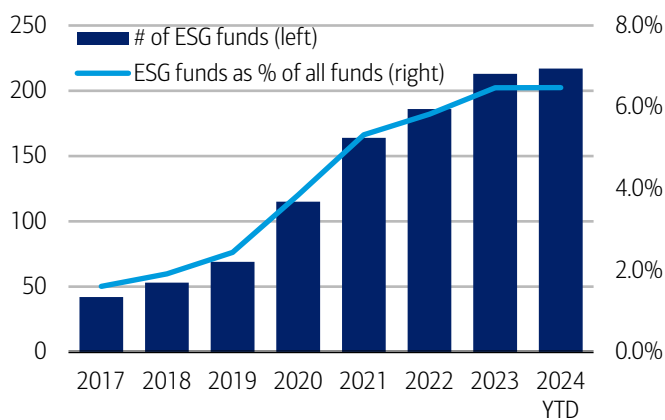


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Exhibit 11: 6.5% of US bond funds is an ESG fund as of Jan 2024

The number of US ESG funds grew by 27 in 2023

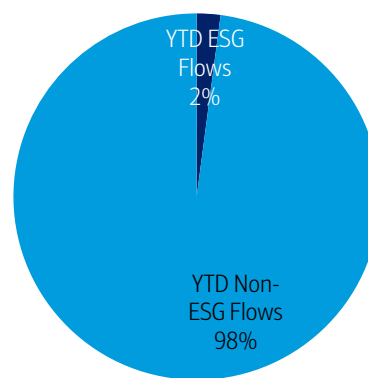


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Exhibit 12: 2% of YTD flows went to ESG funds

Non-ESG bond funds saw inflows in 2023 much larger than ESG bond funds



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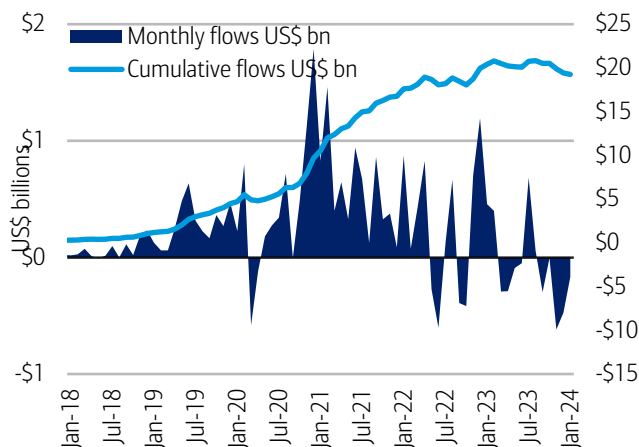
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Emerging Markets ESG bond fund flows

EM ESG bond funds saw an outflow of \$168mn, while non-ESG bond funds suffered an outflow of \$2bn in Jan 2024. This follows a tough year of outflows for all bond funds in 2023. Cumulative inflows to ESG bond funds are \$19bn as of Jan 2024. AUM in EM ESG bond funds is \$35.2 bn. Number of ESG funds increased slightly to 6.7% of all bond funds, as number of non-ESG bond funds dropped by 5% in Jan 2024. ESG funds are now 5.6% of all bond funds in terms of AUM.

Exhibit 13: EM ESG bonds funds recorded \$168mn in outflows YTD

EM non-ESG funds saw significant outflows of \$34bn in 2023

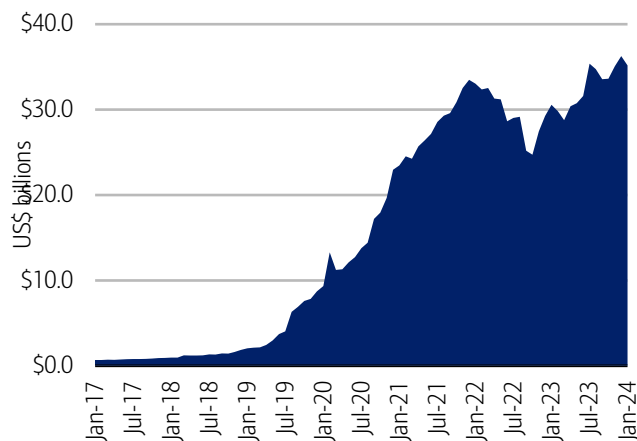


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Exhibit 14: AUM in EM ESG bond funds is \$35.2bn in Jan 2024

AUM in EM ESG bond funds surpassed previous high

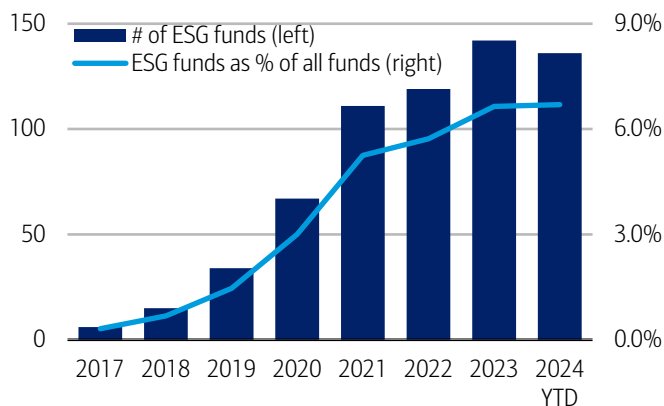


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Exhibit 15: 6.7% of EM bond funds is an ESG fund as of Jan 2024

EM bond funds are suffering net closures; ESG funds are doing better

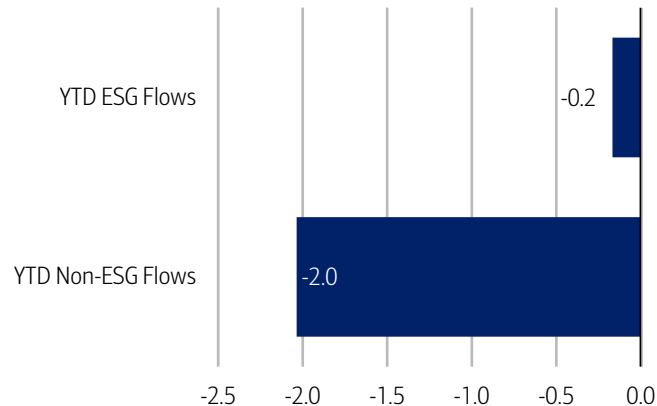


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Exhibit 16: EM ESG funds saw \$168mn in outflows in Jan 2024

EM non-ESG bond funds saw \$2bn in outflows in Jan 2024



Source: EPFR Informa Financial Intelligence, BofA Global Research

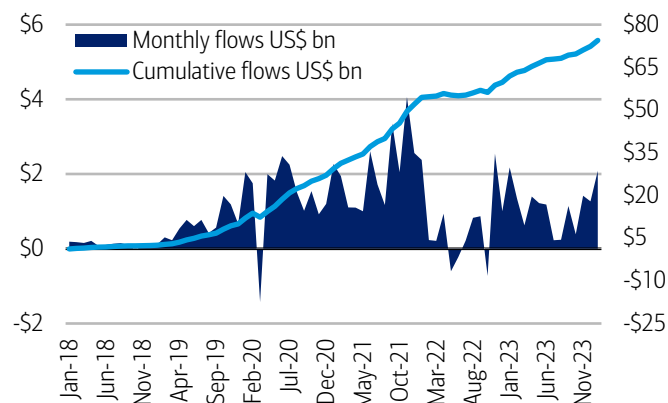
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Cross-region ESG bond fund flows

Cross-region ESG bond funds saw an inflow of \$2.1bn in Jan 2024, compared to \$9.5bn of inflows to non-ESG bond funds. Cumulative inflows to ESG bond funds are \$74bn as of Jan 2024. ESG funds increased by 114 in 2023, making ESG funds almost 20% of all cross-region bond funds in Jan 2024. ESG funds are now 10.3% of all bond funds in terms of AUM. Cross-region ESG inflows accounted for 18% of total bond fund inflows YTD in this category.

Exhibit 17: Cross-region ESG bond funds saw \$2.1bn in inflows in Jan

Cumulative flows into cross-region ESG funds have reached \$74bn

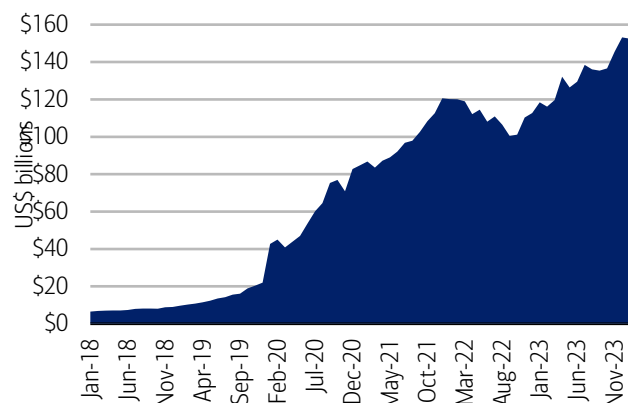


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Exhibit 18: AUM in EM ESG bond funds is \$153bn, up \$40bn YoY

AUM in cross-region ESG bond funds surpassed previous high of \$120bn

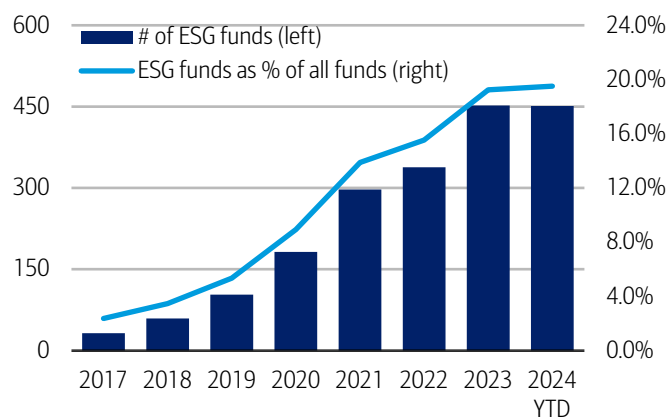


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Exhibit 19: 20% of cross-region bond funds is an ESG fund

Cross-region ESG bond funds rose by a third YoY

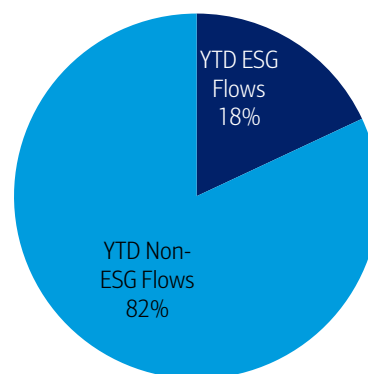


Source: EPFR Informa Financial Intelligence, BofA Global Research

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Exhibit 20: 18% of 2024 YTD flows went to ESG funds

ESG bond funds inflows are almost half of non-ESG inflows in 2023



Source: EPFR Informa Financial Intelligence, BofA Global Research

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