

Crane's Bond Fund Symposium 2026

The case for fixed income in sustainable investing



SustainableInvesting

Sustainable Research and Analysis

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Agenda

The case for fixed income in sustainable investing

Sustainable investing landscape

Focused sustainable fixed income funds: 2024 and 2025

Sustainable and conventional fixed income funds

Green bonds funds

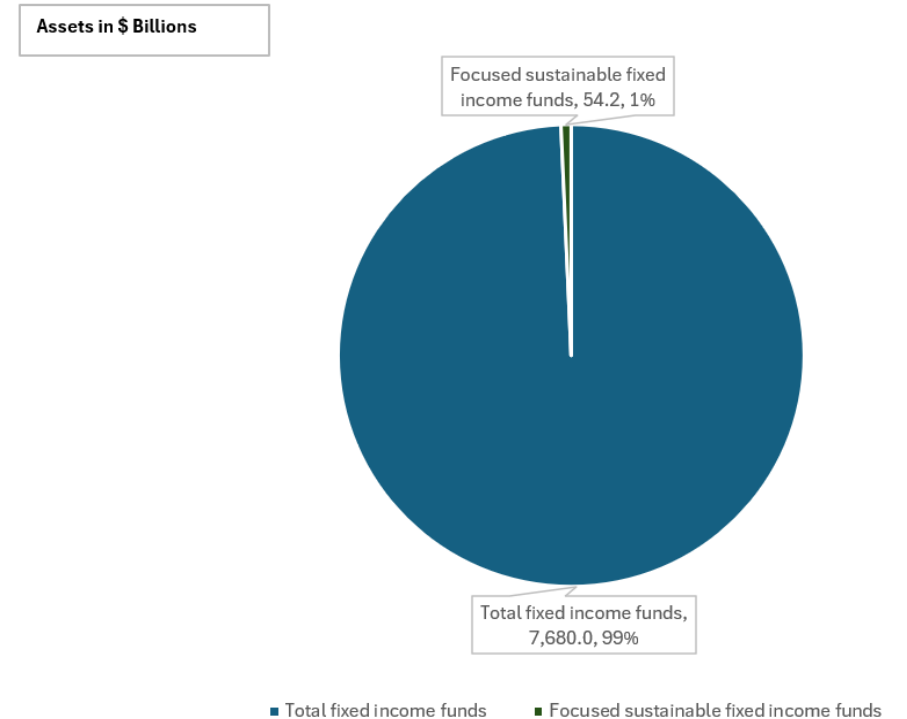
Sustainable debt instruments: Green, social and sustainability bonds

Forward looking capital requirements

The case for FI in sustainable investing

- Focused sustainable fixed income funds account for less than 1% of total conventional fixed income fund (mutual funds and ETFs) assets, including taxable and municipal funds.
- Yet fixed income is structurally suited to sustainable investing. Reasons:
 - Capital allocation is explicit
 - **Integrating financially relevant ESG factors is credit analysis**
 - Alignment with long term outcomes
 - Portfolio construction focus: Sector, duration and credit quality
 - Attractive performance track record, but limited
 - Reporting of outcomes
 - Stepped up education; improved standards, reporting and disclosure.
- And investor interest exists, even in the light of political tensions in the US
 - Institutional demand
 - Strong interest in sustainable investing. Gen Z (99%) and Millennials (97%)/ Intergenerational wealth transfer.
- Record level forward-looking capital requirements, even as some initiatives slow.

Fixed income mutual funds and ETFs



Sustainable investing landscape

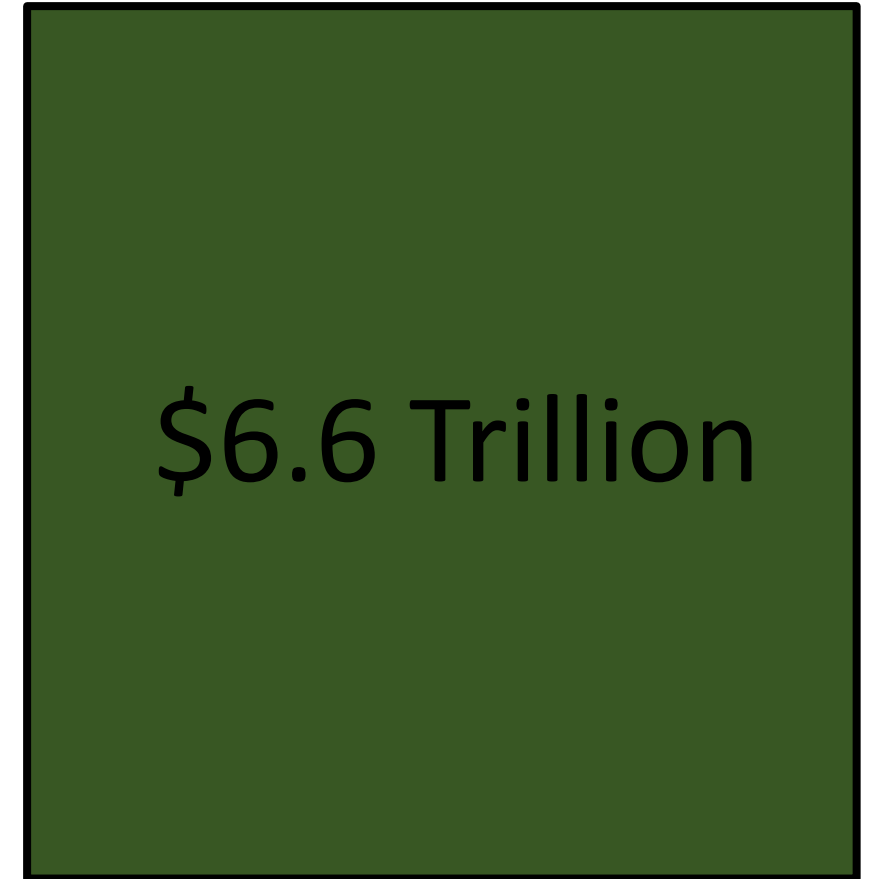
Morningstar



ICI Research



US SIF



Notes of Explanation: Morningstar and ICI Research data, as of January 2026, limited to **long-term** mutual funds and ETFs. US SIF data, as of early 2025, extends beyond funds to include separate accounts, hedge funds, insurance companies, family offices, endowments, foundations and other pooled investment vehicles.

Focused sustainable fixed income funds

	2024	2025
Taxable fixed income funds	47,801.7	52,382.2
Municipal funds	1,691.8	1,859.2
Total	49,493.5	54,241.4
ETFs	10,854.6	12,851.6
Mutual funds	36,947.1	39,530.6
Actively managed	40,311.1	43,486.6
Index funds	9,182.4	10,754.8

Funds include taxable and municipal mutual funds/share classes and ETFs. Sustainable funds = focused sustainable funds as classified by Morningstar.

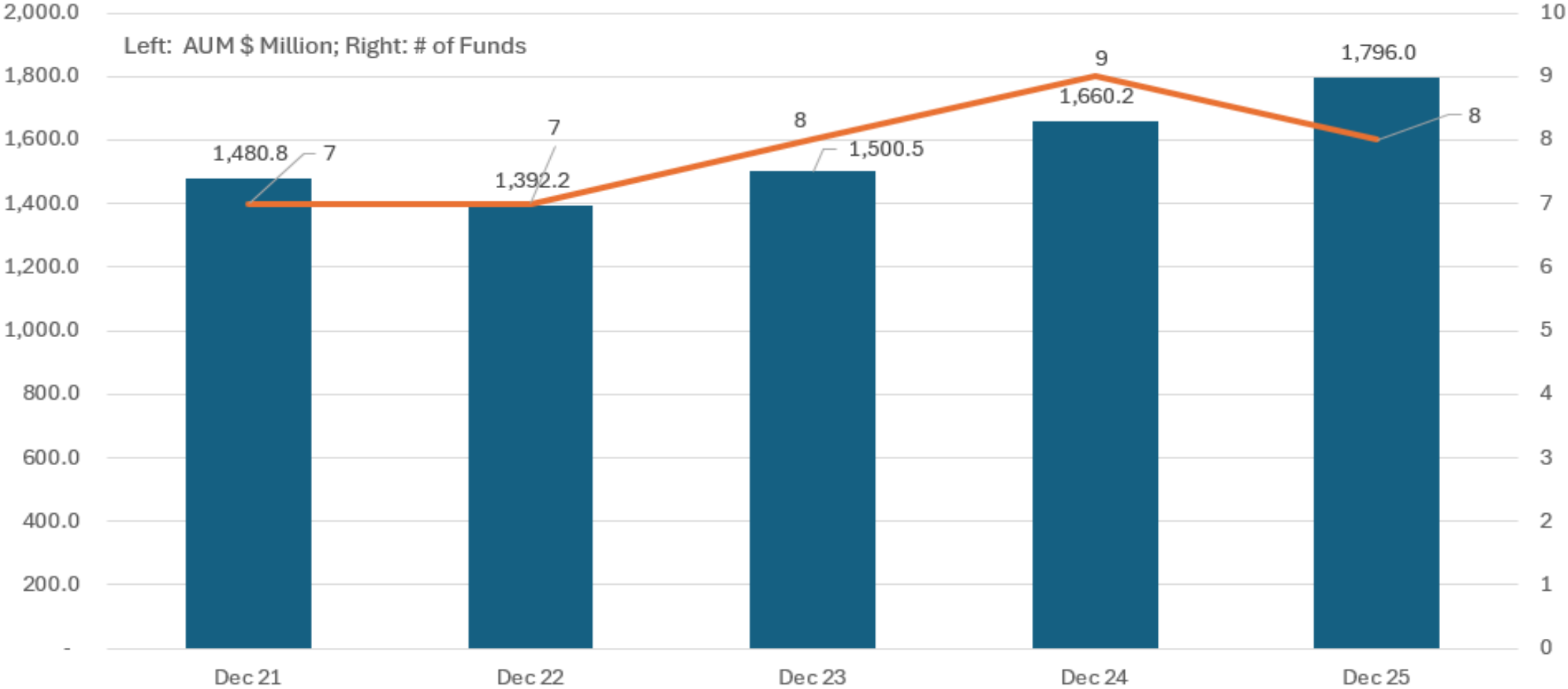
Sustainable and conventional FI funds

	Focused sustainable funds	Conventional funds
AUM (\$ Billions)	\$54.2	\$7,680
Fund Types		
-Mutual Funds	201	5,519
-ETFs	27	865
Total	228	6,384
-Index Funds	15	500
Investment Categories	19	41
# Fund Managers	40	318
Average Fund/SC Size (\$ Millions)	\$237.9	1,203.1
Average Expense Ratio (bps)	73	76

Funds include taxable and municipal mutual funds/share classes (SC) and ETFs. Sustainable funds = focused sustainable funds as classified by Morningstar. Averages = arithmetic averages.

Green bond mutual funds and ETFs

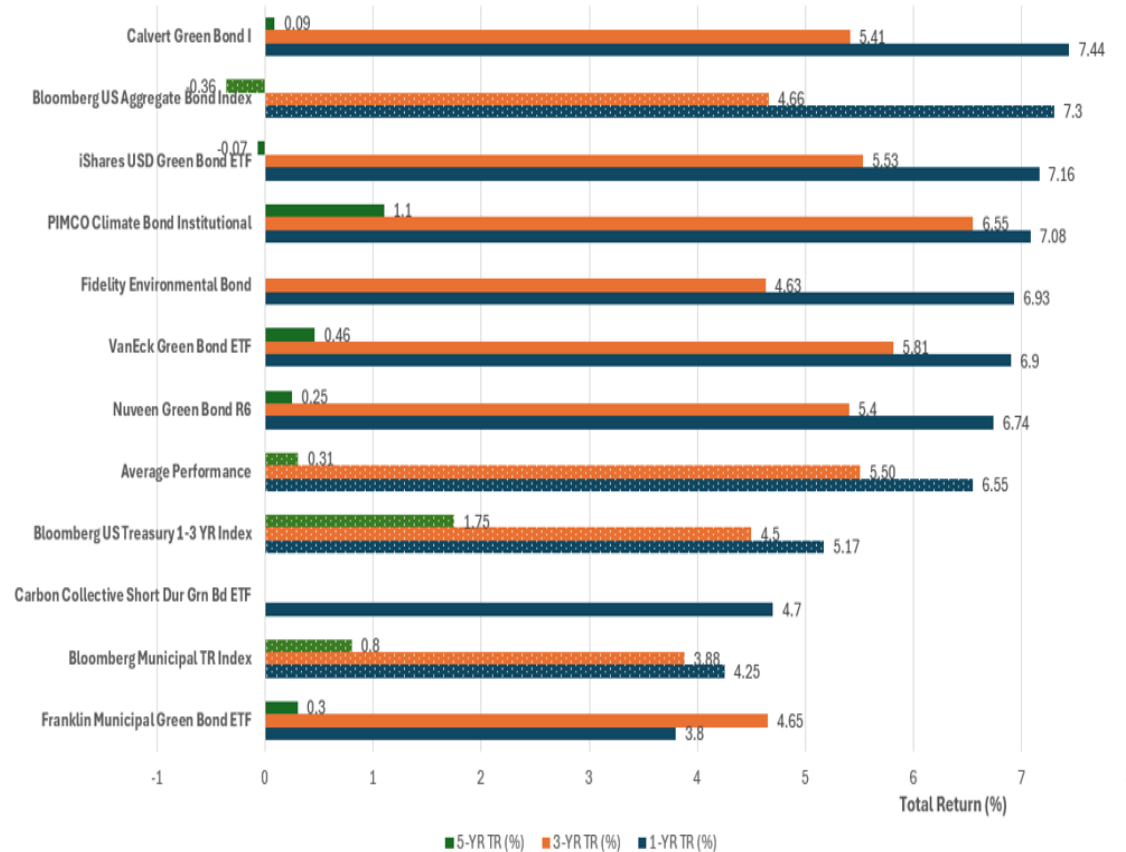
Small but growing segment (in assets), dominated by institutional investors



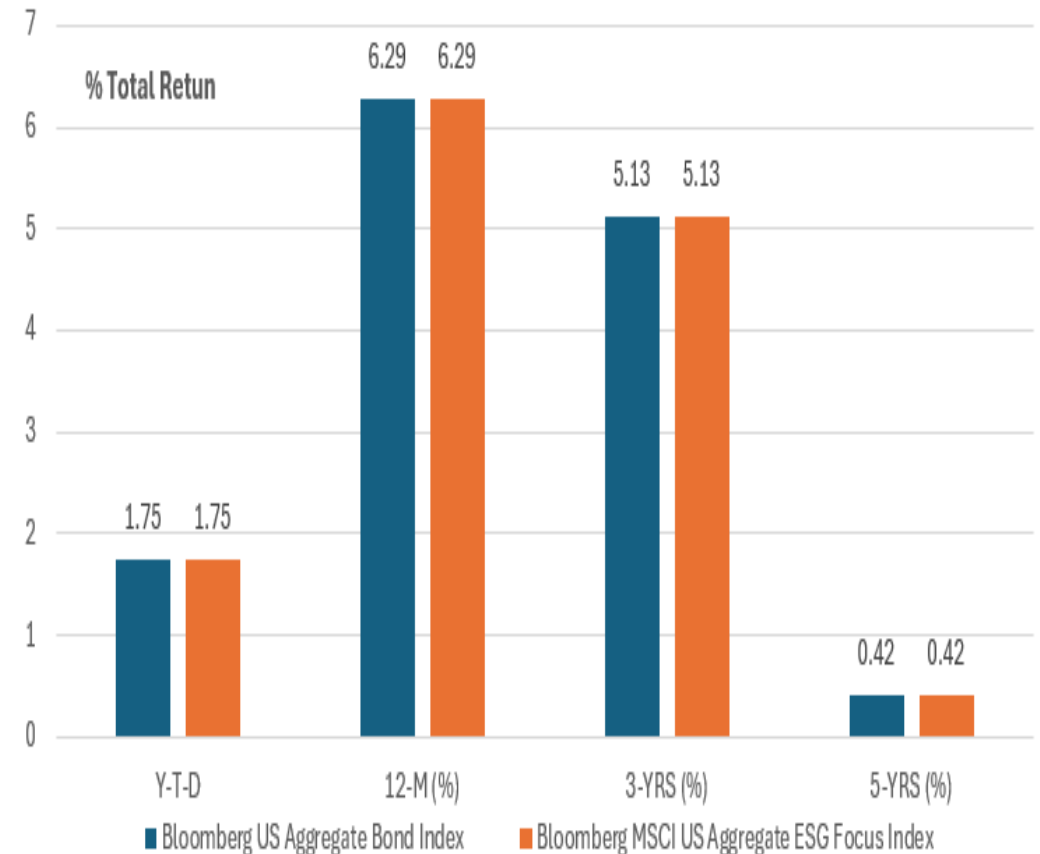
Notes of Explanation: YE total assets; number of funds excludes share classes.

Performance observations

Performance of green bond funds



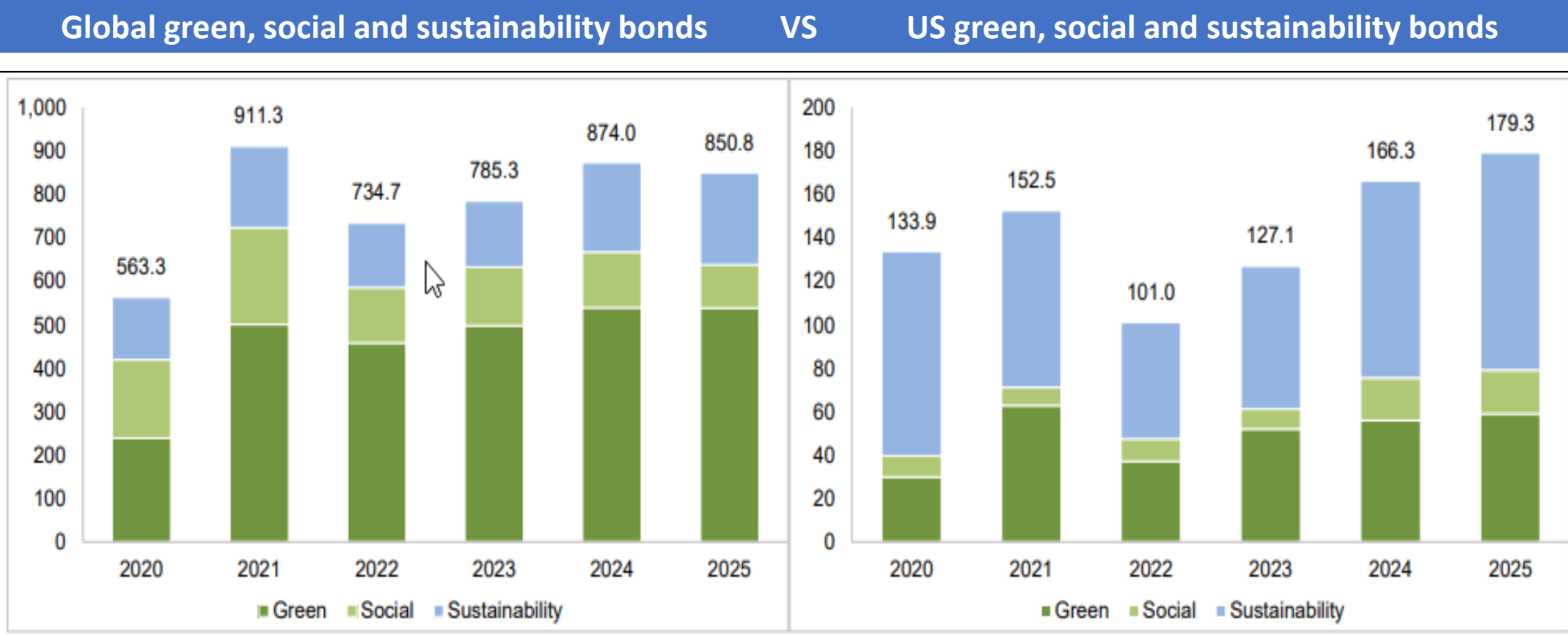
ESG index vs. conventional index



Notes of Explanation: Green bond fund funds performance to YE 2025; Performance of Bloomberg MSCI US Aggregate ESG Focus Index vs. Bloomberg US Aggregate Bond Index to February 28, 2026. Sources: iShares and Morningstar and Sustainable Research and Analysis LLC

Green, social and sustainability bonds

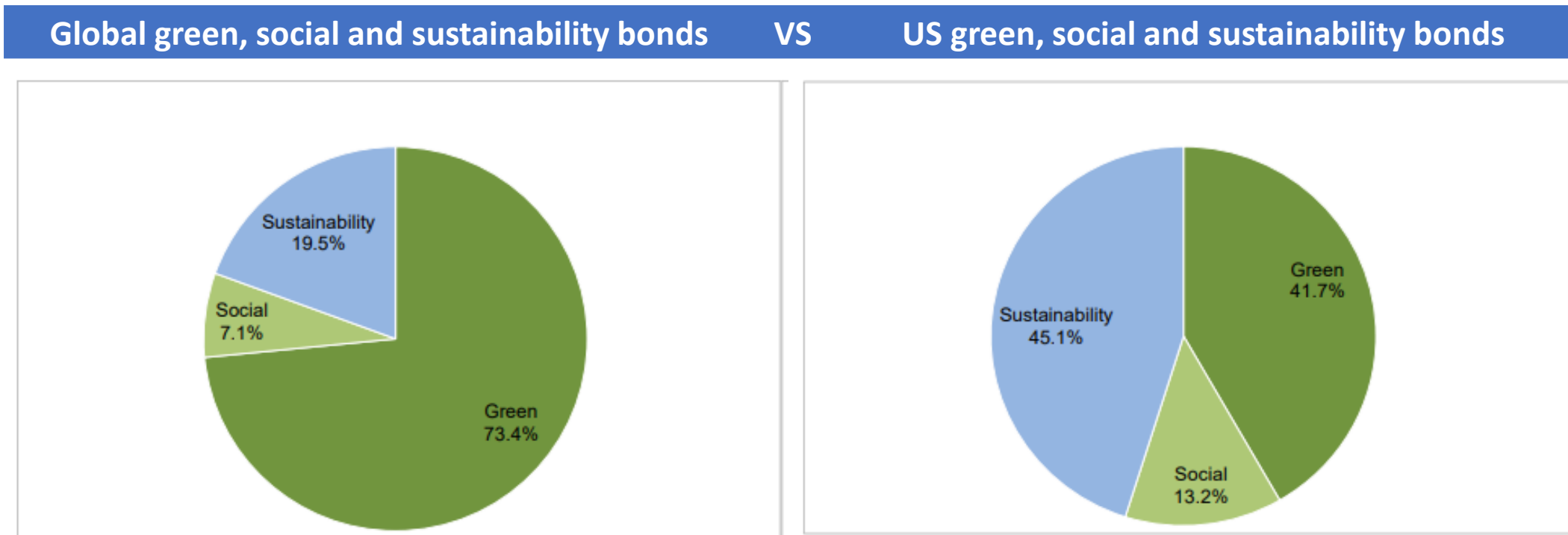
- YOY global sustainable **debt issuance** recorded a decline of 2.7%.
- In the US, sustainable debt volume picked up, increasing by 7.8%.



Source: SIFMA

Green, social and sustainability bonds

Unlike the global profile, 56% of **sustainable debt** issuance in Q4 2025 was attributable to sustainability bonds while 33% was in the form of green bonds.



Source: SIFMA

Sustainable debt: Success factors

Equivalent to conventional bonds

Focus attention on climate change and need to harness capital for climate mitigation and adaptation initiatives

Transparency and credibility: Voluntary framework/guideposts for issuance and tracking/ reporting/disclosure guidelines/SPOs

Signaling mechanism

Institutional demand/retail demand

Performance results

Forward-looking capital requirements

- Mitigation finance alone must surpass \$8.4 trillion per year by 2030
 - BNEF confirmed that global energy transition investment hit a **record \$2.3 trillion in 2025**, up 8% from 2024 (which itself was the first year to cross the \$2 trillion threshold).
- JPMorgan projects nearly \$300 billion per year in AI-and data-center related capital market deals for each of the next five years, with UBS estimating \$900 billion in new issuance in 2026 alone. Morgan Stanley and JPMorgan together estimate AI infrastructure push could drive up to \$1.5 trillion in additional borrowing in the coming years.
- UNEP's *Adaptation Gap Report 2025*, subtitled "Running on Empty," found that international public adaptation finance flows to developing countries were only **\$26 billion in 2023** — and actually *fell* from \$28 billion the year prior. Against estimated needs of **\$284–339 billion per year through 2035**, which represents a gap of 12 to 14 times current flows.

Data sources

Slide 3. Morningstar, Sustainable Research and Analysis

Slide 4. Morningstar, ICI Research and US SIF

Slide 5. Morningstar, Sustainable Research and Analysis

Slide 6. Morningstar, Sustainable Research and Analysis

Slide 7. Morningstar, Sustainable Research and Analysis

Slide 8. iShares, Morningstar, Bloomberg and MSCI, Sustainable Research and Analysis

Slide 9. SIFMA, Quarterly Report: US Fixed Income, 4Q 2026

Slide 10. SIFMA, Quarterly Report: US Fixed Income, 4Q 2026

Slide 12. BNEF, JPMorgan and UNEP

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