Bond Case Briefs

Municipal Finance Law Since 1971

Appetite Increases for Green Bonds but Investors Demand More Education and Transparency.

- **Appetite Increases for Green Bonds but Investors Demand More Education and Transparency**
- **Survey by Natixis and the California State Treasurer's Office reveals challenges and opportunities of green bond market**
  78% of California residents believe it's important to make the world a better place while growing assets1
- **Misconceptions around ESG present barriers to investing; 72% want greater transparency and standardization of reporting**

BOSTON & SACRAMENTO, Calif.–(BUSINESS WIRE)–Individual investors in California are keen to make the world a better place while growing their personal assets, but engaging investors in the green bond market will require a deeper understanding of their motivations, perceptions and knowledge gaps. Natixis Investment Managers' Center for Investment Insight and the California State Treasurer's Office announced today the findings from a new survey of 500 California residents during the California State Treasurer's Green Bonds Symposium. The study explores the challenges and opportunities of engaging investors in the state's growing green bond market.

The survey polled individual investors from California on their investment preferences and expectations, their commitment toward environmental, social and governance (ESG) investment principles, and their predisposition to act on green intentions. Key to motivating investors to participate in the California green bond market will be education, transparency and the development of an investment proposition, the study finds. While 66% of California respondents say they would invest in green bonds because of their potential environmental impact, only 53% say they are knowledgeable about ESG investing and merely 29% claim to know what green bonds are.

"The majority of California residents want their investments to have a positive social and environmental impact," said David Goodsell, Executive Director of Natixis' Center for Investor Insight. "But many need guidance before they can act on their preferences when it comes to investing in green bonds. Public outreach and education will be critical in dispelling some of the misconceptions associated with ESG investing, and we can jumpstart these initiatives by having conversations with the broader advisor community."

The research offers four key insights on California residents' sentiment towards green bonds:

- **Californians want to use their assets to make a difference:** Survey respondents said they want their investments to reflect their personal values (77%), to know their assets are doing social good (76%), to invest in companies that are ethically run (82%), and to invest in companies that have a positive social impact (77%).
- **Investors have misconceptions around ESG investing:** Some individuals perceive limitations around ESG investments, with 46% believing they have to give up return potential to invest in green bonds and 55% believing that costs will be higher without green bonds delivering adequate

returns. However, green bonds are generally not limited in their return potential, nor do green bonds generally come at a higher cost. Three-quarters of respondents say they believe there is a lack of standardized guidelines on what constitutes as a green investment, therefore we believe public education will be essential to dispelling such misconceptions.
- **Californians are prepared to act with enlightened self-interest:** Californians emphasize the potential investment benefits of municipal bonds over their community impact. When asked for their main reasons for investing in municipal bonds, they first focus on direct portfolio advantages, citing tax-free income (55%), low risk (51%) and stability (39%) as the main drivers. Investors in California may not fully understand the potential tax benefit these securities could provide given that only 11% said they would invest to manage tax liability.
- **Financial and non-financial variables factor into green investing:** Top considerations when selecting a green bond investment include return on a bond over its lifetime (50%), how long it takes to mature (40%) and amount paid at maturity (36%). However, 66% say they would invest in green bonds because of their potential environmental impact.

“It’s not surprising that nearly four out of five Californians believe it’s important that their investments shape a better world. This research demonstrates there is strong momentum for the leadership role we are taking in California to find solutions to pay for projects that generate solar and wind power, reduce methane emissions, provide clean drinking water, and more,” said John Chiang, California State Treasurer. “At a time when the White House has abandoned its leadership role in the fight against global warming, California stands with the rest of the world that has declared climate change is an urgent and potentially irreversible threat to human societies and the planet.”

Success Factors for California’s Green Bond Market

The survey findings indicate that many worry about accurate reporting and verification around green investing. Nearly three-quarters of investors (72%) say that greater transparency and standardization of reporting would increase their desire for green bonds, and six in ten would be willing to pay more for their investment if it meant greater transparency. Californians are willing to accept validation on a wide range of public and personal sources in order to achieve transparency, starting with the media (58%), reports from the issuer (47%) and a financial advisor (45%). Another factor is access to green issuances; overall, more than half of investors say they would prefer buying green bonds through a fund (59%) compared to individual securities (41%).

“As the green bond market matures, we are pleased to see that issuance is growing in tandem with investors’ interests,” said Chris Wigley, Portfolio Manager at Mirova, a responsible investing affiliate of Natixis Investment Managers. “This symbiotic relationship indicates that both governments and corporations are making the effort to transition to a lower carbon world, which is also motivating the individual investor to consider incorporating ESG into their portfolios.”

Methodology

Natixis Investment Managers surveyed 500 investors in California in August 2017, with the goal of understanding the perceptions, attitudes and opinions of individuals residing in California related to green bonds and ESG-focused saving and investing approaches. For more information, visit im.natixis.com/us/research/california-green-bond-market-survey.

February 28, 2018 12:01 PM Eastern Standard Time

About Natixis Investment Managers

Natixis Investment Managers serves financial professionals with more insightful ways to construct portfolios. Powered by the expertise of 26 specialized investment managers globally, we apply Active ThinkingSM to deliver proactive solutions that help clients pursue better outcomes in all markets. Natixis ranks among the world's largest asset management firms2 ($997.8 billion AUM3).

Headquartered in Paris and Boston, Natixis Investment Managers is a subsidiary of Natixis. Listed on the Paris Stock Exchange, Natixis is a subsidiary of BPCE, the second-largest banking group in France. Natixis Investment Managers' affiliated investment management firms and distribution and service groups include Active Index Advisors®;4 AEW; AlphaSimplex Group; Axeltis; Darius Capital Partners; DNCA Investments;5 Dorval Asset Management;6 Gateway Investment Advisers; H2O Asset Management;6 Harris Associates; Investors Mutual Limited; Loomis, Sayles & Company; Managed Portfolio Advisors®;4 McDonnell Investment Management; Mirova;7 Natixis Asset Management; Ossiam; Seeyond;8 Vaughan Nelson Investment Management; Vega Investment Managers; and Natixis Private Equity Division, which includes Seventure Partners, Naxicap Partners, Alliance Entreprendre, Euro Private Equity, Caspian Private Equity and Eagle Asia Partners. Not all offerings available in all jurisdictions. For additional information, please visit the company's website at im.natixis.com | LinkedIn: linkedin.com/company/natixis-investment-managers. Natixis Investment Managers includes all of the investment management and distribution entities affiliated with Natixis Distribution, L.P. and Natixis Investment Managers S.A.

About the Natixis Center for Investor Insight

Investing can be complicated: Event risk is greater and more frequent. Volatility is persistent despite market gains. And investment products are more complex. These factors and others weigh on the psyche of investors and shape their attitudes and perceptions, which ultimately influence their investment decisions. The Center for Investor Insight conducts research with investors around the globe to gain an understanding of their feelings about risk, their attitudes toward the markets and their perceptions of investing.

About Mirova

Mirova, an affiliate of Natixis Investment Managers, offers a global responsible investing approach with a single offer revolving around 5 pillars: equities, bonds, infrastructure, Impact investing, voting and engagement. Mirova has $10.8 billion of assets under management (as of 12/31/2017).

About Natixis Asset Management US, LLC and Mirova

Natixis AM US provides access to investment solutions that benefit from the extensive resources of a leading European asset management group. Natixis AM US launched in 2014, is a U.S.-based investment adviser, majority-owned by Natixis Asset Management and minority-owned by Mirova with $561 million in assets under management (as of 12/31/17). Natixis AM US utilizes the expertise of Mirova, which is operated in the U.S. through Natixis AM US.

This material is provided for informational purposes only and should not be construed as investment advice. There can be no assurance that developments will transpire as forecasted. Actual results may vary.

Green bonds are securities that finance projects that provide environmental benefits.

All investing involves risk including risk of loss.

Municipal markets may be volatile and can be significantly affected by adverse tax, legislative or

political changes and the financial condition of the issuers of municipal securities.

Sustainable investing focuses on investments in companies that relate to certain sustainable development themes and demonstrate adherence to environmental, social and governance (ESG) practices, therefore the Fund's universe of investments may be reduced. It may sell a security when it could be disadvantageous to do so or forgo opportunities in certain companies, industries, sectors or countries. This could have a negative impact on performance depending on whether such investments are in or out of favor.

Diversification does not guarantee a profit or protect against a loss.

Natixis Investment Managers does not provide tax or legal advice. Please consult with a tax or legal professional prior to making any investment decisions.

1 Natixis Investment Managers, 2016 Retirement Plan Participant Survey conducted by CoreData Research, August-September 2016. Survey included 951 respondents, 121 of whom were California residents.
2 Cerulli Quantitative Update: Global Markets 2017 ranked Natixis Investment Managers (formerly Natixis Global Asset Management) as the 15th largest asset manager in the world based on assets under management as of December 31, 2016.
3 Net asset value as of December 31, 2017. Assets under management ("AUM"), as reported, may include notional assets, assets serviced, gross assets and other types of non-regulatory AUM.
4 A division of Natixis Advisors, L.P.
5 A brand of DNCA Finance.
6 A subsidiary of Natixis Asset Management.
7 A subsidiary of Natixis Asset Management. Operated in the U.S. through Natixis Asset Management U.S., LLC.
8 Formerly an investment division within Natixis Asset Management, Seeyond became an independent global affiliate of Natixis Investment Managers effective January 1, 2018. Seeyond is operated in the U.S. through Natixis Asset Management U.S., LLC (Natixis AM U.S.). Natixis AM U.S., which launched in 2014, is majority-owned by Natixis Asset Management (Natixis AM) and minority-owned by Mirova, which is in turn wholly-owned by Natixis AM. Natixis AM U.S. had €467M / $561M / £415M in assets under management as of 12/31/17.

Copyright © 2026 Bond Case Briefs | bondcasebriefs.com