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Green, Social and Sustainability Bonds

On track to be the best year for sustainability bond growth

- With \$465bn of issuance over 2025, the GSS universe stands at \$3.6tn, surpassing the Euro Credit IG market.
- Improved risk sentiment on the back of reduced trade uncertainties pushed rates higher.
- The GSS bond universe delivered 0.04% over the month and 1.70% YTD in EUR hedged terms.

Johann Plé, Senior Portfolio Manager

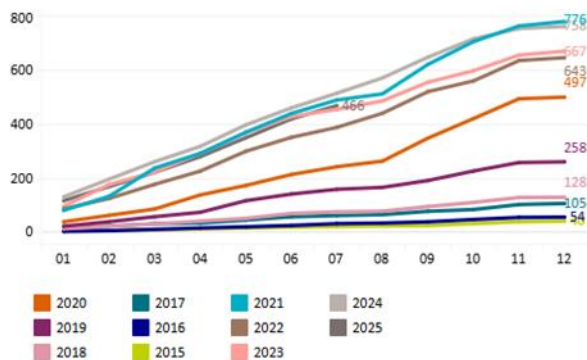
Rui Li, Portfolio Manager

What's happening?

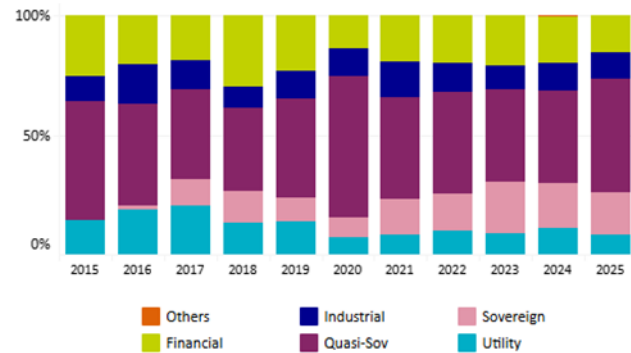
	Key developments	Key figure
Green Bonds	Green bond issuances experienced steady growth in July, with the sovereign sector demonstrating notable dynamism—led by the UK, Netherlands, and Germany. In the credit space, Utility and Industrials sectors saw higher issuance volumes compared to Financials. The euro remained the dominant currency for issuances, representing 64%, followed by GBP (12%) and USD (10%). Regionally, the Euro area continued to lead green bond activity, accounting for 56% of total volumes. Additionally, Europe non-Euro contributed significantly, comprising 23% of volumes.	<p>+\$26bn over July</p> <p>\$269bn YTD (-16% vs 2024)</p> <p>32 new issuers YTD</p> <p>\$2.1tn Market value</p>
Social Bonds	Social bond issuance remained modest, with Quasi-Sovereigns contributing 77% and Financials 23%. The currency distribution was more balanced this time, with other currencies dominating at 37%, followed by GBP at 24% and USD at 23%. Asia emerged as the leading region for social bond issuance, accounting for 51% of total volumes.	<p>+\$4bn over July</p> <p>\$63bn YTD (-5% vs 2024)</p> <p>2 new issuers YTD</p> <p>\$566bn Market value</p>
Sustainability Bonds	Sustainability bonds continued their record pace in 2025, bringing total issuance to approximately \$135bn. Quasi-Sovereigns drove 80% of July's volume. USD and EUR were the main currencies, representing 39% and 32% respectively. Euro area led regional issuance (77%), followed by Emerging countries (13%).	<p>+\$19bn over July</p> <p>\$135bn YTD (+7% vs 2024)</p> <p>9 new issuers YTD</p> <p>\$872bn Market value</p>



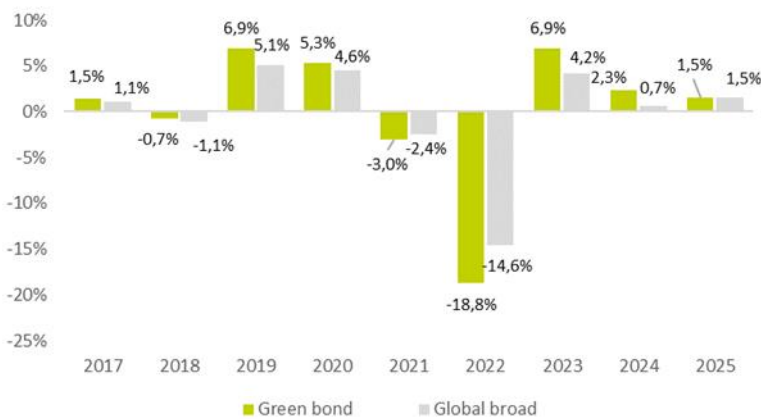
GSS bonds issuance evolution (in USD bn)



GSS Bonds issuance by Sector (in %)



Calendar Performance Comparison

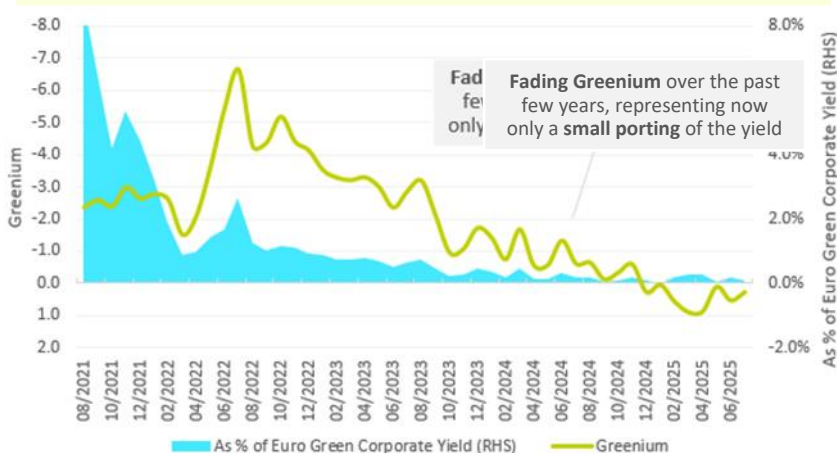


Green bonds universe
outperforming
conventional universe
for **6 years** out of 9

Source : AXA IM, Bloomberg as of 31/07/2025

What about the Greenium ?

Green bonds trade on average in line with their conventional bond



Greenium is becoming
irrelevant when
considering return
prospects yet should still
be **monitored** at bond /
sector level

Source : AXA IM, Bloomberg as of 31/07/2025



Portfolio Positioning and Performance

Key Strategies		Performance
Term structure	We began the period with a small overweight in duration. We gradually increased the euro duration and strengthened our long euro rates position compared to short US rates. By the end of the month, our overall duration was 0.50 years above the benchmark.	
Asset Allocation	We favor Euro credit vs US credit with a selective approach. There is preference to financials debt and short dated subordinated debts with attractive carry, while being more defensive in overall spread duration by reinforcing the credit risk hedging via Itraxx Xover.	
Region	We continue to favor peripheral countries, especially Spain, while initiating a short position on France as we believe its valuations appear expensive relative to its fundamentals and political instability. We also kept Neutral exposure to EM countries.	

Outlook

Although July has cleared uncertainties about US tariffs imposed on certain countries/regions, including the EU, the global economy is now entering a new trade regime. Under this regime, the US is implementing tariff rates significantly higher than pre-Liberation Day levels, while clarity remains limited regarding the evolving dynamics between the US and China. In addition to the growth concerns, geopolitical risks — particularly between the US and Russia — as well as the anticipated surge in issuances after the summer, are weighing on investors' sentiment.

Following the rally in July, we believe the upside potential for risky assets is now limited. Tariffs are expected to start affecting corporate profit margins, and damaging US consumers' purchasing power. Renewed tensions between the US and Russia could further complicate tariffs negotiations with China. Seasonality-wise, August tends to be a month of spread widening; hence, we prefer to adopt a cautious stance on spread within the portfolios.

While the impact of tariffs on growth supports duration, the upcoming heavy supply prompts us to remain cautious. We continue to favor tactical duration management and would lighten our duration exposure during August.

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