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Green, Social and Sustainability Bonds

Sustainability bond market set to finish the year on a record high while green stays buoyant

- Issuance continued to be healthy as we near year end, announcing an overall picture for 2025 that will come in at a historical high for sustainability bonds and still robust for green bonds despite coming below what was a record level in 2024.
- US government shutdown ends yet sentiment remains fragile, while in the Eurozone growth prospects look resilient. In this context, EUR rates underperformed US rates.
- The GSS bond universe delivered -0.02% over the month and 2.90% YTD in EUR hedged terms.

Johann Plé, Senior Portfolio Manager

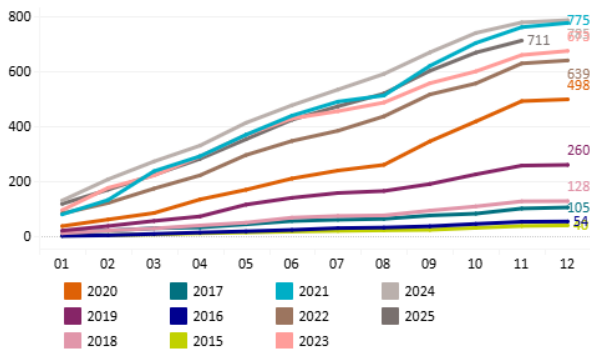
Rui Li, Portfolio Manager

What's happening?

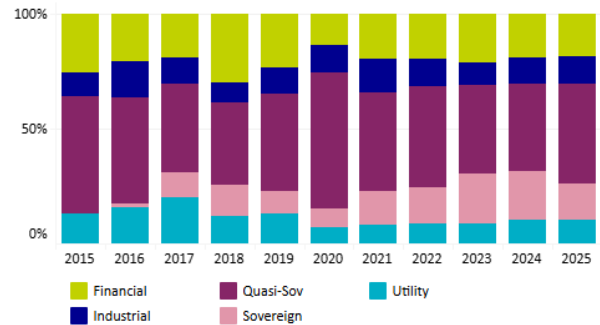
	Key developments	Key figure
Green Bonds	November issuance remained buoyant, permitting the market to end the year on a solid note from a historical perspective yet still below record 2024 levels. Issuance was dominated by corporates, with Financials (33%) leading. Europe and EUR continue to be the predominant region and currency, although there was activity in USD (21%). Emerging market issuance slightly picked up at 16%, as did the High Yield Segment at 18%.	+\$33bn over November \$433bn YTD (-12% vs 2024) 63 new issuers YTD \$2.3tn Market value
Social Bonds	Social bond issuance picked up slightly at \$4bn in November (+\$2bn), continuing the soft issuance trend we have seen since the beginning of the year. The majority of issuance came from financials (62%) coming from 2 European banks. Issuance remained predominantly in EUR (75%).	+\$4bn over November \$77bn YTD (-22% vs 2024) 3 new issuers YTD \$562bn Market value
Sustainability Bonds	Sustainability bond issuance has begun to slow as we near year end, marking a strong year for the market as issuance volumes have already surpassed historical including 2024. November activity was driven by government issuance from the Quasi-sovereign (38%) and Sovereign segment (24%). Activity was dominated by USD issuance (69%) with strong momentum from emerging markets (38%) and Asia (30%).	+\$6bn over November \$201bn YTD (+4% vs 2024) 14 new issuers YTD \$917bn Market value



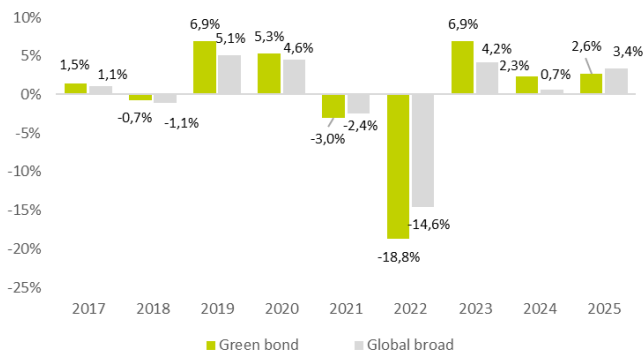
GSS bonds issuance evolution (in USD bn)



GSS Bonds issuance by Sector (in %)



Calendar Performance Comparison

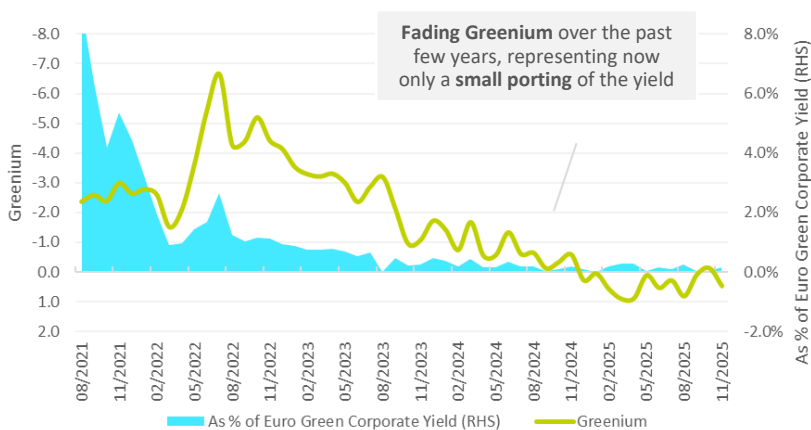


Green bonds universe
outperforming
conventional universe
for **6 years** out of 9

Source : AXA IM, Bloomberg as of 28/11/2025

What about the Greenium ?

Green bonds trade on average in line with their conventional bond



Source : AXA IM, Bloomberg as of 28/11/2025

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



Portfolio Positioning and Performance

Key Strategies		Performance
Term structure	We began the period with an underweight in duration, maintaining the position over the first half of the month to exploit the rates rebound before coming back to neutral. In parallel, we maintained a long position on 10Y Euro rates vs US rates.	
Asset Allocation	We stayed close to neutral on quasi-sovereign and covered. We maintain our overweight on credit where we continue to favour financial debt and short dated subordinated debts for carry enhancement.	
Region	We remain overweight on Spain where fundamentals are robust, while staying closeto Neutral on Italy and defensive on France via underweight given political instability and deteriorating fiscal profile. We kept our slight overweight on EM sovereigns.	

Outlook

Although the longest US government shutdown in history has reached its end, investor sentiment in the US remains fragile due to softening job market and lingering skepticism about the outlook for technology companies. Despite the lack of recent growth and inflation data, the Fed seems to be heading for another rate cut in December. In the Eurozone, macroeconomic data continues to point to resilient growth prospects, led by peripheral countries and reinforced by the expectation of Germany's fiscal spending, while inflation remains at target.

In this context, euro rates have underperformed US rates. Current valuations in US rates appear to incorporate expectations of a bearish job market and limited inflationary risks. In Europe, valuations look attractive but with heavy global supply anticipated in Q1, continued move upward of Japanese yields, fiscal deterioration across global economies, and the impact of Dutch pension funds reform at the beginning of next year, rates could face upward pressure towards year end, especially on the long end.

On the credit side, despite a volatile November for equity market, credit spread remains rather resilient. Subdued primary market activity in the year end should support the asset class, especially in a context where yields are attractive and fundamentals remain solid.

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