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Green, Social and Sustainability Bonds

Sustainability bond market remains buoyant, EuGB uptake continues in green

- Issuance momentum remains robust for the GSS Bonds market as a whole, not far behind 2021 levels although still below record 2024.
- Fed easing expectations supported risk sentiment and drove US rates to outperform Euro rates.
- The GSS bond universe delivered 0.41% over the month and 2.23% YTD in EUR hedged terms.

Johann Plé, Senior Portfolio Manager

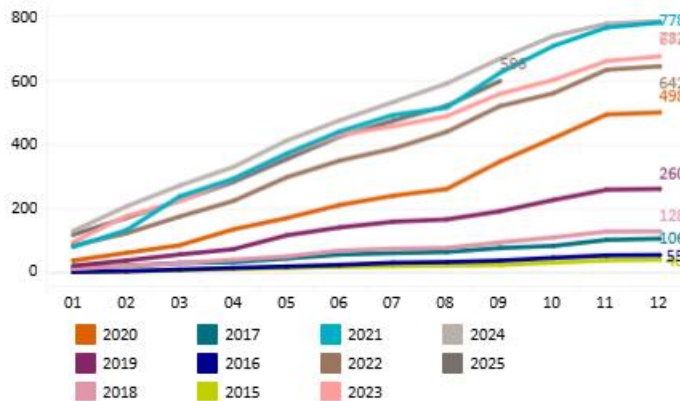
Rui Li, Portfolio Manager

What's happening?

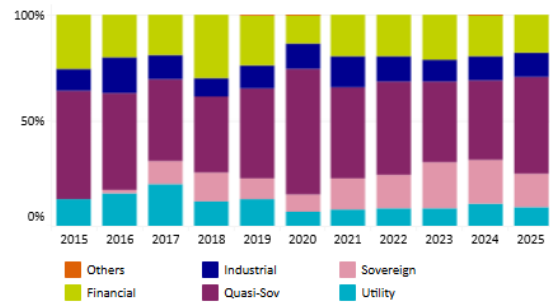
	Key developments	Key figure
Green Bonds	September was a busy month for green bonds with issuances significantly picking up (+\$55bn over the month), bringing issuance levels above September 2023 but still behind record 2024 levels. Issuance was rather diversified across sectors with Financials seeing the highest volumes followed by Quasi-Sovereigns. Regionally, Europe and EUR continued to dominate. Notably, Denmark became the first sovereign to issue in EU Green Bond format (in DKK). Denmark joins other issuers (mostly utilities) beginning to come to market in this format.	+\$55bn over September \$335bn YTD (-15% vs 2024) 43 new issuers YTD \$2.2tn Market value
Social Bonds	Social bond issuance remained subdued at \$4bn over September, leaving the YTD issuance trend rather flat since the summer. Over the month, Quasi-Sovereigns contributed 43% and Financials 57%. Issuance was mostly from European issuers in EUR. The social bond market continues to be an IG one, with no HY issuance in September with this segment remaining a very minor portion of the market overall.	+\$4bn over September \$70bn YTD (-19% vs 2024) 2 new issuers YTD \$569bn Market value
Sustainability Bonds	Sustainability bonds continued their record pace in 2025, outstripping previous years' issuance levels up to the same period. Quasi-Sovereigns drove 70% of July's volume, although we see a positive dynamic YTD from Industrials. USD was the main currency (51%), followed by GBP (15%) then EUR (13%). Euro area led regional issuance (64%), followed by Emerging countries (14%).	+\$18bn over September \$172bn YTD (+6% vs 2024) 12 new issuers YTD \$902bn Market value



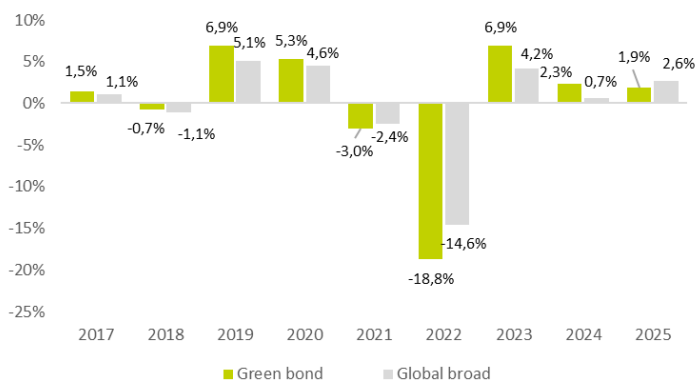
GSS bonds issuance evolution (in USD bn)



GSS Bonds issuance by Sector (in %)



Calendar Performance Comparison

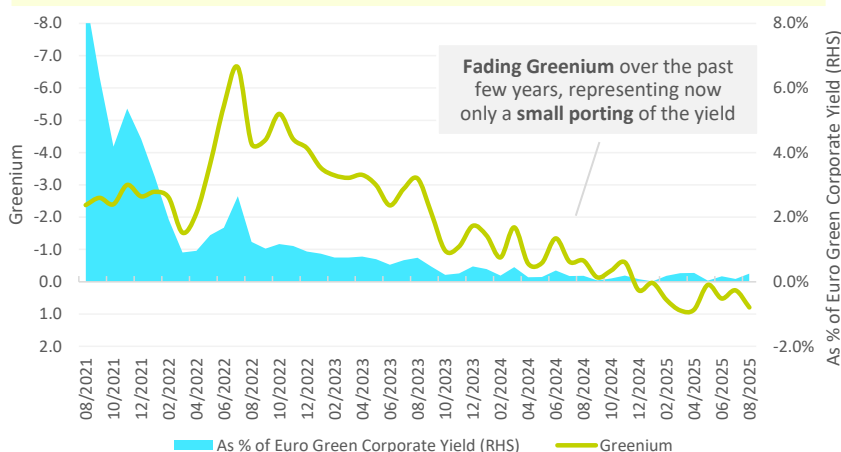


Green bonds universe
outperforming
conventional universe
for **6 years** out of 9

Source : AXA IM, Bloomberg as of 30/09/2025

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 30/09/2025

Portfolio Positioning and Performance

Key Strategies		Performance
Term structure	We began the period with an overweight in duration of 0.4 years via euro rates. This position has gradually brought down to neutral following the strong rates rally. We increased back the duration to 0.2 years overweight at month end while maintaining defensive on US rates..	+
Asset Allocation	We continue to favor financial debt over corporate and favor short dated subordinated debts for carry enhancement. The overall credit exposure has increased marginally via new issues. We unwound our Itraxx Xover at the end of the month.	+
Region	We continue to favor peripheral countries, especially Spain, while remaining defensive on France. We also kept Neutral exposure to EM countries like Chile and Indonesia.	=

Outlook

In the US, the weakening of the US job market enabled the Fed to deliver a 25bp cut while suggesting 2 more cuts might be appropriate this year, in line with market pricing. In the meantime, there are signs of inflationary pressures picking up in the US which might put the Fed in an uncomfortable position. The US government shutdown will impact data releases and might blur the Fed's view further. In Europe, the ECB suggested that with improving growth prospects and stable inflation, a wait and see approach seems to be the most appropriate stance, hence not committing to any further move.

US rates have outperformed Euro rates in this context with Euro rates continuing to drift higher. The fear of fiscal slippage weighing on supply dynamic and the reform of the Dutch pension system could impact sentiment and refrain investors from seizing current valuation opportunity. Yet, with no cuts priced anymore by the ECB, it might not take much for markets to rally given current uncertainties from French political turmoil to unclear growth prospects in a global economy hit by higher tariffs. US rates seem to have limited room to rally and could actually rebound, especially if employment does not deteriorate further. Yet the US government shutdown could start to weigh on growth prospects if it were to last longer.

On the credit side, spreads might be tight but the fundamentals remain strong in a context where demand is supported by the expectation of more accommodative central banks if growth prospects were to deteriorate. Yet one could remain cautious given the strong year-to-date performance of the asset class which could trigger some profit taking, especially at a time when inflation could rebound in the US and challenge the accommodative monetary policy narrative.

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Monthly Perspectives

AXA IM Core

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