ESG - important driver for ETF flows in 2020

In December, **Tell Media Group** gathered **DWS**, **HSBC Asset Management**, **Invesco**, **JPMorgan Asset Management**, **State Street SPDR ETFs** and **UBS Asset Management** to discuss trends within the ETF industry. Tell Media Group founder Niklas Tell moderated the discussion.

By: **Niklas Tell**

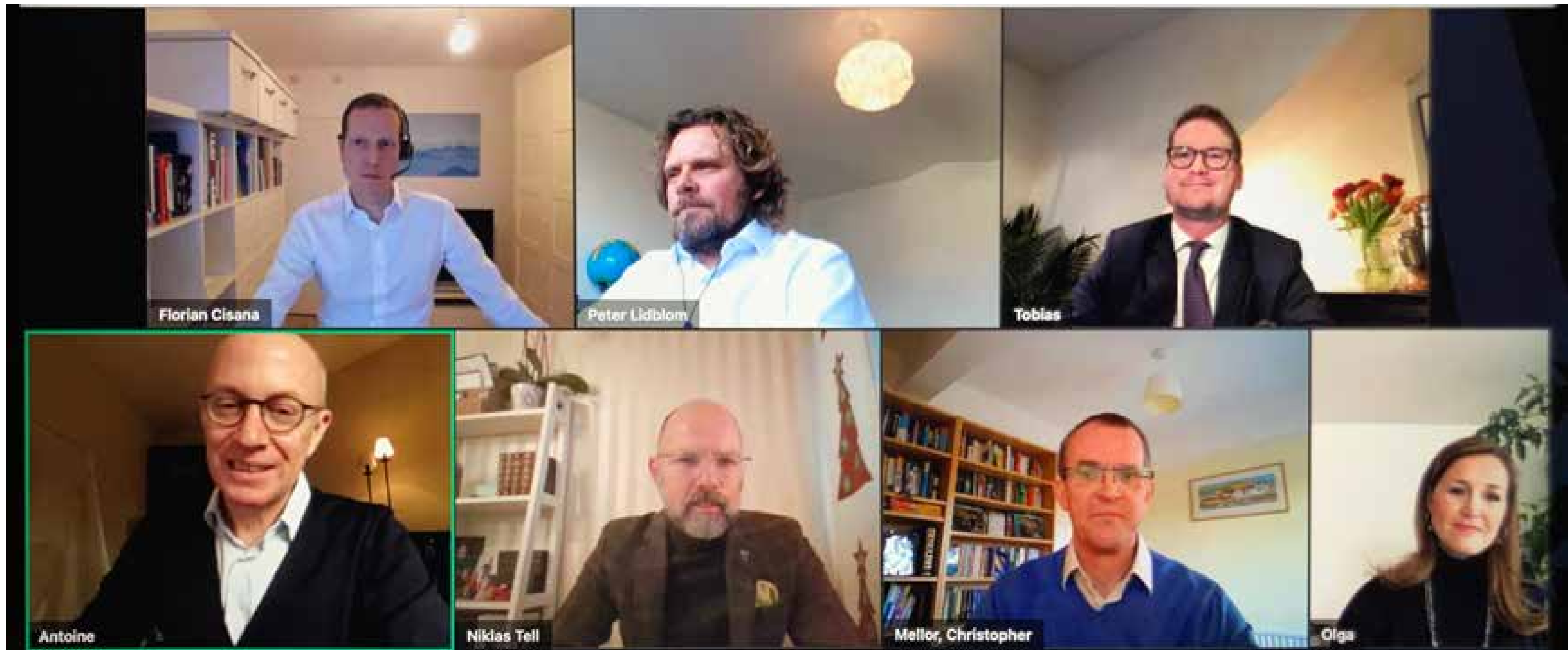
This year's ETF roundtable kicked off with Niklas Tell asking the participants to look back at and share their thoughts on some of the key developments over the past 12 months.

FLORIAN CISANA: "I assume that everyone has seen similar trends in the market due to the significant impact of Covid in Q1 and the following months. We saw large outflows, especially from market-cap ETFs, in the first quarter, which hasn't really recovered since. We have, on the other hand, seen inflows into fixed income ETFs, especially after the Fed made its announcement that it's buying ETFs on US corporates and that continued in the second quarter. In the second quarter, we also saw investors starting to focus on their ESG-related project again, something that was halted earlier in the year due to the market turbulence, basically analysing how they want to integrate this change in their portfolios. This resulted in increased inflows into equity and fixed income ESG ETFs from the second to the fourth quarter. By end of the year, we've seen that ESG ETFs have attracted more net inflows than traditional ETFs. Another trend that picked up in the second half of the year was some big factor rotations and also increased focus on certain thematic ETFs."

PETER LIDBLOM: "I know that we're going to discuss ESG separately but I think it's worth picking up on what Florian said on investors taking a pause in the second quarter. I think what we actually saw was more of a shift. When investors started buying equities again, they moved away from the traditional benchmark and into our ESG versions instead. Also, when it comes to fixed income I think the Covid situation, although terrible in every way, put the spotlight on fixed income ETFs and how they function. There were a lot of misunderstandings in the market about what was happening with fixed income ETFs in the spring. They were trading at a discount to the NAV and that provided us with a lot of opportunities to speak to clients and explain that this was a good thing: that the ETF is actually the price discovery tool that fixed income investors need."

CHRISTOPHER MELLOR: "Obviously, ESG was a big topic this year and we can clearly see that on flow statistics. Another key area where we saw a lot of interest this year was thematics, especially after the sell-off in March and the concerns about cyclical growth. That really focused investors' minds on the areas where they potentially could get secular long-term growth stories. So we saw significant flows into things like biotech and blockchain related ETF products and also into things like the Nasdaq 100, which provides exposure to the big tech names that should be well positioned for the Covid working environment. The final thing I would like to add is the increased interest in synthetic replication. This was a big subject in 2019 and we saw massive inflows into synthetic products on certain key US benchmarks such as S&P 500 and MSCI USA."

ANTOINE LESNÉ: "Obviously, we all work with the same transparent data, which is a nice feature of ETFs versus other vehicles, so I very much agree with what has been said about ESG and fixed income. With regards to fixed income, it seems as if 2020 will be the second best year in terms of inflows in Europe and we can probably state that 2020 marks a turning point in the acceptance of fixed income ETFs as an instrument by investors. Another important area of flows has been gold, both in Europe and in the US. It's a tool that has been used by investors to hedge against the potential consequences of the monetary policy, which could lead to inflation, as well as a defensive play."



OLGA DE TAPIA: "I just wanted to add some data on the ESG growth we're all talking about. In March and April, we saw outflows from market cap ETFs of about USD 7.7 billion but at the same time inflows into sustainable ETFs of some USD 13 billion. In the third quarter, the European sustainable market grew by some 10 per cent, according to data from Morningstar. We now have almost USD 900 billion of assets under management in sustainable ETFs, which is a spectacular growth. Also, it's not only institutional assets but retail clients as well. We've launched a sustainable range of funds targeting retail clients. At first, we didn't see much interest but after the pandemic hit in March, the flows have been fantastic."

TOBIAS NILSSON: "We spoke about ESG and fixed income last year and 2020 has essentially been the year when that really materialised. ESG ETFs saw more inflows that non-ESG ETFs and this spring was the first real stress test for fixed income ETFs. To Peter's point, I think the price discovery mechanism provided by ETFs is more recognised today and if anything, it shines a light on other vehicles. Investors also voted with their feet. When clients needed to exit in March, they did so in record volumes via fixed income ETFs and when the markets turned around, we again saw huge inflows."

NIKLAS TELL: IS THE CONCLUSION THAT ETFS WORKED AS THEY SHOULD DURING THE TURBULENCE IN THE SPRING?

OLGA DE TAPIA: "Peter mentioned earlier about fixed income ETFs working as price discovery tools and I agree. Clients saw that it was an instrument they could trade and it provided liquidity, so ETFs proved again that it was the perfect instrument in a crisis."

PETER LIDBLOM: "What happened last spring was very interesting. The fact that there was such a tiny proportion that had to go to the primary market shows the resilience and that extra level of liquidity that ETFs provides. So again, it was a phenomenal stress test and most ETFs passed with flying colours."

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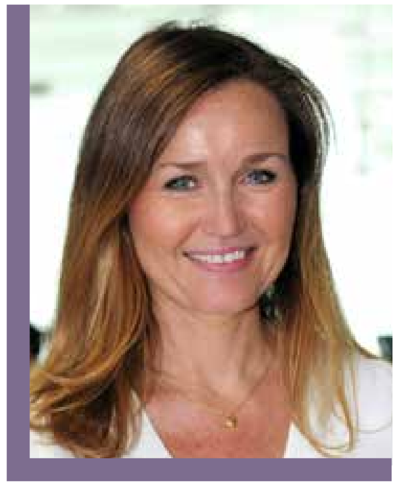

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Global head of ETF sales. Before joining HSBC Asset Management in 2018, she spent more than 11 years at BlackRock as senior emerging market debt product strategist and also as iShares business development manager for Iberia.

ANTOINE LESNÉ: "I agree. For example, trading in high yield ETFs normally account for some 20 per cent of the total volume and that increased to 30 per cent in March when people needed liquidity. That ability to help investors transact into the exposure they desire clearly captures the value of ETFs and it's something that has been proven again and again."

NIKLAS TELL: ARE YOU STILL TALKING TO CLIENTS ABOUT THE WRAPPER ITSELF OR HAVE WE MOVED PAST THAT? OR DID THE EVENTS IN MARCH ACTUALLY BRING THIS BACK TO LIFE?

ANTOINE LESNÉ: "We've done a lot of work over the past 10 years in terms of explaining the wrapper and how it's different from funds. However, we must still explain to the ones that are more sceptical, like some institutional investors – the ones managing the bigger pools of assets."

PETER LIDBLOM: "I think we need to make a distinction here between the different regions within the Nordics because there are regional nuances. We all know that Finnish investors know a lot about ETFs, both equity and fixed income. Similarly, Denmark is also advanced on the institutional side. But the market in Sweden is still a bit fragmented and I still think there's an awful lot that we as an ETF community can do to raise the awareness of ETFs. There are, of course, advanced users in Sweden as well and we all know who they are but the general adoption of ETFs is not as big in Sweden as in the other Nordic countries. I would be interested to hear from the other participants about your experience."

CHRISTOPHER MELLOR: "I can't think of the last time I had to explain what ETF stood for. So that's a clear sign of progress compared to some five years ago when most conversations started with explaining the basics of how it works. I think the conversation has moved on and it's now much more nuanced around what's happening inside the ETF. The events we saw in March brings that very clearly into focus with questions such as why a fixed income ETFs would trade at a premium or discount. In recent years, I've also talked a lot about the details of the underlying replication methodology – whether you're doing full physical application, physical sampling or whether you're using synthetic replication and what the advantages and disadvantages are. Synthetic replication is a trend that we've seen in certain markets and understanding the minutia of how a synthetic ETF works, how to structure it, how the counterparties work, how to monitor and control risk and all of those details have been hugely important, in particular for institutional investors that are digging into this area. So it's a much more nuanced conversation than it used to be."

FLORIAN CISANA: "To add to some of the points raised by my colleagues previously, starting with Christopher who mentioned synthetic replication. We've seen a similar trend, particularly when it comes to US and China equities. Synthetical replicated ETFs managed to outperform physically replicated ETFs due to the pricing of the swaps for those markets. Then, coming back to what Peter said on fixed income ETFs, I've found that we were able to have a lot of very good discussions with fixed income ETF investing portfolio managers in order to help them understanding that what they were observing in this volatile market was correct - meaning fixed income ETFs have become a great instrument for price discovery. Many of our clients felt comfortable to trade bonds but not necessarily bond ETFs, particular in difficult market situations like we have seen in the initial phase of COVID. I felt that was a nice experience. The industry had a lot of headwind from regulators and from the active side saying that ETFs are bad, so it's nice when clients start to understand that there are significant advantages in ETFs. Then commenting on Peter's question on different Nordic countries, I agree that there's a wide range of ETF knowledge among Nordic investors. When I started to work in the Nordics two years ago, I assumed the penetration of ETFs in client portfolios would be much higher. In fact, now 2 years later, I think it's on average much lower than in other European countries. I think one of the reasons is an overall lower allocation to passive and another reason that within the passive pocket, index trackers are often the preferred solution. ETFs have so far typically been used for tactical reasons or for niche products where no index trackers exist."

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>
> *– Peter Lidblom, DWS, Xtrackers*

OLGA DE TAPIA: "I agree that we're having less of these more basic discussions in Europe but we still have them in Asia and in Latin America. In the Nordics, investors are much more open and agnostic when it comes to index providers or how to achieve the preferred ESG exposure. That's very different from Belgium, the Netherlands or France, for example, where it's much more about labelling and regulation."

ANTOINE LESNÉ: "In terms of the adoption and penetration of ETFs in different countries in the Nordics, I wholeheartedly agree with Finland and Denmark. Those markets are also euro markets – or pegged to the euro in the instance of Denmark – and therefore have more products to invest into. I think that's one explanation, especially when it comes to fixed income. This also applies to Switzerland to some extent, which also is a small country with its own currency. That domestic exposure is not as well supplied in terms of products by bigger ETF providers."

TOBIAS NILSSON: "Just coming back to your question on the wrapper itself. For us as an active house and an ETF provider, the lines are becoming increasingly blurred as we can have a strategy available as an active ETF, in an active mutual fund or as a segregated mandate. I definitely see an increasing trend of clients being more agnostic to the vehicle and that the strategy itself is the focus. But having said that, it's then usually up to us in the ETF world to demonstrate how we compete on the cost of trading etc and to quantify the different routes. And more often than not, we come out on top, which is great."

PETER LIDBLOM: "Coming back to different countries I must say that it's only in Sweden where we have conversations to explain the benefits of ETFs versus index funds and need to educate clients on how ETFs are more transparent and the liquidity that you get with an ETF compared to an index fund."

FLORIAN CISANA: "I think there's huge potential in Sweden to shift from index funds to ETFs but I'm still at the beginning of understanding the pockets of index trackers in Swedish clients' portfolios, in particularly those by banks. I agree with Peter and we're also working on educating clients about the benefits of ETFs."

NIKLAS TELL: WHERE WOULD YOU SAY THAT WE ARE TODAY IN TERMS OF HOW INVESTORS ARE USING ETFS? IS IT STILL VERY MUCH A LIQUIDITY TOOL, ESPECIALLY AFTER THE EXPERIENCE IN THE SPRING, OR IS IT ALSO BECOMING MORE OF A CORE HOLDING IN PORTFOLIOS?

PETER LIDBLOM: "ETFs are clearly not only a set of liquidity instruments or tactical instruments today but clients are rather seeing this as more strategic building blocks. I've talked about the regional differences before but what you saw in Finland many years ago was the birth of all these smaller asset managers that were adopting ETFs as a tool for asset allocation and building multi-asset portfolios. We're beginning to see that shift in the other countries as well. Clients are, of course, still using ETFs for tactical purposes but I think it's very encouraging to see that more and more investors are using our ETFs to build strategic allocations."

CHRISTOPHER MELLOR: "I agree. We see that the use of ETFs have increased significantly and the reasons for using ETFs have increased significantly but there are some distinct differences depending on the client type. In the institutional segment, ETFs have primarily been used as derivative replacements and performance has been part of that discussion. ETFs have also been used for portfolio completion in areas where investors perhaps don't have

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the experience or the access and they have also been used for tactical asset allocation. However, we're also seeing that more institutional investors are looking to use ETFs as a low cost and efficient way of getting exposure to the plain vanilla benchmarks. In terms of the wealth management side and the private banking side, they typically use them as core building blocks within portfolios and that's a continuing trend. We're also starting to see some early signs of investors using the liquidity offered by ETFs in the alternative space, so people using the ETF as a liquidity sleeve to manage liquidity and exposures. It's clear that the usage is changing and evolving."

FLORIAN CISANA: "We have talked about the development with fixed income ETFs in Q1. Investors bought what was available rather than only the best-in-class ETF. For me, that was more tactical and we've seen some of these investors already selling that position again. I agree, however, that in general the use of ETFs for strategic allocations has increased. I think one of the reasons is the continued reduction in fees, which is closing the pricing gap to other passive solutions. Another reason why ETFs are used more often for strategic allocations is the wide offering on ESG indices to an extent that we probably can't see in other ESG solutions. A lot of ESG ETF product ranges are build-up systematically, meaning that ETF issuers provide certain ESG approaches for various countries and regional ETFs. Sometimes the same ESG methodology is even available across asset classes."

ANTOINE LESNÉ: "I think what happened last spring was that the Fed and the ECB provided investors with more comfort and that's why we saw a huge inflow into fixed income ETFs. At the time, equities didn't look great and credit looked amazing from an asset allocation standpoint, so we may see some repositioning from investors who move to higher risk exposure - that's perfectly fine. That's what ETFs are meant to be providing, i.e. flexibility, alongside being building blocks for core allocations."

NIKLAS TELL: FLORIAN, YOU MENTIONED THAT ESG ETFS HAVE DONE VERY WELL COMPARED TO ACTIVE ESG FUNDS. COULD YOU EXPAND ON THAT? NOT LEAST AS A LOT OF THE DISCUSSION FOCUSES ON THE NEED TO BE ACTIVE TO DO ESG PROPERLY.

FLORIAN CISANA: "First, let me say that I don't like the discussion of active versus passive as in my view, both solutions are required and used by investors. Nevertheless, I do see that some on active houses are pushing the agenda that ESG needs to be active. However, in the US ESG ETFs accounted for 60 per cent of the total flows into ESG funds during 2020. I think that speaks for itself. There are investors that need to move towards ESG portfolios, for example driven by regulation. One of the benefits of ESG ETFs and ETFs in general is that ETFs are replicating indices that are rule based, transparent and clearly defined. This makes it easy for investors to understand their exposure, which is of course very important, not least if there's regulation to follow. The ETF industry has also been active in providing a broad range of different 'shades of green', which provides choice to investors. I would also like to highlight that there's a lot of services we have to build around ESG ETFs. We have to allocate resources to analyse regulatory developments with regards to ESG but also towards ESG reporting requirements. The sales effort has become more complex and it's not uncommon that it takes one or two years of conversations with clients before an investor buys into an ESG ETF. That's very different to a plain vanilla ETF where clients might buy an ETF without any prior contact with the ETF provider."

PETER LIDBLOM: "This is obviously a very big topic and we could probably spend the rest of the afternoon talking about this. I would just like to say that it used to be the perception that you couldn't be an active owner with passive products but of course you can. It's obviously important for investors to distinguish between their passive providers and how the firm as a whole engage with the companies they invest in. At DWS, we have a very well-developed engagement policy and I believe it makes a difference that we act with one voice."

OLGA DE TAPIA: "I agree that investors are different, have different needs and that's why it's very important for us to educate them. Not least when it comes to ESG because there are so many different indices and so many different methodologies out there. We have, for example, launched new bespoke indices together with FTSE and if an investor is benchmarking to MSCI, they need to understand how to compare what they have in their portfolios with other different scoring methodologies. They need to understand how including our product would influence their targets when it comes to ESG. And coming back to what Peter said, I agree very much on active ownership. These bespoke indices we have launched take a different approach. We're not just excluding names, which is the very popular 'best-in-class' approach, but tilting the weight of these name according to their ESG scoring. This allows us to have more companies in our portfolios, which means we can engage with more companies and contribute to change. I think that's very important, especially when it comes to equities. Fixed income is different because when you exclude companies in fixed income, it sends a stronger signal. It's more of a punishment in fixed income because exclusions would contribute to higher costs for that company. If you exclude companies in fixed income, you simply say no to future revenues but you don't really influence the company."

CHRISTOPHER MELLOR: "I guess you can follow the growth in ESG ETFs along with the growth in ESG investing in general. Looking back, there were no ESG ETFs and the main reason was the heterogeneity of the ESG universe. Each country, each region and each group of clients had slightly different views on ESG. And ESG was a minority area of the market and that minority had some very clear and explicit views on what they did and didn't want in an ESG product. That's why a segregated mandate was typically the approach that most investors ended up taking. What you've seen since then is that ESG has become much more mainstream. We have more and more investors today coming to us saying that they need ESG solutions. We're now seeing more and more ESG ETF products and increasing flows. One reason is that the client group interested in ESG has changed and the needs of those clients have changed. Once you have a large enough group of investors that agree on a particular view on ESG, you can have a pooled investment vehicle that works well. I would also like to echo Olga's point on proxy voting and the power of staying invested rather than excluding a too large of a part of the universe. We're a large asset manager and a large asset base gives you a lot of clout when you're talking to company management and trying to get them to move in the right direction for your clients."

ANTOINE LESNÉ: "I fundamentally agree that by staying invested, you at least get a seat at the table and that's important for an active owner. What we've done at State Street is to collect data from different ESG providers and then re-scored them to create our own responsibility factor and we use that factor when we engage with companies. We've also launched strategies that incorporate this factor in the index and it lets us follow how individual companies transform over time. In fixed income, we follow the exposure from a duration and spread standpoint, as well as the ESG overall score improvement."

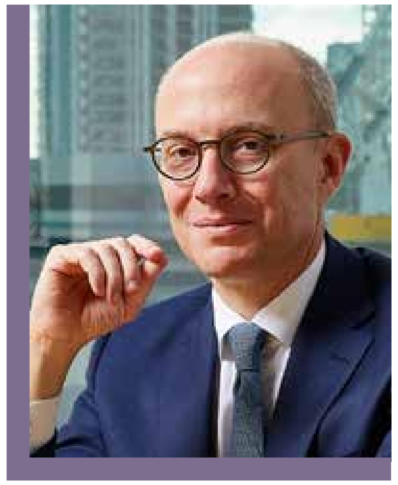
NIKLAS TELL: WHEN YOU TALK TO CLIENTS, WOULD YOU SAY THAT THE DISCUSSION IS MOSTLY ABOUT THE CONSTRUCTION OF THE INDEX OR IS IT MORE ABOUT HOW ACTIVE YOU ARE AS AN OWNER OF THE COMPANIES IN THAT INDEX?

FLORIAN CISANA: "The trend is to move away from off-the-shelf indices. More and more ETF providers are actively engaging in the index construction. This is a trend we see since around 2011, first on equity ESG indices and shortly later on fixed income ESG indices. What we do with clients is basically to explain the different ESG indices in the market and what they deliver. We also provide portfolio analysis, meaning we provide a report on how an ESG ETF impact a client portfolio from an ESG score perspective. Once the client has decided which ESG ETF works best for them, the due diligence starts. As part of this process, we do explain in detail what we do in terms of stewardship, meaning engagement and proxy voting. The underlying motivation behind why we do engagement for active capabilities and why for do it for passive capabilities might be different but the process is the same."

OLGA DE TAPIA: "We really believe that index selection is very important and we need to keep on innovating and put more and new factors on the table. One reason why we introduced our bespoke indices was that after listening to clients, a lot of them thought that traditional ESG indices were too restrictive. One example is MSCI Japan where the traditional index consists of some 321 stocks and the SRI version of the index only includes 59 stocks. That's a very concentrated portfolio and it would lead to some investors at least selecting an active approach instead of an ETF. That's one reason why we wanted to provide something different and something that would allow us to engage with as many companies as possible. It allows us to vote and it allows us to write to companies asking them to change."

ANTOINE LESNÉ: "I agree. It's important that we as an industry and as large asset management houses engage with companies. At State Street, 'Fearless Girl' is one of the most prominent ways that we engage for women at the board level but there are many other actions we are taking. However, I wanted to come back to Niklas' question, which was about if investors select the strategy no matter what the asset manager is doing or if they select the asset manager first. I would say that investors would

ETF ROUNDTABLE 2020



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tend to focus first on the ESG strategy of the firm. The second step is the part about explaining why a specific strategy might be better than that provided by others or why this strategy fits the investor's specific needs the best."

PETER LIDBLOM: "I agree but at the same time we need to bear in mind that clients will have a hard and fast exclusion list themselves that they work towards and then they're trying to find the exposures that matches that the best. Then it becomes a question of which provider they feel comfortable doing this. I therefore think it's important to see what people actually are doing when it comes to voting. If we take the climate resolution, which a lot of investors focus on, investors will see that different asset managers behave differently, to put it mildly. I also think the recent trend has shown that investors are increasingly looking at 'darker green' products with more tangible ESG impact."

CHRISTOPHER MELLOR: "I agree. It's not enough to have the right index if you're terrible on voting. But it is also a broader question. We're getting more and more questions around the ESG characteristics of non-ESG products, because there's a need for clients to actually understand what the whole portfolio looks like. So much more demand for reporting and more questions around ESG characteristics on things that you wouldn't normally think of from an ESG perspective. We have, for example, seen a huge demand for gold and we've had flows of about USD 5 billion into our product and we're increasingly getting question on the sustainability exposures of that. For example, how we ensure that we're not exposed to the use of child labour or that we're not contributing to conflict in the countries where these things are being developed or mined. I think this reflects how important ESG is becoming for our clients. They need to know more than just the ESG benchmark."

TOBIAS NILSSON: "I would say that ESG has been a way for the industry to really step up our understanding of what we invest in and ultimately what our clients invest in. That added level of transparency is positive. The efforts at JPMorgan has been going from understanding securities from a financial perspective to an ESG perspective as well. Clients also need us to communicate what we have done to influence companies, voted for on ESG issues, or which companies we avoided altogether in a given risk-bucket. Both that engagement and integration piece has been an important step forward. The entire ETF industry has stepped up in transparency".

PETER LIDBLOM: "As I mentioned, I don't think we can have this discussion about ETF development without actually almost synonymously talking about ESG because that's definitely going to be the way forward. And I think that's also going to be the way forward with the regulation that is coming into play in 2021. It's going to be even more important for investors and clients to actually know and understand what they're investing in because I think there will be potential for an awful lot of greenwashing when products need to be categorised. So investors need to be cognisant of what they're actually investing in. Luckily, when we show the performance aspect of an ESG investment versus a non-ESG investment, you can see the performance enhancement that you get from having an ESG approach. And I wouldn't be surprised if we five years from now won't talk about ESG or non-ESG indices. We will just be talking about indices and they would all integrate ESG and I think that's probably a very good thing."

ANTOINE LESNÉ: "I agree. Regulation generates new products and exposures to meet investors' needs to comply with it. I also agree that the thematic trend is very interesting. What we can do as an ETF industry is to provide the wrapper that will host these strategies. We provide the transparency and I think this is really something that's very much behind the success of the industry. We're accountable and transparent. These features are extremely important when we're talking about ESG, regardless if it's pushed by regulation or by a thematic trend."

ETF ROUNDTABLE 2020

> "It's encouraging to see what ESG has done for the ETF industry and vice-versa"
>
> *– Tobias Nilsson, JPMorgan Asset Management*

CHRISTOPHER MELLOR: "I think one of the biggest shocks that's going to hit investors in the next few years is when the ESG investment that they put in their portfolio this year underperforms the broader market and they suddenly realise that actually, ESG is not a panacea. I know Peter, that's not what you're saying but the truth is we've been through a pretty extraordinary period. There's some good data out there that suggests the ESG can enhance returns and one explanation is that you avoid the worst offenders – avoiding BP blowing up in the Gulf of Mexico and similar events. But the reality is that by taking your portfolio and adjusting it from the standard market, you're taking off-benchmark bets and they will or won't outperform. We've also seen a lot of interest and demand in thematic ESG with clients looking at things like solar, clean energy and clean water. So clients will have their ESG beta portfolio as a core holding, just as they would a standard S&P 500 in the old days and then they're using a satellite approach with thematic ESG based on their ESG needs and also partly on return expectations."

OLGA DE TAPIA: "I agree that we cannot predict the future. However, what's clear is that sustainable products have provided higher risk-adjusted returns and that's something we see also going forward."

PETER LIDBLOM: "We've studied this many, many times and we've done the well-known meta study together with the University of Hamburg on over 2000 academic studies going back to the 1970s. And there's an extremely strong correlation between having an ESG policy and corporate financial performance. So having an ESG hat on will actually enhance your performance. It's not an indication of the future but so far I think it looks good."

CHRISTOPHER MELLOR: "I agree entirely and over the long term, I think ESG will outperform but in the short term, like any factor, there will be periods where ESG underperforms and I think that will be the thing that scares a lot of people."

TOBIAS NILSSON: "If we're having this discussion next year, do we think this trend will have gone away? Personally, I can't see that. It's too important and there are still a lot of non-ESG assets out there – in the US and within retail. That speaks to continued inflows, which in turn should speak to ESG performance."

NIKLAS TELL: TO WRAP UP I HAVE A FAIRLY BIG QUESTION BUT I JUST WANT SHORT ANSWERS. WITH THE UPCOMING EU TAXONOMY, DO YOU THINK THAT THE REGULATION WILL BENEFIT ETFS, DUE TO THE TRANSPARENCY, COMPARED TO OTHER PRODUCTS?

FLORIAN CISANA: "Yes."

PETER LIDBLOM: "Yes."

ANTOINE LESNÉ: "In short, yes."

CHRISTOPHER MELLOR: "I would like to say yes but I also think there are elements of it that are almost designed for an actively managed approach. It's very hard to imagine that you could design an index-based passive ETF that will achieve all the requirements needed. The rules and the regulations have been designed by people that are running active green bond funds and things like that. It's a very specific requirement. However, there are areas in the regulation that focus on clarity on what you're doing and greenwashing is a potentially huge issue. I think the regulation that's coming through will be effective in preventing that because you have to be very clear about what you're doing. You've got to do that in the legal docs so from that perspective, it's great news. I also think ETFs are going to benefit because of the clarity and the simplicity of understanding exactly what we're doing but it's not going to be universally positive."

TOBIAS NILSSON: "It's encouraging to see what ESG has done for the ETF industry and vice-versa. Judging by the level of innovation and how ETFs have participated in ESG inflows so far, I think we're well positioned to benefit from the EU taxonomy."