German Investment Funds Association

Snapshot Sustainability

THE SUSTAINABLE FUND MARKET IN THE FIRST HALF OF 2026

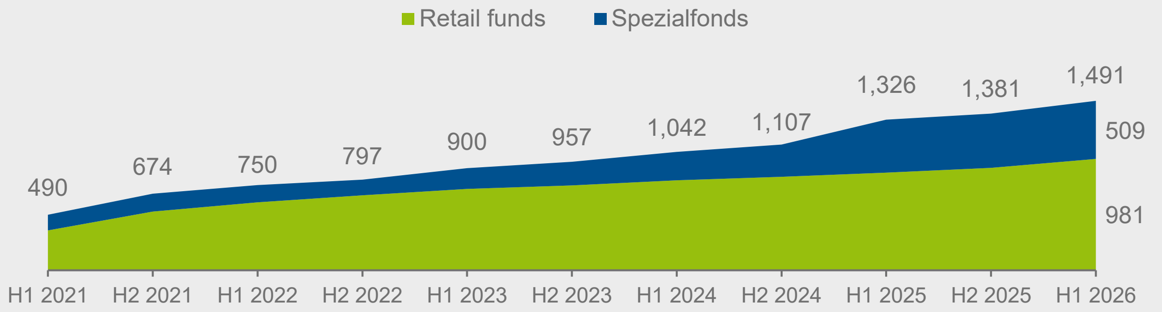
Transition funds continue to play only a minor role in the German market

At the end of June, retail funds and Spezialfonds falling under Articles 8 and 9 of the EU Sustainable Finance Disclosure Regulation (SFDR) managed a total of EUR 1,491 billion. This represents an increase of EUR 110 billion, or just under 8 per cent, compared with the end of 2025. Assets under management in retail funds with sustainability features rose from EUR 901 billion to EUR 981 billion. The volume of Spezialfonds increased from EUR 480 billion to EUR 509 billion.

However, the significant increase in assets can primarily be attributed to the positive performance of the capital markets. Net sales remained subdued and were once again well below the levels observed in funds without sustainability features. In the first half of 2026, retail funds and Spezialfonds falling under Articles 8 and 9 recorded combined net inflows of just EUR 4 billion. Of this amount, EUR 1.3 billion was attributable to retail funds and EUR 2.7 billion to Spezialfonds. By way of comparison, Article 6 funds

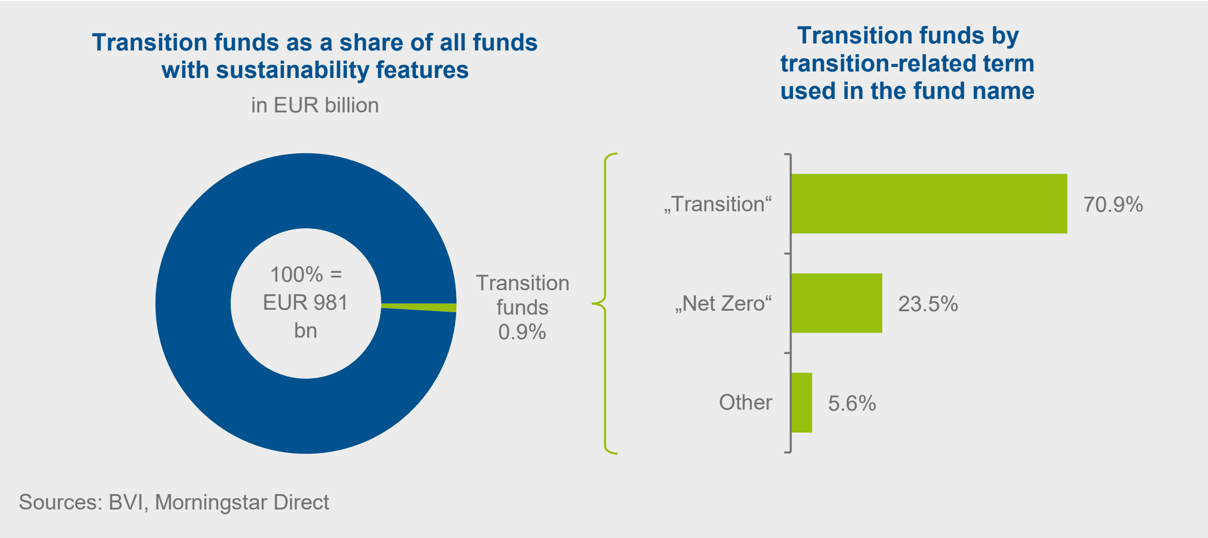
Assets of funds with sustainability features in accordance with the EU Sustainable Finance Disclosure Regulation

in EUR billion



As at the end of each half-year

Methodological note: Following a comprehensive review of SFDR notifications, we have retrospectively revised the underlying data. This particularly concerns classifications in the ETF segment. As a result, the reported figures for assets under management and net sales differ from those published previously.



recorded total net inflows of EUR 75.4 billion in the first half of 2026.

As part of the SFDR reform, the European Commission intends to complement the existing transparency rules with a system of clearly defined sustainability categories. A key element of the debate is the introduction of a “transition” category. It is intended to cover funds that invest in companies developing more sustainable business models. This would direct capital not only towards sectors that are already low-carbon, but also towards companies pursuing credible transition pathways and gradually reducing their greenhouse gas emissions.

An analysis of the German fund market based on fund names shows that such strategies have so far played only a minor role. The analysis is based on the ESMA Guidelines on funds’ names. They define a separate group of transition-related terms, including “transition” and “progress”. Under the ESMA framework, such terms in fund names are explicitly associated with transition strategies.

Based on these terms, around 200 funds or share classes can currently be identified as transition funds. Together, they manage EUR 9.2 billion on behalf of investors in Germany. Compared with the EUR 981 billion managed by retail funds with sustainability features, this represents a market share of less than one per cent. Around 70 per cent of these assets are attributable to funds using the term “transition”, with a further quarter accounted for by “net zero” funds. All other transition-related terms combined account for only a small fraction of assets.

With assets under management of EUR 5.7 billion, ETFs tracking Climate Transition Benchmarks (CTBs) or Paris-Aligned Benchmarks (PABs) account for more than half of the transition fund market. These two EU-defined benchmark frameworks are geared towards achieving climate neutrality by 2050, with PABs requiring a greater minimum reduction in greenhouse gas emissions and applying stricter exclusions. Suitable concepts for transition investing therefore already exist. However, their penetration of the German fund market remains limited.

The planned SFDR reform could therefore do more than address the shortcomings of the existing classification system. It could also help to make transition strategies more visible as a distinct approach to sustainable investing and provide investors with better guidance. To achieve this objective, the category should not unnecessarily restrict investments through overly stringent exclusion criteria. It is also important that transition investments remain possible on a global basis and that the regulatory framework provides sufficient flexibility for different asset classes and investment strategies.

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