

Webinar on Sustainable Finance – Fund portfolio networks: a climate risk perspective

Webinar

Within the European financial sector, investment funds are more exposed to climate-sensitive economic sectors than banks, insurers and pension funds. However, few investment fund climate-related financial risk assessments have been conducted. [ESMA has made a first attempt to fill this gap](#), using a data set of EUR 8 trillion of European investment fund portfolio holdings. Funds whose portfolios are tilted towards more polluting assets (brown funds) distribute their portfolio over a larger number of companies than funds with cleaner portfolios (green funds).

This apparent diversification hides a concentration risk: brown funds are more closely connected with each other (have more similar portfolios) than green fund portfolios, which tend to 'herd' less (have less similar portfolios to those of other green funds). This suggests that widespread climate-related financial shocks are likely to disproportionately affect brown funds. This is confirmed by a preliminary climate risk asset valuation exercise included in ESMA TRV No 1 2021.

□ During the webinar you will see a presentation of the article and its findings. The presentation will be followed by a Q&A session.