

Sharp increase of green bonds in portfolio

At the close of the first half 2015, the Second AP Fund held green bonds to a value of SEK 3.4 billion in its portfolio. This marks an increase of almost 80 percent on the previous year.

Text: Lars Mattsson

“Investing in green bonds is a way for the Second AP Fund to implement sustainability issues within asset class fixed-income securities. We firmly believe that long-term value is created by integrating sustainability as part of the investment process,” says Lars Lindblom, a portfolio manager at the Fund.

Sustainability without compromising return

At present, the Second AP Fund has no specific exposure in green bonds, which are equated with other bonds, and are therefore managed together with standard fixed-income investments.

“We don’t compromise concerning the yield requirement for green bonds. However, we would rather choose a green bond than its equivalent. This is because we are driven by genuine concern. We see climate change as a serious challenge and believe that the Fund, in its role of long-term investor, can affect global environmental impact via this type of instrument,” notes Lars Lindblom.

This fits well with the Fund’s governance requirements – to consider ethical and environmental concerns without compromising the return on investment.

Ongoing contact with issuers

The Second AP Fund has played an active role in developing the global market for green bonds, in dialogue with issuers and banks. The Fund’s accumulated expertise makes it an attractive participant in and speaker at conferences and as an advisor to borrowers who wish to know more.

“Borrowers often consult us when considering whether to issue green bonds,” says Lars Lindblom.

As the percentage of green bonds in the Fund’s portfolio grows, so does the need for monitoring.

“We maintain ongoing contact with issuers to monitor the situation and pursue an active dialogue, to discuss our wishes for how they report on the impact of the projects our investments help to fund,” states Lars Lindblom.

“Just in its infancy...”

The growth of benchmark indices for green bonds and specific green-bond funds is one of many indications that the market has made huge strides in a short time.

As the market for green bonds grows, the choice of other bonds that focus on sustainability is also expanding. One such example is the ‘social bond’.

“The market for sustainable bonds is probably just in its infancy. It is important to get into the market early, broadening the scope of our efforts to integrate sustainability into the management of our fixed-income investments,” says Lars Lindblom.



Lars Lindblom

Green bonds in brief

The first green bond was issued by the World Bank in 2008. Investment in green bonds means that institutions (issuers) lend capital to fund climate projects in fields such as energy optimization, renewable energy and environmental technology, having a positive impact on health, the climate and the environment.