# Global Fixed Income ESG Fund

## Q4 2019 Factsheet

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**The Objective** of the Cameron Hume Global Fixed Income ESG Fund ("the Fund") is to deliver a total return from income and long-term capital appreciation.

**ESG Screening:** The Fund will invest in corporates and sovereigns that manage their Environmental, Social and Governance ("ESG") exposures better than their peers. The peer group is the Bloomberg Barclays Global Aggregate Index ("BBGA"), which is a broad-based measure of the global fixed income markets. We believe that issuers that have taken the greatest steps to consider and mitigate their ESG exposures will have an advantage over those that have failed to do so. We demonstrate the effect of this approach by using data from MSCI's ESG service to compare the ESG characteristics of the portfolio to those of the Bloomberg Barclays Global Aggregate Index. The Fund excludes issuers involved in the production of controversial weapons and countries that are subject to UN or European Union sanctions.

**Investment Process:** We create a portfolio that seeks active returns from a global opportunity set encompassing interest rates, currency, inflation and credit markets in developed and emerging economies. The Fund therefore consists of specific positions where our fundamental views suggest that current market pricing is it at odds with our expectations of how these factors are likely to evolve. For example, we believe that global rates and inflation markets can be inefficient and that the response of implied forward rates to economic developments will differ across markets and by their position within the term structure. The Fund therefore has forward positions where our fundamental macroeconomic views suggest there are specific opportunities.

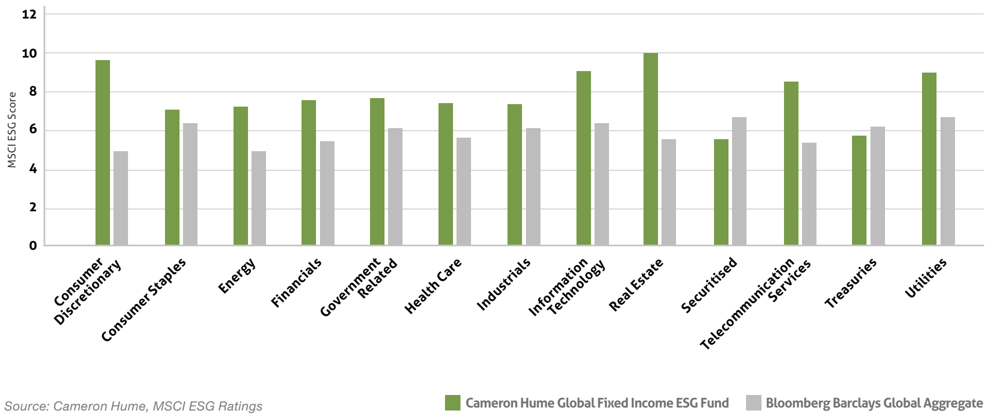
## Investment Team

Guy Cameron (CIO); Dr Kevin Kidney, CFA; Jin Wong, CFA; Caspar Cook, CFA; Josef Svoboda, Alex Everett.

## Fund Characteristics

### ESG Comparison

This is an ESG score comparison between our ESG fund and the Bloomberg Barclays Global Aggregate Index.




*Source: Cameron Hume, MSCI ESG Ratings*

| | |
|---|---|
| **ISIN** | IE00BG105F03 |
| **SEDOL** | BG105F0 |
| **AUM** | USD92.1m |
| **1 year TER (AMC)*** | 30bp (15bp)* |
| **Credit Quality** | A |
| **Modified Duration** | 7.35 years |
| **WAM** | 12.57 years |
| **YTM** | 1.58% |
| **# Instruments** | 214 |

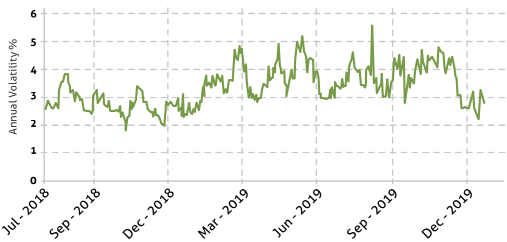
**Founding Share Class*

| **Performance (ending Dec 2019)** | **Cumulative return** | | |
|---|---|---|---|
| | **ESG Fund (%)** | **BBGA hedged (%)** | **Excess (%)** |
| **1 Month** | +0.07 | -0.21 | +0.28 |
| **3 Month** | -0.48 | -0.49 | +0.01 |
| **1 Year** | +11.15 | +8.22 | +2.94 |
| **Since Inception 24 Jul 2018** | +10.88 | +10.02 | +0.87 |

## Total Return

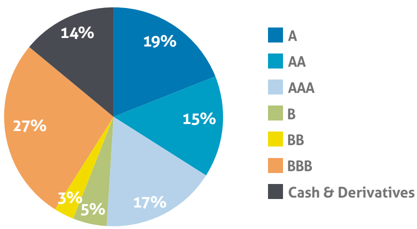

*Source: Cameron Hume, Northern Trust*

## Portfolio Volatility (Ex Ante)



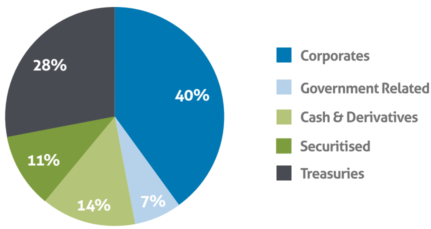

*Source: Cameron Hume, MSCI BarraOne*

## Credit Quality Allocation




*Source: Cameron Hume*

## Sector Allocation




*Source: Cameron Hume*

**ESG Commentary:** During the quarter we added the new Sony 7y Yen bond to our credit allocation, given attractive spread valuations over Japanese government bonds. Sony has subsequently been upgraded to AAA ESG-rated for improvements in supply chain management and continued strong corporate governance. In euros, we added the 4y bond of US engineering & construction firm Fluor to our active holdings. The company is ESG-rated AA for industry leading anti-corruption practices regarding procurement policies. Fluor bonds were priced for a multi-notch credit downgrade, but have since tightened materially on updated management guidance. In US dollar credit we added the 4y callable Swiss Re bond to our holdings given the improving global risk backdrop and attractive spread from the insurance issue. Swiss Re is a AAA ESG-rated credit with top decile oversight on climate change integration. This, and other activity has further enhanced the management of our portfolio exposures to ESG risks such as Climate Change Exposure and Natural Resource Use, for example.

**Global Macro Commentary:** A tentative trade agreement is now in place between the US & China, reducing existing tariff frictions. The agreement has enabled equities and bond yields to rise, and the US dollar to depreciate. However, global manufacturing activity, ex-China, continues to decline, with Germany enduring an acute contraction. Some indicators of corporate confidence point to a material slow-down in US growth in 2020, which is likely a headwind from tariff tensions through 2019. Central banks remain dovish in their actions and forward guidance, with the FOMC delivering a final 'mid-cycle' rate cut in October and two members of the BOE MPC voting to cut base rate.

**Portfolio Commentary:** The quarter was dominated by the unwinding of US/China tariff premium in bonds, as yields rose and curves steepened. The fund was positioned for further falls in yields across Sweden and Canada forwards, which detracted from returns. Diversified short positions in both Australia and Norway forwards partly offset these losses. Exposure to rates options strategies in UK, euro & US rates both diversified risk and contributed positive returns. US inflation forwards rose through the quarter, diversifying long positions in rates and contributing to positive returns. Positions across global credit also added positive returns from tighter spreads.

**Global Macro Outlook:** G4 central banks remain dovish, which will continue even if global economic growth rebounds from the 2019 slowdown. With little evidence of inflation or emerging demand-side pressures, monetary policy makers are committed to supporting growth and employment. This dovish stance caps bond yields, particularly in the US, Canada and UK, where there is room to ease monetary policy further if required. Political risks have been pushed towards the end of 2020, where the US presidential election and the future relationship between the UK & EU are likely to dominate. Credit spreads should remain supported by loose financial conditions, muted inflation and negative real yields across developed economies. The US dollar may weaken against Asia EM FX should the détente continue between China & the US, but US growth is likely to remain supportive for the greenback.

## Contact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