CAMERON HUME

Global Fixed Income ESG Fund
Q3 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.

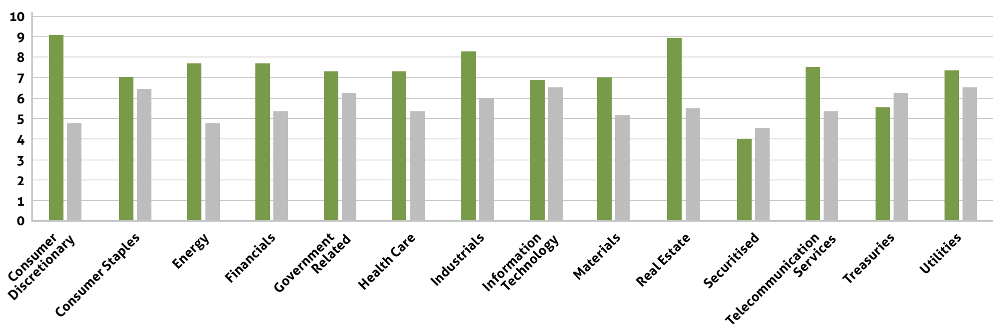
Investment Team

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

Cameron Hume Global Fixed Income ESG Fund · Bloomberg Barclays Global Aggregate

ISIN	IE00BG105F03
SEDOL	BG105F0
AUM	USD103m
TER (AMC)*	30bp (15bp)*
Credit Quality	A
Modified Duration	7.4 years
WAM	12.9 years
YTM	1.5%
# Instruments	276

Performance (ending Sep 2019)	Cumulative return		
	ESG Fund (%)	3m USD Libor (%)	BBGA hedged (%)
Q3 2019	3.95	0.57	2.59
YTD	11.69	1.61	8.75
1 Year	12.20	2.53	10.65
Since Inception 24 Jul 2018	11.35	2.99	10.58

*Founding Share Class

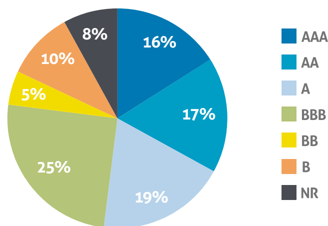
Total Return

Source: Cameron Hume, Northern Trust

Portfolio Volatility (Ex Ante)

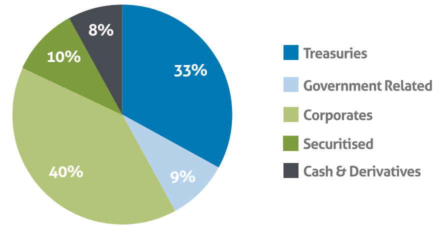
Source: Cameron Hume, MSCI BarraOne

Credit Quality Allocation



Source: Cameron Hume

Sector Allocation



Source: Cameron Hume

ESG Commentary: During the quarter we removed our holding in Santander euro 3y, following an ESG-rating downgrade and the fall in yield below 0%. We took the opportunity to add exposure to Intesa Sanpaolo euro 4y bonds. This Italian bank has a top-percentile AAA ESG-rating and the new Italian coalition government provides a more supportive backdrop for Italian risk assets. Elsewhere in the portfolio, we increased our exposure to ITV via the newly syndicated euro 7y bond. ITV is a AAA ESG-rated corporate with strong environmental and labour management practices. We also added exposure to EDF US dollar perpetual bonds, given the A ESG-rating of the issuer. These portfolio actions, along with other activity, has further improved the strong ESG profile of our corporate credit exposures in both carbon emissions and labour management, for example.

Global Macro Commentary: Declines in global bond yields continued to be driven by trade friction between the US administration and China. The US administration announced tariffs on all China imports ($550bn), beginning 1st October. However, implementation has been paused whilst talks resume. Global manufacturing data has weakened further, reflecting an entrenched recession in industrialised sectors. US services growth slowed through the quarter, lagging manufacturing, but highlighting the spread of downbeat trade sentiment. However, the relative economic strength within the US has driven positive capital flows and supported the US dollar. Policy was eased with rate cuts from the FOMC (-50bp), ECB (-10bp), RBA (-25bp) & RBNZ (-50bp) and the ECB relaunched QE.

Portfolio Commentary: The quarter was dominated by expectations for material stimulus from the ECB and further escalation of the US/China tariff frictions. The fund was positioned for curve flattening and falling US yields and benefited from correlated moves in the UK and Spain. Diversified short positions in both Australia and Norway forwards partly offset fund gains. Exposure to Australian and New Zealand dollar FX option strategies generated diversified alpha. We expected rates volatility to increase as global politics deteriorated and added exposure in US and UK swaptions. US inflation forwards are low, despite domestic CPI rising again, so we have positioned the portfolio accordingly.

Global Macro Outlook: There are tentative signs of improving economic sentiment across Chinese industry, with survey data pointing to new order growth for the first time since April. However, the China/US tariff dispute needs to be resolved amicably for corporate confidence to mitigate the slowdown in capex growth and hiring intentions. The lagged nature of this global slowdown is likely to keep US Treasury yields low and vulnerable to further falls given the economic slowdown and likely reduction in payroll growth ahead. Correlated markets, such as Canada, are unlikely to remain immune from US economic cooling and yields there should also remain low. ECB QE is likely to benefit corporate credit spreads and longer dated bond yields across the eurozone, given net-negative supply dynamics through 2020. Brexit, even if resolved quickly, may still require base rate cuts from the BOE given material underlying weakness across broad UK economic sectors.

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