# Global Fixed Income ESG Fund

## Q1 2020 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.

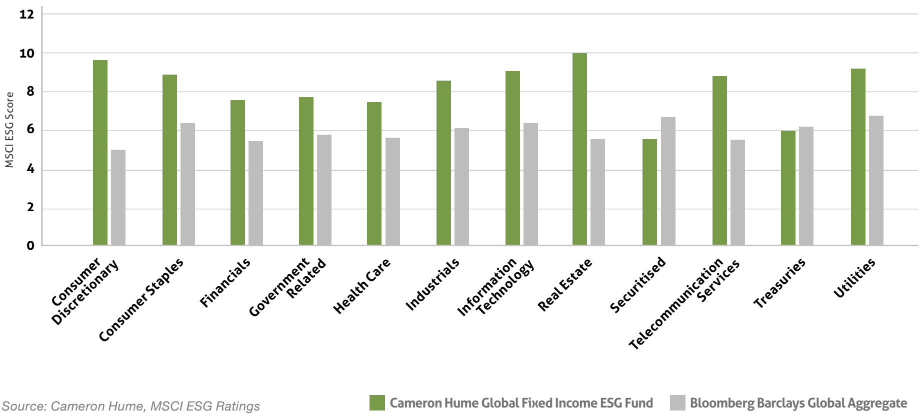
## Investment Team

Guy Cameron (CIO); Dr Kevin Kidney, CFA; Jin Wong, CFA;
Caspar Cook, CFA; Josef Svoboda, CFA; 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 | USD84.4m |
| 1 year TER (AMC)* | 30bp (15bp)* |
| Credit Quality | A |
| Modified Duration | 6.18 years |
| WAM | 11.11 years |
| YTM | 1.64% |
| # Instruments | 191 |

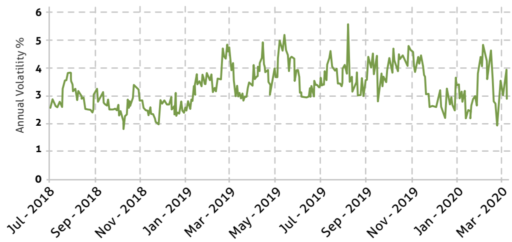
**Founding Share Class*

| Performance (ending Mar 2020) | Cumulative return | | |
|---|---|---|---|
| | ESG Fund (%) | BBGA hedged (%) | Excess (%) |
| 1 Month | -2.39 | -1.56 | -0.83 |
| Q1 2020 | +0.28 | +1.45 | -1.17 |
| 1 Year | +8.25 | +6.59 | +1.66 |
| Since Inception 24 Jul 2018 | +10.93 | +11.63 | -0.70 |

## Total Return

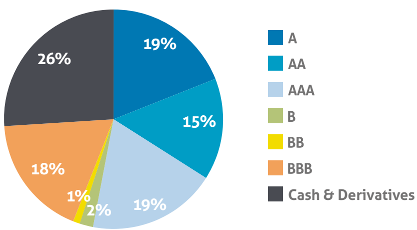

*Source: Cameron Hume, Northern Trust*

## Portfolio Volatility (Ex Ante)



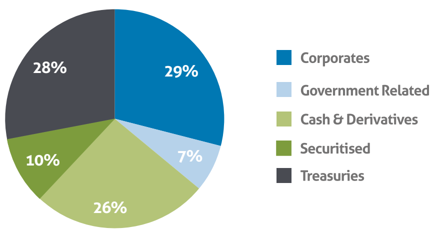

*Source: Cameron Hume, MSCI BarraOne*

## Credit Quality Allocation




*Source: Cameron Hume*

## Sector Allocation




*Source: Cameron Hume*

**ESG Commentary:** During the quarter we reduced portfolio exposure to global credit. Credit spreads had widened only modestly into the end of February and corporate bond prices had actually risen, but we believed that spreads would be vulnerable to material widening following the initial COVID-19 outbreak across southern Europe. Specifically, we reduced exposures to insurers Legal & General (AA ESG-rated) and Swiss Re (AAA ESG-rated). We believe that the insurance sector will face pressures from life and catastrophe policy claims given the prolonged consequences from the virus outbreak. We also eliminated exposure to Eurozone periphery financials and corporates, believing that issuers would be subject to additional spread widening pressures from underlying sovereign bond weakness. Consequently, we sold our positions in Italian bank Intesa San Paulo (AAA ESG-rated) and Spanish toll-road operator Abertis (A ESG-rated).

**Global Macro Commentary:** The COVID-19 pandemic has reset the global economic outlook. The virus outbreak in China induced a global supply shock and the spread of the virus has now induced a global demand shock. The fracturing of the OPEC/Russia alliance also delivered a simultaneous supply-side deflationary shock. As a result, economic output is likely to fall 15-30% (annualised) in Q2 (versus Q1) across US, UK & Europe. This economic 'sudden stop' will see G4 fiscal deficits rise towards 10% and GDP output growth likely to contract by approximately 10% through 2020.

**Portfolio Commentary:** The quarter was dominated by extreme capital flight and positioning liquidation, induced by the COVID-19 outbreak. The fund was positioned for a fall in yields in US, Canada and New Zealand forwards versus a short position in Australia forwards. Diversifying exposures within rates options strategies and US inflation forwards detracted from returns. Positions across global credit also detracted from returns, but were partly offset by positive contributions from FX strategies.

**Global Macro Outlook:** A robust, quantitative summary for the global outlook is difficult whilst most OECD economies remain in lockdown. The extraordinary fiscal measures announced to support economies are not stimulatory, rather these are efforts to prevent a deep economic depression. A '2nd wave' of the pandemic/lockdown remains possible in 2020, given the absence of both a vaccine and sufficient testing policies globally. In markets, real yields should move lower as central banks buy government bonds in an effort to suppress nominal yields and support inflation expectations. Credit spreads remain vulnerable to issuer downgrades, as well as solvency distress from protracted lockdown measures and '2nd wave' risks.

## Contact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