

## ESG Investing at Cameron Hume

Cameron Hume is an independently owned fixed income specialist. Our vision is to be the leading provider of responsible and sustainable fixed income solutions.

We pride ourselves on being an investment partner who puts the client at the centre of everything we do. Our consultative approach helps us to identify our clients' needs and deliver creative fixed income investment and cash management solutions. ESG integration is key to our approach.

Cameron Hume is an A+ rated signatory to the United Nation Principles for Responsible Investment (UN PRI). ESG factors are integrated into our corporate governance, issuer selection and portfolio construction processes.



### Our market-leading approach to ESG integration

#### ESG factors feature in every investment decision

- Our investors consider ESG factors directly alongside traditional risk factors
- Using our analytical suite, *CaTo*, our investors have access to a comprehensive range of ESG data across our investment universe
- *CaTo* strengthens working practices and encourages all investors to engage on ESG issues
- This provides a robust risk management framework and a greater likelihood of sustainable, long-term returns for our clients
- **Market-leading approach: A+ rating for each invested asset class, awarded by the UN PRI<sup>1</sup>**

#### ESG integration in all aspects of investment management

- We work with clients to translate their ESG values and philosophy into clear, demonstrable policies. Using MSCI data enables independent verification – you do not just have to take our word for it
- For us, ESG integration starts at the top. ESG factors sit within our policy framework and oversight structures
- Our ESG-focused governance structure is embodied by embedded working practices, team-based decision-making and the integration of ESG into our analytical, compliance and reporting suites
- **Strategy and Governance practices awarded an A+ rating by the UN PRI**

#### How we integrate

1. **Policy Implementation:** we capture our clients' ESG values and philosophy in their investment management agreements (IMA)
2. **Data Integration:** we apply independently verifiable data from MSCI to all investment opportunities in the universe
3. **Investment Decision-Making:** we seek to identify pricing opportunities arising from ESG management. In-depth credit analysis enables prioritisation of ESG key issues in our decision-making
4. **Verification:** we report to clients on the ESG exposures in their portfolios, providing clients with a formal, effective tool for ESG policy governance

<sup>1</sup> Cameron Hume is in the top 11% in the world with an A+ rating within the following asset classes: Direct Fixed Income - Corporate Financial, Corporate Nonfinancial & Securitised and in the top 16% for Direct Fixed Income - SSA. Peer group is investment managers who submitted 2020 UNPRI reports, across all signatory sizes, in all 7 regions (Africa, Asia, Europe, Latin America, Middle East, North America, Oceania). ([Data extracted from UNPRI](#))

## Strategic Issuer Selection

- We use *CaTo* to analyse potential investments by currency, sector and credit rating: e.g. euro-denominated, A credit rated, Bank bonds in Figure 2
- *CaTo* plots each bond showing both its spread relative to its peers and its ESG rating
- In aggregate, ESG factors influence spreads significantly only after a material bad event
- Our investors can easily identify and eliminate issuers with spreads that do not compensate for poor ESG practices
- This enables us to focus on issuers with robust ESG practices and attractive pricing, for further analysis

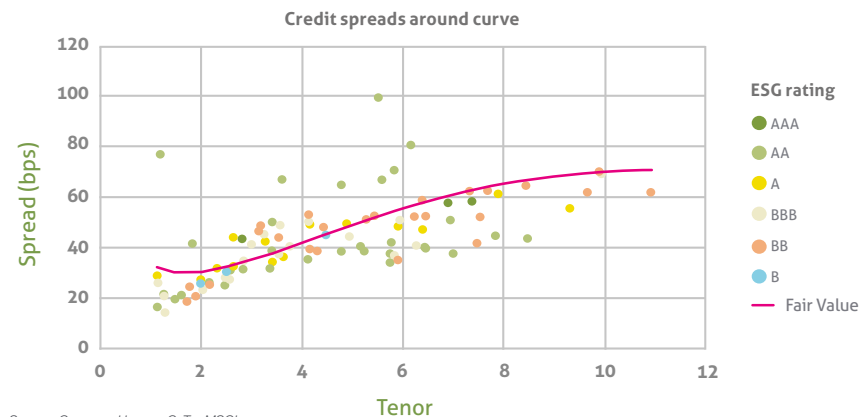
## ESG Key Issue Focus: carbon emissions

- Our investors construct portfolios by carefully managing issuers' exposure to ESG key issues
- We can prioritise specific key issues, such as carbon emissions exposure
- Using this approach, we can build a climate-resilient portfolio by excluding those issuers with high exposure to and/or poor management of carbon emissions
- Portfolios can select or exclude individual names on merits, or lack thereof

## Case Study: Risk exposure or risk management?

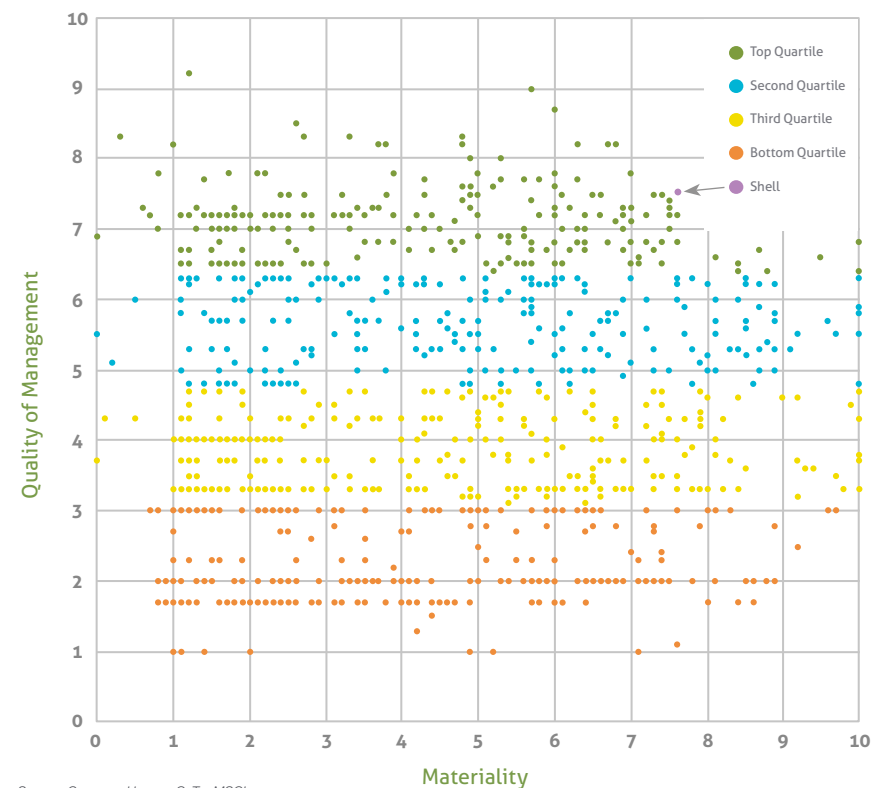
- Management of carbon emissions exposure is crucial as the climate transition grows in importance
- Figure 3 plots the materiality (carbon emissions exposure) and quality of management for a range of investment grade corporates. Quality of management is broken into quartiles
- Royal Dutch Shell is a global energy and petrochemical conglomerate. Despite significant exposure to carbon emissions risk, Shell is in the top quartile for its management of this risk
- Shell is implementing substantial transition measures, including accelerating the restructuring of its oil and gas business, whilst continuing to increase investment in renewable energy sources and growing its electric vehicle charging network
- Using this approach we can tailor portfolios around other specific ESG key issues, such as [modern slavery](#)

Figure 2 – EUR Banking A credit spreads



Source: Cameron Hume – CaTo, MSCI  
Data as of end December 2020

Figure 3 - Carbon emissions exposure materiality and quality of management



Source: Cameron Hume – CaTo, MSCI

## Featured fund: Cameron Hume Global Fixed Income ESG Fund

The Cameron Hume Global Fixed Income ESG Fund is our flagship ESG product. We prioritise issuers with strong ESG ratings versus their peers, while seeking sustainable returns from income and long term capital appreciation.

In line with the fund's best in class ESG objectives, we invest in corporates and sovereigns that manage their ESG exposures better than their peers. We report exposures alongside those of the Bloomberg Barclays Global Aggregate Index. Figure 4 demonstrates that careful issuer selection using our ESG process has led to the Fund's higher ESG score in each credit sector, in line with the Fund's objective.

### ESG Score Comparison

Figure 4 - MSCI ESG scores for credit sectors

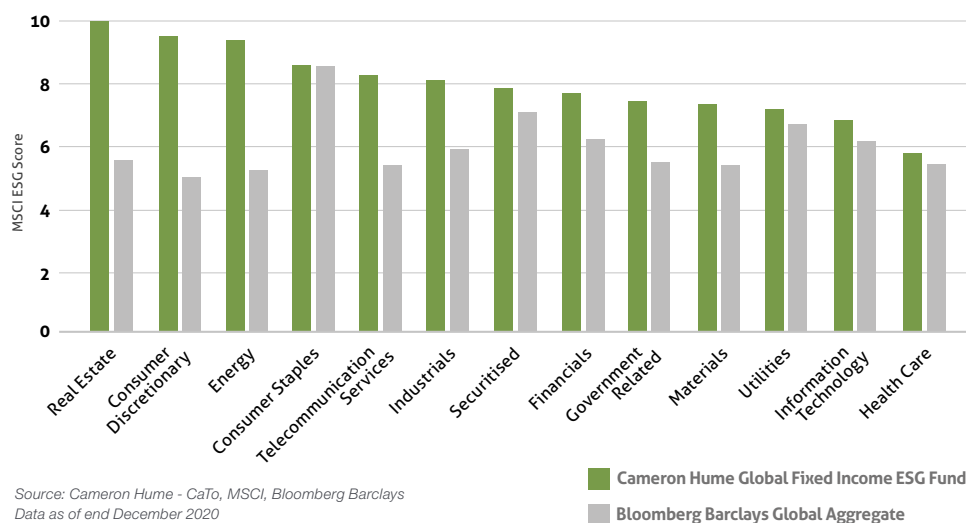


Figure 5 - Fund Total Return



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