

Global Fixed Income ESG Fund

Q2 2021 Factsheet



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 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.

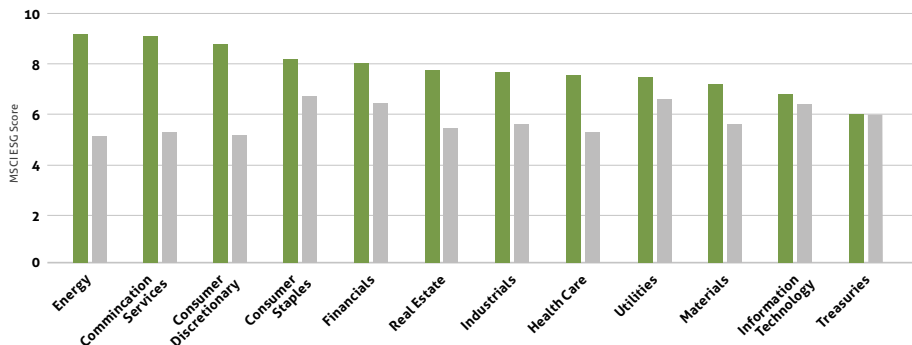
Investment Team

Guy Cameron (CIO); Dr Kevin Kidney, CFA; Jin Wong, CFA; Josef Svoboda, CFA; Alex Everett, CFA; George Dobson

Fund Characteristics

ESG Comparison Chart

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



Source: Cameron Hume, MSCI ESG Ratings

ISIN	IE00BG105F03*
SEDOL	BG105F0*
AUM†	USD422m
Ongoing Charge Figure (OCF)‡	0.35%
Credit Quality	A
Modified Duration	5.1 years
WAM	9.26 years
YTM	1.54%
# Bonds	263

Performance (ending Jun2021)	Cumulative return		
	ESG Fund (%)	BBGA hedged (%)	Excess (%)
Q2 2021	+0.94	+0.98	-0.03
1 Year	+1.19	+0.08	+1.11
2 Years	+7.05	+6.15	+0.90
Since Inception 24 Jul 2018	+14.49	+14.41	+0.08

*Founding US dollar Share Class

†As at 6th July 2021

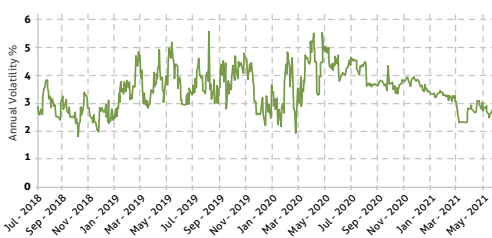
‡The Ongoing Charge Figure is the overall cost shown as a percentage of the value of assets of the fund. It is made up of the Annual Management Charge (AMC) and other charges. It does not include any initial charges or the cost of buying and selling for the fund. The OCF can help compare the annual operating expenses of different funds.

Total Return



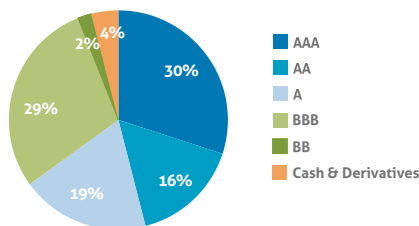
Source: Cameron Hume, Northern Trust

Portfolio Volatility (Ex Ante)



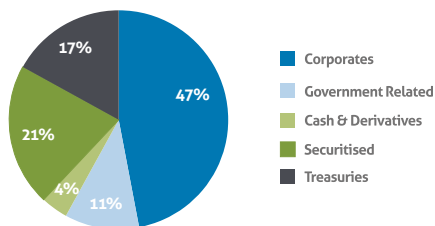
Source: Cameron Hume, MSCI BarraOne

Credit Quality Allocation



Source: Cameron Hume

Sector Allocation



Source: Cameron Hume

ESG Commentary: During the quarter we participated in US dollar issuance of green bonds by Eversource, a US electric power company who work to develop a portfolio of offshore wind farms. AA ESG-rated Eversource demonstrate strong corporate management practices in addition to forward-looking management of carbon emissions

risks. We also increased our exposure to AA ESG-rated AstraZeneca, adding 10y bonds at attractive entry levels. At the beginning of the quarter we sold our position in Fluor: despite continued recovery in the eurobond price over the last 12 months and aggressive spread outperformance, the company has received multiple ESG-rating downgrades recently.

Global Macro Commentary: Bond markets returned ~1% through the quarter, as yields fell and curves flattened. This was despite traditional headwinds for bond markets, such as extraordinary fiscal stimulus in the US, accelerating economic activity across the US and Europe, and a 30 year high in CPI. Bank of England and ECB policy guidance remained largely as expected during Q2 meetings, though the recent meeting of Federal Reserve policy makers revealed frictions in the interpretation of AIT. Despite the broad consensus amongst members that inflation will return to target through 2022, more than half of the overall committee now believe that a modest cycle of increases in policy rates should begin in 2023. The apparent split will likely present a communication challenge for Chair Powell over forthcoming meetings – policy credibility depends upon the Fed being somewhat sanguine about future, modest inflation overshoots.

Portfolio commentary: During the quarter, fund performance benefited from exposure to Japanese yen and euro investment-grade credit spreads. Falling US Treasury and Gilt yields detracted from returns, as did moves in Australian forward yields.

Global Macro Outlook: The pivot from a dominant ‘reflation’ narrative to ‘growth despair’ in little more than 6 weeks is surprising. Reopening activity across North America, Europe and China has exceeded expectations, as has vaccine roll-out and the efficacy

against new COVID-19 strains. We believe this to be a strong footing for G7 economies as macro-economics should now be supported by improving micro-economics: robust job growth and moderating pricing pressures from normalising supply in both global logistics and employment availability. To fit the recent fall in bond yields and concomitant yield curve flattening into an appropriate narrative would imply either an imminent Central Bank policy mistake or a concerning slow-down in global growth. The former is unlikely given we are many, many quarters away from any increase in policy rates – Central Banks have yet to begin QE tapering after all. Regarding the latter, a slow-down in the global growth impulse is largely consensus: double digit GDP growth through Q2 is a consequence of base-effects (versus 2020) and the peak in reopening through early/mid Spring. We remind ourselves that this is not 2010-2012, when the initial economic bounce-back following the GFC met aggressive fiscal retrenchment and a far less accommodative monetary policy regime.

Real yields remain at, or have returned to, record low levels in the US through Q2. Yields have barely moved in European markets. This should remain supportive for credit spreads. With US Treasury 10y yields at 1.35% it is difficult to make an argument to own bonds outright, given our constructive outlook on growth. However, as we approach the peak in the cyclical inflation impulse then we would look to cross-market opportunities for future rates positioning.

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