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RankiaPro

THE MAGAZINE FOR FUND PROFESSIONALS

Mussie Kidane

Head of Fund and Manager Selection at Pictet Wealth Management

SPECIAL INSIGHT - ESG INVESTMENTS

Helping you make better decisions

Miguel Arias
CEO and cofounder of Rankia

This wouldn't be a timely magazine or a sensible intro if I failed to address the elephant in the room. COVID-19 and its residual effects have changed the world around us. It impacted the way we live, from simple tasks like being able to go out on a jog. All the way up to what elective surgical procedures those in need are having done. While causing drastic changes in markets.

COVID-19 was a pest we couldn't have anticipated, and certainly didn't prepare for. It came in like a freight train and terrified markets as it rumbled through. Governments imposed lockdowns worldwide and everything from manufacturing to travel virtually ground to a halt. Leaving asset managers to pick up the pieces of fractured portfolios in a struggling economy.

COVID when combined with erratic and historically low crude markets have created immense volatility. Major indexes have suffered massive losses across the board and gains taken from the unprecedented rally of the past five years have been mitigated. I am not writing all of this to scare you, and quite frankly not even to tell you something you don't already know. I'm writing it because it matters in the scope of our publication you're about to read.

Our second installment of our English speaking magazine combines the best minds in finance at the time we need them most. These firms and the individuals that represent them have found ways to turn this negative situation into positives for their funds. Through analyzing their successful trading strategies and collective thoughts we will have a comprehensive outlook moving forward.

This installment of the magazine will cover funds that have done well during the current crises. Since we all know that the best predictor of future results is past outcomes they are a great starting point for analysis. While also profiling positive moves in the industry such as the push towards ESG and recent developments on the philanthropic front.

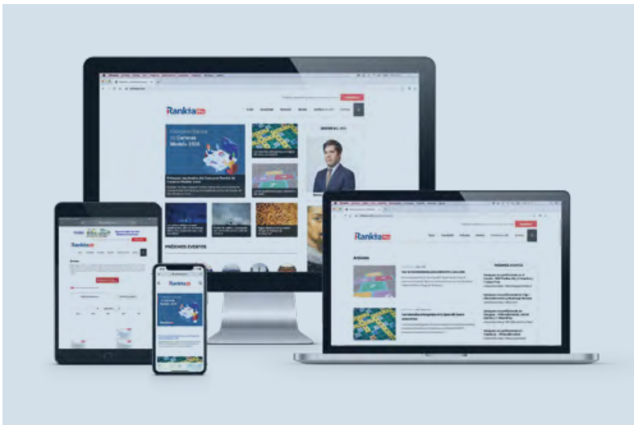
We see ourselves as curators of the best content across the financial sphere, and view this publication as an our quarterly showcase as purveyors of such information. We really appreciate you taking the time out of your busy schedule to read it and know our hard work will aid you in being the best investment professionals you can be moving forward.

How do we do it?

EUROPEAN, SPANISH & PORTUGESE MAGAZINE WITH TOP INVESTMENT IDEAS AND LEADING OPINIONS

www.rankiapro.com/en/magazine

RankiaPro's digital magazine focuses on the major themes in the Asset management industry. It's a one stop shop to see what your peers are focusing on and incorporating in their funds. Our digital magazine also works as a curator of the best concepts in the industry at any given moment, showcasing thematic changes and paradigm shifting ideas worldwide.



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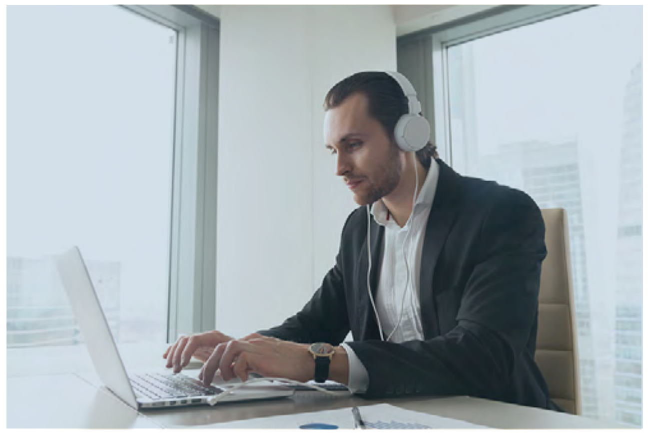

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Our latest addition to the RankiaPro services is RankiaPro Meetings. This digital sessions brings together the best minds in finance. Fostering a productive and efficient environment conducive for Fund Managers, Asset Managers, and Fund Selectors alike.

We will be waiting for you!

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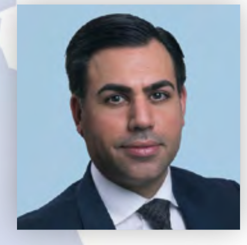
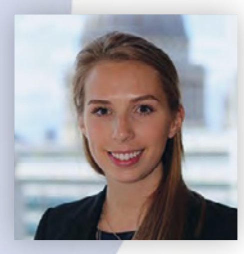


Ozan Kazim

Mirabaud Asset Management - the investment arm of the Mirabaud Group - has strengthened its UK wholesale sales team with the addition of Ozan Kazim.

MIRABAUD Asset Management



Isabella Hervey-Bathurst

Schroders appoints Isabella Hervey-Bathurst as new portfolio manager to their global climate change strategy.

Schroders

Bettina Ducat

Primonial announces today the appointment of Bettina Ducat as Deputy CEO in charge of Asset Management and Managing Director of La Financière de l'Echiquier.

LA FINANCIÈRE DE L'ÉCHIQUIER

Patrick Rivière

The Supervisory Board of La Française Group has appointed Patrick Rivière as Chairman of the Executive Board and has adopted a new governance structure.

LA FRANÇAISE INVESTING TOGETHER

Björn Jesch

Björn Jesch will step in and fill the void created by Christian Hille as Head of Multi-Asset Solutions at DWS.

DWS

Marco Monastero

Marco Monastero is the new head of Retail Sales at Jupiter Asset Management for the Italian market.

JUPITER Asset Management

João Pratas

APFIPP-Portuguese Association of Investment Funds, Pensions and Patrimony elected João Pratas as president for the 2020-21 term.

CaixaBank ASSET MANAGEMENT

Álvaro de Liniers

Álvaro de Liniers has joined the NN Investment Partners team as Business Development Manager for Spain and Portugal.

NN investment partners

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The World Post-COVID-19

Will the unprecedented support packages actually succeed in replacing lost incomes and avoiding unnecessary bankruptcies?

Marie Owens Thomsen
Global Chief Economist at Indosuez Wealth Management

The macro-economic outlook still depends upon **the future evolution of the pandemic, and upon whether unprecedented support packages will actually succeed in replacing lost incomes and avoiding unnecessary bankruptcies.** What we do know is that the downturn is the most severe since the Second World War and that it will leave a lasting mark on us all.

The pandemic is an amplifier and an accelerator of pre-existing trends, the most obvious of which is the increase in the already record-high global debt levels. Now is the time for **maximizing monetary and fiscal support**, there is no alternative. However, managing the debt overhang will define life post-pandemic. It is interesting to note that the Second World War was followed by around 35 years of negative real interest rates.

Lean management practices in the health sector and elsewhere need to be reassessed with respect to preparedness. Countries should also strengthen their institutional frameworks so that resources ramp up automatically in times of crisis.

Whether this will actually happen will be up to our **future leaders and the role the United States will play** depends critically on the outcome of the November election. Nevertheless, the size of the government in our economies looks set to grow.

Moreover, many countries will likely seek greater autonomy in the production of some essential and strategically important goods, given the shortages experienced in the current pandemic. Migration will in all probability meet **increased hostility**, and this at a time when climate change will almost certainly give rise to record numbers of migrants. 2020 is set to see the first rise in global poverty since 1998.

More positively, we can expect that more people will work from home in the future. **The technological revolution will advance in the service sector**, and much of our time will be spent on-line, whether for work, shopping, or for entertainment. In the near term, the winners will probably be large firms with ample cash reserves, but in the longer run, innovation will be stimulated by changing consumer behavior and this could well be driven by new and smaller firms. Politically too, recent polls show some evidence of people attaching greater importance to fact-based and experienced leadership. Historic data points in that direction as well, with American voters' participation rate has risen in the aftermath of the Second World War from whence it then declined to a low in 1996.

Many other areas of our lives will feel reverberations of this crisis for years to come. In the wake of so much loss, suffering, and sacrifice, there is a moral obligation to make it count. In this, each and every one of us has a role to play.

Samy Chaar
Phd, Chief Economist at Banque Lombard Odier

On the economic front, hard data in May started to give us a more concrete picture of the ongoing economic damage. By then, the picture was quite ugly with very large GDP contractions and sharply rising unemployment, what was broadly in line with expectations.

The decline of Covid-19 infection rates in most continental European countries allowed governments to start **lifting containment measures, the first step towards reopening economies.** In Asia, the process of dealing with the epidemic is more advanced and signs of economic stabilization appeared earlier than in the rest of the countries worldwide. While infection clusters have occasionally emerged, the authorities have **proactively controlled them.** This follows a well-established process of first bringing down infection rates and then containing any small outbreaks, referred to as a "hammer-and-dance" approach. Singapore's management of the cluster in migrant workers' dormitories and South Korea's response to an outbreak linked to nightclubs fit this framework.

On the economic front, **hard data in May started to give us a more concrete picture of the ongoing economic damage.** By then, the picture was quite ugly with very large GDP contractions and sharply rising unemployment, what was broadly in line with expectations. However, in this context, we believe it is critical to be forward-looking in our assessment given the particular nature of the crisis. In this sense, job losses are driven by a policy decision to shut down activity and limit the spread of the virus; they are not related to economic or financial imbalances that we would see in a typical recession. This is important, because while the contraction is particularly deep, the recovery may also be sharp once these constraints lift. **The labour force has not become any less productive in the meantime.** Crucially, the very large majority of April's US job losses -figures published at the time of writing this article- were "temporary layoffs," compared with only a small number of permanent redundancies. The key for our outlook is the length of the shutdown and whether the fabric of the economy is unharmed. The fact that the **great majority of job losses in the US and Europe are only temporary is encouraging**, along with the fact that the **stimulus packages passed so far have ensured that the income losses from these layoffs remain limited.** National "partial unemployment" or "short work" programmes in Europe encourage employers to keep workers on their payroll during the shutdown, with the state then covering much of their salary. This setup maintains employer-employee relationships and helps limit the damage to confidence.

In addition, our base case scenario is a **recovery in the second half of the year, bolstered by unprecedented monetary and fiscal stimulus.** That said, we should also keep in mind that a medical breakthrough could accelerate the recovery process, while a more adverse scenario of a resurgence of the epidemic (or a strong second wave) could slow it further.

Fund Selector Profile

The challenge for fund selectors is to find managers that consistently deliver value for money.

Mussie Kidane
Head of Fund and Manager Selection at Pictet Wealth Management

Mr. Mussie Kidane is the Head of Fund and Manager Research at Banque Pictet & Cie SA. The ten-member team is responsible for selecting best-in-breed fund managers across all asset classes for Pictet Wealth Management globally. Mr. Kidane and his team play an active role in the portfolio construction of the bank's fund-based discretionary portfolio management. Mr. Kidane is also the portfolio manager of a US$1.0 billion total return funds run for Pictet Wealth Management clients since the product's inception in 2007.

He joined Banque Pictet & Cie S.A. in 2006 as senior analyst and portfolio manager and was promoted to head the team in 2008. Previously Mr. Kidane was analyst & portfolio manager within the fund selection and multi management team at LODH & Cie. He joined the firm in 2001 as a quantitative analyst reporting to the Investment Review Board. Mr. Kidane graduated from the University of Geneva with double Master's degrees in Econometrics and in Finance. He is also a CFA charter holder.

What is the greatest challenge as a fund selector?

Fund selectors need to prove the relevance and the value added of the analytical work that they routinely conduct. Over the last decade, **active managers' alpha generation capabilities have been challenged.** As a result, we have seen a tremendous push into passive management as investors continue to vote with their wallets.

What aspects do you consider most important when selecting a fund for a portfolio?

For us, knowing what we buy and why remains a focal point. The research we carry out covers the specifics of the investment strategy, the people running it, the prevailing market conditions, the appropriate investment horizon, and, of course, **rational expectations in terms of relative performance.**

Spending 13 years at Pictet Group, what are the advantages of staying at one firm for a longer period of time in your opinion?

First and foremost, it helps me appreciate and internalize the firm's core values. This in turn shapes the way I and my team structure the research process and ensuing product selection. Last but certainly not least, **it means I have an 'institutional memory' that's valuable in discussions with both colleagues and clients.**

We are currently experiencing a situation of certain economic uncertainty, caused by the current healthcare crisis. What perspectives do you have in this regard?

The world economy came to a sudden, sweeping standstill in a matter of a few weeks. We are not yet in a position to fully appreciate the human, economic and social costs of the pandemic and its potential consequences. Beyond financial markets' knee-jerk reaction, The Great Virus Crisis (or GVC) is likely to **accelerate the trends that were already immerging, thereby re-defining the potential winners from losers.**

From the qualitative analysis, what kind of information do you find most interesting when it comes to Fund Selection?

By definition, quantitative analysis is mostly backward-looking. Thus, our view of prospects, while taking into account the past, is largely driven by our qualitative appraisal. **The experience of the investment team, the robustness of the investment process, and the quality of its execution** are some key considerations when it comes to fund selection.

Which assets do you think will perform better (survive) in 2020 considering the current market situations? Which assets are performing well under stress scenarios?

At Pictet Wealth Management, we believe that quality businesses with sound balance sheets that generate ample free cash flow and deploy it astutely (thereby creating shareholder value) have performed and will continue to perform well—particularly during periods when growth is scarce. Such companies are **masters of their own destinies and can take advantage of turbulence to consolidate their competitive advantage and grow their market share.**

What kind of adjustments did you make in the portfolios that you manage, in terms of hedging or risk management? How does the adequate asset allocation look right now?

The key to long-term performance is to have a well-constructed strategic asset allocation (SAA), which is adjusted through tactical asset allocation (TAA) decisions at important inflection points. When we have economic and market shocks like the ones we've just had, **it's judicious to lean towards the baseline or the SAA.** This is often easier said than done as it may require buying assets that have underperformed or selling assets that have outperformed. Fortunately, we didn't need to do much during this period as we were positioned close to where we should be.

Over the last decade, we have seen a massive push into passive management. Our challenge, as fund selectors, is to find managers that consistently deliver value for money.

How will the lower interest rates affect client portfolios?

The dash for cash that we have seen over the last few months is likely to reverse course once the worst of the pandemic is behind us. Indeed, interest rates on developed market sovereign bonds are lower than they were before, and major central banks continue to print money at a faster pace than any time during the last decade. Thus, **the hunt for yield is likely to be fiercer than ever and money is likely to flow to higher-yielding assets**, especially those with a natural hedge against inflation. I expect portfolios to gradually tilt towards these assets.

What are the most frequently made mistakes in Fund Selection?

Chasing winners and dashing laggards, based on short term performance and irrespective of valuation or market conditions.

If you had to recommend a fund or a combination of funds, what would it be?

Our selection list is like a toolbox, intended to provide the right instrument for a specific need within the context of a diversified portfolio. Thus, the best way to get access to our selection is to open an account with Pictet and investing in one of the balanced portfolios that we offer.

We are not yet in a position to fully appreciate the impact of The Great Virus Crisis on economies and financial markets.

Investment funds that resist coronavirus

Markets have been shocked over the past couple of months. Everything which had been running smoothly came to a quick and screeching halt. We saw a democratic selloff which took down small and mega caps alike taking us into a bear market.

During mass market sell offs it's difficult if not impossible to structure a portfolio in such a way to not suffer a draw down. This is best illustrated by the disproportionate effect stocks with high liquidity incur when markets trade down collectively. Thus funds have relatively even exposure across asset classes and levels of markets in the short term.

It's important to analyze funds as they correspond to their respective benchmarks.The same metrics as a fund specializing in the same sectors yet in North America.

Actively managed money across the board has taken a hit. But a select group of managers have structured funds in such a way that they weathered the storm. Hedge funds in theory have an inherent edge here due to their unique ability to have "insurance" in the form of CDO's and other short positions.

We compiled a group of funds that have weathered the storm well. And in some cases profited immensely from the world's recent financial woes. Their ability to do well in trying times is impressive and certainly paints the funds in a positive light.

Jean-Philippe Donge
Head of Fixed Income at BLI –
Banque de Luxembourg Investments

January 2020 ushered in a year of some potential for all fixed income asset classes. The stabilization or **narrowing of spreads during 2019 left room for some economies to make their mark.** However, announcements of a virulent pneumonia spreading in China during January quickly shook the confidence that the market had acquired in 2019. On 30 January 2020, the World Health Organization (WHO) declared 'a public health emergency of international concern'. Some ten days later, it announced the official name of the pandemic virus: COVID-19. With China at the epicenter of most global production chains, the virus spread rapidly across the world, from East to West. Chinese and peripheral industries and economies came to a standstill for the remainder of the first quarter. Soon the world was in lockdown. **The virus caused a fall-off in supply and demand which sent prices of raw materials plummeting.** By the end of March 2020, the world realized that the health crisis would create major economic instability on a large scale

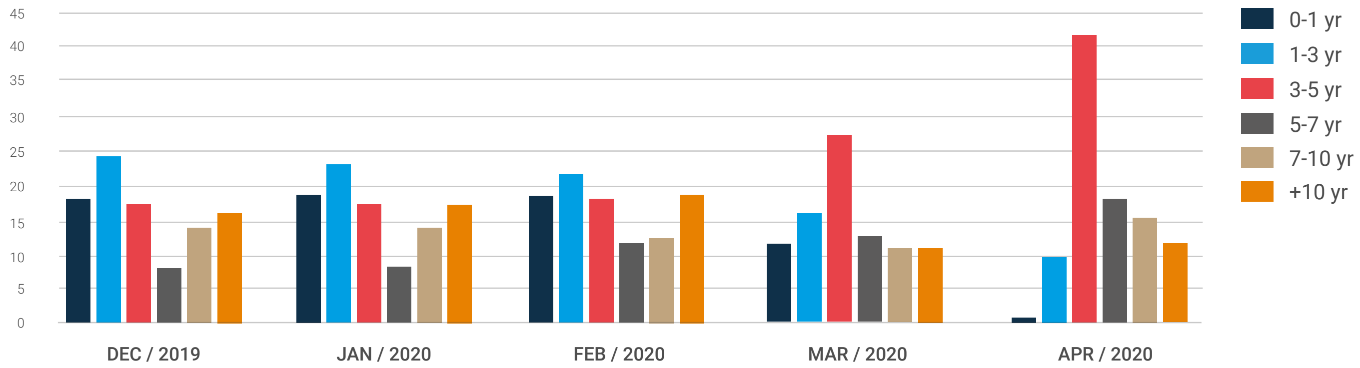
Since the beginning of 2020, Fixed Income markets performance can be split into different phases. During an initial phase, as the epidemic was spreading in Europe, both risky issuers' yields and AAA Sovereign's yields were heading lower. Then risky assets started to capitulate. **The third phase saw all fixed income assets classes selling off.** US Treasuries and German Bunds were no exception. In this context, the Federal Reserve announced a series of cash-injection measures aimed at curbing the effects of the pandemic on the economy.

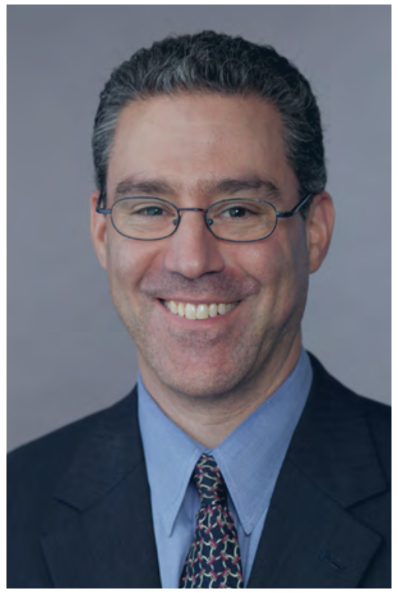
Overall, **US Treasuries posted a strongly positive performance in the first quarter of 2020.** The J.P. Morgan index for this market gained 8.95%. The US 10-year yield ended the quarter at 0.67%, which is 124 basis points lower than at the end of the previous quarter. In March alone, the Federal Reserve lowered its key rate twice, cutting it from 1.75% to 0.25%. When looking at its balance sheet, between December 2019 and end of April 2020, **the Fed's assets rose from $4.1tn to more than$6.6tn.**

With those new measures announced by the Fed and the ECB, among other central banks, we may have entered a new phase where we think yields in some asset classes have reached a peak, at least momentarily.

At this stage, we have yet to understand the scale of the impact of lockdown on the global economy. We understand that those measures led us to a situation far more dramatic than the one we experienced during the global financial crisis (2007-2009). We think that inflation pressures should remain subdued for the time being as the economic activity will remain depressed. Nonetheless, some data seems to have peaked or reached a plateau. For instance, **we're now witnessing a fall in the weekly number of initial jobless claims from almost 6.9 million as of end of March to 3,1 million in early May.**

With the BL-Bond Dollar, we invest exclusively in US Treasuries. We have always been investing in bonds across the yield curve even if we don't consider ourselves as benchmarked. With the recent performance of the asset class and in order to limit the volatility of the portfolio, we've decided to concentrate our investments more towards the belly of the curve while preserving a certain level of duration. We'll maintain that positioning for the foreseeable future. We think the **US Treasury market will remain attractive but with yields approaching the zero level and duration increasing due to the convexity nature of bonds** (the modified duration or sensitivity of the JPMorgan US Treasuries index rose from 6.4 one year ago to 7.4 today), it makes less sense to get exposure through long maturities except if we want to profit from an inversion of the yield curve leading to an outperformance of the long end part of the curve.





Geoffrey Schechter   Erik Weisman

Portfolio managers of MFS Meridian Funds - Inflation Adjusted Bond Fund

As we make our way through the **coronavirus pandemic**, we think investors should consider committing a portion of their portfolios to **relative safe havens.** The global economy is experiencing its **sharpest contraction since World War II**, and in our view, the consequences have yet to be **fully reflected in the prices** of risk assets like stocks and credit. One option to consider is government debt, including **inflation-linked government debt markets.** While a strategy offering some insulation against the risk of rising inflation may hardly seem necessary in what appears likely to be a disinflationary or perhaps even deflationary environment in the near term, **the MFS Meridian Funds** – Inflation-Adjusted Bond Fund may have a place in investors' portfolios. Let's briefly discuss why.

The fund's primary focus is on **U.S. Treasury Inflation-Protected Securities** (TIPS), which may provide a measure of diversification to portfolios holding allocations to riskier investments. The performance of TIPS is largely insulated from changes in inflation expectations which impact other bonds, though TIPS are still exposed to changes in real yields like other bonds. While it is true that increased issuance of U.S. Treasuries to meet the challenges of funding **the U.S. Government's fiscal response to the pandemic could put upward pressure on TIPS yields**, it is equally possible that the Federal Reserve's unlimited QE program will keep TIPS yields in check. Real yields seem unlikely to rise meaningfully (or TIPS prices to fall) in a recessionary environment where Fed buying is lending support. Additionally, **market measures of inflationary expectations are currently historically low**, suggesting that now may be an opportune moment to establish or add exposure to TIPS. Moreover, if the Fed is successful in keeping nominal yields low and eventually generating higher expectations for inflation in the out years, **real yields may have scope to fall further, boosting TIPS' prices.**

While TIPS can potentially provide a relative source of stability in portfolios here and now, where they could make **a real difference is post-pandemic.** It will likely take time for the global economy to regain its footing when coronavirus is behind us and fading to a bad memory, but when it does, **the nature of the crisis response could make inflation protection a valuable feature.** Unlike governments' policy responses to the Global Financial Crisis of 2008, which were largely aimed at providing liquidity to the banking system and lowering interest rates, current programs appear more focused on "printing money" to provide funding to help individuals and smaller businesses survive the crisis. All this liquidity being **pumped into the system could eventually drive consumer prices higher** – especially for manufactured goods made scarce by the difficulties of reestablishing global supply chains. This is of course somewhat distant and conjectural, but very possible as the global economy returns to sustainable growth one day. As a result, **a TIPS fund could serve as a stabilizer now and an inflation management tool later.**

How have we been positioned through the pandemic? We have been **overweight duration**, but slightly **underweight TIPS** to accommodate a modest structural allocation to high-quality spread product which is correlated with higher inflation (i.e., corporate spreads should tighten as inflation rises). In addition to TIPS, the fund holds **a small amount of exposure to inflation linkers** of other dollar-bloc countries like New Zealand and Canada. In terms of curve positioning, we have been underweight both the front end and the very long end of the yield curve, and overweight in 10 and 20 year maturities. In addition, given how low inflation has fallen, we have a modest tactical position designed to benefit from a degree of normalization in inflation breakevens. The key contributor to recent performance has been duration and curve, as the U.S. TIPS curve has bull flattened, though the portfolio's out-of-index allocation has also helped.

The Allianz Strategic Bond strategy generates alpha from four global macro sources to create a diversified source of returns: Rates, Credit / Spread, Inflation and Currencies.

As markets have been exposed to high volatility in light of the Coronavirus pandemic, it is important to remember the inherent strength of a **diversified portfolio: an investor's best defense against a financial crisis.** Allianz Global Investors believes that there is resilience to be found in Fixed Income as well as Equity strategies. Here are two funds that managed to outperform their respective benchmarks and helped stabilize investors' portfolios during the recent market turmoils:

The **Allianz Strategic Bond Fund** is designed to be different. Launched in June 2016, the fund seeks to outperform the global bond benchmark through any market environment, while explicitly targeting a zero correlation with equities. It's a total return focused strategy with a global macro investment process, managed by a team with a very strong 10-year track record. The Allianz Strategic Bond strategy generates alpha from four global macro sources to create a diversified source of returns: Rates, Credit/Spread, Inflation and Currencies. Central to the success of the strategy is the flexibility to position the portfolio to an evolving macroeconomic environment, in order to generate outperformance regardless of the market backdrop.

The fund posted a very strong performance in March, outperforming its benchmark comfortably. **The Fund's duration, credit, inflation and FX strategies all contributed positively to returns.** However, the main positive contributor was a large underweight to credit for the first half of March, at which point the portfolio management decided to close out the shorts and then add aggressively to Investment Grade corporate new issues, meaning that we outperformed as credit then began to rally.

Allianz Thematica invests in **seven themes derived from megatrends** (e.g. innovation, demographic change, resources scarcity, or urbanization), all of which can be made investable through a combination of specifically selected individual securities: clean water and soil, digital life, health care technology, energy of the future, education, artificial intelligence and the pet economy.

Andreas Fruschki
CFA, Head of Thematic Equity at Allianz Global Advisors

Mike Riddell
Head of UK Fixed Income at Allianz Global Investors

With a concentrated portfolio of **5 to 10 themes, flexibility is key:** Themes within the portfolio will change with time and theme composition will constantly adapt as new themes emerge and older themes peak.

As of 6 May 2020, Allianz Thematica has significantly outperformed the MSCI AC World Index. While most of the outperformance year-to-date had already been achieved in the positive market period until mid-February, the strategy not only held on to outperformance but even added further in the subsequent market setback. While all of the fund's themes contributed to its outperformance, **the strongest contributions came from health tech, digital life and education** as for example all providers of online and remote services held up well. Social distancing has provided a tailwind to stay-at-home activities, some of which are included in the Allianz Thematica: education, the pet economy, artificial intelligence and digital life, which encompasses esports, cybersecurity, digital payments and remote work.

ESG

Environmental, Social and Governance

ESG, a broad yet focused topic consists of a few key components. Businesses that fall into the category need to be focused on making the environment, and world collectively a better place. They view the investment landscape through two lenses. The first lense is that of sustainability and the second of profitability.

ESG fund managers fulfill two roles for investors. They implement a plan that they hope will be profitable in the long run. Yet they also create a core set of values and parameters through which the fund will invest. This allows for prospective investors to trust that their money will make them a profit while allowing others to profit as well. In a way you can say that ESG funds create stakeholders worldwide.

Many would think that ESG funds would have a distinct competitive disadvantage against funds not constrained by this methodology. However the opposite seems to be true. When asset managers invest in companies through the ESG lense we see a higher rate of return. This is represented by ESG focused funds outperforming the S&P 500 by a whopping 11% over the past five years.

There is no question that consumers are becoming more socially and environmentally conscientious and this will have corelary effects on asset prices. However the real value in ESG seems to be their concentration in certain asset classes. Tech for instance abides by more ESG fundamentals than most market sectors. And ESG is disproportionately exposed to this asset class.

ESG seems to be the asset class with the most to gain moving forward. Here are some of our favorites in the arena and what they have done recently.

SPECIAL INSIGHT

Enviromental factors include the contribution a company or government makes to climate change through greenhouse gas emissions, along with waste management and energy efficiency. Given renewed efforts to combat global warming, cutting emissions and decarbonizing is become more important.

Social includes human rights, labor standards in the supply chain, any exposure to illegal child labor, and more routine issues such as adherence to workplace health and safety.

Governance refers to a set of rules or principles defining rights, responsibilities and expectations between different stakeholders in the governance of corporations. A well-defined corporate governance system can be used to balance or align interests between stakeholders and can work as a tool to support a company's long-term strategy.

SUSTAINABILITY IS NO LONGER OPTIONAL – THE PROMISE OF ESG IN RESHAPING FINANCIAL MARKETS

Inna Amesheva
ESG Research & Advisory at Arabesque S-Ray

Sustainable investing is no longer a concept confined to the periphery of financial markets. Gone are the days when integrating extra-financial information into investment decisions was considered a niche strategy in fund management. **A momentous and irreversible shift towards sustainable finance has taken place over the past few years.**

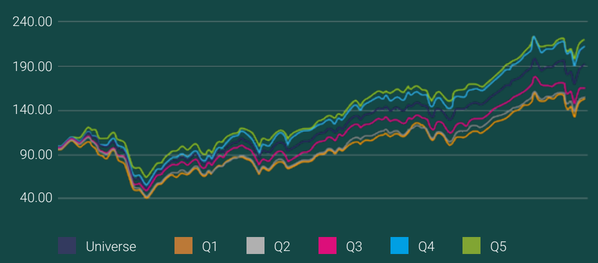
This has to a large extent been driven by changing social preferences and expectations. For instance, conscious and environmentally-savvy millennials are due to inherit **an estimated $68 trillion from baby boomers over the next 30 years**, in what is seen as the greatest generational wealth transfer in history. They are already demanding more sustainable investment solutions. Coupled with the **rise in ESG (Environmental, Social and Governance)** regulations around the globe (the EU Sustainable Finance Action Plan and the forthcoming EU Taxonomy as a case in point), we have witnessed an increasing array of asset managers, asset owners, institutional investors and financial institutions heed the call for more sustainable investment offerings.

The attractiveness of ESG investing comes not only from an improved public perception and the better ability to manage reputational risk. There is a significant body of empirical evidence illustrating that the integration of ESG into investment decisions contributes to a **lower cost of capital, reduced volatility and results in long-term financial outperformance.**

As a practical illustration, when we compare the cumulated stock price performance of six portfolios evaluated by Arabesque S-Ray®, we find that:

- The **"Top 20% companies"** based on S-Ray® ESG Scores outperform the **"Bottom 20%"** by 3.2% p.a.[1]
- The volatility of the **"Top 20%" is 3.7% p.a.** lower than the volatility of the "Bottom 20%".
- The Bottom 20% companies underperform the overall investment universe by **1.9% p.a.**

The journey of **mainstreaming sustainable finance is now unstoppable.** What has become clear is that, especially in unprecedented times of global transformation, **corporations can no longer afford to focus solely on the bottom line.** And their stakeholders and investors can no longer afford to turn a blind eye on extra financial performance. Otherwise, **they run the risk of being left behind.**



[1] *Performance from 31/01/2007 to 31/03/2019 in USD, gross of fees and transaction costs. Q1 comprises the worst 20% based on the S-Ray ESG Score. Q5 comprises the best 20% based on the S-Ray ESG Scores.*

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WILL THE CORONAVIRUS TAKE THE WIND OUT OF THE SUSTAINABLE INVESTING SAILS?

Magdalena Krzysztofik
ESG Research and Advisory (Independent)

Sustainable investing, which **can be characterized by incorporating environmental, social and governance (ESG) criteria** into investment decision making process, resonates with more and more asset managers as **growing body of evidence suggests that considering ESG factors** alongside traditional financial metrics does not mean sacrificing returns. Quite the contrary, it can lead to better investment outcomes. However, sceptics might argue that the coronavirus crisis will put sustainable investing practices on the backburner.

Over the recent years, we have seen the ever-growing interest in sustainable investing, with some of **the world's largest asset managers, including BlackRock, announcing broad scale sustainable-focused investment strategies.** Rising demand from global investors, their clients and beneficiaries for investment products that consider ESG issues has been one of the biggest growth drivers behind this trend. In the same time, stronger policy interventions propelled by the realisation among national and international regulators that financial sector can play an important role in addressing global challenges, such as climate change, modern slavery and tax aviodance have helped to further fuel the momentum. **Can the coronavirus pandemic break it?**

Many observers believe that the opposite is more likely to happen and the coronavirus outbreak will only strengthen the case for sustainable investing. **So far, the results have been promising.**

According to data from Morningstar, sustainable funds outperformed their conventional counterparts in the first quarter of 2020, even as the mounting concern over the economic impact of coronavirus sent the market crashing. To many ESG-conscious investors it is not surprising that **stocks with stronger sustainability credentials tend to be more resilient during market downturns and have lower volatility in the long-run.** The reasoning is that companies which excel at minimizing their environmental footprint, take good care of their employees and set up robust governance structures are also good at managing other aspects of their businesses. Because they have **sustainability interwoven into the long-term business strategy** they are better prepared to navigate challenges, take the right decisions and withstand adverse market conditions.

It is also worth noting that, while historically investors have been very interested in how companies are managing environmental aspects, including climate change, the coronavirus pandemic has shifted the focus on the corporate responses to the social side of the crisis. This means more scrutiny over issues such as executives remuneration, employee protection as well as health and safety and general working conditions.

The coronavirus crisis has given saliency to some of the long-term sustainability risks and is forcing us to rethink our response and the purpose of business and finance. One thing that is now more obvious than ever is that environmental, social and economic systems do not exist in.

isolation. They are deeply interconnected and interdependent. For many investors who have not yet hopped on the ESG integration bandwagon this might be a wake up call.

ESG FUNDS, THE FUTURE NORMAL AFTER COVID-19

Sofia Santos
Partner & Senior Consultant at SystemicSphere

Corona Virus brought us one of the most severe world economic crisis, with impacts on the financial markets and with new questions for investors. Where should I invest? In which type of assets? What is the best method to select the companies to invest in a period were uncertainty will prevail for some time?

During many years, in the beginning of this century, there was a long academical debate about the returns of sustainable investment funds: were these funds profitable? Were they just a philanthropic tool? After an immense amount of research both by academics and practitioners, it became clear that sustainable investment usually outperform the mainstream indexes when markets are positive, and when markets are down their decrease is less than the mainstream, and therefore they outperform as well.

We just had the possibility to test this hypothesis. With the Covid crisis, and due to a massive slowdown in the world economy, stock markets saw a severe downturn.

There are several reasons for this, let me identify a few:

- Many of the ESG funds do not invest in companies that fully depend on the sales of fossil fuels; or with high CO2 impacts such as airlines.
- Many of the ESG funds select a widespread of companies, from different sectors using different technologies and business models, and the Covid crisis impacted mainly the traditional / business as usual models.
- Many companies that are under the radar of the ESG funds, have a better risk analysis process and are faster to react to changes. Incorporating sustainability into a company's strategy, implies that the company needs to think about the possible futures that it may face, and it increases its knowledge about the complex interactions between natural capital, CO2 emissions, human well-being and financial impacts in the company.

The Covid 19 crises can also be seen as a proxy for the climate crises the scientists have been talking about, but that has taken too long for the mainstream companies and markets to incorporate. Covid 19 crisis gave the opportunity to companies and investors to realise what can become much more often, if the business as usual does not change in the next 9 years.

The climate change crisis has been in the international agenda over the last 50 years, with a stronger focus on the last 10 years. But somehow it seems that the business world has not yet realised what will happen in 10 or 20 years-time, if we don't shift completely towards ESG companies and ESG funds.

Let me explain.

If we do not change the economic and business model we have, the world average temperature will increase 4.8ºC by the end the 21st century, compared with pre industrial levels in 1750. We are reaching the limit, and with nature there are accelerating typing points and levels of no return. When ecosystems are destroyed, it's very difficult to bring their equilibrium back without strong impacts.

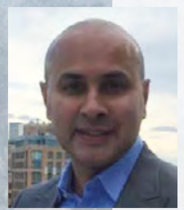
If temperature goes up more at least 2ºC we know that droughts, fires, floods, storms will increase. With this, agriculture will be impacted and in some regions of the world, hunger will increase even more. Ecosystems will be destroyed, animals and Humans will need to find their new habitats. There is also a consensus that losses in biodiversity will increase infectious diseases in humans. This might sound like a science fiction movie, but also did Covid 19, and we have it now and for some time. That is the world we are heading to.

As such, it makes completely sense that investors become more interested in investing in companies that are more resilient to climate change, biodiversity losses and human health impacts. Companies that are more resilient to these issues, can use the Task Force on Climate-related Financial Disclosures (TCFD) reporting guidelines to communicate to investors how they are dealing with the risks and opportunities arising from climate change, and, hopefully soon, there will be a similar tool about biodiversity issues.

ESG funds, with serious and science based criteria, are a good approach for investors. Not only investors are helping companies to invest in green technologies that can avoid an increase in the world temperature above 2ºC, but are also minimizing their portfolio risk by investing in more resilient companies.

We expect the future to be different as the crisis will be a catalyst for change. We hope that the positive "proof of concept" that the crisis represents will put significantly more impetus behind other sustainability trends.

Raul Mateos, *Spain*



When selecting ESG funds, my preference has been to exclude category 1 and to favour funds run by pure play sustainable asset managers/investment teams who have demonstrated a clear commitment and passion for the asset class developed over a number of years.

Neil Clare, *United Kingdom*

One of the latest additions in our approved fund list is the Candriam Bonds Euro High Yield fund, which is a pure euro corporate high yield credit fund.

Kalinka Dyankova, *United Kingdom*

As a Multi-Asset & Alternative Fund Analyst, my focus for Impact Investing is on illiquid investments and particularly private debt. ABN AMRO Investment Solutions will issue more impact funds this and next year, both in liquid and less liquid investments.

Boris Davet, *Netherlands*

We conducted two interesting searches: Global Listed Impact where we select Better World Fund of Montanaro and European Sustainable Credit where we including Kempen Euro Sustainable Credit Fund.

Pieter Laan, *Netherlands*

Our philosophy leads us to select two different categories of funds: labelled or non-labelled funds managed by companies with strong ESG integration standards like Vontobel or Sycomore and thematic funds, for example Fidelity Sustainable Water & Waste and Pictet Global Environment.

Lucas Strojny, *France*

In our portfolios, sustainability is a basic theme. The Wheb Sustainability Fund is one of our favourite and oldest SRI holdings. Recently we add a long short market neutral strategy, ECO Advisors ESG Absolute Return Fund, and a global equity all cap strategy, J Safra Sarasin Sustainable Equity – Global Thematics.

Edmond Schaff, *France*

Are convinced that the integration of ESG factors into its investment selection process can improve the returns of risk-adjusted investments in the long run. The implementation of the ESG policy is part of the AXA Group's commitments and values.

Antoine Machado, *France*

Outperformance in a period of volatility is no small thing, and the ESG strategies had the chance to prove their superiority during this crisis. In our focus list we are aware of sustainable investment and we find funds from BlackRock, Amundi or Pictet AM among others.

Spyros Agrianitis, *Greece*

We see good progress in ESG investment being made by Asset Managers likes of BlueBay, NN Investment Partners, Schroders, Hermes, and others but there is still some way to go across the industry.

Brian O'Rourke, *Ireland*

SPECIAL INSIGHTS | ESG

Neil Clare

Senior fund picker at FundQuest

It seems everyone in the asset management industry is talking about responsible investing and the importance of ESG (Environmental, Social and Governance) issues. **European asset managers have taken the lead as sustainability issues** have historically been treated more seriously and legislation is a key driving force. US asset managers have been slower to make the transition. The belief that SRI style of investing is overly negative (due to negative screening) has weighed on the psyche of US investors as well as a belief that it leads to lower returns. However, we are seeing some progress on this front due to rising interest from institutional investors and millennials in responsible investing. But investors still need to tread carefully as ESG labelling is confusing when trying to understand what a fund does. Names such as ESG, Ethical, Responsible, SRI, Sustainable and Impact are being used without any universal or industry standards creating a minefield for investors. Broadly, ESG funds can be grouped into one of the following categories:

- **Exclusion** - those that apply negative screenings.
- **ESG Integration** - those that examine and assess key material ESG risks and opportunities alongside the fundamental investment process.
- **Thematic** - looking at specific areas such as carbon emissions, renewable energy, etc.
- **Impact** - those that specifically target companies achieving positive outcomes for society alongside financial returns (some are additionally aligned to the 17 United Nations Sustainable Development Goals (SDGs)).

When selecting ESG funds, **my preference has been to exclude category 1 and to favour funds run by pure play sustainable asset managers/investment teams** who have demonstrated a clear commitment and passion for the asset class developed over a number of years. They tend to have a more pro-active approach in identifying companies that are effectively managing their ESG opportunities and risks to make a positive impact on society and the world. They also often publish detailed annual impact reports to keep clients informed about how the strategies are generating positive social and environmental impact as well as how they engage with portfolio companies.

Many ESG strategies tend to exhibit a growth bias as they tend to find more opportunities in information technology and healthcare sectors and have low exposure in cyclical areas such as energy, materials and financials, which had proved to be big tailwind to performance in recent years and given them strong resilience in market downturns in Q4 2018 and Q1 2020. The recent volatility in financial markets due to coronavirus pandemic could provide investors with even greater incentive to target companies that have taken steps to better manage non-financial risks. Indeed **the pandemic has demonstrated on a large scale the importance of other factors that are important for ESG investors** including disaster preparedness, continuity planning, supply chains and employee treatment.

Over the years, ESG has come a long way in capturing investor interests and is likely to become integral to modern active management. The strong flows into sustainable funds over the past year look set to continue.

We provide a full suite of ESG-themed solutions as well as ESG and carbon footprint metrics, allowing investors to dynamically manage their portfolios based on these criteria, while meeting the demands of end investors, stakeholders and regulators.

Kalinka Dyankova

Senior fund analyst at Lyxor AM

Over the past couple of years, **ESG became an important part of fund research and an investment** that is no longer a nice to have but a must have on every platform.

Within Lyxor thanks to our passive and active solutions and our fund selection expertise, we address the challenges of climate change and growing demand for responsible investments.

Thanks to our strong innovation culture and our proven ability to design transparent and liquid investment frameworks, we are well-equipped to help our clients embrace the challenge of sustainable investment. We provide them with a full suite of ESG-themed solutions as well as ESG and carbon footprint metrics, allowing investors to dynamically manage their portfolios based on these criteria, while meeting the demands of end investors, stakeholders and regulators.

One of the latest additions in our approved fund list is the **Candriam Bonds Euro High Yield fund**, which is a pure euro corporate high yield credit fund. The objective of the fund is to outperform 100% ICE BofA-Merrill Lynch Euro High Yield BB/B 3% constrained index, excluding financial over a full market cycle. The heart of the investment philosophy is that superior return can be achieve through deep fundamental credit analysis and active management of high conviction and selective approach. Accordingly, the main source of alpha is a bottom-up fundamental analysis, thorough understanding of legal aspects and covenants, and quantitative decision-making tools. A specific ESG filter on all issuers is also applied. The investment process is the same for all Candriam High Yield Strategy.

The Asset Manager is renowned for its ESG expertise. The fundamental analaysts worl alongside the SRI analysts, who determine the investible universe by **integrating ESG factors and characteristics using Candriam's proprietary Best-in-Class analysis.**

They conduct a thourough analysis of the Environmental, Social, and Governance aspects of each company. Their selection of the issuers with the best ability to manage sustainability-related challenges includes a Norms-Based Analysis reflecting the principles of the United Nations Global Compact, a screen for Exposure to Controversial Activities, and an evaluation of Corporate Governance.

The final portfolio is constructed according to a core & satellite approach: the core bucket will represent 80 to 100% of the net exposure high BB and B corporates bond, while the diversification bucket will be comprised of 0 to 20% of the portfolio with investment in bonds and CDS. The portfolio is rather concentrated with 50 to 100 issuers predominantly from European developed countries.

UNITED KINGDOM

SPECIAL INSIGHTS | ESG

SPAIN

Raul Mateos

Director Investments,
Head of Advisory, Spain at WTW

Balancing the short and long term is critical to sustainable investment, and finding that balance in the midst of COVID-19 is a real challenge for investors. It also raises interesting discussion and decision points for institutional investors, some of which are highlighted below.

Firstly, COVID-19 despite being a devastating force in many fronts is an excellent opportunity to illustrate the 'S' in ESG and underlines the importance of giving sufficient time to thinking about all aspects of Sustainability. Institutional investors have often found it easier to understand Environmental and Governance issues (the 'E' and the 'G') with the former being dominated by climate change and the importance of the latter being clear to the majority of investors (even if only in pure financial terms).

Secondly, it is also worth highlighting the relative resilience of assets with strong ESG characteristics to the recent market volatility. While it's still early days and the impact of COVID-19 has far from fully played out, there are early signs of ESG performing better relative to the market as a whole.

To finish on a positive note, COVID-19 has unveiled some great possibilities from a sustainability standpoint:

- Individuals, societies, and nations can make vast and sudden changes if they want to.
- The notion of key workers and essential activities underscores their value but also calls into question whether there should be permeant changes to how other ("non-essential") work is done (e.g. more remote working, less travel and the impact this would have on people and the planet).
- The solutions to a lot of global issues are mostly complex due to human and behavioural issues rather than technical ones.
- There have been several easily observed climate-related improvements since lockdowns have been in place - cleaner air, more wildlife, cleaner waterways, etc.
- The care, kindness, community spirit and generosity of people has been so evident in many places.

We expect the future to be different as the crisis will be a catalyst for change. We hope that the positive "proof of concept" that the crisis represents will put significantly more impetus behind other sustainability trends, but we believe this will need to be balanced with the possibility that the significant economic impact of the crisis may make these sustainability issues seem like long-term "nice to haves".

Traditional views of optimization of risk and return are not longer sufficient, our investment decisions have a greater impact beyond these metrics and into wider society. Times like this highlight the need to evaluate the third dimension of investing and change our framework moving forward in order to achieve sustainable success.

Lucas Strojny

Fund Selector at Amilton AM

Over the past years, everybody started to talk about ESG, starting by institutional companies which implicitly imposed on the asset management industry to develop new standards. Nonetheless, **this growing phenomenon has not led to a common methodology on how to address ESG factors making it difficult to compare firms' philosophy.**

At Amilton AM, our multi-asset team has developed a qualitative approach on how to assess ESG integration at firm levels. We have decided **not having a moral judgement on what should be "right" or "wrong" nor relying on labels considering that what genuinely matters is the integration of extra-financial analysis jointly with the financial analysis.** We consider that decision making should be based on all disposable information and take into account long term trends and risks (legal, social, environmental...). Thus, our ESG due diligence allows us to understand the importance of ESG analysis, the dedicated resources (human, data...) and the depth of ESG integration in investment decisions.

This philosophy leads us to select two different categories of funds. On one hand, labelled or non-labelled funds managed by companies with strong ESG integration standards (Vontobel, Sycomore...). We select these companies for their ability to offer alpha potential on asset classes that do respond to our tactical or strategic portfolio construction. On the other hand, thematic funds that allow us to access specific asset allocation convictions and align with our clients' values like the **Fidelity Sustainable Water & Waste** or the **Pictet Global Environment.**

Socially responsible and climate change investing will probably become much more mainstream as a result of the coronavirus crisis and the outperformance of ESG funds during this period. Nonetheless, we are aware of the quality growth bias of most of ESG approach and **remain sceptical of the intrinsic alpha of ESG over the long term**, but asset management industry continuously adapts to the social challenges and clients' needs with increasing investment solutions, knowledge and transparency.

FRANCE

Antoine Machado

Deputy CIO at Architas France

Architas France is a management company approved by the AMF in 2010, a wholly-owned subsidiary of the AXA Group and more specifically of AXA France Vie. Architas France is integrated into the "Architas Hub", the multi-management expertise center of the AXA Group.

Architas' philosophy is to help clients spread the risk of their investments using a wide range of strategies supported by investment specialists. Architas France thus works in open architecture, with more than 50 management companies worldwide.

In addition, Architas France is convinced that the integration of environmental, social and governance ("ESG") factors into its investment selection process can improve the returns of risk-adjusted investments in the long run. The implementation of the ESG policy is part of the AXA Group's commitments and values.

The ESG analysis and evaluation methodology of the selected funds implemented by Architas France is based on the work of its partners within the Architas hub and more broadly within the AXA Group. Thus, the majority of the funds selected by the managers will have been the subject of a qualitative scoring by Architas and quantitative by AXA-IM.

The purpose of these scorings is to provide managers with information concerning the ESG quality of the funds. The goal is to seek to improve the ESG footprint of offers where possible. For SRI labeled funds in France, specific constraints on quantitative and qualitative scoring are specified, with minimum constraints to be respected.

We have 4 offers in Paris focusing on responsible investment: 2 Advisory offers and 2 UCITS funds of funds that are labelled ISR for one and Greenfin for the other by the French state authority.

The first Advisory unit Linked ESG offer was designed by Architas in 2016 and launched for AXA France vie network in 2017. The objective was to have a majority of ESG funds in the different profiles.

In 2019 Architas decided to go further in the ESG integration and offers. We decided to promote 2 funds of funds with a strong ESG footprint:

- **AXA Sélection diversifié ISR:** it's a balanced fund of funds that obtained the SRI French label in 2019, controlled by French Authorities. At least 90% of the funds included in AXA Sélection diversifé are labelled SRI also by the French State. The SRI approach aims to integrate extra-financial criteria, notably environmental, societal and governance, in the selection of the funds making up the Sub-Fund's portfolio. Created and supported by the Ministry of Finance, the SRI French label aims to make socially responsible investment (SRI) products more visible to savers in France and in Europe.

  In that fund we are invested, for example, in AXA Label Europe Action, a European large cap equity fund that invest in social responsible companies with strong quality of the balance sheets. Also we are invested in Candriam SRI Bond Global HY, an SRI High Yield fund with a strong SRI process which is quite unique among the High Yield fund universe. Candriam Investor Group and AXA Investment Manager are 2 assets managers which are deeply involved in the responsible investment and in the degree of sustainability embodied within brand identity according to "Hirschel and Kramer (H&K) Responsible Investment Brand Index™ 2019".
- **AXA Selection Obligation Monde:** it's a global bond fund, 100% of the fund asset is invested in Greenbond funds. The Fund obtained the Greenfin French label in 2019, controlled by French Authorities. Created by the French Ministry of Ecological and Solidarity Transition, the Greenfin label guarantees the green quality of investment funds and is aimed at financial actors who act in the service of the common good through transparent and sustainable practices. The label has the particularity to exclude funds that invest in companies operating in the nuclear sector and fossil fuels. For that reasons we are invested in AXA WF Global Green Bonds and Mirova Global Green Bond Fund.

Edmond Schaff

Portfolio manager at Sanso Investment Solutions

The **Wheb Sustainability Fund** is one of our favourite and oldest SRI holdings. This global equity fund invests in companies whose business is linked to nine sustainable development themes such as **resource efficiency, water management, health or education.**

The fund combines a good level of diversification and a high SRI purity. Its performance is close to the MSCI World over the last 5 years in spite of the small and mid-caps bias of the portfolio.

It is managed by a team of 5 people fully dedicated to the strategy and **benefiting from a long SRI expertise.** The firm, WHEB Asset Management, is a certified B Corp and publishes an impact report on the WHEB Sustainability Fund every year. **An impact calculator is also available on the website which helps to grasp the sustainable development impact of the funds' holdings.**

A more recent additions to our portfolios is the **ECO Advisors ESG Absolute Return Fund**, a long short market neutral strategy which aims at capturing the ESG premia on a global basis by being **long the 100 companies with the most advanced ESG policies and short the 100 companies with the weakest ESG credentials.** The fund was set up less than a year ago by a boutique called ECO Advisors. It is up 2.9% YTD as at end April and did not suffer in the recent market turmoil.

We are firmly convinced that companies with the best ESG profiles will continue to outperform the market as they usually are more profitable and less indebted and also because more and more investors will integrate ESG in their decision-making process. In fact we are working on our own ESG long short.

Another recent addition to our portfolios is the **J Safra Sarasin Sustainable Equity – Global Thematics**, a global equity all cap strategy which picks companies exposed to 5 long-term trends : digitalization, automation, new consumption trends, climate change and ageing population.

We like the fund because it allows us to get exposed to a **broad set of long-term opportunities without compromising on sustainability.** J Safra Sarasin was one of the pioneer in **sustainable investing and created the Sarasin Sustainability Matrix**, a demanding framework putting the quality of the ESG policy of companies in context with the degree of ESG risks they are exposed to.

The fund is managed by two well-seasoned portfolio managers with the support of **10 thematic analysts and 6 SRI experts and has outperformed the MSCI World by almost 15% since the current set-up is in place.**

NETHERLANDS

At ABN AMRO, Impact Investing is used as a proxy for Alternative Investment allocations for ESG portfolios. As a Multi-Asset & Alternative Fund Analyst, my focus for Impact Investing is on illiquid investments and particularly private debt. Using the UN Sustainable Development Goals (SDG) framework, we aim to address through illiquid impact investing SDGs that we cannot access easily through liquid impact investing.

Microfinance has thus been an investment of choice as it notably helps to reduce poverty in emerging and frontier markets and contribute to gender equality. As a reminder, microfinance consists in providing small loans to entrepreneurs who generally cannot access credit, through intermediaries called microfinance institutions (MFIs). Microfinance dates back to the 1970s whilst the involvement of dedicated asset managers started in the early 2000s.

Given the small average loans made to end-clients (<U$2000), the number of MFIs targeted (500+ globally) and the number of countries where managers are usually active (50+), diversification of microfinance portfolios is high. Besides, loss ratio in such portfolios is typically low considering notably the features of the loans made to MFIs: short-dated loans (3 to 5 years) and high coupons (in line with EM risk) which ensure decreasing principal at risk over time. In addition, loans are less exposed to business cycles in general. As a result, investors in the asset class shall expect steady uncorrelated returns with low volatility. And despite the small amounts at stake, **loans have a powerful impact as they represent a significant part of the end-clients' disposable income (small money, big impact). They contribute to job creation, women empowerment (as the majority of loans are taken by women) and more generally economic growth and improvement of living conditions** in targeted countries.

From the fund selection perspective, challenges of the asset class are many. On top of expected challenges such as liquidity (private debt), political/country or currency risks, **information gathering and processing are key areas of due diligence** as MFIs usually sit outside capital markets scrutiny. Ethical issues may also arise ("loan sharks"; money-laundering; over-indebtedness) and risk functions of the asset managers are thus critical. As a result, as fund analysts, **we need to be convinced by the sourcing, research (both at financial and ESG levels) and risk management capabilities of the asset managers**.

And in the absence of credible independent pricing for the loans, segregation of duties, breadth and quality of expertise are essential features: a key focus of the due diligence (including for my ODD colleagues). On a final note, we value that, given their mandate, the leading microfinance managers have fully embraced ESG considerations from the start and are able to provide thorough internal credit and ESG ratings for each MFI.

ABN AMRO Investment Solutions will issue more impact funds this and next year, both in liquid and less liquid investments.

Boris Davet

Fund Analyst at ABN AMRO Investment Solutions

Pieter Laan

Head of external manager selection at IBS Capital Allies

Within IBS Capital Allies we take the **integration of ESG as paramount to the investment solutions** for our clients. The last 12 months we conducted two interesting searches, **Global Listed Impact and European Sustainable Credit**, where ESG also played an important role.

Impact investing – which aims to generate positive social and environmental impact alongside a financial return - is a relatively new investment discipline in listed markets. The challenge in this search was to determine which funds are **truly investing in positive impact companies to avoid accusation of 'impact washing'.** We noticed that most impact companies are found in the mid- and small cap space. These companies have more focused business models where most of the revenue (the threshold is roughly 60-70%) is making a positive impact and can be directly linked to one of the 17 Sustainable Development Goals (SDG's). We have spoken to 25 managers and we selected two managers including the **Better World Fund of Montanaro.** The firm is known for its small- and midcap expertise for almost 30 years which is a key advantage in this asset class as mentioned earlier. The impact reports (including impact measurement) they generate are very insightful. The investment philosophy **can be classified as 'quality growth' and the portfolio consist of 40-60 positive impact stocks.** The investment team has refined the 17 SDG's into the following six impact themes.

The strategy was launched in April-2018. Albeit short, the performance numbers so far are encouraging as they outperformed both the MSCI World Smallcap Index as well as the broad MSCI World index by a decent margin.

European Corporate Bonds as an asset class is in existence for some decades, but the number of available ESG Funds is limited. After having spoken to 14 managers, we selected two managers including **Kempen Euro Sustainable Credit Fund.** The well diversified strategy **(200-250 issuances)** is managed by an experienced team of 8 PM's. The goal is to achieve a consistent alpha with a conservative risk budget. The historical performance is strong, and the team is also navigating the portfolio well (in relative terms) in the current market turmoil. The strategy was most strict on ESG. The team combines **ESG integration with certain exclusion criteria.** Companies that have a MSCI ESG rating of CCC, a fail on the United Nations Global Compact, or a red flag on the MSCI ESG impact monitor are excluded. Furthermore, **the fund excludes companies that produce/distribute more than a certain percentage of revenues (most common threshold is 5%) in the following sectors:** military weapons, thermal coal, alcohol, adult entertainment, gambling, animal testing, factory farming and fur. All these exclusions lead to a reduction of around 20% of the investment universe, which gives us enough comfort.

IRELAND

Brian O'Rourke

Head of Investment Partnerships at Mediolanum International Funds

Mediolanum has a **long-established heritage as a fund selector across Europe.** We work with a large number of asset managers based across the globe ranging from smaller boutiques to more established players. **ESG has quickly become a critical focus** of our conversations with our external partners. We have seen the ESG investing landscape across Europe evolve considerably and, as such, our approach to selecting ESG funds has evolved too to cater for changes in client demands and the changing regulatory landscape.

We tailor our approach to assessing a manager's **ESG credentials depending on two types of managers.**

- The first is tailored towards partner firms who are **thematic and impact orientated ESG specialists.** This process is very rigorous as we look for evidence that ESG is central to the firm's ethos, investment philosophy, and has support at the very highest level. The firm needs to have a bulwark of governance and resources to support the **ESG agenda and be able to evidence and report on their credentials.** One of the tools we use to gauge how strong a company's ESG credentials are through consideration of the UN SDGs goals. While all SDG goals are important, we believe a number are critical and easier to measure for asset managers and can be more directly linked to initiatives such as the EU Taxonomy. These include SDG goals on Climate Action, Clean Energy, and Responsible Consumption and Production. Our work here is to monitor and measure our **ESG managers credentials against these specific goals to evidence the impact their investment strategy is having.**
- The second approach is more relevant to generalist asset managers that are not necessarily ESG specialists or we are not investing in specific thematic or impact funds. Here, our assessment will look for evidence of **improving the trajectory and pace of ESG integration within their process.** These managers can play an important role in investing and engaging with companies whose ESG profile might not be good today but have a great margin for improvement through engagement. In this category as well, **we are looking to monitor and see hard metrics around how the manager is improving.**

It is important to remember that ESG is still a hazy space and regulation is evolving quickly. This can make it challenging not only for fund selectors but also asset managers and retail investors. This means that there is **still some debate around exact definitions and criteria for what represents good ESG investing, and this has slowed down the sustainable agenda quite a bit.**

A recent survey from Share Action for example titled 'a point of no return' really showcases where the industry stands today. The report assessed asset managers across categories including climate change, governance, human rights and biodiversity. The results were very much **in line with our own view and proved that different managers are stronger in different areas**, but no one has reached the pinnacle and there is scope for improvements across the industry.

Spyros Agrianitis

Head of Funds Selection at Alpha Bank

Outperformance in a period of volatility is no small thing, and the ESG strategies had the chance to prove their superiority during this crisis. At a company level, we saw companies that had dedicated resources to the Governance and Social front proving more resilient and ready to respond, as flexibility and well-planned contingency processes were of paramount importance. On the Environment front, we saw a tightening of the EU Taxonomy and an increased support in the European Union. Funds which took advantage of ESG aspects reaped the benefits when compared to general respective stock or bond indexes, as well as their non-ESG peers. Here are some interesting selections in our shortlists:

- **Blackrock ESG Multi-Asset fund** has been a successful addition for us, and an all-round fund for all investment profiles. It follows an active asset allocation policy consistent with ESG principles and is outperforming the majority of non-ESG asset allocation funds. Euro base is a great deal for European clients. Positioning and investment discipline have been more than satisfactory during the coronavirus outbreak, adding to the resilience of the strategy.
- **BNP Paribas Green Bond** is certainly a favorite in the fixed income space. Green bonds are one of the best ways to support low-carbon development. Credit quality as well as support of the asset class under the EU taxonomy are extra bonuses. The fund has also proven to be a resilient choice and a great addition for conservative investors.
- **Schroder ISF Global Climate Change** is the broad equity thematic strategy of our choice, for capturing opportunities of companies which may be positively impacted from the transition to a low carbon economy. The fund utilizes a bottom-up, fundamental research-driven approach. Proprietary company research is key in the current economic environment.
- On the alternative or new energy front, **Blackrock Sustainable Energy Fund** has been one of the first funds to address the topic since 2001 (ex-New Energy fund). The team has extensive experience in managing the sector, and although alternative energy might be a challenging theme at current oil prices, we do believe that it is destined to perform looking forward.
- **Amundi Global Ecology ESG** is a broader choice of ours for addressing the ecology theme, which includes companies in the fields of air pollution control, recycling, water treatment, and even biotechnology. The diversity of sectors is certainly an aspect of the fund which we find interesting as well as desirable.
- Our choice for a high-conviction portfolio is **Pictet Global Environmental Opportunities**, as the fund is a concentrated portfolio of about 50 stocks, unconstrained by sectors, sizes and regions. The thematic team of Pictet has about 25 years of experience, which is reflected in the careful scoring process and final choice of companies to include in the portfolio.
- Last but not least, **Pictet Nutrition** is an excellent choice for approaching the theme and a resilient choice during the coronavirus crisis, as food is one of the inelastic sub-sectors. It has also performed much better than the MSCI World, and the megatrend of the global population demanding higher-quality nutrition and more sustainable farming is here to stay.

GREECE

INVESTMENT FUND	ISIN	CATEGORY	CURRENCY	PERFORMANCE YTD	PERFORMANCE 3 YEARS
Amundi Funds - Global Ecology	LU1883318740	Sector Equity Ecology	EUR	-6,47%	2,96%
Fidelity Sustainable Water & Waste	LU1892830081	Sector Equity Water	EUR	-11,05%	–
Hermes Impact Opportunities Equity Fund	IE00BD3FNW57	Global Flex-Cap Equity	EUR	5,21%	–
Montanaro Better World Fund	IE00BYWFFB63	Global Small-Cap Equity	EUR	11,30%	–
Pictet Global Environment Opportunities	LU0503631631	Sector Equity Ecology	EUR	-1,51%	8,88%
Pictet - SmartCity	LU0503633769	Global Large-Cap Blend Equity	EUR	-4,46%	5,14%
Schroder ISF Global Climate Change Equity	LU0302446132	Sector Equity Ecology	USD	-0,65%	8,37%
Wheb Sustainability Fund	GB00BF7M1771	Sector Equity Ecology	EUR	3,05%	–
AXA World Funds - Global Green Bonds	LU1280195881	Global Bond	EUR	0,77%	1,49%
BlueBay Global High Yield ESG Bond Fund	LU1943619715	Global High Yield Bond	EUR	-7,66%	–
BNP Paribas Funds Green Bond	LU1620156999	Global Bond	EUR	0,72%	–
Candriam Bonds Euro High Yield	LU0144746509	EUR High Yield Bond	EUR	-3,65%	2,19%
Candriam SRI Bond Global High Yield	LU1644441476	Global High Yield Bond	EUR	-0,48%	–
Kempen Euro Sustainable Credit Fund	LU0986646882	EUR Corporate Bond	EUR	-1,66%	–
Mirova Global Green Bond Fund	LU1472740502	Global Bond	EUR	-0,47%	1,68%
BGF ESG Multi-Asset	LU0093503497	Moderate Allocation - Global	EUR	1,48%	4,27%
ECO Advisors ESG Absolute Return Fund	LU2002381171	ESG Absolute Return	EUR	2,62%	–

Source: Morningstar. Data as of 29/05/2020

EQUITY FUNDS

AMUNDI FUNDS - GLOBAL ECOLOGY

Christian Zimmermann
Fund Manager of Amundi Funds Global Ecology ESG

ISIN: LU1883318740
Category: Sector Equity Ecology

Before we dive deeper into our stock selection process, it is important to highlight the overall objective of this portfolio. Our commitment to clients is to target strong risk adjusted returns while maintaining a very strict focus on ESG. The result is a diversified portfolio of stocks which satisfy our stringent ESG requirements while offering upside potential.

In order to achieve this, we adopt a four step investment process. The first step is to remove from our investible universe all of those names that operate within industries that do not meet our ESG principles. For example, we exclude any company involved in defence, tobacco, alcohol, fossil fuel production amongst others. Once we have identified an investible universe which has passed this initial screen we then focus on identifying companies that look attractive from a financial perspective. Here, we screen using momentum and valuation indicators seeking to identify potentially attractive opportunities. The third stage of the process is where we dive deeper into the fundamental drivers of the companies, both financially, and from an ESG perspective. To do this we leverage on our strong fundamental equity research team and our in-house ESG team. The aim is to gain a deeper understanding if the investment case can generate outperformance, and if the investment case has a solid ESG standing. We will only invest when both of these criteria are met. The final step of the process is to construct the portfolio. A unique feature of the Global Ecology ESG strategy is the diversified nature of our holdings. Instead of focusing on only one thematic, we build the portfolio around 10 proprietary ESG sectors which span across a wide spectrum of ESG related topics including renewable energy, water, healthy living, and IT efficiency. This fundamental approach to ESG investing is etched in our DNA with the portfolio recently celebrating its 30th anniversary. We believe that this experience gives us an edge in navigating these dynamic equity markets.

FIDELITY SUSTAINABLE WATER & WASTE

Bertrand Lecourt
Portfolio Manager at Fidelity International

ISIN: LU1892830081
Category: Sector Equity Water

The fund employs a distinctive, bottom-up investment process, focusing on quality and growth, with an overarching emphasis on sustainable investments. This is a thematic ESG fund that seeks to deliver long-term capital growth over the market cycle by investing globally in companies that are involved in the water and waste management sectors.

Investments driven by long-term mega trends

We believe that water and waste management related investments are driven by long-term mega trends and should potentially generate long-term investment returns. We aim to achieve this by adopting a long-term view of company fundamentals using substantial internal and external resources to analyse the profit drivers of each company by region, division and product. The strategy has a supportive environment that is backed by a global mega-trend which includes population growth, environmental constraints, supportive regulations, urbanisation rate and global wealth creation.

Maintain a diversified portfolio

We have a diversified exposure to 45-49 names to limit risk. The fund has a relatively defensive profile, with companies that are less exposed to the risk of a significant economic slowdown and are a play on sanitation benefits. Most regulated water names benefit from full pass-through of costs. Given the current situation, it is important to keep a balanced portfolio. The key for us is to identify our strongest conviction companies and increase their weightings without dramatically altering anything in the portfolio.

HERMES IMPACT OPPORTUNITIES EQUITY FUND

Martin Todd
Co-Portfolio Manager at Hermes Investment Management

ISIN: IE00BD3FNW5
Category: Global Flex-Cap Equity

The Hermes Impact Opportunities Equity Fund is a high-conviction global equity strategy. It aims to generate attractive financial returns by investing in companies creating positive impact for people and the planet.

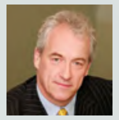
Investors have become increasingly aware that incorporating sustainability and ESG factors will often help them avoid companies that destroy shareholder value.

We take a thematic approach and seek to capture opportunities which are created by mega trends. Through assessing the UN Sustainable Development Goals' underlying targets we have alighted on nine key impact themes which are investable.

The portfolio is concentrated with between thirty and forty holdings; As such, our investment approach is rigorous and methodical – ensuring the high integrity of not only a company's impact, but also their fundamentals. We analyse the whole "chain" from input to output, with a preference for proven business models with strong financials, which should allow our investments to show resilience. Unless we are convinced the company fulfils our strict criteria we do not invest.

We are active managers looking for mispricing in the market and opportunities to buy into these companies which are exposed to long term growth themes at attractive prices. Nevertheless, our style is relatively low turnover as we are patient capital investors, looking to capture the time premium from durable trends. Throughout this period of uncertainty, our strategy has shown relative resilience outperforming the broader MSCI All Countries World Index IMI benchmark significantly – this has been without any reliance on big tech. We believe the main reason for this resilience is the structural demand underpinning the investments we make, as these are companies that provide innovative solutions. The current crisis has increased awareness and created a greater sense of urgency not only towards catastrophes and climate change but many other developments, such as the need for a more circular economy, developments in global solutions for sanitation and health care, and improvements of supply chains and work practices.

MONTANARO BETTER WORLD FUND



Charles Montanaro
Founder and Fund Manager at Montanaro Asset Management

ISIN: IE00BYWFFB63
Category: Global Small-Cap Equity

Montanaro was established in London by Charles Montanaro in 1991 to help leading institutions to invest in quoted small companies. This is an inefficient asset class due to lack of research and less liquidity that creates an investment opportunity: the long-term outperformance of smaller companies, known as the "SmallCap Effect", according to Professors Dimson, Marsh and Staunton.

It is a labour intensive asset class. This means that you need to conduct your own research and visit the companies. With a team of more than 30 (ten different nationalities including two from Spain) we have one of the largest specialist teams in Europe. We held 200 company meetings last year and visited over fifty. We manage almost €3 billion of assets and have plenty of capacity to grow.

In 2000, we launched our first Pan-European Fund and in 2005 were awarded our first segregated mandate with the Church of England. ESG has been integrated into our investment process for many years. We are Quality Growth investors - ESG forms part of our definition of a company's "Quality".

Two years ago, we launched the Montanaro Better World Fund, which is the culmination of all that we have learned. It captures two key trends: investors prefer global products and increasingly demand positive impact funds: put simply, to invest in companies that do good.

Before launch, we spent a long time thinking about what the Fund should do. We met the United Nations Association (UNA) in London who helped us to understand how investors in listed equities could make investments to support the UN Sustainable Development Goals (SDGs). We categorised the vast majority of these into six core themes: Environmental Protection; Green Economy; Healthcare; Innovative Technologies; Nutrition; and Well-Being. Every company within the Fund must have at least 50% of revenue attributable to these themes.

SPECIAL INSIGHTS | ESG

PICTET - GLOBAL ENVIRONMENTAL OPPORTUNITIES

Luciano Diana
Portfolio manager at
Pictet Asset Management

ISIN: LU0503631631
Category: Sector Equity Ecology

For the definition of the universe and identification of opportunities we use the framework of nine planetary boundaries of Stockholm Resilience Centre. Most funds are centered on CO2 emissions, but not in all the environmental aspects, including biodiversity, chemical pollution and water cycle among others. We also have collaboration of teams from other thematic, as water, clean energy and timber and we are both fund managers and analysts.

We start from 40,000 companies globally, where we distinguish business models compatible with the planetary boundaries. In this way we stay away from fossil fuels, chemicals, large industrialists and mining or commodities. This leads us to 4,000 companies, which we can consider the "good citizens of the world". In a second step we focus on 400 companies with minimum 20% exposure to at least one environmental solution. Finally the portfolio is concentrated in about 50 stocks on conviction. This is a very different process from best-in-class or ESG. In any case, our selection shows better ESG profile than conventional portfolios. In fact we integrate these criteria in the determination of the weight of a company, with emphasis on the environment. Management quality weighs 20%, where we integrate governance factors with ISS data support and visit more than 300 companies a year. Financials weighs 50%.

In addition, we systematically exercise voting rights and, where appropriate, dialogue. We also assess the impact of companies' products and services to help achieve United Nations Sustainable Development Goals above MSCI ACWI index average. The largest exposition of Pictet Global Environmental Opportunities is to "Responsible Consumption and Production", "Industry, Innovation and Infrastructure", "Clean and Sanitary Water" and "Climate Action".

PICTET - SMARTCITY

Ivo Weinöhrl
Portfolio manager at
Pictet Asset Management

ISIN: LU0503633769
Category: Global Large-Cap Blend Equity

More than half of the world's population lives in urban areas and 75% is expected to work, live or move daily into urbanized areas, which account for nearly 80% of world's GDP and are responsible for 70% of greenhouse emissions. Fortunately, the authorities are increasingly working closely with the private sector to make cities safer, more sustainable and better connected.

Indeed, cities need to be built, organized and managed in a more sustainable way to meet the needs of their residents and improve their quality of life, with reduced pollution and lower resources consumption. This requires improving infrastructures, logistics facilities and public services. Indeed, investment in low-emission public transport, renewables and building efficiency, as well as waste management, can reduce the costs of cities worldwide $17 billion by 2050, were technology is going to be essential. Altogether we estimate a universe of approximately four trillion dollars, which continues to grow.

We start from 40,000 companies globally on which we calculate the percentage of income in urban areas, to select those that benefit from opportunities in three areas: build the city, manage and live in it. Then we focus on 250 with at least 50% exposure to the theme and, to determine the weight, in addition to financial indicators, we include ESG metrics, applying a discount if applicable. Finally, the portfolio is concentrated in 40 to 60 stocks, with voting rights being systematically exercised and, where appropriate, with dialogue.

We also assess the impact of companies' products and services on United Nations Sustainable Development Goals above the average of MSCI ACWI index. The highest exposure is to "Sustainable Cities and Communities", "Industry, Innovation and Infrastructure" and "Accessible and Clean Energy".

SCHRODER ISF GLOBAL CLIMATE CHANGE EQUITY

Simon Webber
Portfolio Manager at Schroder ISF
Global Climate Change Equity

ISIN: LU0302446132
Category: Sector Equity Ecology

Schroder ISF* Global Climate Change Equity is an actively managed, global equity fund capturing opportunities around the world by investing in companies we believe will be positively impacted by efforts to transition to a low carbon economy. Climate change will impact every company, so we don't limit ourselves to particular sectors. This way we can build a diversified portfolio of companies, all linked to climate change. We do, however, exclude companies with ownership of fossil fuel reserves. We analyse how climate change will affect revenue, margins, running costs, valuations and the impact on the entire value chain to help build a complete picture of how companies will adapt and, ultimately, their return potential. Our team has investment experience in sectors like technology, energy, utilities, materials and automotive – exactly the ones set to be affected by climate change. Our sustainability experts understand the science of climate change and how it links to economic trends, while our data scientists provide us with unique insights that others may not be able to spot. Our investment universe comprises of those companies whose long-term outlook we believe will be positively impacted by efforts to mitigate and adapt to climate change. This centers around 5 key themes: clean energy, sustainable transport, environmental resources, low carbon leader and energy efficiency. The Global Climate Change team works with Schroders' broader equity research team and takes a bottom-up research approach to stock selection. We also utilise ESG research from our Sustainability team and data science capabilities from our Data Insights Unit. The portfolio comprises of 40-70 stocks which are weighted based on our risk-adjusted return expectations. Stocks with a higher relative upside, lower fundamental risk profile and higher liquidity will receive higher active weights in the portfolio. Last, we actively engage with companies in our portfolio to encourage transparent disclosure and ESG improvements. We evaluate voting issues on our investments and vote on them in line with our fiduciary responsibilities to clients. We vote on all resolutions unless we are restricted from doing so.

WHEB SUSTAINABILITY FUND

George Latham
Managing Partner at
WHEB Asset Management

ISIN: GB00BF7M1771
Category: Sector Equity Ecology

In our new reality of face masks and 2 meters apart the planet has been allowed some space to breathe. The skies are clearing of pollution, wildlife has returned and the need for crude oil is being rethought. Although this is not how we would have wanted it to happen, we hope these revivals encourage people to embrace a greener future. At WHEB Asset Management we feel a sustainable future is the only viable future, for us as the human race and for our planet. We work toward this greener future in the way we manage money and our business. Our mission at WHEB is to advance sustainability and create prosperity through positive impact investments. Guided by our mission we run a single investment strategy. The FP WHEB Sustainability Fund* is entirely focused on companies providing solutions to sustainability challenges. For WHEB this isn't just another product line, it is what defines us. All our investments are made with the intention to generate positive, measurable social and environmental impact alongside a financial return.

We firmly believe that businesses which have a positive impact can and must be those that will be successful in the longer term. By demonstrating that sustainability and positive impact can be the basis of an outperforming investment strategy, we believe WHEB can have a role in mobilising more capital towards a positive purpose. We aim to connect people to their investments, enabling them to make an impact through the investment managers they choose and to walk alongside them in pursuit of a sustainable and prosperous future.

EQUITY FUNDS

FIXED INCOME FUNDS

AXA WORLD FUNDS - GLOBAL GREEN BONDS

Johann Plé
Portfolio manager at AXA Investment Managers

ISIN: LU1280195881
Category: Global Bond

Outlook for the green bond market looks promising following a compelling start to 2020 in difficult market conditions Johann Plé, portfolio manager at AXA Investment Managers, comments on the outlook for the green bond market.

More broadly on the social side, we're looking to the UN Sustainable Development Goals. These present real opportunities for governments to act and for the private sector and financial institutions to play their role.

- Asset class shows resilience with €50 billion issued since the beginning of the year.
- Demand is expected to remain strong in the coming months.

Despite the halt of the primary market in March, the green bond market remained close to its performance in 2019 that saw a record year in terms of issues.

With almost €50 billion in green bond issues since the beginning of the year, the volume remains high. This can be explained by the balanced composition of the universe (50% credit and 50% sovereign and equivalent), which ensures continuity of supply whatever the context. Quasi-sovereign debt issues have thus taken over from the credit segment, whose issues have been bracketed in a particularly risk-averse environment.

This balanced profile also justifies the resilience of the green bond universe since the beginning of the year. Thus, at the end of March, the market offers an excess return compared to the conventional aggregate global universe for a similar risk profile. Over the past three years, both the green bonds market and conventional aggregate have generated an annualised performance close to 2%, for an annualised volatility of 3%. In comparison, the global credit universe generated an equivalent annualised performance but was more volatile (4% annualised over the period).

BLUEBAY GLOBAL HIGH YIELD ESG BOND FUND

My-Linh Ngo
ESG Investment Specialist at BlueBay Asset Management

ISIN: LU1943619715
Category: Global High Yield Bond

From its roots as a topical talking point, ESG has grown into a long-term investment theme that's here to stay. Our conviction in adopting an ESG-led investment approach is backed by the fact that incorporating ESG factors into investments can add value, as well as promote sustainable development.

In the world of fixed income, research shows addressing ESG credit risk factors can reduce the cost of capital for issuers, reduce credit spreads and volatility, as well as minimise downgrade/downside risk. Unsurprisingly, our clients are becoming increasingly interested in integrating ESG principles into their investment portfolios, with the past 9-12 months marking a notable tipping point.

Asset management hasn't always been the fastest industry to embrace change – it's natural for investors and their clients to want to stick to the old ways of doing things if they've proven successful historically. We hope that with 2020 marking a new decade, we'll see an acceleration of this shift in thinking.

Society and other stakeholders are certainly looking for the industry to take a more active role. Scrutiny is increasing and expectation is heightening – there's no longer anywhere to hide. This provides a great opportunity for the industry to demonstrate its value to society. We believe the theme of climate change will continue and will, in our view, become more political as more regulation comes through.

Beyond the environmental damage associated with climate change, we mustn't neglect the social dimension, which requires a move to low carbon. With it, fundamental shifts in economic activities could cause people to be left behind. We need to consider human rights alongside the environment.

Despite the societal and economic shocks caused by the Covid-19 pandemic, we remain hopeful that this year will deliver innovation in terms of analytics and the right tools to be able to engage more easily and make more informed investment decisions.

BNP PARIBAS FUNDS GREEN BOND

Arnaud Guilhem Lamy
Portfolio Manager at BNP Paribas Asset Management

ISIN: LU1620156999
Category: Global Bond

The green bond market has continued to grow for the last 6 years, from $37bn of primary issuances in 2014 to $250bn in 2019 leading to an increase of over $800bn of green bonds. Even if the financial turmoil with the coronavirus crisis has reduced the pace, the volume remains quite high at $50bn for the first four months of 2020. Most importantly, in 2020, the new bonds have been mainly issued by corporates and financials (50%). The appetite from investors has been growing as well quite strongly. However, with the multiplication of the issuers, each having a different framework, it is very important to be able to differentiate between proper green bonds and green light bonds or even green washing. We engage with issuers in two occasions of the bond lifecycle – pre-bond issuance (ex-ante), and when the issuer publishes the allocation & impact report (ex-post). At ex-ante, we focus on three main areas: the issuer's sustainability credentials, alignment with BNP Paribas AM's taxonomy of eligible sectors/technologies, and the green bond's governance of proceeds. At ex-post, we focus on the impact reporting and we monitor three key metrics: actual allocations, pro-rata output indicators (e.g. renewable energy installed capacity), and impact indicators (e.g. CO2e avoided). Our approach is in line with the four pillars of the Green Bond Principles. This process is very selective and leads to an exclusion ratio of one fifth of green bond issuances that do not satisfy our engagement process. Given that the demand for green bonds has strongly increased, we will be particularly cautious on the emergence of opportunistic behavior where issuers do not deliver against the promises of social and health benefits. Notwithstanding, we remain very optimistic on the development of the market. Today, having to cope with the coronavirus crisis, governments across the world have shown that they are able to provide strong and quick responses to emergencies, mobilising resources very quickly. After the crisis, and during the reconstruction phase, we hope governments and corporates will issue green bonds prioritising low carbon and environmental friendly investments.

CANDRIAM BONDS EURO HIGH YIELD

Nicolas Jullien
Deputy Global Head of Credit at Candriam

ISIN: LU0144746509
Category: EUR High Yield Bond

The fund Candriam Bonds Euro High Yield is a strategy actively managed, following a high conviction process and a conservative approach.The investment objective of the strategy is to outperform its benchmark, the ICE BofA-Merrill Lynch Euro High Yield BB/B 3% constrained index. In order to reach this objective, we seek high-quality companies with strong fundamentals in resilient sectors, promoting niche businesses, price setters, or low-cyclical sectors.

We base our process on bottom-up bond selection using a fundamental analysis, thorough understanding of legal aspects and covenants, and quantitative decision- making tools. We believe that a rigorous risk framework, controlled sell discipline, and liquidity filters can provide strong drawdown management.

We develop a high-conviction portfolio of roughly 50 to 100 issuers. The portfolio includes two buckets:

- The Core Bucket of 80% to 100% of the portfolio consists of benchmark names.
- Diversification Bucket of 0% to 20% of the portfolio includes off-benchmark names from with minimum rating CCC+ and including investment grade, currencies other than the Euro, and/or single-name CDS.

Concerning the strategy, we are a pioneer in European HY management. The fund was launched originally in 1999 by Philippe Noyard, Global Head of Credit, and the team is actually composed by nine investment professionals and is headed up by Nicolas Jullien, CFA who is also Deputy Global Head of Credit.

The fund is rated 5 stars by Morningstar© Rating Overall and has a Silver Morningstar© Analyst Rating, as of March, 2020.

FIXED INCOME FUNDS

CANDRIAM SRI BOND GLOBAL HIGH YIELD

Thomas Joret
Lead Portfolio Manager at Candriam

ISIN: LU1644441476
Category: Global High Yield Bond

Candriam is a pioneer SRI investment company. Candriam launched the first fund focusing on sustainable investing back in 1996. Candriam SRI Bond Global High Yield is a strategy actively managed, following a conservative approach with a special focus on Environmental, Social and Governance scoring of the global corporate universe.

The strategy invests only in issuers which our in-house SRI Team determines are the 70% Best-in-Class within their industry sectors on two groups of measures, Macro and Micro. Roughly 8% of the universe is excluded based on Norms-based and Controversial Activities checks. We combine our high yield philosophy with an ESG analysis that includes only those issuers determined to be Best-in-Class responsible companies. We believe in active engagement and ownership.

The objective is to offer an investment in an ESG best-in-class portfolio that provides returns close to the usual high yield indices. As the ESG best-in-class filtering concentrates on the higher quality ratings, the portfolio might not systematically reach or exceed the return of such indices.

We develop a high-conviction portfolio of roughly 50-100 issuers, versus the almost 1100 names in the reference index. The portfolio includes two buckets:

- The Core Bucket of 80% to 100% of the portfolio consists of index names.
- Diversification Bucket of 0% to 20% of the portfolio includes off-index Investment Grade names and/or single-name CDS.

The strategy was launched in September 2017, building on Candriam´s long experience in the HY asset class. Thomas Joret is the Lead Portfolio Manager for the Candriam SRI Bonds Global High Yield Fund and Philippe Noyard is the Co-lead manager.

KEMPEN EURO SUSTAINABLE CREDIT FUND

Alain van der Heijden
Head of Credits at Kempen Capital Management

ISIN: LU0986646882
Category: EUR Corporate Bond

In 2014, Kempen launched its Euro Sustainable Credit Fund. This fund builds on the conservative, active approach of our flagship fund – the Euro Credit Fund, launched in 2008 – albeit with stricter exclusion criteria based on the type of activity a business is involved in and its corporate behavior. The fund was awarded the Belgian Febelfin and the French ISR sustainability labels in 2019.

The Kempen Euro Sustainable Credit Fund has exactly the same investment philosophy and process builds on the investment process we developed in 2008 for the Kempen Euro Credit Fund. We are active managers, which enables us to take advantage of volatility and dislocations in the credit market, whilst still protecting our portfolios against deteriorating credits. We construct our portfolios using a combination of a top-down and a bottom-up approach. Instead of taking a few highly concentrated positions in the portfolio, we prefer a large number of smaller, well diversified positions. The aim is to limit the downside, whilst delivering excellent performance and a superior information ratio.

ESG is an integral part of our investment process, and is based on three pillars: integrate, engage, exclude.

- **Integrate:** Our bottom-up fundamental assessment not only focuses on the business and financial profiles of companies, but also on their ESG profile. If we deem a company to be lagging its peers on ESG or identify significant ESG risks we either demand a higher premium on its debt, start an engagement with the company to share our concerns and push for change, or avoid an investment in the company altogether.
- Diversification Bucket of 0% to 20% of the portfolio includes off-benchmark names from with minimum rating CCC+ and including investment grade, currencies other than the Euro, and/or single-name CDS.

MIROVA GLOBAL GREEN BOND FUND

Bertrand Rocher
Senior Credit Analyst at Mirova

ISIN: LU1472740502
Category: Global Bond

Launched in mid-2015 with €63m of asset under management, Mirova Global Green Bond Fund was then amongst the very first fixed income portfolios, across the globe, constituted only of green bonds, mainly from European, North American and Asian issuers. The actively-managed fund now amounts to €256m.

With that product, Mirova wanted to provide clients with the possibility to invest in a then-nascent, albeit promising, asset class and enable them to generate clear environmental impact, with a unique transparency on how their funds would be invested, be that on renewable energy, clean transportation or low energy buildings. In the absence of homogeneous definition for green bonds, the challenge consists in making sure client money will really end up being directed towards such green projects and assets, contributing to the transition towards a low-carbon, sustainable and profitable economy. Mirova is consequently dedicating important resources to check the accuracy of any of the green bonds offered in the market, with a team of ten ESG* analysts who work hand in hand with portfolio managers, themselves monitoring the risk reward of their investments to fuel the fund returns. When a corporate company, a financial institution, an agency or a sovereign state plans to issue a green bond, at least one Mirova analyst meets with their representatives and conducts a review of the framework they have designed: if he or she is driven to the conclusion that the so-called green bond does not match our criteria, it is not eligible to Mirova Global Green Bond Fund. This deep work is the best way to preserve both the integrity of the portfolio and the economic interests of our clients. Issuance of green bonds has unceasingly kept up expanding: at a time when this success is attracting more players, Mirova analysts and portfolio managers stick to their disciplined approach, that of the pioneers.

BGF ESG MULTI-ASSET

BlackRock


Jason Byrom & Conan McKenzie
Portfolio managers at BlackRock

ISIN: LU0093503497
Category: Moderate Allocation - Global

The first quarter of 2020 saw a historic market downturn. Amid this volatility, sustainable strategies demonstrated their resilience, and investor preference for sustainability increased." "Research by BlackRock has established a correlation between sustainability and traditional factors such as quality and low volatility, which themselves indicate resilience. As a result, we would expect sustainable companies to be more resilient during downturns.

The ESG Multi-Asset Fund follows an asset allocation policy that seeks to maximise total return in a manner consistent with the principles of environmental, social and governance "ESG"-focussed investing.The Fund invests globally in the full spectrum of permitted investments including equities, fixed income transferable securities (which may include some high yield fixed income transferable securities), units of undertakings for collective investment, cash, deposits and money market instruments.

ECO ADVISORS ESG ABSOLUTE RETURN FUND

Ethical Capital Opportunity ECO Advisors

Tristan Elwell
Co-Founder and Portfolio Manager at ECO Advisors

ISIN: LU2002381171
Category: ESG Absolute Return

"Ethical Capital Opportunity Advisors Limited (ECO Advisors) is a boutique asset manager founded in 2018 and based in London. Our ambition is to be the leader in data-driven ESG investing.

What makes us different is our dedicated focus on ESG considerations first and foremost. ESG is at the centre of our investment process, complemented by a disciplined approach to portfolio construction and risk management.

Using our proprietary ESG data-driven stock selection process, we invest in a globally diversified book of ESG best-in-class companies or companies exhibiting improving ESG metrics, while taking similarly diversified short positions in ESG laggards and firms that demonstrate deterioration in ESG metrics.

Our research demonstrates that companies who lead in material ESG factors tend to be better managed, both operationally and financially. We also find that they tend to have superior corporate risk management as well as stronger balance sheets, and consequently are typically better to withstand unexpected shocks.

In contrast, companies that ignore ESG considerations tend to be less operationally robust, often use more "financial engineering" to deliver shareholder returns and are often more vulnerable to legal, political and other external shocks. We believe the market will increasingly assess companies on this basis and price further differentiation, and the COVID-19 crisis has offered a powerful test of this thesis.

Our flagship fund Protea UCITS II - ECO Advisors ESG Absolute Return UCITS, launched in July 2019, is a diversified, market neutral global equity strategy designed to capture ESG alpha with a low correlation to overall equity market returns. We target a gross return of 6% to 7% with 4% to 5% volatility.

ECO Advisors is committed to ESG at the corporate level and is a member of the UNPRI and the UK Sustainable Investment and Finance Association (UKSIF). Our fund has also achieved LUXFLAG's ESG applicant fund status."

Insurance against future cases: How to hedge positions

CDO- how small insurance packages can reap giant rewards

The Coronavirus and the market impacts related to it came as a shock to all. Markets fell collectively, and asset prices dropped substantially. Yet some funds with limited input costs managed to profit immensely.

Most of the funds that made profits did so through CDO's where they bought cheap financial contracts where they profit if the creditworthiness of the underlying entity diminishes significantly. These financial instruments trade at ridiculously low prices (Pershing Square paid 25 Million for a contract in October that paid off 1.5 Billion last week) due to the market not factoring in collapse as a real possibility. These insurance products are an extremely cost effective mechanism at combating dramatic market fluctuations.

When we look back over the past 15 years we see that this trade worked well in 2007 as well. In cases popularized by the film The Big Short we saw traders utilizing the same financial instruments to make massive profits when the real estate bubble in the United States fell off.

It seems as if CDO's as well as large positions in metals, or their mines offer great upside when markets collapse.Yet have minimal cost to funds while markets are moving up. If this is the case why aren't more funds taking advantage of these hedged positions to cover them from massive losses?

Following is a collection of these profitable trades made in tough market conditions from the funds that made them. An understanding of the past will lead to better results in the future. Take heed of these trades and augment them to profit in the future.

Sir Michael Bunbury

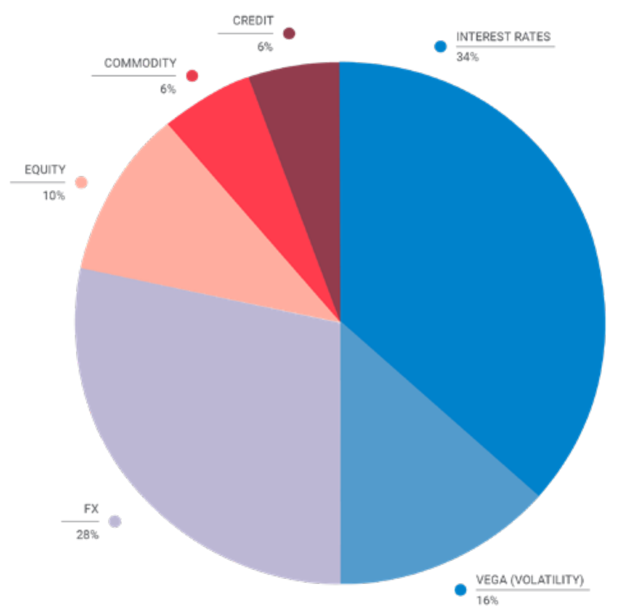
Chairman of BH Global

BH Global invests solely in the Brevan Howard Multi-Strategy Master fund and seeks to deliver strong risk-adjusted returns in all market conditions. In a risk-off environment, BH Global is very often inversely correlated with risk assets such as equities. In this environment, BH Global operates as a safe harbour and offers the prospect of absolute returns.

In Q1 2020, the majority BH Global's risk exposure was to interest rates, volatility and foreign exchange with low exposure to 'traditional' assets such as equities, credit or commodities. This helped BH Global record its best-ever monthly performance in March, rising 12.4%.

UNDERLYING STRATEGY EXPOSURES

BH GLOBAL: EXPOSURES AS AT 31 MARCH 2020



Source: Brevan Howard

What the chart doesn't illustrate is the dynamic nature of the traders' exposures within different asset classes and Brevan Howard's exceptional risk management framework. Indeed, one of the characteristics of BH Global is its **ability to generate returns and avoid large losses irrespective of the direction of markets.**

By taking a probabilistic view on how the economy and markets may evolve, and by comparing that to what the market is currently pricing, macro traders seek to position a range of attractive trades with convex (or asymmetric) payoffs.

Where markets are pricing a narrow chance of an event happening, but a trader views it as more evenly balanced, the trader may decide to structure a trade to benefit from market mispricing.

History provides some interesting examples of **how BH Global has performed as a portfolio hedge and safe harbour.** In the final few months of 2018, while the MSCI AC World index fell 17.4%, the Net Asset Value per share of BH Global was down just 0.7%. During the sell-off in July-October 2011, while the MSCI AC World endured a peak-to-trough fall of 21.7%, BH Global's NAV gained 4.0%.

Scenario analysis Brevan Howard prepared at the end of February suggested BH Global would make good gains in both a Lehman-style collapse and if the EU implemented a new QE scenario. This illustrates the sort of optionality which Brevan Howard traders build into their books and shows that BH Global can make strong gains from diametrically opposed outcomes.

The first quarter of 2020 showed Brevan Howard being highly dynamic in adjusting exposure and managing risk. In early February, BH Global had long exposure to short-term interest rates (thus benefitting from the cuts), with a view that the US economy was likely slowing but the market was not pricing in this eventuality.

Then, in the second half of February Brevan Howard's traders increased their long positions in US and global interest rates. They also added relative-value positions which would benefit from other investors adopting a 'risk off' position and some traders used options to short equities, credit and oil.

Jorry Nøddekær
Fund Manager at Polar Capital Emerging Market Stars Fund

Less than six months into the pandemic, we are asking about the possibility of a second wave. Even if there is, we believe the stocks we hold have strong staying power and expected profitability over the medium term that fits our valuation framework.

Our view is for a **V-shaped recovery in the US**, its recovery starting in H2 2020 and on trend in 2021, still allowing for the likes of the travel and restaurant industries (where we have no exposure) a longer period to recover. Economists are referring to a '90% economy' in the US and our take on this is that **a 90% recovery will be acceptable given the situation we are in now.** It is a risk over the medium term, and will be a real risk if the other 10% does not recover within 18-24 months, but we still believe in people and their ability to adapt and be innovative and we therefore believe that in 12-18 months things will look a lot better.

This is hardly a consensus view so are we being overly bullish? Put simply, we think this is a crisis of short-term demand and liquidity which started out as a supply-side crisis thanks to COVID-19. This will only become a structural issue if it develops into a solvency crisis for the healthy parts of the economy. We have no more foresight than anyone else but believe we will avoid this thanks to an unprecedented response from policymakers who have learned valuable lessons from the global financial crisis with liquidity getting to where it is needed. The US recovery, even to 90%, should be enough to generate the demand we need for our bottom-up argument in Asia to perform well.

We are pleased to have delivered a strong relative performance since launch in June 2018, particularly given the number of tailwind events in that time including the US/China trade war, a weakening growth environment and now the COVID-19 pandemic. Our clear, long-term focus on specific company attributes has helped us and, furthermore, we have high conviction in the quality of the portfolio from an ESG perspective thanks to our integrated ESG process **which incorporates ESG analysis in a quantitative and systematic manner into our Economic Value Added (EVA) framework.**

Crisis of short-term demand and liquidity which started out as a supply-side crisis thanks to COVID-19.

ETFs to park cash

Increasing interest towards passive investing

Exchange-traded funds have become tremendously popular because they allow investors to quickly own a diversified set of securities, such as stocks, at a low cost. Many could ask why should investors choose ETFs? ETFs have lower management fees. They are more favorable in regard to taxes; by buying and selling in "like-kind exchanges," ETFs avoid a taxable event, which avoids the daily redemption costs that funds incur and minimizes capital gains taxes. ETFs invest in a portfolio of separate companies, typically linked by a common sector or theme. Investors simply buy the ETF in order to reap the benefits of investing in that larger portfolio all at once. We believe that the key in investing in ETFs is that you shouldn't invest in ETFs that you don't understand. Read both the ETF's summary prospectus and its full prospectus. Have a handle on its historical performance, investment strategies, and risks. Some ETFs utilize super leverage and short stocks, while others concentrate heavily in specific sectors or industries. We have to remember that there's no guarantee the future will look like the past, but time has historically ironed out most of that volatility and investors have been well-rewarded. At RankiaPro, we contacted 3 ETF managers to tell us about their investment objectives and further discuss the details of this asset class. Let us present you these ETFs, where you, as an investor, can park cash.

The **Lyxor Euro Government Bond 1-3Y (DR) UCITS ETF** – Acc (MTA FP) is an exchange traded fund that gives its holders access to the risk and returns of a diversified pool of bonds issued by Eurozone countries with a remaining time to maturity of 1 to 3 years. The ETF, which was created in September 2005, replicates the Bloomberg Barclays Euro Treasury 50bn 1-3 Year Bond Index, an index composed exclusively of short dated, highly rated and very liquid bonds, comprised of 71 bonds across all investment grade rated Eurozone countries. The fund has a duration of 2,03 years and returned -0,59% on a 1-year basis up to the end of April 2020 (source: Bloomberg). The fund's total assets under management amount to 730 million EUR and has an annual TER of 0,165%.

The Lyxor Smart Overnight Return UCITS ETF - EUR (CSH2 FP) is a UCITS compliant exchange traded fund that aims to achieve short term returns higher than the benchmark rate EONIA with extremely low volatility. The Eonia rate is an effective overnight interest rate computed as a weighted average of all overnight interbank assets transactions in the interbank market in Euros. The fund is actively managed and invests in a diversified portfolio of financial instruments and repurchase agreements, in an environment of strict risk and liquidity monitoring. The fund's inception date was March 2015 and during the past year, up until the end of April 2020, the fund returned -0,42% (Source: Bloomberg). The fund's total assets under management amount to over 1500 million of EUR and has an annual TER of 0,05%.

Pedro Coelho
Head of ETFs Iberia & Latin America at Lyxor Asset Management

The ETF replicates the Bloomberg Barclays Euro Treasury 50bn 1-3 Year Bond Index, an index composed exclusively of short dated, highly rated and very liquid bonds, comprised of 71 bonds across all investment grade rated Eurozone countries.

Nina Petrini

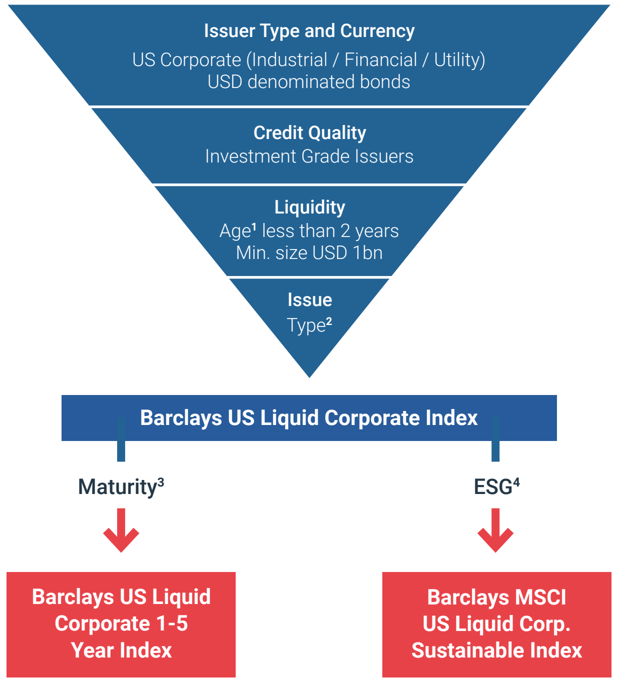
Head of Passive & ETF Specialist Sales Iberia at UBS Asset Management

UBS liquid corporate ETFs are the competitive and appealing solution for Fixed income markets in the US and Eurozone, defined by high credit quality and liquidity requirements.

- Bloomberg Barclays Liquid Corporate Indices have been designed together with UBS AM to target liquid subset of broader corporate segments.
- The objective of the liquid index is to measure the performance of the bonds "on-the-run" across sectors.
- The liquid benchmark preserves largely diversification across sectors and it keeps similar credit profile.
- The focus in on issuer domicile, which aims to mitigate country risks from the bond exposure.
- The Fixed Income UBS ETFs are not in security lending program.
- Managing currency risk: Share classes available with and without currency hedging

UBS ETF Liquidity Corporates integrates the Barclays corporate bond indices, which are defined by applying filters as shown in figure below. Selected bond indices consist of corporate, investment-grade rated issuers and fixed-rate bond issues. The issuer domicile is the US and the bond is denominated in USD (equivalently, eurozone domiciled issuers and EUR-denominated bonds apply for the Barclays Euro Area index).Bonds in the index are priced on a daily basis by a combination of index provider, market makers and third-party sources. Only bonds meeting pre-defined liquidity criteria are eligible.

BARCLAYS US AGGREGATE INDEX



[1] *Time since bond issuance (eurozone: age less than 5 years)*
[2] *Fixed-rate coupon, senior & subordinated issues*
[3] *1 to 5 remaining years to final maturity*
[4] *MSCI ESG eligibility criteria*

The Barclays Liquid Corporate Index also serves as a basis index for defining sub-indices that focus either on a certain maturity range (e.g. 1-5 years) or which select the corporate issuers with a high ESG ranking. Various currency hedged or different dividend distribution shares classes are also available.

Corporate Bonds EMU	Replication
UBS ETF (LU) Barclays Euro Area Liquid Corporates UCITS ETF	Physical
UBS ETF (LU) Barclays Euro Area Liquid Corp. 1-5 UCITS ETF	Physical
Corporate Bonds	**Replication**
UBS ETF (LU) Barclays US Liquid Corporates UCITS ETF	Physical
UBS ETF (LU) Barclays US Liquid Corporates 1-5 UCITS ETF	Physical
Corporate Bonds EMU Sustainable	**Replication**
UBS ETF (LU) Barclays MSCI Euro Area Liquid Corp. Sustainable UCITS ETF	Physical
Corporate Bonds USA Sustainable	**Replication**
UBS ETF (LU) Barclays MSCI US Liquid Corp. Sustainable UCITS ETF	Physical

Jason Simpson

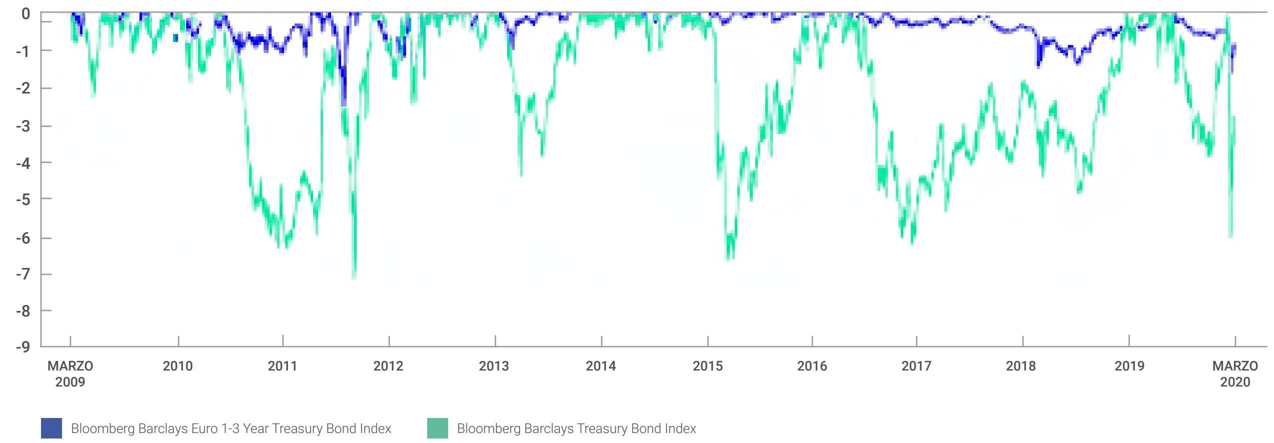
Senior Fixed Income ETF Strategist at State Street Global Advisors

Given the uncertain economic landscape, many investors have been looking for places to keep cash until the outlook becomes clearer. For those investors wary of further volatility, the SPDR Bloomberg Barclays 1-3 Year Euro Government Bond UCITS ETF still looks like a relatively safe place to invest. We note several key reasons to consider this fund:

- **Short maturity and duration.** The fund has a duration of less than two years. And with the ECB likely to keep its policy rate at current levels for the foreseeable future, there are limited risks that yields rise for short maturity bonds. In the event that yields do start to rise, the fund has a low price sensitivity to rates and so is a better one to hold than a long maturity fund.
- **A safe place.** In addition to pledges to keep rates low for an extended period, the ECB's asset purchase programme should also keep government bonds well supported. The aim of ECB policy is to keep government bond yields low and hopefully to compress the spreads between core and periphery issuers.
- **Broad exposure.** The fund provides broader exposure to investment grade eurozone sovereign debt compared to some of its peers, with 77 different bonds from 15 issuers.
- **Drawdown protection.** As the chart below illustrates, over the past decade the index tracked by the ETF has experienced relatively limited drawdowns.

While the potential for price gains looks limited, this ETF is about capital preservation. Many investors have adopted this preservation mindset, as reflected by the approximately EUR 500 million of inflows into this ETF year to date. These flows have brought the fund's AUM to more than EUR 1.4 billion, making it one of the largest in its category and thus providing investors potentially better liquidity and tighter bid-ask spreads.

EUR DRAWDOWN COMPARISON



PERFORMANCE

	1 Month (%)	3 Months (%)	YTD (%)	1 Year (%)	3 Years (%)	5 Years (%)	Since Inception (%)
SPDR Bloomberg Barclays 1-3 Year Euro Government Bond UCITS	-0.43%	-0.39%	-0.39%	-0.34%	-0.22%	-0.13%	1.02%
Bloomberg Barclays Euro 1-3 Year Treasury Bond Index	-0.42%	-0.35%	-0.35%	-0.18%	-0.06%	0.03%	1.17%
Difference	-0.01%	-0.04%	-0.04%	-0.16%	-0.16%	-0.16%	-0.15%

SPDR Bloomberg Barclays 1-3 Year Euro Government Bond UCITS

Bloomberg Barclays Euro 1-3 Year Treasury Bond Index

PASSIVE INVESTING

Gold

Safe-haven assets during crisis

Precious metals funds have stood the test of time as investment vehicles. Moreover the metals themselves outlast any modern currency by thousands of years. They were the backbones of economies as far back as 600 BCE and still hold weight today.

Some investors buy up the metals as stand alone entities through the purchase of gold or silver bullion. While others invest in precious metals funds similar to the ones profiled ahead. The key differentiator between the purchase of the bullion and investing in a fund is the breadth of investment. When investors buy into precious metals funds they are investing predominantly in mining operations. This mode of investment offers relatively higher rates of return and more flexibility.

Both gold and silver are seen as hedges against adverse market conditions due to their inverse correlation to inflation. This in the short term offers investors a reprieve in tumultuous times. However precious metals funds are so much more than a hedge against tough market conditions.

With a rise in utility across sectors from the metals to increased uncertainty surrounding major currencies these asset classes are set to blossom. Tracking recessions since 1960 we can see very clearly that in the first five years following an entrance to a bear market precious metals substantially outpace the S&P 500. And we at RankiaPro see no reason for that not to take place again.

It's quite possible in 10 years we will look back and call 2020 the year of gold and silver. Here following are introductions to and explanations of the best gold and silver funds in Europe. An outline of how you can diversify your portfolio in a trying and volatile time.

Nicolas Fragenau
Head of ETF product specialists at Amundi

Gold has an important role to play in times of uncertainty. What many people do not know is that instead of investing in coins or bullions, there is a cost efficient, easy and transparent way - in accordance with environmental and human rights standards - to add this precious commodity to their portfolio.

When prices on the stock exchange fall, gold moves into the focus of investors. It is therefore not surprising that gold ETFs and ETCs attracted record inflows of funds in the first quarter of 2020 according to the World Gold Council. Gold is uncorrelated to other asset classes offering a potential hedge against uncertainty, and a source of diversification that few assets can match.

Low-cost exchange trading combined with the security of a physical deposit

Gold ETCs that efficiently track the performance of gold are becoming increasingly popular among investors. **The Amundi Physical Gold ETC**, the lowest-cost Gold ETC in Europe that is offered at the unbeatable rate of 0.15% bps, is a simple and transparent way to gain exposure to gold prices.

Moreover, the Amundi Gold ETC is 100% backed by allocated gold through a unique swing bar function. All bullion is vaulted securely with HSBC Plc, providing investor access to the advantage of liquid and low-cost exchange trading combined with the security of a physical gold deposit.

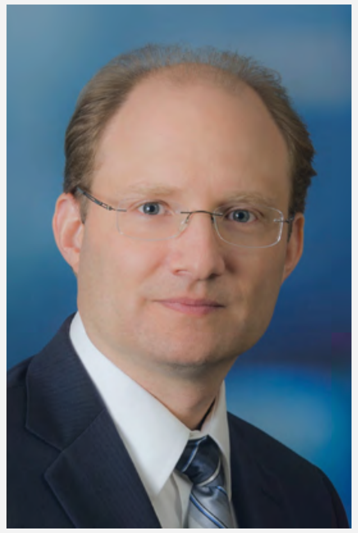
Environmental and human rights standards

A further plus point is the environmental and human rights standards of the Amundi Physical Gold ETC, which is the 1st ETC to target 100% post 2012 gold, aiming to only hold bars compliant with the « Responsible Sourcing Program » of the London Bullion Market Association (LBMA).

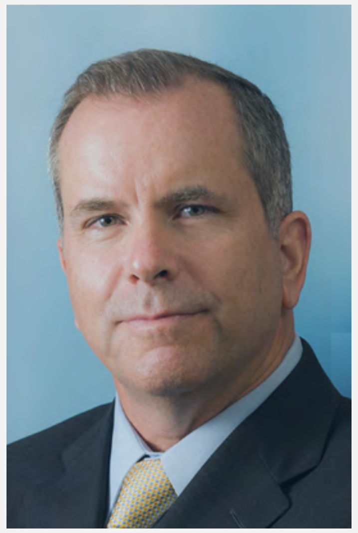
The program, based on the OECD Due diligence guidance, was launched in 2012, set up to formalise existing standards for refiners' due diligence. This standard includes measures to combat money laundering, terrorist financing and human rights abuses globally, and is supported by annual audits by a third party.

Thus, Amundi Physical Gold ETC offers a transparent structure with a full gold bar list published online, even outlined the year that the bullion was refined.

A further plus point is the environmental and human rights standards of the Amundi Physical Gold ETC, which is the 1st ETC to target 100% post 2012 gold, aiming to only hold bars compliant with the 'Responsible Sourcing Program' of the London Bullion Market Association.



Stephen Land
Portfolio Manager at Franklin Global Advisers



Fred Fromm
Portfolio Manager at Franklin Global Advisers

Living up to its reputation as a haven during turbulent times, **spot gold appreciated during the January–March period** (+3.9%, to US$1,577 per troy ounce) and posted a sixth consecutive quarterly gain, the longest run since 2011. Bullion prices rose as traders weighed the effectiveness of myriad measures aimed at mitigating the economic impact from the coronavirus, with gold reaching a seven-year closing high of US$1,680 on 9 March. A broad array of financial, geopolitical and economic dislocations emerged as the impact of COVID-19 spread around the world, and analysts saw the incoming raft of fiscal stimulus measures and monetary easing from central banks underpinning further gains in bullion. The first quarter was mixed for other precious metals: silver fell 21.7%, platinum dropped 25.2%, while palladium advanced 21.5%; palladium soared to new record highs, topping out at US$2,866 an ounce on 27 February. The fund held more **exposure to small- and middle-capitalisation stocks than the FTSE Gold Mines Index**, including many single-asset miners and pre-production gold companies that are ramping up through the development phase.

Newmont (formerly Newmont Goldcorp) was the fund's biggest relative detractor versus the index, just as it was in the fourth quarter of 2019.Junior gold exploration company Skeena Resources was the fund's only significant outlier to the upside, while all other major relative contributors posted net losses for the quarter. Gold briefly recovered from the sharp selloff at the end of February before being pulled lower amidst the global market selloff mid-March. It then managed to recover during March's final trading days to deliver a positive return for the first quarter. **Physical gold held globally by exchange-traded funds (ETFs) increased by 7.6 million ounces in the quarter**, bringing total holdings to a new all-time high of 90.5 million ounces—surpassing the previous peak in December of 2012 (82.7 million ounces). March alone saw an increase of 3.6 million ounces despite the mid-month liquidation, and buying interest seemed to be accelerating into April. **Gold equities remain closely correlated to gold bullion**, but with higher beta, continuing a trend seen over the past few years. Many gold-focused companies struggled to generate free cash flow in a US$1,250-per-ounce gold environment as total costs for many producers are close to that level, according to our analysis. Mining costs tend to be relatively fixed, so higher gold prices can flow straight to the bottom line, and the move well above US$1,500 should provide a significant lift in cash flow for the entire industry.

Following a very energetic fourth quarter, new merger-and-acquisition (M&A) activity was muted in the first quarter of 2020. In January, Northern Star closed its acquisition of a 50% interest in Newmont's Super Pit mine in Australia. Endeavour Mining's proposed business combination with Centamin did not move forward as the companies were unable to agree to terms, but in late March Endeavour did announce a friendly acquisition of Semafo. Kirkland Lake closed its merger with Detour Gold in early February.

QUARTERLY KEY PERFORMANCE DRIVERS

	Stocks	Industries
HELPED	Newcrest Mining (Underweight)	–
	Kirkland Lake Gold (Underweight)	–
	Agnico-Eagle Mines (Significant Underweight)	–
HURT	Newmont (Significant Underweight)	Gold (Stock Selection)
	Impala Platinum Holdings (Off-Benchmark Exposure)	Precious Metals and Minerals (Off-Benchmark Exposure)
	Barrick Gold (Significant Underweight)	Diversified Metals and Mining (Off-Benchmark Exposure)

Source: Franklin Templeton

Eric Strand
Founder and Manager of AuAg Silver Bullet Fund

Silver is a metal with high resistance to corrosion and oxidation and has the best thermal and electrical conductivity of all metals, which makes the white noble metal indispensable in our high-tech and green world. There is a broad-based and diverse range of uses for silver in all sorts of technologies, including solar panels, mobile phones, EVs and water purification, among other things.

Stock Selection Process, Silver in Focus:

- Focused portfolio 25-30 holdings
- Equities with high liquidity, traded on US/LN-exchanges
- Safe jurisdictions for mining operations
- Output-Relation Silver versus Gold
- High quality management

AuAg Silver Bullet is the first silver-focused long-only equity fund in Europe. Perhaps "Europe´s riskiest fund" if you look solely on risk classification (7/7).

Gold represents the perfect stabilizer for a portfolio in the short term and silver -and gold-related stocks tend to exhibit low correlations with the broader equity market in the long term. AuAg Silver Bullet, therefore, is designed to provide benefits beyond attractive returns, such as improved portfolio diversification.

The price development of the yellow metal has historically driven the price of silver as well. More importantly - in a bull market for precious metals, silver normally outperforms gold and silver miners outperform gold miners. This phenomenon partly explains AuAg Silver Bullet's focus on silver and silver miners, which differentiates the fund from other players in the field.

The price of silver is historically very low compared to the price of gold and because of fairly inelastic silver mining output (as most silver comes as a byproduct of mining other metals such as gold, copper or zinc) and a looming physical silver shortage, "the dynamics for very high prices and a sweet spot for focused silver miners are in place".

Todays unprecedented money printing environment offers a great setup. Gold and silver are the only currencies that do not require a counterparty signature. Credit instruments and fiat currencies depend on the creditworthiness of counterparties. Also by trying to solve a debt problem with more debt, the problem will just grow. The world's mounting debt levels are fundamentally positive for gold and silver prices.

Because much capital has flown into equity and bond markets in recent years as a result of cheap money, investor capital may leave these richly-valued markets in pursuit of cheaper alternatives and create a large rotation in to commodities and precious metals in particular.

For all these reasons we expect AuAg Silver Bullet to thrive in our new decade – the 20´s.

Todays unprecedented money printing environment offers a great setup. Gold and silver are the only currencies that do not require a counterparty signature.

Philanthropic endeavours

Philanthropy involves charitable giving to worthy causes on a large scale. Philanthropy must be more than just a charitable donation. It is an effort an individual or organization undertakes based on an altruistic desire to improve human welfare. We choose this topic to be in our Privy-to section, because, we at RankiaPro believe that in times of crisis that we are living right now, it is extremely important to help others and make a difference. There's no greater feeling, no greater satisfaction, than knowing you're making a difference. But giving back to the community you live in is also good for business. Think about it.

Philanthropy helps build relationships with clients and potential clients. It helps build and support your brand. It promotes employee engagement. And let's face it: good corporate citizens want to do business with others who share their values. We had in mind this quote when we thought of an important section to include in our magazine "A well-developed philanthropic program will resonate with clients on a deep, emotional level that goes beyond any creative ad campaign" hence we asked professionals to elaborate their feelings and thoughts about this topic.

Christine Kolb

Cofounder of Sycomore Asset Management

Since 2011, Sycomore Asset Management has been engaging with companies to help them improve their **corporate social and environmental performance, an approach that is fully consistent with our mission as a responsible investor** – investing to build a more sustainable and inclusive economy, and generate positive impacts for all our stakeholders.

To achieve this, the founders and staff of Sycomore AM, with enthusiastic support from the Sycomore Corporate Finance teams decided to create The Sycomore Foundation in 2014. Sycomore AM provides the human resources needed to support these projects and allocates 1% of its operating income to the Foundation every year.

This is a company-wide project and all members of staff can dedicate up to 3 days each year to work on the initiatives supported by The Foundation.

Through their investment duties and collaboration with management teams, Sycomore's teams enjoy a 360° view of the corporate world and the fabric of the European economy. The aim is that this knowledge, experience and extensive network can help develop bridges between young people and the corporate world.

As a responsible investor, Sycomore intends to develop long-term partnerships with the charities it supports.

In 2019 and 2020, **The Sycomore Foundation has been working with around twenty associations – providing financial and human resources**, with team members taking an active part in various projects. For example, The Foundation has developed a mentoring programme with pupils from a disadvantaged suburban school in partnership with the United Way-L'Alliance association, a project which has now been running for 6 years.

The Sycomore Foundation has also partnered up with La Fondation pour l'Ecriture (supporting literacy), EPIC (combatting childhood inequality), Sport Dans la Ville (urban sports), la Fondation Entreprendre (supporting young entrepreneurship) as well as 20 Ans 1 Project (helping sick children), Massajobs (tackling unemployment in Marseille) and Chemins d'Avenirs (helping young people from rural areas in France).

More recently, **in response to the Coronavirus crisis, the Sycomore Foundation has supported medical research and the men and women on the front line,** responding to the call from H24 Finance to back 'Tout Unis Contre Le Virus' (United Against the Virus), an alliance between Fondation de France (leading French charity), AP-HP (Paris public hospitals) and The Pasteur Institute.

Eric Strand

Founder and Manager of AuAg Silver Bullet Fund

Being a creator and manager of funds is a passion of mine. The funds are more than investment vehicles. Gold and silver that defend the value of hard earned money would not be important at all if we had a system with sound finances. Today the system is running the printing presses to the peddle and creating unlimited debt for our grandchildren to handle in the future. **The second best solution to sound finances is for investors to invest and protect themselves with exposure to gold and silver.**

Therefore AuAg Silver Bullet and the upcoming fund, AuAg Green Gold, have a passionate mission. Besides being a creator and portfolio manager of funds I am nowadays a dedicated yoga practitioner and also teaching what I call strong-yoga once a week giving me a strong foundation.

In life there are some things where you do not lose anything by giving - like friendship, love and knowledge. This is more important than giving money helping somebody. We should strive to encourage the passion of being free. Nobody should own you and that includes the company where you may work and the state where you may be born or live. With the basic love of freedom people will by themselves have the wish to prosper in the (our) future.

When thinking of how to help people **we have to foster and inspire our young and needing people** so that they think (and say) "Do not give me fish, teach me how to fish instead". We can prosper through human innovation and a free world. "Liberté, Egalité, Fraternité" must be in our genes.

In a crisis like we have now I hope everybody will try to learn something for the future. "The injury is a teacher" – which means, after your preconditions, before next crisis:

- Enjoy life before (nobody can take that away from you)
- Optimize your physical health before
- Optimize your mental health before
- Optimize your/your company economy before

Today as in 2008 we save too many bad companies and nobody learns to prepare for risk. You are a looser if you save money for bad times, playing defensive during the good years. The bubble creators get saved. Again we do not give our people the lesson and of course it will be worse next time.

We think the state should save us and everything – but the state is not something on its own with a lot of free money – **we the people are the state.**

So for me Philanthropy is about giving inspiration and knowledge so that we all live with a burning passion. Doing as much as possible with passion – should become a state of mind. Then we will all thrive.

Credits

- **Marie Owens Thomsen**, Global Chief Economist at Indosuez Wealth Management
- **Samy Chaar**, Phd, Chief Economist at Banque Lombard Odier
- **Mussie Kidane**, Head of Fund and Manager Selection at Pictet Wealth Management
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