

# Global Impact Bond Fund

Managed by **David Katimbo-Mugwanya** and **Michael Sheehan**



## Dedicated to Responsible & Sustainable Investing

**Sustainable development requires a vast amount of funding per annum, of which there is currently a shortfall. An estimated \$2.1 trillion<sup>1</sup> is needed to achieve the United Nation's 17 Sustainable Development Goals in emerging market economies by 2030 in the areas of education, health, electricity, roads, water and sanitation, for instance. To achieve net zero emissions by 2050 requires approximately \$4 trillion<sup>2</sup> in clean energy transition-related investment per year. Impact Investing, by mobilising capital towards projects that address these societal challenges, bridges this gap and avails a credible means to advancing a sustainable future in a just and inclusive way.**

The **EdenTree Global Impact Bond Fund** seeks to deliver positive environmental and social impact for our clients alongside generating risk-adjusted performance over the long term.

To achieve this, the portfolio will principally invest in a global diverse mix of principally ESG-labelled green, social and sustainable bonds with use-of-proceeds provisions. Its investment universe also encompasses general corporate purpose debt issued by entities whose products or services offer tangible solutions to the world's most pressing challenges, guided by the impact pillars of Sustainable Solutions, Social Infrastructure, Health & Wellbeing and Education.

Our dual mandate requires an integrated investment approach combining in-depth fundamental financial analysis with robust assessment, measurement as well as management of the underlying issuer's impact.

### The production cycle

The fund aims to invest in fixed income instruments with demonstrable positive environmental and social impact, while delivering competitive financial returns.

**Investment Focus:** Global, Investment Grade, with minimum 80% exposure to impact instruments

**Fund Style:** Flexible, Diversified

**Distribution yield:** 2.5% target, payable quarterly

**Modified Duration range:** 5 to 10 years

**Average Credit rating:** BBB+

**Benchmark:** iBoxx Global Green, Social & Sustainability Bonds Total Return Index (GBP Hedged)

**Base Currency:** Sterling (currency hedged)

**AMC charge:** 0.55%

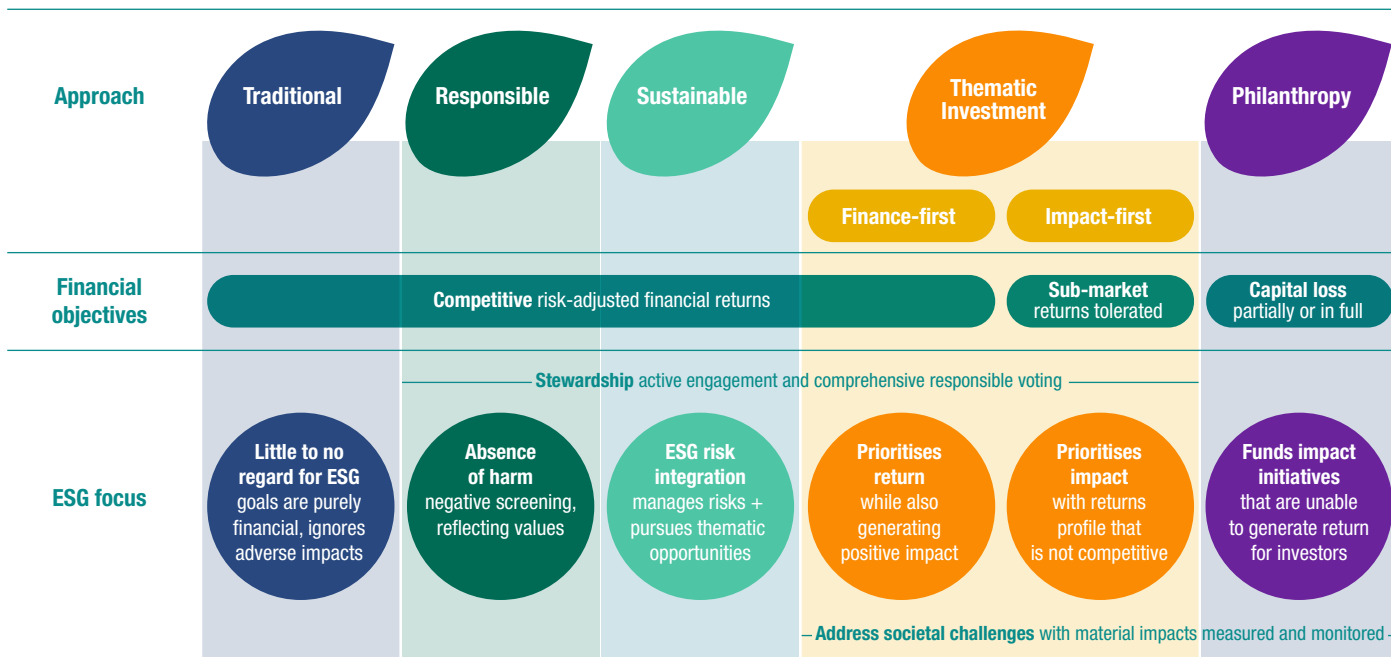
<sup>1</sup>IMF (2019): "Fiscal Policy and Development: Human, Social, and Physical Investments for the SDGs"; <https://bit.ly/3HufwOw>

<sup>2</sup>IEA (2021): "World Energy Outlook 2021 shows a new energy economy is emerging – but not yet quickly enough to reach net zero by 2050"; <https://bit.ly/3nkyiQn>

### Thematic Investing

Within the wider spectrum of environmental, social and governance (ESG) focussed capital, Thematic investing not only avoids harm but also has the specific objectives of generating positive outcomes for people and planet that are measurable, alongside market-competitive financial returns.

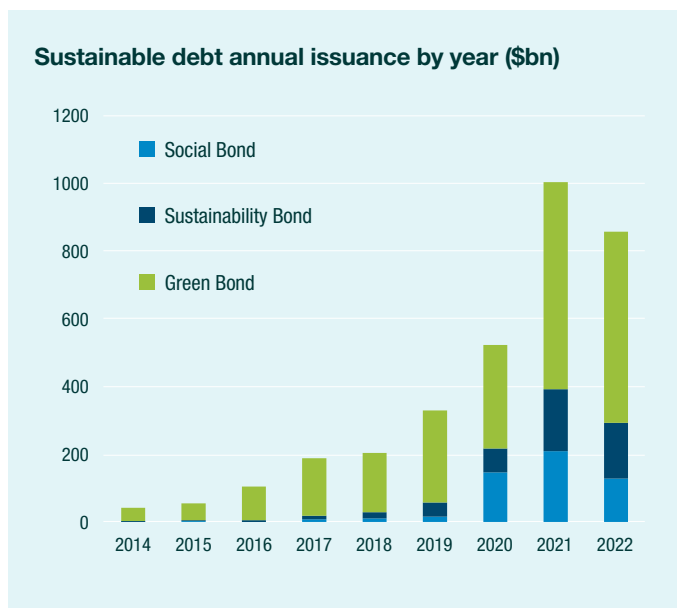
### The ESG spectrum of capital



Source: EdenTree (2022). Adapted from Bridges Fund Management (2015).

### Issuance at inflection point

The rapidly growing universe of ESG-labelled debt, whose ex-ante objectives allocate bond issuance proceeds to directly fund projects that tackle environmental and or social issues, presents a clear opportunity for fixed income investors to deploy capital intent on delivering positive impact. The scope to scale is also significant, with the International Finance Corporation estimating that investment for intentional impact represents less than 1% of investable assets and less than 7% of ESG assets<sup>3</sup>.



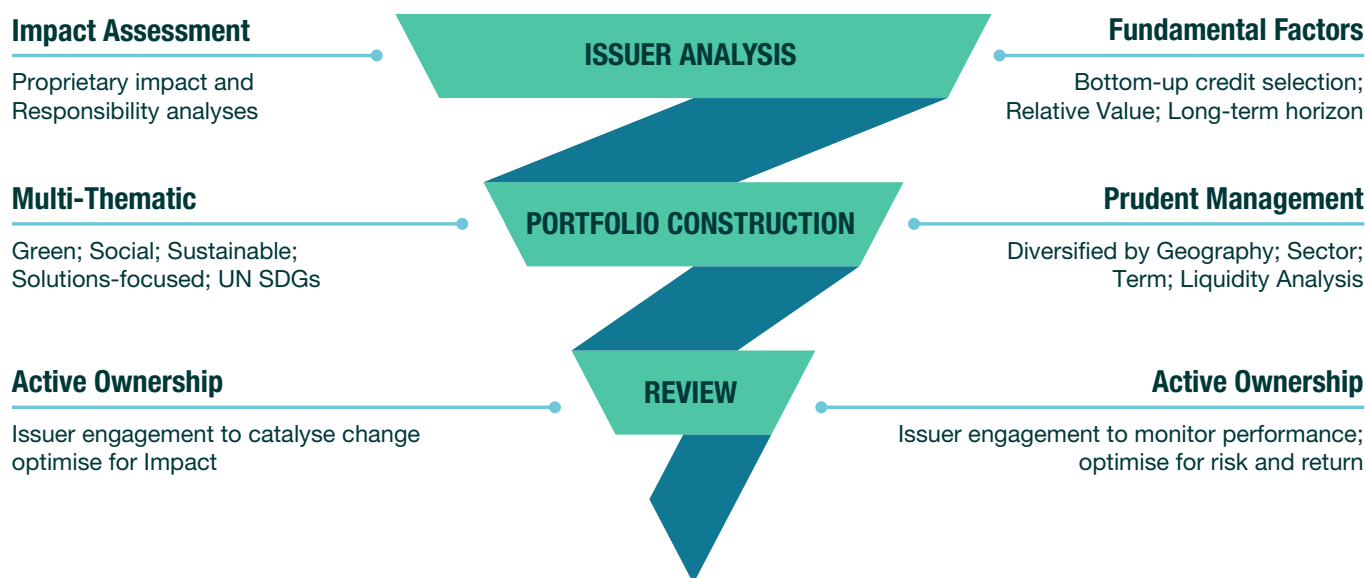
Source: Climate Bonds Initiative data as at 31st December 2022.

<sup>3</sup>IFC (2021); "Impact Investing at IFC"; <https://bit.ly/30ruiEX>

# Investment Process

## Analysis, Portfolio Construction, Review

EdenTree aim to deliver on the Fund’s impact objectives in a disciplined and transparent manner. This will include holistic analysis of the underlying debt issuers using our proprietary Impact assessment framework, combined with in-depth fundamental credit research from the outset.



Our Impact framework starts by assessing the **Intentionality** of a prospective investment. The issuer needs to have clear ex-ante objectives about the impact that the bond is aiming to generate. In gauging the issuer’s **Contribution**, we seek to establish whether the planned projects fulfil a social or environmental need that would have otherwise not been met and ideally target communities or individuals that are underserved.

Such impact outcomes must also be **Measurable** and generated in a Responsible manner. The latter screen endeavours to mitigate any adverse impacts from an issuer’s broader business activities, with due diligence integrating key risk factors and reflecting ESG values.

- INTENTIONALITY**
- CONTRIBUTION**
- MEASUREMENT**
- RESPONSIBILITY**

The four criteria are fundamental to ensuring that the Fund can deliver real world positive impact. Qualitative screening analyses, taken together with quantitative impact data outputs from the issuers, determine portfolio suitability – results of which are monitored for magnitude as well as direction of travel using best-practise approaches and applying standardised data conventions where possible.

### Idea generation: impact and responsibility

In order to create positive societal impacts that are just and equitable for all key stakeholders, we view it as imperative that debt issuers do so responsibly.

Prospective investments around EdenTree’s core impact themes of Sustainable Solutions, Health & Wellbeing, Social Infrastructure and Education have priority. Issuers that acknowledge contribution to the 17 UN SDGs are also favoured, particularly where the underlying targets or indicators are aligned.

It is worth highlighting that positive impact, in and of itself, is not the sole focus of our screening. An issuer’s overall responsibility credentials are just as important as the positive impact that they seek to generate. A failure on either aspect therefore, would preclude an issuer from our investment universe. In so doing, the Fund seeks to ensure that the issuer’s ‘net’ impact is indeed positive, particularly as recourse is typically to the issuer rather than the specific projects.



## Impact Measurement

### 360° impact assessment

The Global Impact Bond Fund adds an issuer's impact assessment as a core qualifier for investment to the traditional EdenTree Responsible screening process. Whilst we believe that this accentuates the positive impact objective of the Fund, other core attributes of Impact Investing include the measurement, monitoring and management of associated outcomes.

In a global economy in which consumers' purchase preferences are strongly influenced by sustainability, demand for impact measurement and monitoring is understandably growing. A survey conducted by CapGemini Research Institute<sup>4</sup> found that 79% of consumers are changing purchase preference based on social responsibility, inclusiveness or environmental impact of their purchases. More sustainability-related information needs to be availed for consumers to advance the sustainability agenda, with

enterprises also having a lot more to learn about sustainability, it added. Such data disclosures will ultimately further inform financial market participants of the impacts generated by the companies they invest in and enable for better management of resulting impact outcomes. Active ownership on our part enhances the ability to drive improvement in results.

Data challenges notwithstanding, a robust approach in measuring impact is of prime importance. EdenTree's Responsible Investment team, in collaboration with the Fixed Income team, conduct independent analysis and impact reporting, assessing the impact reports of each issuer held within the portfolio. We believe that such analysis will reinforce the strategy's credibility but will also help avoid misrepresentation of an issuers environmental, social and sustainable data disclosures.

### Full and transparent impact reporting

The Fund commits to providing transparency on the outcomes of its investments via annual carbon footprint and impact reporting.

EdenTree's thought-leadership research draws on a depth of expertise that has built up over 35 years. These include EdenTree Insights, Responsible Investment (RI) Expert briefs & opinions and Engagement Activity reports from our teams, which help to inspire and inform real investment decisions.



<sup>4</sup>Capgemini Research Institute (2020): "Consumer Products and Retail – How sustainability is fundamentally changing consumer preferences"; <https://bit.ly/3BdajrU>

## The EdenTree Team

### A highly experienced sustainability-orientated investment team

The Global Impact Bond Fund is co-managed by David Katimbo-Mugwanya and Michael Sheehan. Both have a strong pedigree of managing fixed income assets, meaning their combined skill set presents a powerful and authentic track record of sustainable and responsible investing.

David and Michael can also harness the diverse skills and experience of EdenTree's wider equity and fixed income investment managers and dedicated responsible investment team, share research insights, generate ideas and analyse opportunities.



#### David Katimbo-Mugwanya Head of Fixed Income

David leads on EdenTree's responsible and sustainable fixed income strategies, including the Sterling Bond Fund, the Short-Dated Bond Fund and co-manages

the Global Impact Bond Fund. David joined EdenTree in 2015 and possesses over a decade of investment expertise across sovereigns, corporate debt and money markets.



#### Michael Sheehan Fund Manager

Michael joined the EdenTree Fixed Income team in 2021 and is responsible for co-managing the Global Impact Bond Fund. Michael joined from Aberdeen Standard

where he assisted in managing European Investment Grade Credit Funds. Prior to that, he has held the roles of Cash & FX Analyst and Consultant Database Manager at the firm having graduated in 2011 with a BA Economics from the University of Reading. Michael is a CFA Charterholder and also holds the Investment Management Certificate (IMC).

### Why EdenTree?

EdenTree is a Responsible and Sustainable investment manager with a strong heritage. We are proud to be part of the Benefact Group – a charity owned, international family of specialist financial services companies that give all available profits to charity and good causes.

EdenTree are dedicated to responsible and sustainable investing, having launched our first ethical fund in March 1988.

Partnering with us can empower your clients with a suite of investment strategies designed to help address pressing environmental and social challenges, while seeking to deliver competitive rates of return. Together, we can help to shape a more sustainable future for generations to come.

For more information on the Global Impact Bond Fund, please contact your EdenTree relationship manager, or get in touch with us at:



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The value of an investment and the income from it may go down as well as up and the investor may not get back the amount invested.

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