



Performance
with principles®

Fixed Income Funds | September 2023

Capital preservation, income and impact

Managed by David Katimbo-Mugwanya
and Michael Sheehan

Fixed Income is playing an increasingly important role for investors seeking to link financial goals with the desire to address pressing societal needs and environmental concerns. While equities have traditionally dominated the options available for responsible investors, fixed income now provides innovative sustainable investment products with varying risk profiles, degrees of impact and competitive rates of return.

At EdenTree, our Fixed Income fund range reflects our firm-wide responsible and sustainable investment principles, providing investors with a selection of funds with which to diversify their investment portfolios according to financial and ESG goals.

Our Fixed Income range is comprised of three core products:

- Responsible & Sustainable Short-Dated Bond Fund
- Responsible & Sustainable Sterling Bond Fund
- Global Impact Bond Fund

Managed by a specialist investment team led by David Katimbo-Mugwanya, Head of Fixed Income, each fund offers investors access to the following characteristics (unless otherwise stated):











- Exclusions through negative and positive screening to ensure absence of harm and encourage sustainable products and services
- Engagement on core material and thematic ESG issues
- Focus on the responsibility credentials of the issuer, as well as the sustainability credentials of the bond.
- For Global Impact Bond, an understanding of “use of proceeds” and the bond’s potential for real-world positive impacts

Fund page

EdenTree’s Fixed Income fund seeks to produce attractive risk adjusted returns with low volatility and limited drawdowns, as well as competitive rates of income throughout the economic cycle. The level of interest rate, and therefore economic, exposure is unique to each fund as is the level of income.

The ESG characteristics also differ across the fund range. The three funds – Short-Date Bond, Sterling Bond and Global Impact Bond – follow the Responsible & Sustainable Investment framework. In addition, Global Impact Bond takes a “use of proceeds” thematic approach, seeking to deliver competitive financial returns along with impact.

EDENTREE FIXED INCOME FUNDS

	 Responsible & Sustainable Short-Dated Bond Fund	 Responsible & Sustainable Sterling Bond Fund	 Global Impact Bond Fund
Headline	Cash +	Income	Impact
Investment Objective	To preserve capital and generate income payable quarterly	To generate a regular level of income payable quarterly	To generate a regular income payable quarterly with positive societal impact
Summary Portfolio	High quality short dated bonds (90% exposure to Single-A rated or above)	Flexible & diversified mix of Corporate Bonds, PIBs and Preference Shares	Diversified mix of global corporate bonds (min. 80% exposure to impact instruments)
Distribution Yield*	2.97%	4.33%	3.04%
Income Frequency	Quarterly	Quarterly	Quarterly
Duration (years)*	2.1	5.8	5.6
Average Credit Rating	AA-	BBB+	A-
AMC*	0.35%	0.55%	0.55%
	   	  	

* Source EdenTree Data as at 31 July 2023

Process

The team follows a similar investment approach across the product range, according to the specific objective of each fund. This approach has four key components, which are not mutually exclusive but tend to work in a cycle: the review of holdings can often lead to new ideas, for example.

Investment analysis involves a blend of bottom up and top down factors to determine the quality of the issuer, the risk and reward characteristics of where to invest on the capital structure and appropriate portfolio fit and duration for the prevailing market and economic backdrop.

The Investment team, in conjunction with EdenTree’s dedicated Responsible Investment Analysts, pay particular attention to the responsible and sustainable credentials of each issuer and, where possible, they look to incorporate the four sustainable themes into the funds.

For Global Impact Bond, these themes are integral to its dual objectives of competitive financial returns and impact, with a minimum threshold of 80% allocated to impact investments. This allocation can include green, social, sustainable and non-labelled impact bonds.

			
Idea generation	Investment analysis	Portfolio construction	Review
<ul style="list-style-type: none"> Independent research of core Investment Grade debt universe, plus wider market. Responsible screen Thematic or impact bond research incorporating broader investment team Strong bank & broker relationships keep us in touch with opportunities and informed of issuance 	<ul style="list-style-type: none"> Analysis of fundamentals, management quality, debt covenants to gauge profitability, cash flow generation, leverage Peer comparison analysis by sector, credit ratings, term structure, seniority Issuer updates on results, meetings, debt roadshows. Engagement with issuer company management 	<ul style="list-style-type: none"> Portfolio risk modelling to achieve appropriate characteristics (yield, beta, quality, diversification) Duration and sector relative positioning derived from broad team debate, interrogated via regular risk assessment Position size adjustment with reference to portfolio fit, credit quality and market liquidity 	<ul style="list-style-type: none"> Periodic review of holdings to test investment case against objectives and re-assess conviction based on outlook Periodic Responsible Investment reviews of holdings to ensure effective management of material risks Oversight by independent Responsible Investment Panel

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

THE EDENTREE TEAM

A highly experienced sustainability-orientated investment team

The Fixed Income team is led by David Katimbo-Mugwanya alongside Fund Manager 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 & Sustainable fixed income strategies, including the Sterling Bond, the Short Dated Bond and the Global Impact Bond

Funds. David joined EdenTree in 2015 and possesses over a decade of investment expertise across sovereigns, corporate debt and money markets. Along with a BSc. Economics degree from the University of Essex, David is a CFA Charterholder. David is a member of the London Stock Exchange's Primary Markets Group, an advisory group to the LSE on all matters affecting primary capital markets.



Michael Sheehan Co-Fund Manager

Michael joined the EdenTree Fixed Income Team in 2021 and is responsible for co-managing EdenTree's Responsible & Sustainable fixed income strategies,

including the EdenTree Global Impact Bond Fund. He is also co-manager of the Responsible & Sustainable Managed Income Fund. Michael is a CFA Charterholder and also holds the CFA Certificate in ESG investing. He holds a BA (Hons) in Economics from the University of Reading.

Why EdenTree?

EdenTree is the original responsible investment house having launched one of the first ethical equity funds in the UK back in March 1988. For us, responsible investment is not just a fad, but a long-term dedication to performance with principles.

Investors increasingly want their investment portfolios to make a difference and have a positive impact on society and the environment around them. At EdenTree we applaud this alignment of investment with values. After all, as pioneers in responsible and sustainable investing, our strategy for over 35 years has been to invest for the long-term to create a better world for tomorrow.

For more information on the Fixed Income Funds, please contact your EdenTree relationship manager, or get in touch with us at:



0800 011 3821



ifa@edentreeim.com



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