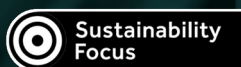




# EdenTree Global Sustainable Government Bond Fund

Driving positive change through sustainable government debt



Fixed income is playing an increasingly important role for investors seeking both to achieve financial goals and 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 in increasing numbers.

## Fund Overview

### Fund Objective:

The Fund aims to generate a regular income payable quarterly with some capital growth over a period of five years or more through investment in a portfolio of government and government-related green, social, sustainable or impact bonds.

### Sustainability Objective:

To invest in government and government-related green, social, sustainable or impact bonds whose proceeds will be used to finance new or existing projects that support a reduction in the level of carbon emissions caused by human activities (measured in tonnes of carbon dioxide equivalent CO<sub>2</sub> avoided), and/or to enable greater access to services that empower communities (measured in number of beneficiaries).

### Fund Manager:

David Katimbo-Mugwanya, CFA (joined EdenTree in 2015)

### No. of holdings:

51 (based on model portfolio, as at 30<sup>th</sup> September 2024)

**IA Sector:** Global Government Bond

### Benchmark comparator:

Bloomberg Global Aggregate Treasuries (GBP Hedged) Index

**Yield to Maturity:** 3.0% (Index 2.9%)\*

**AMC:** 0.35% (B) / 0.25% (I)

**Modified Duration:** 7.3 yrs (Index 7.0 yrs)\*

\*As at 30/9/2024

**SDR label:** Sustainability Focus

## Why government debt?

As interest rates have risen from historic lows, attractive investment opportunities have sprung up in fixed-income government debt. Before the latest policy tightening cycle, investors navigated a decade-long 'lower-for-longer' bond yield environment that favoured riskier exposures. Today's market is arguably more volatile: assets are increasingly prone to sharp price corrections, with equity markets at or near record highs; and risk premia in corporate bond markets are deemed tight. In this challenging environment, the risk/return profile of government bonds may offer better diversification benefits.

Further, the universe of sustainability-linked government debt has expanded rapidly in recent years. Sovereign debt accounted for over 20% of sustainability-linked fixed-income instruments issued by the end of March 2023, according to MSCI, and continued growth is predicted for the asset class as governments around the world work towards decarbonisation and transition targets.

## What are the asset class attributes?

Government bonds are issued by sovereigns to finance their spending and obligations, and are typically backed in full faith and credit by national governments. They are therefore widely considered 'risk-free' assets and are less susceptible to default risk than corporate debt; for corporate issuers, the ability to service debt is more idiosyncratic and warrants an additional credit-risk premium. Therefore, government debt securities form the backbone of global debt markets. Debt instruments issued by supranational organisations, whose underlying owners are several sovereigns rather than a single nation, are also included in the government debt category. The lower volatility of government debt makes it more suited to risk-averse investors or those looking to reduce risk.



### What makes this fund different?

Rather than conventional government debt, the primary focus of this Fund is on green, social, sustainable and impact bonds issued by governments and government-related issuers. Such use-of-proceeds bonds make up at least 80% of the Fund's holdings and enable investors to finance new or existing projects that support a reduction in the level of carbon emissions caused by human activities and/or greater access to services that empower communities. Proceeds must be tracked and allocated to the specific spending set out by issuers, and allocations and the impact generated are publicly reported, typically on an annual basis. Bonds issued by the government of any country identified as having an oppressive regime are excluded from our investment universe.

### Why now for sustainable government debt?

In its latest assessment of development investment around the world, the United Nations estimates that USD 4.2 trillion<sup>1</sup> per annum is required to close the development financing gap, up from USD 2.5 trillion before the COVID-19 pandemic. Governments have the unique ability to mobilise capital at scale through vast debt issuance programmes, placing them in a prime position to fund projects that tackle these societal challenges. This is particularly apparent for use-of-proceeds ESG-labelled debt raised by sovereigns, sub-sovereign entities, agencies, supranational organisations and multilateral development banks. Amid softening labour markets and declining headline inflation, global central banks have initiated monetary policy easing. Fixed income is set to benefit, and, within the asset class, the diversification provided by government bonds may mitigate against risk-off market movements that adversely affect segments including corporate debt.

EdenTree employs a comprehensive sustainability approach which informs all aspects of our investment activities, including exclusion policies. Across each of our Funds, our portfolio management teams and dedicated responsible investment specialists work in tandem to refine ideas, assess investees and discuss the merits of various opportunities. The Fund will avoid investments where there is exposure to 'Oppressive Regimes'. EdenTree maintains an annual list of countries identified as having an oppressive regime, and bonds issued by any government of countries identified on this list. Oppressive regimes is the critical screen we apply for the Global Sustainable Government Bond Fund.

### Why EdenTree?

EdenTree specialises in responsible and sustainable investing across equity, fixed income, multi-asset and alternative asset classes.

As an active fund management business, EdenTree is committed to delivering innovative client solutions through the meticulous selection of rigorously screened issuers and securities. This approach is maintained regardless of asset class and market conditions while seeking appropriate valuations. We believe that consistent long-term returns are more likely to be achieved by investing responsibly and via sustainable businesses. This strategy's investments constitute government and government-related bonds from developed markets.



**Best Ethical  
Investment Provider**



<sup>1</sup> <https://www.un.org/sustainabledevelopment/blog/2024/04/press-release-fsdr-2024/>



## The Investment Team

EdenTree applies a collegiate and collaborative approach. Based in our City of London office, the Investment Team work around the same desk and are encouraged to share and challenge investment thinking and ideas.

David Katimbo-Mugwanya is the Fund Manager of the EdenTree Global Sustainable Government Bond Fund, with support from Michael Sheehan and Michael Moir.



**David Katimbo-Mugwanya**

Head of Fixed Income

David, as Head of Fixed Income, leads on EdenTree's responsible and sustainable Sterling Bond and the Short-Dated Bond funds, the Global Sustainable Government Bond Fund and also co-manages the Global Impact Bond Fund. David joined EdenTree in 2015 and possesses close to two decades' investment expertise within the asset class across sovereigns, corporate debt and money markets portfolios via designated mandates as well as bespoke investment solutions. David is a CFA Charterholder, holds the Investment Management Certificate (IMC) and a BSc. Economics degree from the University of Essex. David is also a member of the London Stock Exchange's Primary Markets Group, an advisory group to the LSE on matters relating to primary capital 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.



**Michael Moir**

Senior Credit Analyst

Michael joined EdenTree in 2023 as Senior Credit Analyst in the Fixed Income Team. Michael joined from Fitch Ratings where he was a Senior Analyst in the Financial Institutions Team, and prior to this was a bank Supervisor at the Bank of England. Michael holds an Msc in Finance from the University of Warwick.

## Our Responsible Investment Team

We have a specialist in-house Responsible Investment (RI) team who carry out thematic and stock-specific research to identify responsible and sustainable investment ideas for our range of Funds.

The team is also responsible for creating an on-going dialogue with companies, allowing us to engage on a wide variety of environmental, social and governance topics.

For investors, it's an added layer of assurance that our clients' money is being invested in companies that are operating in a responsible and sustainable way.

Our responsible and sustainable investment process is overseen by an independent Advisory Panel that meets three times a year, and comprises industry and business experts, appointed for their specialist knowledge.



**Carlota Esguevillas**

Head of RI



**Amelia Gaston**

Senior RI Analyst



**Hayley Grafton**

Senior RI Analyst



**Cordelia Dower-Tylee**

RI Analyst



**Aaron Cox**

Impact Strategist

## 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 service companies that give all available profits to charity and good causes.**

EdenTree launched its first ethically screened fund back in 1988, which shows our dedication to responsible and sustainable investing.

Partnering with us means you are providing your clients with a suite of investment strategies designed to help address environmental and social challenges while also seeking to deliver competitive rates of return.

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



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### **For investment professionals only.**

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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