

# Sustainably Investing in Fixed Income

Managed by

**NEWTON**

Investment  
Management

February 2019

***For Professional Clients only.***

*Any views and opinions are those of the investment manager, unless otherwise noted.*



BNY MELLON

# BNY Mellon Investment Management

- Total AUM US\$1.7 trillion<sup>1</sup>
- Institutional grade investment management, innovation and market leading intelligence
- Each investment manager has its own proprietary investment processes
  - No 'house view' is imposed: there is no overall Chief Investment Officer
  - Each investment manager retains complete investment autonomy
- An entrepreneurial, focused approach is encouraged
  - Each investment manager focuses on investment management
- A great breadth and depth of expertise in every major asset class and sector
  - More than 275 institutional investment management product offerings









**A multi-boutique investment management model encompassing investment skills of world class specialist investment managers**

1. As at 31 December 2018.

# BNY Mellon Investment Management

Delivering investment excellence through our multi-boutique model

## Our world class specialist investment managers:

Total AUM: US\$1.8 trillion			
	Global sub-investment grade debt <b>AUM: US\$31.0bn</b>		Active and passive research-driven solutions across asset classes <b>AUM: US\$497.8bn</b>
	Brazilian equity multi-strategy, long/short, long-only and fixed income <b>AUM: US\$3.2bn</b>		Active equity and bonds, multi-asset, real return and income <b>AUM: US\$59.5bn</b>
	Money markets <b>AUM: US\$208.7bn</b>		Multi-strategy private equity investing; direct investment and fund-of-funds <b>AUM: US\$13.0bn</b>
	LDI, fixed income, absolute return, specialist equity <b>AUM: US\$790.7bn</b>		Active global equity <b>AUM: US\$59.0bn</b>

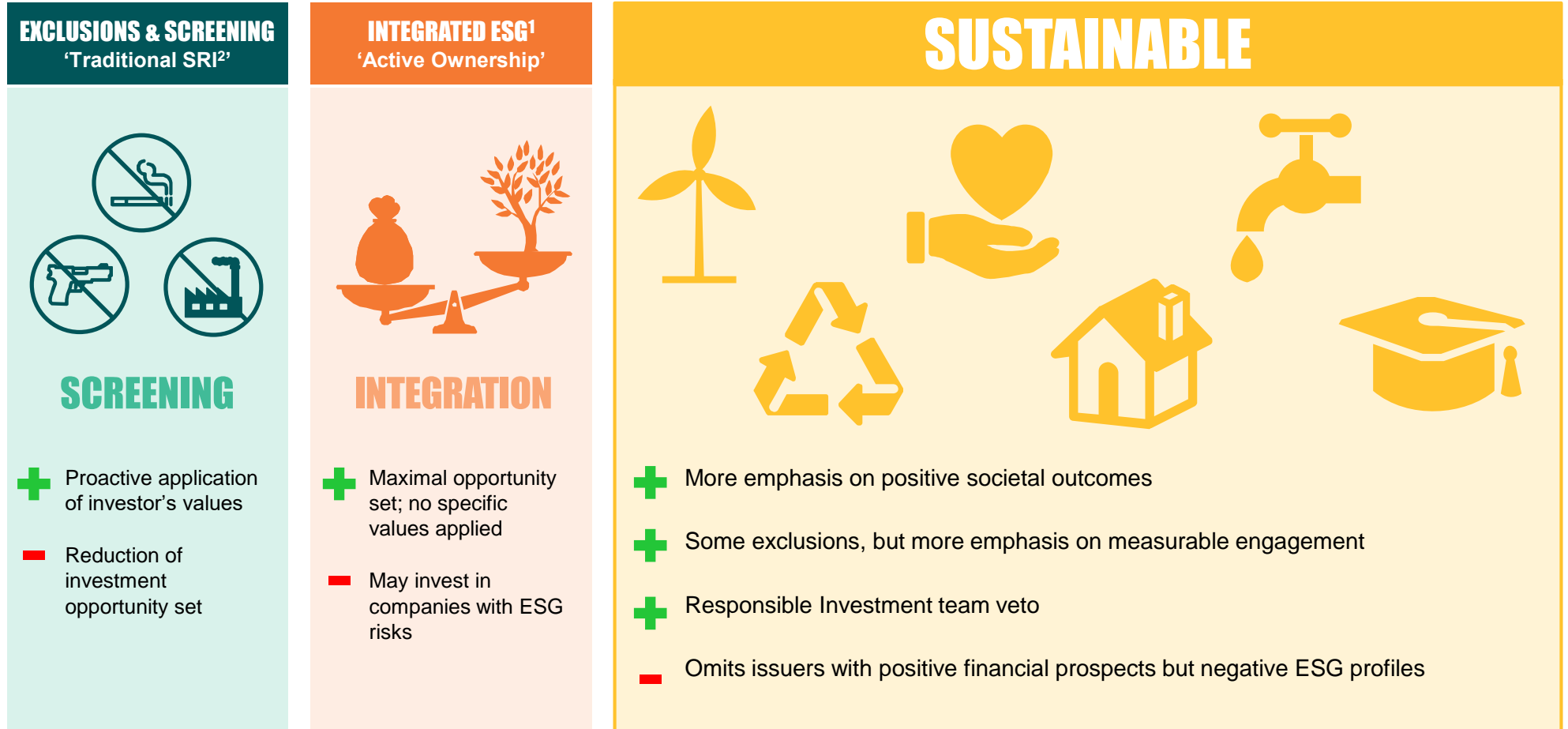
Investment Managers are appointed by BNY Mellon Investment Management EMEA Limited (BNYMIM EMEA) or affiliated fund operating companies to undertake portfolio management activities in relation to contracts for products and services entered into by clients with BNYMIM EMEA or the BNY Mellon funds.

Total AUM has been provided by BNY Mellon Finance as at 31 December 2018 and includes the asset managers outlined in this file, with the exception of Siguler Guff, as well as The Dreyfus Corporation, BNY Mellon Wealth Management and external data. Individual AUMs provided by respective investment managers as at 31 December 2018, unless otherwise stated. 1. A division of The Dreyfus Corporation. 2. Minority Owned. 3. Mellon was formed on 31 January 2018, through the merger of The Boston Company and Standish into Mellon Capital. Effective 2 January 2019, the combined firm was renamed Mellon Investments Corporation.

**NEWTON  
SUSTAINABLE  
GLOBAL DYNAMIC  
BOND**

# Types of responsible investment approaches

Newton's 3 broad approaches



Note: <sup>1</sup> Environmental, Social and Governance; <sup>2</sup> Socially Responsible Investment.  
Source: Newton, 31 December 2018.

**Many different interpretations of sustainable investing**

# ESG<sup>1</sup> factors can have a material impact on an issuer's financial profile

## THE CASE FOR SUSTAINABLE BOND INVESTING STRENGTHENS

Barclays,  
2018

- In an expanded study, Barclays finds more evidence of the positive effect of responsible investment on credit portfolios in different regions and sectors

## CORPORATE ENVIRONMENTAL MANAGEMENT AND CREDIT RISK

Bauer and Hann,  
2010

- Two-thirds of studies for bonds uncover significant positive performance relating to ESG criteria
- Poor environmental management leads to a higher cost of debt

## JOURNAL OF SUSTAINABLE FINANCE AND DEVELOPMENT META-STUDY

2015

## THE GLOBAL BOND MARKET ASCRIBES A SIGNIFICANT COST TO CORRUPTION

Ciocchini, Durbin &  
Ng 2003

- Countries that are perceived as more corrupt must pay a higher risk premium when issuing bonds

## CORRUPTION IS AN IMPORTANT SOURCE OF DEFAULT RISK

Eichengreen & Mody  
1998

- Study showing economic factors contributing to the likelihood of sovereign default

- Robust governance reduces default risk, thereby influencing credit spreads positively

## THE EFFECTS OF CORPORATE GOVERNANCE ON FIRMS' CREDIT RATINGS

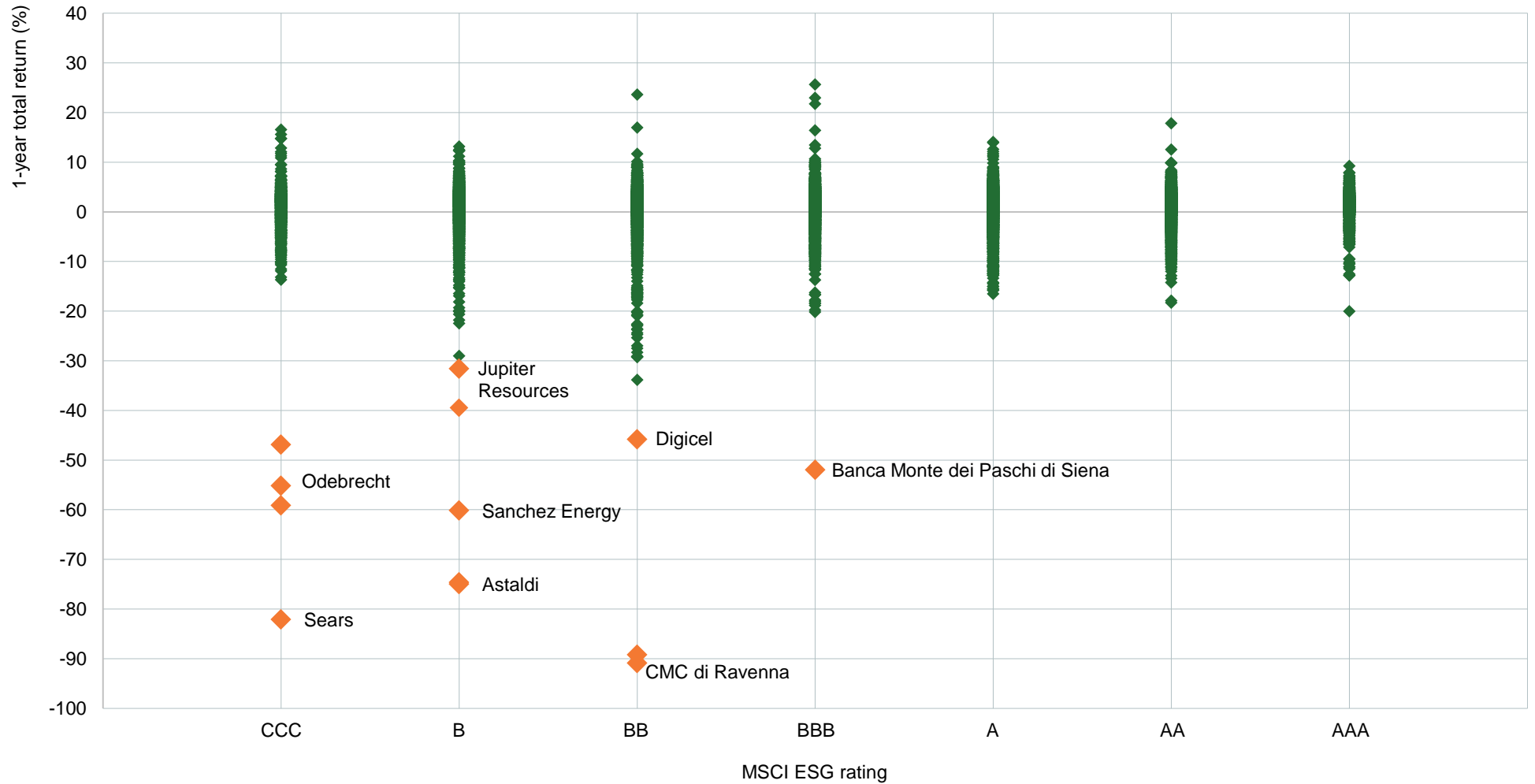
Ashbaugh-Skaife,  
Collins and LaFond,  
Journal of Accounting  
and Economics, 2006

Note: <sup>1</sup> Environmental, Social and Governance.

**Academic research supports Newton's Fixed Income approach**

# MSCI ESG<sup>1</sup> rating against 1-year total return

Companies



Note: <sup>1</sup> Environmental, Social and Governance.  
Source: BAML indices, Bloomberg and MSCI, 8 February 2019.

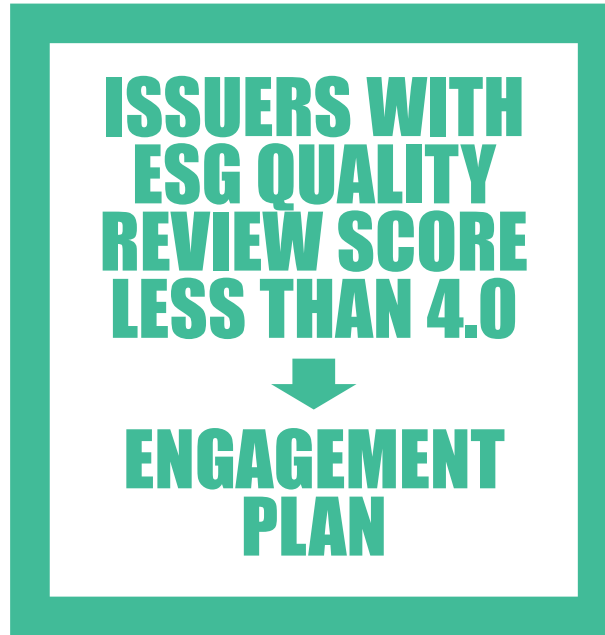
**Avoiding the losers is at least as important as picking the winners**





# Giving process rigour

Principles based red lines and ESG<sup>1</sup> engagement



Note: <sup>1</sup> Environmental, Social and Governance.

**No investment in the tobacco sector**

# STRATEGY SUMMARY

# Newton Sustainable Global Dynamic Bond Strategy

## Overview

<b>STRATEGY TYPE</b>	Actively managed absolute return bond strategy investing in sustainable, responsibly-managed companies and countries. Upward only target with an emphasis on long-term investing and downside risk management.
<b>STRATEGY OBJECTIVES</b>	Maximize the total return from income and capital growth by investing in the bonds of companies and governments that are deemed financially attractive and sustainable investments.
<b>PERFORMANCE AIM</b>	Aims to deliver a minimum return of cash (one-month EURIBOR) +2% per annum over 5 years before fees. However, a positive return is not guaranteed and a capital loss may occur.
<b>PHILOSOPHY AND PROCESS</b>	<p>Sustainable 'red lines' ensure the poorest-performing issuers are not eligible for investment, e.g. companies which violate the UN Global Compact. Companies deemed incompatible with the aim of limiting global warming to 2°C are also excluded. We engage with issuers where ESG issues can be addressed, and report on those efforts. We will not invest in any company that derives more than 10% of its turnover from the production and sale of tobacco.</p> <p>Employ a highly dynamic asset-allocation approach within a broad global bond universe of government bonds, emerging-market sovereigns, high-yield bonds and investment-grade corporate debt. The strategy has the flexibility to manage currency exposure actively to generate additional returns.</p>
<b>MANAGERS</b>	Newton's Global Dynamic Fixed Income Team in consultation with Newton's Responsible Investment Team

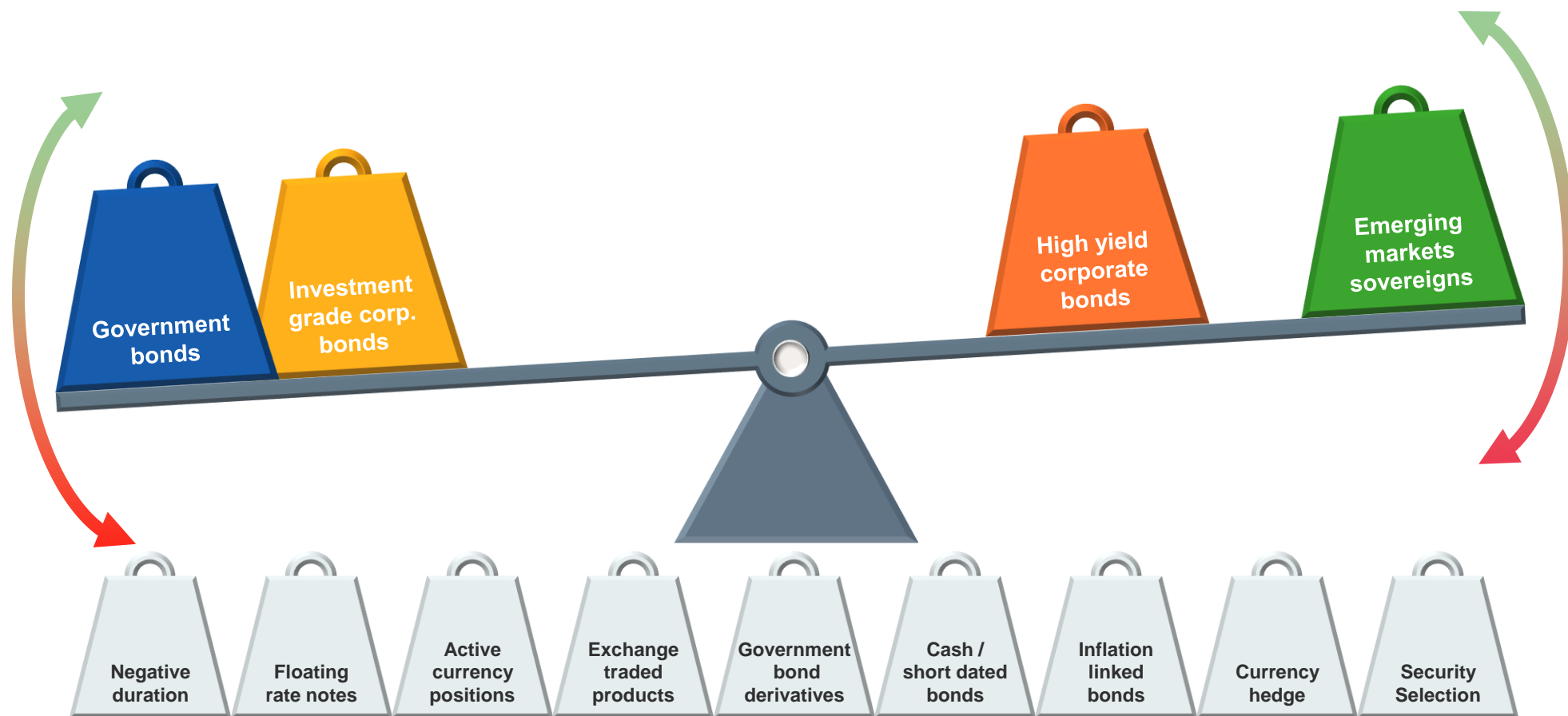
Notes:

<sup>1</sup> Environmental, social and governance.

<sup>2</sup> MSCI AC World NDR is used as a comparative index for this strategy. The strategy does not aim to replicate either the composition or the performance of the comparative index.

<sup>3</sup> The outperformance target stated is for indicative purposes only, may be changed without notice and is not a guarantee of future returns.

# Balancing risk asset exposure with an absolute return objective



## Core allocation across traditional assets

- Government bonds, emerging markets sovereign, investment grade, high yield
- Up to 50% in each major asset class

**Capturing market upside and capital preservation  
are both key to long-term results**

# Asset class rankings constantly shift

Asset class performance rankings over time

	← BEST   WORST →				Difference between best & worst
2018	Govt 1.0	IG -2.5	HY -3.6	EM -6.1	7.1%
2017	EM 9.2	HY 6.7	IG 4.6	Govt 1.1	8.1%
2016	HY 15.7	EM 9.0	IG 5.7	Govt 3.6	12.1%
2015	Govt 1.7	EM 0.9	IG 0.1	HY -2.1	3.8%
2014	Govt 8.7	IG 8.0	EM 7.9	HY 2.7	6.0%
2013	HY 7.3	IG 0.2	Govt -0.2	EM -4.5	11.8%
2012	EM 22.1	HY 18.7	IG 10.9	Govt 4.6	17.5%
2011	Govt 6.3	IG 5.1	EM 4.6	HY 2.9	3.4%
2010	EM 15.2	HY 14.9	IG 7.5	Govt 3.9	11.3%
2009	HY 59.7	EM 27.5	IG 16.1	Govt 1.2	58.5%
2008	Govt 11.7	IG -3.4	EM -16.1	HY -27.0	38.7%
2007	Govt 6.4	EM 5.6	IG 3.8	HY 2.5	3.9%
2006	EM 12.1	HY 10.2	IG 3.3	Govt 2.8	9.3%
1994	HY -0.0	IG -2.3	Govt -2.5	EM -16.1	16.1%

**KEY**

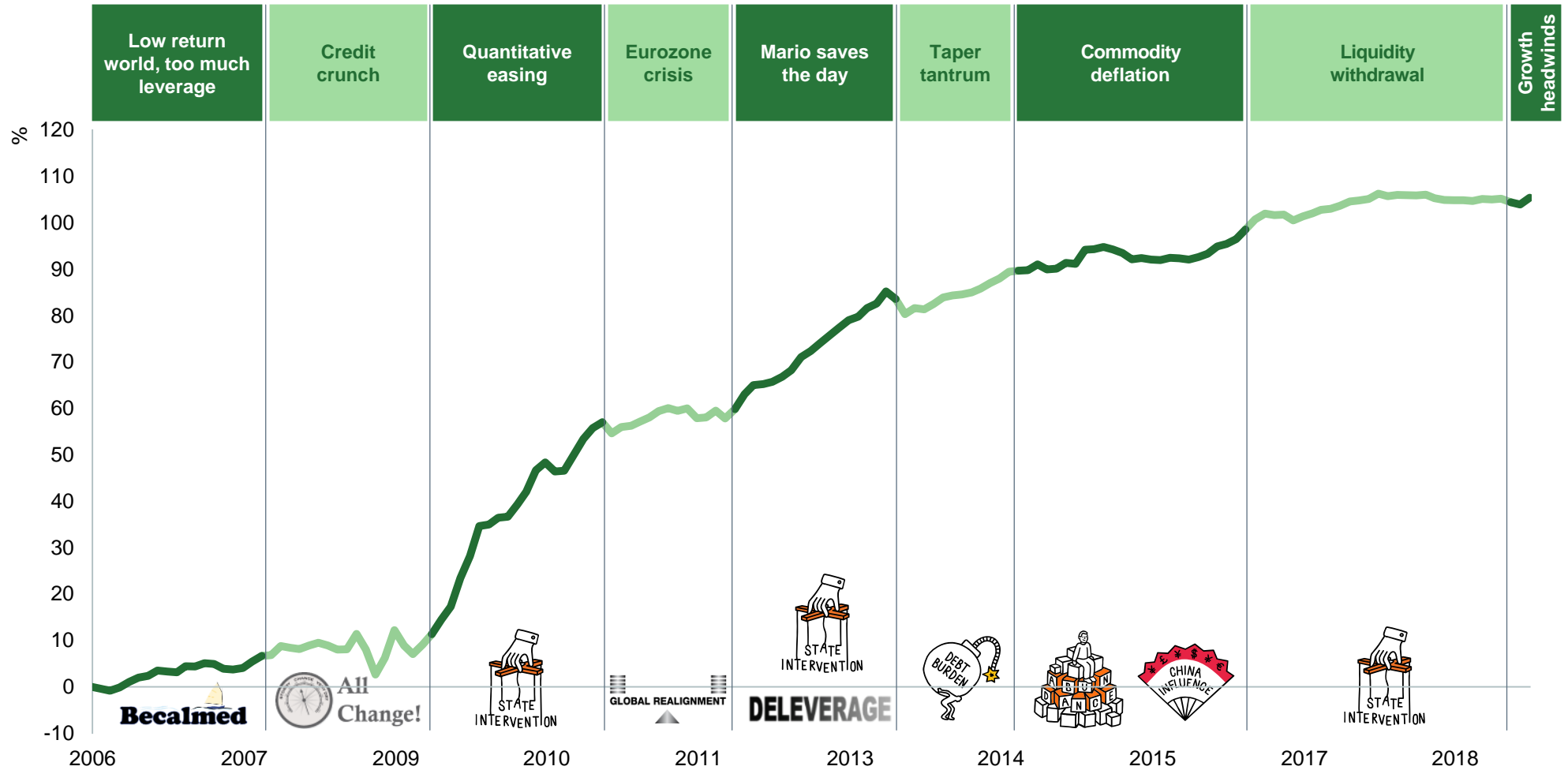
Govt	Government
IG	Investment grade corporate
EM	Emerging market sovereign
HY	High yield corporate

Note: 1994-1997 US IG and HY indices used.  
Source: Newton, Merrill Lynch Indices Hedged into Sterling, 31 December 2018.

**Agility is essential**

# A portfolio for all market conditions

## Newton Global Dynamic Bond Representative Portfolio

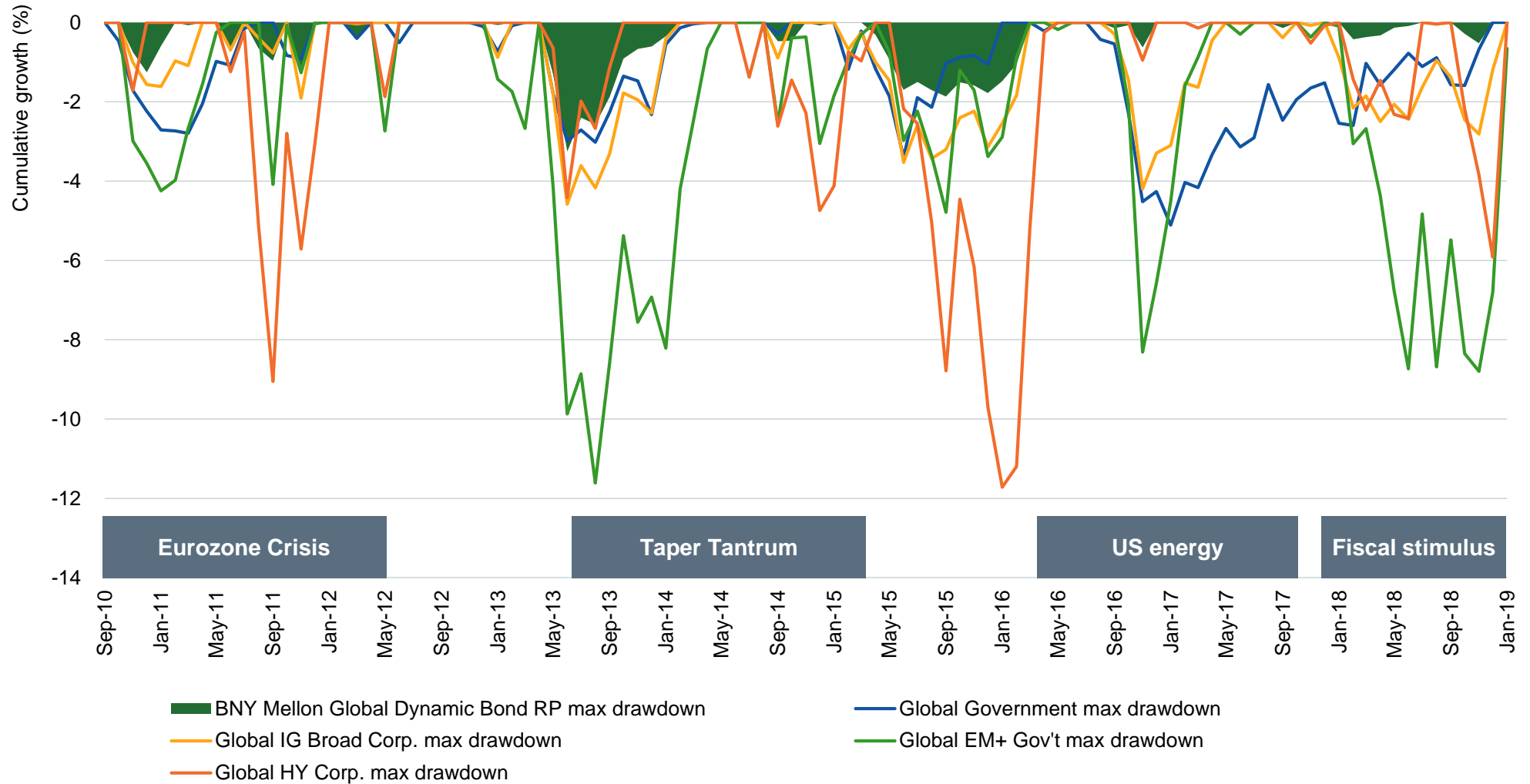


**Source:** Newton, performance calculated as cumulative total return, income reinvested, gross of fees, in GBP, 31 December 2018. Performance shown is for the Newton Global Dynamic Bond Strategy since its performance inception on 1 May 2006. Performance is stated gross of management fees. The impact of management fees can be material. A fee schedule providing further detail is available on request. The representative portfolio adheres to the same investment approach as the Newton Global Dynamic Bond Strategy.

**Positioning the portfolio to aim to take advantage of changing market environments**

# Drawdown since inception<sup>1</sup> to 31 January 2019

## BNY Mellon Global Dynamic Bond Representative Portfolio



Note: <sup>1</sup> Performance inception: 1 September 2010. The RP launched on 5 August 2010.

Source: Newton, Datastream (indices data hedged to USD), 31 January 2019. The representative portfolio adheres to the same investment approach as BNY Mellon's Global Dynamic Bond Strategy. Performance calculated as total return, income reinvested, gross of fees, in USD. Fees and charges apply and can have a material effect on the performance of your investment. Comparisons are made to demonstrate correlation only and are for illustrative purposes only.

# Newton Global Dynamic Bond Strategy – Comparison of core vs sustainable portfolio

Limited anticipated difference in performance

**A EURO BASED FUND TYPICALLY WILL HAVE A HIGHER WEIGHTING IN EURO DENOMINATED ASSETS**

## TOP DOWN – 100% COMMONALITY

**ASSET  
ALLOCATION**

**DURATION**

**CURRENCY  
EXPOSURE**

**DERIVATIVE  
EXPOSURE**

## BOTTOM UP – 80% COMMONALITY

### INCLUDE / HIGHER %

#### BY SECTOR

- Higher weighting in social housing, renewables, green financing

#### BY SECURITY

- Higher weighting in supranationals

### EXCLUDE / LOWER %

#### BY SECTOR

- Exclude tobacco and currently the majority of energy companies

#### BY SECURITY

- Lower weighting in Treasuries
- Exclude poorly rated governments as per Newton's proprietary methodology
- Exclude any company that violates the UN Global Compact

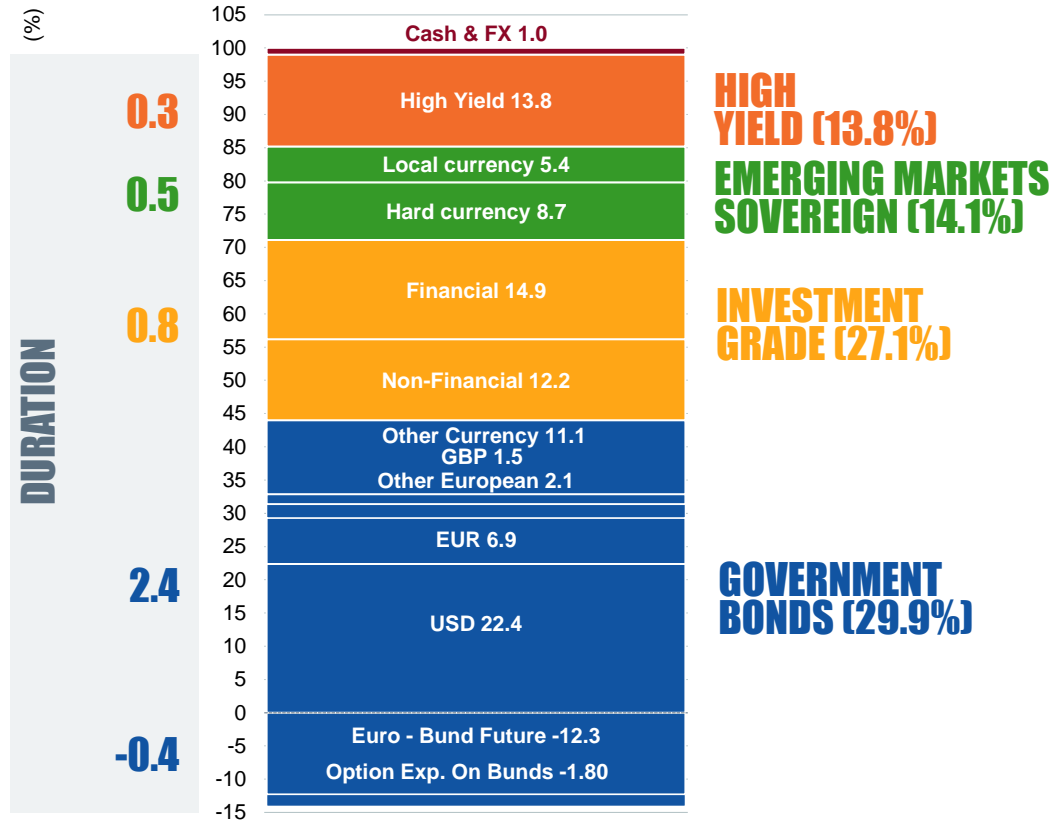
**RESPONSIBLE INVESTMENT TEAM HAS VETO OVER ANY SECURITY IN SUSTAINABLE STRATEGY**



# Positioning, as at 31 January 2019

Newton Sustainable Global Dynamic Bond model

## Notional exposure<sup>5</sup>

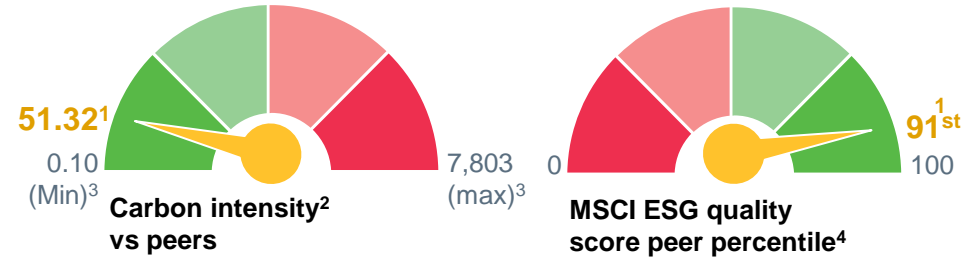


Projected model portfolio data is not based on an actual trading history. There are no guarantees that, if launched, the Strategy's actual portfolio will reflect the model data.

Notes: <sup>1</sup> Estimate based on the weighted averages of holdings in model portfolio; <sup>2</sup> The Weighted Average Carbon Intensity measures a fund's exposure to carbon intensive companies. The figure is sum of security weight (normalized) multiplied by the security Carbon Intensity. MSCI calculates weighted average carbon intensity as scope 1+2 emissions/\$m sales weighted by portfolio weight; <sup>3</sup> Min/Max carbon intensity of Bond Global MSCI Fund Universe peer group; <sup>4</sup> The overall Fund ESG Quality Score measures the ability of underlying holdings to manage key medium- to long-term risks and opportunities arising from environmental, social, and governance factors. MSCI Fund Universe peer group: Bond Global. Number of funds in peer group: 4,047 (this figure includes multiple share classes run under the same strategy).

**Source:** MSCI ESG Manager. Data accessed January 2019. The data presented is based on the latest available holdings information for each fund in the MSCI Fund Universe database. ©2019 MSCI ESG Research LLC. Reproduced by permission. MSCI ESG Research LLC's ('MSCI ESG') Fund Metrics products (the 'Information') provide environmental, social and governance data with respect to underlying securities within more than 21,000 Mutual Funds and ETFs globally across multiple asset classes. MSCI ESG is a Registered Investment Adviser under the Investment Advisers Act of 1940. MSCI ESG materials have not been submitted to, nor received approval from, the US SEC or any other regulatory body. None of the Information constitutes an offer to buy or sell, or a promotion or recommendation of, any security, financial instrument or product or trading strategy, nor should it be taken as an indication or guarantee of any future performance, analysis, forecast or prediction. None of the Information can be used to determine which securities to buy or sell or when to buy or sell them. The Information is provided 'as is' and the user of the Information assumes the entire risk of any use it may make or permit to be made of the Information.

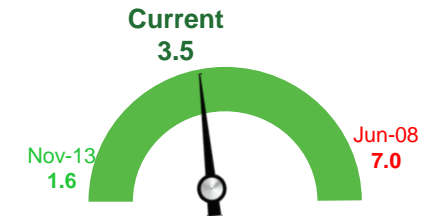
<sup>5</sup> **Source:** Newton, 31 January 2019.



## Risk: historical range vs. current<sup>5</sup>

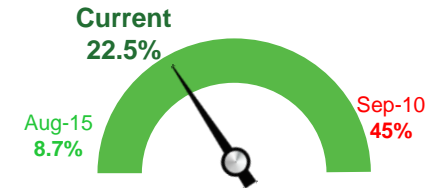
### INTEREST RATE RISK

(years)



### CREDIT RISK

(speculative grade asset %)



### CURRENCY RISK

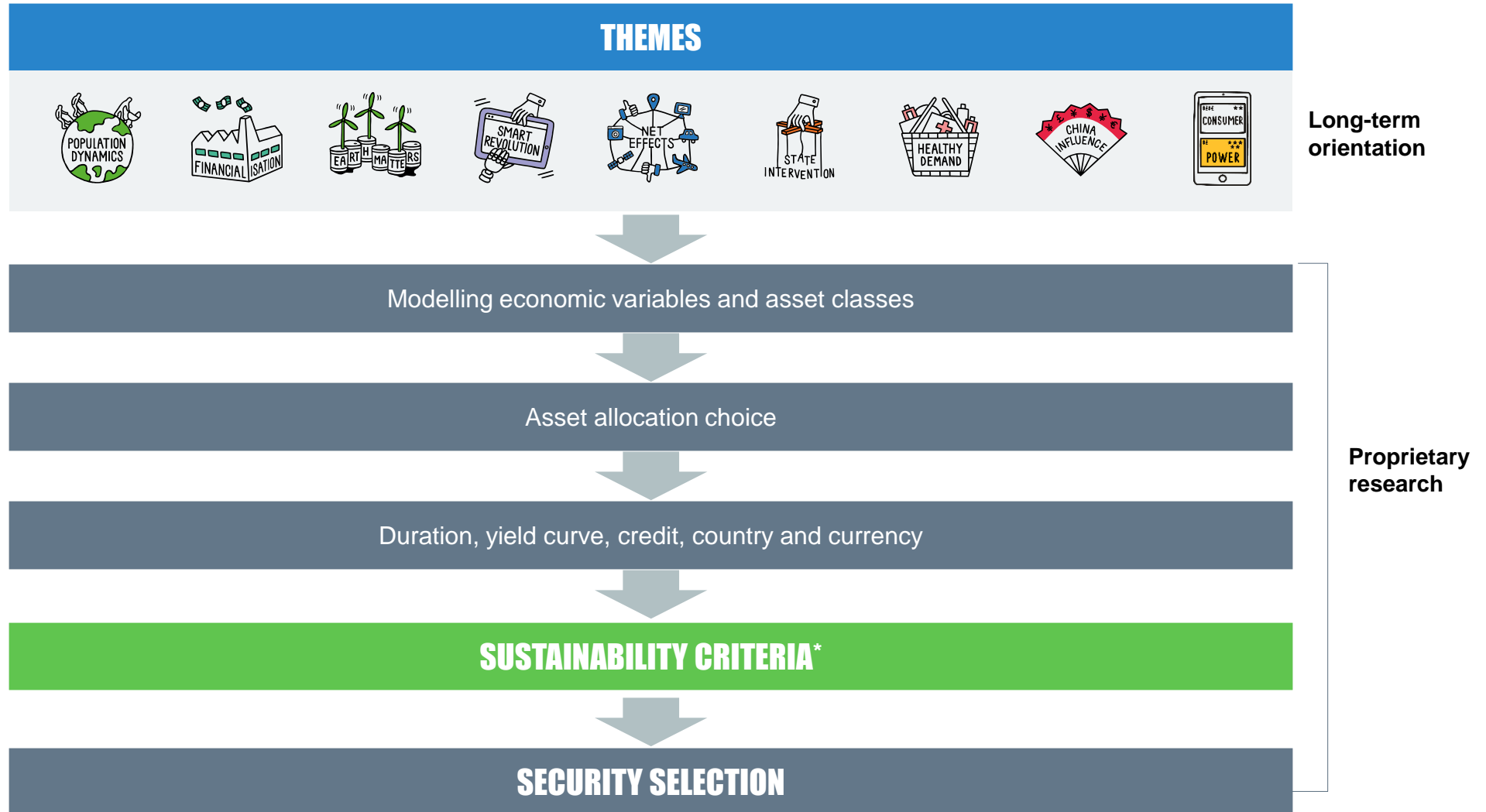
(%)



# PROCESS DETAILS

# Investment process – top-down meets bottom-up

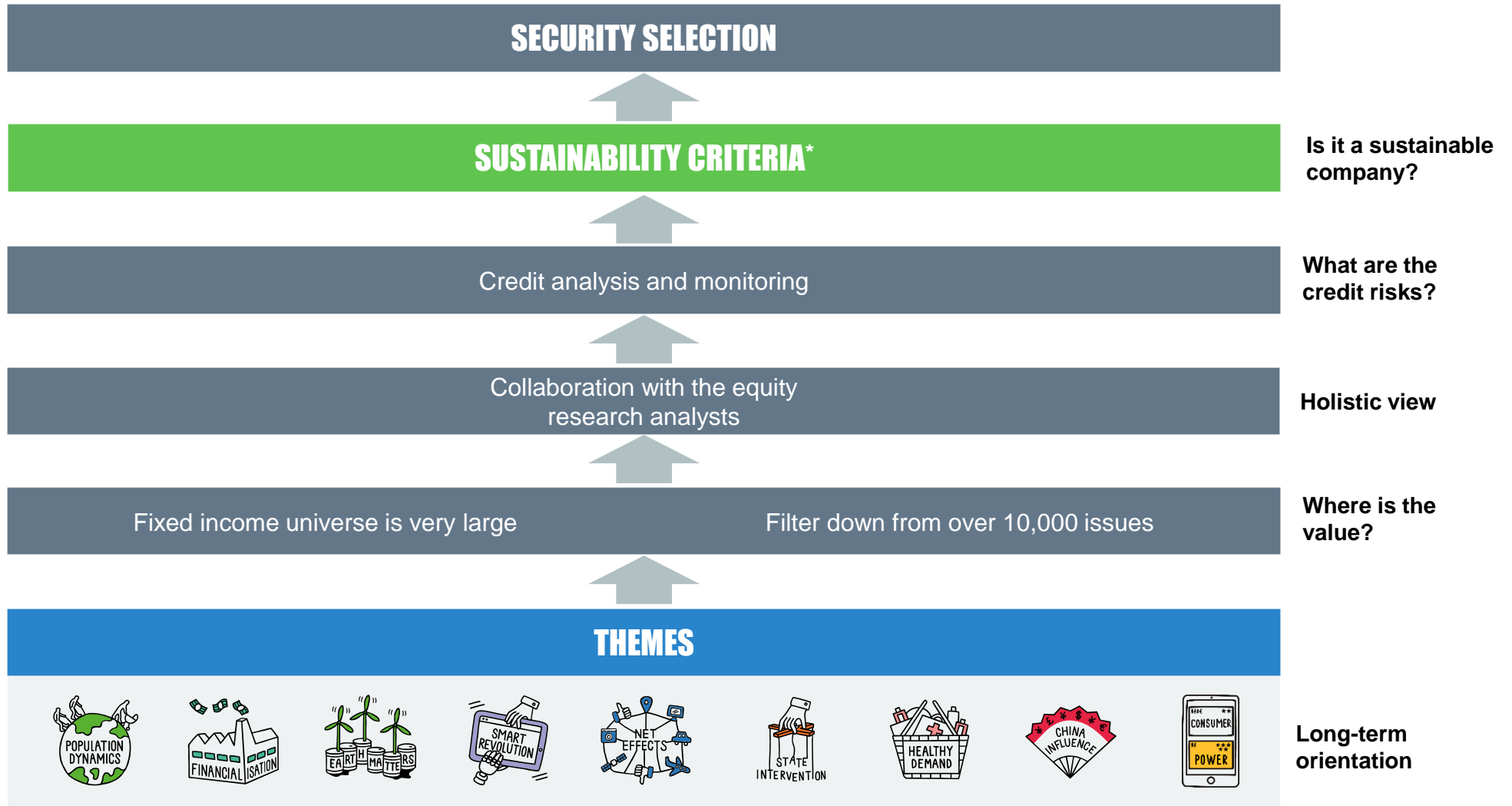
Top-down process



- \*All bonds in the strategy must adhere to our proprietary sustainability criteria.

# Investment process – top-down meets bottom-up

## Bottom-up process



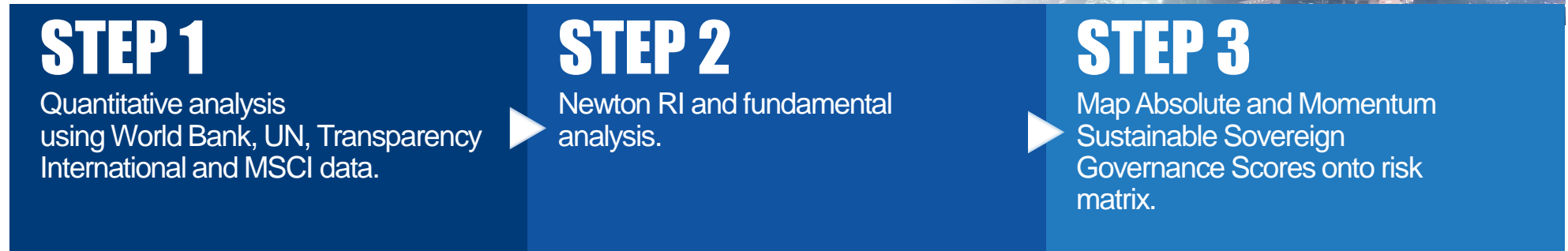
- \*All bonds in the strategy must adhere to our proprietary sustainability criteria.

# What does sustainable mean for sovereign bond investment?

## Difference between corporate and sovereign sustainability

- 1) The sovereign issuer universe is significantly smaller than the corporate issuer universe.
- 2) Less opportunity for engagement with governments.
- 3) Focus on long term institutional sustainable development.

## Sustainable sovereign assessment process



Score / momentum	Upwards	Stable	Downwards
High	Investable	Investable	Investable
Medium	Investable	Investable	Further research
Low	Further research	Un-investable	Un-investable

**Proactively looking for larger sustainable impact opportunities.**

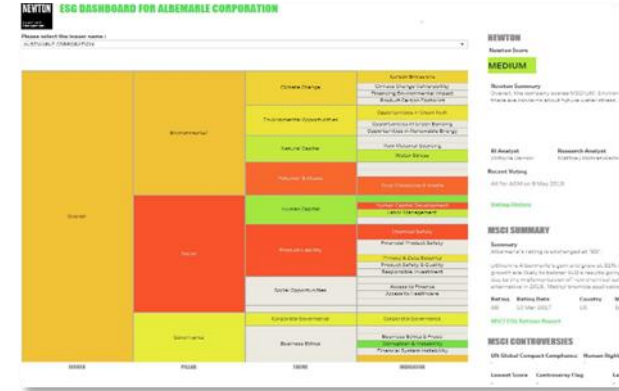
# Our ESG<sup>1</sup> analysis process in action

## 1 ANALYSIS OF COMPANY INFORMATION AND CONSENSUS SCORES

Alfa Laval AB	3.5	3.1	3.4	2.9	25%	4.5
ALFA S.A.B. de C.V.	2.4	2.4	2.5	2.4	0%	-
Alfreda Holdings Corporation	2.8	4.6	3.6	2.9	25%	1.5
Algonquin Power & Utilities Corp.	3.2	3.2	1.9	4.1	0%	-
ALIGN TECHNOLOGY, INC.	3.1	3.6	3.3	3.0	0%	-
ALIMENTATION COUCHE-TARD INC.	3.2	1.0	2.2	2.2	25%	3.2
ALJER BANK SPQUSIA ALGERIA	2.6	2.8	2.3	3.6	0%	-
ALLEGHEM PUBLIC LIMITED COMPANY	2.6	1.9	2.5	3.5	25%	1.6
ALLEGHEM CORPORATION	2.5	2.0	2.5	1.9	25%	1.9
ALLEGION PUBLIC LIMITED COMPANY	3.4	3.2	4.4	3.2	0%	-
Allergan plc	2.4	3.2	1.4	2.7	25%	5.5
ALLIANCE BANK MALAYSIA BERHAD	2.8	1.4	2.5	3.8	0%	-
ALLIANCE DATA SYSTEMS CORPORATION	3.1	4.3	2.3	4.3	25%	3.3
Alliance One International, Inc.	3.2	2.7	1.7	3.1	0%	-
ALLIANT ENERGY CORPORATION	2.9	3.3	2.9	3.6	25%	1.8
Alliande SE	4.0	4.2	4.0	3.0	25%	4.9
ALLY FINANCIAL INC.	2.8	3.4	2.6	4.4	25%	2.1
ALNYLAM PHARMACEUTICALS, INC.	2.7	2.8	2.7	3.6	25%	1.7
ALPEX, S.A.B. DE C.V.	-	1.8	1.0	1.0	0%	-
ALPHA BANK S.A.	2.6	2.8	2.8	2.1	0%	-
ALPHABET INC.	3.2	3.7	3.4	1.9	25%	4.3
ALPS ELECTRIC CO., LTD.	2.7	2.4	3.1	2.2	25%	2.6
ALPROM S.A.	3.5	3.6	4.1	2.5	25%	4.2
Alstria office REIT-AG	3.3	3.9	1.7	4.2	0%	-
AltoGas Ltd.	3.3	3.3	4.2	3.1	25%	2.8



## 2 ASSESSMENT OF OUTPUT FROM PROPRIETARY DASHBOARD



## 4 PREPARATION OF QUALITY REVIEW



## 3 DISCUSSION WITH RI COLLEAGUES, GLOBAL ANALYSTS AND WIDER TEAM



Note: <sup>1</sup> Environmental, Social and Governance.  
The securities mentioned are only for illustrating the investment process of Newton Investment Management. These opinions should not be construed as investment or any other advice and are subject to change. This slide is for information purposes only and does not constitute an offer or solicitation to invest.

**More nuanced and impactful vs third party data**

# Why the Newton approach to Sustainability is positive

- 1** A holistic approach that helps identify and manage risks
- 2** Reducing the cost of capital for 'good actors' that are better aligned with the way society wants to move
- 3** Supporting institutions making positive transitions, benefitting society and the issuer's valuation
- 4** Boosting ESG<sup>1</sup> issues up the corporate agenda through engagement
- 5** Ultimate sanction if desired improvements don't materialise: **SELL TO ZERO!**

Note: <sup>1</sup> Environmental, Social and Governance.

**Setting a positive agenda**



# Illustrative ESG report (1/2)

**NEWTON** Newton Sustainable Global Dynamic Bond Fund  
Investment Management For professional clients only. Please read the important disclosures and key risks at the end of this document.

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**STRATEGY OBJECTIVES**  
Maximise the total return from income and capital growth by investing in the bonds of companies and governments that are deemed financially attractive and sustainable investments.

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**COMPARATIVE INDEX FOR ESG REPORTING**  
Global Aggregate Bond Index<sup>1</sup>

---


**PERFORMANCE AIM**  
Aims to deliver a minimum return of cash (one-month EURIBOR) +2% per annum over 5 years before fees. However, a positive return is not guaranteed and a capital loss may occur.<sup>2</sup>

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**MANAGERS**  
Paul Brain, Scott Freedman, Martin Chambers, Carl Shepherd, and Trevor Holder

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**TACKLING CARBON EMISSIONS**




The Carbon Intensity<sup>3</sup> of the Sustainable Global Dynamic Bond Model is **83% less<sup>4</sup>** than the Global Aggregate Bond Index.



**27%**

Holdings in the Newton Sustainable Global Dynamic Bond Fund have an **average of 27.5% female directors.**

Additionally, 45% of holdings have at least 30% females on the board.

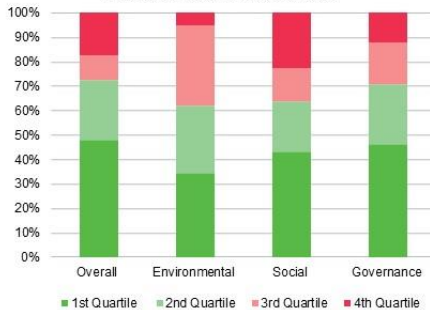


Index<sup>1</sup> **311.0**<sup>3</sup>  
Model **51.3**<sup>3,4</sup>

**ESG SCORE<sup>4,5</sup> VS GLOBAL BOND PEERS**

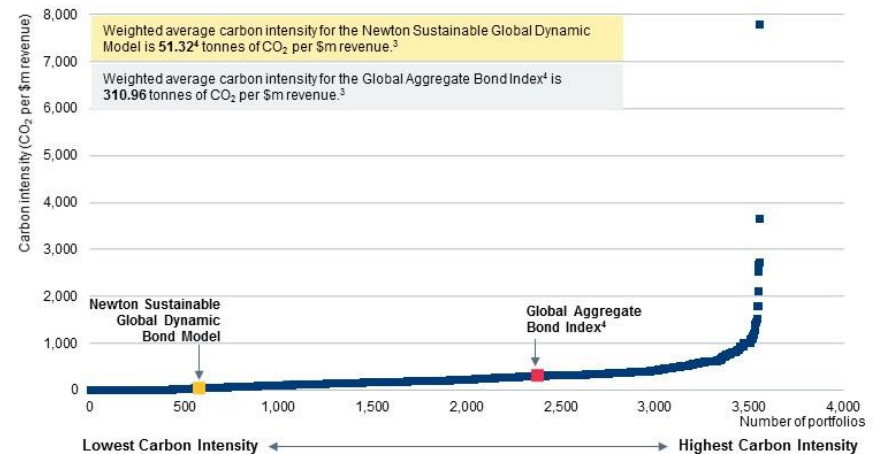


This shows the quartiles that the E, S, G and Overall ESG Scores<sup>5</sup> of Corporate Bond holdings fall under:



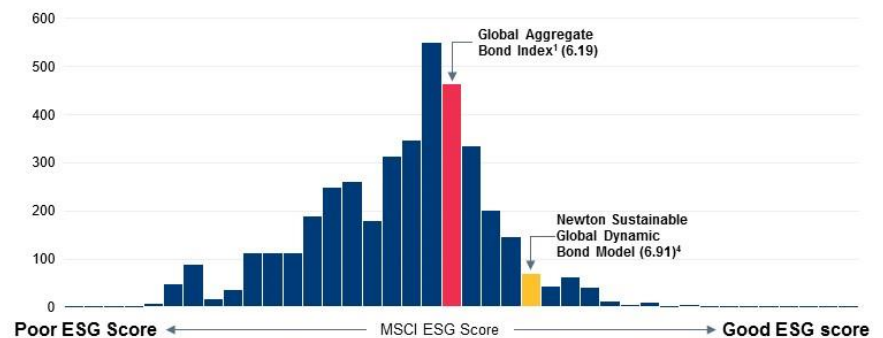
**IMPROVING GENDER DIVERSITY**

**The carbon intensity of the Newton Sustainable Global Dynamic Bond Fund is markedly lower than peers**



**Overall MSCI ESG<sup>5</sup> quality rating is in the 91<sup>st</sup> percentile<sup>4</sup>**

Distribution of MSCI ESG quality scores<sup>5</sup> in Bond Global peer group



Projected model portfolio data is not based on an actual trading history. There are no guarantees that, if launched, the Strategy's actual portfolio will reflect the model data.

Notes: <sup>1</sup>iShares Global Aggregate Bond is used as a comparative index for the purposes of ESG reporting. The strategy does not aim to replicate either the composition or the performance of the comparative index. The strategy does not use a comparative index for investment purposes; <sup>2</sup>The outperformance target stated is for indicative purposes only, may be changed without notice and is not a guarantee of future returns; <sup>3</sup>The Weighted Average Carbon Intensity measures a fund's exposure to carbon intensive companies. The figure is sum of security weight (normalized) multiplied by the security Carbon Intensity. MSCI calculates weighted average carbon intensity as scope 1+2 emissions/\$m sales weighted by portfolio weight; <sup>4</sup>Estimate based on the weighted averages of holdings in model portfolio; <sup>5</sup>The overall Fund ESG Quality Score measures the ability of underlying holdings to manage key medium- to long-term risks and opportunities arising from environmental, social, and governance factors; <sup>6</sup>Environmental, Social and Governance.

MSCI Fund Universe peer group: Bond Global. Number of funds in peer group: 4,047 (this figure includes multiple share classes run under the same strategy).  
**Source:** MSCI ESG Manager. Data accessed January 2019. The data presented is based on the latest available holdings information for each fund in the MSCI Fund Universe database. ©2019 MSCI ESG Research LLC. Reproduced by permission. MSCI ESG Research LLC's ("MSCI ESG") Fund Metrics products (the "Information") provide environmental, social and governance data with respect to underlying securities within more than 21,000 Mutual Funds and ETFs globally across multiple asset classes. MSCI ESG is a Registered Investment Adviser under the Investment Advisers Act of 1940. MSCI ESG materials have not been submitted to, nor received approval from, the US SEC or any other regulatory body. None of the Information constitutes an offer to buy or sell, or a promotion or recommendation of, any security, financial instrument or product or trading strategy, nor should it be taken as an indication or guarantee of any future performance, analysis, forecast or prediction. None of the Information can be used to determine which securities to buy or sell or when to buy or sell them. The Information is provided 'as is' and the user of the Information assumes the entire risk of any use it may make or permit to be made of the Information.



# Illustrative ESG report (2/2)

## PROPRIETARY RESEARCH

### PROPRIETARY SOVERIGN SUSTAINABILITY RATING PROCESS



When investing on a sustainable basis, **Brazil** is contentious given their negative trend on action related to deforestation and emissions. The government's approach is focussed on the short term monetisation of timber in the rainforest, at the cost of long term climate change management. They have clearly made large improvements on some indicators such as poverty, health, education. However, the government is not searching for alternatives to balance long and short term needs on the environmental side and is therefore not judged as sustainable.

### ACTIVE ESG INTEGRATION ALONGSIDE ESG SPECIALISTS

**Unite Group** is a leading manager and developer of student accommodation. We have been particularly impressed by the importance the company places on its environmental policies and targets. In our view, they also score highly on multiple social factors and the company employs a robust governance structure, including the incentive arrangement incorporating sustainability factors, which we consider to be best practice.



## ENGAGING TO DRIVE POSITIVE CHANGE

### ENGAGEMENTS AS DEBT HOLDERS



We challenged the private company **Iceland Foods** on a range of issues including supply chain controls, succession planning and gender diversity. We also encouraged better disclosure to ensure there is substance behind their recent public communications on plastic packaging and palm oil. This gave us comfort that the company is acting responsibly in its approach to a number of ESG topics. A follow-up call has recently been held with the company's head of sustainability, specifically around palm oil.

### COLLABORATIVE ENGAGEMENTS WITH OUR EQUITY HOLDINGS

Newton engaged with **Apple** regarding its **cobalt supply chains**, in order to understand its decision to work with smaller artisanal mines and its role in industry initiatives. Newton encouraged Apple to support NGOs that train and teach teenage males, the most vulnerable groups in cobalt mining, to facilitate **positive change**. Finally, we commended the company for its progress so far, and encouraged the continuation of this and its role as an industry leader.

**THIS QUARTER'S  
ENGAGEMENT FOCUSES**



**PALM OIL**



**GENDER**



**CARBON**

Projected model portfolio data is not based on an actual trading history. There are no guarantees that, if launched, the Strategy's actual portfolio will reflect the model data.

Source: Newton, 31 January 2019.

## THE TOP FIVE GOVERNMENT HOLDINGS

### 1. UNITED STATES OF AMERICA

US Treasury bonds are used as an efficient way of managing US\$ interest rate risk. The current US administration has reversed some legislation relating to climate change and also withdrawn support for key objectives such as the Paris accord which downgrades the countries overall ESG score. There are tried and tested checks and balances on executive power and this is not the norm where the lower house can overthrow presidents and law makers of the federal and various state governments. Also the structure of the economy is built on a strong rule of law, low corruption and a good education system. Also various states such as California are moving in the opposite direction from the Federal Government on environmental policies. On balance the strategy will look for viable US interest rate substitutes, such as Supranational, whilst maintaining a reduced exposure to the US Treasury market.

### 2. JAPAN

Japan is a wealthy country with a highly educated population and a high life expectancy. The rule of law is strong, corruption is low and individuals enjoy high levels of personal freedom. However, energy usage is high and Japan is reliant on imports for almost all of its energy needs, therefore any disruption in trade could make it vulnerable.

### 3. EUROPEAN INVESTMENT BANK

The ultimate responsibility of the EIB is to respond to the economic needs of citizens in the EU in ways that positively impact their lives. The EIB aims to enhance the environmental and social sustainability of all the projects that it is financing, which must comply with the ESG standards of the Bank. The ability to contribute positively to areas such as climate change, biodiversity and ecosystems considerations is an important element of the non-financial value added of the projects it finances.

### 4. AUSTRALIA

Again Australia is a wealthy country with an educated population, strong rule of law and abundant natural resources. Public finances are well managed with low debt to GDP both at Federal and State level. However, its usage of resources is not as efficient as it could be, especially relating to water, and as such droughts are a risk, especially for agriculture. It is also an energy intensive country with much higher emissions than the global average.

### 5. CANADA HOUSING TRUST

This is a Canadian government owned and guaranteed entity to support construction, modernisation and affordability of housing through mortgage insurance and the providing financial assistance for affordable housing. It encourages sustainable housing by offering rebates on insurance premiums for energy efficient housing. Its insurance operations allow people access to mortgages and housing they would otherwise be unable to afford.

## THE TOP FIVE CORPORATE HOLDINGS

### 1. SPAREBANK 1 BOLIGKREDITT

The company has a clear intention of increasing its lending focused on energy efficiency and it has an inherent low exposure to environmental risks. The issuer has a recently published ESG policy and recognises the need for improved reporting. Lending standards and customer support score well.

### 2. YORKSHIRE BUILDING SOCIETY

The mutual lender's business model is one of providing a service to its members rather than profit maximisation, allowing it to focus on helping provide savings and mortgage products that are suitable and appropriate for its clients. It has managed to avoid many of the negative social impacts made by larger banking peers. It is well governed and structured in such a way as to reduce the risks often associated with the industry.

### 3. UBS AG

UBS scores highly on environmental grounds based on its investing and financing activities. Through its wealth management division, UBS has an increasingly ESG-integrated approach to managing investments, impacting over \$1tn of assets. The bank has strong environmental restrictions on financing that it prepared to provide. It is also gradually improving its governance procedures and has strong risk management.

### 4. APPLE INC

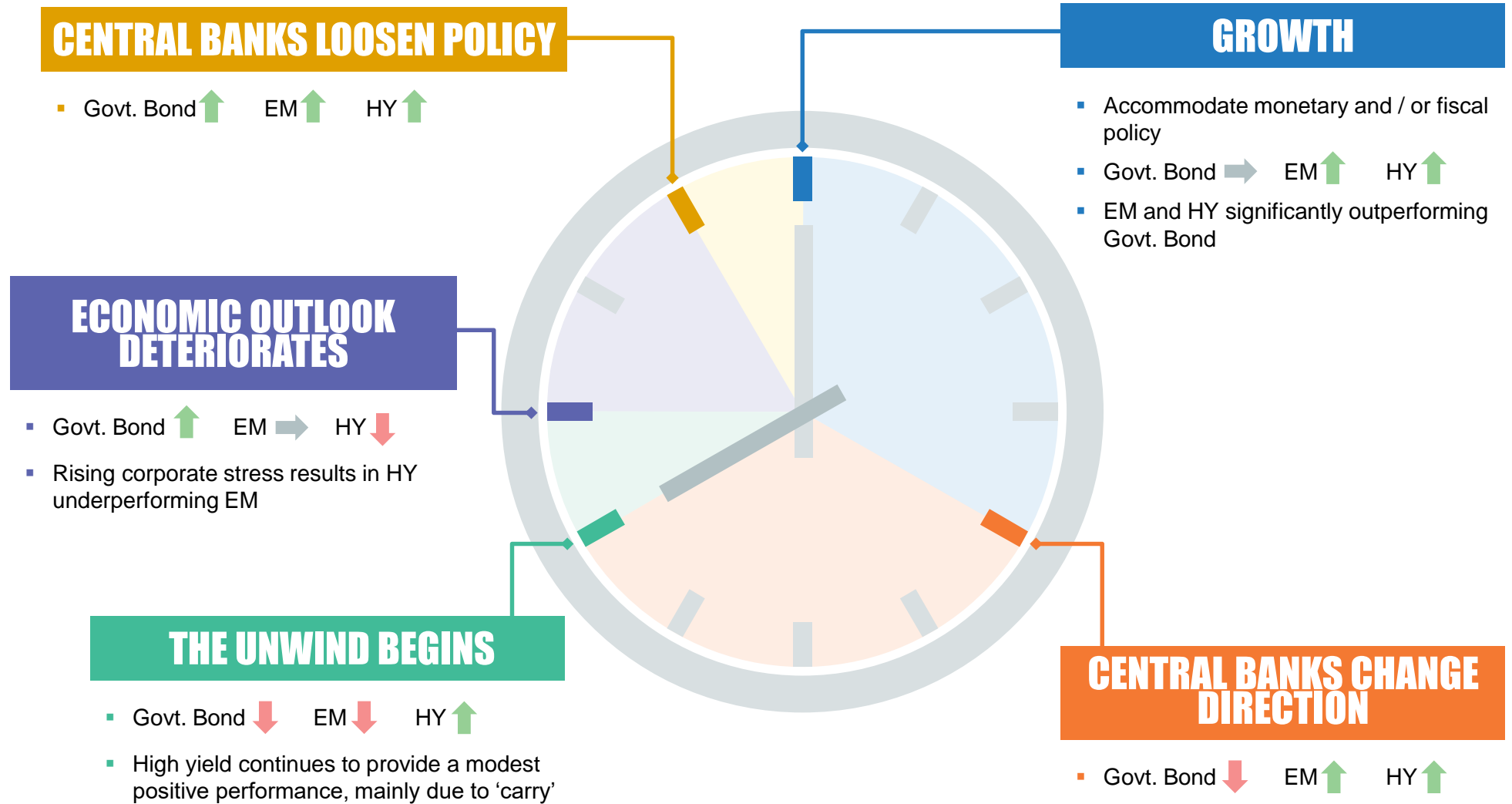
The company is exemplar in its supply chain management and is the first in the industry to have mapped its entire cobalt supply chain across China, where cobalt is smelted and refined, and in the Democratic Republic of Congo where the cobalt is mined. The company is also working extensively with local communities in providing education and health and safety training.

### 5. CITIGROUP INC

Citi has a strong environmental and human capital management programme. Governance is better than most in the US although through engagement we have fed back that we would prefer better disclosure of remuneration performance conditions and cyber security arrangements.

# MARKET VIEWS

# The tightening cycle is gradual but eventually there will be a price to pay for assets that have run ahead of growth

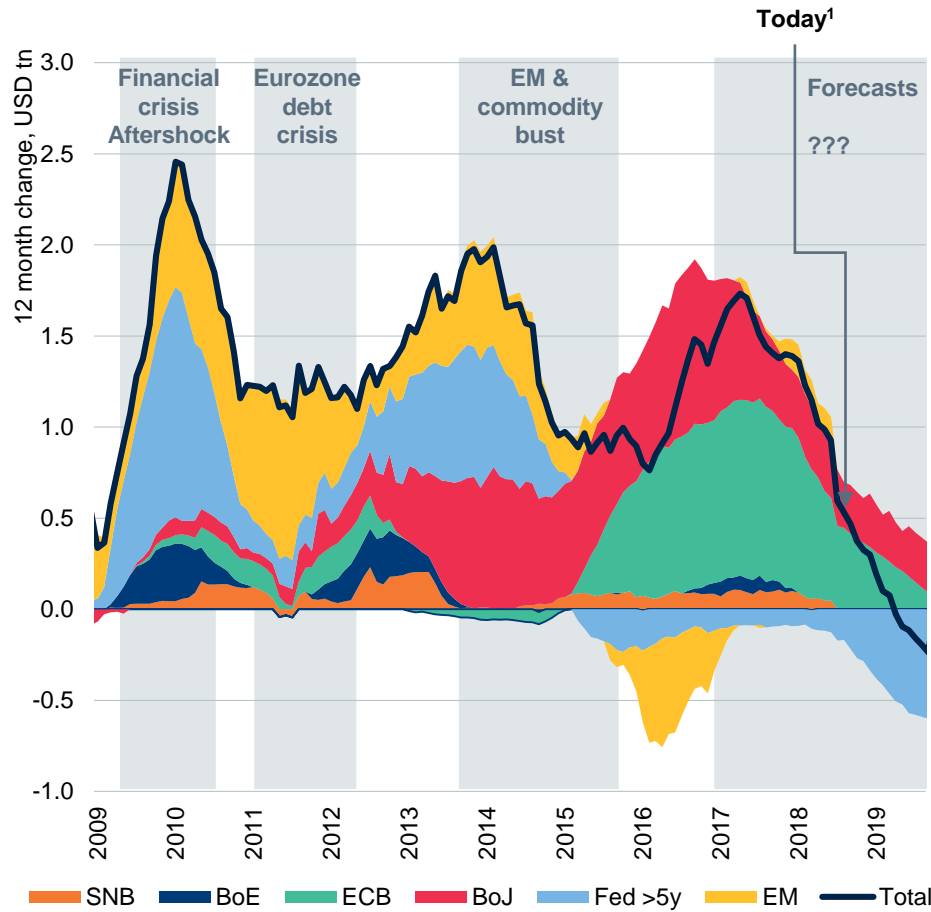


# Central bank and private liquidity falling

This is the year of transition

## Central bank purchases in free fall...

Rolling 12 month asset purchases in FX adjusted (USD tn equivalent)

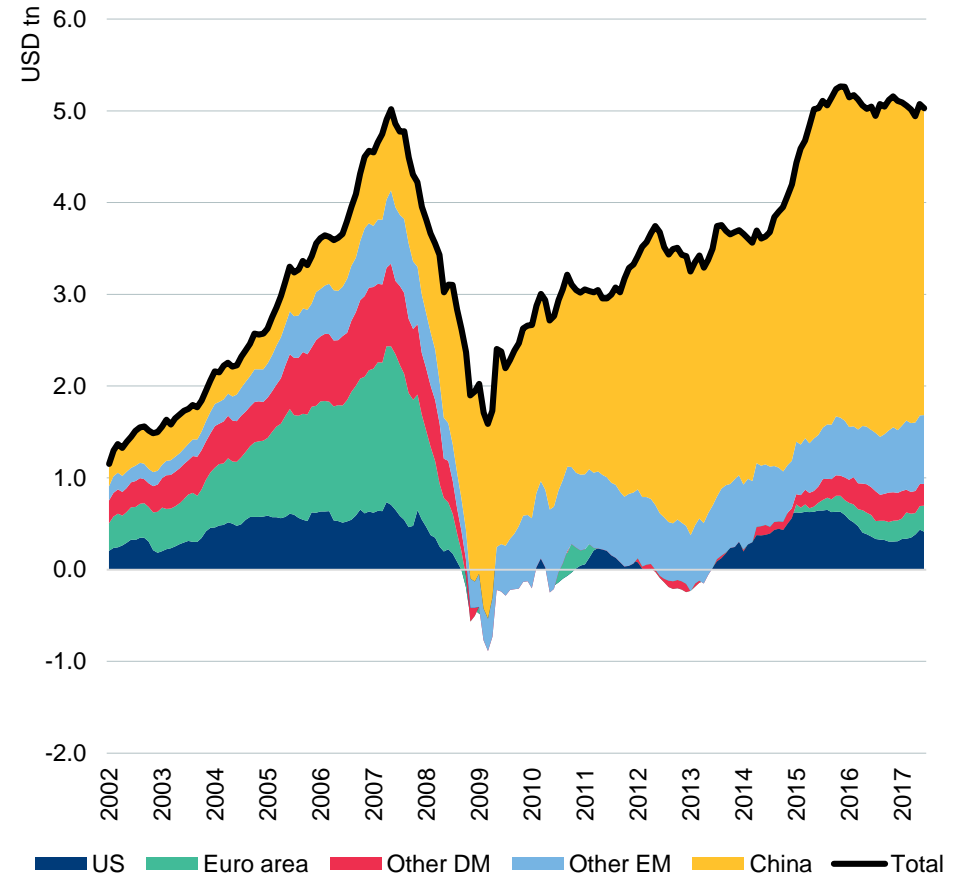


Notes:  
<sup>1</sup> 30 September 2018.  
<sup>2</sup> To 31 May 2018.

Source: Bloomberg, Newton calculations. For illustrative purposes only.

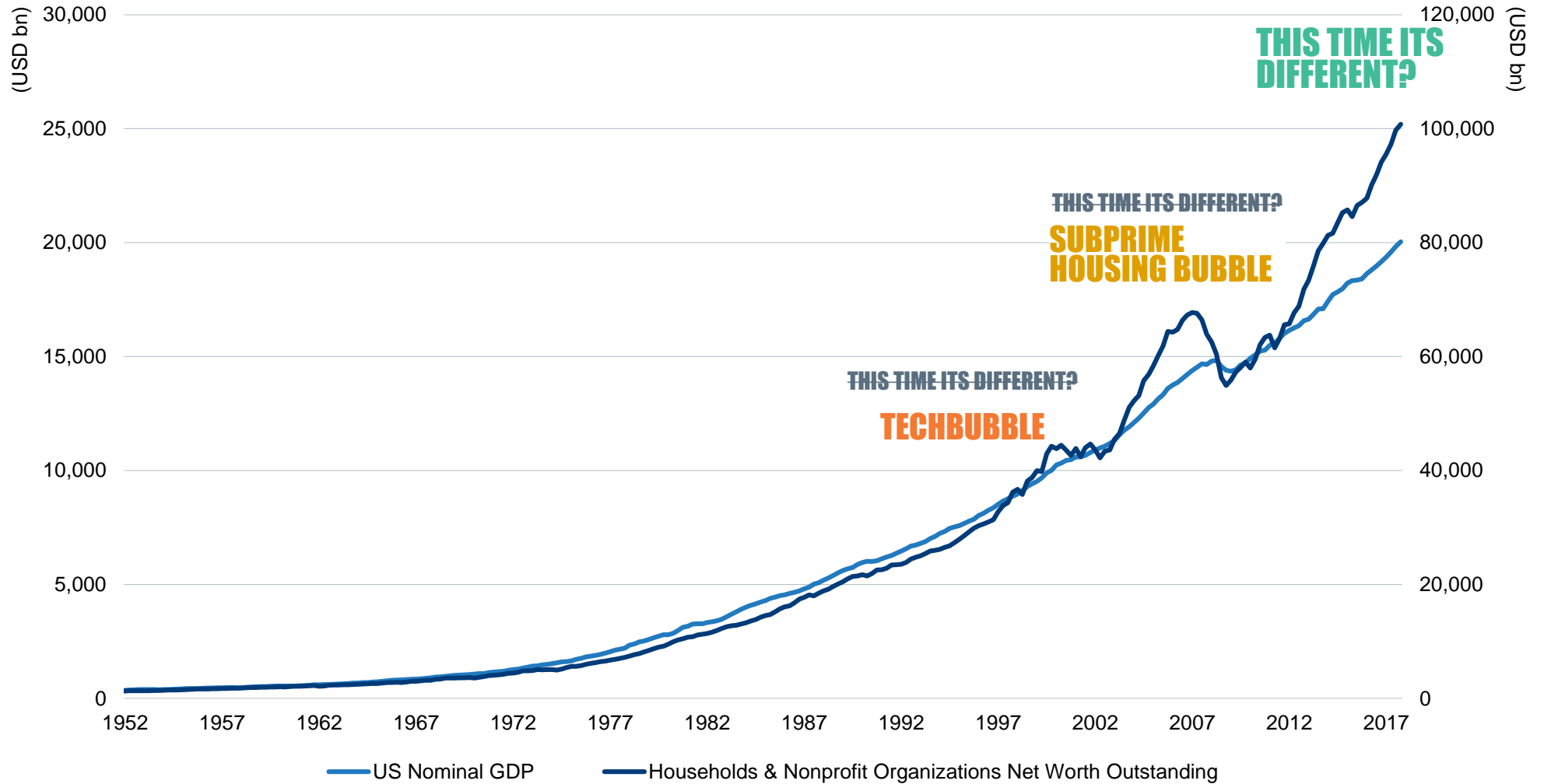
## While China's credit bubble is being reined in

Private sector credit creation, 12 months (USD tn)<sup>2</sup>



**Support for markets and economies waning**

# Asset prices have run ahead of economy

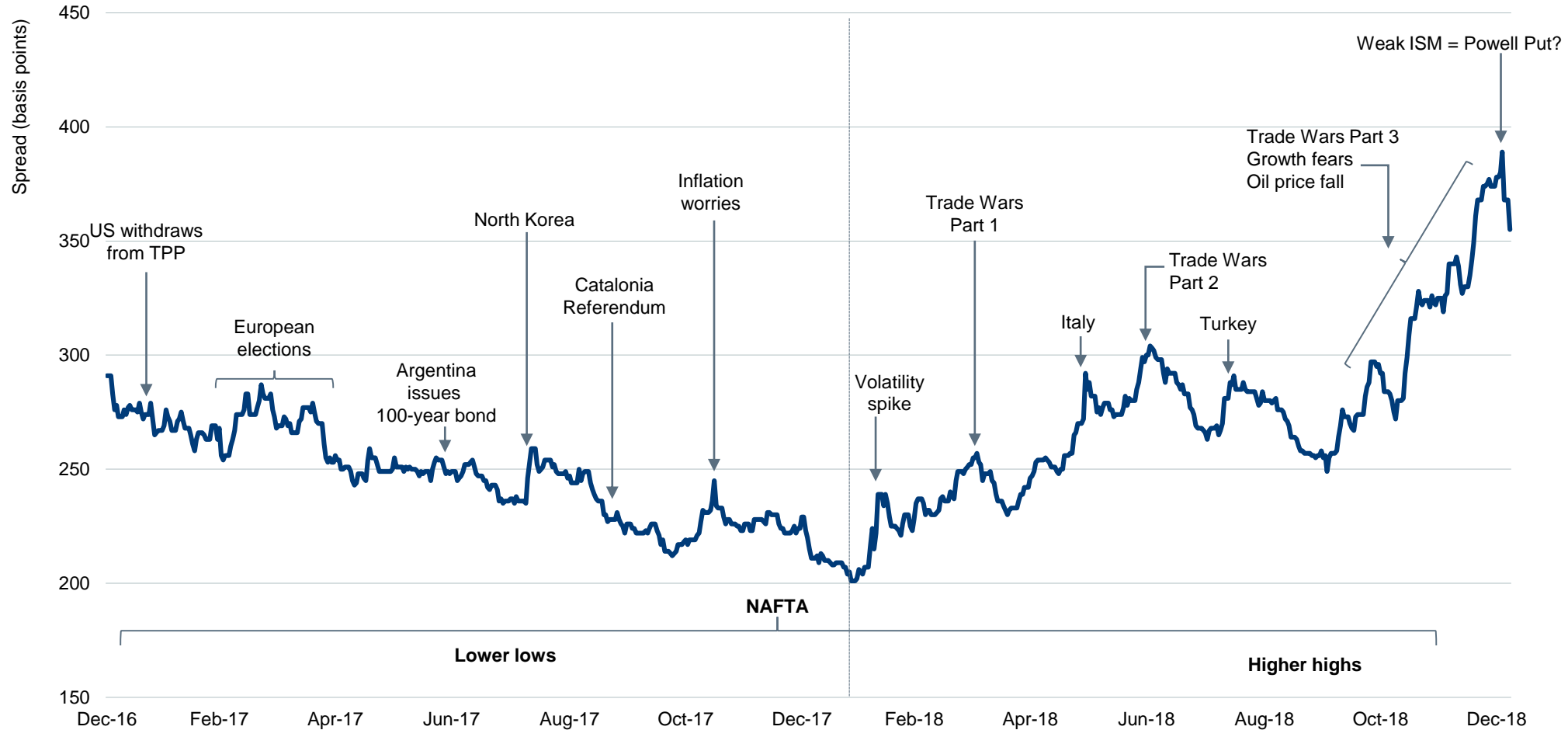


Source: Bloomberg, 30 June 2018.

# 2017: Buy the dip, 2018: Sell the rally

The marginal buyer (central banks) is leaving the room

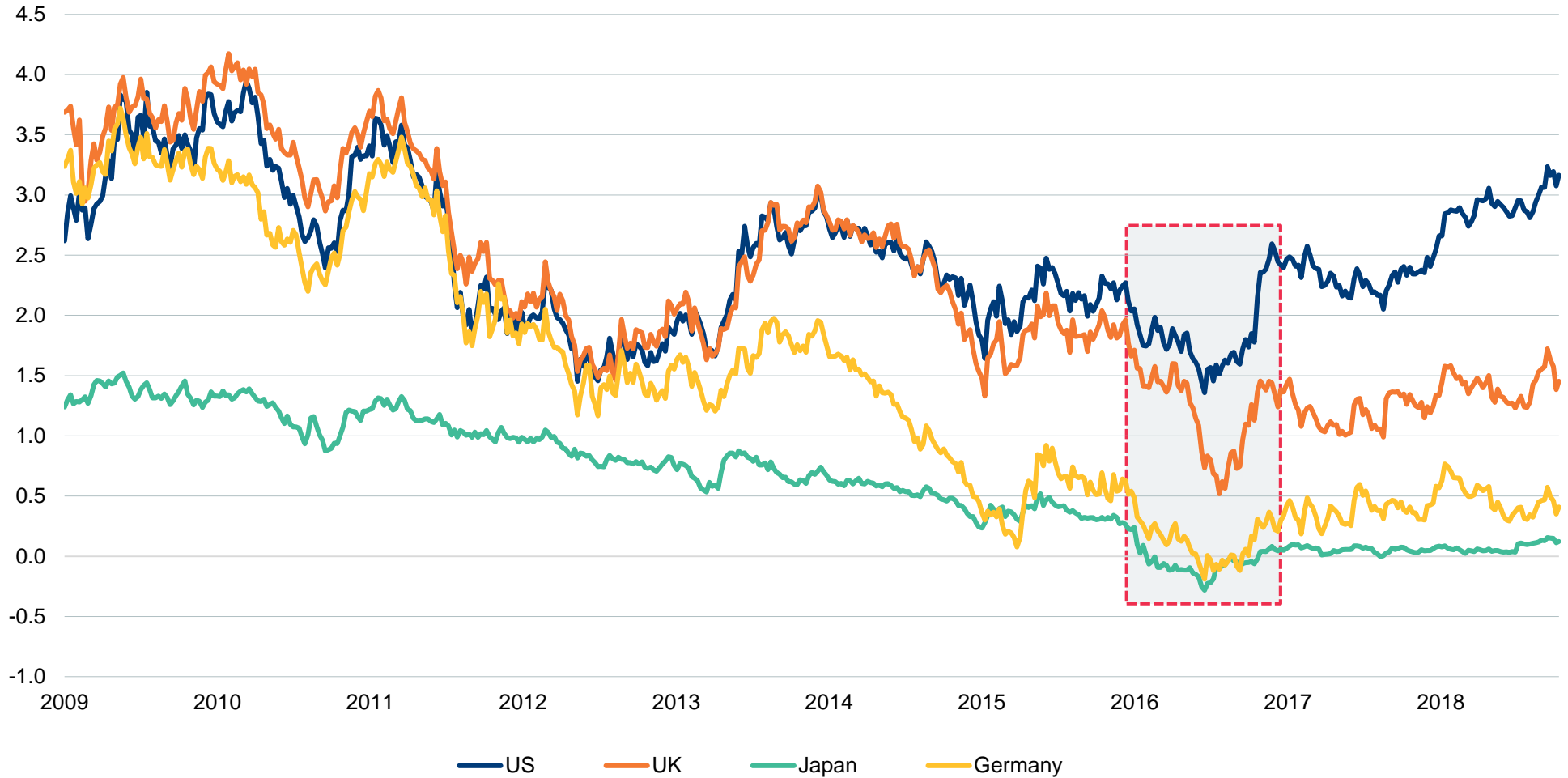
## Global BB-rated corporate spreads



Source: Bloomberg, 11 January 2019.

**Deteriorating liquidity is not good for risk assets**

# Something changed in 2016 ... ... Government Bear market started



Notes:  
 US: GT30.  
 UK: GUKG30.  
 Japan: GJGB10.  
 Germany: GDBR10.  
 Source: Bloomberg, 1 November 2018.

**But credit markets carried on**

# Looking for signs of stress

## Consumer stress

	Current	Longer term	Change		
1	2.8	2.9	-0.1	-3.4%	Green
2	4.8	4.1	0.7	17.0%	Yellow
3	884.2	1115.0	-230.8	-20.7%	Yellow
4	0.7	0.8	-0.1	-10.5%	Green
5	12.0	-7.8	19.8	-253.8%	Yellow
6	4.2	3.8	0.4	11.2%	Yellow
7	5.8	5.3	0.5	9.7%	Green
8	31.2	30.5	0.7	2.3%	Green
9	134.0	155.0	-21.0	-13.5%	Green
10	215.0	206.0	9.0	4.4%	Green

## Company stress

	Current	Longer term	Change		
1	2.8	2.9	-0.1	-3.4%	Green
2	5.2	4.6	0.6	12.0%	Yellow
3	34.5	31.7	2.8	8.8%	Green
4	63.1	72.8	-9.7	-13.4%	Yellow
5	4.1	4.4	-0.2	-5.3%	Green
6	1.3	1.3	0.0	-1.2%	Green
7	LOOSE	LOOSE	0.0		Green
8	-18.8	-1.5	-17.3	1153.3%	Yellow
9	-15.9	1.5	-17.4	-1160.0%	Yellow
10	696.7	851.9	-155.2	-18.2%	Yellow
11	800.0	1000.0	-200.0	-20.0%	Yellow
12	83.0	75.0	8.0	10.7%	Red

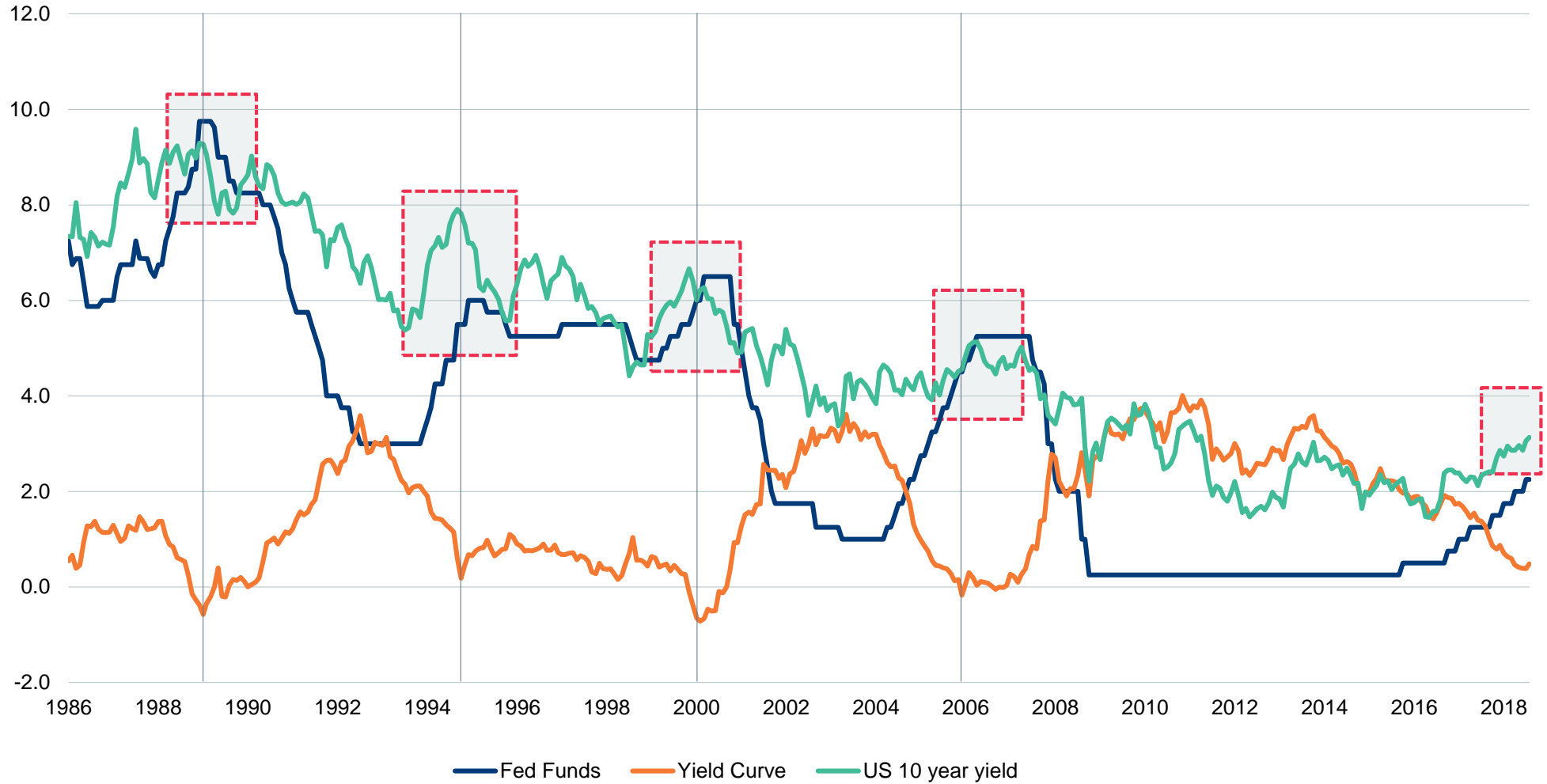
## Market stress

	Current	Short term	Longer term	Change		
1	19.0	27.6	20.0	-0.9	-4.8%	Green
2	24.0	25.0	11.0	13.0	118.2%	Green
3	20.3	9.9	11.5	8.8	76.8%	Yellow
4	113.0	111.5	113.6	0.6	0.6%	Green
5	0.3	0.6	0.7	0.4	59.8%	Yellow
6	60.1	48.2	46.4	13.7	29.6%	Yellow
7	303.9	228.3	244.1	59.8	24.5%	Yellow
8	127.0	92.0	100.0	27.0	27.0%	Yellow
9	414.0	329.0	369.0	45.0	12.2%	Yellow
10	331.0	236.0	302.0	29.0	9.6%	Yellow
11	-3.6	-3.6	-3.9	0.3	-6.6%	Yellow
12	508.0	327.0	404.0	104.0	25.7%	Yellow
13	3.0	1.5	1.4	1.5	108.3%	Yellow
14	5992.0	7140.5	7312.0	-1320.0	-18.1%	Yellow
15	37.9	59.8	29.4	8.6	29.2%	Yellow
16	39.2	44.9	40.1	-0.9	-2.3%	Red
17	48.0	47.8	47.1	0.9	1.8%	Yellow
18					-4.2%	Green
19	232.8	190.7	181.4	51.4	28.3%	Red
20	2711.7	2774.5	2584.8	126.9	4.9%	Yellow
21					23.4%	Green



# Excerpts from the stress monitoring

The shape of the yield curve



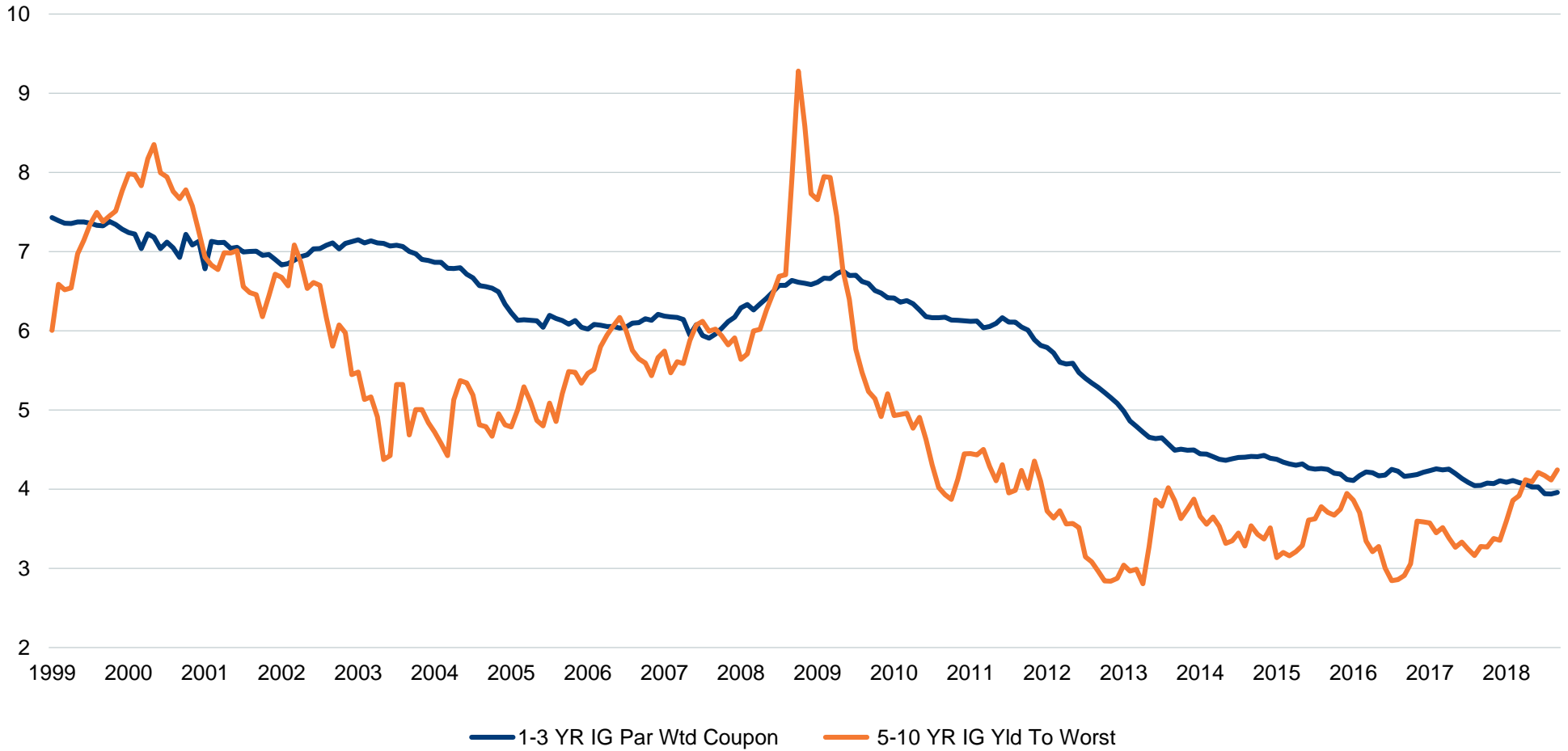
Source: Bloomberg, 25 October 2018.

**Nearing the end game**

# Company borrowing costs

Interest rates are no longer a tailwind

## US Investment Grade refinancing cost



Source: Bloomberg, 30 September 2018.

**Coupons on new debt higher than on maturing debt**

**CREDENTIALS**

# Newton responsible investing

## CREDIBILITY:

**PRI A/A+ ranked<sup>1</sup>**  
Fixed Income/Equity

**UK stewardship**  
code Tier 1

## HISTORY:



## COMMITMENT:



Notes: <sup>1</sup> 2018 PRI report; <sup>2</sup> Responsible Investment; <sup>3</sup> Environmental, Social and Governance; <sup>4</sup> Quality Review; <sup>5</sup> Members of Newton serve on the boards or committees of these associations and networks.

**Credible commitment to Responsible Investing**

# Fixed Income Quarterly Reporting

Transparency and accountability on all ESG<sup>1</sup> activities



For illustrative purposes only.  
 Note: <sup>1</sup> Environmental, Social and Governance.  
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**FIXED INCOME ESG ENGAGEMENT**

**PNB Housing**  
Indian financials company  
As part out of review of the Indian housing finance sector, we met management of this company. This followed the well-publicised banking fraud involving an associated company and the Indian state. We discussed the issues within the sector, as well as the systems and corporate governance processes in place with a particular focus on employee fraud prevention. Given these governance risks, we remain cautious around any bond issuance that may follow.

**Millicom International Cellular**  
Luxemburg telecommunications company  
We discussed a variety of issues with the company when we met during the quarter. One of these issues was the ongoing regulatory investigation in relation to the company's Guatemala business. The investigation from the local and US authorities is ongoing, and the company had no further update to what it had disclosed in its recent address to investors.

**Nordex**  
German energy company  
In light of the increased competition in the wind turbine industry, we wanted to learn how important the company is to enabling the continued growth of wind farms. We questioned management about its approach to being able to compete against larger peers, as well as continue to invest in research & development. We also discussed wind project tenders, the disappearance of government subsidies, and how the company can differentiate itself.

**Shop Direct**  
UK retail company  
Given that the company is one of the largest non-bank lenders in the UK, we sought further information and comfort surrounding its lending practices, particularly its approach to responsible lending.

**University of Oxford**  
UK university  
We challenged the Vice Chancellor on issues including diversity and sustainability. We wanted to understand the Vice Chancellor's views on diversity, how these ideas will be converted into reality and the university's approach to recruiting students from diverse backgrounds. We also discussed the university's approach to greenhouse gas emissions when developing new properties, given the current high-energy intensity of its old buildings.

**Volvo Car**  
Swedish automobile manufacturer  
As part of our wider investment meeting with management, we discussed many aspects of vehicle electrification, including battery sourcing, emissions regulation and the company's views on current social trends. We also raised the ownership structure of the business as well as wider governance issues.

**Spectrum Brands**  
US consumer products company  
In light of recent weather events and the likelihood of future unprecedented similar events, we asked the company's management about the impact that extreme weather is having on its business and how this is being managed, including mitigation of such impacts.

Responsible investment is an integral part of our fixed income investment process. We believe that ESG factors can have a material impact on a company's financial profile, credit quality and investment returns. Where appropriate, our credit analysts engage with companies on ESG factors in order to analyse the impact on credit risk, inform decision-making and improve company resilience.

Below are examples of ESG engagement with companies where our interest was from the perspective of a fixed income investor.

**Transparent and accountable**

# ESG engagement report

## Newton Fixed Income – H1 2018 (1)

Company	Engagement type	Issues discussed
<b>Microsoft</b>	Engagement meeting	Challenged the company for not taking enough action to address child labour in the cobalt supply chain. The company currently is an observer of the Responsible Cobalt Initiative (RCI), and not a full member as it feels it does not have the market power to influence the process. We pushed the company to change its status in relation to RCI, report more on its RCI activities and report in line with TCFD recommendations and demonstrate contribution to SDGs.
<b>T-Mobile USA</b>	Engagement email	<p>T- Mobile recently reported that its cyber-security team had discovered and shut down an unauthorised access of certain customer information. However, they did state that certain data exposing non-financial and non-social security details of certain customers may have been exposed. They informed the affected customers of this.</p> <p>We contacted the company to get understanding of their data security and data governance policies following this incident, the company highlighted their various functions that are responsible for monitoring data protection / security and numerous senior managers that work exclusively on privacy, security and risk management. They also highlighted their various training programs that the company has in place in relation to data security.</p>
<b>Iceland Foods</b>	Engagement meeting	Challenged the private company on a range of issues including supply chain controls, succession planning and gender diversity. Also of concern was the limited disclosure as we wanted to ensure there was substance behind its public messaging e.g. on plastic packaging. We gained increased comfort the company is acting responsibly in its approach to a number of ESG topics. With the increased level of insight, we decided to continue to monitor the company but no further engagement was necessary.

**Source:** Newton, September 2018.

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# ESG engagement report

## Newton Fixed Income – H1 2018 (2)

Company	Engagement type	Issues discussed
<b>Shell</b>	Engagement meeting	<p>We met with the Chair as part of a larger investor group to improve our understanding of the company's decision-making framework in relation to how it allocated capital, its approach to the transition to sustainable energy and also its operations in Nigeria.</p> <p>New energy businesses are evaluated by management differently to other major assets and often external experts are used to advise on project viability.</p> <p>The company has made an industry-leading move to report in line with the Task Force on Climate-related Financial Disclosure (TCFD) recommendations. Shell aim's to be the most transparent oil and gas company on this topic within three years.</p> <p>In terms of allegations the company faces in Nigeria, the chair regularly attends the Nigeria board meetings and receives reports on safety and environmental performance. The case is ongoing and the company is unaware of investigations in other jurisdictions.</p>
<b>RBS</b>	Engagement meeting	<p>We spoke with the RBS Sustainable Banking team and their sustainability consultants to provide feedback on the key influences matrix that impact RBS's planning and reporting.</p> <p>RBS is at quite an advanced stage of conducting this analysis so we did not have any significant disagreements with the current position. We provided some views, all of which RBS agreed with and will be taken into consideration when they update their matrix.</p>
<b>Centrica</b>	Engagement meeting	<p>We met with the Chair and the focus was on the continued fall in employee engagement scores, as well as the development and retention of key personnel, dividends, and TCFD reporting. They are aware of the employment challenges posed during a period of corporate transformation and cost cutting and have some remediation plans. We were informed that Centrica would be ensuring that their reporting is TCFD compliant going forward, making disclosures in governance surrounding climate change, how the business manages climate related risks and disclosing greenhouse gas emissions and future targets.</p>
<b>Range Resources</b>	Engagement email	<p>We contacted the company to ask for their response to recent press articles referring to an accusation of polluting water supplies with fracking chemicals and falsifying subsequent test results. The company provided a response to our request, including providing findings, which are supported by determinations from the Pennsylvania Department for Environmental Protection, Pennsylvania tribunal courts and investigated by the U.S. Environmental Protection Agency. We decided to continue to closely monitor the company and its operations but no further engagement was required currently.</p>

**Source:** Newton, September 2018.

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# ESG engagement report

## Newton Fixed Income – H2 2018 (3)

Company	Engagement type	Issues discussed
<b>Allied Irish Bank</b>	Engagement meeting	We met with the Irish Shareholding and Financial Advisory Division and their appointed remuneration consultant to explain our position on the remuneration arrangements at the company.
<b>Informa</b>	Engagement meeting	As part of its regular shareholder engagement, the chairman asked to meet with us to provide an update on the business and addressing concerns on the remuneration policy, given 35% of votes were against this at the May 2018 AGM. The company has incorporated feedback from investors about the maximum award opportunity. We expressed our concern about synergy targets, and that if not achieved, investment in key areas could be cut. Following amendments to the UK corporate governance code, the company has designated a non-executive director whose role is to enhance the employee voice in the boardroom.
<b>Matalan</b>	Engagement email	We asked senior management and received detailed responses about Matalan's supply chain. This included policies and procedures in place, its audits and general monitoring procedures. We also asked about raw material sourcing, clothing waste and the fast fashion trend and energy efficiency.
<b>Nationwide Building Society</b>	Engagement meeting	We met with Nationwide Building Society, at their request, to discuss their inaugural sustainability report. They were keen to leverage on our expertise in the area as to what we would expect or like to see them disclose. We ran through the ESG areas that we see as material to financial institutions and it was reassuring to see that their thinking was very much in line with ours. We expect more dialogue in the future before the final report is published and look forward to giving further guidance.

Source: Newton, September 2018.

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# REFERENCES

## As the clock ticks on what can we do

### INCOME

As yields rise the level of income can be used more effectively to offset any capital losses

### DYNAMIC

Allocating away from the bond sectors that are going to cause pain and towards those that are likely to benefit from the next phase

### AVOID DEFAULTS

Definitely easier said than done but with the right credit process can help

**We would now like to talk to you about an approach that can help with the potential downside from a rising credit event**

# Delivered by Newton Fixed Income Team

## RATES



**Paul Brain**  
Investment leader,  
Fixed Income



**Jon Day**  
Global Rates &  
Currencies



**Carl Shepherd**  
EM Sovereign

## CREDIT



**Howard Cunningham**  
IG Credit, Global Rates,  
Currencies



**Parmeshwar Chadha**  
Global High Yield,  
Currencies



**Trevor Holder**  
EM Sovereign



**Martin Chambers**  
Sector Analyst – IG/HY  
Financials, derivatives,  
gaming



**Scott Freedman**  
Sector Analyst - IG/HY  
Energy, health, industrials,  
utilities



**Anna Martinez**  
Sector Analyst – IG/HY  
Consumer, packaging



**Ashwin Palta**  
Sector Analyst – IG/HY  
Telco, tech, media, metals &  
mining.

## DEALING



**Dominic Howlett**



**Paul Collins**

### Stable, experienced team

- Average industry experience: 18 years
- Average tenure at Newton: 11 years

### Nimble, right-sized team, leveraging Newton's broader resources

- Thematic focus groups
- 19 equity analysts / strategists
- 6 members of Responsible Investment team
- Single location and cross asset class insights are key

### Critical mass, with capacity to grow

- £3.95bn in Newton Global Dynamic Bond strategy<sup>1</sup>
- Advise on additional £5.48bn in fixed income assets in multi-asset portfolios<sup>1</sup>

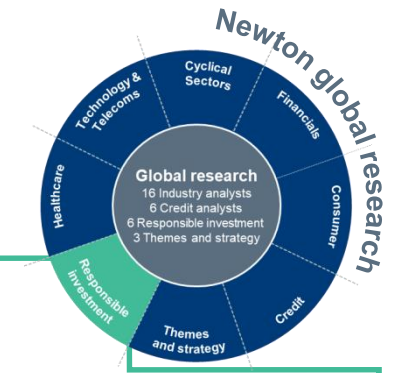
Note:

<sup>1</sup> As at 31 December 2018.

Source: Newton.

Years' investment experience and tenure at Newton are team average numbers, excluding dealing as at 31 December 2018.

**Well resourced, experienced, stable team**



**Rob Stewart**  
**Head of Responsible and Charity Investment**  
**Portfolio manager, Multi-Asset team**

Rob leads the Responsible Investment Team and also Charity Investment at Newton. Apart from these leadership roles he manages a number of portfolios which have an ethical/SRI mandate. He joined Newton in 2003, prior to which he acquired a range of experience at Goldman Sachs. Previously he worked at CIN Management as both a Japanese and UK portfolio manager. Rob is a Governor of a London school which has charitable status.

**Joined Newton:** 2003. **Joined industry:** 1989



**Ian Burger**  
**Head of corporate governance**

Ian is the head of corporate governance at Newton Investment Management. He is responsible for corporate governance considerations throughout Newton's investment process and also leads ESG<sup>1</sup> analysis for certain sectors. Outside of Newton, Ian is involved in shaping the debate on ESG<sup>1</sup> through his membership and participation in various groups such as co-chairing the GC100 and Investors Group, being a board member of the ICGN and chairing its Finance Committee, a member of the PLSA's Stewardship Advisory Group. Ian is a Fellow of the Chartered Institute of Secretaries, a trustee of its three charities and received the ICSCA's President's medal at the institute's 125th anniversary in 2016.

**Joined Newton:** 1998. **Joined industry:** 1998



**Lloyd McAllister**  
**Responsible Investment analyst**

Lloyd is a Responsible Investment Analyst at Newton. His role includes conducting research and company engagement on ESG<sup>1</sup> issues. Previously he worked at KPMG where he qualified as a Chartered Accountant and worked within the Sustainability Consulting team.

Lloyd is a member the Climate Disclosure Standards Board's Technical Working Group and the Institute of Chartered Accountants of Scotland Sustainability Panel.

He is also the Treasurer of a small UK charity and holds a BSc from Loughborough University and an MSc from the London School of Economics in Political Science.

**Joined Newton:** 2018. **Joined industry:** 2009



**Victoria Barron**  
**Responsible Investment analyst**

Victoria joined Newton in 2015 and is a responsible investment analyst within the responsible investment team. Victoria undertakes research and engagement on ESG<sup>1</sup> issues with global companies, as well as voting and reporting to clients. She has previously sat on a number of investor-related advisory bodies including the 30% Club Investor Group, UK Sustainable Investment and Finance Association Analyst Committee and the QCA Corporate Governance Expert Group. Today she sits on the Science Based Targets Financial Institution Expert Advisory Group (SBTI).

Prior to joining Newton Victoria worked for Hermes Equity Ownership Services, the FTSE Group and CCLA Investment Management. She has an International Management BSc from Manchester University and an Environmental Technology MSc from Imperial College. She speaks Brazilian Portuguese.

**Joined Newton:** 2015. **Joined industry:** 2009



**Lottie Meggitt**  
**Responsible Investment analyst**

Lottie is a responsible investment analyst within the responsible investment team, undertaking research and ESG<sup>1</sup> issues, as well as voting and reporting to clients. She sits on the 30% Club Investor Group. Prior to joining the RI team, Lottie was a member of Newton's investment communications team. Lottie is a CFA<sup>2</sup> charterholder and has a BA in Classics from Cambridge.

**Joined Newton:** 2014. **Joined industry:** 2014



**Rebecca White**  
**Responsible Investment analyst**

Rebecca joined the Responsible Investment Team following her completion of the BNY Mellon Emerging Leaders Programme. During this time, Rebecca completed placements in Risk, Investment and Commercial functions at Newton, alongside successfully completing the Investment Management Certificate. Prior to joining Newton, Rebecca graduated from the University of Exeter with a degree in Law, focusing on Company and Commercial Law.

**Joined Newton:** 2017. **Joined industry:** 2017

Notes: <sup>1</sup> Environmental, Social and Governance; <sup>2</sup> CFA® and Chartered Financial Analyst® are registered trademarks owned by CFA Institute.

Source: Newton, 31 December 2018.



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Given Newton Fixed Income's expertise in this area, we would like you to help us draft our ESG reporting and sustainability agenda

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### REASONS FOR ENGAGEMENT INCLUDED

- Private company with limited disclosure
- Very public messaging on topics such as plastic but we wanted to ensure there was substance behind it
- Concerns around supply chain controls
- Key man risk and succession planning
- Gender diversity

### FORM OF ENGAGEMENT

- Engagement with CFO, who was proactive in delivering answers to our questions
- Engagement duration of just over one month
- One hour conference call; follow up questions and answers over email
- The first time Iceland had ever been asked ESG<sup>1</sup> questions by investors

### ENGAGEMENT OUTCOME

- Increased comfort the company is acting responsibly in its approach to a number of ESG<sup>1</sup> topics:
  - Managing its environmental impact well
  - Robust supply chain policies and procedures in place, and takes failings very seriously
  - A strong governance structure plus depth in management control and decision making, thereby reducing key man risk
- We were informed the company is developing a wide-ranging sustainability plan which will be published in October
- With this increased level of insight, we decided no further engagement was necessary in the near term
- We believe our engagement will better equip Iceland to answer similar questions in the future, as an increased understanding of what investors regard as important could help direct management effort

Note: <sup>1</sup> Environmental, Social and Governance.

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“ **This is the first time we have been asked ESG questions by a bondholder**  
*Chief Financial Officer, Iceland Foods*

### NEGATIVE PRESS

“ **Food retailer Iceland withdraws product after horse meat found in diced beef steak**

*irishtimes.com, 16 April 2013*

“ **Watchdog viewers rage as BBC show exposes Iceland chilled food bombshell ‘Disgrace’**

*Express.co.uk, 18 April 2018*

### ESG OUTCOMES

“ **Iceland supermarket vows to eliminate plastic on all own-branded products**

*theguardian.com, 15 January 2018*

“ **Co-op and Iceland back bottle deposit scheme to reduce plastic pollution**

*theguardian.com, 30 November 2017*

“ **Iceland: no appetite for extinction**

Iceland will stop using palm oil as an ingredient in all its own brand food by the end of 2018. The ethical decision to remove palm oil has been made in order to demonstrate to the food industry that it is possible to reduce the demand for palm oil while seeking solutions that do not destroy the world’s rainforest.

*Iceland.co.uk, 10 April 2018*

## INTER-AMERICAN DEVELOPMENT BANK

The IADB works to improve lives in Latin America and the Caribbean. Through financial and technical support for countries working to reduce poverty and inequality, they help improve health and education, and advance infrastructure. Their aim is to achieve development in a sustainable, climate-friendly way.

- Provides loans, guarantees and technical assistance to sovereign governments and non-sovereign entities (private sector companies)
- The IADB is committed to maximising the positive environmental and social impact of their work while minimising the risks and negative impacts to people and natural capital
- Capacity to lend an average of \$12bn per year

### IADB'S LENDING TARGETS 5 MAIN AREAS

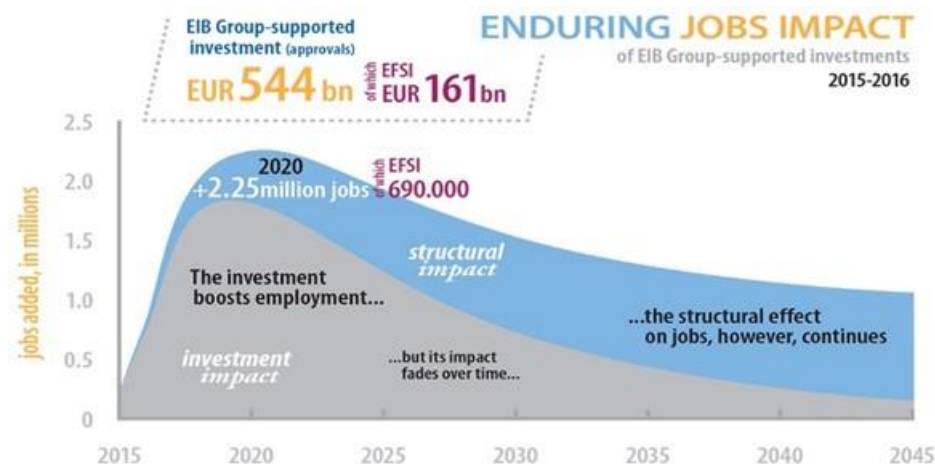
<b>INFRASTRUCTURE</b>	<ul style="list-style-type: none"> <li>▪ Transportation</li> <li>▪ Water and sanitation</li> </ul>
<b>SOCIAL SERVICES</b>	<ul style="list-style-type: none"> <li>▪ Health</li> <li>▪ Education</li> <li>▪ Housing</li> </ul>
<b>CLIMATE CHANGE</b>	<ul style="list-style-type: none"> <li>▪ Renewable energies</li> <li>▪ Energy efficiency</li> <li>▪ Environmental sustainability</li> </ul>
<b>INSTITUTIONAL BUILDING</b>	<ul style="list-style-type: none"> <li>▪ Credit and capital markets reform</li> <li>▪ Public finance / tax reform</li> </ul>
<b>INTEGRATION</b>	<ul style="list-style-type: none"> <li>▪ Trade</li> <li>▪ Cross border investments</li> </ul>

Source: [www.iadb.org](http://www.iadb.org); [www.eib.org/en/about/key\\_figures/eib-impacts/index.htm](http://www.eib.org/en/about/key_figures/eib-impacts/index.htm)

## EUROPEAN INVESTMENT BANK

The EIB is owned by the EU member states and is one of the world's largest multilateral borrowers and lenders

- Provides finance and expertise for sustainable investment projects that make a strong, inspiring impact on peoples' lives, contributing to EU policy objectives in Europe and beyond
- Since inception 60 years ago, the EIB has invested over €1.1 trillion in 11,800 projects in more than 160 countries
- Priority areas are innovation and skills, SMEs, infrastructure and climate and environment.
- By 2020, overall investment approved by the EIB within the EU in 2015-16 will:
  - Support €544bn of investment
  - Add 2.3% to GDP
  - Add 2.25 million jobs



## WHAT ARE HOUSING ASSOCIATIONS?

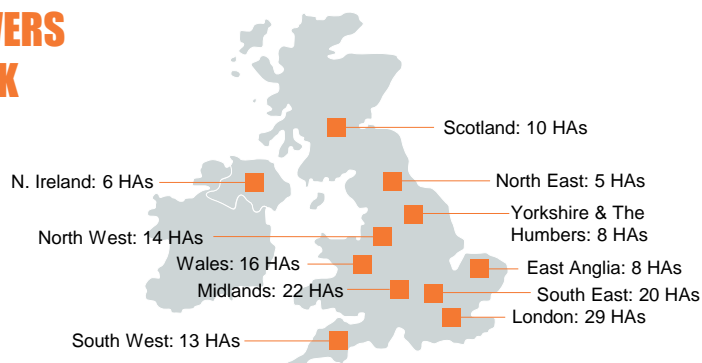
Not-for-profit bodies that provide rented homes at sub-market rents. They also offer the chance to gain access to home ownership and provide other neighbourhood and community services.

- Subject to strong regulation to safeguard effective governance and financial viability
- The majority of Housing Associations have charitable status and are registered societies under the Co-operative and Community Benefit Societies Act 2014 and are registered by the FCA
- Lenders to the sector can take full security against housing assets valued according to a conservative valuation methodology
- There are 1775 Housing Associations managing 2.4 million homes in England
- 84% of Housing Association turnover comes from social renting at sub-market rents. 70% of rents are paid directly to landlords from Housing Benefit.

## THE HOUSING FINANCE CORPORATION (THFC)

- THFC is dedicated to responsibly coordinating investment into the affordable housing market
- THFC on-lends predominately long-term debt to over a 170 individual Housing Associations throughout the UK who in turn contribute to developing and managing the affordable rented sector
- The group is also partially funded by the European Investment Bank.

### THFC BORROWERS ACROSS THE UK



THFC also on-lend to 8 national HAs

Source: [www.thfcorp.com/the-core/how-we-operate](http://www.thfcorp.com/the-core/how-we-operate); [www.myclarionhousing.com](http://www.myclarionhousing.com)

## CLARION HOUSING GROUP

- The Group is made up of not-for-profit and commercial subsidiaries
- It undertakes a range of commercial activities to generate revenue that is reinvested into their core mission - supporting social housing residents and providing affordable homes

### IT IS ALSO FOCUSED ON DEVELOPING FUTURES:

Support **4,000**  
people into work  
and training

Provide **250**  
high-quality  
apprenticeships a  
year

Assist **15,000**  
young people a  
year to make a  
better start in life

Give **3,000**  
residents free debt  
advice

Provide over **2,000**  
affordable loans to  
residents



# Sustainable sovereign bond examples

## Emerging markets

### COLOMBIA (REPUBLIC OF): 7.5% 26-AUG-2026

The Colombian Government is an investment grade Latin American issuer. Despite its chequered history, over the last decade there have been real improvements in the stability of the country and a move away from violence. Notably the peace deal signed with the FARC organisation (Colombian paramilitary organisation) in 2016. There has been an improvement across the board of all the transparency and corruption data we feed into our sovereign ESG analysis. Government committed to tackling increase in budget deficit post the fall in the oil price in 2014, and implementation of fiscal consolidation package.

Plus points include:

- Able to achieve peaceful transition of power, elections viewed as free and fair
- Peace dividend from ceasefire with FARC guerrilla group
- Independent Central bank
- Made steady recent progress across all of our sovereign ESG metrics



### ECUADOR: 10.5% 24-MAR-2020

Traditionally a serial defaulter, since the change in the Raphael Correa presidency, and Correa's exile from the country, there has been a real drive for transparency from the Lenin Moreno government. There has been an improvement across the board of all the transparency and corruption data we feed into our sovereign ESG analysis. The first stage to fixing governance problems is to first get a scale of the task in hand.

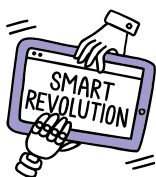
Plus points include:

- A full audit of government debt levels and publishing findings
- Monthly central bank communications have been formalised, characterised by open, frank discussions on the state of the governments finances
- Re-engagement with IMF to provide funding in a more transparent manner, as opposed to previous opaque bilateral financing



# European data centre business: InterXion

## THEMES



## ESG

- 100% of energy is from renewable sources
- Data security is a concern for data centre business, however the company's business model is that it is responsible for the physical infrastructure of the data centre. The servers and data inside belong to its customers, therefore its risks in relation to customer data seem to more limited. The company has employed a wide range of physical security features, including biometric scanners, mantraps, smoke detection, fire suppression systems, and secured access to protect client equipment.
- Some key man risk identified but we have identified management strength across other senior individuals.

Note:

<sup>1</sup> Environmental, Social and Governance.

Source: Newton, Bloomberg, company reports. Held since June 2018, valuation data as of January 2019. The securities mentioned are only for illustrating the investment process of Newton Investment Management. These opinions should not be construed as investment or any other advice and are subject to change. This slide is for information purposes only and does not constitute an offer or solicitation to invest.



## FUNDAMENTALS

- The multi-tenant data centre market is growing at ~9% CAGR, driven by accelerating data growth.
- 900bp growth in utilisation rate since 2010, and as the number of data centres has grown from 28 to 50.
- Strong growth in EBITDA and margin, with most recent Q318 organic revenue and EBITDA growth of 15% and 17% respectively.
- Bookings remain strong.
- 90% of capex is discretionary.
- Lower M&A appetite than some peers.
- Adequate liquidity and first main debt maturity not until 2025. The current expansion plan is funded.

## VALUATION

- Trades at spread of 440bp/yield of 4.0%.
- Trades at EV/EBITDA multiple of 17x; gross and net leverage stand at 5.2x and 4.1x respectively.
- Rated B1 stable / BB- stable.



The business is experiencing good growth trends due to shift to the cloud/increased enterprise IT spend. The new bond issue is coming at a spread of 125-130bps over a larger peer, which I believe compensates investors the smaller scale business. I think the fair value of this new issue is at a yield of 4.5% in the current market (it priced at 4.75%).

**Ashwin Palta, June 2018**



**Ashwin Palta**  
Credit analyst

# UK leisure business: Center Parcs

## THEMES



## ESG

- The company has a number of environmental initiatives in place and as a business with a focus on holidays in nature these are at the core of their sustainability strategy. The company reports that in 2017 their carbon emissions were 10% lower than the year before and that their 2020 -20% reduction target was met 3 years ahead of schedule.
- The company is expanding quickly, but has over the past 7 years done so in a carbon-neutral way and says it has endeavours to reduce water usage as well as the amount of waste.
- Disclosure around governance is limited, but sufficient and social impacts are overall positive and merit a high score, given also the generally low risk/exposure in this context.
- The company has strong labour management practices, including training programmes & employee engagement programmes in place. The company conducts regular employee engagement surveys and employs dedicated resources towards attracting, recruiting and developing people (reaccredited of 'Investors in People' standard).

Note:

<sup>1</sup> Environmental, Social and Governance.

**Source:** Newton, Bloomberg, company reports. Held since June 2017, valuation data as of January 2019. The securities mentioned are only for illustrating the investment process of Newton Investment Management. These opinions should not be construed as investment or any other advice and are subject to change. This slide is for information purposes only and does not constitute an offer or solicitation to invest.



## FUNDAMENTALS

- Very strong and resilient occupancy track record; villages within 2 hour drive of densely populated areas.
- Occupancy rates have averaged 94% over the last 15 years and been running at over 97% since 2011/12 (currently 98.6%)
- High forward booking visibility with 40% of nights for the next 12 months booked at the start of the financial year.
- Although it has exposure to some UK second holiday customers, there is also some defensiveness from consumers trading down and staying the in UK.
- ADR growth is expected to remain solid, helped by refurbishment.
- Positive cash generation driven by high EBITDA margins, working capital inflows and relatively low maintenance capex. It has a continued strong return on capital investment.
- Barriers to entry, including £300m cost to replicate a single site
- Significant financial covenant headroom (securitised bond)

## VALUATION

- Trades at a spread of 465bp/yield of 5.4% for a 3.5 year bond
- Rated B stable
- Net leverage of 7.4x, equity cushion of >5x

“

The business remains a strong credit with a very robust track record through cycles and is free cash generating. Net leverage is undoubtedly high at 8.1x vs 6.8x before the deal, which came down from 7.9x in 2015 after being purchased by the sponsor for 13.3x EBITDA (implies still a decent equity cushion). I think the business can sustain this high leverage given its track record, resilience, high margins and cash generation. The bonds at the price talk look attractive on a relative value basis.

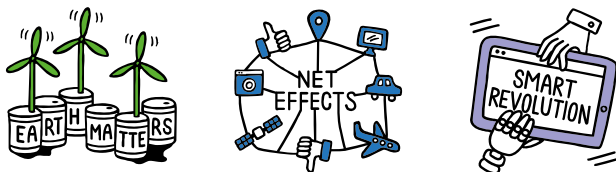
**Anna Martinez, June 2017**



**Anna Martinez**  
Credit analyst

# German auto supplier: Hella

## THEMES



## ESG

- We are currently engaging with the company around their supply chain. No specific areas of concern, but we are seeking further information.
- Products include those focused on safety and energy efficiency, such as LED lighting and electronics applications for vehicles and the workplace.
- Established programme with targets for the continuous improvement of environmental protection.
- High level of focus on product quality, including audits and monitoring.
- Clear company code of conduct covering business practices, the environment and diversity and inclusion.
- 60% family controlled and voting aligned with economic interest. >30% of the supervisory board is female and 75% is independent of management. Room for improvement on pay disclosure and lack of independence on sub-committees.

Note:

<sup>1</sup> Environmental, Social and Governance.

**Source:** Newton, Bloomberg, company reports. Held since July 2017, valuation data as of February 2019. The securities mentioned are only for illustrating the investment process of Newton Investment Management. These opinions should not be construed as investment or any other advice and are subject to change. This slide is for information purposes only and does not constitute an offer or solicitation to invest.



## FUNDAMENTALS

- The company is one of the world's largest automotive Tier 1 suppliers. It is a leading manufacturer and supplier of lighting technology and electronic components and systems, with a strong position in the European aftermarket.
- It is outperforming light vehicle production in all regions. 50% of their exposure is to premium vehicles, helping to provide some resilience in a tough global auto market, through the willingness of OEMs to pay for innovation.
- Its strong technology and product offering in LED lighting and radar sensors allow it to benefit from penetration growth, with limited exposure to the internal combustion engine. Organic revenue growth most recently was +4.3%.
- Not however immune to the challenging market environment.
- Good record of improving efficiency and achieving a reduction in working capital.
- Net debt of zero after selling their wholesale business, however the funds may be recycled into M&A as target prices have dropped.

## VALUATION

- €24 bond trades at a spread of 120bp
- Relatively recent upgrade to Baa1 stable (Sep-18)
- Zero net leverage.

“

Although I currently look negatively on the environment for mainstream OEM suppliers given the high levels of auto production and slowing growth, this is a very interesting business with an excellent product portfolio and supported by strong trends. It has demonstrated above-market growth with a strong product portfolio in strong segments (efficiency and electrification, autonomous driving, digitalisation and connectivity) and it should benefit from the continued disruptive trends in the sector. The downside is that R&D costs are expected to remain high, as will capex, so FCF generation is limited.



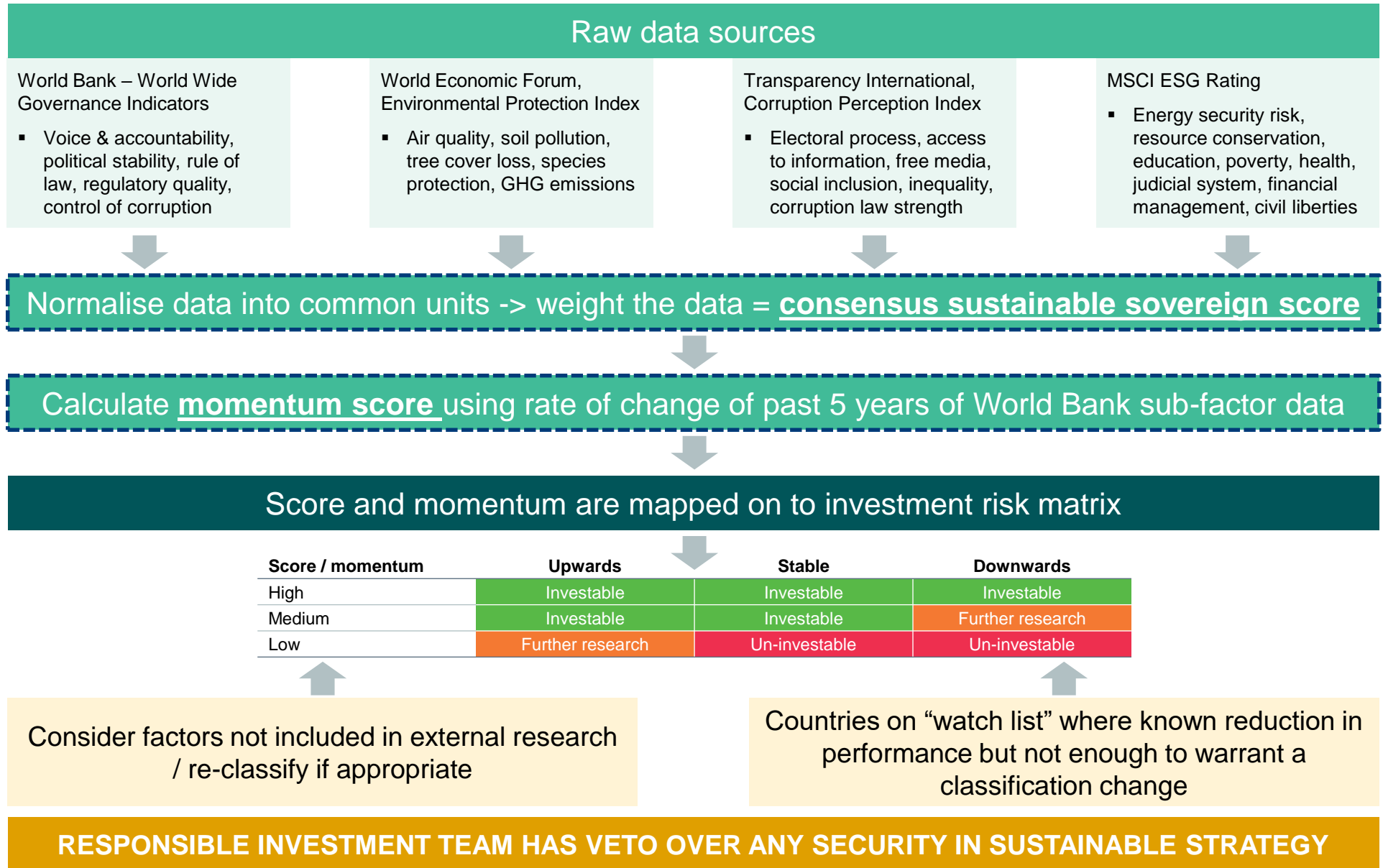
**Scott Freedman**  
Credit analyst

**Scott Freedman, July 2017**



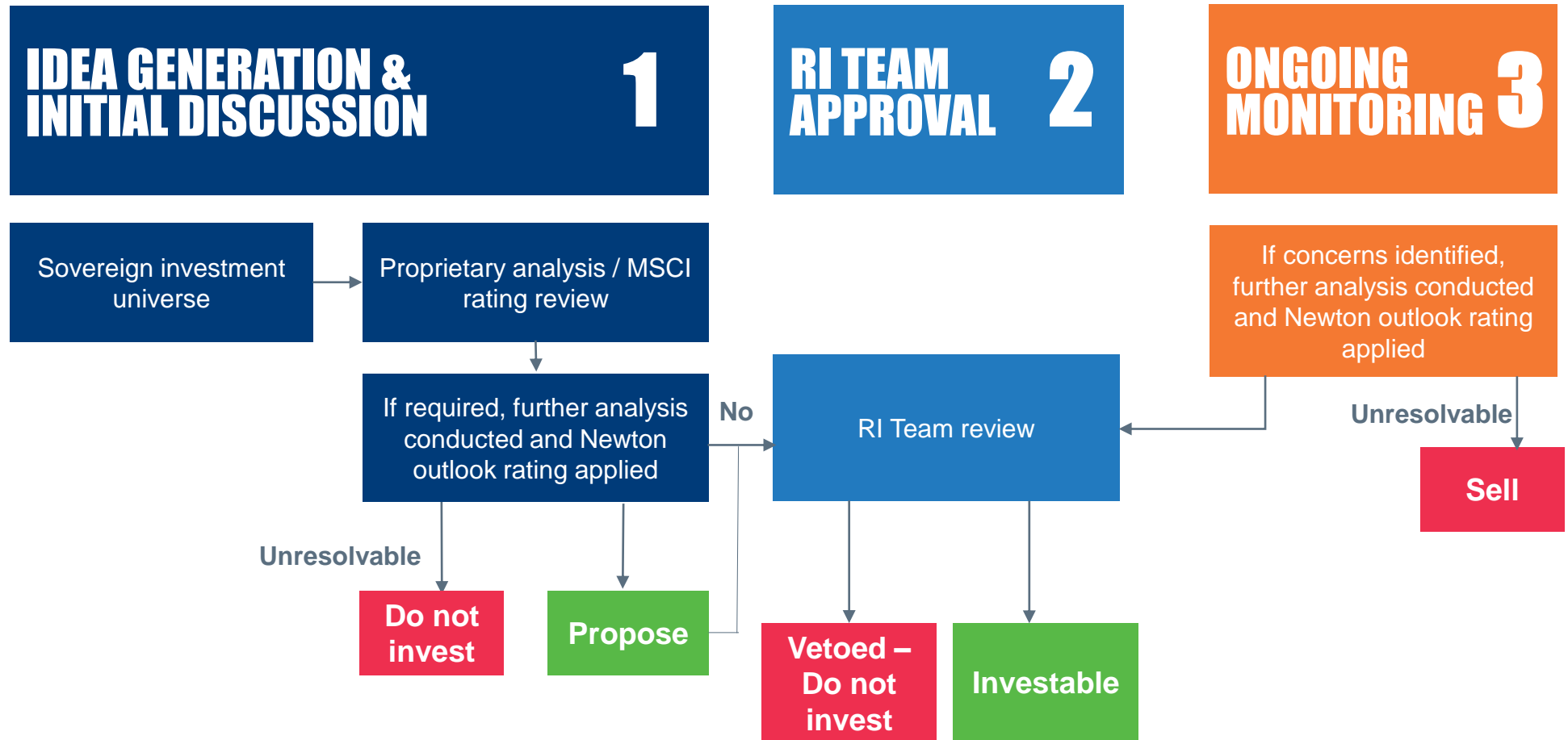
# Sustainable sovereign process

## Methodology





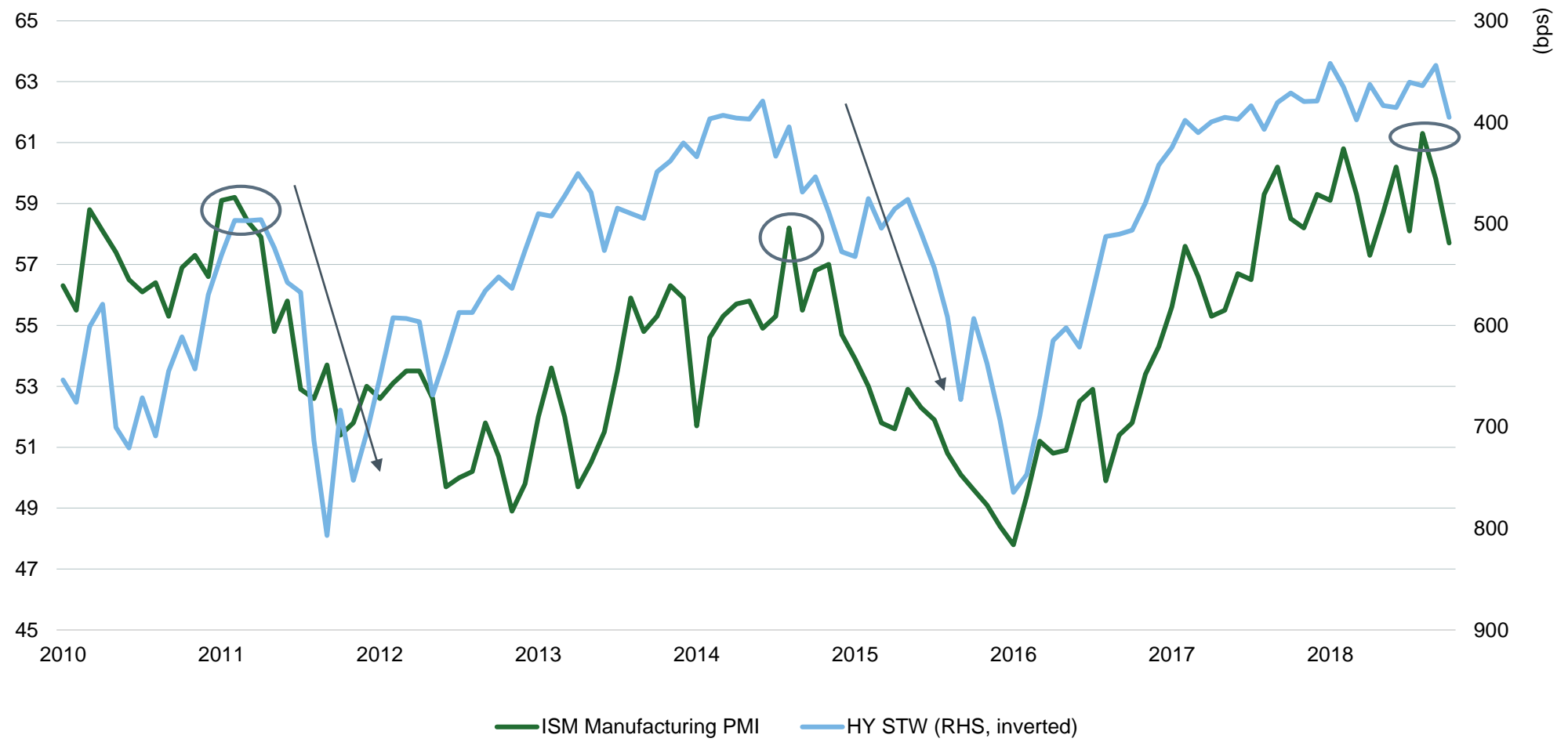
# Sustainable sovereign investment process



**Robust selection and review process**

# Credit spreads are most vulnerable when growth has peaked

ISM vs HY spreads



Source: Morgan Stanley Research, FTSE Fixed Income LLC, Bloomberg, 31 October 2018.



# Emerging markets vulnerability indicator

	Current a/c bal (as % GDP)	Net int'l inv position (as % GDP)	External debt (as % GDP)	ST ext debt (as % GDP)	ST ext debt plus current a/c as % of FX reserves	Non-fin private credit (% GDP)	5yr change in private credit (as % GDP)	Govt debt (as % GDP)	5yr change in govt debt (as % GDP)	Govt budget balance (as % GDP)	Local ccy bonds foreign owned (%)	CPI yoy (%)	Real rates	FX return YTD (%)	Vulnerability score
Turkey	-6.5	-47.4	53.7	112	228.3	85.8	16.5	28.5	-9.1	-2.0	19.6	216	2.4	-28.0	11
Argentina	-5.3	8.1	410	9.5	200.2	210	2.3	52.6	7.8	-5.6	40.0	44.6	12.6	-49.3	9
South Africa	-3.2	15.3	48.9	7.0	83.4	126.0	110	52.7	10.4	-4.2	40.2	5.1	17	-9.5	9
Ukraine	-2.1	-216	114	13.7	16.5	311	-38.4	75.6	39	-2.1	17.2	9.5	8.5	-0.3	8
Romania	-3.2	-49.0	53.9	113	87.4	26.4	-111	36.9	-0.3	-2.8	17.2	4.3	-18	-5.0	7
Brazil	-0.8	-24.7	316	3.2	22.1	129	23.2	84	25.2	-7.2	12.0	4.6	19	-13.5	5
Colombia	-3.2	-50.2	40.8	4.2	50.4	45.8	7.3	49.4	8.9	-4.7	26.0	3.3	0.9	-6.6	5
Malaysia	2.6	-5.9	73.7	33.3	98.4	166.8	4.4	54.2	0.9	-3.0	29.0	0.6	2.7	-2.8	5
Hungary	2.5	-47.8	106.8	8.4	312	122	-33.4	69.9	-9.4	-2.7	12.6	3.5	-2.9	-8.9	5
Czech	0.6	-26.2	911	27.9	42.1	87.8	-5.4	35.1	-10.6	16	45.4	2.4	-0.5	-6.8	5
Mexico	-16	-49.4	38.8	2.6	29.1	77.5	16.0	54.2	18.4	-2.7	32.1	4.9	3.1	-2.8	4
China	0.4	14.2	15.3	0.1	-11	213.4	38.9	47.8	16.1	-3.7	2.0	2.5	0.8	-5.5	4
Philippines	-14	-9.0	23.0	4.3	27.3	47.8	14.3	37.8	-13.7	-3.0	0.0	6.7	-2.0	-4.7	4
Thailand	7.7	-17	33.9	10.3	6.2	16.7	4.3	419	6.8	-3.2	15.0	0.9	0.6	-0.6	4
Poland	0.5	-59.5	69.2	9.9	46.1	135.0	-4.4	514	3.1	-0.7	30.8	12	0.3	-7.6	4
Chile	-2.3	-24.9	64.2	5.8	59.3	80.1	4.1	23.6	11.7	4.6	12	2.9	-0.2	-7.8	3
India	-19	-15.9	19.8	3.4	36.3	58.0	-6.3	70.2	18.5	-3.9	3.0	3.3	3.2	-9.3	3
Indonesia	-2.8	-30.1	35.0	4.8	70.6	29.4	6.5	28.9	5.9	-2.9	39.0	3.2	2.8	-4.8	2
Peru	-18	-37.6	318	4.0	210	36.2	8.0	25.5	8.9	-0.8	44.0	13	0.2	-4.1	2
Korea	4.5	210	28.8	5.8	5.0	134.3	7.1	39.8	4.7	2.8	12.0	2.0	-0.3	-3.9	2
Russia	3.8	19.6	311	2.6	-5.1	80.2	119	17.4	9.7	-10	28.2	3.5	4.0	-13.4	0

Source: Bloomberg, World Bank, Bank of International Settlements, IMF and national sources, 30 November 2018.

# Market stress remains moderate but rising

<b>STRESS MONITOR</b>		02/10/2018	Current	Jan-18	RAG	Nov-17	CHANGE	RAG
<b>MARKET STRESS</b>				11/01/2018		13/11/2017		
TED 3 month		21	28	1	19.95	1.05	5%	1
LIBOR-OIS 3 MTH		18	25	1	11	7.00	64%	1
VIX		12.37	9.88	2	11.5	0.87	8%	1
YEN		113.75	111.46	1	113.62	-0.13	0%	1
YIELD CURVE 10-2 YRS		0.26	0.56	2	0.72	0.46	64%	2
US TREAS VOL		44.28	48.19	1	46.38	-2.10	-5%	1
ITRX CROSSOVER		270.84	228.29	2	244.13	26.71	11%	2
SPREADS (GOVT OAS)	IG	114	92	2	100	14	14%	2
	HY	361	329	2	369	-8	-2%	2
	EM HARD	306	236	2	302	4	1%	2
	EM LOCAL	-3.55	-3.55	2	-3.86	0.31	-8%	2
	EM CORPS	479	327	2	404	75	19%	2
Italy/Bund spread	PERIPHERY	2.94	1.49	2	1.42	1.52	107%	1
COPPER		6249	7141	2	7312	-1063.00	-15%	2
MOMEMENTUM	US	36.22	59.75	2	29.35	6.87	23%	2
EQUITY RISK low vol stocks vs high vol	high beta	45.1	44.9	1	40.1	5	12%	1
	low vol	49.5	47.8	1	47.13	2.34	5%	2
	relative 3 month performance						7.5%	1
FANGS		277.2	190.7	1	181.43	95.72	52.8%	1
S&P		2925	2775	1	2585	339.75	13.1%	1
FANGS VS S&P	relative 3 month performance						39.6%	1
ETF Stress		0.11	0	1	0.11	0.00		
				31				31

For illustrative purposes only.  
Source: Newton, 2 October 2018.



# Company and Consumer stress still low

Company debt high but affordable, Mortgage rates rising but employment strong

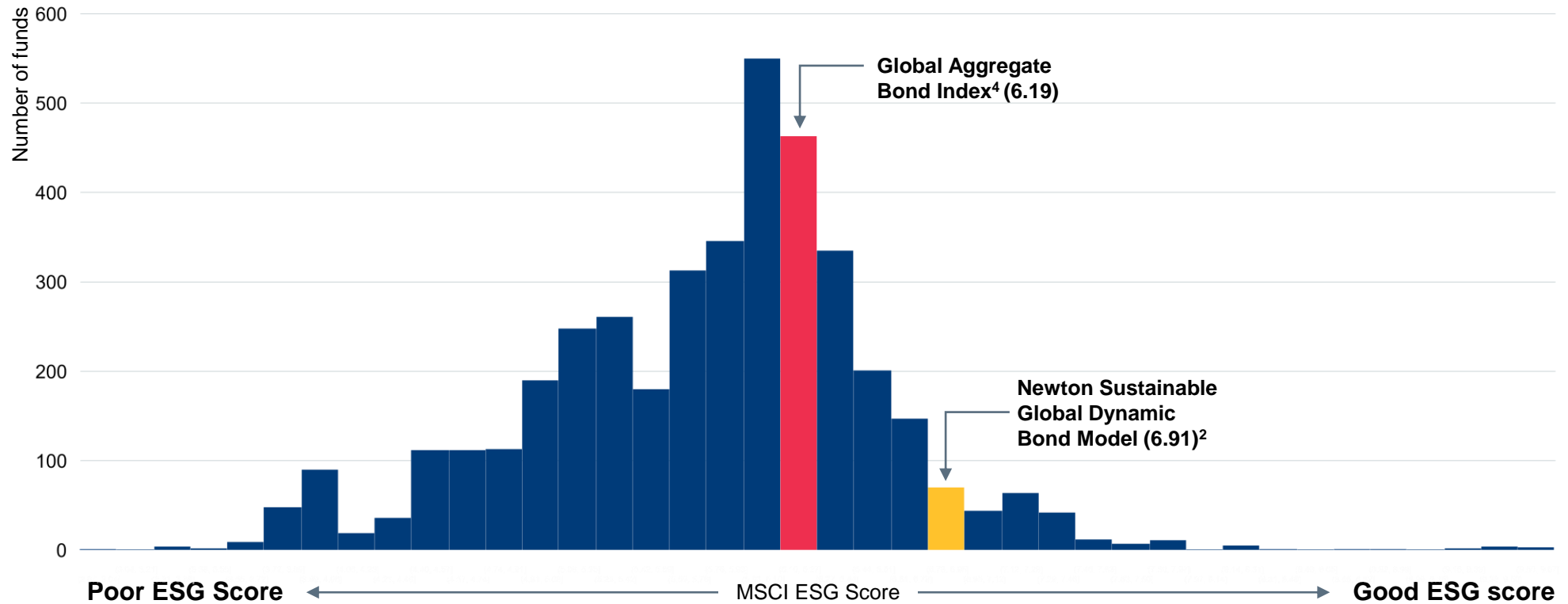
<b>COMPANY STRESS</b>						-12M	
WAGES	US	2.7	2.9	-0.2	-7%	1	
COMPANY BORROWING COSTS	US	4.83	4.6	0.23	5%	2	
HY DEBT SENSITIVE EQUITY INDEX	US	38.58	31.66	6.9225	22%	1	
BUSINESS DEVELOPMENT INDEX	US	67.65	72.794	-5.14307	-7%	2	
COAO AVG COUPON	US	4.13	4.36	-0.23	-5%	1	
COAO AVG COUPON AS % GDP	US	1.31	1.32	-0.02	-1%	1	
COVENANT CHANGES		LOOSE	LOOSE	0		1	
FED respondents tightening loan covenants		-14.5	-1.5	-13.0	867%	2	
FED respondents tightening loan standards		-11.3	1.5	-12.8	-853%	2	
WELLS FARGO BDC COMPANY	US	744.5	851.9	-107.4	-13%	2	
SUPPLY/DEMAND GOVT	US/EU/JPY	800	1000	-200	-20%	2	
NON FINANCIAL CORPORATE DEBT/GBP	US	83	75	8	11%	3	
						20	
<b>CONSUMER STRESS</b>						-12M	
WAGES	US	2.7	2.9	-0.2	-7%	1	
MORTGAGE RATES	US	4.4	4.06	0.4	9%	2	
MORTGAGE REFINANCING	US	989	1115	-126.4	-11%	2	
CREDIT CARD DELINQUINCES	US	0.72	0.76	0.0	-5%	1	
FED CREDIT CARD TIGHTENING SURVEY	US	9.40	-7.8	17.2	-221%	2	
CAR LOAN DELINQUINCES	US Q	4.26	3.75	0.5	14%	2	
HOUSE PRICES	US	6.41	5.26	1	22%	1	
HOME BUILDERS INDEX	US	37.88	30.47	7	24%	1	
NON FARM PAYROLL MONTHLY CHANGE	US	213	155	58.0	37%	1	
NON FARM PAYROLL MONTHLY 6MTH	US	215	206	9.0	4%	1	
						14	

**Gradual tightening still not having a meaningful negative influence on the consumer or companies. Next year could be a different story.**

For illustrative purposes only.  
Source: Newton, 2018.

# Overall MSCI ESG<sup>1</sup> quality rating is in the 91<sup>st</sup> percentile<sup>2</sup> relative to peers

Distribution of MSCI ESG quality scores<sup>3</sup> in Bond Global peer group



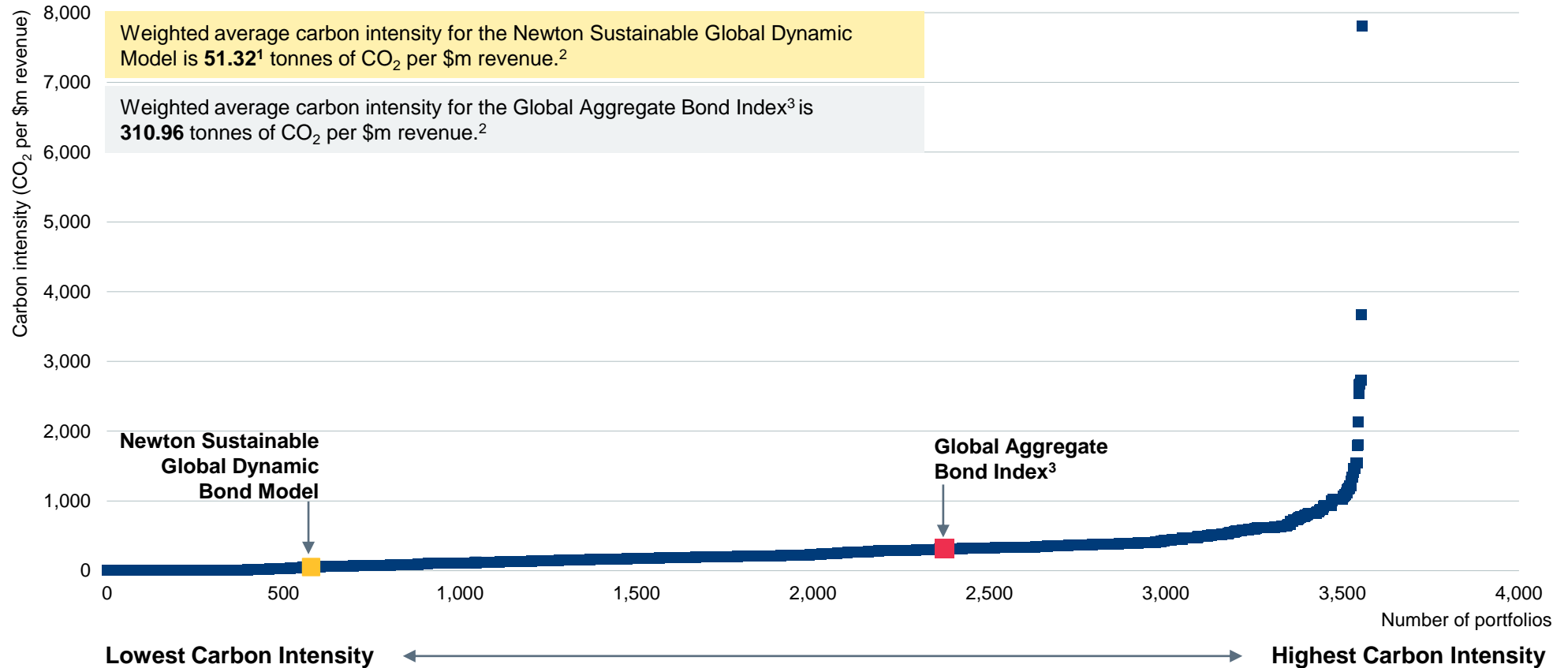
Projected model portfolio data is not based on an actual trading history. There are no guarantees that, if launched, the Strategy's actual portfolio will reflect the model data.

Notes: <sup>1</sup> Environmental, Social and Governance; <sup>2</sup> Estimate based on the weighted averages of holdings in model portfolio; <sup>3</sup> The overall Fund ESG Quality Score measures the ability of underlying holdings to manage key medium- to long-term risks and opportunities arising from environmental, social, and governance factors. <sup>4</sup> iShares Global Aggregate Bond is used as a comparative index for the purposes of ESG reporting. The strategy does not aim to replicate either the composition or the performance of the comparative index. The strategy does not use a comparative index for investment purposes.

MSCI Fund Universe peer group: Bond Global. Number of funds in peer group: 4,047 (this figure includes multiple share classes run under the same strategy).

**Source:** MSCI ESG Manager. Data accessed January 2019. The data presented is based on the latest available holdings information for each fund in the MSCI Fund Universe database. ©2019 MSCI ESG Research LLC. Reproduced by permission. MSCI ESG Research LLC's ('MSCI ESG') Fund Metrics products (the 'Information') provide environmental, social and governance data with respect to underlying securities within more than 21,000 Mutual Funds and ETFs globally across multiple asset classes. MSCI ESG is a Registered Investment Adviser under the Investment Advisers Act of 1940. MSCI ESG materials have not been submitted to, nor received approval from, the US SEC or any other regulatory body. None of the Information constitutes an offer to buy or sell, or a promotion or recommendation of, any security, financial instrument or product or trading strategy, nor should it be taken as an indication or guarantee of any future performance, analysis, forecast or prediction. None of the Information can be used to determine which securities to buy or sell or when to buy or sell them. The Information is provided 'as is' and the user of the Information assumes the entire risk of any use it may make or permit to be made of the Information.

# The carbon intensity of Newton Sustainable Global Dynamic Bond Model is markedly lower than peers



Projected model portfolio data is not based on an actual trading history. There are no guarantees that, if launched, the Strategy's actual portfolio will reflect the model data.

Notes: <sup>1</sup> Estimate based on the weighted averages of holdings in model portfolio; <sup>2</sup> The Weighted Average Carbon Intensity measures a fund's exposure to carbon intensive companies. The figure is sum of security weight (normalized) multiplied by the security Carbon Intensity. MSCI calculates weighted average carbon intensity as scope 1+2 emissions/\$m sales weighted by portfolio weight. <sup>3</sup> iShares Global Aggregate Bond is used as a comparative index for the purposes of ESG reporting. The strategy does not aim to replicate either the composition or the performance of the comparative index. The strategy does not use a comparative index for investment purposes.

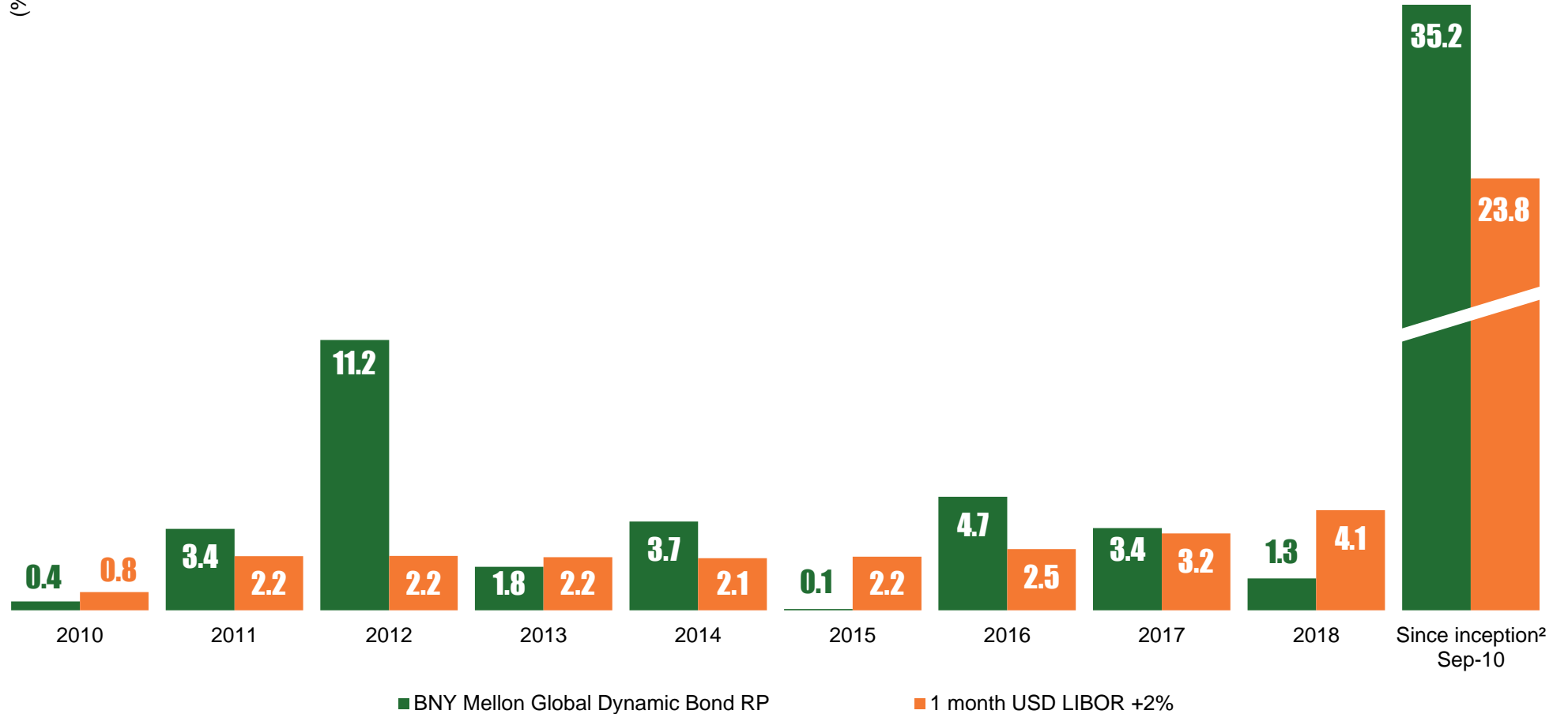
MSCI Fund Universe peer group: Bond Global. Number of funds in peer group: 4,047 (this figure includes multiple share classes run under the same strategy).

**Source:** MSCI ESG Manager. Data accessed January 2019. The data presented is based on the latest available holdings information for each fund in the MSCI Fund Universe database. ©2019 MSCI ESG Research LLC. Reproduced by permission. MSCI ESG Research LLC's ("MSCI ESG") Fund Metrics products (the "Information") provide environmental, social and governance data with respect to underlying securities within more than 21,000 Mutual Funds and ETFs globally across multiple asset classes. MSCI ESG is a Registered Investment Adviser under the Investment Advisers Act of 1940. MSCI ESG materials have not been submitted to, nor received approval from, the US SEC or any other regulatory body. None of the Information constitutes an offer to buy or sell, or a promotion or recommendation of, any security, financial instrument or product or trading strategy, nor should it be taken as an indication or guarantee of any future performance, analysis, forecast or prediction. None of the Information can be used to determine which securities to buy or sell or when to buy or sell them. The Information is provided 'as is' and the user of the Information assumes the entire risk of any use it may make or permit to be made of the Information.

# Performance to 31 January 2019, since inception<sup>1</sup>

## BNY Mellon Global Dynamic Bond Representative Portfolio

(%)



**Notes:**

<sup>1</sup> Performance inception: 1 September 2010. The RP launched on 5 August 2010.

<sup>2</sup> Cumulative returns since inception.

**Source:** Newton, 31 January 2019. The representative portfolio adheres to the same investment approach as BNY Mellon's Global Dynamic Bond Strategy.

Performance calculated as total return, income reinvested, gross of fees, in USD. Fees and charges apply and can have a material effect on the performance of your investment.

# Key risks

## Newton Global Dynamic Bond representative portfolio

### Investment performance

	12 month returns				
	Dec-17 to Dec-18	Dec-16 to Dec-17	Dec-15 to Dec-16	Dec-14 to Dec-15	Dec-13 to Dec-14
	%	%	%	%	%
RP	-0.24	2.23	4.87	0.46	3.58
Performance aim	2.62	2.33	2.44	2.55	2.42

	Calendar year returns				
	2018	2017	2016	2015	2014
	%	%	%	%	%
RP	-0.24	2.23	4.87	0.46	3.58
Performance aim	2.62	2.33	2.44	2.55	2.42

Performance is stated gross of management fees. The impact of management fees can be material. A fee schedule providing further detail is available on request.

Performance aim: 1 month GBP Libor +2%. The representative portfolio aims to deliver a minimum return of cash (1 month GBP LIBOR) +2% p.a. over 5 years before fees. However a positive return is not guaranteed and a capital loss may occur.

### Key investment risks

- Past performance is not a guide to future performance.
- The value of investments can fall. Investors may not get back the amount invested.

**Source:** The representative portfolio adheres to the same investment approach Newton Global Dynamic Bond Strategy. Performance calculated as total return, income reinvested, gross of fees in GBP. Fees and charges apply and can have a material effect on the performance of your investment.

# Newton Sustainable Global Dynamic Bond Strategy

## Target market

Investor type:					
Retail	N	Professional	Y	Eligible counterparty	Y
Knowledge and/or experience:					
Basic investor	N	Informed investor	Y	Advanced investor	Y
Ability to bear losses:					
No capital loss	N	Limited capital loss	N	No capital guarantee	Y
				Loss beyond capital	Neutral
Client objectives and needs:					
Preservation	N	Growth	Y	Income	Y
				Hedging	Neutral
Leveraged return profile	Neutral	Other	Neutral		
Time horizon:					
Recommended holding period (in years)	-	Very short-term (<1 year)	N	Short-term (<3 years)	N
				Medium-term (<5 years)	Y
Long-term (>5 years)	N	Neutral	N		
Distribution strategy:					
Execution only	P	Execution with appropriateness test or non-advised services	P	Investment advice	B
				Portfolio management	B

Source: BNY Mellon Investment Management EMEA Ltd



# Proposed key risks

## Newton Sustainable Global Dynamic Bond Strategy

- **Past performance is not a guide to future performance. Your capital may be at risk. The value of investments and the income from them can fall as well as rise and investors may not get back the original amount invested.**
- **This Strategy invests in global markets which means it is exposed to changes in currency rates which could affect the value of the Strategy.**
- **The Strategy may use derivatives to generate returns as well as to reduce costs and/or the overall risk of the Strategy. Using derivatives can involve a higher level of risk. A small movement in the price of an underlying investment may result in a disproportionately large movement in the price of the derivative investment.**
- **Investments in bonds are affected by interest rates and inflation trends which may affect the value of the Strategy.**
- **The Strategy holds bonds with a low credit rating that have a greater risk of default. These investments may affect the value of the Strategy.**
- **The Strategy may invest in emerging markets. These markets have additional risks due to less developed market practices.**
- **The Strategy follows a sustainable investment approach, which may cause it to perform differently to Strategies that have a similar objective but which do not integrate sustainable investment criteria when selecting securities.**

# Important information

**For Professional Clients only, and in Switzerland and Chile for Qualified Investors only and in Israel for Sophisticated Investors only. In Mexico, Peru and Uruguay for Institutional investors only. This is a financial promotion and is not investment advice.**

Portfolio holdings are subject to change, for information only and are not investment recommendations.

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