



## NIKKO ASSET MANAGEMENT GLOBAL GREEN BONDS

The Nikko AM Global Green Bond Strategy is an SRI/ESG vehicle investing in securities that finance projects that help in mitigation and adaptation to climate change. The strategy invests primarily in AAA rated Green Bonds, issued by some of the strongest global institutions with AAA credit ratings. The strategy provides investors with access to Green Bonds, through a long-standing diversified and actively managed portfolio.

### Our Philosophy

*"An investment into Green Bonds can offer an investor a unique combination of providing investment to help to mitigate global climate change in developed and emerging markets, whilst providing capital gains and income over the mid to long term for investors."*

### Why Green Bonds?

- Green Bonds raise funds for new and existing projects which deliver environmental benefits
- To meet agreements set in the Paris Accord, Green Bonds will become a significant investment instrument
- Provides investors with a tax-exempt income and the satisfaction of knowing the proceeds of their investment will be used in a positive manner
- Capital markets and bond issues play a central role in raising capital globally and crowding-in public and private investors from all over the world

### Growing Market

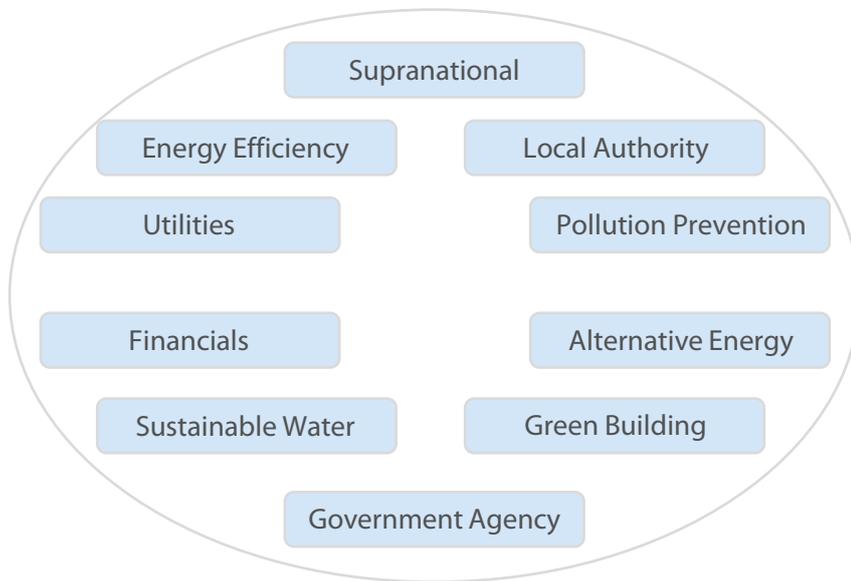
- Growing segment of the fixed income universe is 'Green Bonds', reflecting the increasing importance being placed upon environmental sustainability
- Over the last 5 years, the market has significantly grown. In 2020, the market value for SSA Green Bonds is expected to be USD250 billion +
- Funds raised finance the development of new or existing environmental projects, including renewable energy, sustainable water management and pollution prevention
- The Green SSA market is large and liquid and the demand for such high quality paper makes these investments trade at lower yields to competing spread products, but still above the sovereign debt of their respective countries



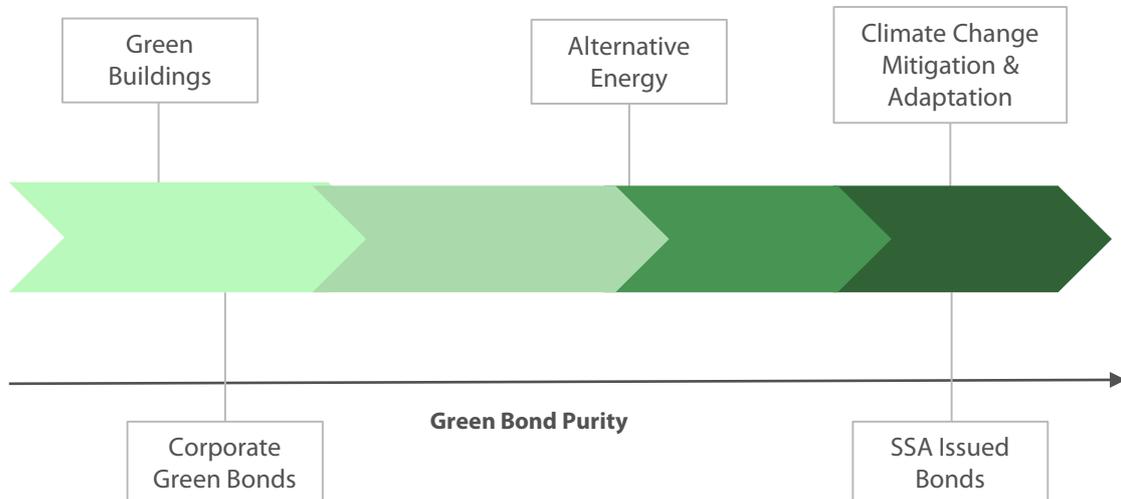
# Green Bond Market

- There are many different Green Bond issuers and proceeds are used for a broad range of applications
- SSA Green Bonds represent the 'gold standard' of environmental friendliness

## Green Bond Investment Universe



## Example of the Scale of Green Bond Purity





## Global Green Bond Fund (UCITS)

- Long experience in the market in Green and SSA markets
- Primarily invests in AAA
- Exposure to Emerging Markets
- No exposure to corporates
- “Dark Green” paper (Cicero Shades of Green\*)
- Proceeds of projects are approved by third parties

<https://emea.nikkoam.com/ucits>

\* <https://www.cicero.green/>

### Key Characteristics

#### Pure Green Exposure

Green Bonds held all adhere to Green Bond Principles



All Green Bonds purchased will be eligible for inclusion in the BofA Merrill Lynch Green Bond Index. This index tracks the performance of securities issued for qualified “green” purposes. Bonds must have a clearly designated use of proceeds that is solely applied towards projects or activities that promote climate change mitigation, adaptation or other environmental sustainability purposes.

#### EM & DM Exposure

Actively/dynamically managed EM/DM exposure



The investment team evaluates both developed and emerging markets and forms allocation decisions based on their in-house investment views. Nikko AM believes the exposure to emerging markets is an attractive addition and differentiator to other Green Bond portfolios and an alpha opportunity. The team will invest actively and rebalance emerging market and developed market allocations based on market conditions.

#### AAA

Invests in Sovereign & SSA Green Bonds



Due to the availability of Green Bond paper in the SSA investment universe, it is the intent of the investment team to invest as close as possible to 100% of the Fund in Green Bonds. In situations, where it is not possible to achieve access to desired Green Bonds on direct issues, the investment team will utilise an FX overlay to allow for efficient portfolio risk management. In addition to supranationals, Nikko AM would consider purchasing government issued Green Bonds and from local authorities.



## Our Team

### Steve Williams, Head Portfolio Manager – Core Markets (Lead PM)



Steve Williams is the Head Portfolio Manager for Global Core Strategies and a Managing Director in Nikko AM’s London Office. He is a member of the fixed income & foreign exchange investment committee as well the portfolio manager with oversight for the firm’s investment grade, municipal, green bond, global mortgages and global bond business as well as credit research.

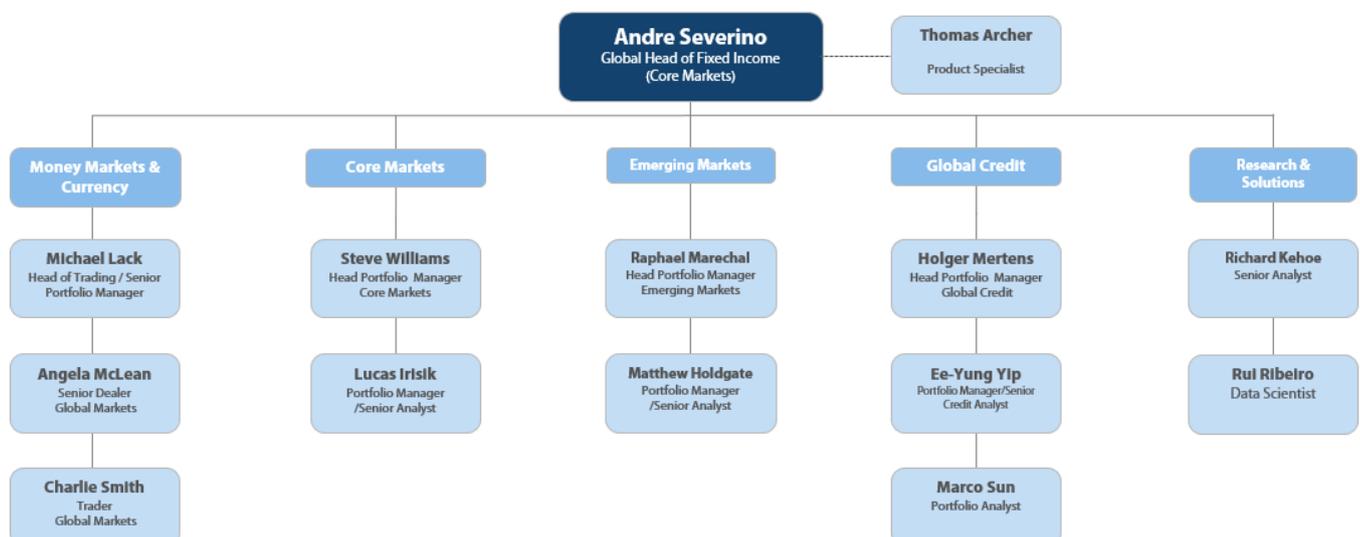
He joined Nikko AM in 2007 and took over co-management responsibility with Andre Severino for the firm’s flagship global sovereign bond strategy as well as launching the first dedicated Danish mortgage bond strategy into Japan in 2016. Steve, previously served as a Credit research analyst with New York Life Investment Management in corporate bonds and structured finance as a senior analyst. He has over 14 years of investment experience and holds an MBA from Duke University’s Fuqua School of Business. He received his undergraduate degree from the University of Michigan and is a certified FRM.

### Raphael Marechal, Head Portfolio Manager – Emerging Markets



Raphael joined Nikko AM in February 2016 to develop the firm's Global Emerging Market capability. He brings over 20 years of experience in fixed income, emerging market analysis and portfolio management. Prior to Nikko AM, Raphael was at BlackRock where he co-managed a \$3.0 billion Emerging Market Local Currency Strategy, as well as a \$500 million Absolute Return strategy. Before BlackRock he held the position of Senior Portfolio Manager at a number of firms working in the Emerging Market space at FFTW and Fortis Investments and before that he was a Portfolio Manager at BAREP. He received a Master in Mathematics & Finance from the Grenoble Institute of Technology and also holds a DEA Finance from the IAE in Grenoble.

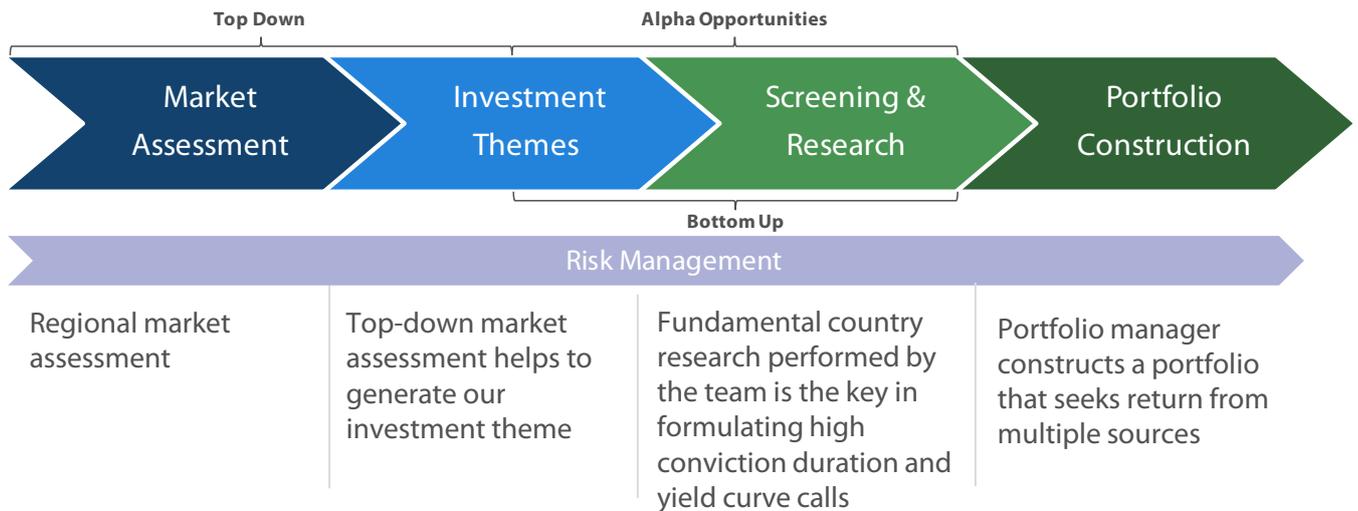
Steve and Raphael both sit within the wider Global Fixed Income team in London, led by Andre Severino. The team consists of 13 investment professionals in London with a further 5 in Nikko AM’s Sydney office who collectively have an average of 17 years of investment management experience. The team has significantly broadened over time to support the strategies’ growth and cater to institutional portfolios. One of our biggest advantages is the fluid interaction across the five business lines and the ability to execute decisions quickly, once a decision has been made. The diagram below illustrates the organisational structure in London.





## Our Process

*“A consistent four-step investment process which incorporates quantitative and qualitative inputs, engaging the team in a collaborative process to generate ideas reflected in high conviction duration, currency, credit and yield curve calls to construct a Green Bond portfolio”*



### Embedded Risk Management

Ongoing risk management is integral to the entire investment process with constant dialogue between our investment team and the independent risk management team to ensure that risks are identified, evaluated, monitored and mitigated.



## Our Edge

### Proven Track Record

Nikko AM has a long history in managing Green Bonds and launched the world’s first Green Bond Fund in 2010. As well as dedicated Green Bond strategies, we also hold Green Bonds in our other Global Fixed Income portfolios.

### Investment Focus

Nikko AM’s investment team has no input into setting and or executing the “green” component of this strategy. It is this very impartiality which strengthens the product as a whole for the end investor. Unlike some of their peers, the investment team can focus their energies on what they do best – analysing and investing in global currency and bond markets.

### Investment Team

Fluid interaction across the investment team and the ability to make decisions promptly. By working in an open environment, the team works in close proximity and ideas don’t get lost waiting for an Investment Committee decision at each level.



## Transparency

A key aspect of due diligence towards the issuers for Nikko AM is the transparency the issuer provides on their Green Bond programme. Additionally, the quality of reporting and availability of information would be taken into account.

Perhaps the most recognised risk related to Green Bonds is 'greenwashing', which is defined as the superficial or insincere display of concern for the environment.

The strategy does not have exposure to green corporate bonds, where credibility and transparency of programmes can be questioned.

Before investing, Nikko AM would assess the following:

- Clear description of the projects to be financed (including goals, projected impacts, sustainable development principals)
- Competent project selection as well as a fully transparent process of the management of proceeds
- A frequent public reporting including project description, allocation of funds and environmental impacts (quantified where feasible)
- A verification of the project selection and use of funds from an independent third party

## About Nikko Asset Management

Nikko Asset Management is one of the largest global asset management companies headquartered in Asia, with offices across 11 countries, representing over 30 nationalities. Our global investment teams share local expertise and regional perspectives to gain unparalleled insights into the issues that drive investment performance globally. This allows us to cut through the noise to determine the real opportunities and risks for our clients.

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