

Swiss Life Asset Managers launches a dedicated ESG investment solution for Emerging Market Sovereign Bonds

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Swiss Life Asset Managers is expanding its fixed income product range with a dedicated ESG investment solution focusing on hard currency bonds issued by emerging market sovereign issuers. The target group of this new offering are investors looking to further diversify their portfolio with a sustainability footprint.

The new Luxembourg fund “Swiss Life Funds (LUX) Bond ESG Emerging Markets Sovereigns” invests in hard currency bonds issued by emerging market governments and government related entities. The fund places environmental, social and governmental (ESG) themes at the core of its investment strategy and aims to provide a sustainable exposure to the fastest growing regions globally. The fund’s disclosure is aimed to be compliant with the SFDR requirements of Article 8 by March 10, 2021.

By investing in this fund, investors benefit from Swiss Life Asset Manager’s extensive experience in fixed income and emerging markets. The fund relies on Swiss Life Asset Manager’s proprietary “Emerging Market Country ESG Scoring Model”, which allows not only for a comparative analysis but also captures the ESG performance trend over time for each country. The proprietary model also allows for a deep-dive analysis of underlying ESG components and reveals their impact on a country’s ESG performance.

Advantages of investing in emerging market sovereign bonds

Emerging market countries currently represent over three-fifths of global output and in the past decade have contributed to more than half of the world’s GDP growth (in PPP terms). Hard currency sovereign debt has been one of the fastest growing asset classes in the past decade and provides better liquidity compared to other emerging market sub-asset classes. The investment universe is large with more than 160 issuers across 74 countries allowing for highly diversified investments,

while at the same time providing attractive yields. As the issuing entities are governments or government owned companies, the transparency in terms of coverage by rating agencies, media and research analysts is excellent.

ESG performance is particularly important in emerging markets

In the midst of the global recession caused by the COVID-19 pandemic, it has become even more important for investors to scan the emerging market spectrum for economic weaknesses. In addition to the traditional macroeconomic analysis, ESG factors provide critical information about a country’s focus on sustainable development and are thus an indicator of a country’s long-term stability. The importance of ESG factors in emerging market investments was evidenced during the pandemic related sell-off in the first quarter of 2020, when ESG themed investments in sovereign bonds, as captured by JP Morgan ESG EMBI Index, outperformed the overall market by more than 1.7%. Historically too, emerging market countries with a better ESG standing have delivered better total as well as risk adjusted returns.

Rishabh Tiwari, Portfolio Manager responsible for managing the fund’s strategy says: “Apart from the return argument, the case of ESG themed investments in emerging markets is also supported from a compatibility standpoint. By making the countries’ ability and cost of borrowing contingent on their ESG standing, emerging markets could be encouraged to adopt more sustainable growth practices”.

Fund information

Name	Swiss Life Funds (LUX) Bond ESG Emerging Markets Sovereigns
Investment universe	Hard Currency Bonds issued by Emerging Market Governments and Government Related Entities
Reference currency	USD
Foreign exchange hedging	Yes, in CHF, EUR and USD
ISIN	USD I Cap: LU2267887193 EUR hedged I Cap: LU2267887359 CHF hedged I Cap: LU2267887433 CHF hedged AM Cap: LU2267887516
Legal form	UCITS
Asset Manager	Swiss Life Asset Management AG, Zurich
Fund Management Company	Swiss Life Asset Managers Luxembourg
Custodian bank	Société Générale Luxembourg

Information

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Swiss Life Asset Managers

Swiss Life Asset Managers has more than 160 years of experience in managing the assets of the Swiss Life Group. This insurance background has exerted a key influence on the investment philosophy of Swiss Life Asset Managers, which is governed by such principles as value preservation, the generation of consistent and sustainable performance and a responsible approach to risks. That's how we lay the groundwork for our clients to make solid, long-term plans – in self-determination and with financial confidence. Swiss Life Asset Managers offers this proven approach to third-party clients in Switzerland, France, Germany, Luxembourg and the UK.

As at 30 June 2020 assets under management for third-party clients amount to CHF 82.9 billion. Together with insurance mandates for the Swiss Life Group, total assets under management at Swiss Life Asset Managers stood at CHF 256.0 billion. Swiss Life Asset Managers is a leading real estate manager in Europe¹. Of the assets totaling CHF 256.0 billion, CHF 71.4 billion is invested in real estate. In addition, Swiss Life Asset Managers has real estate under administration of CHF 28.3 billion through its subsidiaries Livit and Corpus Sireo. Total real estate under management and administration at the end of June 2020 thus came to CHF 99.7 billion.

Swiss Life Asset Managers employs more than 2200 people in Europe.

¹ INREV Fund Manager Survey 2020 (AuM as of 31.12.2019)

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