

Generali Investments SICAV (GIS) Euro Green & Sustainable Bond

Fund Manager Interview
April 2020



Fund management team of Generali Investments Partners*



Mauro Valle, CFA

Head of Fixed Income,
Lead Fund Manager

24 years of experience



Fabrizio Viola, CFA

Fixed Income Portfolio Manager
Deputy Fund Manager,

19 years of experience

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The green bond market will continue to grow

Investors are willing to contribute to global sustainability efforts. This explains the success of green bonds, which constitute a solution to the demand for more sustainable investments.

“The proceeds from the issuance of green bonds is reinvested in sustainable projects, in accordance with Green Bond Principles” and market standards, underlines Fabrizio Viola.

In practical terms, companies issue, for instance, a green bond for an investment aimed at reducing CO2 emissions. The fund management team highlights companies in the utilities sector in particular: “With green bonds, they pay for the transition from high-emission energy production to low-emission or even completely green production” adds Fabrizio.

Germany and Italy, despite the crisis

Another example is the green bonds issued by property developers. “This cash can be used for energy-efficient buildings that meet the highest standards,” illustrates Fabrizio Viola. “Banks also issue green bonds. They in turn provide green loans to small businesses that typically do not have access to the market.”

Green bonds are not the exclusive playing field of listed companies. International institutions such as the European Investment Bank and governments also issue this type of bond.

Indeed, Mauro Valle expects Germany and Italy to issue green bonds again soon, despite the ongoing crisis. “Countries set environmental targets. We expect the green bond market to remain strong as a result and continue to grow”.

Better performance

For Fabrizio Viola, it is obvious that investing in green bonds gives greater satisfaction as they meet environmental, social and governance expectations. What is less known is that they perform better than traditional, risk-adjusted bonds. Fabrizio sees several reasons to this: “Green bonds are guaranteed by the underlying assets in which they are invested. The demand for such bonds is high and the supply low. Furthermore, the average credit rating is higher than that of comparable conventional bonds.”

The demand for green bonds also comes from large institutional investors such as pension funds, while banks and insurers are also keen investors. “There is a strong demand for bonds that contribute to the fight against climate change”, notes Mauro Valle. “They are looking for ways to make a positive contribution to global efforts and to invest in a socially responsible manner”.

Retail investors are also showing increasing interest in green bonds. “They are paying more and more attention to sustainable growth”, confirms Mauro Valle.

Some private investors may fear “greenwashing”, the risk of investing in companies and securities failing to really meet the green standards. Generali Investments therefore uses several filters, from its internal ESG research team and from external data providers. New rules and standards are currently being developed, especially in Europe, concludes Mauro Valle: “The potential problem of greenwashing is bound to be reduced over time.”

Green bonds at Generali Investments

At Generali Investments, we have been using a proprietary Ethical Filter since 2006**, monitoring ESG controversies on several hundreds of billions worth of assets under management.

Generali Group also committed to investing EUR 4.5 bn in Green debt and infrastructure by 2021, supporting a “Just transition” approach of climate change remediation and/or mitigation and its potential social impacts.

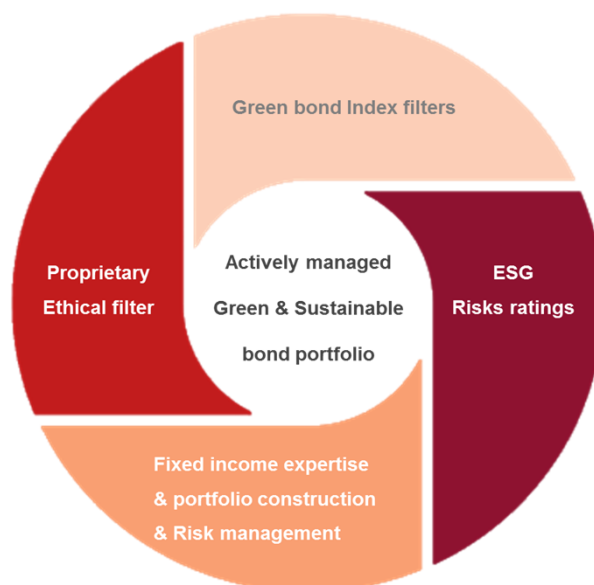
Furthermore, Generali Investments’ DNA and expertise is strong on Euro Fixed Income strategies, with EUR 405 bn in AUM***.

It is therefore quite natural for Generali Investments to be managing a new green bond sub-fund, based on the following bespoke approach combining internal and external experts:

- Applying our proprietary Ethical Filter, to exclude issuers subject to controversies
- Using an investment universe based on the Bloomberg Barclays MSCI Green bond index, to select Green bonds based on the Green Bond Principles
- ESG risk monitoring, to consider the ESG credentials of Green bond issuers
- In-house portfolio managers, to construct portfolios and select bonds based on internal Sovereign and Credit research outputs.

In essence, the strategy offers the opportunity to invest, through a differentiating & positive impact bond strategy, in our future.

GIS Euro Green & Sustainable bond – Overview



**Applying the Group Ethical Filter is part of the discretionary evaluation of the investment manager and the results of such evaluation are confidential

***Source: Generali Investments Partners S.p.A. Società di gestione del risparmio as of end of December 2019

www.generali-investments.com

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