

# Generali Investments SICAV (GIS) Euro Green & Sustainable Bond Investing today for a better tomorrow

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## Green Talk

Mauro Valle and Fabrizio Viola, investment managers with Generali Investments Partners, share insights into the new green bond sub-fund.



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Lead Fund Manager

24 years of experience



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Co-Fund Manager,

19 years of experience

### What is the main benefit of investing in green bonds?

For Generali Investments, the primary benefit is responsible investing. Investors are putting money into bonds that finance eco-friendly, environmentally sustainable projects. Many of these bonds have a positive, real-life impact on important environmental issues like climate change and the energy transition.

### Are there additional benefits?

Given that green bonds have the same claim on company assets as normal senior unsecured “brown” bonds, they should trade at the same duration equivalent levels. And since the investments are more stable, the expected volatility of green bonds should also be lower. It’s also worth noting that issuer costs for obtaining a green bond label remain low, meaning they are incentivized to promote this new form of funding. Furthermore, their “green” status is assigned by a third-party, external provider, independent from asset manager or issuer, further enhancing their transparency and robustness.

### Where does the green bond market stand today, and what do you see for its future?

It remains small compared to the overall bond market, but it’s increasingly diversified and in continuous expansion. Consider that a total USD 250 bn\* in green bonds were

issued in 2019, with non-financial private companies representing 26% of the overall market and sovereign issuers representing 15%.

Corporates already represent 45% of the overall market, and new financial instruments like asset-backed and mortgage-backed securities, covered bonds and loans are rapidly becoming available. Credit rating agencies are strengthening their environmental, social and governance credentials to accompany this expansion.

For the future, there’s little doubt the green bond market will continue to grow. The Paris Agreement (2015) and falling costs for green technologies are helping drive investors appetite for green investments. Rising carbon prices and newly introduced carbon price regimes are reinforcing the need to finance climate change mitigation and the energy transition. The European Union’s push to set new green bond standards as part of its action plan on sustainable finance is also driving strong, ongoing interest in green investing.

We expect the global issuance of new green bonds to reach USD 350 bn by 2020 year-end, and include a greater participation rate of sovereign bonds, a forecast in line with the Climate Bond Initiative.\*\*

\*Source: HSBC, S&P, Unicredit CIB, 2019

\*\*Source: Climate Bond Initiative, CBI, August 2019.

## Why has Generali Investments decided to launch a green bond sub-fund?

This new sub-fund represents a perfect blend of our commitment to ESG (Environmental, Social and Governance) and fixed income investment expertise. In fact we've been applying the Generali Group Ethical Filter\*\*\* on investments since 2006, monitoring ESG controversies on several hundred billions' worth of assets under management. Our DNA and expertise are also strong on Euro Fixed Income strategies, as we manage EUR 405 bn\*\*\*\* in this asset class. This is why managing a new green bond fund was a natural step for Generali Investments and exploits our bespoke approach to the market.

## What does Generali Investments' bespoke investment approach entail?

It involves leveraging both internal and external experts. We start by applying the Generali Group Ethical Filter to make sure we exclude any controversial issuers. We use the Bloomberg MSCI Barclays Euro Green bond index to select bonds that respond to green bond principles. We also continuously monitor ESG risks in order to appropriately evaluate the ESG credentials of those green bond issuers we do select.

Working within this framework, as fund managers we select bonds and build the portfolio based on our internal sovereign and credit research inputs. The result is a sub-fund that allows our clients to invest intelligently in the future through a differentiated bond portfolio that has a positive impact on society.

## [www.generali-investments.com](http://www.generali-investments.com)

GIS Euro Green & Sustainable Bond is a sub-fund of Generali Investments SICAV (an investment company qualifying as a "société d'investissement à capital variable" with multiple sub-funds under the laws of the Grand Duchy of Luxembourg) managed by Generali Investments Luxembourg S.A. who appointed Generali Investments Partners S.p.A. Società di gestione del risparmio as investment manager. The information contained in this document is only for general information on products and services provided by Generali Investments Partners S.p.A. Società di gestione del risparmio. It shall under no circumstance constitute an offer, recommendation or solicitation to subscribe units/shares of undertakings for collective investment in transferable securities or application for an offer of investments services. It is not linked to or it is not intended to be the foundation of any contract or commitment. It shall not be considered as an explicit or implicit recommendation of investment strategy or as investment advice. Before subscribing an offer of investment services, each potential client shall be given every document provided by the regulations in force from time to time, documents to be carefully read by the client before making any investment choice. Generali Investments Partners S.p.A. Società di gestione del risparmio, periodically updating the contents of this document, relieves itself from any responsibility concerning mistakes or omissions and shall not be considered responsible in case of possible damages or losses related to the improper use of the information herein provided. Past performance is not a guarantee of future performance and the subfund presents a risk of loss of capital. No assurance is released with regard to the approximate correspondence of the future performances with the ones above mentioned. It is recommended to look over the regulation, available on our website [www.generali-investments.com](http://www.generali-investments.com). The client shall carefully read the KIID, which must be delivered before subscribing the investment, and the prospectus which are available on our website ([www.generali-investments.com](http://www.generali-investments.com)), on Generali Investments Luxembourg S.A. (Management Company of Generali Investments SICAV) website ([www.generali-investments.lu](http://www.generali-investments.lu)), and by distributors. Generali Investments is part of the Generali Group which was established in 1831 in Trieste as Assicurazioni Generali Austro-Italiche. Generali Investments is a commercial brand of Generali Investments Partners S.p.A. Società di gestione del risparmio, Generali Insurance Asset Management S.p.A. Società di gestione del risparmio, Generali Investments Luxembourg S.A. and Generali Investments Holding S.p.A.. Please note that the indicated percentage represents a target, the performance is not guaranteed and the sub-fund presents a risk of capital loss. © 2020 - Generali Investments Partners S.p.A. Società di gestione del risparmio.

## Can you identify an individual green bond you've selected for your portfolio, and tell us why?

One bond we've selected is issued by ADIF Alta Velocidad, a railway construction and network operator based in Spain. They have an ambitious plan to combat climate change. We like the way they're using green bonds to finance new investments aimed at reducing, in a sustainable manner, fossil fuel emissions and overall energy use. It's a perfect example of how green bonds can be connected with infrastructure investments, as well as the way a local, government-owned authority can help drive an environmentally responsible energy transition.

*\*\*\*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*