

Vontobel

Sustainable Credit: A Free Lunch? An Academic Approach to ESG in the Short-Term Credit Space

During the several months we spent developing this firm-wide ESG framework, we inevitably began to research how changing the mandate of a fixed income fund to reflect stated sustainability goals would likely impact investors' return and volatility experience.

Having investigated whether a particular low volatility credit fund could have been managed on a sustainable basis, while still meeting its objectives, we have seen clear evidence that this approach would have delivered similar outcomes to the original in terms of returns and volatility.

We discovered that using a careful combination of negative screening (which generally worsens results) and positive screening (which generally improves results) we would be able to deliver similar outcomes for investors in terms of returns and volatility.

Assuming that you positively screen in an intelligent way and you do not purely rely on negative exclusions, the sustainable lunch may not be free, but we think it can come pretty close to it.



Chris Bowie Partner, Portfolio Management TwentyFour Asset Management zusammen mit Vontobel Asset Management

Chris is one of the partners at TwentyFour, joining in September 2014 to create and manage the Investment Grade business line. TwentyFour's Investment Grade strategies sit between the ABS and Multi-Sector Bond strategies and tend to have greater exposure to interest rate sensitive bonds, where active management of duration risk can be a key determinant of absolute and relative performance. Day-to-day, Chris is the lead manager for the team's Short Term Bond Strategy. He is also a member of the firm's Asset Allocation Committee and a member of the firm's ESG Committee. Chris has 30 years of experience across fixed income markets, having been Head of Credit at Ignis for ten years and Head of Rates at AEGON. Before his time at AEGON, Chris was a senior portfolio manager at Murray Johnstone Ltd (acquired by Aberdeen Asset management).

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