

M&G launches emerging markets ESG bond fund

Jul 25, 2019 By **Funds Europe**

M&G Investments has launched an emerging markets corporate bond fund focused on environmental, social and governance (ESG) characteristics.

Managed by Charles de Quinsonas, the Luxembourg-domiciled Sicav follows an active strategy based on in-depth analysis of corporate bonds and country-based risk evaluations.

The fund also draws on the London-based firm's existing emerging markets debt and internal credit capabilities, as well as using external providers of ESG research MSCI, Sustainalytics and RepRisk.

At least 80% of the fund is invested in debt securities issued by companies in emerging markets, including those backed or owned by governments, according to M&G.

Potential investments undergo a three-stage screening process to ensure they meet the set ESG criteria. These are:

- Excluding firms in breach of the United Nations Global Compact Principles (a non-binding pact aimed at encouraging businesses to adopt sustainable and socially responsible policies)
- Filtering out firms that make a portion of their revenue from specific sectors including tobacco, alcohol, adult entertainment, gambling, weapons, and nuclear energy
- Using in-house assessment alongside the external ESG research providers to analyse a company's ESG credentials and filter out the laggards

The M&G (Lux) Emerging Markets Corporate ESG Bond Fund will primarily invest in US dollar denominated bonds, as well as offering hedged share classes for investors wishing to hedge US dollar risk.

“The emerging market corporate bond market has seen rapid growth over the past fifteen years, driven by the strong economic expansion across developing economies,” Quinsonas said.

“We believe it remains an under-researched market, creating a wealth of opportunities for active credit selectors, with the expertise to assess the idiosyncratic risks.”

Performance of the fund will be based on the J.P. Morgan CEMBI Broad Diversified Core Index.

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