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Global Green Bonds

Green bonds issuance on path for new records

- 2019 Year-to-date green issuances already surpasses total 2018 issuances
- Risk appetite recovered massively on the back of supportive Central Banks
- The green bond universe delivered +2.27% over the month and +6.37% YTD

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What's happening?

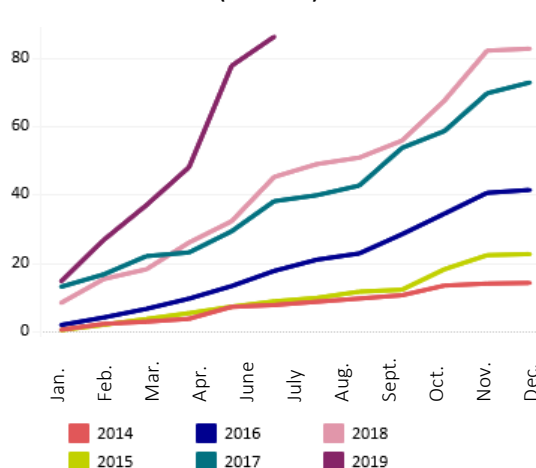
- **Green Bond market**

Half a year was enough to surpass the total amount of 2018 issuance, helped by already 43 inaugural issuers over 2019. With another \$9bn of green bond issued over the month, 2019 has already delivered \$86bn of new green bonds. This month also saw another sovereign issuer, Chile, making its first steps in the green bond universe.

The market was dominated by corporates, and financials, accounting respectively for 47% and 20% of total issuances over the month.

Euro was the main driver of growth, representing 64% of June's issuances, in line with its weight in universe.

Green Bonds issuance evolution
(in USD bn)



- **Monthly market returns (EUR Hedged)**

Global Green investment universe (Ice BofAML Green bond index)

▲ 2,27%

EUR				USD			Emerging	
Sovereign	Quasi-Sov	Financials	Corporates	Quasi-Sov	Financials	Corporates	EM ex-China	China
▲ 4,34%	▲ 2,04%	▲ 0,98%	▲ 2,11%	▼ -1,27%	▼ -1,06%	▬ 0,21%	▬ -0,13%	▼ -0,57%

- Green Bond of the month**

Chile euro 12-year bonds issued at ms+50.

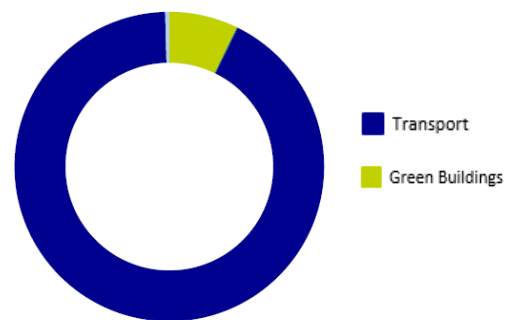
The country looks to cut CO2 intensity of GDP by 30% by 2030 (from 2007 levels) mostly by improving its energy mix. Chile’s electricity still relies for about 40% to coal but it plans to shut 8 out of its 28 plants by 2024, while increasing renewable installed capacity.

The proceeds of this issuance will mostly finance clean transportation (new metro line in Santiago) but eligible categories include as well green buildings, energy efficiency, renewable energy, water management and living natural resources.

Chile committed to propose solid reporting for each eligible categories and identified specific KPIs and an extensive list of outputs, validated by an external audit. It expects, for instance, the new Santiago metro line to cut 170,300t of CO2 emissions.



Breakdown by projects



Portfolio Positioning and Performance

Key Strategies

Performance

Term structure	We reduced the long US duration versus Euro duration following the strong rates convergence that occurred. We now favour a 2/10 year steepening position on the US in anticipation of a Fed rate cut, and a 5-30 year flattening stance in Euro in a context of potentially more QE.	+
Asset Allocation	We continued to increase our exposure to financials and corporate debt and reduced our exposure to quasi-sovereigns. We remain underweight on US credit given the Green eligibility constraints. We participated in new primary issuances from Chile, Hera Spa, CDC, SBAB, Alliander, Vattenfal, BBVA and ESB Finance.	+
Region	We continue to favour exposure to European peripheral countries as well as to emerging markets, which should benefit from accommodative central bank policy and provide additional yield pick-up in this low-yield environment.	=

Outlook

Risk appetite recovered strongly in June as Central Banks acknowledged the need for easing. On the rates side, we believe that 10-year bund yield valuation has reached extreme levels but also reflects the current context of decelerating growth, low inflation, and dovish Central Banks. A rebound cannot be discarded, although the potential remains limited. In the US, the market is now aggressively pricing Fed rate cuts, even if economic data have proven to be relatively resilient. Regarding country allocation, European peripherals as well as emerging should be supported by accommodative Central banks, but a further weakened macroeconomic environment, and tight valuations could weight on appetite. In terms of asset allocation, credit spreads provide an attractive carry in a low- yield environment and should continue to be well supported as long as Central banks keep their accommodative tone.

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