



LGIM adds sustainable bond fund to new fixed income ETF range

One of three new funds added to the suite of fixed income ETFs this quarter

London, 18 February 2021 – Legal & General Investment Management (LGIM) has today bolstered its Fixed Income Exchange Traded Fund (ETF) range with the launch of a new L&G ESG Green Bond UCITS ETF, now offering investors in the UK and Europe eight different fixed income ‘building block’ ETFs for investors’ portfolios. This adds to the L&G ESG USD Corporate Bond UCITS ETF and L&G ESG Emerging Markets Corporate Bond UCITS ETF, which were both listed in January 2021.

The **L&G ESG Green Bond UCITS ETF** tracks the J.P. Morgan ESG Green Bond Focus Index, which aims to provide exposure to green bonds issued across hard currency (i.e. USD, EUR and GBP denominated) credit and local currency government bonds. The fund incorporates a focus on green bonds that have been reviewed independently by the Climate Bonds Initiative¹ to prioritise bond issues that meet their standards and certification scheme. The portfolio of global constituents has an average credit rating of A+.

Within the actively designed index, this fund incorporates an ESG scoring and screening methodology, and allocates more money towards issuers ranked higher on ESG criteria and ‘Certified Climate Bond’ issues and invests less money in green bond issues that have not been reviewed independently. The range also excludes the lowest scoring bond issuers and certain industries such as controversial weapons manufacturers, thermal coal miners, tobacco companies, oil sands (from March 2021) and violators of the UN Global Compact.

This launch has been driven by wider sector and investor demand for sustainable credit, as previous J.P Morgan research has shown that the number of corporate green bond issuers has grown fourfold since early 2017, with the green bond index family having 170 corporate issuers today vs. only 40 at the beginning of 2017. According to the Climate Bonds Initiative, there were \$258bn worth of green bonds issued in 2019 vs. \$171bn in 2018, with most of those bonds issued by European companies, i.e. 45.3% of total issuance for 2019. With the green bond market expected to continue its growth, incorporating a methodology that prioritises bonds certified in accordance to independent standards helps investors to navigate the future issues of green bonds.

The other additions to the fund range, which were listed in January this year, include the **L&G ESG Emerging Markets Corporate Bond (USD) UCITS ETF** which aims to provide exposure to liquid, US Dollar denominated emerging market fixed and floating-rate debt instruments issued by corporates. The **L&G ESG USD Corporate Bond UCITS ETF** aims to provide exposure to US Dollar-denominated investment grade corporate bonds issued by developed market issuers. The indices behind both of these funds have been designed to incorporate an ESG scoring and screening methodology that allocates more towards issuers ranked higher on ESG criteria.

Commenting on the new launches, **Howie Li, Head of ETFs at LGIM**, said: *“As with the rest of the range, we have designed these new ETFs to be portfolio building blocks that answer to investors’ increasing call for ESG integration and liquidity considerations. These funds incorporate ESG as standard and employ a liquidity-aware approach, including increased minimum issuance thresholds relative to traditional benchmarks to improve the overall liquidity profile. Through the active design of these indices, the expansion of this range continues to draw on LGIM’s deep experience in bond management and responsible investing. As questions mount on how “green” some bond issues in the market may be, the incorporation of the Climate Bonds Initiatives certification process into the design means that we can direct more of an investor’s money towards green projects that have been independently verified.”*

James Crossley, Head of UK Retail Sales at LGIM, added: *“We are excited to build out our ETF suite, which encompasses a diverse range of nearly 40 core and thematic products for retail and wholesale investors in the UK. It was important that we could incorporate some of our pragmatic portfolio management techniques into the index design itself, allocating to green bonds and issuers with the highest ESG scores while retaining a similar risk/return profile to traditional indices.”*

¹ Climate Bonds Initiative aims to promote investment in projects and assets necessary for the transition to a low carbon and climate resilient economy

By leveraging on LGIM's fixed income index experience, the investment strategy of these ETFs transparently addresses the inefficiencies commonly found in index investing. These indices have been designed to avoid crowded trades and to put cash to work more efficiently. The eight funds in the range address investors' increasing need to gain exposure to core fixed income assets with ESG and liquidity considerations integrated into the investment design. Across the range, LGIM draws on expertise from its active and index fixed income teams, which collectively manage \$236 billion in assets, to add value that can be lost in index investing for the benefit of investors.

As with the rest of the core range launched at the end of 2020, LGIM sought to work with an index partner that has a strong track record in managing bond indices as well as a robust process for ESG integration fit for bonds. Partnering with JPMorgan, the ETF range will leverage its ESG approach that incorporates well-recognised external ESG data and exclusions often required by responsibly-minded investors and asset managers.

These three new ETFs have been designed for UK and European wholesale and institutional investors and are listed on the London Stock Exchange, Borsa Italiana and Deutsche Boerse. These funds bring LGIM's total ETF range to 37 funds, 29 of which are available on the Italian, German and Swiss stock exchanges, across its core and thematic suite.

-Ends-

Key product details:

Fund name	Index	ISIN	TER	Currency	Ticker and Exchange
L&G ESG Green Bond UCITS ETF	J.P. Morgan ESG Green Bond Focus Index	IE00BMY DMD58	0.25%	GBP	LSE – GBND LN Borsa Italiana – GBND IM Deutsche Borse - GBNB.DE
L&G ESG Emerging Markets Corporate Bond (USD) UCITS ETF	J.P. Morgan ESG CEMBI Broad Diversified Custom Maturity Index	IE00BLR PQP15	0.35%	EUR	Borsa Italiana – USDC IM
				EUR	Deutsche Börse – USAB GY
				USD	LSE – USDC LN
				GBP	LSE – USDC LN
L&G ESG USD Corporate Bond UCITS ETF	J.P. Morgan Global Credit Index (GCI) ESG Investment Grade USD Custom Maturity Index	IE00BLR PRD67	0.09%	GBP	LSE – USDG Borsa Italiana – USDC Deutsche Borse USAB

Key Risk Warnings

Past performance is not a guide to the future.

The value of an investment and any income taken from it is not guaranteed and can go down as well as up; you may not get back the amount you originally invested.

Notes to editors

About Legal & General Investment Management

Legal & General Investment Management is one of Europe's largest asset managers and a major global investor, with total assets under management of £1.2 trillion (€1.4 trillion; CHF1.5 trillion)². We work with a wide range of global clients, including pension schemes, sovereign wealth funds, fund distributors and retail investors.

Throughout the past 40 years we have built our business through understanding what matters most to our clients and transforming this insight into valuable, accessible investment products and solutions. We provide investment expertise across the full spectrum of asset classes including fixed income, equities, commercial property and cash. Our capabilities range from index-tracking and active strategies to liquidity management and liability-based risk management solutions.

² LGIM internal data as at 30 June 2020. The AUM disclosed aggregates the assets managed by LGIM in the UK, LGIMA in the US and LGIM Asia in Hong Kong. The AUM includes the value of securities and derivatives positions.