



AAA-  
05/2024

Nikko AM

Global Green Bond Strategy

#### Product profile

Investment approach	Nikko AM Global Green Bond Strategy
Rated Party	Nikko Asset Management Co., Ltd.
Internet	<a href="http://www.nikkoam.de">www.nikkoam.de</a>

#### Investor's profile

Investment horizon	medium to long term (3-5 years)
Risk classification	4
Loss tolerance	short-term losses possible

#### Rating object:

The subject of the rating is the investment process for the **Nikko AM Global Green Bond Strategy** of *Nikko Asset Management (Nikko AM)*. This investment process is applied in various fund solutions (mutual and special funds) of the company. In particular, the strategy is also used for the *Nikko AM Global Green Bond Fund*. As a result of the extremely pronounced team concept inherent in the process and the intensive exchange between the relevant team units, the team approach is considered in an integrative manner within the process approach for this rating report.

### TELOS Comment

The investment process of the *Nikko AM Global Green Bond Strategy* is geared towards achieving broad but clearly defined sustainability goals (combating climate change, promoting biodiversity, etc.) with the investment decisions. The profitability targets of an investment should of course also be achieved, particularly in the medium to long term. This profitability targets can be found since October 2023 especially in the outperformance of the benchmark iboxx Global Green, Social and Sustainability Bond Index, as from this date the universe had been extended by corporate bonds. To achieve its objectives, the strategy invests globally primarily in bonds that promote solutions to combat climate change. Even though the universe includes other sustainable bond categories in addition to green bonds, such as sustainability & sustainability linked bonds or social bonds, it is important to recognise that the clear focus is on green bonds (keyword: net zero targets) in order to understand the strategy as it currently stands. Issuers from the public sector, supranational organisations and agencies (SSAs) and, as mentioned, corporate bonds since October 2023 are used. In the long time since the strategy was launched, the investible issuers have constantly expanded with the given market conditions for sustainable bonds (in a broader sense). One focus for the strategy can be seen on the credit side. Parallel to the expansion of the investment opportunities that are eligible for the fund, the team structures and team sizes have also been sensibly expanded. As the most recent expansion and as a result of the targeted expansion of investment expertise in the ESG area, a Global Sustainable Investment Team was set up in

August 2022 under the leadership of an established specialist in this area. The analysts working there also support the *Nikko AM Global Green Bond strategy* with their expertise. Overall, the topic of sustainability has been practised intensively throughout the company for many years, which is a great advantage for the employees' understanding of the issue and therefore also regarding specific investment products. At product level, for example, the strategy has been used for many years for the *Nikko AM Global Green Bond Fund*, which as an Art. 9 Impact Fund that takes the objectives of the strategy very much into account.

The strategy is very actively orientated. It follows the company's philosophy that the combination of fundamental, qualitative and quantitative analyses is the most promising. In addition, the strategy's investment process is driven both top-down and bottom-up. The necessary structures at team and committee level are well thought out and continuously adapt to new opportunities. Both the heterogeneity of the employees in terms of qualifications and regional focus as well as the team structures very well promote *Nikko AM's* goal of allowing and consciously utilising the broadest possible range of opinions for the benefit of the strategies. The well-considered use of qualified analysis tools, including those from third-party providers, strikingly complements the intensive implementation of the essentially proprietary strategy.

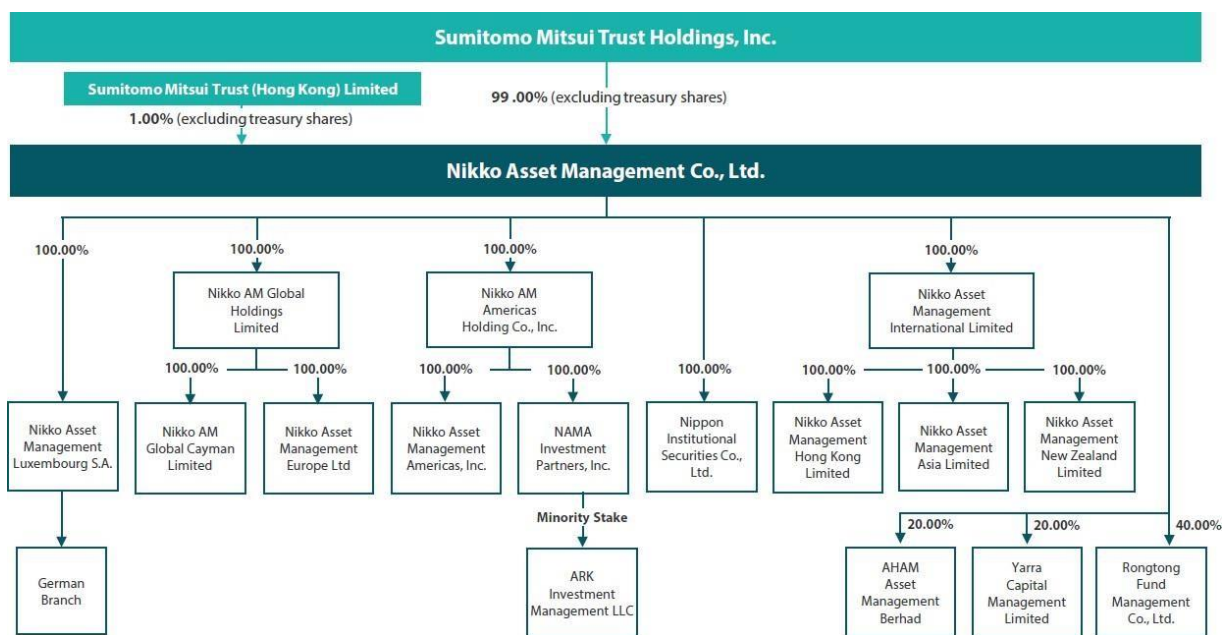
The process of the *Nikko AM Global Green Bond Strategy* is rated **AAA-**, in particular due to its stringency and dynamic development.

## Company and organisation

The asset manager and responsible for the investment process is *Nikko Asset Management Co, Ltd (Nikko AM)*. With over USD 200 billion AUM, *Nikko AM* is one of Asia's leading asset managers. *Nikko AM* itself was formed in 1999 from the merger of Nikko Securities Investment Trust & Management Co. Ltd (founded in 1959) and Nikko International Capital Management Co. Ltd (founded in 1981). Since March 2021, Nikko AM has been 99% owned by Sumitomo Mitsui Trust Holding, Inc, one of Japan's largest financial institutions. *Nikko AM* is currently active in 11 countries and regions, primarily in Asia. In

addition to the head office in Tokyo, there are branches in Osaka, Fukuoka, London, Edinburgh, Frankfurt, Luxembourg, New York, Singapore, Hong Kong and Auckland. Over 30 nationalities work for the company. Extensive language skills of the relevant employees can be utilised. More than 400 banks, brokers, financial advisors and life insurance companies sell the company's products. In addition to the fixed income segment relevant to this analysis, the company also offers solutions in the area of equities and balanced strategies. This includes both active and passive strategies.

### Organisational structure (as of September 2023)



Source: Nikko AM

One of *Nikko AM*'s basic ideas is to focus on operational asset management.

The strengths of the company, on which it wishes to concentrate, are seen in particular in the following points:

### 1. the global network of investment professionals

*Nikko AM* has a global network of around 200 investment experts in seven cities (Tokyo, Auckland, Singapore, Hong Kong, London, Edinburgh, New York) on four continents.

High investment quality is ensured in line with global risk management and compliance, for example, but also in

particular through the close networking of portfolio managers and analysts via in-house platform structures for generating investment ideas and for general dialogue.

### 2. extensive support for the investment teams

The investment teams should and can concentrate on their core task, the investment business. Supporting functions such as risk, compliance, customer service, sales and marketing activities are largely performed outside the investment teams. While the investment teams therefore act independently in the decisions that each team makes for its portfolio, they are provided with standardised, comprehensive functional support.



AAA-  
05/2024

Nikko AM

## Global Green Bond Strategy

**3. platform structure for (defined) meetings to generate and exchange perspectives, ideas and synergy effects**

The constant dialogue between the investment teams in the sense of a team approach is an important aspect for *Nikko AM* and ensures that there are no unwanted bias effects. With this in mind, numerous formal investment meetings are organised in-house. The platform structure for portfolio managers and analysts ensures that a wide range of investment ideas can be made available and utilised effectively. One example of this is the quarterly Global Investment Committee.

**4. experience and expertise specifically relevant to the strategy in the area of sustainable investments, in particular through green bonds**

As a pioneer in the field of green bond investments, Nikko AM launched one of the world's first green bond funds in cooperation with the World Bank back in 2010. Since then, the experience in this bond segment has been continuously expanded, taking account of market developments and market growth in the segment in a targeted manner. As a result, a core investment team has developed that can draw on extensive experience in this area and has been working directly and closely with issuers on the structuring and issuing of green bonds for over ten years.

## Investment philosophy / objectives, investment universe and investment process

### Investment philosophy / objectives

A commitment to sustainability is seen as the driving force behind the investment strategy. The overarching objective of the *Nikko AM Global Green Bond strategy* is to provide capital that can be used to tackle the challenges of climate change, promote nature conservation and the protection of ecosystems and prevent further loss of biodiversity. The topic of climate change is a clear focus in the current status of the strategy, with a particular focus on net zero projects (keyword: CO<sub>2</sub> reduction) and the energy transition. In line with the principles of the ICMA (International Capital Market Association), the aim is to work towards key UN goals for sustainable development (keyword: SDGs). The strategy is therefore intended to support the transition to a sustainable future. It is essential that these goals not only result in a sustainable portfolio for the investor, but that this portfolio also takes into account the profitability requirements for an investment. In

purely economic terms, the focus is on achieving medium to long-term income and capital growth by investing in a specially selected bond universe. Over a period of three to five years, the strategy aims to generate a gross return of 1% above the benchmark (iBoxx Global Green, Social and Sustainability Bond Index). This special benchmark was established in October 2023 as part of an adjustment to the strategy (see investment process for more details). The return target based on this benchmark has therefore only been relevant since this date. The tracking error target is 150-300 bps.

It is part of the philosophy of the company and the strategy considered here that a combination of fundamental and quantitative analysis approaches is regarded as the most promising. The active character of the investment philosophy is clearly emphasised.

The aim of the strategy is also to be "fully" invested at all times as part of a clear commitment. Cash should remain limited to a maximum of 5%.

### The Nikko AM Global Green Bond Strategy aims to provide capital to...



Address the challenges of climate change



Promote nature and the protection of eco-systems



Prevent further biodiversity loss

### Conforming to ICMA\* standards our strategy is...

#### Aligned

with key UN Sustainable Development Goals<sup>^</sup>

#### Supporting

the transition to a more sustainable future

#### Invested

across categories of issuers & Sustainability Bonds

SUSTAINABLE DEVELOPMENT GOALS



\* ICMA: International Capital Market Association, ^United Nations Sustainable Development Goals

Source: Nikko AM

### Investment universe

A clear investment universe was defined in order to be able to follow the given philosophy and take account of the objectives set.

Investments are made globally with a clear focus on green bonds, sustainability bonds and sustainability-linked bonds. Investments are deliberately made in different currency areas. The relevant bonds are issued by governments, supranational organisations and agencies (SAAs) and, since autumn 2023, also in corporate bonds. Investments can also be made in social bonds. However, this area is currently more of a possibility.

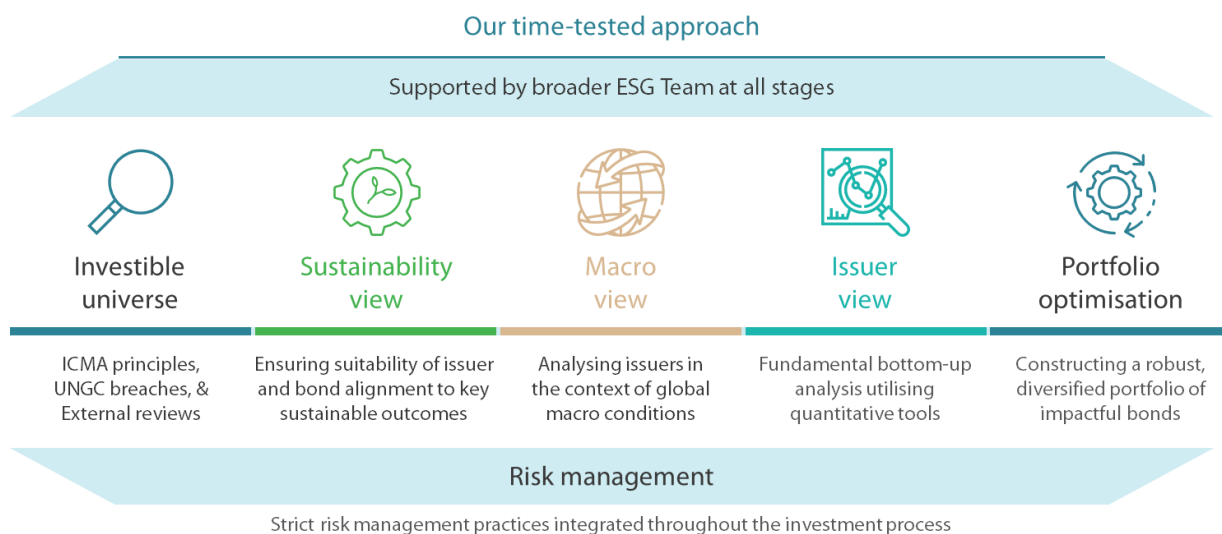
The issues that are utilised should have a high liquidity character. Under normal conditions, it should be possible to liquidate 95% of the portfolio within one to two days if necessary. The internal guidelines provide for a rating range from AAA to B, which also takes into account the required liquidity requirements. The universe is basically orientated towards investment grade bonds. Investments outside the investment grade range are only permitted up to a maximum of 30% and serve more to

provide the portfolio with additional flexibility depending on the market. Unrated bonds are limited to a maximum of 10% and represent more of a theoretical residual amount in the understanding of the strategy.

The bonds suitable for the strategy must comply with the bond principles defined by the International Capital Market Association (ICMA) and be in line with the United Nations Sustainable Development Goals (see principles of the UN Global Compact). Consideration may also be given to investing in bonds that are aligned with other equally robust international standards as they evolve (such as the EU Green Bond Standard).

### Investment process

The investment process, which focuses on sustainability aspects, is characterised by a combination of top-down and bottom-up approaches. It is an active investment process. Quantitative analyses and qualitative considerations are used. The aim is to achieve broad diversification. The investment process can be divided into 5 levels.



Source: Nikko AM

#### **Step 1: Defining the investment universe**

In addition to the above comments on the investment universe, it can be emphasised once again that the portfolio prioritises three key areas.

##### *1. net zero:*

Focus on issuers that have set themselves ambitious net zero targets and have clear plans for their realisation. For example, companies that have clear plans for realising their net zero targets are highlighted.

##### *2. transition to net zero:*

In particular, sectors that support the transition to a net-zero economy are favoured (e.g. renewable energies, sustainable transport, environmentally friendly building materials).

##### *3. nature conservation / protection of ecosystems:*

Bond issues that promote nature conservation are prioritised.



**Step 2: Sustainability analysis**

A bottom-up review of the sustainability of all issuers and issues is carried out. A proprietary and systematic review process is used, which can be divided into three areas.

1. the issuer`s sustainability strategy
2. the framework conditions for bonds prior to issue
3. the weighting according to the issue and the Impact Report

The interaction of these three levels ensures that the consistency between the issuer's sustainability strategy and the issue of a bond is guaranteed. It ensures that the bond itself follows the best disclosure standards and that the proceeds are used transparently and effectively.

Re 1. the issuer's sustainability strategy:

The sustainability strategies and references of the issuer are analysed. The aim is to ensure that these are compatible with the issue of the respective bond. Depending on the issuer category, various data sets are analysed in combination at issuer level (e.g. ESG ratings and key figures from MSCI and Bloomberg or data from public sources (e.g. data from Climate Action 100+ or Science-based Target initiatives (SBTi)). Sustainability reports of the issuer are also considered at this point. It is important to ensure that the issuer is not involved in any major ESG controversies, pursues good governance and has a credible sustainability and climate strategy.

Re 2. the framework conditions for bonds prior to issue:

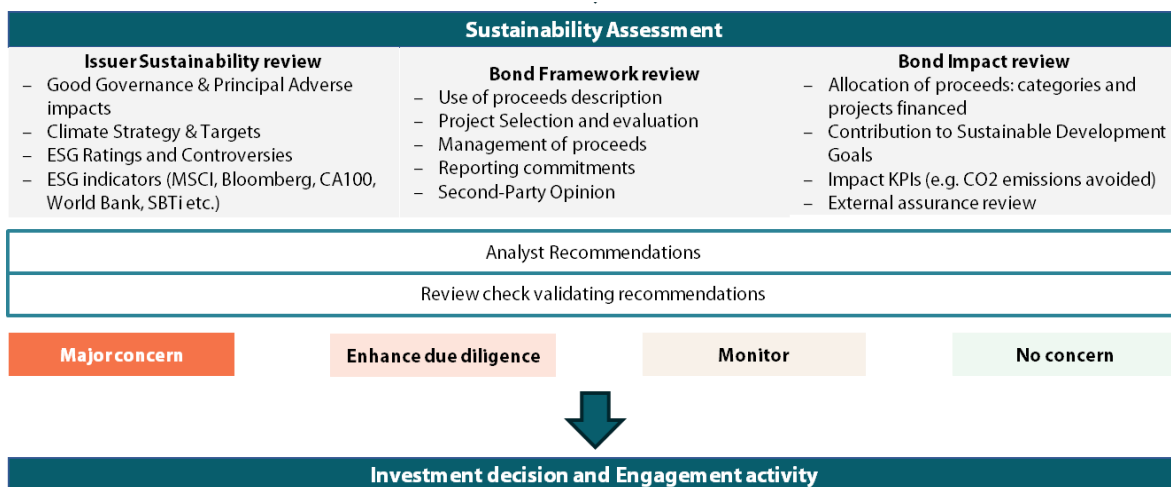
The bond framework must follow the ICMA guidelines. It must be ensured that the planned use of the proceeds is in line with the objectives of the fund strategy. The indicators disclosed in the bond framework are reviewed (e.g. categories of eligible projects for financing, SDG adjustments, EU taxonomy adjustments). The aim is to ultimately ensure full compliance with the ICMA guidelines.

Re 3. the weighting according to the issue and the impact report

The post-issuance reports are reviewed. The transparent distribution of proceeds is to be ensured. It is checked whether a bond can be assigned to clear project categories (e.g. renewable energies, green building, etc.). Existing impact indicators are also taken into account.

The qualitative valuation process carried out in sections 1 to 3 is applied to all investments in the portfolio. This pre-investment assessment may also indicate the need for a more in-depth due diligence review or even rule out an investment.

It should be emphasised that these reviews are carried out in accordance with a strict dual control principle (main person responsible and auditor). The Global Fixed Income team and the ESG team are significantly involved.



Source: Nikko AM

### Step 3 Macro View

The macro environment is analysed and assessed from a top-down perspective. Four key areas are analysed:

1. monetary policy in all relevant markets
2. Inflationary dynamics and the outlook for them
3. real economic activities
4. technical factors

The aim is to find the optimum macro positioning for the portfolio. Questions about allocation such as credit vs. SSA, industrialised countries vs. emerging markets, currency areas to be favoured and also various green bond categories are answered here.

In terms of the investment process, it should be emphasised that decision-making in this area is implemented in a distinctly team-wide approach. This means that the views of each team member on these points are weighted equally. By comparing the macro opinion obtained in this way with a quantitatively determined market consensus, a special aspect of the investment approach is created. It ensures that a broad and comprehensive picture of the macro environment can be captured. The aim is, for example, to make decisions regarding the overweighting or underweighting of certain duration frameworks in certain currency areas. Ultimately, however, it is up to the lead portfolio manager to make the final investment decision - as it is generally up to the lead portfolio manager to make the final decision taking into account the comprehensive picture obtained in this way.

### Step 4: Look at the issuer

In a bottom-up analysis, individual issues are assessed in terms of their risk-adjusted return. With regard to the credit portion of the portfolio, the main focus is on a detailed analysis to assess the medium-term default risks and the associated suitability of an issue for the portfolio. The credit risk of an issuer in terms of business and financial risks is determined in a fundamental analysis. Peer comparisons are also carried out to assess the qualitative or quantitative differences between issuers and evaluate their relative fundamentals. The credit analysts in the team thus determine a basic internal rating for the issue. The comparison of the internal rating results with external ratings can lead to investment ideas. Even if investments are generally to be made in bonds with an external rating,

the use of the internal rating offers the additional possibility of utilising opportunities in investments that are not externally rated.

A proprietary quantitative dynamic credit model is used for higher-quality issuers - which make up the dominant share of the portfolio in accordance with the strategy. Fundamental credit ratios as an indicator of an issuer's stability are also combined with equity-side inputs based on the Morton model, which are suitable as an early warning system. Taking these specific factors into account and adapting them to the respective sector, the model generates its own issuer credit rating from the implied cumulative probability of default.

### 5. portfolio optimisation

The aim of all research efforts within the investment process is ultimately to generate a portfolio that fulfils both the sustainability targets and the return targets of the strategy. When optimising the portfolio, it is particularly important to ensure the broad diversification desired for the strategy. Diversification enables access to a wide range of opportunities on the one hand and, of course, has a risk-minimising effect on the other. Various dimensions are taken into account, such as regional considerations, sectoral considerations, maturities, currencies and also various issuer categories. Derivatives are used for efficient duration management. This enables risk positions to be managed efficiently. Position sizes can be adjusted quickly and efficiently. **The bottom line is that the key alpha sources for the strategy, which can be found in the areas of credit, curve positioning, currencies and the selection of the appropriate bond categories depending on the market, are made flexible and dynamically fruitful.**

### Involved teams & committees and their cooperation

The investment process relies on the interaction of various teams and committees. Both the structure/composition of the teams and the committees is geared towards utilising the full breadth of the company's existing expertise in a targeted manner.

The Global Fixed Income team relevant to the strategy consists of 4 portfolio managers and 5 analysts. *Steve Williams* acts as lead portfolio manager and is ultimately entrusted with the decision-making authority for the final portfolio construction. In October 2023, *Holger*

Mertens joined as an additional portfolio manager specifically for the *Nikko AM Global Green Bond strategy*. This was done as part of the expansion of the investment universe to include corporate bonds. Steve Williams and Holger Mertens have been working together at *Nikko AM*

for 9 years. *Holger Mertens* is also particularly suited to the inclusion of corporate bonds/credit in his role as Head of Global Credit Strategies. Overall, the credit area has been intensified and also strengthened in recent years by additional analysts.

**Portfolio Management & Research**

**ESG Specialists**

**Core Fixed-Income Team**

- Steve Williams, Head of Global Fixed Income, 23 years of experience
- Holger Mertens, Head PM Global Credit, 28 years of experience
- Lukasz Trisk, Senior Portfolio Manager, 13 years of experience
- EE-Yung Yip, PM/Senior Analyst, 19 years of experience

**Broader Fixed-Income Team**

- Jayant Yadav, Portfolio Analyst, 10 years of experience
- Batin Ozkurt, Credit Analyst, 6 years of experience
- Rui Ribeiro, Data Scientist, 4 years of experience
- Linda Luo, Credit Analyst, 9 years of experience
- Marco Sun, Credit Analyst, 12 years of experience
- Michael Lack, Head of Trading, 31 years of experience
- Angela McLean, Senior Dealer, 29 years of experience
- Charlie Smith, Trader, 11 years of experience

**Global Trading Team**

**ESG Specialists**

- Natalia Rajewska, Global Head of Sustainable Investment, 9 years of experience
- Amisha Patel, Sustainability Analyst, 16 years of experience (>1 year as ESG Specialist)
- Vincent Latour, ESG Investment Specialist-EMEA, 11 years of experience

Diverse backgrounds from over 10 different countries:

Source: Nikko AM

The Global Fixed Income team with its 10 members (PMs and analysts) is organised in a very targeted manner with a view to the investment universe, including the *Nikko AM Global Green Bond strategy*. In addition, special ESG investment specialists contribute important relevant skills and specialised knowledge. The research coverage is clearly defined. For example, lead portfolio manager Steve Williams is responsible for Global Developed Markets & Investment Grade Credit, and Holger Mertens is responsible for Global Credit. Overall, the Global Fixed Income team has 6 dedicated areas of responsibility (PM and analysts) for credit.

The **Global Investment Committee (GIC)** has a special function with regard to the macro level. The Chairman of the committee and Chief Global Strategist *John Vail* develops 6 global market scenarios for each committee meeting with a view to the coming 12 months. The general aim is to develop scenarios for the company that capture political and economic developments and provide information on the relevant areas. The scenarios contain different forecasts on economic growth, key interest rate developments, inflation and general financial market conditions for the respective regions of the world. The Fixed Income team calculates bond and currency forecasts for the scenarios for the various

countries/regions. The scenarios are presented to the GIC members at each quarterly meeting. After thorough discussion and, if necessary, adjustment of the scenarios, the members vote in favour of a scenario, which then becomes the "house opinion". Not only the various targets are shared, but also the preference between bonds and equities. The other scenarios are often used to analyse risk. While *Nikko AMs* investment teams around the world decide independently which inputs they finally want to use for their investment decisions, this "house view" provides them with a valuable resource. In general, the Global Investment Committee is made up of the Chief Investment Officers and Senior Investment Specialists from several international offices of the *Nikko AM Group*.

Numerous other fixed meetings and exchange formats take place at different frequencies with different but necessarily targeted compositions. The most important of these for the *Nikko AM Global Green Bond strategy* can be listed as follows. The overview thus also provides a good picture of the structures created in line with the company's philosophy of promoting a very active exchange in order to make the best possible use of existing knowledge and, in particular, to counteract the danger that could arise from possible entrenched opinion structures (keyword: do not allow prejudices of opinion to arise):





AAA-  
05/2024

Nikko AM

## Global Green Bond Strategy

Frequency	Name	Purpose	Attendees
Daily	Morning Meeting	Trade Ideas, News Flow	London PMs, Analysts, Traders
Weekly	ESG update	ESG review updates, Monitoring portfolio	London PMs, Analysts, ESG investment specialists
Monthly	FX/FI Forum	Rates & Currency Strategy	Global Investment Professionals
	Investment Process Meeting	Investment Process	London PMs, Analysts, Traders
	Investment Review	Performance Review	London PMs, Risk Managers & CIOs

The creation of the *Global Sustainable Investment Team* in August 2022 is of particular benefit to the *Nikko AM Global Green Bond strategy* considered here. This significantly expanded ESG resources and created new ESG functions in EMEA, Singapore and Japan. In addition, the existing Sustainable Investment Department in Japan (formerly Active Ownership Group) has been integrated into the department. This brings together the company's environmental, social and governance (ESG) specialists at a global level for the first time. For *Nikko AM*, this means that expertise in the areas of ESG integration and stewardship will be further deepened. Employees who are considered to be among the leaders in the areas of ESG data analysis and ESG regulation have been specifically integrated into the team.

## Risk- and Quality Management

Ongoing risk management is an integral part of the entire investment process. The constant dialogue between the investment and independent risk management team ensures that risks are identified, assessed, monitored and mitigated. The investment risk team is responsible for monitoring and the escalation process for risk.

*Nikko AM's* risk management team closely monitors market, credit and portfolio management risk, among others, and takes appropriate measures to minimise the impact of potential risks. The risk management process begins with risk budgeting and the risk management department conducting independent, detailed analysis of portfolio risks and characteristics, performance attribution and peer group analyses. The risk process consists of risk budgeting and monitoring with clearly detailed escalation procedures at each step.

The risk management department must understand the investment process, which requires a goal-oriented dialogue between the departments and established feedback loops between the investment team and the risk management team.

In order to maintain a high level of risk management, the activities of the office in London, which is primarily responsible for the covered strategy, are monitored by an independent risk management team. The Risk Management department is independent of the investment functions (PM teams) and reports to the Global Head of Risk Management and the Chief Risk Officer.

In particular, the following should be ensured:

- Risk levels and engagements reflect the investment process and portfolio objectives
- The portfolio structure ensures risk diversification
- Unintended risks are removed from the portfolio
- Liquidity risk is carefully monitored

The activities of the Risk Management department include in particular

- The provision of daily risk and performance reports for the portfolio managers
- Monthly independent risk and performance reviews
- Ad hoc risk meetings with the investment team to cover spontaneous risk problems

To ensure that there are no unintended risks within the portfolio, third-party software is also used, such as Barra and Bloomberg risk models. The results from using these models include key risk statistics, the predicted tracking error and the risk contribution of factors such as yield, spread and currency; as well as the risk decomposition at asset level.

Stress tests and scenario analyses are also carried out to ensure that there are no hidden risks in the event of extreme market shocks or individual factor shocks.



AAA-  
05/2024

Nikko AM

## Global Green Bond Strategy

A four-person compliance department closely monitors and manages all legal and mandate-specific risks and initiates any necessary escalation processes. The Investment Compliance team within the Compliance department ensures compliance with the respective risk and investment guidelines on a daily basis. It is therefore responsible for the daily monitoring of the investment team's activities.

The Global Fixed Income team carries out quality-controlling peer group analyses specifically for the Green Bond strategy.

ESG risk analysis is integrated into research and

not outsourced to a separate team. Ultimately, the portfolio managers are responsible for the ongoing assessment of these specific risks, which can have an impact on the success and long-term sustainability of the portfolio holdings.

The detailed process, including stress testing of investment candidates and joint security selection and portfolio construction, also helps to ensure that the entire investment team is involved in managing ESG risks as part of the strategy.

**Product history (based on the Nikko AM composites - “World Bank Green Bond USD” composite (until July 2018) and for the period thereafter the “Global Green Bond USD” composite)**

Note: Current benchmark since 3 October 2023: iboxx Global Green, Social and Sustainability Bond Index. Prior to 3 October 2023, the strategy was not based on an explicit benchmark. For internal control purposes, a control benchmark of 50% BoAML 1-10 Yr Global Sov and 50% JPMorgan ELMI+ was used from 1 August 2018 to 2 October 2023. Prior to August 2018, a proprietary benchmark was used that contained only World Bank bonds.

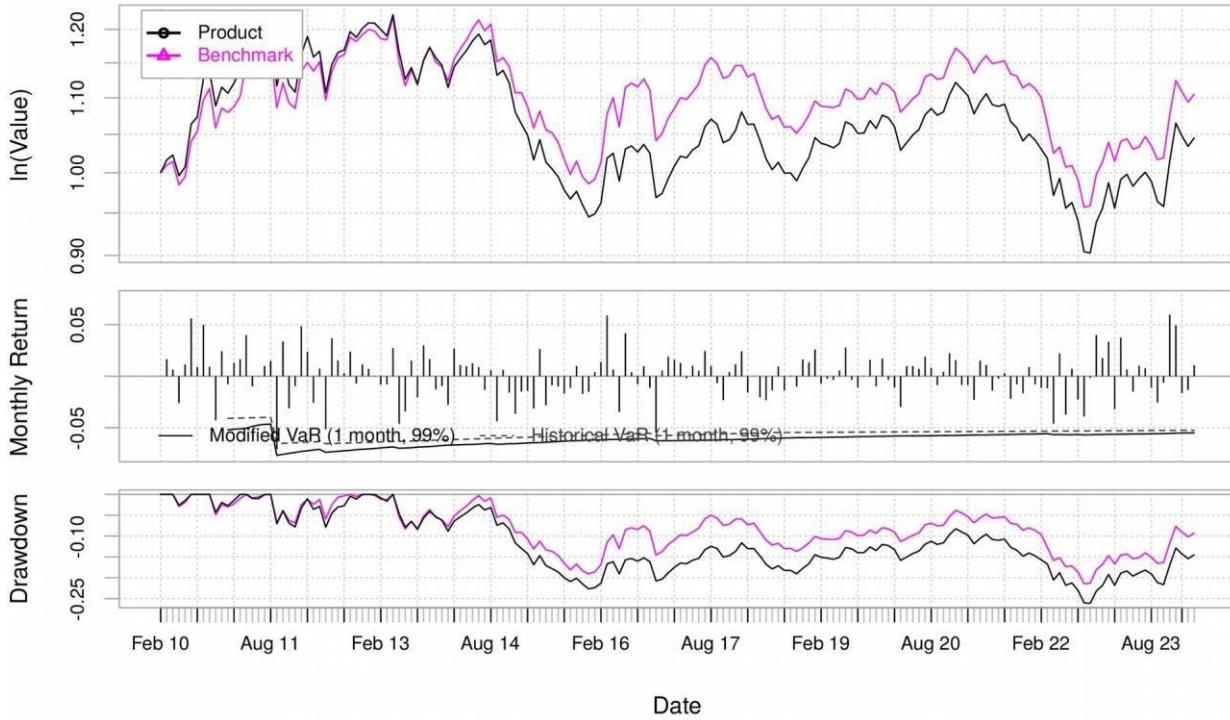
**Monthly returns**

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Jan	-1,5	0,4	1,9	2,4	2,6	-0,3	-0,8	-0,8	3,3	-1,6
Feb	-1,4	1,4	1,6	-1,6	-0,7	-1,1	-0,8	-1,1	-3,2	-1,3
Mar	-3,1	5,9	1,3	0,0	-0,2	-3,0	-2,3	-1,2	3,7	1,1
Apr	2,6	0,6	-0,2	-2,0	-0,4	1,0	1,5	-4,6	0,6	-
May	-2,8	-3,5	1,0	-2,3	0,6	1,0	1,1	2,2	-1,5	-
Jun	-0,9	4,2	0,5	-1,4	2,8	0,7	-1,4	-3,7	1,0	-
Jul	-1,0	0,4	2,4	0,9	-0,3	1,9	-0,2	0,7	0,8	-
Aug	-1,7	-0,8	1,0	-1,4	-1,1	0,8	0,3	-2,3	-1,1	-
Sep	-1,1	1,0	-0,7	0,0	0,0	-0,9	-2,2	-3,9	-2,6	-
Oct	1,0	-1,1	-2,3	-1,0	1,6	0,4	-0,8	-0,1	-0,6	-
Nov	-1,7	-5,5	0,4	1,6	-1,0	2,2	-1,7	4,0	6,0	-
Dec	-1,5	0,5	1,2	1,3	1,7	1,6	0,9	1,8	4,9	-
<b>Product</b>	<b>-12,5</b>	<b>3,0</b>	<b>8,3</b>	<b>-3,4</b>	<b>5,6</b>	<b>4,3</b>	<b>-6,3</b>	<b>-9,0</b>	<b>11,5</b>	<b>-1,9</b>
<b>Benchmark</b>	<b>-10,9</b>	<b>6,6</b>	<b>9,0</b>	<b>-6,1</b>	<b>4,2</b>	<b>4,5</b>	<b>-4,4</b>	<b>-9,5</b>	<b>11,0</b>	<b>-1,8</b>

<b>Statistics per end of Feb 24</b>	<b>1 year</b>	<b>1 Year</b>	<b>2 Years</b>	<b>3 Years</b>	<b>5 Years</b>	<b>10 years</b>
Performance (annualised)	5,41%	1,31%	-1,02%	0,18%	0,33%	-1,01%
Volatility (annualised)	9,07%	10,03%	8,50%	7,25%	6,69%	7,09%
Sharpe-Ratio	0,56	0,10	-0,16	-0,02	-0,00	-0,20
Best monthly result	5,97%	5,97%	5,97%	5,97%	5,97%	5,97%
Worst monthly result	-2,55%	-4,60%	-4,60%	-4,60%	-4,60%	-5,47%
Median of monthly results	0,00%	0,24%	-0,43%	-0,19%	-0,06%	-0,06%
Best 12-month result		11,48%	11,48%	11,48%	11,48%	11,48%
Worst 12-month result		-2,63%	-15,27%	-15,27%	-15,27%	-17,38%
Median of monthly results		5,41%	-2,63%	1,07%	1,07%	0,95%
Maximum loss period	3	20	34	39	39	117
Maximum loss	-4,26%	-11,33%	-18,33%	-19,50%	-19,50%	-24,30%

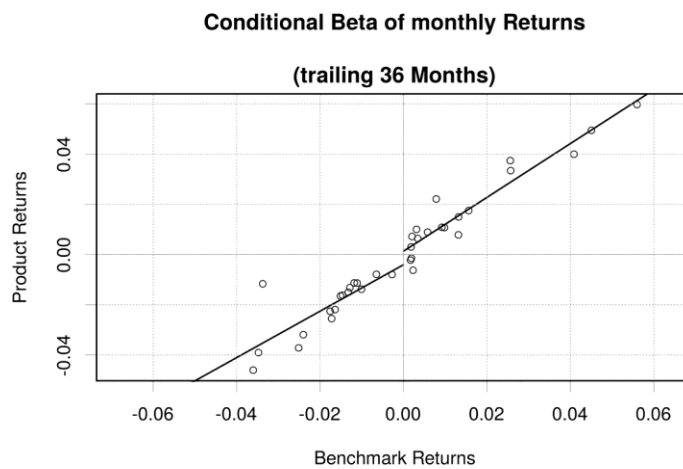
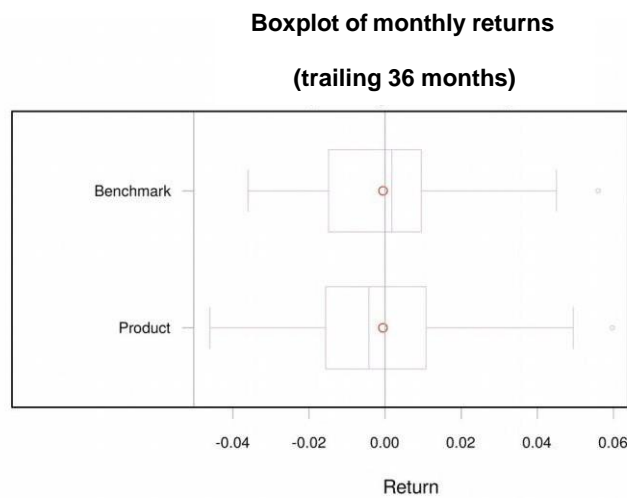
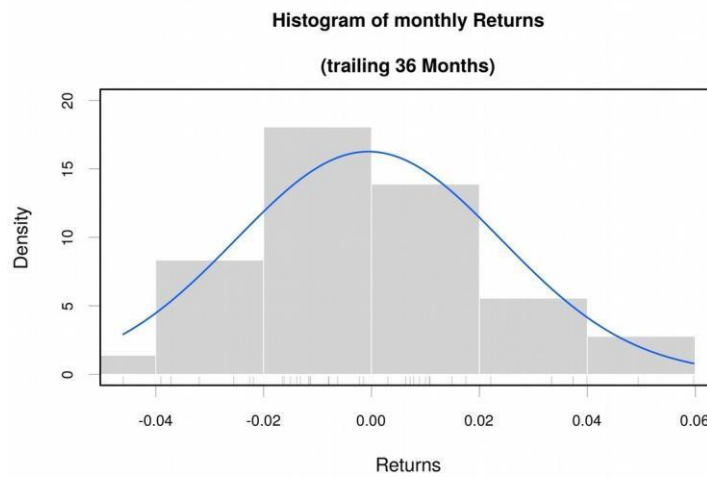
	<b>Fund vs. Benchmark (trailing 36 months)</b>
Jensen Alpha	0,00
Annulised Jensen Alpha	0,00
Beta	1,11
R-squared	0,93
Correlation	0,96
Tracking Error	0,02
Active Premium	-0,00
Information Ratio	-0,05
Treynor Ratio	-0,01

**Performance**



**Rolling 12 month performance**







## Explanations

### TELOS Rating levels

- AAA** The fund meets the highest quality standards
- AA** The fund meets very high quality standards
- A** The fund meets high quality standards
- +/-** Differentiate again within the rating level

The **Product Profile** contains general information on the fund, the investment firm, and the responsible fund manager.

The **Investor's Profile** enables the investor to quickly match his or her expectations with the "official" classification of the product by the investment firm.

The **TELOS Comment** section summarises the main insights of the rating and constitutes an important supplement to the rating grade. The subsequent sections contain descriptive information on the investment process, the quality management, and the responsible team.

The **Investment Characteristics** lists – from the point of view of the fund management – the most important external determinants influencing the performance of the fund, as well as the essential factors employed for its control.

The **Product History** presents – by means of graphs and tables – the development of the fund in comparison with the money market and a benchmark (where appropriate) in respect of performance and risk criteria. All calculations are based on month-end data. Fund data and benchmark data are provided by the investment firm.

The **performance** of the fund is calculated based on reinvested prices: profit distributions are being invested in new shares of the fund immediately. Thereby, the performance of distributing and nondistributing funds is mutually comparable. This approach corresponds to the "BVI method" of performance calculation, advocated by the association of the German investment fund industry. If the fund management is guided by a *benchmark*, the performance of the latter is shown as well. Otherwise, a suitable comparative index is chosen for illustration purposes – in agreement with the investment firm.

The **Sharpe Ratio** provides information about the "excess return" of the fund with regard to a risk free financial investment – here represented by the money market – as a proportion of the total risk taken. The risk free rate is from IMF and published on [FRED](#).

The **median of monthly results** is characterised by the fact that half of all monthly returns occurring in the observed period are either at least or at most as large as this value. As a result, this measure is less sensitive to

"outlier results" than, for instance, the mean (average) value of monthly returns. In an analogous way, the *median of 12-month results* should be interpreted. The *longest loss period* is the number of months needed by the fund in order to recover losses by reaching or exceeding a level that had been achieved previously in the period under consideration. If this level could not be reached again, the end of the period is used. Accordingly, the *maximum loss amount* is the largest loss which the fund suffered in the period under consideration – starting from the highest value reached earlier during this period.

**Jensen Alpha** measures the beta-risk-adjusted (cf. beta) outperformance of the fund versus the benchmark and is calculated using monthly returns. A positive value indicates the generation of added-value by the fund's management.

**Beta** is a measure of the fund's market risk exposure. A Beta larger (smaller) than one indicates that the fund will be more (less) volatile than the benchmark.

**R<sup>2</sup>** is the square of the correlation coefficient (cf. correlation). It is the measure of the quality of a linear fit on the fund's vs. the market's returns. It ranges between 0 (bad fit) and 1 (good fit).

**Correlation** is a measure of how the fund and the market move in relation to each other. Correlation ranges between -1 and +1. The extreme values i.e. -1/+1 indicate that the fund and the market always move in lockstep, for -1 in opposite directions, for +1 in the same direction. 0 indicates there is no clear relationship.

The **tracking error** is the standard deviation of differences between fund and benchmark returns. The lower the tracking error, the more closely the portfolio follows the index.

**Active Premium** or excess return measures the Out/Underperformance of a fund vs. its benchmark.

The **Information Ratio** is the active Premium divided by the tracking error. The higher the information ratio, the higher the active premium of the fund, given the same level of risk.

The **Treynor Ratio** is the return in excess of the risk-free rate, divided by beta. The Treynor ratio is a beta-risk-adjusted measure of outperformance vs the riskfree rate.

All rights reserved. The current version of this report can be obtained from our website [www.telos-rating.de](http://www.telos-rating.de). This rating report is based on facts and information taken from sources believed reliable, but we cannot warrant their accuracy and/or completeness. TELOS GmbH accepts no liability for any loss or damage arising from errors or matters of opinion expressed. Neither the presented figures nor the actual historical performance permit future predictions. Ratings and views presented are subject to revision and should not solely be relied upon for investment decisions. The Fund rating is no offer or recommendation or request to buy, sell or hold the product(s) being discussed in this publication. The current version of this report may be obtained from our [website](#).



**AAA-**  
05/2024

**Nikko AM**

**Global Green Bond Strategy**

## **Contact**

TELOS GmbH  
Biebricher Allee 103  
D-65187 Wiesbaden  
[www.telos-rating.de](http://www.telos-rating.de)

Telephone: +49-611-9742-100

Telefax: +49-611-9742-200

E-Mail: [tfr@telos-rating.de](mailto:tfr@telos-rating.de)