Responsible Horizons Euro Corporate Bond Fund

INVESTMENT MANAGER

Insight INVESTMENT

Insight are leaders in absolute return investing, multi-asset, specialist equity solutions, fixed income and liability driven investment.

RESPONSIBLE INVESTMENT SUMMARY

Firm commitment	
UNPRI rating (since)	2006
UNPRI rating (latest score)	A+
TCFD reporting (since)	2018
RI Policy (since)	2002
Fund strategy	
ESG Integration	Y
Exclusions	Y
Best-in-class tilt	Y
Engagement	Y
Negative / Norms based screening	Y
Impact	

Sub-funds that integrate sustainability risk into investment decisions, promote environmental or social characteristics and invest in companies with good governance practices.

SUSTAINABILITY RATINGS

Out of 2062 Europe Fixed Income global category funds as of 31/10/2021. Based on 89.58329 of AUM. Data is based on long positions only.

FUND RATINGS

PERFORMANCE BENCHMARK

The Fund will measure its performance against the Bloomberg Barclays Euro Aggregate Corporate Total Return Index (the "Benchmark").

The Fund is actively managed, which means the Investment Manager has discretion to invest outside the Benchmark subject to the investment objective and policy. However, as the Benchmark covers a significant proportion of the investable universe, the majority of the Fund's holdings will be constituents of the Benchmark and the weightings in the portfolio may be similar to those of the Benchmark. The investment strategy will restrict the extent to which the portfolio holdings may deviate from the Benchmark and consequently the extent to which the Fund can outperform the Benchmark.

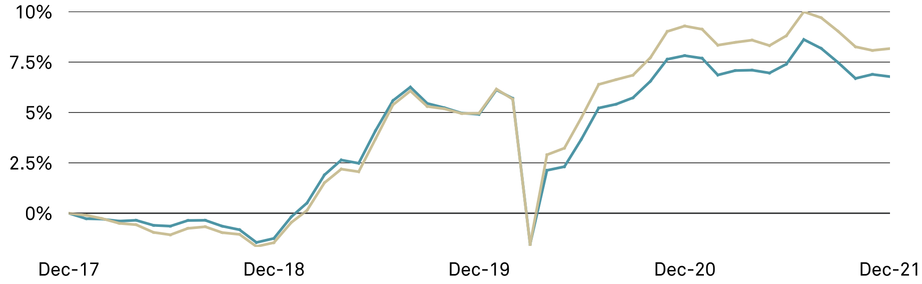
PERFORMANCE NOTE

Past performance is not a guide to future performance. The value of investments can fall. Investors may not get back the amount invested. Income from investments may vary and is not guaranteed.

QUARTERLY HIGHLIGHTS

- Performance: The Fund generated a negative return, net of fees, during the quarter. It lagged its benchmark.
- Activity: We remained active, but selective, in the new issue market.
- Outlook & Strategy: Given rising inflation, central banks in the US, UK and, potentially, Europe are set to continue tightening monetary policy.

4 YEAR CUMULATIVE PERFORMANCE (%)



PERFORMANCE SUMMARY (%)

	1M	3M	YTD	1YR	2YR (Annualised)	3YR (Annualised)	5YR (Annualised)
Euro W (Acc.)	0.08	-0.79	-1.03	-1.03	1.52	3.16	-
Performance Benchmark	-0.11	-0.66	-0.97	-0.97	0.88	2.64	-
Sector	0.02	-0.77	-0.82	-0.82	0.66	2.49	-
No. of funds in sector	164	162	148	148	138	123	-
Quartile	2	2	2	2	1	1	-

	2017	2018	2019	2020	2021
Fund	-	-1.46	6.51	4.13	-1.03
Performance Benchmark	-	-1.25	6.24	2.77	-0.97

Source: Lipper as at 31 December 2021. Fund performance Euro W (Acc.) calculated as total return, based on net asset value, including charges, but excluding initial charge, income reinvested gross of tax, expressed in share class currency. The impact of the initial charge, which may be up to 5%, can be material on the performance of your investment. Performance figures including the initial charge are available upon request.

In March 2021, the Insight Sustainable Euro Corporate Bond Fund merged into the Responsible Horizons Euro Corporate Bond Fund. Performance data covering periods prior to 27 March 2021 correspond to the Insight Sustainable Euro Corporate Bond A Acc EUR.

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PERFORMANCE COMMENTARY

At the start of the quarter, concerns surrounding the spread of the Delta variant of Covid-19, along with accommodative monetary policy from the major central banks (which argued that rising inflation would be transitory), supported government bonds in both the US and Europe.

CREDIT BETA DETRACTED FROM PERFORMANCE OVER THE QUARTER BUT SECURITY SELECTION ADDED VALUE

However, as ongoing supply issues and increasing energy prices led to worries that inflation would continue to trend upwards and prove more persistent, both the US Federal Reserve (Fed) and European Central Bank (ECB) turned more hawkish. With the Fed now tapering its asset purchases and looking likely to hike rates before long, and the ECB also slowing the pace of its asset purchases, bond yields spiked higher towards year end to close the quarter flat. Corporate bonds were mainly driven by the move in government bond yields over the period, with spreads largely unchanged; high yield bonds continued to outperform their investment grade counterparts given the former's lower duration risk and investors' search for yield in a low interest rate environment.

In October, sovereign bond markets had a turbulent month as investors weighed persistent inflation concerns and a hawkish pivot by global central banks (with an increased willingness to raise rates earlier than expected to combat rising prices that were previously considered transitory). Sovereign bond yields moved higher in both Europe and the US, with Gilts outperforming. Yield curves in the US, UK and Europe flattened as markets began pricing in some monetary policy tightening despite an uncertain global growth outlook. In credit markets, spreads widened modestly, with Europe underperforming. European investment grade bonds had a negative total return; real estate investment trusts and subordinated banks underperformed but cyclical sectors such as automobiles and energy outperformed.

During November, a wave of uncertainty swept across global markets as the emergence of the Omicron variant of Covid-19 added to concerns about high inflation and a premature lifting of ultra-loose monetary policies. Sovereign bond yields fell sharply, and equities sold off. In credit markets, spreads widened, with Europe underperforming. European investment grade bonds had a positive total return as Bund yields fell; food & beverage and healthcare outperformed but airlines and Tier 1 insurance underperformed.

In December, concerns about inflation persisted with several central banks taking a hawkish policy position. Most notably, the Fed announced it will accelerate the pace at which it tapers asset purchases, as well as the timeline for future rate hikes, while the Bank of England surprisingly increased interest rates. Developed market sovereign bond yields rose but equities ended broadly higher. European investment grade bonds outperformed those in the US and UK, as life insurance, wireline communications and real estate investment trusts outperformed but transportation, banking and property & casualty insurance underperformed.

Credit beta detracted from performance given our modestly overweight position as a widening in euro credit spreads in November was only partially offset by a subsequent tightening over December.

Sector allocation was slightly detrimental to performance.

Meanwhile, the Fund's short duration position made a negative contribution in November as yields fell. This was only partially offset by a positive contribution over December as yields increased.

Security selection across a variety of sectors was the main positive contributor, with most of the benefit coming in November.

At the end of December 2021, 24.6% of the Fund was invested in impact bonds (compared with 19.2% for the benchmark). More generally, the Fund's weighted average environmental, social and corporate governance (ESG) score is 2.2, compared with the benchmark's 2.4. (The lower the score, within the 1-5 range, the better the ESG performance. These scores are derived from Insight's Prime ESG rating methodology.) Furthermore, the Fund's carbon intensity is 51% of the comparative index's score (carbon intensity measures how much carbon dioxide is generated by issuers relative to revenue). The Fund aims to invest in a higher percentage of impact bonds than the index (and thereby lower the Fund's ESG score) in order to fulfil a commitment to responsible investing and sustainability.

ACTIVITY REVIEW

The Fund remains defensively positioned in credit and has minimal exposure to non-euro (US dollar and sterling) credit.

WE REMAINED ACTIVE, BUT SELECTIVE, IN THE NEW ISSUE MARKET

We have maintained a modest credit overweight and added selectively to bonds which had underperformed. We were also active in the primary market where new issues came with a significant new issue premium. During the volatility at the start of October, we added to our Standard Chartered Tier 2 bonds position as well as purchasing green bonds from Kutxabank and property company Vesteda.

We remain short duration with a steepening bias. We see the combination of supply-chain issues, rising energy prices and the peak of monetary support from central banks as an environment leading to higher yields.

INVESTMENT STRATEGY AND OUTLOOK

Despite the improvement in the global economy on the back of mass vaccination programmes and sizeable monetary and fiscal stimulus, there remains uncertainty about future events. In particular, rising inflation needs to be carefully monitored given a continuation of recent trends is likely to lead to central banks hiking interest rates and/or scaling back their asset purchase programmes. The ongoing pandemic and concerns about the Chinese economy (particularly given credit concerns in the property sector), are also clouding the economic outlook.

MONETARY TIGHTENING FROM THE MAJOR CENTRAL BANKS NOW APPEARS IMMINENT

US inflation remains elevated, driven by supply-chain issues. Our central case is that inflation will not have been above 2% for long enough for rates to be raised until late 2022 or early 2023 and we expect tapering to be completed by the middle of next year. Given this backdrop, longer-term rates could remain low.

In the eurozone, inflation remains a key risk along with the impact of the new Covid-19 strain on global demand due to the eurozone's reliance on exports. Given a weak mediumterm inflation outlook, monetary policy could remain accommodative. However, inflation risks are clearly to the upside, which could prove problematic for the ECB.

There are short-term growth risks in China given the ongoing issues in the property sector. Also, global demand shifting back towards services from goods is a headwind for exports. However, we believe local government spending is likely to increase in the second half which could offset some of these headwinds.

CREDIT QUALITY BREAKDOWN (%)

	Fund	Perf. B'mark
AAA	0.0	0.3
AA	4.1	7.1
A	33.8	36.7
BBB	52.5	55.9
BB	6.1	0.0
B	0.6	0.0
Credit indices	-5.1	0.0
Cash	8.0	0.0

TOP 10 HOLDINGS (%)

	Fund
At&t Inc 3.15% 04sep2036 (callable 04jun36)	0.9
Blackstone Pp EUR Hold 1% 04may2028 (callable 04feb28)	0.8
Credit Suisse Group Ag 3.25% 02apr2026 (callable 02apr25)	0.8
Comcast Corp 0% 14sep2026 (callable 14aug26)	0.7
Abanca Corp Bancaria Sa 0.5% 08sep2027 (callable 08sep26)	0.7
Op Corporate Bank Plc 0.125% 01jul2024	0.6
Caixabank Sa 0.375% 03feb2025	0.6
Hsbc Holdings Plc 3% 22jul2028 (callable 22jul27)	0.6
Ccep Finance Ireland Dac 0.875% 06may2033 (callable 06feb33)	0.6
Goldman Sachs Group Inc 0.01% 30apr2024 (callable 30apr23)	0.6

Source: BNY Mellon Investment Management EMEA Limited

MATURITY DISTRIBUTION (%)

Years	Fund	Perf. B'mark
0-1 yr	11.8	0.0
1-3 yrs	20.6	25.5
3-5 yrs	27.4	26.8
5-7 yrs	20.8	21.4
7-10 yrs	8.4	16.6
10-15 yrs	8.6	6.7
15-25 yrs	2.0	2.5
25+yrs	0.5	0.5

SECTOR BREAKDOWN (%)

	Fund	Perf. B'mark
Financials	43.8	35.5
Non-Financials	53.3	64.5
Credit Indices	-5.1	0.0
Cash & Others	8.0	0.0

CURRENCY BREAKDOWN (%)

	Fund	Perf. B'mark
Euro	100.0	100.0
US Dollar	0.0	0.0
Pound sterling	0.0	0.0

PORTFOLIO CHARACTERISTICS

	Fund	Perf. B'mark
Yield (%)	0.65	0.49
Spread to Government (bp)	114.46	93.51
Spread to Libor (bp)	70.17	49.55
Duration (SA)	4.59	5.23
Spread duration (SA)	6.40	5.57
Maturity (years)	4.84	5.57
Average Coupon	1.36	1.44
Average rating (optimistic)	A-	A-
Average rating (pessimistic)	BBB+	BBB+
Holdings	426	3,346
Issuer	203	660

KEY RISKS ASSOCIATED WITH THIS FUND

- There is no guarantee that the Fund will achieve its objectives.
- Derivatives are highly sensitive to changes in the value of the asset from which their value is derived. A small movement in the value of the underlying asset can cause a large movement in the value of the derivative. This can increase the sizes of losses and gains, causing the value of your investment to fluctuate. When using derivatives, the Fund can lose significantly more than the amount it has invested in derivatives.
- Investments in bonds/ money market securities are affected by interest rates and inflation trends which may negatively affect the value of the Fund.
- Bonds with a low credit rating or unrated bonds have a greater risk of default. These investments may negatively affect the value of the Fund.
- The issuer of a security held by the Fund may not pay income or repay capital to the Fund when due.
- Emerging Markets have additional risks due to less-developed market practices.
- This Fund is not expected to hold investments which would be considered illiquid, however, while the Fund is being established, itis possible that the liquidity profile of the Fund may fluctuate.
- Contingent Convertible Securities (CoCo's) convert from debt to equity when the issuer's capital drops below a pre-defined level. This may result in the security converting into equities at a discounted share price, the value of the security being written down, temporarily or permanently, and/or coupon payments ceasing or being deferred.
- This Fund can be considered to follow an ESG investment approach or incorporate elements of an ESG investment approach, which may cause it to perform differently than other funds that have a similar objective but which do not integrate an ESG investment approach (or elements thereof) when selecting securities. In addition, in following an ESG investment approach, the Fund is dependent upon information and data from third parties (which may include providers for research reports, screenings, ratings and/or analysis such as index providers and consultants). Such information or data may be incomplete, inaccurate or inconsistent.
- The insolvency of any institutions providing services such as custody of assets or acting as a counterparty to derivatives or other contractual arrangements, may expose the Fund to financial loss.
- A complete description of risk factors is set out in the Prospectus in the section entitled "Risk Factors".

INVESTMENT OBJECTIVE

To generate a total return comprised of income and capital growth by investing primarily in a broad range of Euro-denominated debt and debt-related securities and related financial derivative instruments, whilst taking environmental, social and governance ("ESG") factors into account.

GENERAL INFORMATION

Total net assets (million)	€ 984.24
Performance Benchmark	Bloomberg Barclays Euro Aggregate Corporate Total Return Index
Lipper sector	Bond EUR Corporates
Fund type	ICVC
Fund domicile	Ireland
Fund manager	Rob Sawbridge
Alternate	Lutz Engberding
Base currency	EUR
Currencies available	EUR
Fund launch	27 Mar 2021

DEALING

09:00 to 17:00 each business day
Valuation point: 12:00 Dublin time

EURO W (ACC.) SHARE CLASS DETAILS

Inception date	27 Mar 2021
Min. initial investment	€ 15,000,000
Max. initial charge	5.00%
ISIN	IE00BKWGFQ61
Registered for sale in:	AT, BE, CH, DE, DK, ES, FI, FR, GB, GG, IE, IT, JE, LU, NL, NO, PT, SE

EURO W (ACC.) COSTS AND CHARGES (%)

Ongoing Costs	0.44
Management fee	0.35
Other costs & charges	0.09
Transaction costs ex ante	0.06

Source: BNY Mellon Investment Management EMEA Limited
Any views and opinions are those of the investment manager, unless otherwise noted.

MIS0066-310322
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Issued on 19/01/2022