

## QUARTERLY INVESTMENT REPORT

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# Responsible Horizons Euro Impact Bond Fund

## INVESTMENT MANAGER



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

## SUSTAINABILITY RATINGS



Out of 2309 Europe Fixed Income global category funds as of 31/10/2023. Based on 81.77883 of AUM. Data is based on long positions only.

## PERFORMANCE BENCHMARK

The Fund will measure its performance against the Bloomberg Barclays MSCI Euro Corporate Green Bond 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.

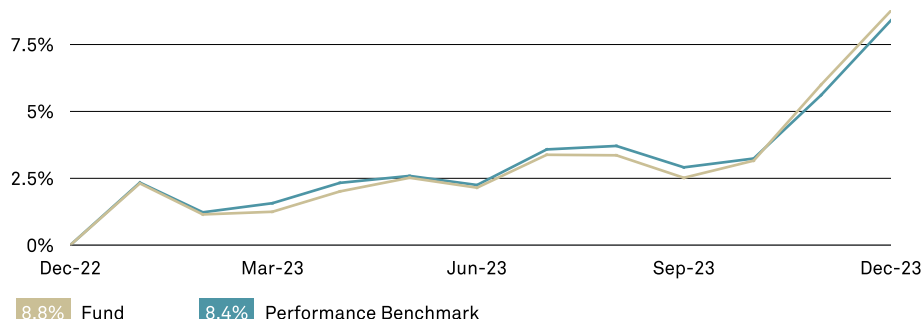
## PERFORMANCE NOTE

**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. Please refer to the prospectus and the KID/KIID before making any investment decisions. Documents are available in English and an official language of the jurisdictions in which the Fund is registered for public sale. Go to [www.bnymellonim.com](http://www.bnymellonim.com). For a full list of risks applicable to this fund, please refer to the Prospectus or other offering documents.**

## QUARTERLY HIGHLIGHTS

- **Performance:** The Fund generated a positive return, net of fees, during the quarter. It was ahead of its benchmark.
- **Activity:** We increased exposure to European utilities and real estate green bonds.
- **Outlook & Strategy:** We are targeting higher-quality issues, with a preference for more defensive sectors.

## 1 YEAR CUMULATIVE PERFORMANCE (%)



## PERFORMANCE SUMMARY (%)

					Annualised					
	1M	3M	YTD	1YR	2YR	3YR	5YR			
Euro W (Acc.)	2.60	6.09	8.76	8.76	-	-	-			
Performance Benchmark	2.65	5.34	8.40	8.40	-3.87	-	-			
Sector	2.78	5.66	8.07	8.07	-3.37	-2.54	0.14			
No. of funds in sector	163	161	159	159	-	-	-			
Quartile	-	-	-	1	-	-	-			
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Fund	-	-	-	-	-	-	-	-	-	8.76
Performance Benchmark	-	-	-	-	-	-	-	-	-14.75	8.40

Source: Lipper as at 31 December 2023. 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. Returns may increase or decrease as a result of currency fluctuations.

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## PERFORMANCE COMMENTARY

The Fund's benchmark, the Bloomberg MSCI Euro Corporate Green Bond Index, ended the quarter with performance of 5.34%, which pushed its year-to-date total return to 8.4%.

### OUR CREDIT OVERWEIGHT BOOSTED PERFORMANCE AS CREDIT SPREADS TIGHTENED IN THE SECOND HALF OF THE QUARTER

In October, global investment grade credit spreads widened due to volatility in government bond markets and increased geopolitical tensions. They tightened again in November amid declining inflation and a rally in government bond markets. This tightening momentum continued in December, with a broad risk market rally propelled by softer-than-expected US inflation leading to the market pricing in multiple US rate cuts for 2024.

The US, UK and European central banks all passed on rate hikes in their final policy meetings of the year. The latter two remained relatively hawkish in their accompanying statements and outlook, but the market still expects rate cuts in 2024 in the UK and eurozone.

Credit spreads tightened during the quarter and the Bloomberg Euro Aggregate Investment Grade Index returned 130 basis points, with gains in November and December outstripping weakness in October.

Real estate investment trusts and finance companies led the market. No sectors generated negative returns, but retailers, construction, diversified capital goods companies, pharmaceuticals and oil field services performed least well.

Impact bond issuance continued apace over the quarter, with impact bonds representing 25% of the overall euro investment grade supply year to date.

From the Fund's perspective, its overweight to credit risk contributed to performance as credit spreads tightened amid the broad rally in risk assets. Security selection was the largest positive performance driver. Key overweight positions included ING Groep, Raiffeisen Bank International, P3 Group and Iberdrola. Sector allocation also provided a small positive, driven by overweight positions in telecoms, automotives and utilities as well as underweights in energy and property.

Conversely, our duration and yield curve positioning detracted slightly. We entered a long US duration position towards the end of October and took profit early in November. Also, we opposed the rally in European rates in December after a significant fall in yields by entering an underweight duration position, which detracted from performance.

## ACTIVITY REVIEW

The Fund's investments include holdings aligned to 16 of the 17 UN Sustainable Development Goals, particularly to renewable energy and sustainable cities.

### WE INCREASED OUR EUROPEAN UTILITIES AND REAL ESTATE EXPOSURE

During the quarter, we added more exposure to green bond issues from European utilities as they continued to finance green capital expenditure. Likewise, we added exposure to real estate as sentiment towards the sector improved following the reduction in overall yields.

We added a euro green bond from French waste management company Paprec, which it used to finance the recycling of industrial waste.

At the end of the quarter, we were slightly long beta in financials, with a preference for Tier 2 debt, underweight real estate and overweight healthcare and automotives.

By year end, 85% of the Fund was invested in green bonds, 8% in social bonds and 2% in sustainable bonds. By project breakdown, the largest categories were renewable energy (27%), clean transportation (18%), green buildings (18%) and energy efficiency (12%).

## INVESTMENT STRATEGY AND OUTLOOK

**The Fund aims to achieve positive environmental and/or social impacts while generating a total return comprised of income and capital growth by investing in a broad range of euro-denominated debt.**

### WE BELIEVE VALUATIONS NOW COMPENSATE INVESTORS FOR THE ECONOMIC RISKS THAT EURO-DENOMINATED CREDIT CURRENTLY FACES

The next phase of the economic cycle is likely to involve slower growth and lower corporate profit margins. Bearing this in mind, we are targeting higher-quality issues, with a preference for more defensive sectors.

Euro-denominated credit is pricing a worse economic outcome than US dollar credit and, while recognising the incremental risks, we believe we are being adequately compensated for many, if not all, outcomes.

In terms of impact bonds, we are positive on the significant opportunity they represent: the rapidly expanding investment universe, improvement in impact data and growing issuer interest. We expect to see continued newsflow on impact-washing from issuers and peers, as market stringency improves.

**CREDIT QUALITY (%)**

	Fund	Perf. B'mark
AAA	2.0	0.0
AA	3.2	4.7
A	31.6	33.9
BBB	58.8	61.4
BB	3.4	0.0
Others	1.0	0.0

**TOP 10 HOLDINGS (%)**

	Fund
BNP Paribas	3.0
E.ON	2.8
Banco de Valencia	2.7
UBS	2.4
Iberdrola	2.3
Enel	2.2
Suez Saca	2.1
Engie	2.1
DNB Bank	2.0
Germany Government	2.0

**REGIONAL ALLOCATION (%)**

	Fund	Perf. B'mark
France	22.6	14.83
Germany	14.0	18.02
Spain	13.8	13.42
Netherlands	9.2	9.29
United Kingdom	7.1	3.83
United States	6.4	4.40
Italy	5.7	6.34
Ireland	4.0	2.66
Switzerland	2.4	0.57
Norway	2.4	4.08
Belgium	1.9	2.20
Denmark	1.8	2.91
Portugal	1.5	2.41
Austria	1.4	1.60
Others	5.8	13.44

Source: BNY Mellon Investment Management EMEA Limited

**MATURITY DISTRIBUTION (%)**

	Fund	Perf. B'mark
0-5 yrs	64.9	64.3
5-15yrs	34.6	34.6
15+yrs	0.5	1.0

**PORTFOLIO CHARACTERISTICS**

	Fund	Perf. B'mark
Duration (in years)	4.03	4.16
Insight beta spread duration (yrs)	4.66	4.33
Yield to Maturity (%)	3.71	3.70
Issuer	108	151
Average Rating	A-	A-

**SECURITY TYPE (%)**

	Fund
Green bonds	84.3
Social bonds	8.1
Impact issuers	4.8
Sustainable bonds	1.5
Cash and other	1.3

**CURRENCY BREAKDOWN (%)**

	Fund	Perf. B'mark
EUR	99.9	100.00
USD	0.1	0.00
GBP	0.0	0.00

**SECTOR BREAKDOWN (%)**

	Fund	Perf. B'mark
Financials	47.6	50.2
Utility	22.9	26.3
Property	12.6	11.5
Autos	5.9	7.5
Govt	2.0	0.0
Cyclical consumer	1.5	0.9
Health Care	1.5	0.0
Chemicals	1.4	0.0
Telecoms	0.8	0.0
Industrial Other	0.6	0.9
Noncyclical Consumer	0.6	0.0
Basics	0.6	0.3
Capital Goods	0.4	1.1
Supranationals	0.3	0.0
Transport	0.3	1.5
Cash	1.0	0.0

**SECURITY EXPOSURE (%)**

	Fund	Perf. B'mark
Non-Financials	49.1	49.83
Financials	47.6	50.17
Government	2.0	0.00
Supranationals	0.3	0.00
Cash	1.0	0.00

**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.
- For hedged share classes the hedging strategy is used to reduce the impact of exchange rate movements between the share class currency and the base currency. It may not completely achieve this due to factors such as interest rate differentials.
- If this share class is denominated in a different currency from the base currency of the Fund. Changes in the exchange rate between the share class currency and the base currency may affect the value of your investment.
- The Bank of New York Mellon Corporation or one of its affiliates ("BNYM") has invested in the Fund. As a result of restrictions under the "Volcker Rule," which has been adopted by U.S. Regulators, BNYM must reduce its shareholding percentage so that it constitutes less than 25% of the Fund within, generally, three years of the Fund's establishment (which starts when the Fund's manager begins making investments for the Fund). Risks may include: BNYM may initially own a proportionately larger percentage of the Fund, and any mandatory reductions may increase Fund portfolio turnover rates, resulting in increased costs, expenses and taxes. Details of BNYM's investment in the Fund are available upon request.
- The Fund follows an ESG investment approach. This means factors other than financial performance are considered as part of the investment process. This carries the risk that the Fund's performance may be negatively impacted due to restrictions placed on its exposure to certain sectors or types of investments. The approach taken may not reflect the opinions of any particular investor. 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 achieve positive environmental and/or social impacts while generating a total return comprised of income and capital growth by investing in a broad range of Euro-denominated debt and debtrelated securities and related financial derivative instruments ("FDI").

GENERAL INFORMATION

Total net assets (million)	€ 35.09
Performance Benchmark	Bloomberg Barclays MSCI Euro Corporate Green Bond Index
Lipper sector	Lipper Global Bond EUR Corporates
Fund type	ICVC
Fund domicile	Ireland
Fund manager	Lutz Engberding / Fabien Collado
Base currency	EUR
Currencies available	EUR, USD, GBP
Fund launch	10 Jan 2022

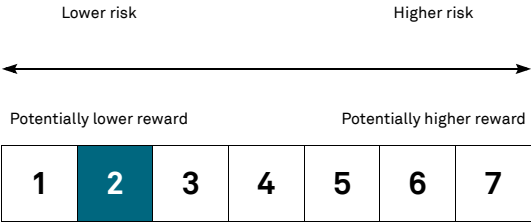
EURO W (ACC.) SHARE CLASS DETAILS

Inception date	10 Jan 2022
Min. initial investment	€ 15,000,000
Max. initial charge	5.00%
Annual mgmt charge	0.15%
ISIN	IE00BN15VB23
Registered for sale in:	AT, BE, CH, DE, DK, ES, FI, FR, GB, IE, IT, LU, NL, NO, SE, SG

DEALING

09:00 to 17:00 each business day  
Valuation point: 12:00 Dublin time  
Costs incurred when purchasing, holding, converting or selling any investment, will impact returns. Costs may increase or decrease as a result of currency and exchange rate fluctuations.  
For more details please read the KID document.

RISK AND REWARD PROFILE - EURO W (ACC.)



The summary risk indicator is a guide to the level of risk of this product compared to other products. It shows how likely it is that the product will lose money because of movements in the markets or because we are not able to pay you. We have classified this product as 2 out of 7, which is a low risk class. This rates the potential losses from future performance at a low level, and poor market conditions are very unlikely to impact the capacity of BNY Mellon Fund Management (Luxembourg) S.A. to pay you.

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

IMPORTANT INFORMATION

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