



GREEN AND SUSTAINABLE BONDS: FIVE KEY QUESTIONS

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MARKETING COMMUNICATION FOR PROFESSIONAL INVESTORS IN AT,FR,DE,IT,LU,ES
PLEASE REFER TO THE PROSPECTUS OF THE UCITS AND TO THE KID BEFORE MAKING ANY FINAL INVESTMENT DECISIONS.

With strong sustainable EU initiatives, plus the conclusion of the hiking cycle, attractive carry in interest rate curves, and the likelihood of lower interest rates amid evolving monetary policies, the outlook for green and sustainable bonds is promising, explain the portfolio managers of the Generali Investments SICAV (GIS) SRI Euro Green Bond subfund.

- The GIS SRI Euro Green Bond subfund invests in investment grade green corporate bonds, green covered bonds, green government bonds, green public agencies bonds, green supranational bonds and sustainable bonds with social themes.
- The European Union plans to issue up to €250 billion euros of green bonds by the end of 2026 to finance the NextGenerationEU programme.
- We aim to select bonds where the proceeds will genuinely be put to work in the real economy.

What types of green and sustainable bonds does the GIS SRI Euro Green Bond subfund invest?

In the GIS SRI Euro Green Bond subfund, we aim to strike a balanced asset allocation within the investment grade bond space. Its investment positioning encompasses green corporate bonds, green covered bonds, green government bonds, green public agencies bonds and green supranational bonds. These investments are primarily channeled into the areas of renewable energy, energy efficiency, clean transportation, pollution prevention and control green buildings. The fund also invests in sustainable bonds with a focus on social themes such as social infrastructure.

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bonds by the end of 2026 to finance the NextGenerationEU programme, which aims to support the post-pandemic economic recovery and green development. With the Green New Deal, the EU aims to be climate-neutral by 2050 – meaning an economy with net-zero greenhouse gas emissions. This objective is at the heart of the European Green Deal, and is a legally binding target thanks to the European Climate Law. The size of the planned issuance would make the EU the largest green bond issuer in the world, and underscores the strong political commitment of each member state needed to support the sustainable transition.

How do you select green bonds that are truly green and sustainable, and not simply labelled as such? In other words, how do you avoid “greenwashing” risk?

First of all, our investment strategy is deeply rooted in Generali Group's ethical filter, which has been in place since 2006, and which we have adapted. Our own investment filter is designed to exclude companies posing environmental, social, and governance (ESG) risks from the investment universe. Specifically, it screens out issuers involved in coal facilities, unconventional weapons production and commercialization, pollution disasters, and corruption scandals. Continuously updated by a dedicated team, this filter system ensures alignment with ethical standards.

For the GIS SRI Euro Green Bond subfund, the evaluation process extends to assessing the ESG profile of issuers and bonds under consideration. In order to do that, we analyse the environmental, social, and governance aspects of the investible universe defined by market index (the Bloomberg MSCI Euro Green Bond Index). To further guard against greenwashing risks, we have a dedicated internal ESG team that rigorously monitors the ESG profiles of issuers and the characteristics of every green bond selected through our investment process. Those two levels of filtering and assessment enable us to best mitigate the risk of greenwashing and select bonds where the proceeds will genuinely be put to work in the real economy.

How measurable are a bond's green and sustainable outcomes? Once invested, what is your engagement process?

Measuring green bond outcomes is complex, requiring the tracking of multiple indicators related to the project and its data reliability. The key point is the reporting activity performed by the company owner of the green project. Accuracy of data, information transparency and timely updates are crucial. This tracking and measuring is time-consuming and requires vast amount of data analysis. The new regulation on EU green bond standards should help, but there is still a long way to go in terms of

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standardizing company data. Considering these complexities, a solid and reliable data provider specialized green and sustainable bonds is critical for asset managers.

In our investment strategy, we evaluate the green and sustainable outcomes of potential bond investments using three key methods. Firstly, we assess the green bond issuer, considering their ESG profile defined by the company ESG scores, with specific focus on indicators like carbon intensity, woman in workforce, board independence and labor force. Secondly, we carefully assess the use of proceeds, and for each green bond we map contributions to specific green project categories like renewable energy, energy efficiency, clean transportation, pollution prevention and control green buildings. Lastly, each green bond's alignment with the 17 Sustainable Development Goals (SDGs) outlined in the 2030 Agenda for Sustainable Development is examined.



Post-investment, the ESG team actively monitors the performance of issuers in order to have clear evidence of the evolution of their ESG scoring.

How do you select bonds that are financially profitable as well as green or sustainable?

Our selection of green and sustainable bonds begins with a thorough analysis of the investment universe as defined by the benchmark, guided by internal macroeconomic and credit research. This top-down approach considers factors such as the macroeconomic environment, the evolution of interest rate curves, and sector-specific potential, down to the value creation potential at single issuer level.

Subsequently, we conduct a relative value analysis to identify bonds offering the best financial prospects within the yield curve, sectors, and ratings. Our goal here is optimal bond picking from a financial perspective. Our aim is to optimize risk-return profiles while maximizing both financial and ESG considerations through targeted analysis of each bond.

2024 is set to be a volatile year in terms of rates and geopolitical unpredictability. Is now a good time to invest in green and sustainable bonds?

Green bond issuance reached its peak at the end of 2021 with \$500 bn of euro denominated green bonds. While the green bond market then faced challenges during the following hiking cycle due to increased costs associated with green technology, the current landscape presents new opportunities. With the conclusion of the hiking cycle, attractive carry in interest rate curves, and the likelihood of lower interest rates amid evolving monetary policies, the outlook for green and sustainable bonds is promising. Moreover, initiatives like the European Green Deal underscore a renewed commitment to sustainability, making it an opportune time to invest in green and sustainable bonds, from both a financial and sustainable perspective – in our view, we must not miss this opportunity.

Generali Investments SICAV (GIS) SRI Euro Green Bond - The objective of the Sub-fund is to outperform its Benchmark, the Bloomberg MSCI Euro Green Bond Index, by investing in a portfolio of valued and selected Green and Sustainable Bonds denominated in Euro. The Sub-fund shall invest at least 75% of its net assets in Green and Sustainable Bonds denominated in Euro, with an Investment Grade Credit Rating. The Sub-fund is actively managed and references the Bench- mark by seeking to outperform it. The Investment Manager has full discretion over the composition of the portfolio and therefore its composition may deviate from the Benchmark. There is no guarantee that the investment objective will be achieved or that a return on capital will be obtained. The Fund does not benefit from any guarantee to protect the capital.

Inherent risk of the Funds (non-exhaustive list): 1. Credit risk 2. Convertible securities are subject to the risks associated with both fixed-income securities and equities and volatility risk 3. Contingent capital securities (CoCos) 4. Securitised debt 5. Derivatives 6. Credit Default Swaps 7. Sustainable finance 8. Green credit instruments risk 9. Risk of Capital Loss: this is not a guaranteed product. Investors may risk losing part or all of their initial investment. Recommended holding period: 5 years. Returns may increase or decrease as a result of currency fluctuations. Main costs (not an exhaustive list as per the KID dated 02 January 2024): Illustrative institutional class: ISIN LU2036759335 - countries of registration AT,FR,DE,IT,LU,ES. Entry costs: There is no entry fee for this product. Exit costs: There is no exit fee for this product. The percentage of entry and exit fees is based on the NAV. Management fees and other administrative costs: 0.6% per year of the value of your investment (consisting of 0.35% max. of management fees per year). This is an estimate based on actual costs over the last year. Transaction costs: 0.2% per year of the value of your investment. This is an estimate of the costs incurred when buying and selling the underlying investment for the product. Performance fee: There is no performance fee for this product. Valuation of the Net Asset Value (NAV): Daily. This is not an exhaustive list of the costs. Other costs apply, differ per shareclass and are subject to changes. All the costs are detailed in the Prospectus and Key Information Document (KID), that are available at: <https://www.generali-investments.lu/products/LU2036759335>. Holdings and Allocations are subject to change. Any potential returns mentioned are for illustrative purposes only, are not guaranteed and are not a promise of performance. For additional information on the assumptions, objective data and different scenarios taken, please refer to the Investment Manager. The future performance is subject to taxation, which depends on the personal situation of each investor and which may change in the future.

IMPORTANT INFORMATION

This marketing communication is related to Generali Investments SICAV (GIS), an open-ended investment company with variable capital (SICAV) under Luxembourg law of 17 December 2010, qualifying as an undertaking for collective investment in transferable securities (UCITS) and its Sub-fund: SRI Euro Green Bond, altogether referred as "The Fund". This marketing communication is intended only for professional investors in Italy, France, Austria, Germany, Spain, Portugal and Luxembourg, where the Fund is registered for distribution - it is not intended for retail investors, nor for U.S. Persons as defined under Regulation S of the United States Securities Act of 1933, as amended. Before making any investment decision, please consider all characteristics, objectives, risks and costs in the Key Information Document (KID) available in one of the official languages of your country, the Prospectus available in English (not in France) and its SFDR Appendix upon request free of charge to the Management Company, Generali Investments Luxembourg S.A., 4 Rue Jean Monnet, L-2180 Luxembourg, Grand Duchy of Luxembourg, e-mail address: GI.fundinfo@generali-invest.com or at www.generali-investments.lu, where you can also find a summary of your investor rights (in English or in an authorized language) in the section "About us/Generali Investments Luxembourg". The Management Company may decide to terminate the agreements made for the marketing of the Fund in your country. Issued/sourced by Generali Investments Luxembourg S.A., Luxembourg UCITS Management Company of the Fund, Generali Asset Management S.p.A. Società di gestione del risparmio, Italian asset management company, appointed as marketing promoter of the Fund in the EU/EEA countries (Via Niccolò Machiavelli 4, Trieste, 34132, Italia).

PORTFOLIO MANAGERS



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GENERALI INVESTMENTS SICAV (GIS) SRI EURO GREEN BOND

Fund managers	Massimo Spagnol, Fabrizio Viola, Daniele Zancanaro
ISIN (Eur BX Acc.)	LU2036759335
AUM	373.57€ M (end of April '24)
Inception date	16 December 2019
Benchmark	Bloomberg MSCI Euro Green bond index
Currency	Euro
Domicile	Luxembourg
Entry / exit charge	0% / 0% - The percentage of entry and exit fees is based on the NAV
Management fees and other administrative or operating costs	0.60%
Transaction costs	0.2%
Performance fees	Not applied
Investment manager	Generali Asset Management S.p.A. Società di gestione del risparmio
Management company	Generali Investments Luxembourg S.A.
Risk level SRI	3/7 (Credit risk - Convertible securities are subject to the risks associated with both fixed-income securities and equities and volatility risk - Contingent capital securities (CoCos) - Securitised debt - Derivatives - Credit Default Swaps - Sustainable finance - Green credit instruments risk.)
SFDR	Article 8 - The Fund promotes, among other characteristics, environmental or social characteristics as per Article 8 as per Regulation (EU) 2019/2088 on sustainability related disclosures in the financial sector. It does not have sustainable investment as its objective.