

## MEDIA RELEASE

London, 10<sup>th</sup> October 2018

### **Affirmative Investment Management (AIM) publishes first impact report for LO-Funds Global Climate Bond Fund**

Affirmative Investment Management (AIM), has released the first annual impact report for the *LO Funds – Global Climate Bond* (“the Fund”). The report details over 1000 projects and initiatives that were fully or partially supported by the impact bonds the Fund invests in.

The Fund, launched as a result of a partnership between Lombard Odier Investment Managers (‘Lombard Odier IM’) and AIM in March 2017, is designed to enable investors to benefit from the transition to a greener economy and aims to deliver measurable environmental and social impact in addition to financial performance. In 2017, 92 countries received impact bond commitments and disbursements from the Fund, which invested in support of all 17 Sustainable Development Goals.

**Carolina Minio-Paluello, Global Head of Solutions and Limited Partner at Lombard Odier IM, commented:** “Climate change is one of the biggest challenges of our time, putting the sustainability of the global economy at risk. We have a role as investment professionals to direct investment towards those who seek to mitigate and adapt to climate change. We believe the companies that are implementing this transformation today will be the best performers of tomorrow, and significant economic impact can be generated in parallel with good investment performance.”

AIM surveyed impact bond issuers to collect data on their disbursements, to determine impact indicators across the portfolio. 87% of the Fund’s impact bond issuer disbursements were dedicated to climate change mitigation activities associated with reducing greenhouse gas (GHG) emissions. The Fund supported the avoidance of 78,431 CO<sub>2</sub>e per annum, the equivalent to taking 16,795 passenger vehicles off the road for a year, and low carbon transport in 26 countries, with capacity equivalent to 2 million passengers annually.

#### **Other measurable portfolio-weighted impacts highlighted in the report includes:**

- **Energy:** Investing in energy solutions is critical for meeting the Paris Agreement and decarbonising sustainable development. Access to affordable, low carbon and reliable energy is a sustainable development priority reflected by Sustainable Development Goal (SDG) 7. The Fund supported 75 MW<sup>1</sup> of renewable energy installed capacity and over

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<sup>1</sup> MW refers to megawatts, which is equivalent to 1,000 kilowatts. This measures the maximum output of electricity that a generator can produce under ideal conditions at full capacity, representing the renewable energy power potential of a project.

244,450 MWh<sup>2</sup> of electricity generated annually, enough to power 19,644 homes in the US for 1 year.

- **Infrastructure:** Current levels of investment into improving the energy efficiency of buildings is not on track to achieve a ‘2 degree scenario’. According to the International Energy Agency (IEA), buildings account for up to 40% of direct and indirect greenhouse gas emissions and up to 55% of global electricity demand. The Fund invested in issuers who made disbursements for green buildings in over 30 countries, resulting in 5,670 m<sup>2</sup> of area built to higher levels of energy efficiency.
- **Water resource management:** As populations grow and natural environments become degraded, ensuring sufficient and safe water supplies is becoming more challenging. Promoting water quality and efficiency provides multiple benefits, from improved public health and food security to increased resilience against climate change and greenhouse gas emissions mitigation. The Fund’s impact bonds have supported 6,893 m<sup>3</sup> in wastewater being treated daily – the equivalent to more than two Olympic-size swimming pools per day.
- **Financial inclusion and gender:** The Fund invested in impact bonds that made disbursements to support SME loans (including microloans) to marginal groups or those in underperforming labour markets. A significant component within the Fund-supported SME loans were those to women-owned businesses (those with at least 51% owned by a woman/women, minimum 20% owned by women with at least one female senior executive, or women holding 30% or more seats on any board of directors). The Fund supported 5,687 SME loans in 17 countries, 4,713 of which were to women-owned businesses in emerging markets.

**Dr Judith Moore, Partner, Verification and Impact, AIM, commented:** “Our impact report is an important component of the Fund for investors, evidencing the positive outcomes that result from their capital. The findings, stemming from a portfolio of mainstream fixed income investments, show that a pure play focus to investing, founded on deep analysis and engagement, can be beneficial to both investors and to broader society. The impact bond market has grown 173% on an annualised basis since 2007. As the market and the Fund size increases, so will the positive impact.”

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## Notes to editors

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<sup>2</sup> MWh refers to megawatt hours. To understand the unit of MWh: a wind turbine with a 1.5 MW capacity, running at an average 30% capacity for 24 hours over 365 days, will generate  $1.5 \times 0.3 \times 24 \times 365 = 3,942$  MWh of electricity per annum.

For further details and case study examples, a link to a summary of the report can be found [here](#).

### **About the fund**

- The Fund is a diversified investment grade portfolio seeking to simultaneously deliver a low carbon and climate-resilient economy and mitigate some of the effects of climate change, while targeting a higher yield than a typical investment grade portfolio with lower turnover
- The portfolio purchases multi-currency denominated green, sustainable or social use-of-proceeds bonds and pure play bonds – only investing in impact bonds verified under AIM’s proprietary SPECTRUM Bond® framework
- The Fund seeks a higher yield than the Bloomberg Barclays Global-Aggregate Index with comparable credit quality

For more information: [www.lombardodier.com](http://www.lombardodier.com) and [www.affirmativeim.com](http://www.affirmativeim.com)

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### **About Lombard Odier IM**

Lombard Odier Investment Managers is the asset management business of the Lombard Odier Group, which has been wholly owned and funded by its partners since its establishment in 1796.

Our independent structure and our partners’ involvement in the day-to-day management of the firm allows us to focus entirely on our clients’ needs, fostering trust and alignment of interest. Throughout our history, we have been rethinking the old and embracing the new in our efforts to help our clients achieve their objectives in a changing world.

We provide a range of investment solutions to a group of clients that are all long-term oriented in their many and diverse ways. Our heritage, and our combination of the best of conservatism and innovation, keeps us

well-positioned to create lasting value for our clients. Our investment capabilities span Fixed Income, Convertible Bonds, Equities, Multi-Asset and Alternatives.

Sustainability is absolutely central to our investment philosophy; we believe it is the founding principle of economic outcomes, and will drive investment returns over the long term.

With more than 130 investment professionals, we are a global business with a network of 13 offices across Europe, Asia and North America and have assets under management of 49 billion CHF (as at 30 June 2018).

### **About Affirmative Investment Management**

Affirmative Investment Management Partners Limited (AIM) is the world renowned dedicated impact bond manager focusing solely on bond and cash investments that generate positive environmental and social externalities. It is a private company owned by its employees, established in 2014 with 19 investment professionals and is headquartered in London with representatives in Washington and Sydney.

AIM investments support the 17 UN Sustainable Development Goals (SDGs) and the Paris Agreement on climate change (UN COP 21) and their approach is a fusion of mainstream portfolio management and sustainability principles.

Through its ongoing engagement with bond issuers to provide transparency and reporting, AIM provides an Annual Impact Report on the portfolio's impact from activities funded, such as water saved and CO2 emissions avoided. This also allows

AIM to ensure the bonds continue to meet the Sub-Fund's sustainability and ESG criteria and align to UN SDGs.

For more information visit: [www.affirmativeim.com](http://www.affirmativeim.com)

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