

UNITED STATES OF AMERICA

HIGHWAY LOAN

No.
263

No.
263

R **RIEGER**
B **REPORT**

STATE OF RI... **ESG Fixed Income ETFs: Current State** ... PLANTATIONS.

April 2019

JR Rieger

JR@RiegerReport.com | (516) 524-1110 | straighttalkaboutbonds.com



ESG Fixed Income ETFs: Current State

Summary:

The growing green and/or Environmental, Social and Governance (ESG) fixed income market is a global phenomenon. In the past two years, there have been six ESG Exchange Trade Funds (ETFs) launched in the U.S. These ETFs offer passive, low cost exposure and as a result they are well positioned to be tools for ESG and or Socially Responsible Investing (SRI) for both global and domestic investors. Helping the cause, these funds are tracking quite well to both their underlying indices as well as the bond market segment(s) they are in. My expectations are that these ETFs will grow in assets relatively quickly due to the demand seen in ESG overall. More detail on the six U.S. listed ETFs can be found in the rest of this report.

Key Statistics:

- **\$270.79 Million:** Amount invested in ESG Fixed Income ETFs offered in the U.S.
- **6:** Number of U.S. listed ESG Fixed Income ETFs. All are passively managed to a designated index.
- **2:** Number of green bond focused ETFs representing the “E” in ESG.
- **18.3 bps:** Average passive management fee by number of funds.
- **16.3 bps:** Average passive management fee by Assets Under Management (AUM).

April 8, 2019



ESG Fixed Income ETFs by Inception Date

U.S.

SYMBOL	ETF	Inception	Region	Mgt Fee (bps)	Active/Passive	Options Available?	AUM (Millions)	30 Day SEC Yield	Effective Duration	YTD Return
GRNB	VanEck Vectors Green Bond ETF	3/3/2017	Global	30	Passive	Expected	\$25.9	1.16%	6.5	2.03%
SUSC	iShares ESG USD Corporate Bond	7/11/2017	U.S.	18	Passive	No	\$30.89	3.56%	7.3	4.91%
SUSB	iShares ESG 1-5 Year USD Corporate Bond	7/11/2017	U.S.	12	Passive	No	\$77	2.94%	2.64	2.54%
NUBD	Nuveen ESG U.S. Aggregate Bond	9/29/2017	U.S.	20	Passive	No	\$54.2	2.63%	5.74	2.81%
EAGG	iShares ESG U.S. Aggregate Bond	10/18/2018	U.S.	10	Passive	No	\$56.9	2.78%	5.53	2.62%
BGRN	iShares Global Green Bond (Currency Hedged)	11/13/2018	Global	20	Passive	No	\$26.1	1.21%	6.97	3.6%

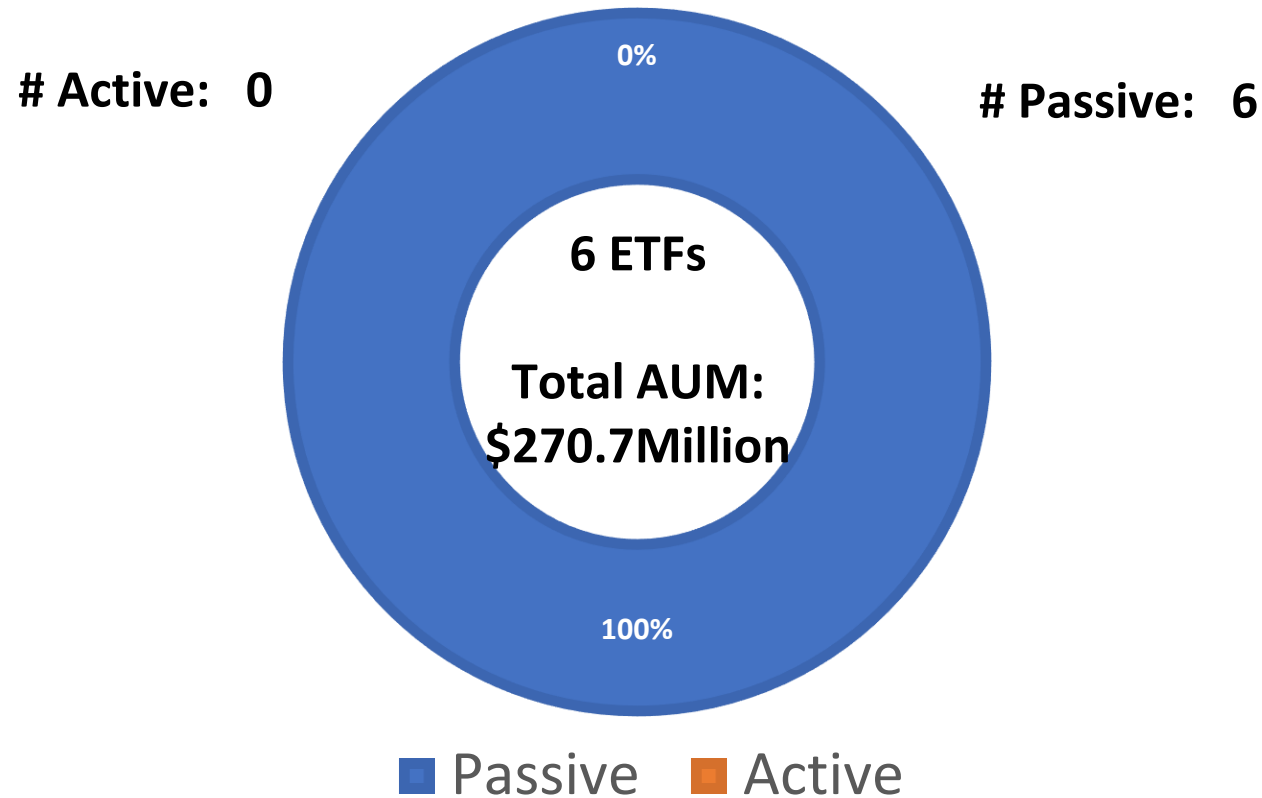
Europe as Comparison

SYMBOL	ETF	Inception	Region	Mgt Fee (bps)	Active/Passive	Options Available?	AUM (Millions)	30 Day SEC Yield	Effective Duration	YTD Return
	Lyxor Green Bond UCITS ETF	12/21/2017	Global	25	Passive	NA	30.8EUR	NA	NA	3.87%

Sources: ETF sponsor websites. Table is provided for illustrative purposes only. Past performance is not a guarantee of future results. Data as of 4/8/2019.

April 8, 2019

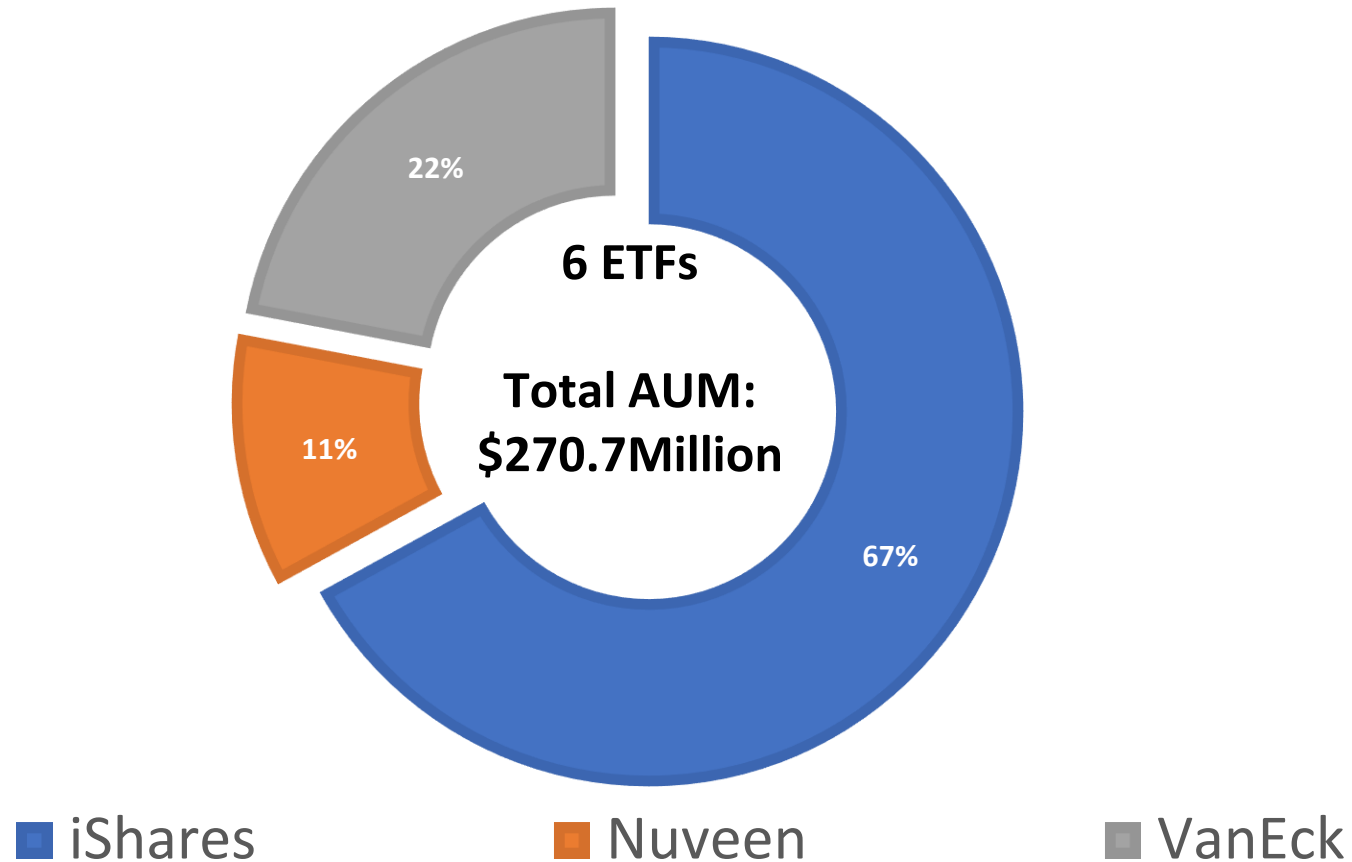
ESG Fixed Income ETFs Listed in U.S. Assets Under Management



Sources: ETF sponsor websites. Chart is provided for illustrative purposes only. Past performance is not a guarantee of future results. Data as 4/8/2019.

April 8, 2019

ESG Fixed Income ETFs Listed in U.S. Assets Under Management



Sources: ETF sponsor websites. Chart is provided for illustrative purposes only. Past performance is not a guarantee of future results. Data as of 4/8/2019.

April 8, 2019



VanEck Vectors Green Bond ETF GRNB

Objective:

VanEck Vectors® Green Bond ETF (GRNB®) seeks to replicate, as closely as possible, before fees and expenses, the price and yield performance of the [S&P Green Bond Select Index](#) (SPGRNSLT). The index is comprised of labeled green bonds that are issued to finance environmentally friendly projects, and includes bonds issued by supranational, government, and corporate issuers globally in multiple currencies.

Index: [S&P Green Bond Select Index](#) (SPGRNSLT)

Green or ESG Selection Index Criteria: Includes only bonds designated as a green bond by the [Climate Bonds Initiative](#)

Differentiating Factors:

- Unhedged global currency exposure. Top two as of March 31, 2019: EURO over 61.1% and USD over 27.6%
- Bonds of all quality are included with exception of defaulted securities however on 3.2% of net assets are below investment grade
- Supranational, government, quasi-government, Agency and corporate bonds are included

Website: [VanEck Vectors ETFs](#)

April 8, 2019



iShares ESG USD Corporate Bond ETF SUSC

Objective:

The iShares ESG USD Corporate Bond ETF seeks to track the investment results of an index composed of U.S. dollar-denominated, investment-grade corporate bonds issued by companies that have positive environmental, social and governance characteristics while exhibiting risk and return characteristics similar to those of the parent index of such index.

Index: [Bloomberg Barclays MSCI U.S. Corporate ESG Focus Index](#)

Green or ESG Selection Index Criteria: Employs environment, social and governance (“ESG”) rating inputs from MSCI ESG Research & Bloomberg Index Services Limited.

Differentiating Factor:

- Only investment grade USD Corporate bonds included

Website: [iShares.com](#)

April 8, 2019



iShares ESG 1-5 Year USD Corporate Bond ETF SUSB

Objective:

The iShares ESG 1-5 Year USD Corporate Bond ETF seeks to track the investment results of an index composed of U.S. dollar-denominated, investment-grade corporate bonds having remaining maturities between one and five years and issued by companies that have positive environmental, social and governance characteristics while exhibiting risk and return characteristics similar to those of the parent index of such index.

Index: [Bloomberg Barclays MSCI U.S. Corporate 1-5 Year ESG Focus Index](#)

Green or ESG Selection Index Criteria: Employs environment, social and governance (“ESG”) rating inputs from MSCI ESG Research & Bloomberg Index Services Limited.

Differentiating Factor:

- Only short term USD investment grade corporate bonds included

Website: [iShares.com](#)

April 8, 2019



Nuveen ESG U.S. Aggregate Bond ETF NUBD

Objective:

The fund employs a passive management (or “indexing”) approach, investing in a diversified portfolio of U.S. investment grade bonds that satisfy certain environmental, social and governance (“ESG”) criteria. The fund seeks to track the investment results, before fees and expenses, of the Bloomberg Barclays MSCI US Aggregate ESG Select Index.

Index: [Bloomberg Barclays MSCI U.S. Aggregate ESG Select Index](#)

Green or ESG Selection Index Criteria: Employs environment, social and governance (“ESG”) rating inputs from MSCI ESG Research & Bloomberg Index Services Limited.

Differentiating Factor:

- Investment grade USD debt issued by corporate, residential and commercial mortgage-backed securities and non-U.S. governments and corporations are included

Website: [Nuveen.com](#)

April 8, 2019



iShares ESG U.S. Aggregate Bond ETF EAGG

Objective:

The iShares ESG U.S. Aggregate Bond ETF (the “Fund”) seeks to track the investment results of an index composed of U.S. dollar-denominated, investment-grade bonds from issuers generally evaluated for favorable environmental, social and governance practices while exhibiting risk and return characteristics similar to those of the broad U.S. dollar-denominated investment-grade bond market.

Index: [Bloomberg Barclays MSCI U.S. Aggregate ESG Focus Index](#)

Green or ESG Selection Index Criteria: Employs environment, social and governance (“ESG”) rating inputs from MSCI ESG Research & Bloomberg Index Services Limited.

Differentiating Factors:

- Investment grade U.S. Treasury bonds, non-securitized government related bonds, corporate bonds, residential and commercial mortgage-backed securities and asset backed securities are included (as a result, modestly broader than Nuveen’s NUBD)
- 10bp management fee is the lowest of the six ETFs tracked in this report

Website: [iShares.com](#)

April 8, 2019



iShares Global Green Bond ETF BGRN

Objective:

The iShares Global Green Bond ETF (the “Fund”) seeks to track the investment results of an index composed of global investment-grade green bonds that are issued to fund environmental projects, while mitigating exposure to currency fluctuations versus the U.S. dollar.

Index: [Bloomberg Barclays MSCI Green Bond Select \(USD Hedged\) Index](#)

Green or ESG Selection Index Criteria: Designated as a green bond by the MSCI

Differentiating Factors:

- Currency hedged
- Only investment grade bonds included
- Supranational, government, quasi-government, Agency and corporate bonds are included

Website: [iShares.com](#)

April 8, 2019



Data Resources Used in this Report

- The data used in this report came from the ETF sponsor websites and Yahoo! Finance.
- Not all the ETF sponsor websites report the same information and may do so at different time frames.
- ETF “Sector” classifications can be subjective. The sector designation is my opinion based on the stated objective of the ETF.
- The data in spreadsheet form is available by contacting the Rieger Report.
- I do my best to make this an accurate report. In the event of data errors or omissions please contact JR@RiegerReport.com .

March 12, 2019



Copyright © 2019 Rieger Report LLC. All rights reserved. Redistribution in whole or in part is prohibited without written permission of the Rieger Report LLC. All information provided by the Rieger Report LLC is for informational purposes only, impersonal, and not tailored to the needs of any person, entity or group of persons. It should not be considered financial advice. The Rieger Report LLC receives compensation in connection with licensing its research, advertising on its website, speaking and consulting services.

Past performance of any investment product or index referenced in the Rieger Report is not an indication of or guarantee of future results.

The Rieger Report LLC is not an investment advisor, and the Rieger Report LLC makes no representation regarding the advisability of investing in any such investment fund or other investment vehicle. A decision to invest in any such investment fund or other investment vehicle should not be made in reliance on any statements set forth in this document. Prospective investors are advised to make an investment in any such fund or other vehicle only after carefully considering the risks associated with investing in such funds, as detailed in an offering memorandum or similar document that is prepared by or on behalf of the issuer of the investment fund or other investment product or vehicle. A financial advisor should be contacted to determine what may be best for your individual needs. The Rieger Report LLC is not a financial or tax advisor. A tax advisor should be consulted to evaluate the impact of any tax-exempt securities on portfolios and the tax consequences of making any particular investment decision. No legal relationship is created between you and Rieger Report LLC.

The Rieger Report LLC does not act as a fiduciary or investment advisor. While the Rieger Report LLC has obtained information from sources it believes to be reliable, the Rieger Report LLC does not perform any audit or undertake verification of any information it receives.

The Rieger Report Rankings are opinions of relative ranking among the peer group analyzed as of the date expressed and not statements of facts. Rieger Report model portfolios are intended for illustration only. Any opinion or analysis decisions are not to be construed as recommendations to purchase, hold or sell any securities or to make any investment decisions, and do not address the suitability of any security. The Rieger Report LLC does not assume any obligation to update the content in this publication in any form or format.

Your use of any information from this document or presentation is at your own risk and without recourse against Rieger Report LLC, its members, managers, or employees. To the maximum extent permitted by law, Rieger Report LLC disclaims any and all liability in the event any information, commentary, analysis, and/or opinions prove to be inaccurate, incomplete or unreliable, or result in any investment or other losses.

April 8, 2019