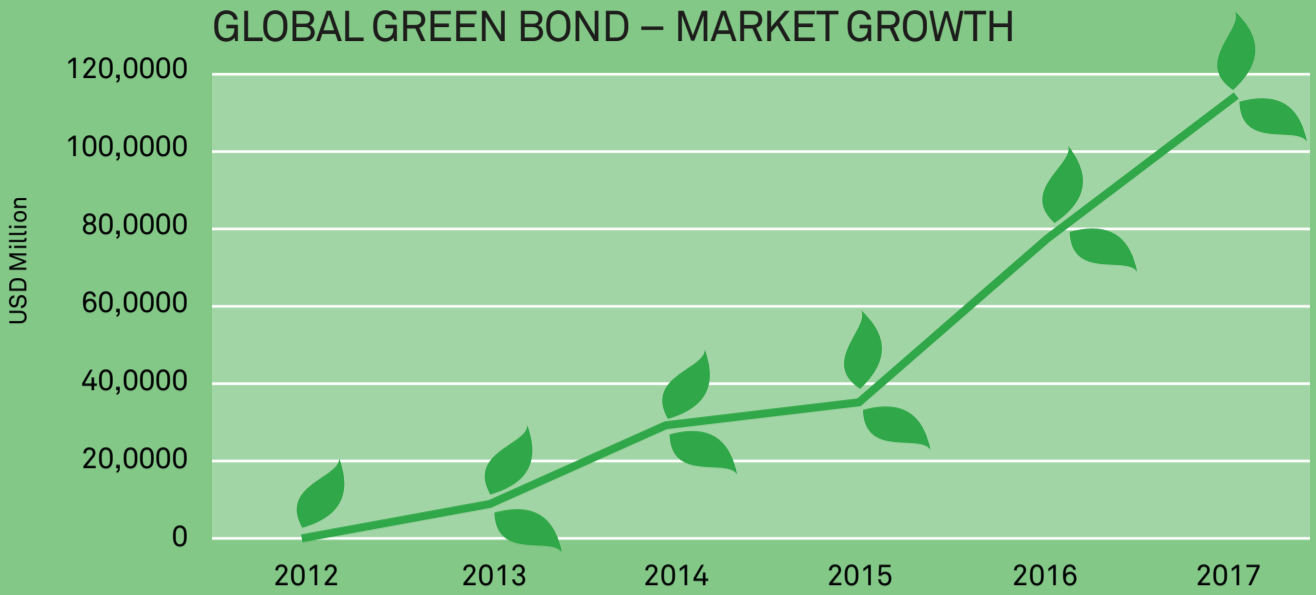


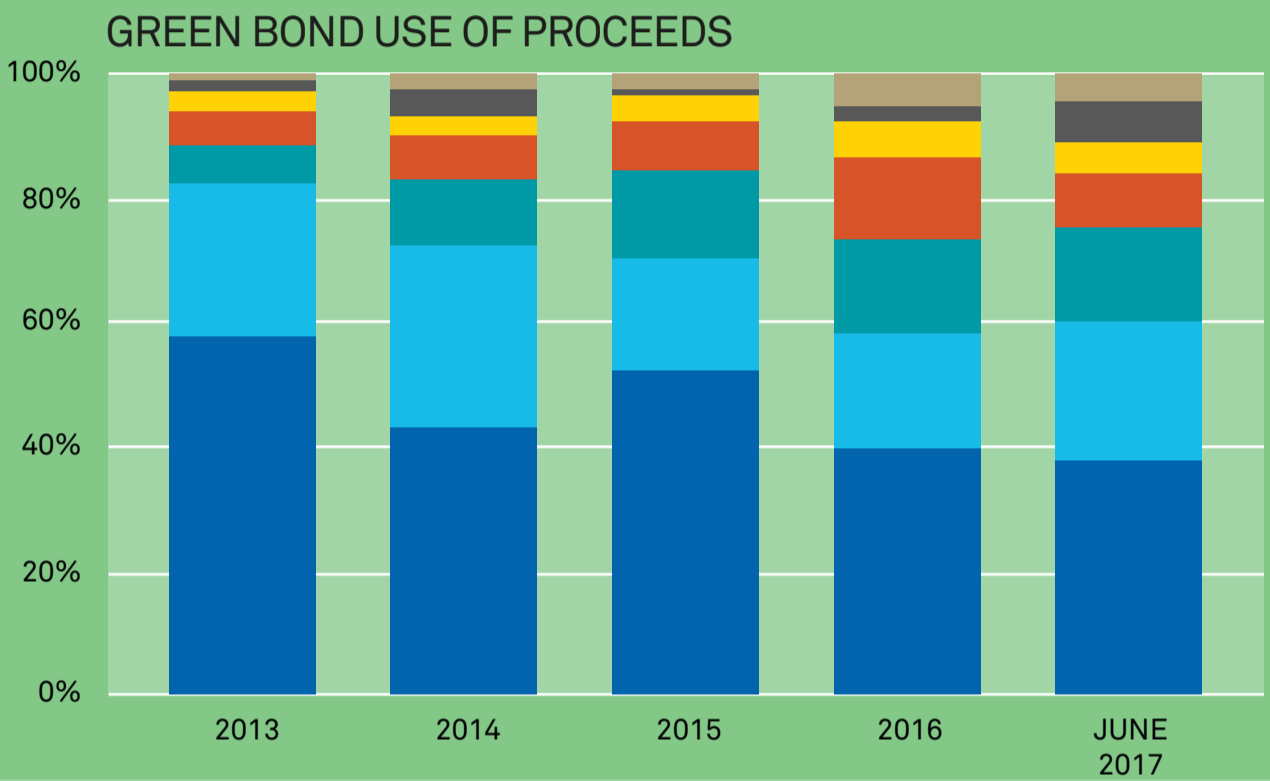
Green thinking

Green bond issuance is rising steadily...



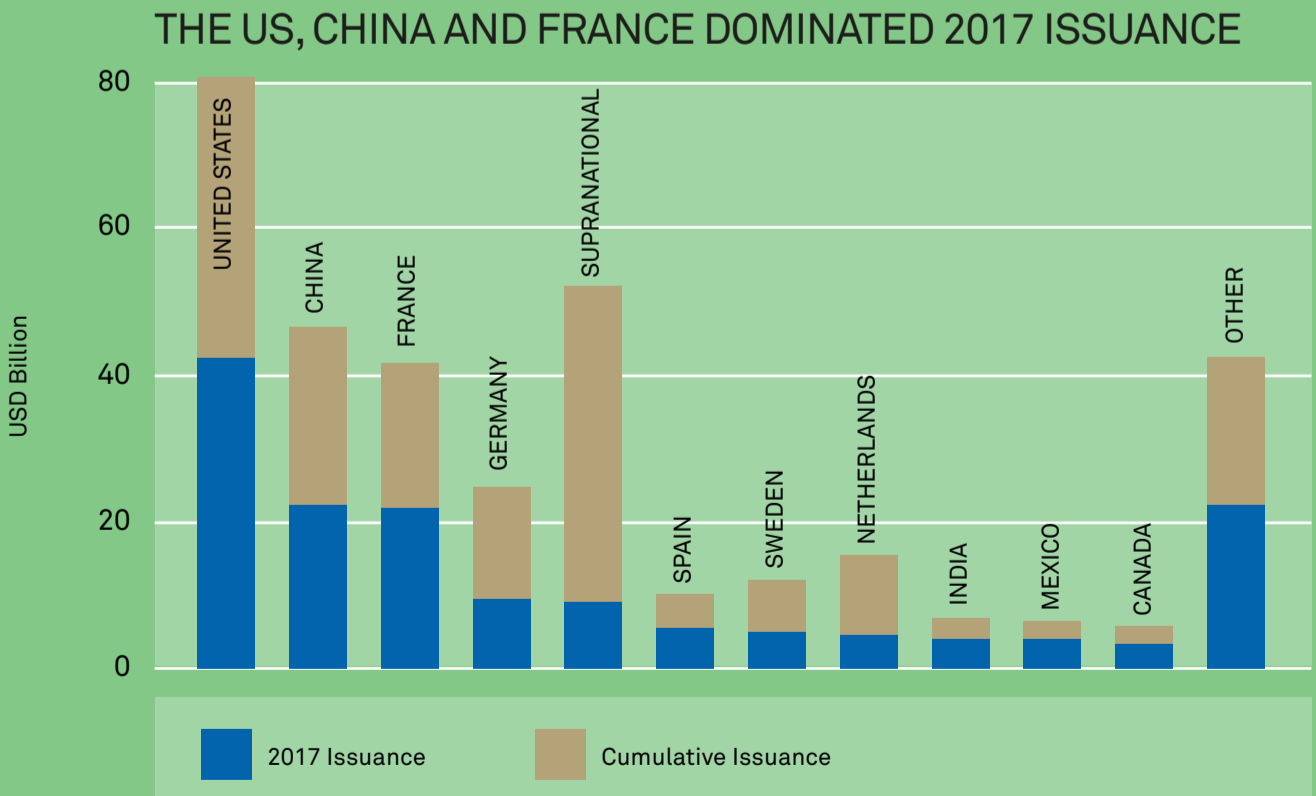
Source: Bloomberg League Tables as at 8 March 2018.

The market helps support funding a wide variety of development areas



Source: Climate Bonds Initiative.

But a limited number of markets still dominates issuance with scope for further diversification and growth.



Source: Climate Bonds Initiative as at end December 2017.

Green bonds* offer investors looking for exposure to sustainable investments a chance to invest in the 'E' (environmental element) of their environmental, social and governance (ESG) remit. They allow investors to help aid the transition to a low-carbon world by lending money that will be used for specific green projects.

Historically, exposure to these types of projects was through higher-risk and less-liquid project-finance debt. Standard 'use-of-proceeds' green bonds benefit from being backed by the underlying credit rating of the issuer, thereby lowering the specific project risk and thus overall credit risk. The cash flows funding the coupons and principal can originate from non-green operations, and the bond can still be considered 'green'.

Evidence suggests that green bonds price at a similar spread to non-green bonds, thereby encouraging investors who do not have specific green mandates to consider investing in them, but the market remains relatively niche.

The real boost that the asset class needs will come when companies from a wider range of industries and geographies are encouraged to enter the market, which will increase liquidity. Countries issuing green bonds may help lead by example.

The fact that green bonds are becoming higher profile leads us to expect that the market structure will continue to improve over time. However, if the market is to continue to grow strongly, it will need greater diversification across credit rating, sector and geography in order to improve liquidity, and a globally agreed means of assessing and evaluating individual bonds.

Scott Freedman – analyst and portfolio manager fixed income team at Newton, a BNY Mellon company

* **Bonds** are subject to interest rate, credit, liquidity, call and market risks, to varying degrees. Generally, all other factors being equal, bond prices are inversely related to interest-rate changes and rate increases can cause price declines. **Municipal income** may be subject to state and local taxes. Some income may be subject to the federal alternative minimum tax for certain investors. Capital gains, if any, are taxable. High yield bonds involve increased credit and liquidity risk than higher rated bonds and are considered speculative in terms of the issuer's ability to pay interest and repay principal on a timely basis.

Investing in foreign denominated and/or domiciled securities involves special risks, including changes in currency exchange rates, political, economic, and social instability, limited company information, differing auditing and legal standards, and less market liquidity. These risks generally are greater with emerging market countries.

"Newton" and/or the "Newton Investment Management" brand refers to the following group of affiliated companies: Newton Investment Management Limited, Newton Investment Management (North America) Limited (NIMNA Ltd) and Newton Investment Management (North America) LLC (NIMNA LLC). NIMNA LLC personnel are supervised persons of NIMNA Ltd and NIMNA LLC does not provide investment advice, all of which is conducted by NIMNA Ltd. NIMNA LLC and NIMNA Ltd are the only Newton companies to offer services in the U.S.

Views expressed are those of the authors stated and do not reflect views of other managers or the firm overall. Views are current as of the date of this publication and subject to change. This material has been distributed for informational purposes only and should not be considered advice for investments or a recommendation of any particular investment, strategy, investment manager or account arrangement. Information contained herein has been obtained from sources believed to be reliable, but not guaranteed. Please consult a legal, tax or investment advisor in order to determine whether an investment product or service is appropriate for a particular situation. No part of this material may be produced in any form, or referred to in any other publication, without express written permission. The Dreyfus Corporation and MBSC Securities Corporation are companies of The Bank of New York Mellon Corporation. © 2018 **MBSC Securities Corporation**, distributor, 225 Liberty St., 19th Fl., New York, NY 10281

Not FDIC-Insured | No Bank Guarantee | May Lose Value

MARK-38969-2018-10-15