

ESEB

Xtrackers J.P. Morgan ESG Emerging Markets Sovereign ETF Analyst Report

The Xtrackers J.P. Morgan ESG Emerging Markets Sovereign ETF (ESEB) tracks an index of debt issued by emerging market governments, but screens the securities based on environmental, social and governance factors, an investing style known by the acronym ESG. ESEB will exclude issuers that are involved in thermal coal, tobacco, weapons, or violations of the UN Global Compact principles. Each issuer is scored based on ESG criteria, then divided into five tiers. Those in the lowest tier are removed, and the remainder are weighted based on their tier, so that the portfolio tilts toward those securities with the highest ESG scores. Bonds that earn the "green" designation from the Climate Bond Initiative will be boosted up a tier. There are plenty of ESG funds, and plenty of emerging-market debt funds, but ESEB is unique in its combination of emerging market debt with an ESG screen. Better yet, ESEB's management fee is below average for the emerging debt category.

Issuers have rolled out dozens of ESG-style funds in recent years to appeal to younger investors who are concerned about the social impact of their investments. ESG (the strategy, not the ticker) is different from traditional socially-responsible investing, which typically tried to exclude bad actors and industries. Many advisers worried that this came at the expense of diversification and returns. Today's strategies aim to be more inclusive. Instead of ignoring large swathes of the market, the goal is maintain market-like diversification with a tilt toward the best corporate citizens. It's worth nothing that there are plenty of skeptics when it comes to "green" bonds and ESG investing, and critics say ESG whitewashes a portfolio rather than driving companies to truly change their behavior. Investors who prefer plain-vanilla emerging market debt ETFs can take a look at the iShares JPMorgan USD Emerging Markets Bond ETF (EMB) or the Invesco Emerging Markets Sovereign Debt ETF (PCY).

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ESG Themes and Scores

4.27/10

ESG Rate

6.47%

Global Percentile

48.48%

Peer Percentile

Performance Data

	ESEB	ETF Database Category Average	Factset Segment Average
1 Month	1.50%	0.90%	1.05%
3 Month	4.21%	3.41%	3.80%
YTD Return	-0.50%	-0.49%	-0.74%
1 Year Return	9.12%	8.80%	8.22%
3 Year Return	-2.96%	-1.71%	-1.81%
5 Year Return	-2.00%	0.07%	-0.13%

Top 5 Holdings

Symbol	Holding	% Assets
Other	Government of Qatar 9.75% 15-JUN-2030	3.10%
Other	Government of Oman 5.625% 17-JAN-2028	3.02%
Other	Government of Hungary 7.625% 29-MAR-2041	3.00%
Other	Government of Saudi Arabia 4.875% 18-JUL-2033	2.95%
Other	Government of China 3.5% 19-OCT-2028	2.92%

Vitals

Issuer	DWS
Brand	Xtrackers
Structure	N/A
Expense Ratio	0.35%
Inception	Mar 03, 2015
Index Tracked	JP Morgan ESG EMBI Global Diversified Index - Benchmark TR Net

ETF Database Themes

Category	Emerging Markets Bonds
Asset Class	Bond
Asset Class Size	N/A
Asset Class Style	N/A
Region (General)	Emerging Markets
Region (Specific)	Broad

FactSet Classifications

Segment	Fixed Income: Emerging Markets - Government, Non-Native Currency
Category	Government, Non-native currency
Focus	Broad Credit
Niche	Broad Maturities
Strategy	ESG
Weighting	Principles-based