

ESHY

Xtrackers J.P. Morgan ESG USD High Yield Corporate Bond ETF Analyst Report

The Xtrackers J.P. Morgan ESG USD High Yield Corporate Bond ETF (ESHY) tracks an index of debt issued by junk-rated issuers, but screens the securities based on environmental, social and governance factors, an investing style known by the acronym ESG. ESHY 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 junk debt funds, but ESHY is unique in its combination of high-yield debt with an ESG screen. Better yet, ESHY's management fee is below average for the 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 high-yield debt ETFs can take a look at the SPDR Bloomberg Barclays High-Yield Bond ETF (JNK) or the iShares iBoxx USD High Yield Corporate Bond ETF (HYG).

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ESG Themes and Scores

5.6/10 ESG Rate 31.27% Global Percentile 77.45% Peer Percentile

Performance Data

	ESHY	ETF Database Category Average	Factset Segment Average
1 Month	0.20%	0.31%	0.06%
3 Month	4.65%	3.79%	4.24%
YTD Return	0.20%	0.63%	-0.06%
1 Year Return	11.43%	9.51%	11.24%
3 Year Return	1.90%	1.07%	1.15%
5 Year Return	2.38%	1.75%	2.58%

Top 5 Holdings

Symbol	Holding	% Assets
Other	U.S. Dollar	7.99%
Other	CORPORATE BOND	1.56%
Other	WESCO Distribution, Inc. 7.25% 15-JUN-2028	1.09%
Other	Clarios Global LP 8.5% 15-MAY-2027	1.07%
Other	Legacy LifePoint Health, LLC 9.75% 01-DEC-2026	0.94%

Vitals

Issuer	DWS
Brand	Xtrackers
Structure	N/A
Expense Ratio	0.20%
Inception	Mar 03, 2015
Index Tracked	JPMorgan ESG DM Corporate High Yield USD Index

ETF Database Themes

Category	High Yield Bonds
Asset Class	Bond
Asset Class Size	N/A
Asset Class Style	N/A
Region (General)	North America
Region (Specific)	U.S.

FactSet Classifications

Segment	Fixed Income: Developed Markets - Corporate, Broad-based High Yield
Category	Corporate, Broad-based
Focus	High Yield
Niche	Broad Maturities
Strategy	ESG
Weighting	Market Value