



# Our flagship impact strategy, Record EM Sustainable Finance (EMSF), celebrates its third anniversary.

In June 2021, Record in partnership with UBS Wealth Management launched a pioneering sustainable finance strategy combining currencies with bonds from Multilateral Development Banks ("MDBs") and Development Finance Institutions ("DFIs"), operating at the intersection of impact investing, Emerging Markets currencies and private placements.

Three years into our journey, we are proud to have successfully grown the strategy to circa USD1bn in assets under management and [delivered strong outperformance relative to our benchmark](#).

The aim of the strategy is to take active currency risk across a wide universe of emerging and frontier currencies, offering currency risk solutions to the development finance community to enable them to promote local currency funding. This allows borrowers in Emerging Markets to [receive funding in local currency, eliminating FX risk](#).

Simultaneously, it directly supports the financing of development projects through its investments in bond instruments issued by MDBs and DFIs with active operations in Emerging Markets.



"Through its EM Sustainable Finance Strategy, Record aims to provide capital in a structural capital short market, assisting MDBs and DFIs with their hedging needs in EM and Frontier countries and enabling them to on-lend in local currency, eliminating FX risk for local borrowers.

MDBs and DFIs need to move away from disbursements in hard currency to local currency but remain constrained by hedging instruments which are short-term, expensive or sometimes simply not available. We believe innovative sustainable financing solution such as ours have a growing part to play in bringing private investors into the development finance marketplace.

Since launch, we are proud to have delivered measurable impact and strong outperformance relative to Emerging Market Debt benchmarks, and we continue to explore opportunities to assist MDBs and DFIs in their currency risk needs within Emerging Markets."

**Andreas Koester**

Head of Emerging Markets  
and Frontier Investments





# The Challenge



There is an overwhelming agreement on the urgent need for a significant increase in investment in Emerging Markets to achieve UN SDGs and Paris Agreement goal. MDBs are supporting Emerging Markets in achieving these targets by providing financing, technical assistance and policy support. Whilst the funding is continuously growing, it is mostly denominated in hard currencies (e.g. EUR or USD), exposing local governments, private businesses and communities to volatile exchange rate fluctuations that can result in market uncertainty, higher cost of capital and increased debt burdens.

Furthermore, while MDBs play a crucial role in advancing the development agenda in Emerging Markets, the scale of financing required to achieve the UN SDGs exceeds the resources of MDBs. Therefore, private capital is needed to complement development financing to scale up projects and address larger developmental challenges.



# The Solution



The Record Emerging Market Sustainable Finance (EMSF) strategy takes on the currency risk from development lenders, enabling local borrowers to access financing in local currency and removing the impact of exchange rate fluctuations. The strategy aims to increase the supply of local currency financing available for end-borrowers in Emerging Markets through bespoke and innovative hedging solutions. The capital shortage is often most acute in frontier currencies, where Record can offer its expertise to help MDBs and DFIs navigate exchange rate risk in less mainstream EM currencies.

Furthermore, via its fixed income underlay comprised of MDB and DFI bonds, EMSF is fully committed to supporting the operations of these institutions in providing affordable long-term funding to development projects in Emerging Markets. These investments target programmes that contribute to poverty reduction, job creation and inclusive economic growth in Emerging Markets, which aligns with the broader objectives of the UN SDGs.



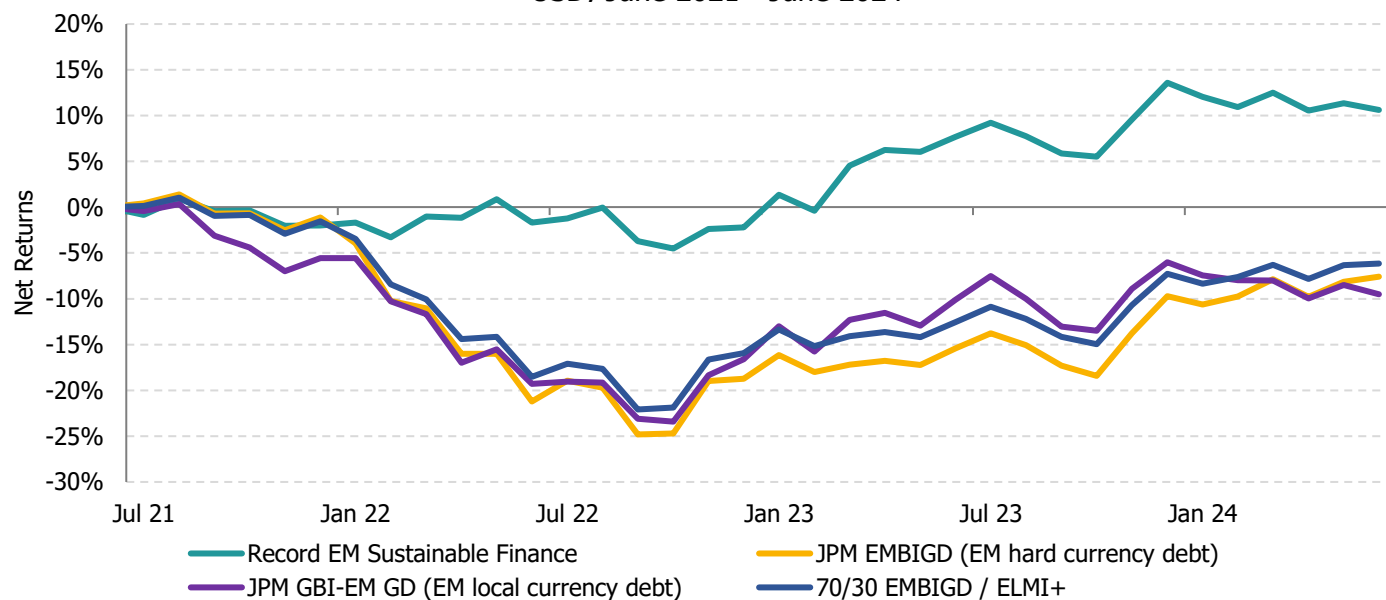
# The Track Record



Despite major headwinds to Emerging Markets over the last three years, the strategy has delivered positive absolute performance of 10.6% since inception. Furthermore, we are proud to have delivered significant outperformance relative to EM Debt benchmarks in both up and down markets, reaffirming the notion that there is no need to compromise between financial returns and measurable impact.

## Performance vs. Emerging Market Indices

USD: June 2021 - June 2024



**Note:** Past performance is not a guide to the future. There is no guarantee that any strategy or technique will lead to superior performance. The use of derivatives means there is credit risk associated. Source: Record. Data as at 28<sup>th</sup> June 2024.

# Looking towards the future...

"We strongly believe that it is possible to bridge the emerging market development finance gap and offer sustainable currency investment solutions that deliver financial returns.

We are grateful for the partnership of our stakeholders, in particular the MDB community, that have worked closely with the team on this journey. We also thank our investors for their continuous trust in our capabilities and their ongoing commitment. We look forward to a constructive year ahead, pushing boundaries to improve people's lives in developing countries."

**Renata Kreuzig**  
Fixed Income Portfolio Manager,  
Record EMSF





# Additional Information

This material has been prepared for professional investors.

Accordingly, certain assumptions around your knowledge of market practices, derivative instruments, and associated risks are assumed as understood. When providing advice or making discretionary investment decisions, based on information provided by you, we shall be responsible for assessing the suitability of investments as required by FCA, SEC and CFTC rules as applicable. You shall be responsible for ensuring that information provided to us is kept accurate, complete and up to date so as to enable us to assess the ongoing suitability for you.

The views about the methodology, investment strategy and its benefits are those held by Record Currency Management Limited at the time of presentation.

All data, unless otherwise stated in the footnote of the relevant page is as at 28 June 2024 and may have changed since. This information has been provided for the information of the recipient only and is not for onward distribution.

## Regulated status

We are authorised and regulated by the Financial Conduct Authority in the UK, registered as an Investment Adviser with the Securities and Exchange Commission in the US, registered as a Commodity Trading Adviser with the US Commodity Futures Trading Commission, an Exempt International Adviser with the Ontario, Alberta and Quebec Securities Commissions in Canada, and registered as exempt with the Australian Securities and Investments Commission.