



Improved Portfolio Outlook for Our Sustainable Debt Portfolios

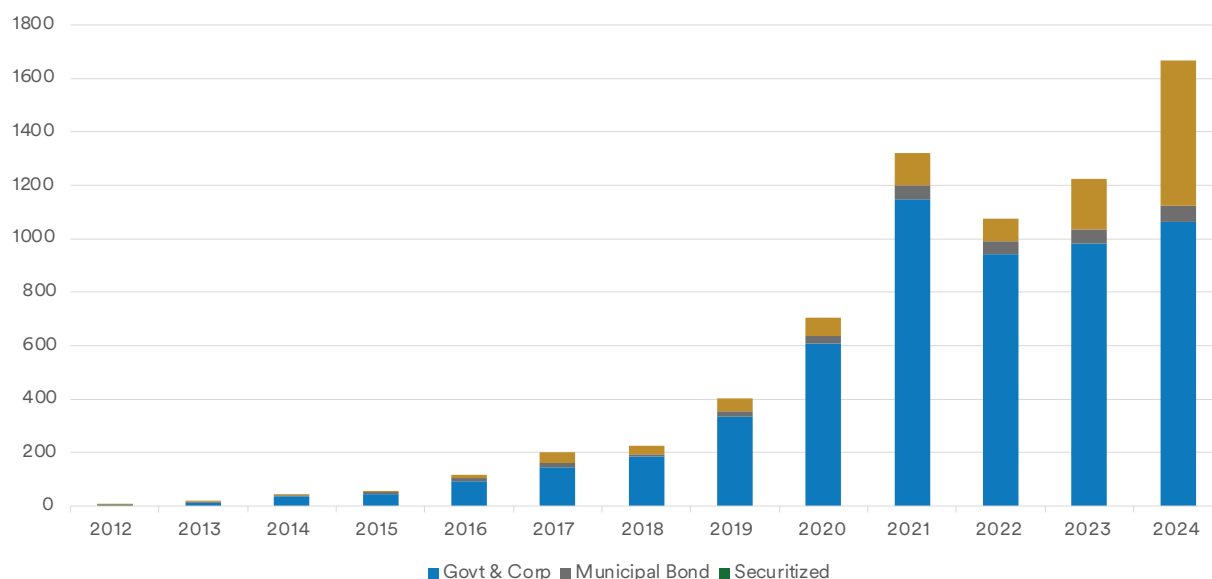
SUSTAINABILITY | April 2025

The strategy began in 2016 in the very early days of sustainable investing with a commitment to deliver mainstream market returns with impact through investments in primarily global labelled bonds. That ambition set a challenging goal given a small and concentrated universe. However, we were confident in its development and remain as committed as ever to meet and hopefully exceed our initial ambition for our investors.

Since 2016 the sustainable debt market has grown significantly (see figure 1), providing us access to a wider range of issuances. This growth in size and opportunity set, provides corporate and securitized investment options that can enhance the portfolio's risk characteristics.

With the growth in the universe, we have expanded our sustainability team who are deeply integrated with our extensive credit research and trading resources. The growth in the number of sustainability analysts, as well as the extensive credit resources at MetLife Investment Management (MIM), provides an effective platform to access the larger and more diverse sustainable debt market. The combined effect enhances our opportunity to deliver on the long-term goal to enhance returns through incorporating bottom-up credit based relative value opportunities.

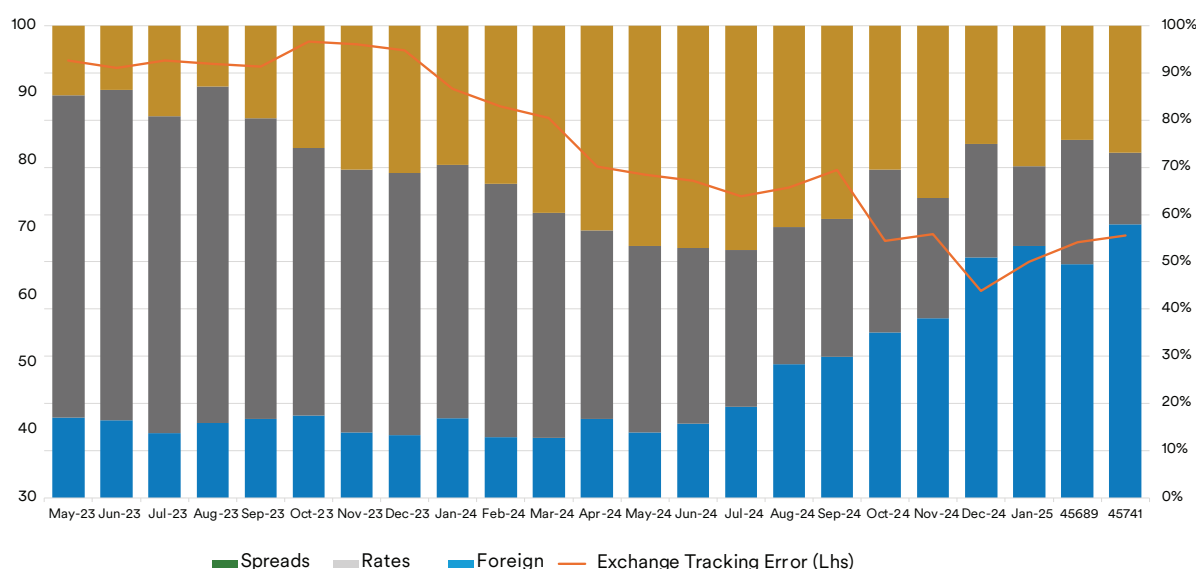
Figure 1 | Sustainable Debt Issued (\$bn) by Year and Security Type



Annual Sustainable Debt Issuance since 2012.
Source: Bloomberg as of 01/04/2025

Broader access to issuances has provided us opportunities to take more active credit positions, adjusting the portfolio's tracking error to emphasize credit, (depicted by spread risk in Figure 2). While adding credit we balanced the portfolio's risk weighting by reducing interest rate and foreign exchange positions relative to the benchmark. Spread (credit) risk now represents 59% of the portfolio's overall risk, up 40% from the middle of 2024. While exchanging macro risk for spread risk, the tracking error has continued to decline to as low as 70bps, which given the global environment feels appropriately low.

Figure 2 | SPECTRUM Reference Portfolio — Tracking Error by Risk Factor

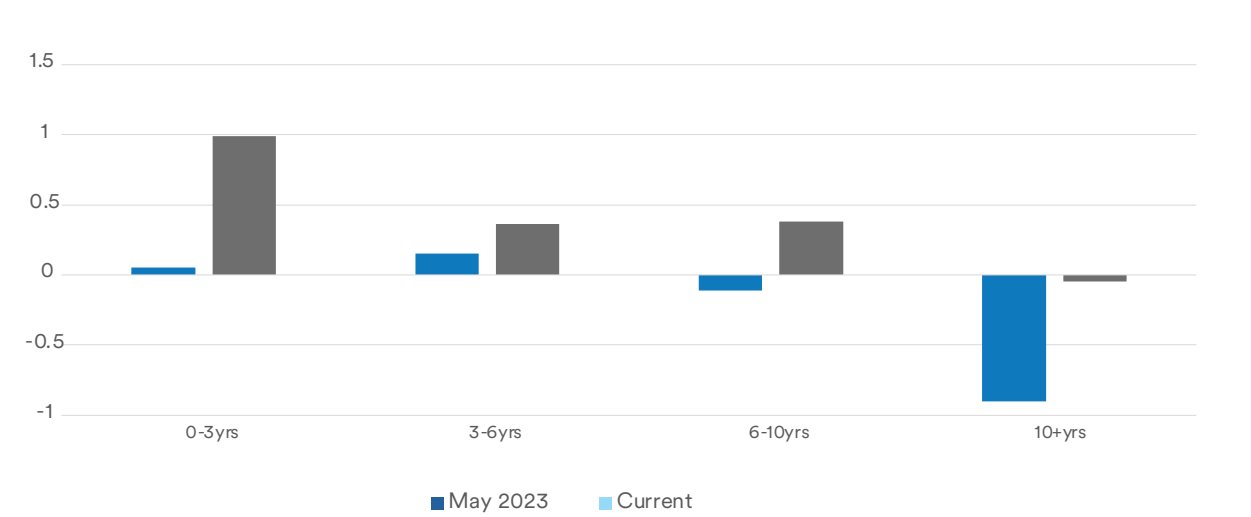


Portfolio risk positions and tracking error Dec 22-Feb 25.
Source: Aladdin Blackrock Solutions as of 01/04/2025

We have ensured tracking error remains low in the portfolio while increasing the share of spread risk in the portfolio, by taking active credit positions weighted towards the front end of the curve. By emphasizing the front end of the credit curve we have enhanced the yield characteristics while not overexposing the portfolio to spread risk (spread duration). The result is an enhanced front end yield advantage of nearly 100 basis points within the shorter maturity bucket of the portfolio (see figure 3).

We are confident that the portfolio’s broader opportunity along with a committed and experienced team will contribute to our goal of mainstream market returns with impact.

Figure 3 | SPECTRUM Reference Portfolio — Active Yield to Worst (%) by Duration



Active Yield to Worst (%) by Duration.
Source: Aladdin Blackrock Solutions as of 01/04/2025

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