

ESG PORTFOLIO MANAGEMENT

Report October 2021



Picture: Voice of America

We are searching for motivated working students who are interested in sustainability, financial research and portfolio management.

Please send your application to

Christoph Klein

klein@esg-pm.com



CFA Institute released the Global ESG Disclosure Standards for Investment Products

[https://www.cfainstitute.org/-](https://www.cfainstitute.org/-/media/documents/ESG-standards/Global-ESG-Disclosure-Standards-for-Investment-Products.pdf)

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Christoph Klein is very grateful to have been invited to contribute.

We cannot wait for G20 or COP26

We need to do it ourselves!

Let us ACT!

OUR SUMMARY AND OUTLOOK

The reasons and consequences of climate change are clear and well understood. But why are GHG emissions still increasing - despite all the net zero goals and conferences? Is there too much optimism regarding carbon offsetting?

We believe that emission reduction (mitigation) is the key. Therefore we invest in companies like Orsted, Scatec and Vestas as they enable and provide renewable energy.

Transition is also important to us. Here, we selected the recycling company Sims or the producer of innovative trains Alstom. We cannot only invest in pure green companies or sectors with very low emissions. We have to support companies across industries which will reduce their future emissions. We engage actively to support their progress.

The company "right. based on science" helps us with their TCFD compliant assessments. Their conclusion is: Both funds are Paris aligned. Climetrics assigned both funds five leaves. Only five percent of all analysed funds receive this maximum score.

Although climate change is the dominating issue, we are not ignoring the importance of social development goals. We selected the companies AcadeMedia and IDP Education but also invested in sustainable leaders in the fields of health care, nutrition and housing.

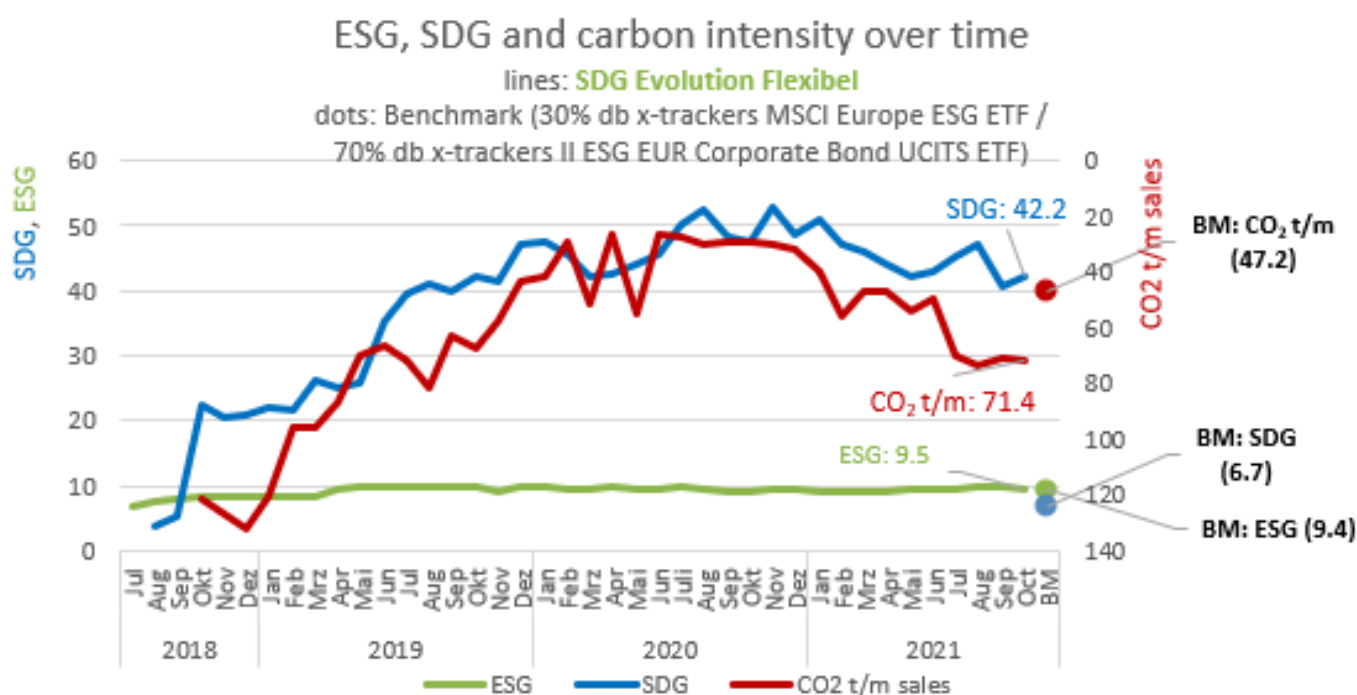
As company we are fully committed to sustainability. Therefore we work hard to reduce our own emissions, train all team members and actively engage and network. That is why we are among the 740 signatories of the sustainability code (<https://www.deutscher-nachhaltigkeitskodex.de/>).

Ausschließlich für professionelle Kunden und geeignete Gegenparteien geeignet. Nicht für Privatkunden.

SDG EVOLUTION FLEXIBEL I (WKN: A1W9AZ)

In October, the SDG Evolution Flexibel I increased 1,4% driven by positive equity markets and a decent recovery in renewable energy shares. On the other hand rising yields and widening credit spreads reduced the overall performance. On October 1st we added Scatec ASA at EUR 143,11 as we thought their sell-off has been excessive.

The SDG Evolution Flexibel achieves an ESG score of 9.5 (maximum 10). 6% of our positions got an ESG rating upgrade and none a downgrade. For E we get 7.1, for S 6.2 and for G 6.5. Carbon emissions, at 71.4 t CO₂ per USD million of sales, are above the benchmark (30% Xtrackers MSCI Europe ESG UCITS ETF / 70% db x-trackers II ESG EUR Corporate Bond UCITS ETF: 47.2 t) as we focus more on transition and increased our holdings in industrials. The SDG score is 42.2% (source: MSCI ESG). The graph presents the fund's ESG quality, SDG impact and carbon emissions over time. The dots represent current benchmark data:



Source: MSCI ESG, November 1st 2021

PERFORMANCE

Monthly Returns (in %):

ESG Portfolio Management advises since July 2018 (green fields)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dez	YTD
2014			-0.48	0.75	0.68	-0.05	-0.25	1.08	0.30	-1.30	2.11	-1.20	1.60
2015	3.23	2.58	0.63	-0.49	-0.38	-2.49	1.52	-4.97	-1.13	4.00	1.90	-1.86	2.19
2016	-3.02	-2.12	1.21	-0.19	-0.17	-1.83	0.64	0.50	-0.47	-0.37	-0.93	1.41	-5.32
2017	0.16	1.13	1.51	0.85	0.28	-1.33	0.34	-0.72	2.96	0.84	-0.62	-0.32	5.12
2018	0.92	-1.36	-1.01	1.38	-1.23	-0.53	1.16	-0.84	-0.12	-1.57	0.42	-2.09	-4.84
2019	1.78	1.65	0.44	1.17	-1.07	-1.13	0.03	-1.22	-0.83	-0.08	1.18	0.68	2.55
2020	0.32	0.52	-6.43	2.72	0.20	3.22	0.53	0.63	-0.81	0.53	2.86	1.30	5.37
2021	0.03	-1.67	0.85	-0.19	-0.31	-0.05	-0.40	-0.57	-2.15	1,44			-3.04

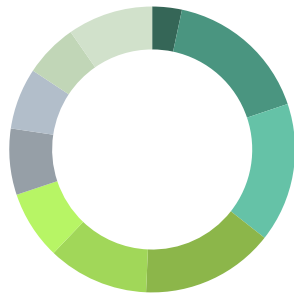
Source: Universal Investment, October 29th 2021

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Portfolio statistics: as at October 29th 2021 (Source: Universal Investment)

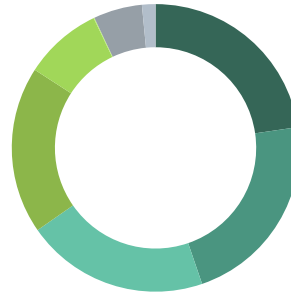
(net) Asset Allocation		Risk measurement		Bond Ratings		Top Equity Holdings
Equities	47.8% (38.5%)	Risk-return profile	4 (max.7)	AAA/AA	0%	Scatec ASA
Bonds	50.9% (27.3%)	Volatility 3 years	5.36	A	21.8%	Sims Ltd.
Gold	0%	Ø Credit-Rating	BBB+	BBB	66.9%	FCR Immobilien
Cash	1.0%	(net) Interest duration	-0.49	BB	2.0%	Amgen Inc.
		Spread duration	5.43	NR	9.3%	Edwards Lifesciences

Equities by country



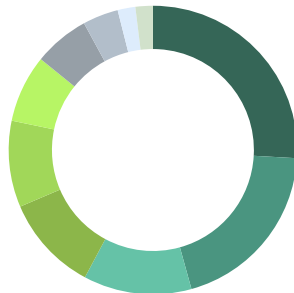
- 12.3 % Norway
- 6.06 % Australia
- 5.79 % Germany
- 5.54 % France
- 4.20 % Denmark
- 2.85 % Spain
- 2.75 % Switzerland
- 2.55 % Sweden
- 2.22 % Canada
- 3.55 % Other

Equities by industry sectors



- 10.02 % Consumer Staples
- 9.74 % Materials
- 9.08 % Utilities
- 8.31 % Real Estate
- 3.88 % Health Care
- 3.67 % Industrials
- 2.42 % Consumer Discretionary
- 0.67 % Financials

Fixed Income by country



- 13.17 % United States
- 10.06 % France
- 6.16 % Niederlande
- 5.48 % United Kingdom
- 4.92 % Sweden
- 3.85 % Germany
- 3.17 % Belgium
- 2.03 % Finland
- 1.01 % Turkey
- 0.99 % Other

Fixed Income by industry sectors



- 36.24 % Corporates
- 11.05 % Financials non-banking
- 3.56 % Financials

Product details: as at October 29th 2021 (Source: Universal Investment)

	WKN	ISIN	TER	AuM	Min. Investment
SDG Evolution Flexibel I	A1W9AZ	DE000A1W9AZ5	1.14%	8.2	100,000 EUR
SDG Evolution Flexibel R	A1W9AA	DE000A1W9AA8	1.85%	0.8	100 EUR

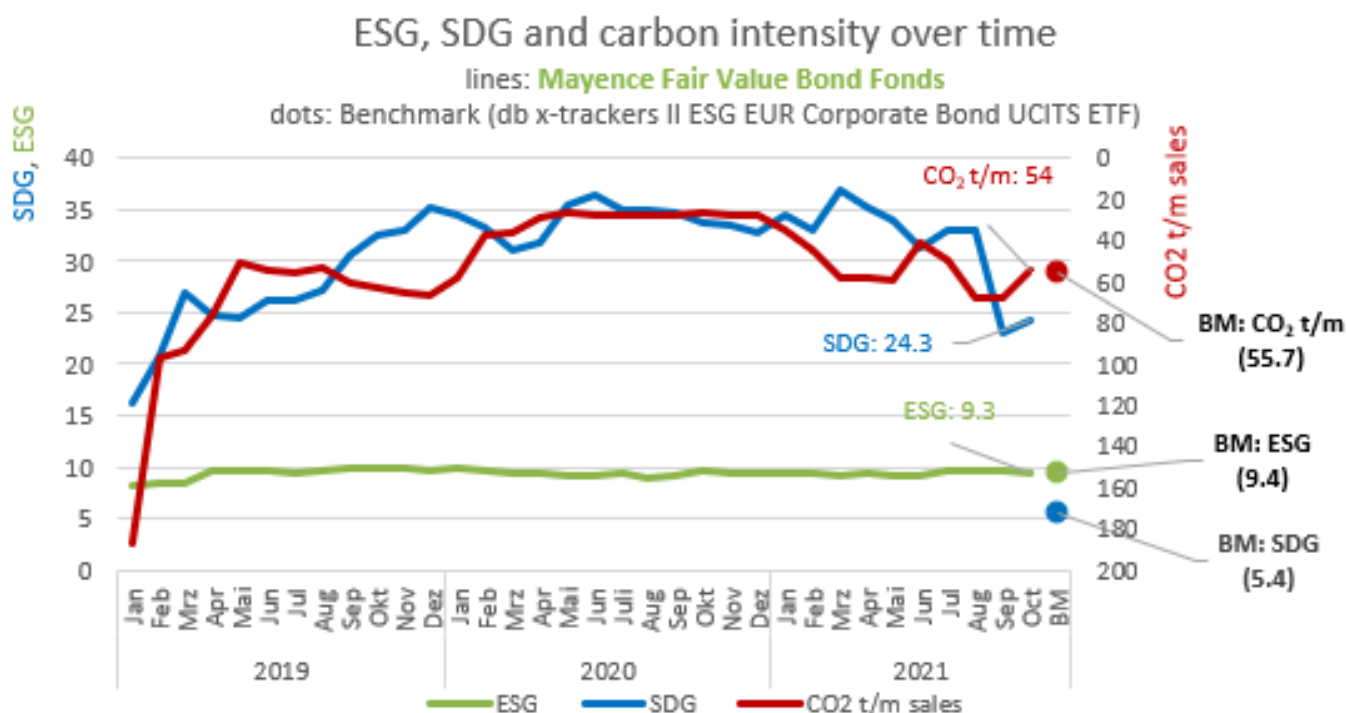
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MAYENCE FAIR VALUE BOND FONDS (WKN: A2AQZE)

In October, our bond fund decreased 0.96% as yields increased and credit spreads widened. We added to our positions Covivio 2029, Alstom 2030 and Signify 2024.

The fund has a very high ESG score of 9.3 (max. 10). 5% of our positions received an ESG rating upgrade and none a downgrade. For E we get 7.4, for S 6.5 and for G 6.2. The Mayence achieves an SDG impact of 24.3%. The CO₂ emissions of the companies in the portfolio amount to 54 t CO₂ per million USD of sales (benchmark: db x-trackers II ESG EUR Corporate Bond: 55.7 t) (sources: MSCI ESG).

The following chart shows the fund's performance in terms of ESG quality, SDG impact and CO₂ emissions:



Source: MSCI ESG, November 1st 2021

PERFORMANCE

Monthly Returns (in %):

ESG Portfolio Management GmbH advises since February 2019 (green fields)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dez	YTD
2017	-0.54	1.62	-0.15	1.04	-0.20	-0.35	-0.46	0.09	0.39	0.79	-0.66	0.03	1.58
2018	-0.55	0.07	-0.66	0.61	-0.41	-1.75	1.31	-0.56	0.81	-0.68	-0.73	-0.52	-3.07
2019	1.06	0.63	-0.37	0.68	0.01	-0.30	0.07	-0.98	-0.72	0.12	-0.29	0.04	-0.06
2020	0.41	0.45	-3.93	0.65	0.75	1.55	0.95	0.16	0.00	0.56	0.34	-0.14	1.65
2021	0.02	-0.64	-0.13	0.29	-0.26	0.04	0.51	-0.37	-0.52	-0.96			-2.00

Source: Universal Investment, October 29th 2021

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Portfolio statistics: as at October 29th 2021 (Source: Universal Investment)

Rating Distribution

AAA/AA	1.7%
A	33.68%
BBB	57.24%
BB	0%
NR	6.62%

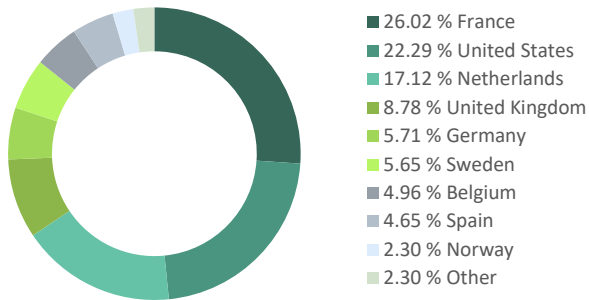
Risk measurements

Risk-return profile	3 (max. 7)
Volatility 3 years	2.34%
Ø Credit-Rating	BBB+
(net) Interest duration	2.25
Spread duration	6.22

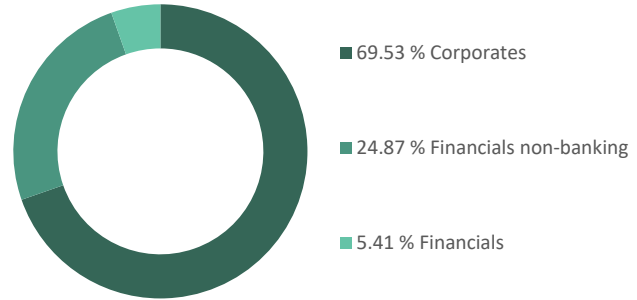
Top Holdings

Elia Group
Signify N.V.
Legrand
Kleppierre S.A.
Edwards Life Sciences

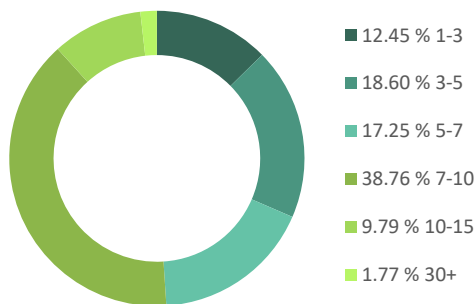
Fixed Income by country



Fixed Income by industry sectors



Fixed Income by maturity profile



Product details: as at October 29th 2021 (Source: Universal Investment)

	WKN	ISIN	TER	AuM	Min. Investment
Mayence Fair Value Bond	A2AQZE	DE000A2AQZE9	1.11%	8.9	25,000 EUR

Our exclusion criteria

Companies:

We exclude companies with violations against the UN Global Compact Principles and companies with activities in the following business areas:

Exclusion criterion	Maximum share of turnover
- Weapons of mass destruction and controversial weapons	
- Coal mining, processing & services	
- High risk oil & gas (Fracking, Arctic Drilling, Oil Sands)	0%
- Nuclear power generation	
- Uranium mining	
- Embryonic stem cell research and cloning technology	
- Coal-fired power generation	
- Oil extraction, processing and power generation	
- High risk oil & gas (services)	
- Production and distribution of key components for nuclear power plants	
- Biocides	5%
- Animal testing	
- Genetic engineering in food production	
- Civilian weapons	
- Conventional tobacco products and alcohol	
- Entertainment media (gambling, gaming, pornography)	

Countries:

Countries are excluded in case of serious controversies, death penalty, human rights violations, lack of labour rights, child labour, corruption (according to Transparency International), violation of the Nuclear Non-Proliferation Treaty, high military budget, authoritarian regime (according to Freedom House Ranking), non-ratification of the Biosafety Protocol.

The ESG score is calculated by MSCI ESG:

The ESG scores is based on the ESG ratings of the portfolio positions but also on the ratio of ESG rating upgrades to downgrades. Our target ESG score is at least 9.0 (maximum 10)

The SDG impact is calculated by MSCI ESG:

The SDG impact is measured by the companies' turnover which can clearly be attributed to a theme. We translate these MSCI ESG themes in specific SDG impacts without changing the portfolio impact number.

The Carbon intensity is calculated by MSCI ESG:

The Carbon intensity is measured in t CO2 divided by sales for every company and aggregated for the funds.

We measure our portfolios' climate risk with the support of the company right. based on science.

<https://www.right-basedonscience.de/en> The result: **The positions of the SDG Evolution Flexibel and of the Mayence Fair Value bond fund are Paris-aligned (1.75 degree).**

For our bond fund we use for comparison the db x-trackers II ESG Corporate Bond UCITS ETF.

For our balanced fund we use 70% of the Corporate Bond ETF mentioned above and 30% of the equity ETF Xtrackers MSCI Europe ESG UCITS Class 1C (reflecting our average equity allocation of 30%).

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The fund has increased volatility due to its composition and investment policy, which means that unit prices may be subject to significant upward and downward fluctuations within a short period of time. Calculations or yield data are not to be understood as a yield commitment; they are purely indicative and based on data and assumptions that may possibly not be realized in practice, only in a different form or at different times. As a result, there is a risk that, in reality, lower returns or even losses, even total loss, will be achieved. Past performance is no indication of future performance.

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ESG Portfolio Management GmbH

Weißfrauenstraße 12-16
60311 Frankfurt am Main
+49 151 50408817
klein@esg-pm.com
www.esg-portfolio-management.com