

ESG PORTFOLIO MANAGEMENT

Monthly report August 2019

During August the volume of new issues has been low – as expected.

We traded to increase the SDG impact of our funds.

Our TOP 3 positions in Flex:

Essity (ESG: AAA, SDG: 91)

Danone (ESG AAA, SDG: 51)

Xylem (ESG: AAA, SDG: 45)

Bottom positions in Flex:

Takeda (ESG: A, SDG: 49)

TLG Immobilien (ESG: A, SDG: 26)

mBank (ESG: A, SDG: 12)

Source: MSCI ESG

Since August ESG Portfolio Management supports the initiative www.greening-uganda.com.

We like the engagement of so many volunteers and the positive impact. In times of burning forests we regard planting trees as top priority. We would be happy to see more donors and supporters for this project.

SKALIS EVOLUTION FLEX I (WKN: A1W9AZ)

In August the price of the 30 year Bund Future (BUXL) increased from 208,98 to 224,3. With this price move the yield fell to **negative 0,3%**.

Besides a loss from the negative yield, there is significant downside risk given the instrument's long duration.

We expect the German government to start significant investments in infrastructure. The negative yield curve should be exploited to finance the repair of schools and rails, improving communication networks and to fund the exit from coal while creating new job opportunities in the affected areas.

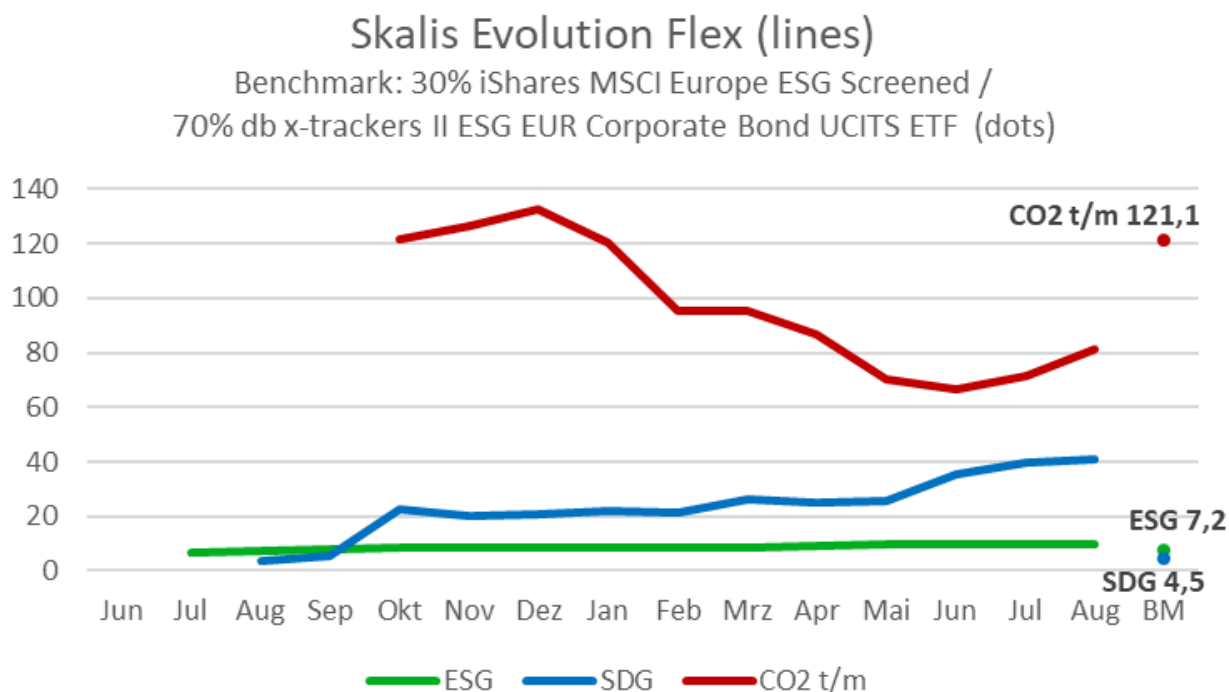
We question the composition of the basket which is used to measure inflation. Are steeply rising prices for health and old age care, rents etc. sufficiently considered?

For all of these reasons above, we stick to our short-BUXL position, although it has cost us performance YTD.

The Flex achieved the maximum MSCI ESG Score of 10, with the components E: 6.7, S: 5.7 and G: 6.4. 17% of our positions got an ESG upgrade and none a downgrade.

With a value of 81.3 tonnes of CO₂ per million USD sales, carbon emissions are still far below the benchmark (30% iShares MSCI Europe ESG Screened / 70% db x-trackers II ESG EUR Corporate Bond UCITS ETF: 121,1 t). Our SDG impact increased to 40.9%. Fund values above 20 are regarded as "very positive". (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, September 2nd 2019

Performance SKALIS EVOLUTION FLEX

Monthly Returns (in %) - ESG Portfolio Management GmbH advises since July 2018 (green fields)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	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					1.60

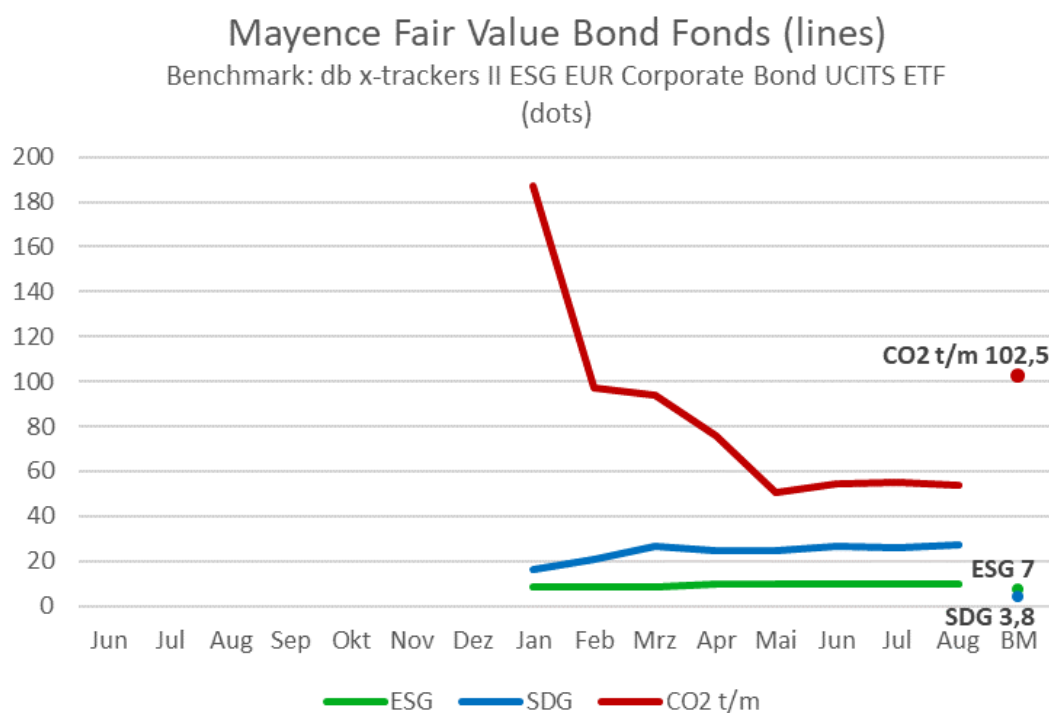
Source: Universal Investment, September 2nd 2019

MAYENCE FAIR VALUE BOND FONDS (WKN: A2AQZE)

In August especially our short position in Italian government bonds caused the negative fund performance of -0.98%. Although it is likely that there will be a government without Matteo Salvini, Italy's problems like high government debt and low productivity remain. Therefore we keep our short BTP position.

We continue to prefer carefully selected corporate bonds with high ESG qualities and positive SDG impact. The fund has an average credit rating of BBB+ (Source: Universal Investment).

This fund now achieves a ESG score of 9.7 (max. 10) with the components E: 6.7, S: 5.9 and G: 6.6 and a "very high" SDG impact of 26.1%. 13% of our positions got an ESG upgrade and none a downgrade. The carbon emissions, with a value of 53.7 tonnes of CO₂ per mio USD sales, are far below the benchmark (db x-trackers II ESG EUR Corporate Bond: 102.5 t) (Source: MSCI ESG). Here, we present the fund's development of ESG quality, SDG impact and carbon emissions. Again, the dots represent current benchmark data:



Source: MSCI ESG, September 2nd 2019

PERFORMANCE MAYENCE FAIR VALUE BOND

Monthly Returns (in %) - ESG Portfolio Management GmbH advises since February 2019

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	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	0.07	-0.98						0.80

Source: Universal Investment, September 2nd 2019

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