

# ESG PORTFOLIO MANAGEMENT

Monthly report May 2020



**Our funds receive maximum scores in the new MSCI ESG fund analysis**

<https://www.msci.com/esg-fund-ratings>

**Significant fiscal spending and central bank support drive capital markets**

Source: [www.corporatelivewire.com](http://www.corporatelivewire.com)

**“THE CORPORATE LIVEWIRE PRESTIGE AWARDS** recognise small and medium size businesses that have proven to be the best in their markets over the past 12 months.

All shortlisted companies are asked to support their nomination with evidence of their work, positive feedback from their clients, information on previous accreditations and recognition as well as highlighting the most outstanding parts of their business.”

Source: [www.corporatelivewire.com](http://www.corporatelivewire.com)

**ESG PORTFOLIO MANAGEMENT** is very grateful for this award and thanks all clients, team and advisory board members and also the judging panel.

## OUR MARKET SUMMARY AND OUTLOOK

It is not easy to understand that in times with millions of unemployed and suffering people, reduced consumption and production the equity markets can increase so much.

The gigantic fiscal programmes across the globe are intended to support severely affected sectors like airlines and automobile producers but also small entrepreneurs. It is key to avoid a depression as experienced in the 1930s. Central banks offer liquidity to absorb the additional debt.

We see the risk that the massive bond issuance could result in rising yields in the long run and therefore partially hedge our interest rate risks in our funds.

We do not share the optimism of most of the participants in the capital markets and increased our net allocations to equities only slightly (to 20%). We will continue to invest in companies with sustainable purpose (positive SDG impact) and highest ESG qualities. Those companies tend to have more stable cash flows, lower debt levels and better credit qualities. Their products and financials make them much more resilient. This should also reduce their equity price downside risk.

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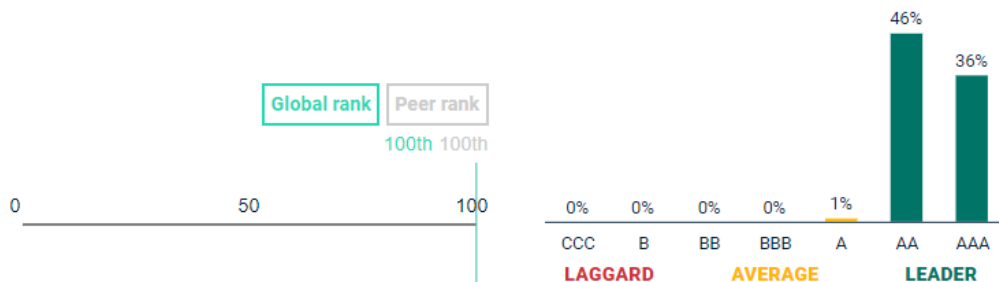
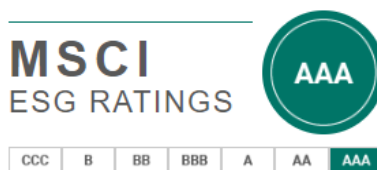
## MSCI ESG FUND ANALYSIS

The MSCI ESG fund analysis can be found via the link <https://www.msci.com/esg-fund-ratings>. Our funds SDG Evolution Flexibel and Mayence Fair Value Bond Fonds receive maximum scores.

### SDG Evolution Flexibel AK I

Peer Group: Mixed Asset EUR Cons - Europe

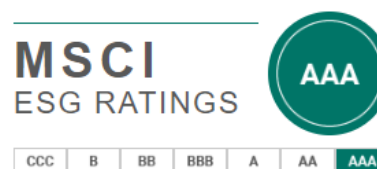
Country: Germany



### Mayence Fair Value Bond Fonds

Peer Group: Absolute Return Bond EUR

Country: Germany



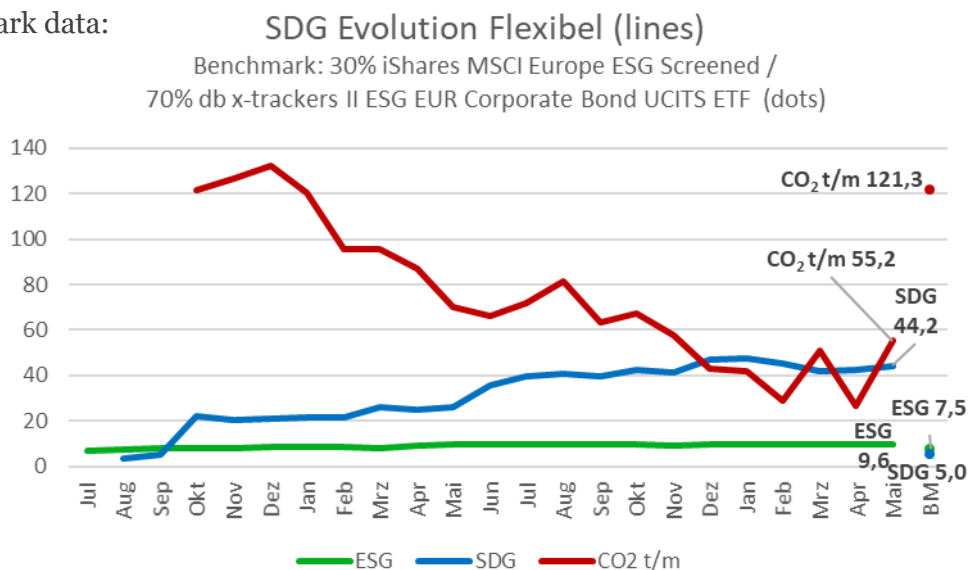
Source: <https://www.msci.com/esg-fund-ratings>

## SDG EVOLUTION FLEXIBEL I (WKN: A1W9AZ)

In May, the SDG Evolution Flexibel I performed 0.2%. Several attractive new issues such as Swisscom 2028, SAP 2029, Amadeus 2027 performed well. We also bought the new issue of the building supplier Wienerberger, despite the high carbon emissions as we like their ESG quality. On the other hand our DAX put options lost with rising equity markets and decreasing market volatility.

The SDG Evolution Flexibel achieves an ESG score of 9.6 (maximum 10). 9% of our positions got an ESG rating upgrade and no position a downgrade. For E we get 6.6, for S 6.0 and for G 6.9. Carbon emissions, at 55.2 t CO<sub>2</sub> per USD million of sales, are well below the benchmark (30% iShares MSCI Europe ESG Screened / 70% db x-trackers II ESG EUR Corporate Bond UCITS ETF: 121.3 t). The SDG score is 44.2% (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, June 2<sup>nd</sup> 2020

### Performance SDG EVOLUTION FLEXIBEL I (WKN: A1W9AZ)

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
<b>2014</b>			-0.48	0.75	0.68	-0.05	-0.25	1.08	0.30	-1.30	2.11	-1.20	1.60
<b>2015</b>	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
<b>2016</b>	-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
<b>2017</b>	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
<b>2018</b>	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
<b>2019</b>	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
<b>2020</b>	0.32	0.52	-6.43	2.72	0.20								-2.88

Source: Universal Investment, June 2<sup>nd</sup> 2020

Portfolio statistics as at May 29<sup>th</sup> 2020 (Source: Universal Investment)

#### (net) Asset Allocation

<b>Equities</b>	20.41%
<b>Bonds</b>	41.19%
<b>Gold</b>	0%
<b>Cash</b>	-3.00%

#### Risk measurement

Risk-return profile	4 (max. 7)
Volatility 3 years	5.61%
Ø Credit-Rating	BBB+
(net) Interest duration	0.02
Spread duration	5.10

#### Awards



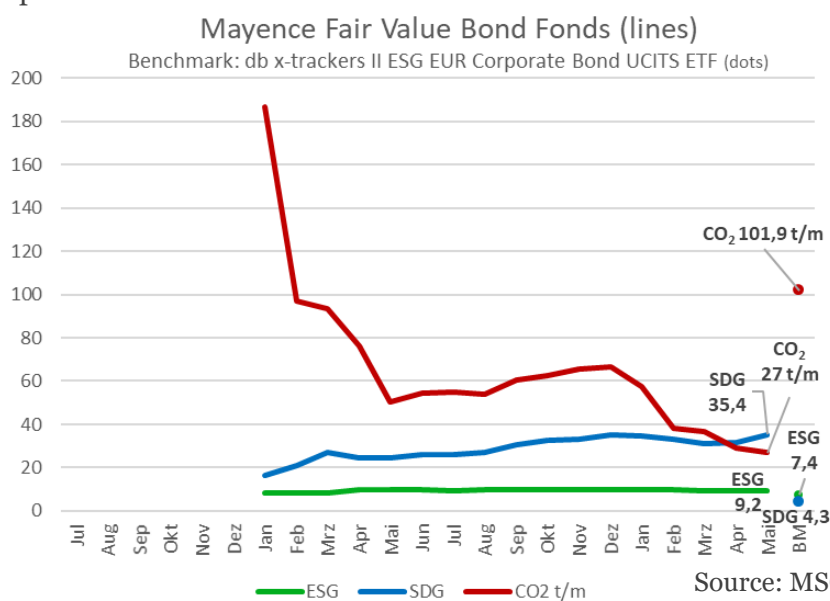
Product details as at May 29<sup>th</sup> 2020 (Source: Universal Investment)

	WKN	ISIN	TER	AuM	Min. Investment
<b>SDG Evolution Flexibel I</b>	A1W9AZ	DE000A1W9AZ5	1.04%	10.8	100,000 EUR
<b>SDG Evolution Flexibel R</b>	A1W9AA	DE000A1W9AA8	2.00%	0.2	100 EUR
<b>SDG Evolution Flexibel S</b>	A1W9A0	DE000A1W9A02	0.67%	0.8	1,000,000 EUR

## MAYENCE FAIR VALUE BOND FONDS (WKN: A2AQZE)

In May, our bond fund generated a return of 0.75%. Here as well we invested in the new issues mentioned before. The fund has a very high ESG score of 9.2 (max. 10). 5% of our positions received an ESG rating upgrade and no position a downgrade. For E we get 6.6, for S 6.2 and for G 6.6. The Mayence achieves an SDG impact of 35.4%. The CO<sub>2</sub> emissions of the companies in the portfolio amount to 27 t CO<sub>2</sub> per million USD of sales (benchmark: db x-trackers II ESG EUR Corporate Bond: 101.9 t) (sources: MSCI ESG).

The following chart shows the fund's performance in terms of ESG quality, SDG impact and CO<sub>2</sub> emissions. Here, too, the points represent current benchmark data:



## 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	-0.30	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								-1.74

Source: Universal Investment, June 2<sup>nd</sup> 2020

### Portfolio statistics as at May 29<sup>th</sup> 2020 (Source: Universal Investment)

#### Rating Distribution

AAA/AA	1.40%
A	31.23%
BBB	54.15%
BB	2.10%
NR	11.12%

#### Risk measurement

Risk-return profile	3 (max. 7)
Volatility 3 years	3.15%
Ø Credit-Rating	BBB+
(net) Interest duration	2.85
Spread duration	5.20

#### Awards



### Product details as at May 29<sup>th</sup> 2020 (Source: Universal Investment)

	WKN	ISIN	TER	AuM	Min. Investment
Mayence Fair Value Bond	A2AQZE	DE000A2AQZE9	1.13%	20.7	25,000 EUR

Fortunately, in Europe, the number of Covid-19 infections is decreasing.

The strong measures and rules bear fruit. We thank everyone for their patience and discipline, the politicians for their leadership which is not natural (as the situations in Brazil and the USA clearly demonstrate) and to the staff in the health sector for their conduct and performance.

We suggest remaining cautious as the virus remains highly infectious and we still not have a vaccine.

**ESG PORTFOLIO MANAGEMENT** ordered the production of these masks (see picture). They are made from 100% bio cotton and can be cleaned and reused.

If you are interested, please email [klein@esg-pm.com](mailto:klein@esg-pm.com)



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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.

ESG Portfolio Management GmbH, headquartered in Frankfurt am Main, is an owner-managed company with core competence in bank-independent advice on capital market products. It develops tailor-made solutions for professional investors in order to generate sustainably adequate income despite rather low risk budgets. ESG Portfolio Management is initiator and advisor to the funds Skalis Evolution Flex and Mayence Fair Value Bond Fonds.

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