

ESG PORTFOLIO MANAGEMENT

MONTHLY REPORT OCTOBER 2020



All funds with positive performance in October and in 2020

ESG Portfolio Management elected to the PRI Leaders' Group

Sources: CNN, The Daily Beast

ESG PORTFOLIO MANAGEMENT IN PRI LEADERS' GROUP

Out of 3,300 signatories 36 have been elected to the PRI Leaders' group. In DACH the other participant is only the Allianz SE

Our measurement and reduction of climate risks has been recognised.



OUR MARKET SUMMARY AND OUTLOOK

In October the DAX fell from 12,760 to 11,556 and the NASDAQ from 11,167 to 10,912. In addition, the spreads of investment grade corporate bonds widened ca. 7 Bp.

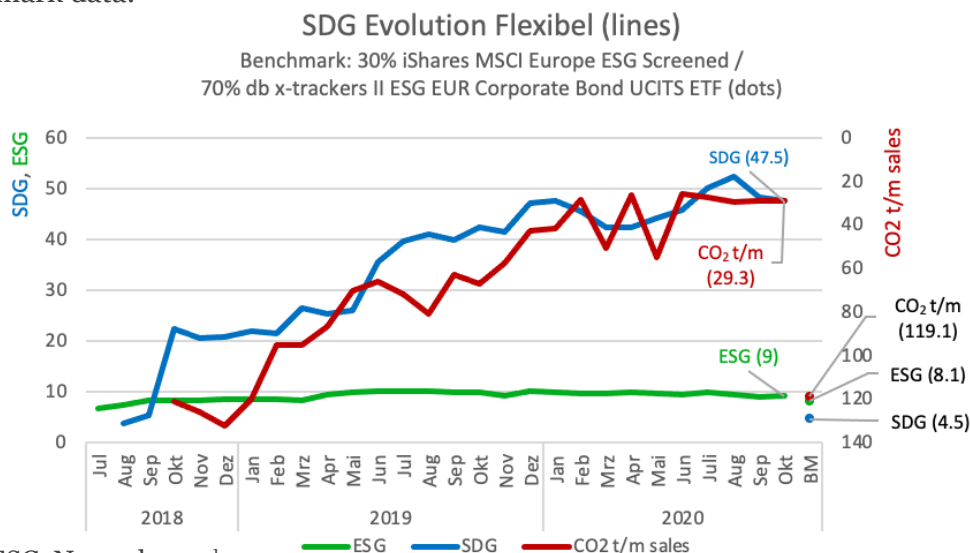
Our DAX and NASDAQ put options helped us to reduce losses. We remain defensive as we see a risk of an uncertain outcome of the US election and increasing Covid infections. In the longer term, we expect tax increases to finance the expenditures to combat the COVID crisis. The demand for fairer taxation could also lead to higher corporate taxes. This could result in price corrections given some very high valuations.

We continue to invest in companies with high ESG qualities, positive SDG impact and low climate risks and we participate in attractive corporate bond new issues.

SDG EVOLUTION FLEXIBEL I (WKN: A1W9AZ)

In October, the SDG Evolution Flexibel I gained 0.53%. Especially in the second half of October, our DAX puts increased in value and overcompensated equity losses. With further falling equity markets we will sell these put options and invest in attractive sustainable equities. We plan to focus in the sectors of education and healthy food as we consider many companies in the renewable sector as rather expensive now. In October we bought the new issues BNP green bond, Immobiliaria and Eutelsat.

The SDG Evolution Flexibel achieves an ESG score of 9.0 (maximum 10). 4% of our positions got an ESG rating upgrade and none a downgrade. For E we get 6.6, for S 6.0 and for G 6.7. Carbon emissions, at 29.3 t CO₂ per USD million of sales, are below the benchmark (30% iShares MSCI Europe ESG Screened / 70% db x-trackers II ESG EUR Corporate Bond UCITS ETF: 119.1 t). The SDG score is 47.5% (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 2nd 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
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			1.12

Source: Universal Investment, November 2nd 2020

Portfolio statistics as at October 30th 2020 (Source: Universal Investment)

(net) Asset Allocation		Risk measurement		Bond Ratings	
Equities	41.1%(2.6%)	Risk-return profile	4 (max.7)	AAA/AA	0%
Bonds	52.4(40%)	Volatility	3 years	A	23.52%
Gold	0%	Ø Credit-Rating	BBB+	BBB	49.81%
Cash	0.6%	(net) Interest duration	2.29	BB	12.31%
		Spread duration	5.53	NR	14.36%

Awards



Product details as at October 30th 2020 (Source: Universal Investment)

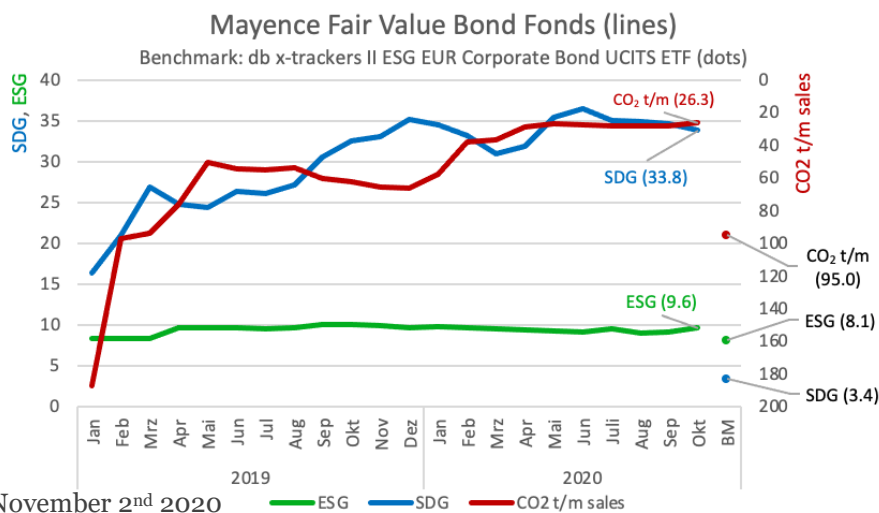
	WKN	ISIN	TER	AuM	Min. Investment
SDG Evolution Flexibel I	A1W9AZ	DE000A1W9AZ5	1.04%	8.6	100,000 EUR
SDG Evolution Flexibel R	A1W9AA	DE000A1W9AA8	2.00%	0.2	100 EUR
SDG Evolution Flexibel S	A1W9A0	DE000A1W9A02	0.67%	1.9	1,000,000 EUR

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MAYENCE FAIR VALUE BOND FONDS (WKN: A2AQZE)

In October, our bond fund increased 0.56%, also profiting from put options. We also invested in the BNP green bond mentioned before. The fund has a very high ESG score of 9.6 (max. 10). 8% of our positions received an ESG rating upgrade and none a downgrade. For E we get 6.5, for S 6.4 and for G 6.6. The Mayence achieves an SDG impact of 33.8%. The CO₂ emissions of the companies in the portfolio amount to 26.3 t CO₂ per million USD of sales (benchmark: db x-trackers II ESG EUR Corporate Bond: 95 t) (sources: MSCI ESG).

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



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	1.55	0.95	0.16	0.00	0.56			1.45

Source: Universal Investment, November 2nd 2020

Portfolio statistics as at October 30th 2020 (Source: Universal Investment)

Rating Distribution

AAA/AA	2.71%
A	24.76%
BBB	57.74%
BB	4.54%
NR	10.10%

Risk measurement

Risk-return profile	3 (max. 7)
Volatility 3 years	2.86%
∅ Credit-Rating	BBB+
(net) Interest duration	3.07
Spread duration	5.50

Awards



Product details as at October 30th 2020 (Source: Universal Investment)

	WKN	ISIN	TER	AuM	Min. Investment
Mayence Fair Value Bond	A2AQZE	DE000A2AQZE9	1.13%	21.3	25,000 EUR

Strong measures and rules seem to be successful in limiting the spread of Covid-19.

ESG PORTFOLIO MANAGEMENT ordered the production of these masks (see picture). They are made from 100% bio cotton and can be cleaned and reused. For every ordered mask the producer <https://good-give.com/> donates one mask to Africa

If you are interested, please email klein@esg-pm.com



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)

<https://www.msci.com/esg-fund-ratings/funds/sdg-evolution-flexibel-ak-i/68243264>

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 also 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/> **The result: The positions of the SDG Evolution Flexibel and of the Mayence Fair Value bond fund cause warming of less than 1.75 degrees.**

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 iShares MSCI Europe ESG Screened (reflecting our average equity allocation of 30%)

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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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