

# ESG PORTFOLIO MANAGEMENT

## MONTHLY REPORT DECEMBER 2020



**Brexit and Climate Change:  
The only good news: British orange  
marmalade will be fully home made**

**2020: Positive performance and  
relatively low draw downs for our funds**

Sources: Seville Orange Marmalade Recipe | SimplyRecipes.com, The Bullingdon Club – Iconic Photos (wordpress.com)  
The Man Who Knows Everything About Fish | Londonist, Visit to Billingsgate - World Traders (world-traders.org)

**ESG PORTFOLIO MANAGEMENT  
RECEIVED THESE AWARDS**

**WE THANK OUR SUPPORTERS  
AND WISH A HAPPY NEW YEAR**



### OUR SUMMARY AND OUTLOOK

We deeply regret the Brexit as it ends the free movement of people and goods and causes frictions and costs and weakens political ties. The last minute EU-UK deal prevented a hard Brexit with further barriers and tariffs.

On a personal note, I am very disappointed to see the UK leaving the Erasmus student exchange programme. “That year was the best in my life before I met my wife” C. Klein.

It was an unforced mistake by the former prime minister David Cameron to call the Brexit referendum in 2016. The current prime minister Boris Johnson always pushed for the Leave side and used a lot of time and nerves of EU politicians – even potentially risking the “Brexit-deal”.

On the positive side, the election of Joe Biden to become US president gives hope for sanity, good governance and the recovery of global agreements and multilateralism.

Also, the promising vaccine results give optimism that we might overcome the Covid-19 pandemic in 2021.

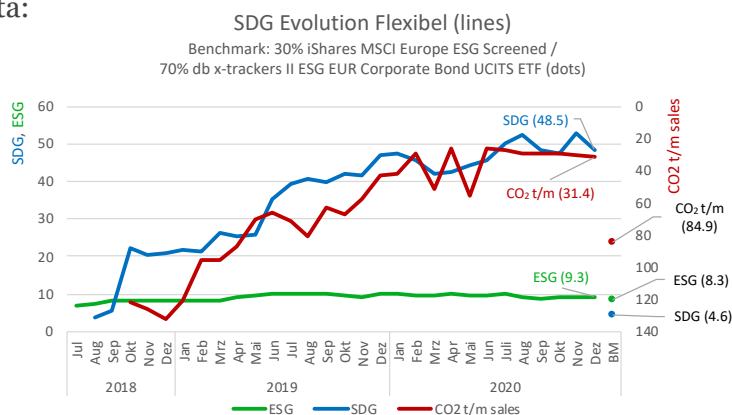
In our base scenario we expect a recovery in companies’ earnings and cash flows but are aware that equity markets already reached record levels. We can imagine a steepening of the BUND curve and reduce our duration.

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## SDG EVOLUTION FLEXIBEL I (WKN: A1W9AZ)

In December, the SDG Evolution Flexibel I gained 1.3%. Especially driven by the strong equity performance. We reduced the positions of our star performers Vestas Wind (YTD: +115%) and Scatec Solar (YTD +166%) to weightings of 4% each. We bought the new issue 6.5% Greencells GmbH 2025.

The SDG Evolution Flexibel achieves an ESG score of 9.3 (maximum 10). 4% of our positions got an ESG rating upgrade and none a downgrade. For E we get 7.0, for S 6.1 and for G 6.0. Carbon emissions, at 31.4 t CO<sub>2</sub> 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: 84.9 t). The SDG score is 48,5% (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, January 4<sup>th</sup> 2021

## 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	2,86	1.30	5.37

Source: Universal Investment, January 4<sup>th</sup> 2021

Portfolio statistics as at December 30<sup>th</sup> 2020 (Source: Universal Investment)

(net) Asset Allocation		Risk measurement		Bond Ratings		Top Equity Holdings	
Equities	44.2%(20.8%)	Risk-return profile 4 (max.7)		AAA/AA	0%	Scatec Solar	
Bonds	51.1%(31.3%)	Volatility 3 years		A	25.0%	Mowi	
Gold	0%	Ø Credit-Rating		BBB+	57.3%	Vestas Wind	
Cash	2.6%	(net) Interest duration		BB	1.8%	Amgen Inc	
		Spread duration		NR	16.0%	Bell Food	

Product details as at December 30<sup>th</sup> 2020 (Source: Universal Investment)

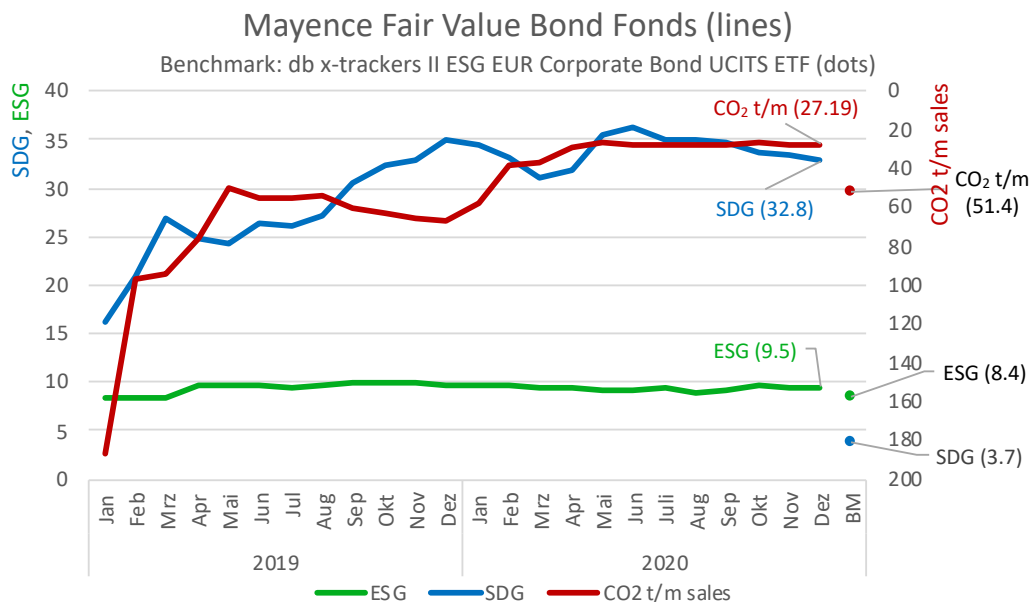
	WKN	ISIN	TER	AuM	Min. Investment
SDG Evolution Flexibel I	A1W9AZ	DE000A1W9AZ5	1.14%	9.1	100,000 EUR
SDG Evolution Flexibel R	A1W9AA	DE000A1W9AA8	1.85%	0.2	100 EUR

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

In December, our bond fund decreased 0.14%. We also invested in the new issue Greencells mentioned before. The fund has a very high ESG score of 9.5 (max. 10). 6% of our positions received an ESG rating upgrade and none a downgrade. For E we get 7.0, for S 6.4 and for G 5.8. The Mayence achieves an SDG impact of 32.8%. The CO<sub>2</sub> emissions of the companies in the portfolio amount to 27.1 t CO<sub>2</sub> per million USD of sales (benchmark: db x-trackers II ESG EUR Corporate Bond: 51,4 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:



Source: MSCI ESG, January 4<sup>th</sup> 2021

## 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	0.34	-0.14	1.65

Source: Universal Investment, January 4<sup>th</sup> 2021

### Portfolio statistics as at December 30<sup>th</sup> 2020 (Source: Universal Investment)

Rating Distribution		Risk measurement		Top Holdings
AAA/AA	2.96%	Risk-return profile	3 (max. 7)	Alstom
A	28.22%	Volatility 3 years	2.78%	Amgen
BBB	55.53%	Ø Credit-Rating	BBB+	ASML
BB	2.77%	(net) Interest duration	2.47	Xylem
NR	10.51%	Spread duration	5.80	Kellogg Co.

### Product details as at December 30<sup>th</sup> 2020 (Source: UniversalInvestment)

	WKN	ISIN	TER	AuM	Min. Investment
Mayence Fair Value Bond	A2AQZE	DE000A2AQZE9	1.13%	20.3	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](mailto: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 CO<sub>2</sub> 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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