

ESG PORTFOLIO MANAGEMENT

Monthly Report May 2021



We turn three years old!

Many thanks to everyone who supports us!!!

Source: http://img.sndimg.com/food/image/upload/w_614,h_461,c_fit/v1/img/recipes/25/37/82/YVMRUTppSWSHftg6Joiv_DSC_0248.JPG

OUR MILESTONES:

June 2018: Founding ESG Portfolio Management

July: taking over the multi asset fund **SDG Evolution Flexibel**.

Many thanks to AHP Capital, Universal Investment and Baader Bank for their excellent support.

Becoming client of Bloomberg, CDP and MSCI ESG.

Prof. Edward Altman and **Dr. Bob Buhr** join our advisory board.

February 2019: Taking over the **Mayence Fair Value Bond Fonds**.

We changed almost every portfolio position to make both funds sustainable (high ESG qualities, positive SDG impact and low climate risks).

Becoming client of ESG Screen17 and right. based on science.

Both funds receive the **FNG label with three stars** (maximum).

January 2020: ESG PM wins the Deutsche Exzellenzpreis.

Eveline Lemke and **Paul Smith, FCA, CFA, MA** join our advisory board.

ESG PM receives **platinum level** in the TELOS ESG check.

Sustainable Investment Award Multi-asset manager of the year.

Election to the PRI Leaders' Group. We thank Dr. Stefan Bund for reviewing our PRI reports.

Both funds receive the **FNG label with three stars** (again).

February 2021: ESG PM wins the **ESG Investing Awards: Best Multi-Asset Investment Fund** and **Best Fixed Income Investment Fund**.

Both funds are targeting sustainable investments as objective (**article 9 SFDR**).

Many thanks to Carsten Auel and Lisa Knob (Deloitte).

OUR SUMMARY AND OUTLOOK

In May, the discussions regarding rising inflation continued worldwide. In Germany the yoy inflation increased to 2.5%. In April the US consumer price index increased to 4.2 % yoy. During May US 10 year yields increased 10 Bp. to 1,60 and fell back to 1.50 when Fed members stated that these increases in inflation should be limited to 2021 and should recede in the longer term. Likewise, the 30 year Bund yield increased 10 Bp to 46 Bp (May 18th) before falling back to 38 Bp. The equity markets followed, losing with rising yields and recovering towards month end.

These market moves can be seen in our performance attribution for May (SDG Evolution Flexibel I):



Source: Universal Investment, June 1st 2021

Our interest rates hedges delivered a strong performance (dark blue line) until middle of May. They outperformed the losses on our sustainable corporate bond holdings (green line) during the entire month.

On the equity side our allocation of 35% delivered 0.3%. Positive performers have been Mowi ASA + 3% and especially Red Electrica with a decent increase of 7,5%. On the other hand, Academedia has given up the strong gains in April and lost 15% in May. Out equity put options lost again (bright blue line).

We actively traded the volatile BioNTech shares. On May 4th reduced our position at historic highs of 174,35, bought those shares back at 148,20 at the same day and on May 6th we added at 133,50. On May 29th we reduced our holding again at 164,48. Normally, we are long term investors, as we need time for our engagements to bear fruit. But occasionally we try to exploit excessive volatility.

On the bond side we have been quite active and invested in the new issues of Red Electrica, Kelloggs, American Tower, Ericsson, the Turkish consumer goods manufacturer Arcelik and Hammerson.

We took profit on our bond positions in Berlin Hyp, Adidas, Unibail and Elia.

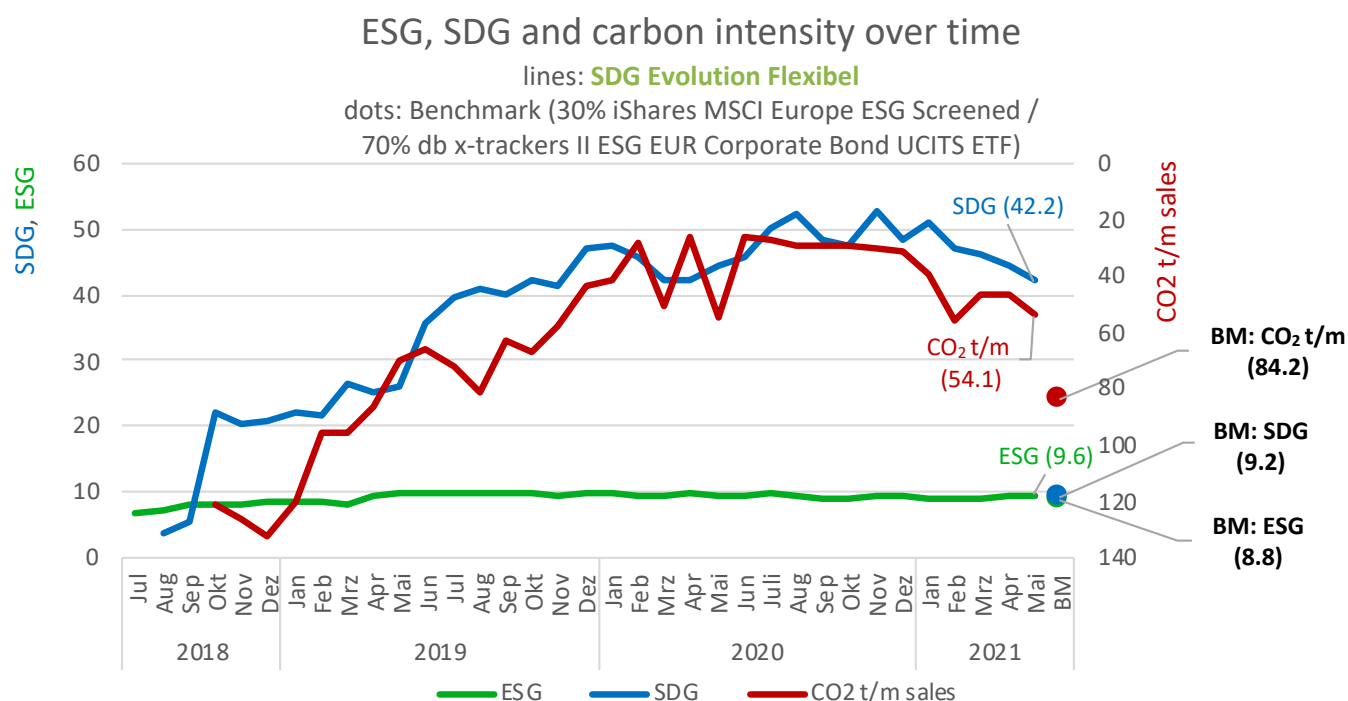
We will continue to invest in attractive new issues from sustainable companies and actively engage to reduce ESG risks and to increase positive SDG impact further. We will continue to keep the interest duration of the multi asset fund below 2 and below 4 for the Mayence Fair Value bond fund.

On the equity side we remain cautious given the high valuations and the overall expectation of increasing volatility. Going forward, we will rather increase the exposure to high quality dividend stocks further than paying too much premium for equity index put options.

SDG EVOLUTION FLEXIBEL I (WKN: A1W9AZ)

In May, the SDG Evolution Flexibel I lost 0.31%. We bought the new bond issues mentioned above. We reduced our Bell Food equity position and sold 7C Solarparken completely as we have not been able to analyse the UN global compact compliance with their supply chain of solar panels.

The SDG Evolution Flexibel achieves an ESG score of 9.6 (maximum 10). 6% of our positions got an ESG rating upgrade and none a downgrade. For E we get 6.9, for S 6.1 and for G 6.3. Carbon emissions, at 54.1 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: 84.2 t). 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, June 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								-1.31

Source: Universal Investment, May 31st 2021

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Portfolio statistics: as at May 31st 2021 (Source: Universal Investment)

(net) Asset Allocation		Risk measurement		Bond Ratings		Top Equity Holdings
Equities	40.3% (32.0%)	Risk-return profile	4 (max.7)	AAA/AA	0%	Sims Ltd
Bonds	57.9% (29.9%)	Volatility 3 years	5.18	A	28.9%	Scatec ASA
Gold	0%	Ø Credit-Rating	BBB+	BBB	59.8%	Bell Food
Cash	0.4%	(net) Interest duration	0.76	BB	3.2%	FCR Immobilien
		Spread duration	5.77	NR	8.1%	Mowi ASA

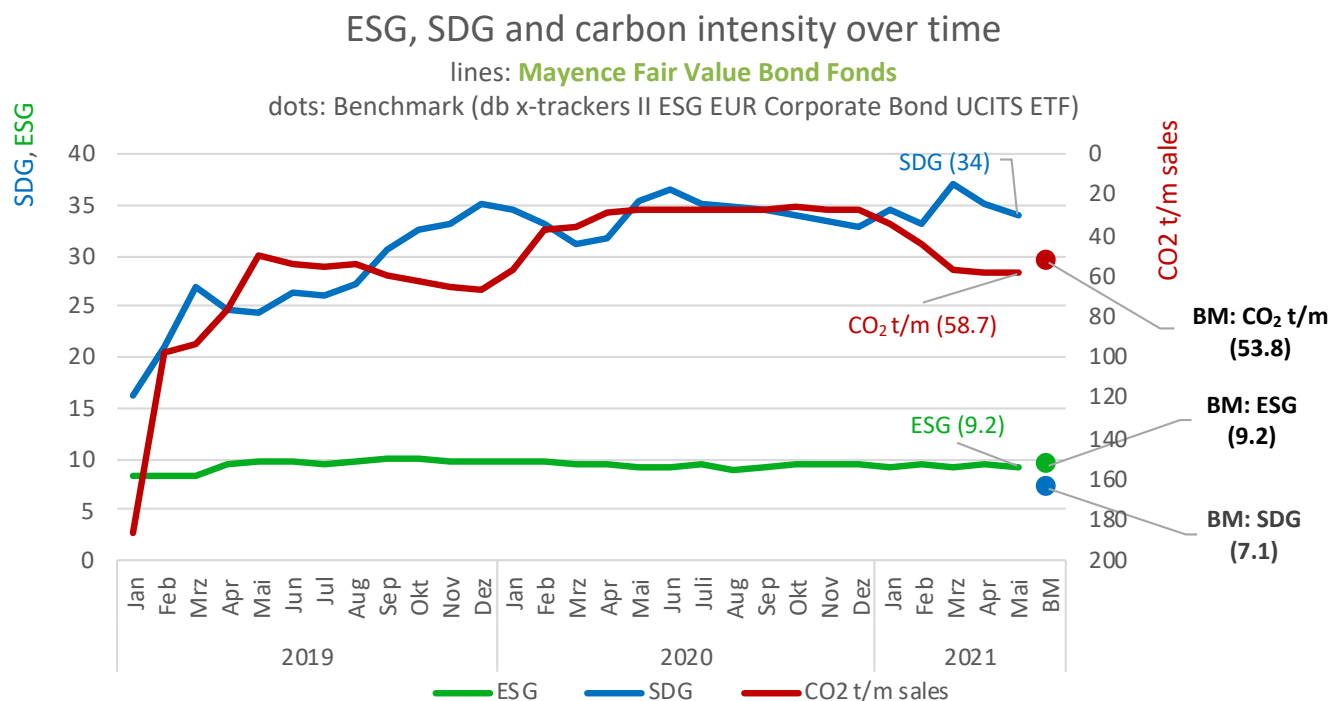
Product details: as at May 31st 2021 (Source: Universal Investment)

	WKN	ISIN	TER	AuM	Min. Investment
SDG Evolution Flexibel I	A1W9AZ	DE000A1W9AZ5	1.14%	8.3	100,000 EUR
SDG Evolution Flexibel R	A1W9AA	DE000A1W9AA8	1.85%	0.6	100 EUR

MAYENCE FAIR VALUE BOND FONDS (WKN: A2AQZE)

In April, our bond fund lost 0.26%. We invested in the new issues mentioned before. The fund has a very high ESG score of 9.2 (max. 10). 4% of our positions received an ESG rating upgrade and none a downgrade. For E we get 7.0, for S 6.2 and for G 6.1. The Mayence achieves an SDG impact of 34%. The CO₂ emissions of the companies in the portfolio amount to 58.7 t CO₂ per million USD of sales (benchmark: db x-trackers II ESG EUR Corporate Bond: 53.8 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, June 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								-0.71

Source: Universal Investment, May 31th 2021

Portfolio statistics: as at May 31st 2021 (Source: Universal Investment)

Rating Distribution		Risk measurements		Top Holdings
AAA/AA	1.53%	Risk-return profile	3 (max. 7)	Amgen
A	33.49%	Volatility 3 years	2.52%	Signify
BBB	53.89%	Ø Credit-Rating	BBB+	ASML
BB	4.07%	(net) Interest duration	3.35	NVIDIA
NR	7.03%	Spread duration	6.21	Legrand

Product details: as at May 31st 2021 (Source: Universal Investment)

	WKN	ISIN	TER	AuM	Min. Investment
Mayence Fair Value Bond	A2AQZE	DE000A2AQZE9	1.11%	20.8	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 are Paris aligned (1.75).**

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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ESG Portfolio Management GmbH

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