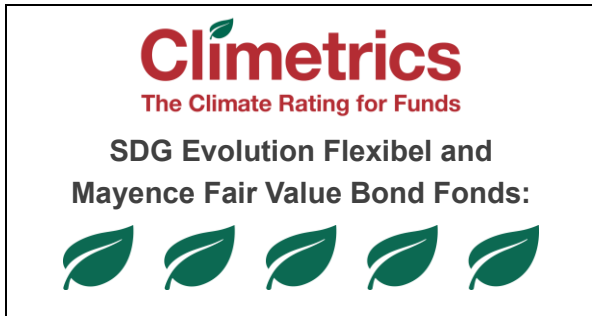


# ESG PORTFOLIO MANAGEMENT

## Monthly Report June 2021



Our funds are Paris aligned

right. based on science just reaffirmed the assessment of our funds and Climetrics assigned five leaves

Source: Climetrics, only about 3% of all funds analyzed receive the maximum rating of five leaves

### right. based on science

is a provider of climate metrics and software. Founded in Frankfurt by Hannah Helmke and Dr. Sebastian Müller in 2016, right. developed the X-Degree Compatibility (XDC) Model to calculate the impact a company, a portfolio or any other economic entity has on global warming (Temperature Alignment).

Source: <https://www.right-basedonscience.de/en/xdc-model/>

right. based on science calculated that if all companies on the planet would act like the companies in our funds until 2050, global warming could be limited to 1.75 degrees.

With our selection we ensure that most of the companies in our portfolio remain below their sector-specific 'temperature threshold' for 1.75°C-alignment. Besides selecting companies which are taking transition seriously and effectively reduce emissions, we actively engage with the companies' management. See our engagement and proxy voting reports at [www.esg-pm.com](http://www.esg-pm.com)

## OUR SUMMARY AND OUTLOOK

In June, bond prices increased and credit spreads tightened as central bankers have been successful convincing investors that higher inflation numbers will remain temporary and should recede.

Nevertheless, research by Dr. Folkerts-Landau, chief economist at Deutsche Bank, recently warned about a possible stagflation. We limit the interest duration in our balanced fund SDG Evolution Flexibel to two years and in the Mayence Fair Value Bond Funds to four years.

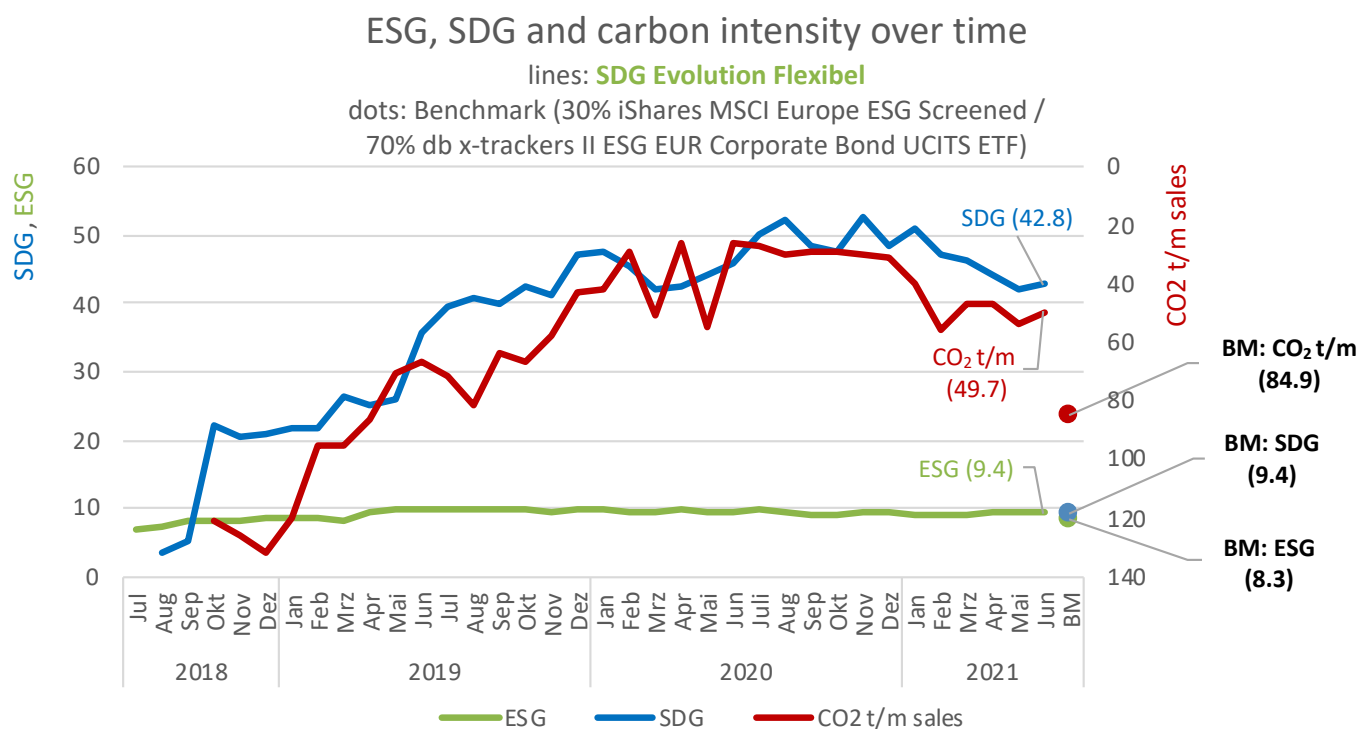
Looking at our individual positions, the main winners this month were the shares of BioNTech (+13%) and Sims Ltd., a sustainable recycling company, also performed well (+7%). Losers have been the US bank Huntington Bancshares (-10%) and Alstom (-7%).

We will continue to invest in attractive sustainable companies and actively engage to reduce ESG risks and to increase positive SDG impact further. Regarding climate risk we focus more on TCFD (Task Force on Climate-Related Financial Disclosures) compliant, forward looking data and methodologies and select companies which work hard on their transition to reduce emissions. Therefore, we invested in several additional companies in the industrial and utilities sector. This caused an increase in the (backward looking) carbon intensity since end of last year – the red lines in our charts.

## SDG EVOLUTION FLEXIBEL I (WKN: A1W9AZ)

In June, the SDG Evolution Flexibel lost 0.05%. We bought the new issues of the financial service group Close Brother, Raiffeisen and the twelve-year bond of the food company JDE Peets's NV and the hygiene solutions specialist Ontex. We reduced our holdings in Kellogg 24, Xylem 23 and Schneider 29.

The SDG Evolution Flexibel achieves an ESG score of 9.4 (maximum 10). 5% of our positions got an ESG rating upgrade and none a downgrade. For E we get 6.8, for S 6.1 and for G 6.4. Carbon emissions, at 49.7t 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 42.8% (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, July 1<sup>st</sup> 2021

## PERFORMANCE

### Monthly Returns (in %):

ESG Portfolio Management advises since July 2018 (green fields)

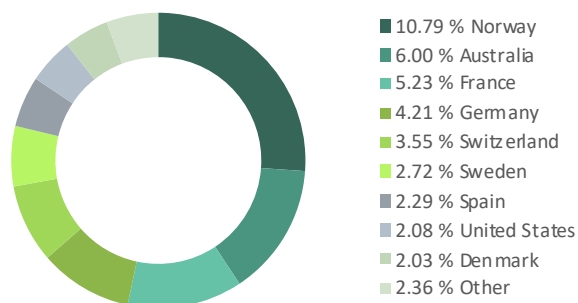
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dez	YTD
<b>2014</b>			-0.48	0.75	0.68	-0.05	-0.25	1.08	0.30	-1.30	2.11	-1.20	1.60
<b>2015</b>	3.23	2.58	0.63	-0.49	-0.38	-2.49	1.52	-4.97	-1.13	4.00	1.90	-1.86	2.19
<b>2016</b>	-3.02	-2.12	1.21	-0.19	-0.17	-1.83	0.64	0.50	-0.47	-0.37	-0.93	1.41	-5.32
<b>2017</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	3.22	0.53	0.63	-0.81	0.53	2.86	1.30	5.37
<b>2021</b>	0.03	-1.67	0.85	-0.19	-0.31	-0.05							-1.36

Source: Universal Investment, June 30<sup>th</sup> 2021

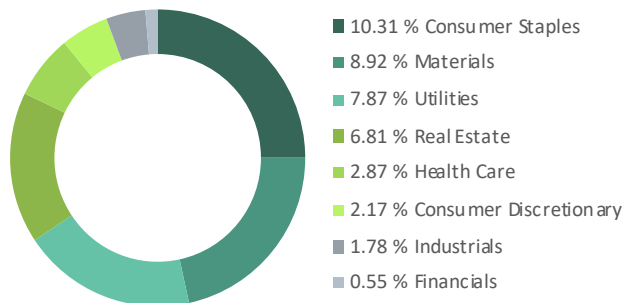
**Portfolio statistics:** as at June 30<sup>th</sup> 2021 (Source: Universal Investment)

(net) Asset Allocation		Risk measurement		Bond Ratings		Top Equity Holdings
<b>Equities</b>	41.2% (35.1%)	Risk-return profile	4 (max.7)	AAA/AA	0%	Sims Ltd.
<b>Bonds</b>	56.2% (28.1%)	Volatility 3 years	5.18	A	26.5%	Scatec ASA
<b>Gold</b>	0%	Ø Credit-Rating	BBB+	BBB	60.4%	Bell Food
<b>Cash</b>	2.1%	(net) Interest duration	0.61	BB	3.3%	FCR
		Spread duration	5.92	NR	9.8%	Orkla ASA

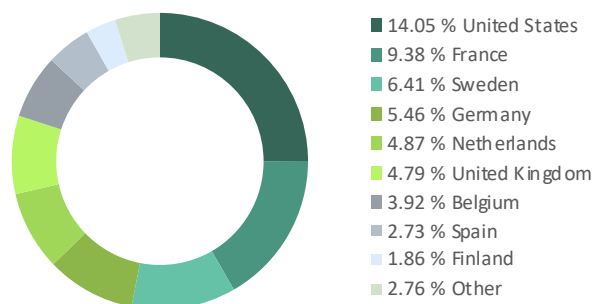
**Equities by country**



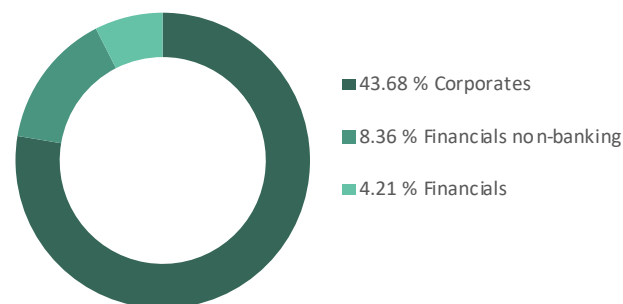
**Equities by industry sectors**



**Fixed Income by country**



**Fixed Income by industry sectors**



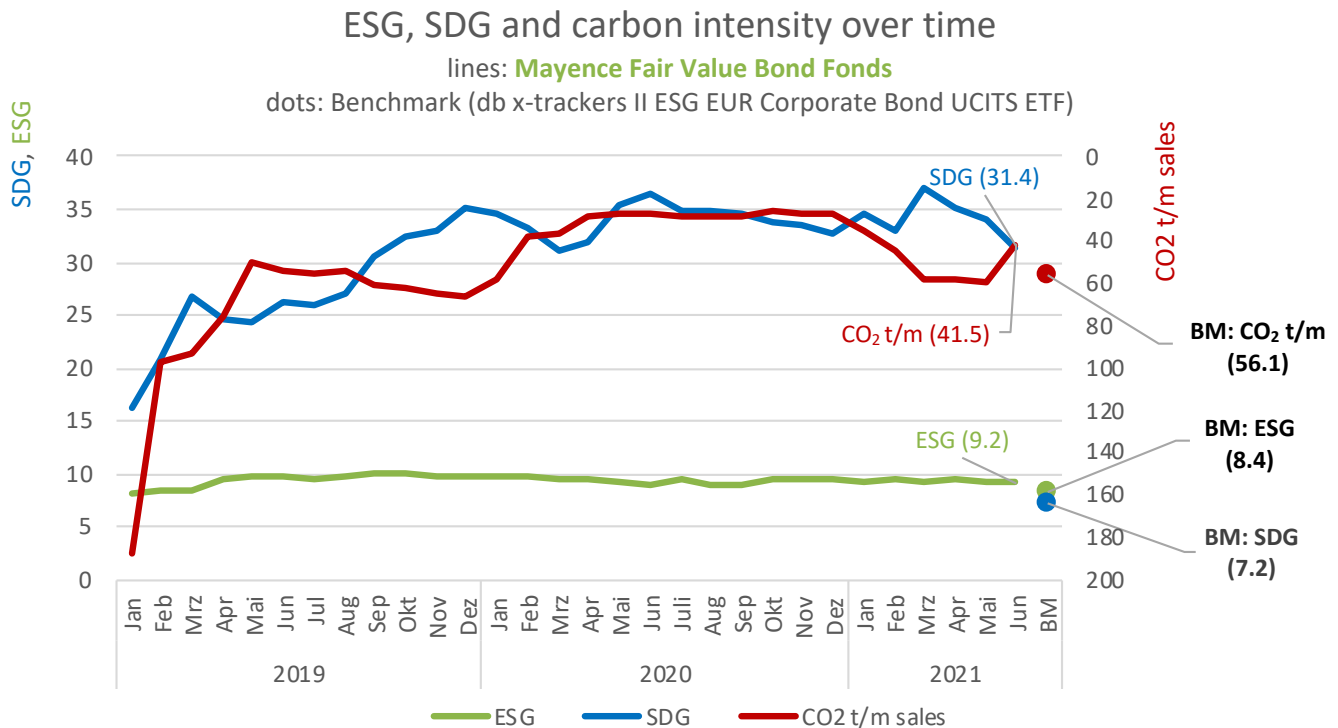
**Product details:** as at June 30<sup>th</sup> 2021 (Source: Universal Investment)

	WKN	ISIN	TER	AuM	Min. Investment
<b>SDG Evolution Flexibel I</b>	A1W9AZ	DE000A1W9AZ5	1.14%	8.3	100,000 EUR
<b>SDG Evolution Flexibel R</b>	A1W9AA	DE000A1W9AA8	1.85%	0.7	100 EUR

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

In June, our bond fund increased 0.04%. We invested in the new issues mentioned before plus the ten-year green bond of the Landwirtschaftliche Rentenbank. 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 7.1, for S 6.2 and for G 6.1. The Mayence achieves an SDG impact of 31.4%. The CO<sub>2</sub> emissions of the companies in the portfolio amount to 41.5 t CO<sub>2</sub> per million USD of sales (benchmark: db x-trackers II ESG EUR Corporate Bond: 56.1 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, July 1<sup>st</sup> 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	0.04							-0.67

Source: Universal Investment, June 30<sup>th</sup> 2021

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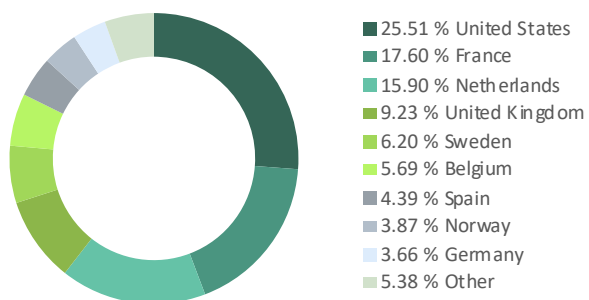
**Portfolio statistics:** as at June 30<sup>th</sup> 2021 (Source: Universal Investment)

Rating Distribution	
AAA/AA	1.94%
A	33.50%
BBB	55.74%
BB	1.00%
NR	7.76%

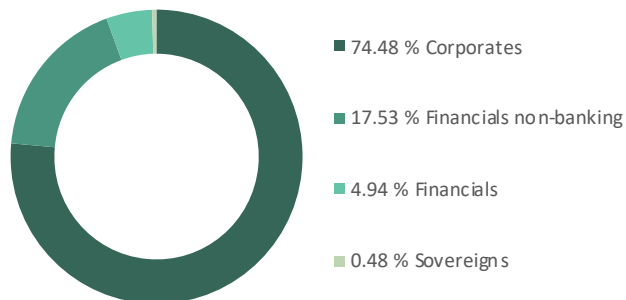
Risk measurements	
Risk-return profile	3 (max. 7)
Volatility 3 years	2.45%
Ø Credit-Rating	BBB+
(net) Interest duration	3.30
Spread duration	6.16

Top Holdings
Amgen
Elia Group
Marsh & McLennan
Signify
Legrand

**Fixed Income by country**



**Fixed Income by industry sectors**



**Product details:** as at June 30<sup>th</sup> 2021 (Source: Universal Investment)

	WKN	ISIN	TER	AuM	Min. Investment
<b>Mayence Fair Value Bond</b>	A2AQZE	DE000A2AQZE9	1.11%	20.8	25,000 EUR

## Our exclusion criteria

### Companies:

We exclude companies with violations against the UN Global Compact Principles and companies with activities in the following business areas:

Exclusion criterion	Maximum share of turnover
- Weapons of mass destruction and controversial weapons	
- Coal mining, processing & services	
- High risk oil & gas (Fracking, Arctic Drilling, Oil Sands)	0%
- Nuclear power generation	
- Uranium mining	
- Embryonic stem cell research and cloning technology	
- Coal-fired power generation	
- Oil extraction, processing and power generation	
- High risk oil & gas (services)	
- Production and distribution of key components for nuclear power plants	
- Biocides	5%
- Animal testing	
- Genetic engineering in food production	
- Civilian weapons	
- Conventional tobacco products and alcohol	
- Entertainment media (gambling, gaming, pornography)	

### Countries:

Countries are excluded in case of serious controversies, death penalty, human rights violations, lack of labour rights, child labour, corruption (according to Transparency International), violation of the Nuclear Non-Proliferation Treaty, high military budget, authoritarian regime (according to Freedom House Ranking), non-ratification of the Biosafety Protocol.

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)

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 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/en> The result: **The positions of the SDG Evolution Flexibel and of the Mayence Fair Value bond fund are Paris-aligned (1.75 degree).**

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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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 SDG Evolution Flexibel and Mayence Fair Value Bond Fonds.

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