

ESG PORTFOLIO MANAGEMENT

Report September 2021



Picture: Ocean Sun, a joint project with Scatec



We welcome Benedikt Brandl

He is joining ESG PM as a working student to support our research, portfolio management, engagement and reporting. To support our growth, we are still looking for new colleagues in our team. Please send your application to klein@esg-pm.com

Furthermore, we would like to thank Lars Behl for his excellent contribution and support. While we regret his move to join a major consultancy firm, we wish Lars the very best for the future.

Scatec ASA: Generating positive impact providing renewable energy globally

But: Scatec's share price is down 52% YTD

OUR SUMMARY AND OUTLOOK

Our mission statement and believe is, that companies providing sustainable products and services should perform well in the long run with lower risk.

Scatec ASA develops, (co-) owns and operates solar plants especially in emerging markets. Here, the impact of investments in renewables lead to significant emission reductions as it helps to switch off outdated coal plants. With the recent acquisition of SN Power, Scatec also entered the segments hydro, wind, and energy storage.

This is exactly what we all urgently need: providing renewable energy worldwide and protecting the climate.

So, what is wrong with Scatec ASA?

Scatec reported weak Q2 numbers with earnings and free cash flow below consensus expectations. The bigger disappointment was the detected accounting error in reported debt from the recent hydro acquisition and breaches of project loan covenants in Ukraine. Also, as Scatec operates in emerging markets, there is higher exposure to potential high inflation and political risks.

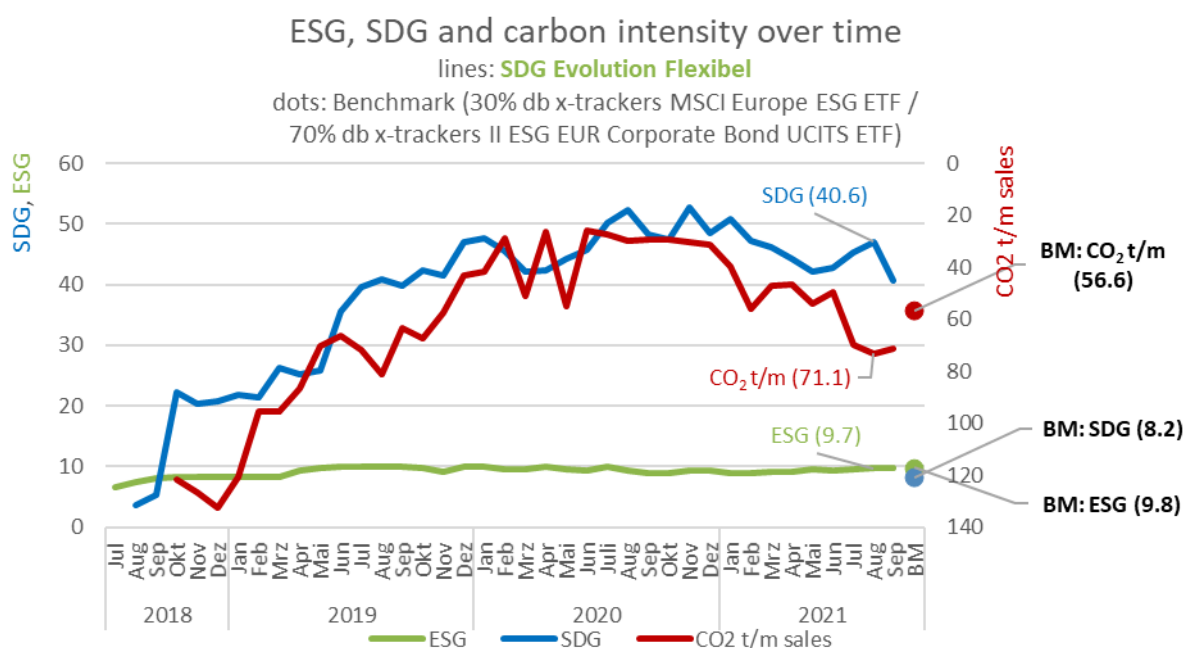
As shareholders, we take great care, that high human right standards and anti-corruption policies are applied and monitored globally.

As Scatec is an innovative leader, implementing newest, effective, and cost-competitive technology, we hold on to our position and remain optimistic for a share price recovery. We ask management to improve accounting quality to win back confidence soon.

SDG EVOLUTION FLEXIBEL I (WKN: A1W9AZ)

In September, the SDG Evolution Flexibel lost 2.15% driven by weak equity markets, rising yields and widening credit spreads. We participated in the new bond issue Essity 2029. On September 20th we used the equity market volatility to take partial profit on our DAX put position.

The SDG Evolution Flexibel achieves an ESG score of 9.7 (maximum 10). 8% of our positions got an ESG rating upgrade and none a downgrade. For E we get 7.1, for S 6.2 and for G 6.5. Carbon emissions, at 71.1 t CO₂ per USD million of sales, are above the benchmark (30% db x-trackers MSCI Europe ESG UCITS ETF / 70% db x-trackers II ESG EUR Corporate Bond UCITS ETF: 56.6 t) as we focus more on future transition. The SDG score is 40.6% (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, September 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	-0.05	-0.40	-0.57	-2.15				-4.41

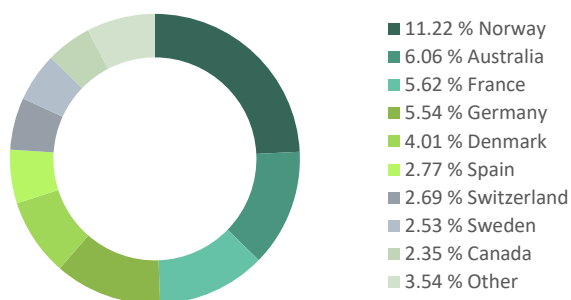
Source: Universal Investment, September 30th, 2021

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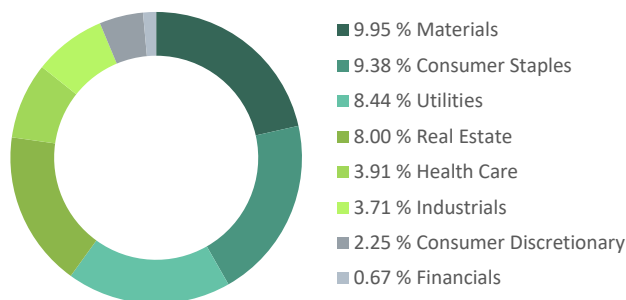
Portfolio statistics: as at September 30th 2021 (Source: Universal Investment)

(net) Asset Allocation		Risk measurement		Bond Ratings		Top Equity Holdings
Equities	46.2% (37.1%)	Risk-return profile	4 (max.7)	AAA/AA	0%	Sims Ltd.
Bonds	52.6% (30.8%)	Volatility 3 years	5.34	A	21.5%	Scatec ASA
Gold	0%	Ø Credit-Rating	BBB+	BBB	67.3%	Amgen Inc.
Cash	0.2%	(net) Interest duration	0.69	BB	2.0%	FCR Immobilien
		Spread duration	5.68	NR	9.3%	Edwards Lifesciences

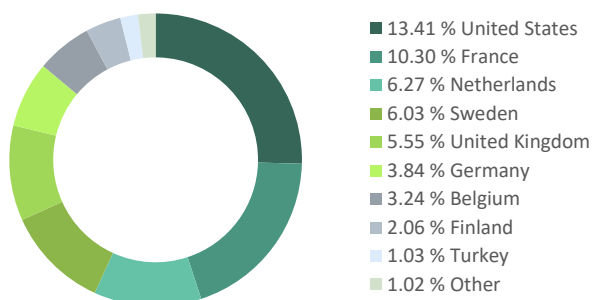
Equities by country



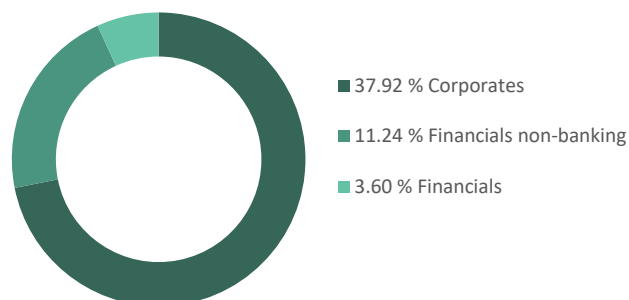
Equities by industry sectors



Fixed Income by country



Fixed Income by industry sectors



Product details: as of September 30th 2021 (Source: Universal Investment)

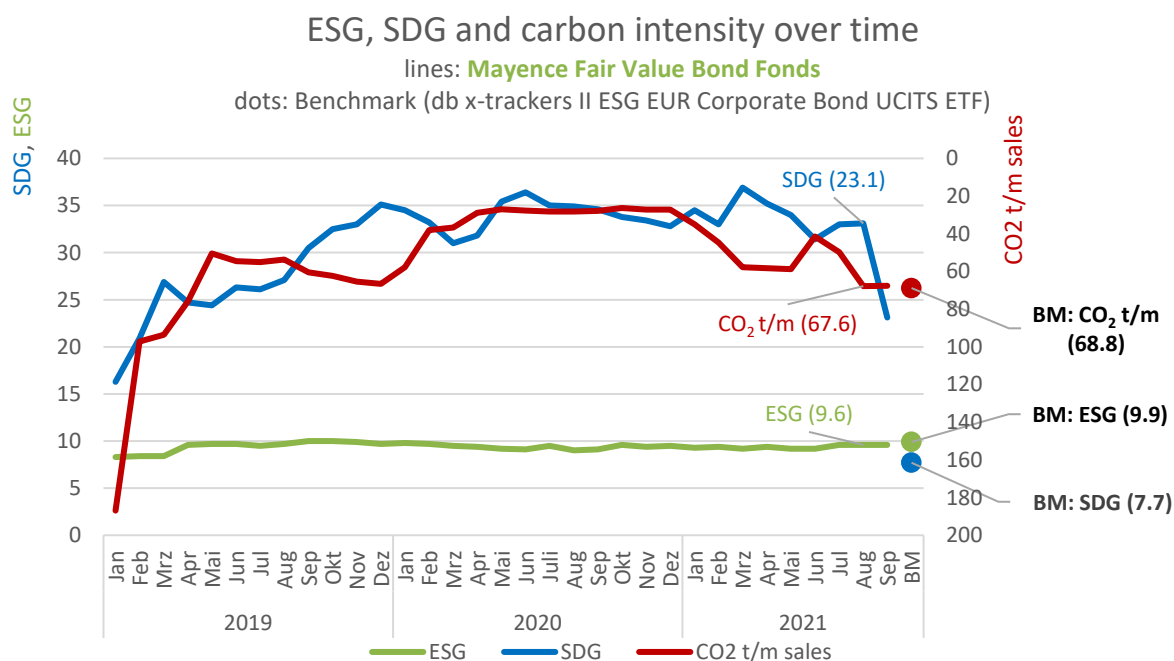
	WKN	ISIN	TER	AuM	Min. Investment
SDG Evolution Flexibel I	A1W9AZ	DE000A1W9AZ5	1.14%	8.1	100,000 EUR
SDG Evolution Flexibel R	A1W9AA	DE000A1W9AA8	1.85%	0.8	100 EUR

MAYENCE FAIR VALUE BOND FONDS (WKN: A2AQZE)

In September, our bond fund decreased 0.52% as yields increased and credit spreads widened. We bought the new issue Essity 2029 and also the new Adecco hybrid bond.

The fund has a very high ESG score of 9.6 (max. 10). 7% of our positions received an ESG rating upgrade and none a downgrade. For E we get 7.4, for S 6.5 and for G 6.3. The Mayence achieves an SDG impact of 23.1%. The CO₂ emissions of the companies in the portfolio amount to 67.6 t CO₂ per million USD of sales (benchmark: db x-trackers II ESG EUR Corporate Bond: 68.8 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, September 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	0.04	0.51	-0.37	-0.52				-1.05

Source: Universal Investment, September 30th 2021

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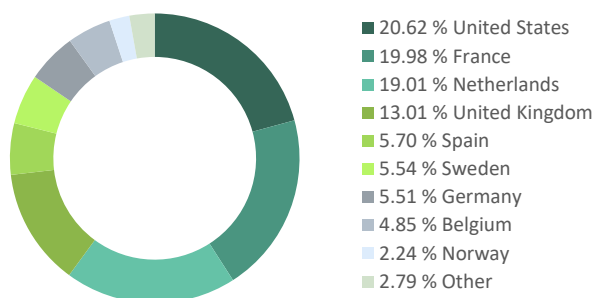
Portfolio statistics: as at September 30th 2021 (Source: Universal Investment)

Rating Distribution	
AAA/AA	1.7%
A	33.68%
BBB	57.24%
BB	0%
NR	6.62%

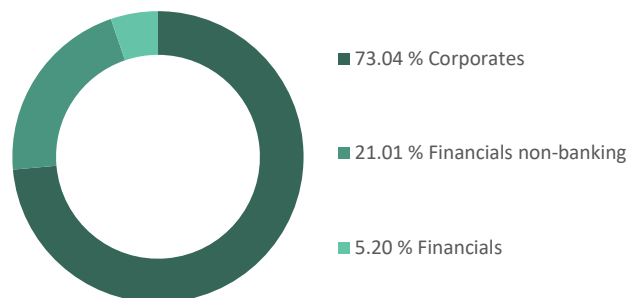
Risk measurements	
Risk-return profile	3 (max. 7)
Volatility 3 years	2.35%
Ø Credit-Rating	BBB+
(net) Interest duration	3.04
Spread duration	6.88

Top Holdings
Elia Group
Signify N.V.
Legrand
Klepierre S.A.
Red Electrica Finance

Fixed Income by country



Fixed Income by industry sectors



Product details: as of September 30th, 2021 (Source: Universal Investment)

	WKN	ISIN	TER	AuM	Min. Investment
Mayence Fair Value Bond	A2AQZE	DE000A2AQZE9	1.11%	8.9	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
<ul style="list-style-type: none"> - Weapons of mass destruction and controversial weapons - Coal mining, processing & services - High risk oil & gas (Fracking, Arctic Drilling, Oil Sands) - Nuclear power generation - Uranium mining - Embryonic stem cell research and cloning technology 	0%
<ul style="list-style-type: none"> - 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 - Animal testing - Genetic engineering in food production - Civilian weapons - Conventional tobacco products and alcohol - Entertainment media (gambling, gaming, pornography) 	5%

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 Xtrackers MSCI Europe ESG UCITS Class 1C (reflecting our average equity allocation of 30%).

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