

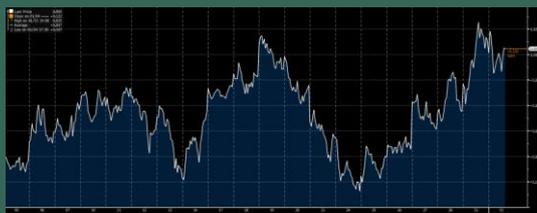
# ESG PORTFOLIO MANAGEMENT

Report January 2022



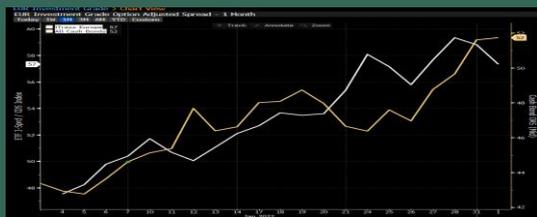
Source: The Economist

In January, the 10y BUND yield increased from minus 0,08 to plus 0,02.



GBDR10 Index, Source: Bloomberg

EUR denominated investment grade credit spreads widened 10 Basis points



iTraxx Eur, IEAC LN Source: Bloomberg

The Euro Stoxx 50 fell around 5% during January – the NASDAQ lost almost 10%



SX5E Index, Source: Bloomberg

**Yields increased as expected as central banks start to fight inflation**

**Our interest rate hedges and equity put options helped to reduce losses**

## OUR SUMMARY AND OUTLOOK

With rising inflation, unintended consequences start to bite:

The disparity of wealth and income is increasing at a record speed. Many prices are jumping up - from energy and food to assets like real estate, securities, and collectables.

If this continues, less wealthy people struggle to cover necessary expenses while even well-educated and highly motivated people cannot afford to buy an apartment for their family. This is not an ideal fundament for a healthy society.

Furthermore, negative bond yields in Europe make it difficult for pensioners to live from their hard earned conservatively invested capital without depleting it.

We expect energy prices to remain high as the global building of renewable energy sources is far too slow. In some regions, the shortage of skilled labour will trigger wage increases. Logistical frictions could keep transportation costs high. For these reasons, we cannot imagine why inflation should fall significantly. We believe the ECB is behind the curve and will have to increase rates starting in 2022.

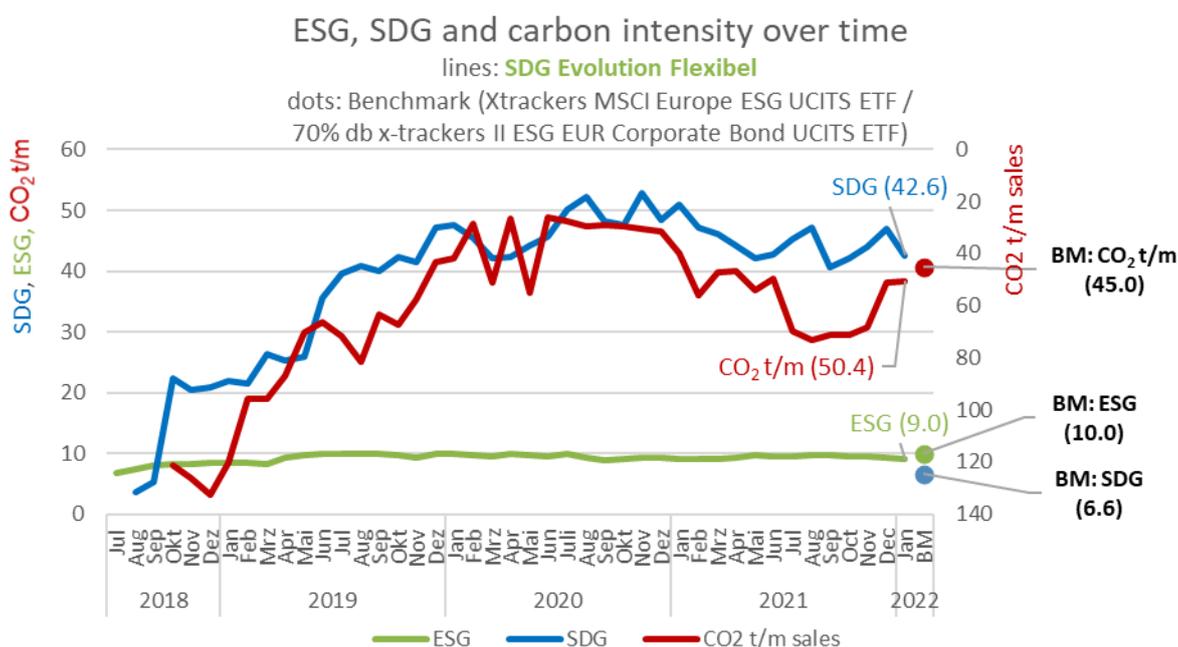
We aim to take profit on our interest rate hedges slowly. Similarly, we sell our equity put options carefully as the geopolitical risks like the conflicts in the Ukraine and Taiwan remain critical.

Following our mission, we will continue to invest in companies with high ESG quality and positive SDG impact. Also, we will reduce climate risks further and stick to our exclusion criteria (see: <https://www.esg-portfolio-management.com/en/invest-sustainably>).

## SDG EVOLUTION FLEXIBEL I (WKN: A1W9AZ)

In January, the SDG Evolution Flexibel I lost 3,35 % driven by weak equity markets, increasing yields and widening credit spreads. Our interest hedges and equity put options helped to reduce losses. We took partial profits on our BUXL shorts and invested in the new issues Berlin Hyp 2025, Gecina 11y and Atlas Copco 10y. On January 21<sup>st</sup> and 24<sup>th</sup> we took partial profit on equity put options.

The SDG Evolution Flexibel achieves an overall ESG score of 9.0 (maximum 10). 5% of our positions got an ESG rating upgrade and 2% a downgrade. For E we achieved a score of 6.7, for S 5.8, and for G 6.4. Carbon emissions, at 50.4 t CO<sub>2</sub> per USD million of sales are above the benchmark (30% Xtrackers MSCI Europe ESG UCITS ETF / 70% db x-trackers II ESG EUR Corporate Bond UCITS ETF: 45.0 t) as we focus more on transition and increased our holdings in industrial companies which actively reduce their emissions. The SDG score is 42.6 % (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, February 1<sup>st</sup>, 2022

## PERFORMANCE

Monthly Returns (in %):

ESG Portfolio Management advises since July 2018 (green fields)

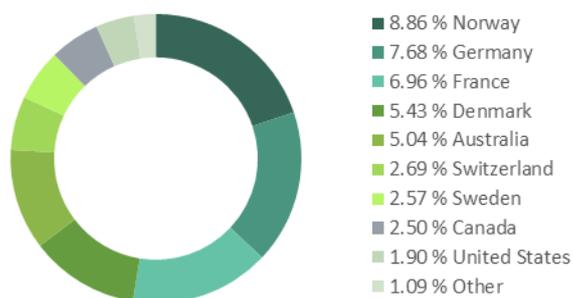
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dez	YTD
<b>2014</b>			-0.48	0.75	0.68	-0.05	-0.25	1.08	0.30	-1.30	2.11	-1.20	1.60
<b>2015</b>	3.23	2.58	0.63	-0.49	-0.38	-2.49	1.52	-4.97	-1.13	4.00	1.90	-1.86	2.19
<b>2016</b>	-3.02	-2.12	1.21	-0.19	-0.17	-1.83	0.64	0.50	-0.47	-0.37	-0.93	1.41	-5.32
<b>2017</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	-0.40	-0.57	-2.15	1,44	-1.27	1.53	-2.81
<b>2022</b>	-3,35												-3,35

Source: Universal-Investment, January 31<sup>st</sup>, 2022

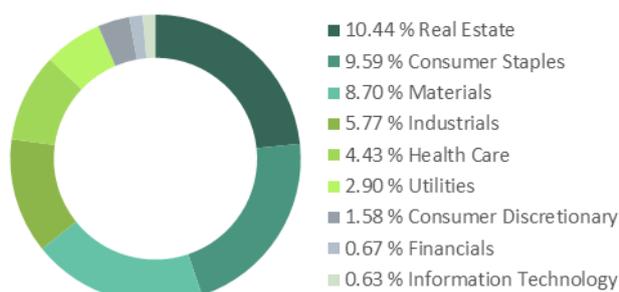
**Portfolio statistics:** as of January 31<sup>st</sup>, 2022 (Source: Universal Investment)

(net) Asset Allocation		Risk measurement		Bond Ratings		Top Equity Holdings
<b>Equities</b>	44.7% (32.3%)	Risk-return profile	4 (max.7)	AAA/AA	7.6%	FCR Immobilien
<b>Bonds</b>	52.6% (30.6%)	Vola / SharpeR 3 y	5.48 / 0.08	A	26.8%	Sims Ltd.
<b>Gold</b>	0%	Ø Credit-Rating	BBB+	BBB	51.3%	Vestas Wind
<b>Cash</b>	0.4%	(net) Interest duration	(1.24) 5,19	BB	1.9%	Mowi ASA
		Spread duration	5.21	NR	12.4%	Orkla ASA

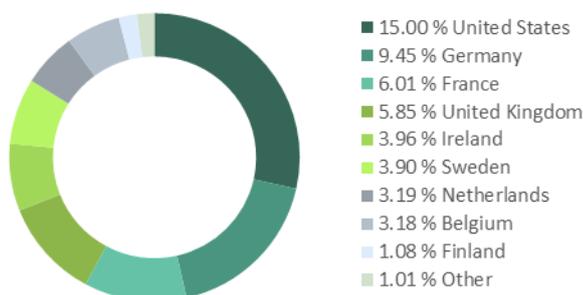
**Equities by country**



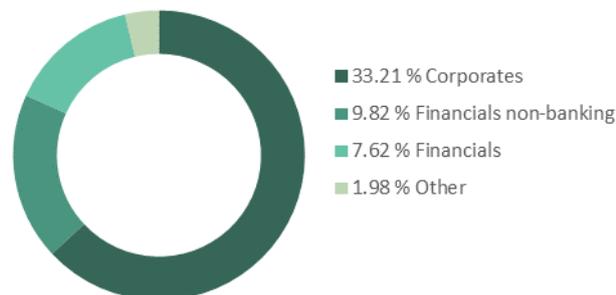
**Equities by industry sectors**



**Fixed Income by country**



**Fixed Income by industry sectors**



**Product details:** as of January 31<sup>st</sup>, 2022 (Source: Universal Investment)

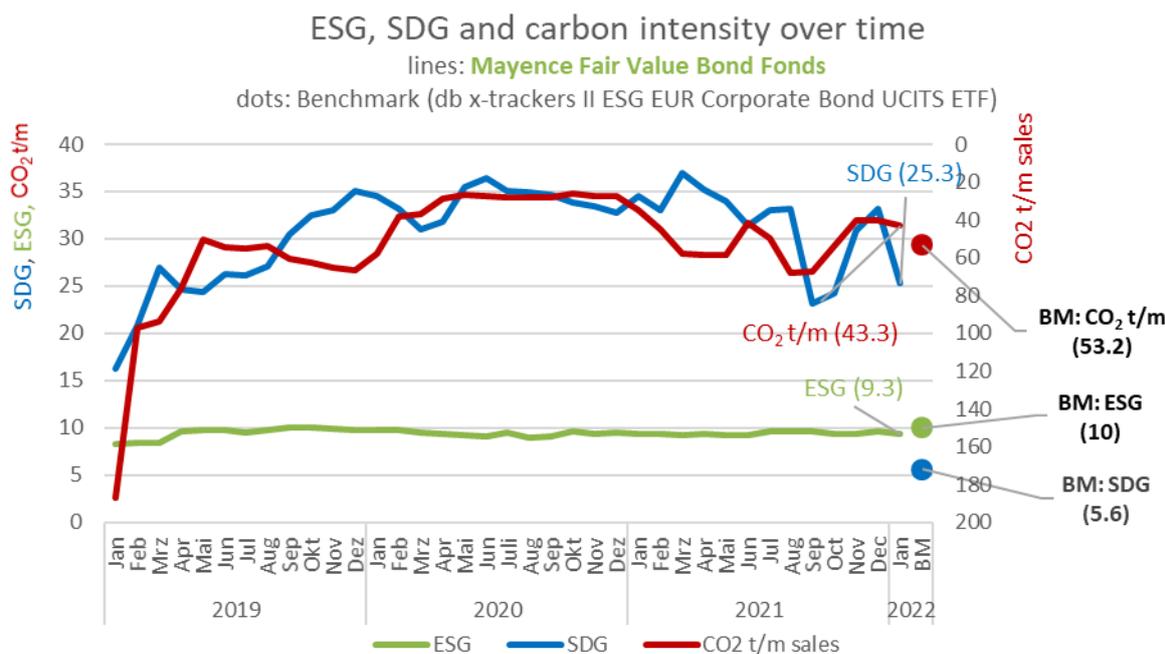
	WKN	ISIN	TER	AuM	Min. Investment
<b>SDG Evolution Flexibel I</b>	A1W9AZ	DE000A1W9AZ5	1.14%	7.9	100,000 EUR
<b>SDG Evolution Flexibel R</b>	A1W9AA	DE000A1W9AA8	1.63%	1.0	100 EUR

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

In January, the value of our bond fund decreased 1,3 % driven by increasing yields and widening credit spreads. We bought the new issues mentioned before and took partial profits on our interest rate hedges.

The fund has a very high ESG score of 9.3 (max. 10). 7% of our positions received an ESG rating upgrade and none a downgrade. For E we get 6.9 for S, 5.9, and for G 6.3. The Mayence achieves an SDG impact of 25.3. The CO<sub>2</sub> emissions of the companies in the portfolio amount to 43.3 t CO<sub>2</sub> per million USD of sales (benchmark: db x-trackers II ESG EUR Corporate Bond: 53.4 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, February 1<sup>st</sup>, 2022

## 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
<b>2017</b>	-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
<b>2018</b>	-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
<b>2019</b>	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
<b>2020</b>	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
<b>2021</b>	0.02	-0.64	-0.13	0.29	-0.26	0.04	0.51	-0.37	-0.52	-0.96	-0.93	-0.53	-3.43
<b>2022</b>	-1,30												-1,30

Source: Universal Investment, January 31<sup>st</sup>, 2022

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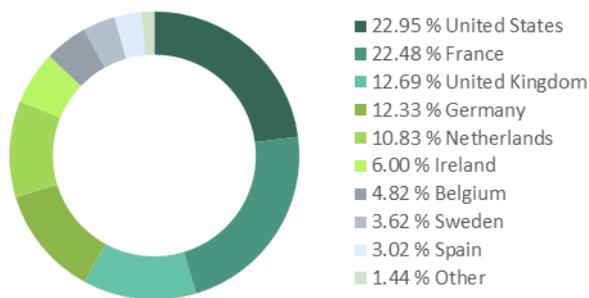
**Portfolio statistics:** as of January 31st, 2022 (Source: Universal Investment)

Rating Distribution	
AAA/AA	4.5%
A	25.5%
BBB	62.2%
BB	0%
NR	7.8%

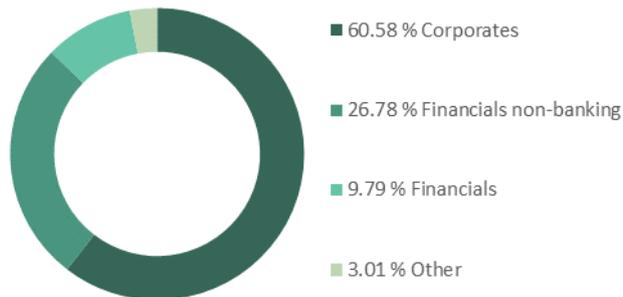
Risk measurements	
Risk-return profile	3 (max. 7)
Vol. / SharpeR 3 y.	2.42% / -0.37
Ø Credit-Rating	BBB+
(net) Interest duration	(3.16) 5.98
Spread duration	6.01

Top Holdings
Covivio
Klépierre
Gilead Sciences
United Utilities Water
Amgen

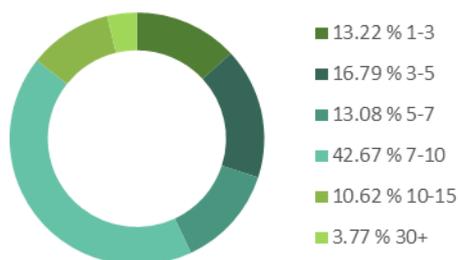
**Fixed Income by country**



**Fixed Income by industry sectors**



**Fixed Income by maturity profile**



**Product details:** as of January 31<sup>st</sup>, 2022 (Source: Universal Investment)

	WKN	ISIN	TER	AuM	Min. Investment
Mayence Fair Value Bond	A2AQZE	DE000A2AQZE9	1.11%	6.6	100 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, Services)	0%
- Nuclear power generation	
- Uranium mining	
- Embryonic stem cell research and cloning technology	
- Coal-fired power generation	
- Oil extraction, processing and power generation	
- 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). We support climate transition!**

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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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.

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