

ESG PORTFOLIO MANAGEMENT

Report March 2022



Source: private

Markus Büchter joins the Advisory Board of ESG Portfolio Management. He has over 30 years of capital market experience and is the owner of MBV Vision & Consulting FZCO Dubai. Previously Markus Büchter was Managing Director and Senior Banker for Asset Managers and Insurances at Deutsche Bank AG, Frankfurt am Main.

Benedict Schiermeyer supports the Portfolio Management Team as a working student. He studies Economics and Business Administration with focus on "Finance & Accounting" at the Goethe University Frankfurt am Main.

We are looking for further working students with an interest in sustainability and portfolio management. Female applicants are preferred if they are equally qualified and motivated, as we would like to improve the diversity in our team.

Please send your application to:

Christoph Klein

klein@esg-pm.com

Positive March and YTD performance for SDG Evolution Flexibel

We welcome Markus Büchter and Benedict Schiermeyer

OUR SUMMARY AND OUTLOOK

Our balanced fund achieved positive performance YTD despite the market turmoil triggered by Putin's war of aggression and rising yields. We were helped by three positions in particular:

- 1) We increased our equity positions in the renewable energy sector. We are optimistic that these will finally be expanded to a greater extent. Not only to protect the climate, but also to reduce geopolitical risks and dependencies. The German Federal Minister of Finance, Christian Lindner, calls them "freedom energies".
- 2) For ESG reasons, we had no equity or bond positions in Russia in our funds.
- 3) Our tactical risk hedging with DAX put options worked. We gradually reduced these at a high profit after the attack but increased them again in the second half of March.

Energy, metals, and food prices could remain high. Important supply chains have been disrupted. As a result, companies, and consumers are suffering from cost pressures that could weaken profit margins and growth - also in the longer term. Upcoming wage negotiations could further increase inflation.

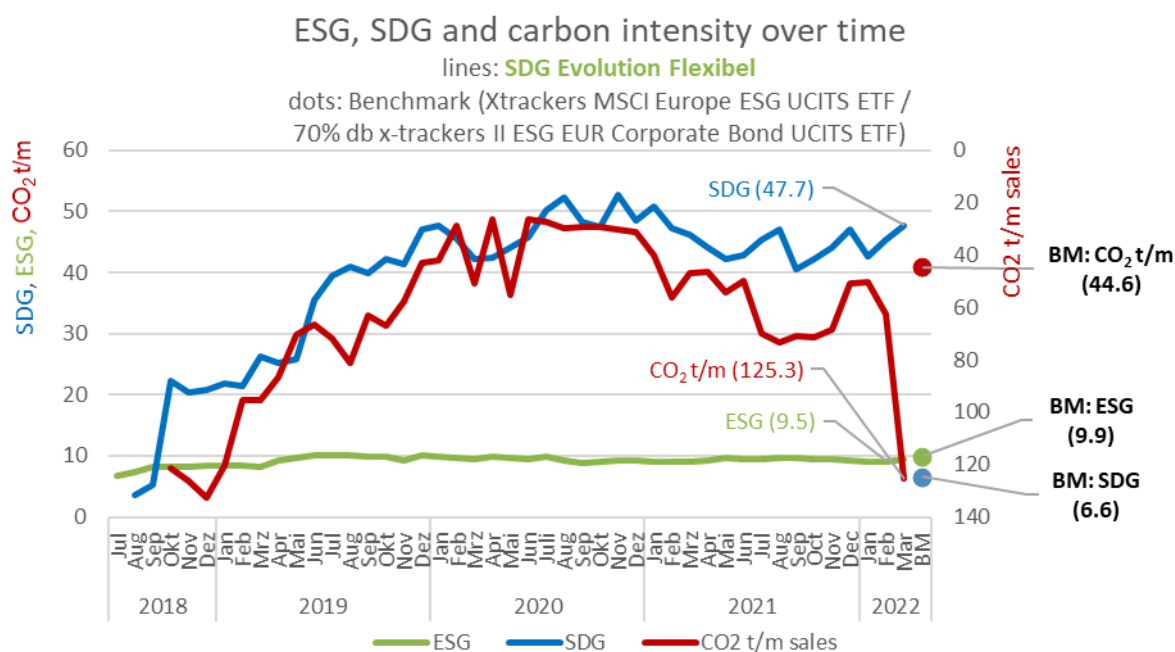
We therefore continue to partially hedge interest rate risks in both funds. In our bond fund, we raised the average credit rating to A-.

Both funds subscribed to the new Vestas 2029 bond on March 8. Vestas has the highest possible ESG quality and impact on sustainable development goals according to MSCI ESG. The bond spread has already narrowed significantly by 40 bps.

SDG EVOLUTION FLEXIBEL I (WKN: A1W9AZ)

In March, the SDG Evolution Flexibel I gained 1.51 % despite the volatile equity and weak credit markets. Our active trading of equity put options helped to overcompensate losses. Using MSCI ESG data the SDG Evolution Flexibel has a Taxonomy alignment of 39,3%. We sold several companies with weaker PAIs.

The SDG Evolution Flexibel achieves an overall ESG score of 9.5 (maximum 10). 9% of our positions got an ESG rating upgrade and 2% a downgrade. For E we achieved a score of 7, for S 6, and for G 6.4. Carbon emissions, at 125.3 t CO₂ 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: 44.6 t) as we focus more on transition and increased our holdings in industrial companies which actively reduce their emissions. The SDG score is 47.7 % (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, April 1st, 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
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	1.44	-1.27	1.53	-2.81
2022	-3.35	2.92	1.51										0,97

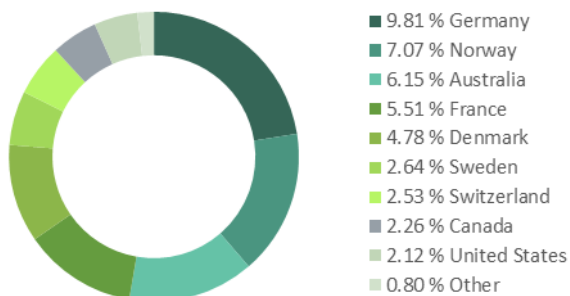
Source: Universal-Investment, March 31st, 2022

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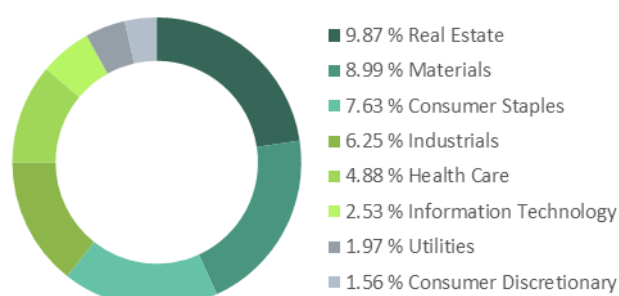
Portfolio statistics: as of March 31st, 2022 (Source: Universal Investment)

(net) Asset Allocation		Risk measurement		Bond Ratings		Top Equity Holdings
Equities	43.7% (28.2%)	Risk-return profile	4 (max.7)	AAA/AA	1.8%	Sims Ltd.
Bonds	50.3% (36.4%)	Vola / SharpeR 3 y	5.76 / 0.21	A	24.9%	FCR Immobilien
Gold	0%	Ø Credit-Rating	BBB+	BBB	59.9%	Vestas Wind
Cash	2.9%	(net) Interest duration	(3.14) 5,5	BB	5.5%	BioNTech
		Spread duration	6.13	NR	8.0%	Mowi ASA

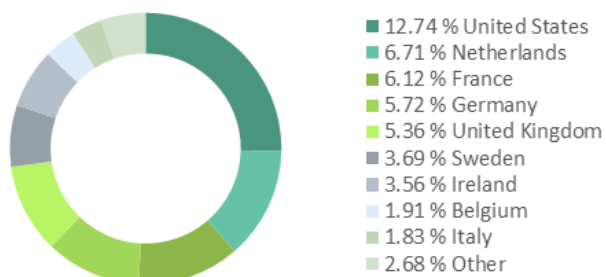
Equities by country



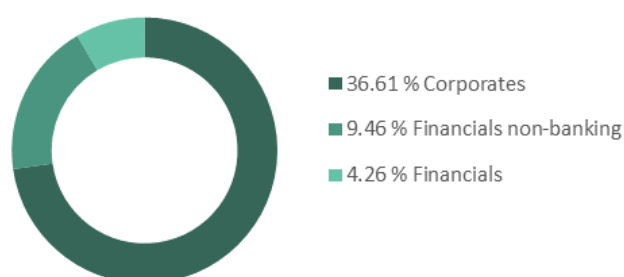
Equities by industry sectors



Fixed Income by country



Fixed Income by industry sectors



Product details: as of March 31st, 2022 (Source: Universal Investment)

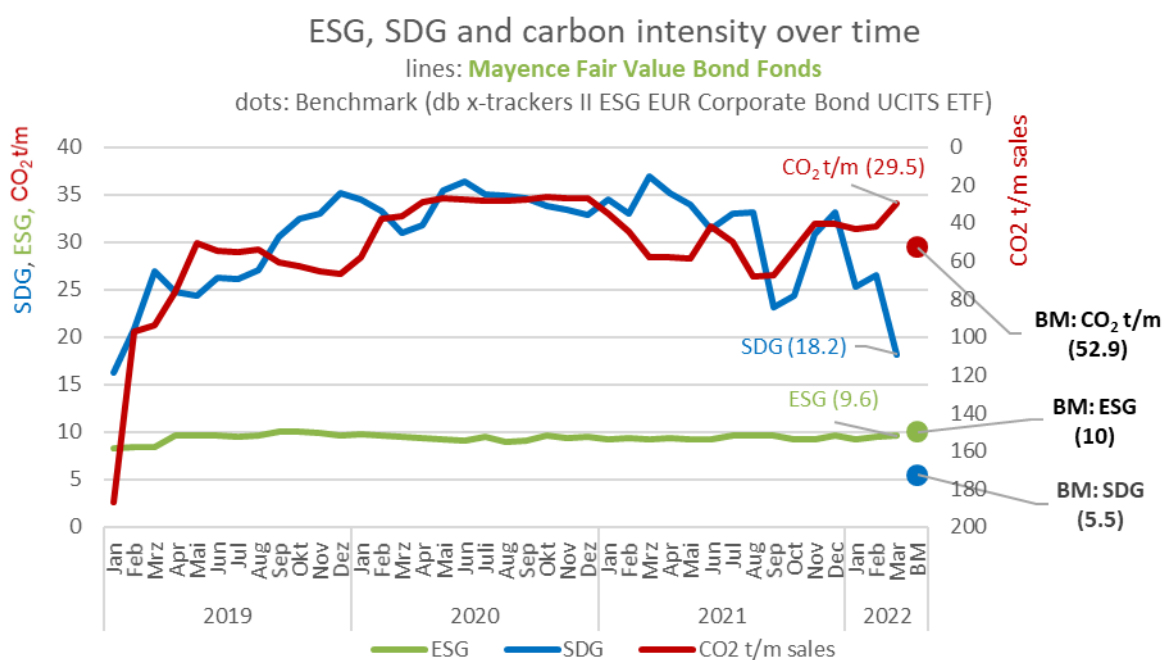
	WKN	ISIN	TER	AuM	Min. Investment
SDG Evolution Flexibel I	A1W9AZ	DE000A1W9AZ5	1.35%	8.2	100,000 EUR
SDG Evolution Flexibel R	A1W9AA	DE000A1W9AA8	1.63%	1.1	100 EUR

MAYENCE FAIR VALUE BOND FONDS (WKN: A2AQZE)

In March, the value of our bond fund decreased 1.7% % driven by widening credit spreads and increasing yields. Using data from MSCI ESG the Mayence has a taxonomy alignment of 24%. We sold companies with weaker PAIs.

The fund has a very high ESG score of 9.6 (max. 10). 12% of our positions received an ESG rating upgrade and none a downgrade. For E, we get 6.9 for S, 6.1, and for G 6.4. The SDG impact fell to 18.2. It is our priority to improve the impact again. The CO₂ emissions of the companies in the portfolio amount to 29.5 t CO₂ per million USD of sales (benchmark: db x-trackers II ESG EUR Corporate Bond: 52.9 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, April 1st, 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
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	-0.96	-0.93	-0.53	-3.43
2022	-1.30	-2.30	-1.70										-5.21

Source: Universal Investment, March 31st, 2022

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

Rating Distribution

AAA/AA	16.6 %
A	29.8%
BBB	45.4%
BB	3.2 %
NR	5.1%

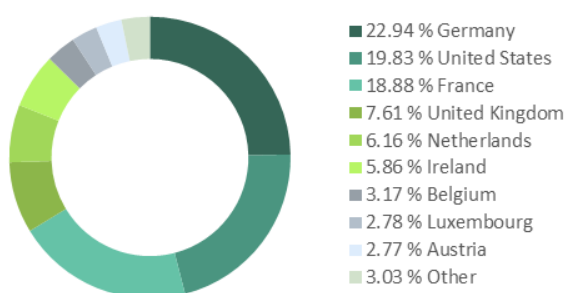
Risk measurements

Risk-return profile	3 (max. 7)
Vol. / SharpeR 3 y.	2.65% / -0.86
Ø Credit-Rating	A-
(net) Interest duration	(4.54) 6.44
Spread duration	6.07

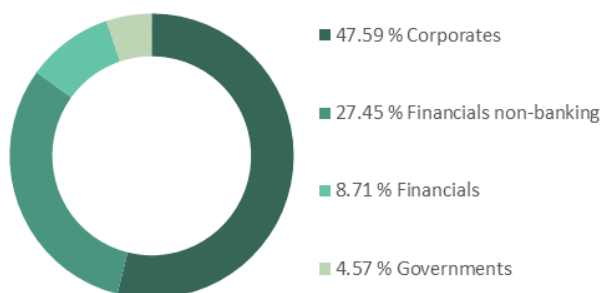
Top Holdings

Covivio
Gilead Sciences
Klépierre
United Utilities Water
KfW

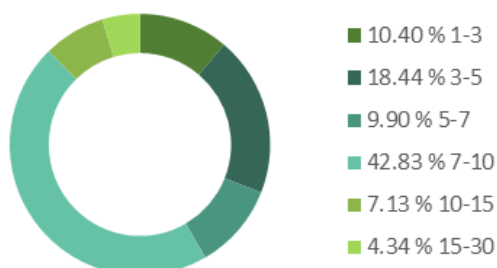
Fixed Income by country



Fixed Income by industry sectors



Fixed Income by maturity profile



Product details: as of March 31st, 2022 (Source: Universal Investment)

	WKN	ISIN	TER	AuM	Min. Investment
Mayence Fair Value Bond	A2AQZE	DE000A2AQZE9	1.17%	6.3	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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