

ESG PORTFOLIO MANAGEMENT

Report May 2022



Source: DAWN, Reuters

In 2022 the 10 year BUND yield increased from -0,08 to +1,12



GBD10 Index (Quelle: Bloomberg)

EUR IG-Credit-Spreads widened by 42 basis points on average



iTraxx Eur, IEAC LN (Quelle: Bloomberg)

The 5-year EUR Swap Spread widened by 20 basis points.



EUSS5 CMPN (Quelle: Bloomberg)

Inflation, exacerbated by Putin's war, is hurting poorer people in particular.

Yields and spreads rose as expected. IG corporate bonds have now become more attractive.

OUR SUMMARY AND OUTLOOK

As inflation continues to rise, the consequences are being felt: Many prices are increasing - from energy and raw materials to food. This is hitting poorer people particularly hard. Famine and political unrest are already expected in some countries and regions.

In addition, inequality of wealth and income is increasing at a record pace. If this continues, less affluent people will struggle to meet necessary expenses. Even well-educated and highly motivated people will increasingly be unable to afford to buy a home for their family. This is not an ideal basis for a healthy society. Therefore, politicians should now plan and implement supporting measures in a more targeted manner.

We expect energy prices to remain high due to Putin's war, as the global expansion of renewable energies is still progressing far too slowly. In some regions, the lack of skilled labor will lead to wage increases. For these reasons, we cannot imagine why inflation should decline significantly in 2022. We therefore think that the ECB will raise interest rates in the near future.

We take a positive view of the yield level achieved on corporate bonds with solid credit ratings. Not only government bond yields, but also credit and swap spreads have risen sharply in 2022. Currently, we find especially medium (5-10 year) maturities attractive. We like to invest in selected new issues with high ESG quality and positive SDG impacts.

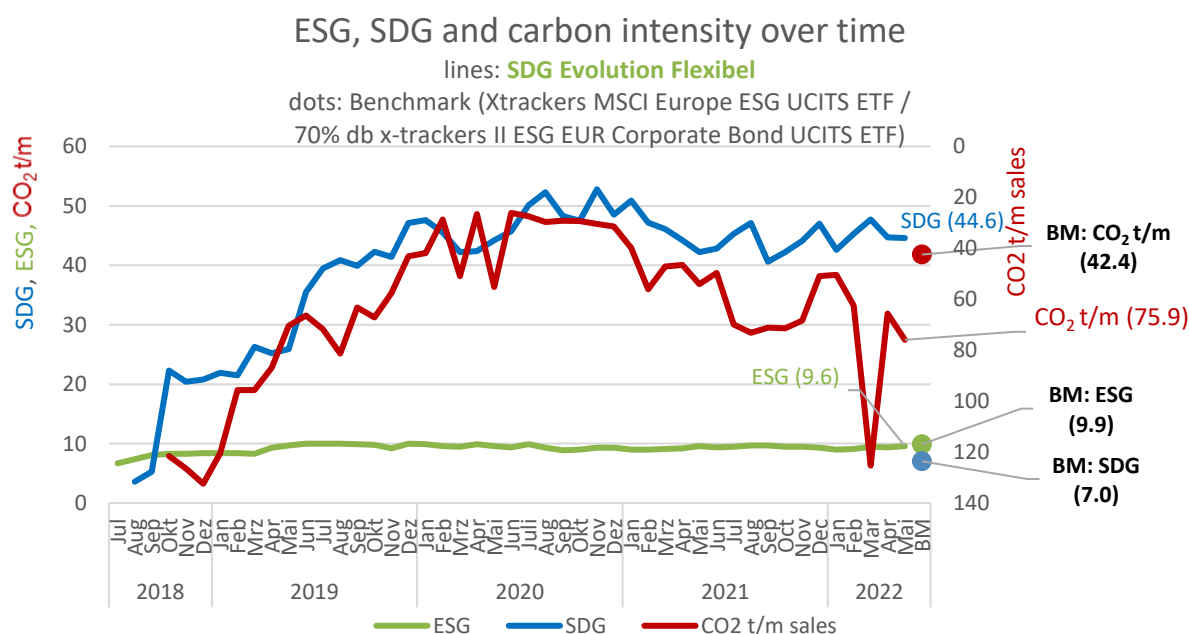
During May we reduced our equity exposure again by adding out of the money DAX put options.

We will also continue to reduce the exposure to climate risks while still excluding nuclear energy.

SDG EVOLUTION FLEXIBEL I (WKN: A1W9AZ)

In May, SDG Evolution Flexible I lost 2.8% due to rising yields and widening credit spreads. We unfortunately reduced our helpful interest rate hedges too quickly and too much in recent months. We now consider the yield level of selected IG corporate bonds attractive and invested in the 12 year Suez Green Bond and the 5 year Sandvik bond.

The SDG Evolution Flexibel achieves an overall ESG score of 9.6 (maximum 10). 10% of our positions got an ESG rating upgrade and none a downgrade. For E, we achieved a score of 7.1, for S 6, and for G 6.5. Carbon emissions, at 75.9 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: 26.1 t) as we focus more on transition and increased our holdings in industrial companies which actively reduce their emissions. The SDG score is 44.6 % (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, June 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	-1.26	-2.80								-3,09

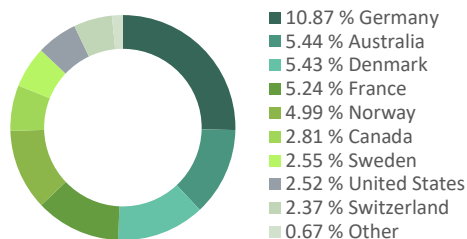
Source: Universal-Investment, May 31st, 2022

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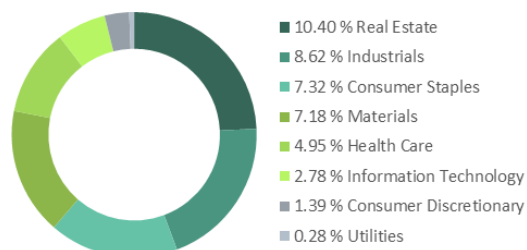
Portfolio statistics: as of May 31st, 2022 (Source: Universal Investment)

(net) Asset Allocation		Risk measurement		Bond Ratings		Top Equity Holdings
Equities	46.0% (13.5%)	Risk-return profile	4 (max.7)	AAA/AA	1.7%	FCR Immobilien
Bonds	52.7% (36.9%)	Vola / SharpeR 3 y	5.87 / -0.03	A	24.4%	Vestas Wind
Gold	0%	Ø Credit-Rating	BBB+	BBB	59.2%	Sims Ltd.
Cash	0.6%	(net) Interest duration	(3.87) 5,55	BB	3.3%	BioNTech
		Spread duration	5.56	NR	11.1%	Mowi ASA

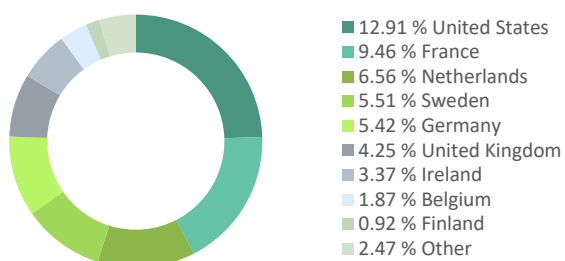
Equities by country



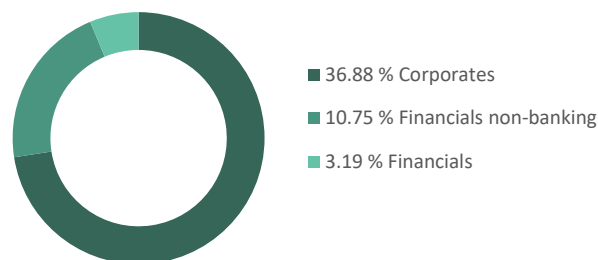
Equities by industry sectors



Fixed Income by country



Fixed Income by industry sectors



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

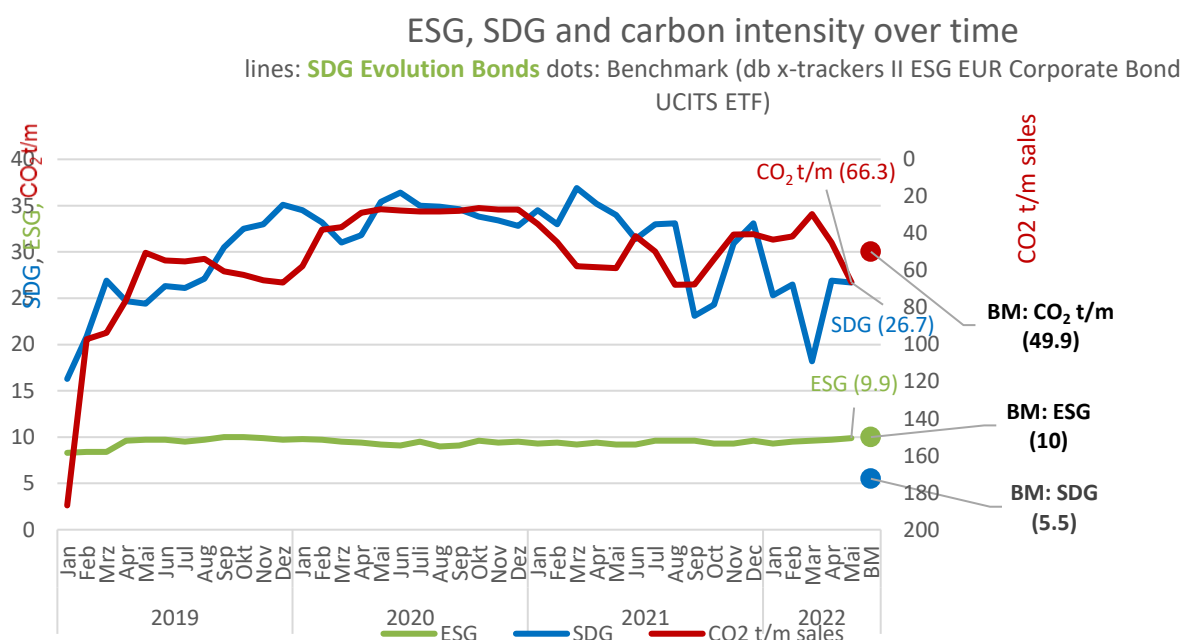
	WKN	ISIN	TER	AuM	Min. Investment
SDG Evolution Flexibel I	A1W9AZ	DE000A1W9AZ5	1.35%	8.1	100,000 EUR
SDG Evolution Flexibel R	A1W9AA	DE000A1W9AA8	1.63%	1.1	100 EUR

SDG EVOLUTION BONDS (WKN: A2AQZE)

In May, the value of our bond fund decreased by 2% driven by widening credit spreads and strongly increasing yields. We added the new issues as discussed before, sold companies with weaker PAIs.

The fund has a very high ESG score of 9.9 (max. 10). 16% of our positions received an ESG rating upgrade and none a downgrade. For E, we get 7.2 for S, 6.0, and for G 6.5. The SDG impact is 26.7. It is our priority to improve the impact further. The CO₂ emissions of the companies in the portfolio amount to 66.3 t CO₂ per million USD of sales (benchmark: db x-trackers II ESG EUR Corporate Bond (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, 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	-2.37	-2.04								-9.35

Source: Universal Investment, May 31st, 2022

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

Rating Distribution

AAA/AA	1.6 %
A	30.2%
BBB	62.0%
BB	0%
NR	6.2%

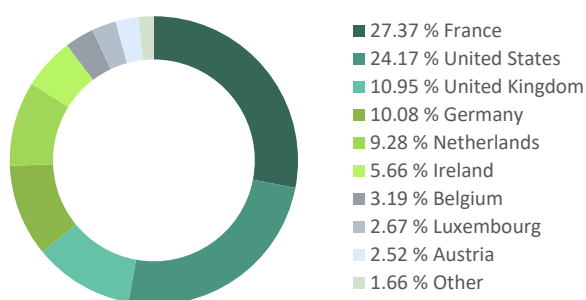
Risk measurements

Risk-return profile	3 (max. 7)
Vol. / SharpeR 3 y.	2.78% / -1.42
Ø Credit-Rating	BBB+
(net) Interest duration	(4.47) 6.20
Spread duration	6.24

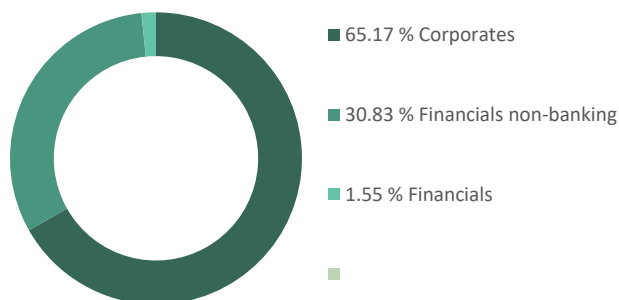
Top Holdings

Vestas Wind
 Gilead Sciences
 Pearson Funding
 Covivio
 Klépierre

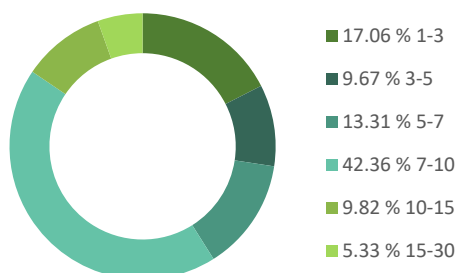
Fixed Income by country



Fixed Income by industry sectors



Fixed Income by maturity profile



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

	WKN	ISIN	TER	AuM	Min. Investment
SDG Evolution Bonds	A2AQZE	DE000A2AQZE9	1.17%	6.1	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 SDG Evolution Bonds 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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