

ESG PORTFOLIO MANAGEMENT

Report July 2022



Source: thedailybeast.com

Our biggest holding FCR Immobilien AG delivered excellent H1 results:

FFO up 35% and EBT plus 31%.

The rental income increased 32%, supported by successful acquisitions.

FCR Immobilien AG installs photovoltaic and geothermal plants in their properties and also invests in charging points for e-vehicles in their parking lots.

We hope that FCR will build another energy efficient student apartment housing like the project in Bamberg.

We are happy with the performance and see further potential.

FCR Immobilien AG share price since 7/31/21 (+50%)



Source: Bloomberg

A good month for our funds

J. Manchin agrees to climate deal!

Central banks finally fight inflation

OUR SUMMARY AND OUTLOOK

In July we experienced **record heat and fires** across the world. People suffer and we are losing more species.

Deloitte released research estimating unchecked climate change could cost **USD 178 trillion** in global economic losses in net present value terms to 2070.

(See: <https://www2.deloitte.com/content/dam/Deloitte/global/Documents/gx-global-turning-point-report.pdf>)

IPCC has informed us about reasons and consequences of climate change and effective mitigating actions.

(See: <https://www.ipcc.ch/report/ar6/wg3/>)

On July 27th Senate Majority Leader **Chuck Schumer** and Energy and Natural Resources Chair **Joe Manchin struck a long awaited deal** that includes \$369 billion in climate and clean energy policies.

What about building solar-powered desalination systems in California? Having enough water to extinguish fires, water orange plantations, replant forests – does this sound good?

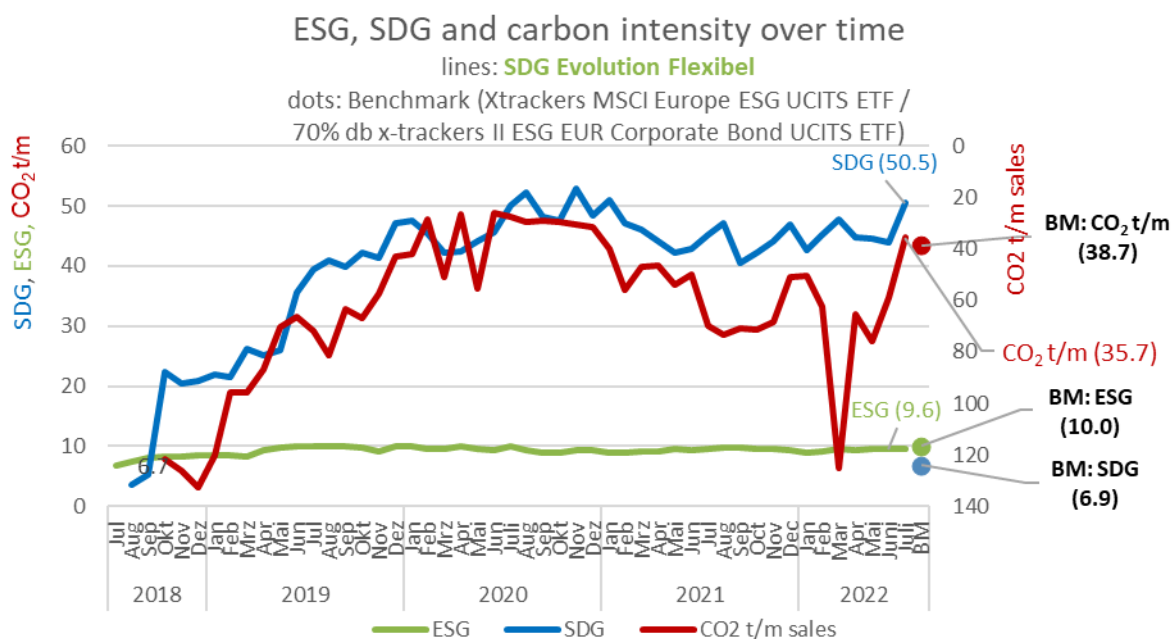
We increased our exposure to renewable energy again. The **EU taxonomy alignment** of our funds increased to **51%** for the SDG Evolution Flexibel and **44%** for the SDG Evolution Bonds. To bring these numbers into perspective: Out of 31,000 funds, only 7% have more than 10% "green returns" according to the EU taxonomy (Source: Clarity AI).

After the significant rate increases by central banks around the world, there is optimism that inflation can be controlled in the medium term. This has calmed bond markets and let to a decent price recovery, also for our corporate bonds.

SDG EVOLUTION FLEXIBEL I (WKN: A1W9AZ)

In July, SDG Evolution Flexible I gained 5.3% due to rising equities, lower yields and tighter credit spreads. We added SMA Solar, First Solar and Nordex. The new Aareal green bond tightened 90 Bp in ten days.

The SDG Evolution Flexibel achieves an overall ESG score of 9.6 (maximum 10). 11% of our positions got an ESG rating upgrade and none a downgrade. For E, we achieved a score of 7.2, for S 5.8, and for G 7.1. Carbon emissions, at 35.7 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: 38.7 t) as we focus more on transition and increased our holdings in industrial companies which actively reduce their emissions. The SDG score is 50.5 % (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, August 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	-2.41	5.26						-0.44

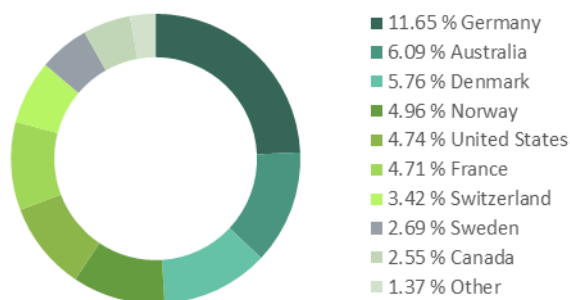
Source: Universal-Investment, July 29th, 2022

Portfolio statistics: as of July 29th, 2022 (Source: Universal Investment)

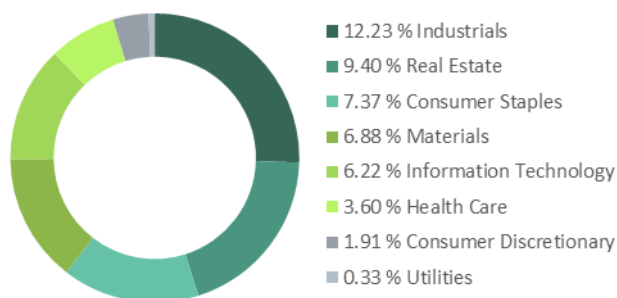
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(net) Asset Allocation		Risk measurement		Bond Ratings		Top Equity Holdings
Equities	50.5% (19.4%)	Risk-return profile	4 (max.7)	AAA/AA	0%	FCR Immobilien
Bonds	51.1% (36.4%)	Vola / SharpeR 3 y	6.23 / 0.18	A	33.2%	Sims Ltd.
Gold	0%	Ø Credit-Rating	BBB+	BBB	56.9%	Vestas Wind
Cash	-0.2%	(net) Interest duration	(2.69) 5,52	BB	3.0%	Amgen
		Spread duration	5.53	NR	6.9%	Edwards Lifescience

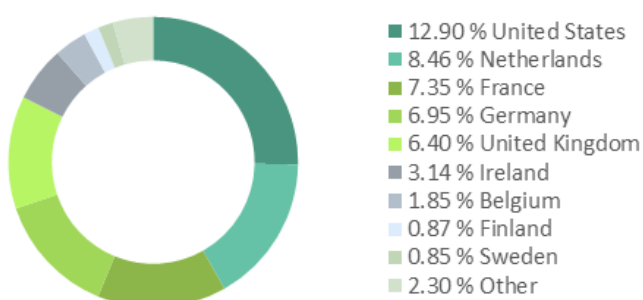
Equities by country



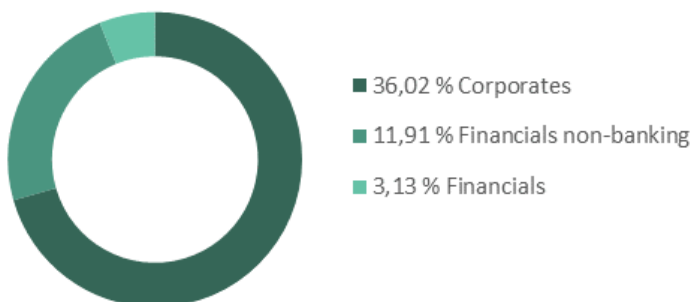
Equities by industry sectors



Fixed Income by country



Fixed Income by industry sectors



Product details: as of July 29th, 2022 (Source: Universal Investment)

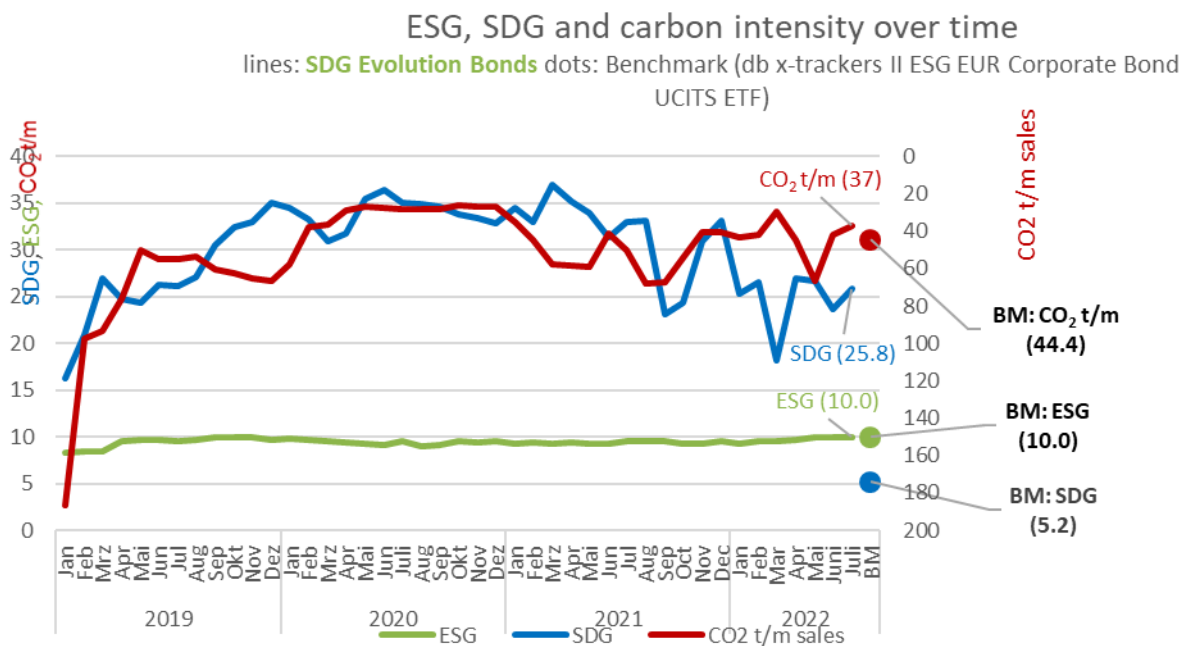
	WKN	ISIN	TER	AuM	Min. Investment
SDG Evolution Flexibel I	A1W9AZ	DE000A1W9AZ5	1.35%	8.3	100,000 EUR
SDG Evolution Flexibel R	A1W9AA	DE000A1W9AA8	1.63%	1.2	100 EUR

SDG EVOLUTION BONDS (WKN: A2AQZE)

In July, the value of our bond fund increased by 4% driven by tightening credit spreads and lower market yields. Now, we are happy that we added to interest and spread duration during the last weeks.

The fund has a very high ESG score of 10 (max. 10). 17% of our positions received an ESG rating upgrade and none a downgrade. For E, we get 7.1 for S, 6.0, and for G 7.2. The SDG impact is 25.8. We aim to improve the SDG impact. The CO₂ emissions of the companies in the portfolio amount to 37 t CO₂ per million USD of sales (benchmark: db x-trackers II ESG EUR Corporate Bond: 44.4 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, August 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	-3.60	4.04						-9.09

Source: Universal Investment, July 29th, 2022

Portfolio statistics: as of July 29th, 2022 (Source: Universal Investment)

Rating Distribution

AAA/AA	3.1 %
A	34.4%
BBB	54.7%
BB	0%
NR	7.7%

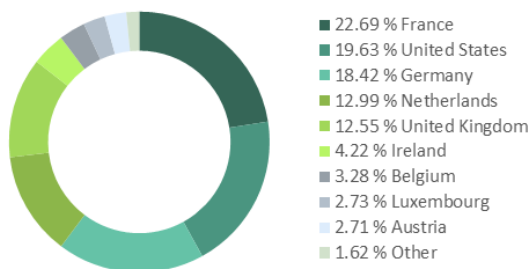
Risk measurements

Risk-return profile	3 (max. 7)
Vol. / SharpeR 3 y.	3.17% / -1.19
Ø Credit-Rating	A-
(net) Interest duration	(4.19) 6.08
Spread duration	5.88

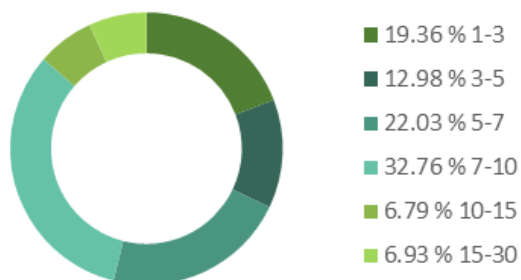
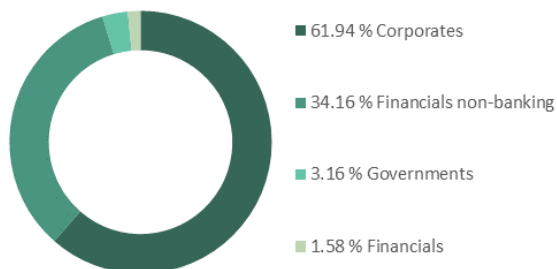
Top Holdings

Vestas Wind
 Pearson Funding
 Covivio
 Klépierre
 United Utility Water

Fixed Income by country



Fixed Income by industry sectors



Product details: as of July 29th, 2022 (Source: Universal Investment)

	WKN	ISIN	TER	AuM	Min. Investment
SDG Evolution Bonds	A2AQZE	DE000A2AQZE9	1.17%	6.0	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 causing a warming of less than 2 degrees. 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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