

# ESG PORTFOLIO MANAGEMENT

Report June 2023



Source: przyslijprzepis.pl/przepis/tort-kiwi



**ESG Portfolio Management receives the Sustainable Investment Award ESG Multi Asset Fund again after 2020.**

<https://www.environmental-finance.com/content/awards/sustainable-investment-awards-2023/winners/esg-multi-asset-fund-of-the-year-esg-portfolio-management.html>

## ESG Portfolio Management turns FIVE

### What we have learned

In June 2018, I founded ESG Portfolio Management with the mission to regularly achieve top scores in all relevant sustainability dimensions and to report transparently on the results and methods.

Without a strong team, these challenging tasks cannot be accomplished. Therefore, I would like to especially thank Dr. Linn Karstadt, Sina Zach, Frank Rothauge, Benedict Schiermeyer and our former employees Simon Zekarias, Lars Behl and Benedikt Brandl.

The participants of our advisory board are also very supportive. I would like to thank Prof. Edward Altman, Markus Buechter, Dr. Bob Buhr, Dr. Helmut Kaiser, Eveline Lemke, Dr. Altfried Lütkenhaus, Christoph Michel, Lara Obst, Dr. Kim Schumacher, Paresh Sheth and Paul Smith.

Our business partners provide valuable work: AHP Capital, Baader Bank AG, Donner & Reuschel, Statestreet, Deloitte, Universal Investment and Inglosus Foundation.

Without valuable research, our results would not be possible. We would like to thank the experts at Clarity AI, ESG Screen 17, MSCI ESG, right. based on science, Moody's Analytics, Bloomberg and Syenah.

In particular, I would like to thank our investors for their trust and remain.

Yours sincerely

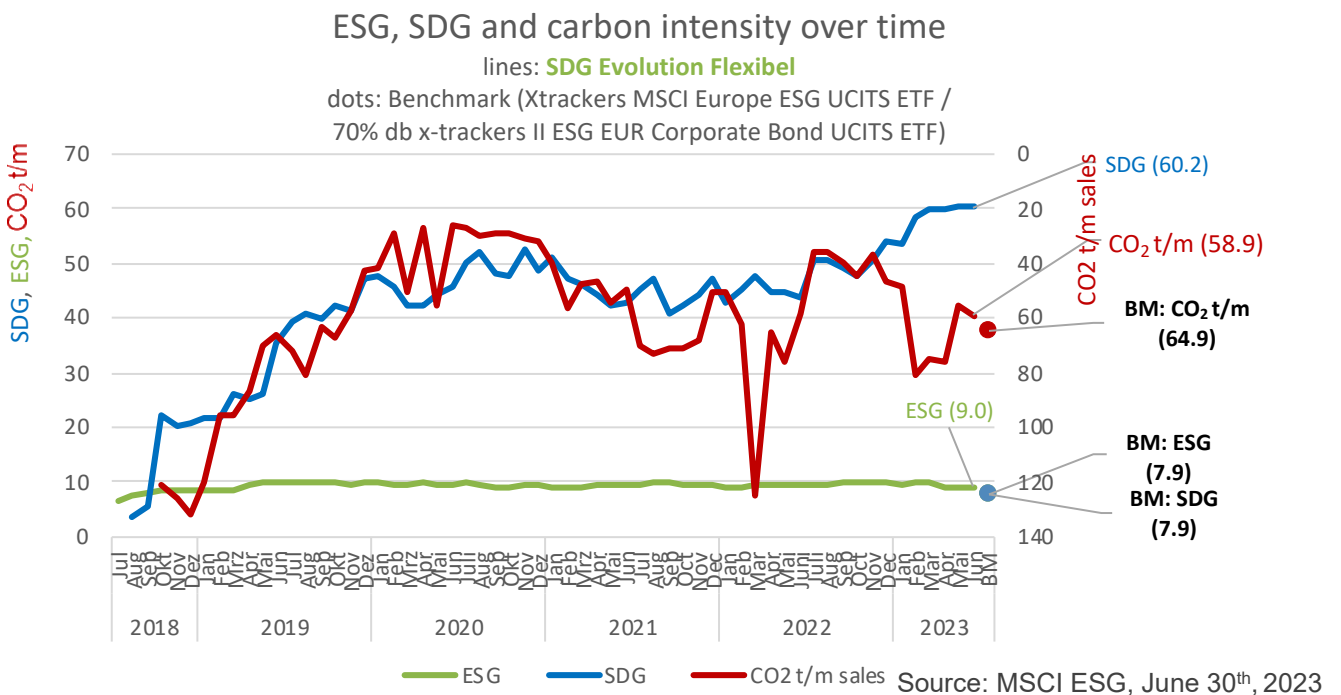


We have learned not to invest in illiquid "impact" bonds in the future. These have been very detrimental to the performance of our funds. We will also use portfolio hedges more selectively. The DAX puts we bought before the attack on Ukraine significantly reduced losses in 2022. In 2023, however, these hedges have so far cost performance.

## SDG EVOLUTION FLEXIBEL I (WKN: A1W9AZ)

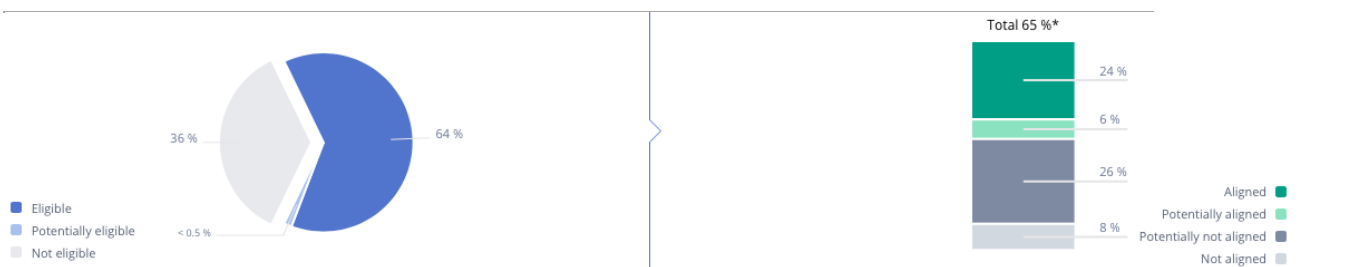
In June, the share price fell due to the weak performance of some stocks such as Vestas, which suffered from Siemens Energy's figures, and our salmon farms Grieg and Mowi. Hedging via DAX put options again did not help us as the DAX managed to stay close to its highs despite multiple risks. The increasing inversion of the yield curve also cost performance in June.

The SDG Evolution Flexibel achieves an overall ESG score of 9.0 (maximum 10). 9.5% of our positions got an ESG rating upgrade and none a downgrade. For E, we achieved a score of 7.4, for S 5.6, and for G 7.1. Carbon emissions, at 58.9 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: 64.9 t) as we focus more on transition and increased our holdings in industrial companies which actively reduce their emissions. The SDG score is 60.2 % (source: MSCI ESG). The graph presents the fund's ESG quality, SDG impact, and carbon emissions over time. The dots represent current benchmark data:



## EU Taxonomy Alignment

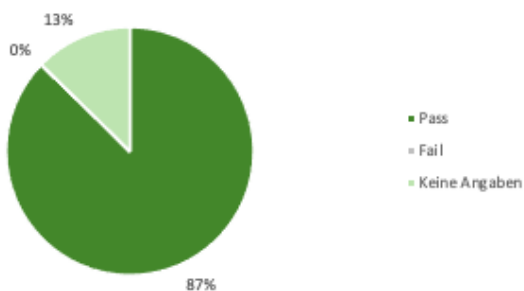
Company	Eligible	Aligned
Clarity AI	64%	24%
MSCI ESG Data	59%	52%



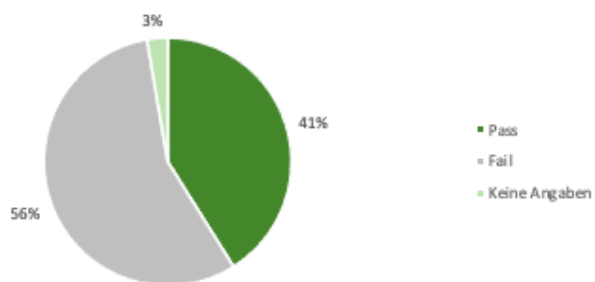
Source: Clarity AI, June 30<sup>th</sup>, 2023

## MSCI EU SUSTAINABLE INVESTMENT SCREENING

SDG Flexibel - MSCI EU Sustainable Investment Screening



Benchmark SDG Flexibel - MSCI EU Sustainable Investment Screening



Source: MSCI ESG, June 30th 2023

## PRINCIPLE ADVERSE IMPACT INDICATORS (PAIS)

[Expand all](#) [Close all](#)

Categories ▾

	Coverage	Total	Units
	SFDR profile	SFDR profile	SFDR profile
<b>COMPANIES</b> Calculated from 34 out of 34	-	-	-
<b>Environmental</b>	-	-	-
<b>M1 - Total GHG emissions</b>	98.99 %	11,114.39	tons CO2e
M1.1 - Scope 1 GHG emissions	98.99 %	2,597.24	tons CO2e
M1.2 - Scope 2 GHG emissions	98.99 %	18.49	tons CO2e
M1.3 - Scope 3 GHG emissions	98.99 %	8,487.73	tons CO2e
<b>M2 - Carbon footprint</b>	98.99 %	3,144.14	tons CO2e / EUR...
<b>M3 - GHG intensity of investee companies</b>	98.99 %	11,311.81	tons CO2e / EUR...
<b>M4 - Exposure to companies active in the fossil fuel sector</b>	80.48 %	0.00	%
<b>M5 - Share of non-renewable energy consumption and production</b>	0.00 %	-	-
M5.1 - Share of non-renewable energy consumption	84.37 %	60.95	%
M5.2 - Share of non-renewable energy production	100.00 %	1.37	%
<b>M6 - Energy consumption intensity per high impact climate sector</b>	93.36 %	0.15	GWh / EUR M re...
M6.1 - Energy consumption intensity per high impact climate sector A	100.00 %	6.06	GWh / EUR M re...
M6.2 - Energy consumption intensity per high impact climate sector B	100.00 %	0.14	GWh / EUR M re...
M6.3 - Energy consumption intensity per high impact climate sector C	87.87 %	0.09	GWh / EUR M re...
M6.4 - Energy consumption intensity per high impact climate sector D	100.00 %	0.29	GWh / EUR M re...
M6.9 - Energy consumption intensity per high impact climate sector L	100.00 %	0.17	GWh / EUR M re...
<b>M7 - Activities negatively affecting biodiversity sensitive areas</b>	87.41 %	0.00	%
<b>M8 - Emissions to water</b>	3.21 %	0.01	tons / EUR M in...
<b>M9 - Hazardous waste</b>	83.64 %	0.20	tons / EUR M in...
<b>Social</b>	-	-	-
M10 - Violations of UN Global Compact principles and OECD Guidelines for Multinational Enterprises	87.41 %	0.00	%
M11 - Lack of processes and compliance mechanisms to monitor compliance with UNGC and OECD-GME	87.20 %	0.00	%
M12 - Unadjusted gender pay gap	37.13 %	5.41	%
M13 - Board gender diversity	92.06 %	38.92	%
M14 - Exposure to controversial weapons	80.48 %	0.00	%

Source: Clarity AI, June 30th 2023

## 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	0.55	-6.34	-3.21	3.28	-1.60	-7.77
2023	3.82	-2.01	1.31	-1.51	-1.78	-2.52							-2.80

Source: Universal-Investment, June 30<sup>th</sup>, 2023

### Portfolio statistics: as of June 30<sup>th</sup>, 2023 (Source: Universal Investment)

(net) Asset Allocation		Risk measurement		Bond Ratings		Top Equity Holdings	
Equities	38.7% (20.6%)	Risk-indicator	3 (max.7)	AAA/AA	5.1%	FCR Immobilien	
Bonds	55.0% (45.6%)	Vola / SharpeR 3 y	6.30 / -0.48	A	18.4%	SMA Solar	
Gold	0%	Ø Credit-Rating	BBB+	BBB	69.5%	Sims Ltd.	
Cash	4.8%	(net) Interest duration	(3.21) 4,58	BB	0.0%	Vestas Wind	
		Spread duration	4.63	NR	7.0%	Sunrun Inc.	

#### Equities by country



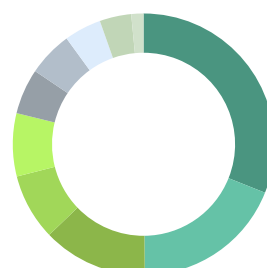
10.87 %	Germany
5.40 %	Denmark
4.76 %	United States
4.48 %	Australia
4.10 %	France
2.49 %	Canada
2.41 %	Sweden
2.06 %	Norway
1.20 %	Netherlands
1.01 %	Other

#### Equities by industry sector



11.97 %	Industrials
8.43 %	Real Estate
5.57 %	Materials
5.21 %	Information Technology
2.56 %	Utilities
2.06 %	Consumer Staples
1.61 %	Health Care
1.33 %	Consumer Discretionary
0.04 %	Others

#### Fixed Income by country



17.08 %	United States
10.35 %	France
7.14 %	Netherlands
4.52 %	Belgium
4.29 %	Spain
3.09 %	United Kingdom
3.05 %	Norway
2.53 %	Sweden
2.15 %	Austria
0.83 %	Other

#### Fixed Income by industry sector



43.24 %	Corporates
11.78 %	Financials non-banking

### Product details: as of June 30<sup>th</sup>, 2023 (Source: Universal Investment)

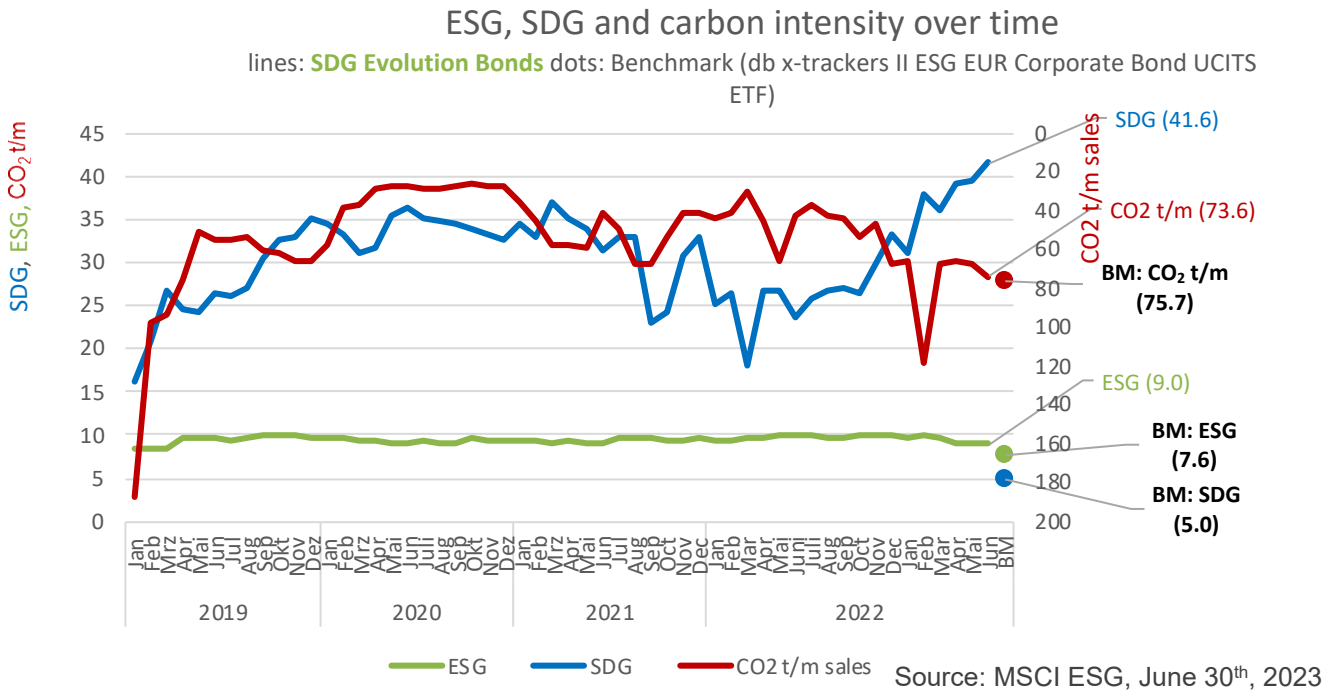
	WKN	ISIN	TER	AuM	Min. Investment
SDG Evolution Flexibel I	A1W9AZ	DE000A1W9AZ5	1.49%	4.4	100,000 EUR
SDG Evolution Flexibel R	A1W9AA	DE000A1W9AA8	2.22%	1.2	100 EUR

## SDG EVOLUTION BONDS (WKN: A2AQZE)

In June, the value of our bond fund fell by 1.3%. Again, the main reason was the increasing inversion of the yield curve. The reduction in the interest rate duration of our portfolio of corporate bonds with 10-year bond futures had a negative impact on performance.

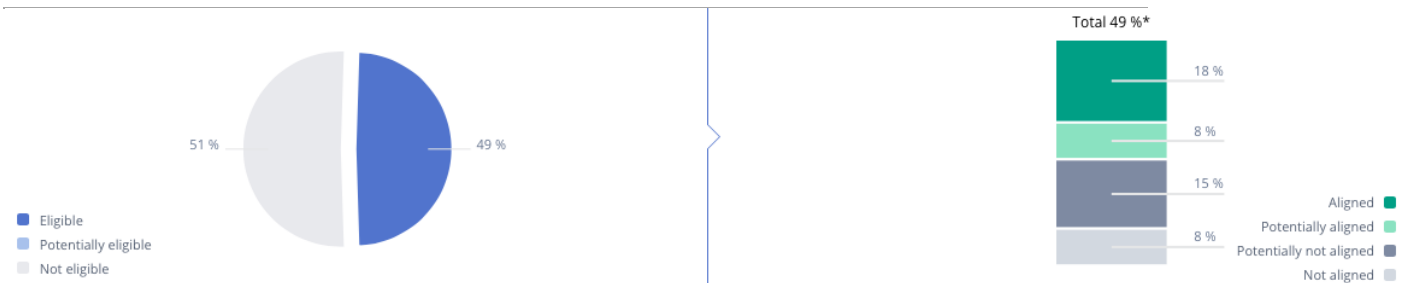
The fund has a high ESG score of 9.0 (max. 10). 3.8% of our positions received an ESG rating upgrade and none a downgrade. For E, we get 7.5 for S, 5.6, and for G 7.0. The SDG impact is 41.6 with the highest exposure to renewable energy. The CO<sub>2</sub> emissions of the companies in the portfolio amount to 73.6 t CO<sub>2</sub> per mio. USD of sales (benchmark: db x-trackers II ESG EUR Corporate Bond: 75.7 t) (source: MSCI ESG).

The following chart shows the fund's performance in terms of ESG quality, SDG impact, and CO<sub>2</sub> emissions:



## EU Taxonomy Alignment EU TAXONOMY ALIGNMENT

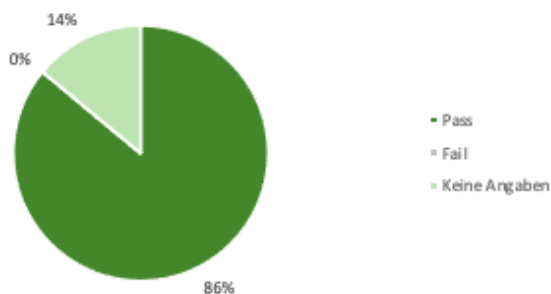
Company	Eligible	Aligned
Clarity AI	49%	18%
MSCI ESG Data	54%	39%



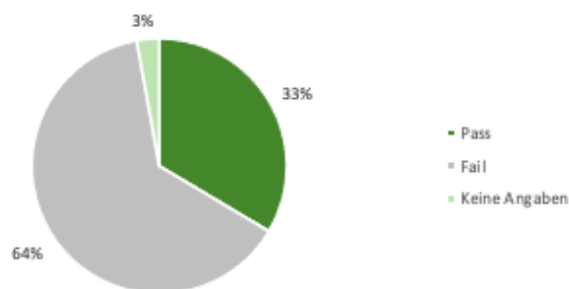
Source: Clarity AI, June 30<sup>th</sup>, 2023

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SDG Bonds - MSCI EU Sustainable Investment Screening



Benchmark SDG Bonds - MSCI EU Sustainable Investment Screening



Source: MSCI ESG, June 30<sup>th</sup>, 2023

## PRINCIPLE ADVERSE IMPACT INDICATORS (PAIS)

[Expand all](#) [Close all](#)

Categories

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<b>Social</b>	-	-	-
M10 - Violations of UN Global Compact principles and OECD Guidelines for Multinational Enterprises	87.41 %	0.00	%
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M14 - Exposure to controversial weapons	80.48 %	0.00	%

Source: Clarity AI, June 30th 2023

## 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	-3.14	-3.39	-3.20	2.97	-1.55	-16.52
2023	1.86	-1.91	0.82	0.36	-0.65	-1.32							-0.89

Source: Universal Investment, June 30<sup>th</sup>, 2023

### Portfolio statistics: as of June 30th, 2023 (Source: Universal Investment)

#### Rating Distribution

AAA/AA	7.0 %
A	23.4%
BBB	60.9%
BB	0%
NR	8.6%

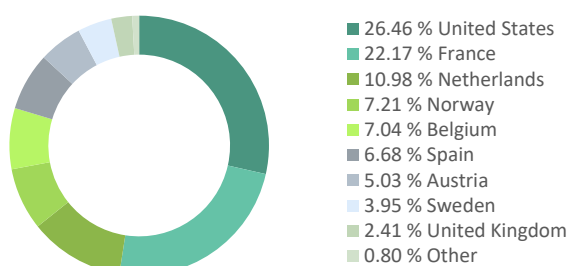
#### Risk measurements

Risk-category	2 (max. 7)
Vol. / SharpeR 3 y.	3.75% / -1.81
Ø Credit-Rating	BBB+
(net) Interest duration	(3.61) 4.93
Spread duration	4.97

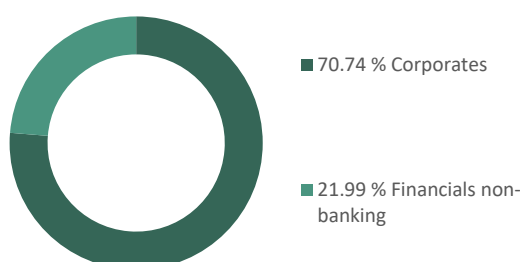
#### Top Holdings

Vestas Wind
Covivio
Gecina
Verbund
Mowi ASA

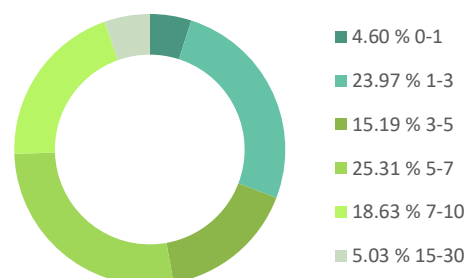
### Fixed Income by country



### Fixed Income by industry sectors



### Fixed Income by maturity profile



### Product details: as of June 30<sup>th</sup>, 2023 (Source: Universal Investment)

	WKN	ISIN	TER	AuM	Min. Investment
SDG Evolution Bonds	A2AQZE	DE000A2AQZE9	0.96%	4.1	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 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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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.

ESG Portfolio Management GmbH, headquartered in Frankfurt am Main, is an owner-managed company with core competence in bank-independent advice on capital market products. It develops tailor-made solutions for professional investors in order to generate sustainably adequate income despite rather low risk budgets. ESG Portfolio Management is initiator and advisor to the funds SDG Evolution Flexibel and SDG Evolution Bonds.

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#### **ESG Portfolio Management GmbH**

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