

ESG PORTFOLIO MANAGEMENT

Report May 2023



Source: THEWEEK



We welcome Dr. Helmut Kaiser as a member of the Advisory Board

Dr. Helmut Kaiser is an independent advisor on capital market issues and Managing Director of Kaiser Financial Consulting. Until November 2022, he was Chief Investment Strategist of Deutsche Bank AG for twenty years and previously Head of Fixed Income Research. He holds a PhD in applied economics from Goethe University Frankfurt and the London School of Economics.

US default seems avoidable

Weak growth in China

Inflation continues to fall

Several meetings between U.S. President Biden and Republican Speaker McCarthy took place in May. The increase in the federal debt limit is necessary to prevent a default. The U.S. Treasury could run out of money as early as June 5.

A default would trigger sharp falls on international stock markets but also hit those receiving government salaries and pensions in the US.

Republican Kevin McCarthy had to make concessions to hardliners in his party to win the election for Speaker. Therefore, we see a small risk of a failure of the votes in Congress and the Senate. Therefore, we are holding hedges via equity puts.

The latest growth figures in China disappointed. This also brought back concerns regarding highly indebted Chinese real estate companies.

The unemployment rate for 16- to 24-year-olds in China has risen to over 20 percent. Even university graduates are having trouble finding jobs. This is also putting pressure on consumer confidence.

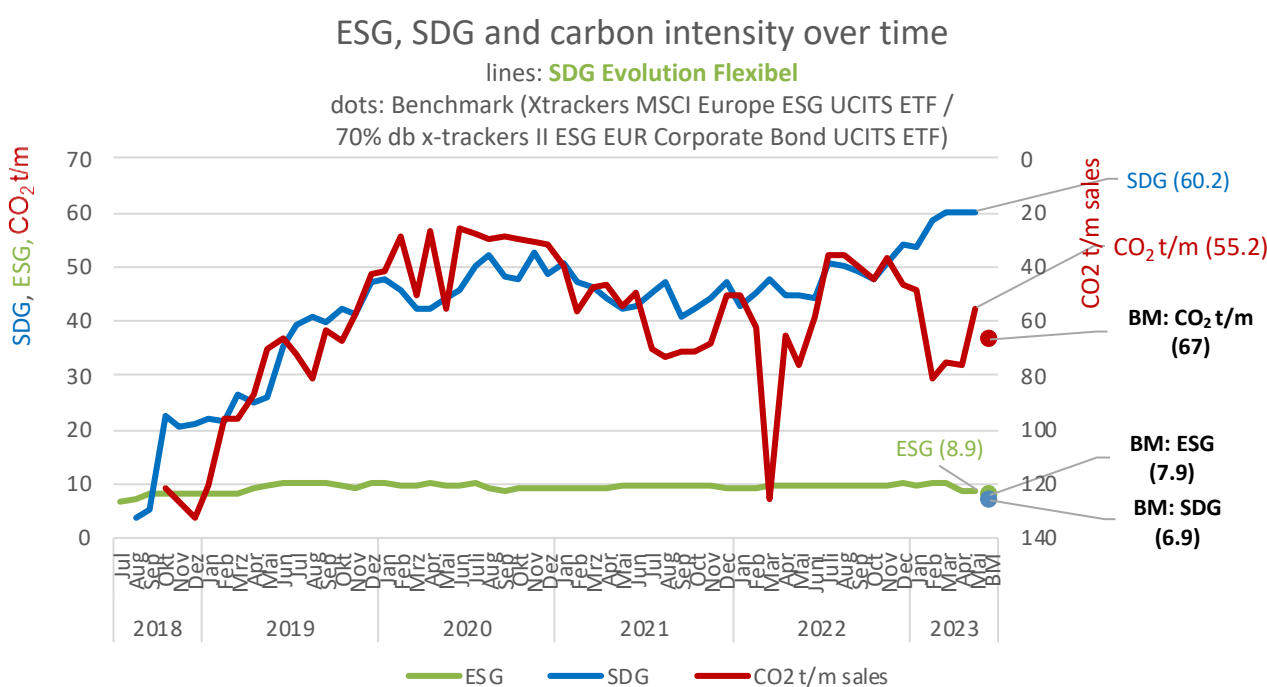
Inflation rates around the world continue to fall, although they are still a long way from the 2 percent target. As a result, government bond markets have eased slightly. By contrast, credit spreads on corporate bonds widened in May.

We continue to see corporate bonds with good credit ratings and medium maturities as attractive. Our SDG Evolution Bonds fund currently has an average credit rating of A-, a net interest duration of 3.87 and offers a current yield of 4.54%. We like to invest in attractive new issues, with a preference for green bonds.

SDG EVOLUTION FLEXIBEL I (WKN: A1W9AZ)

In May, the unit price of SDG Evolution Flexible I fell by 1.8% due to the weak performance of some stocks in the renewable energy sector and widening credit spreads. As already described, we have increased the positions of our stock index put options and will reduce them in weak market phases.

The SDG Evolution Flexibel achieves an overall ESG score of 8.9 (maximum 10). 12.5% of our positions got an ESG rating upgrade and none a downgrade. For E, we achieved a score of 7.2, for S 5.7, and for G 7.0. Carbon emissions, at 55.2t CO₂ per USD million of sales are below the benchmark (30% Xtrackers MSCI Europe ESG UCITS ETF / 70% db x-trackers II ESG EUR Corporate Bond UCITS ETF: 67.0t) 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:



PERFORMANCE

Source: MSCI ESG, April 28th, 2023

Monthly Returns (in %):

ESG Portfolio management advises since July 2018 (green fields)

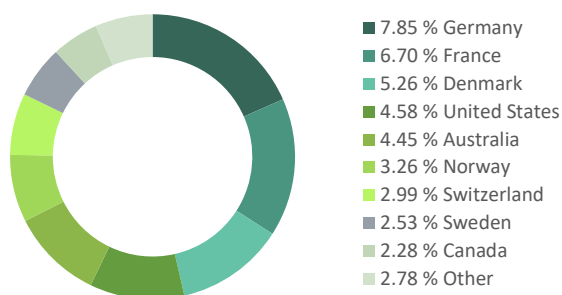
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dez	YTD
2014			-0.48	0.75	0.68	-0.05	-0.25	1.08	0.30	-1.30	2.11	-1.20	1.60
2015	3.23	2.58	0.63	-0.49	-0.38	-2.49	1.52	-4.97	-1.13	4.00	1.90	-1.86	2.19
2016	-3.02	-2.12	1.21	-0.19	-0.17	-1.83	0.64	0.50	-0.47	-0.37	-0.93	1.41	-5.32
2017	0.16	1.13	1.51	0.85	0.28	-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								-0.29

Source: Universal-Investment, May 31st, 2023

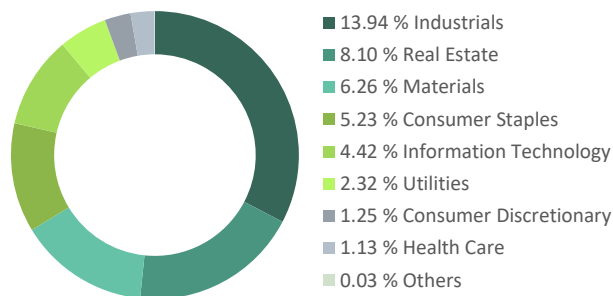
Portfolio statistics: as of May 31st, 2023 (Source: Universal Investment)

(net) Asset Allocation		Risk measurement		Bond Ratings		Top Equity Holdings
Equities	42.6% (0%)	Risk-indicator	3 (max.7)	AAA/AA	5.4%	Sims Ltd.
Bonds	52.1% (45.9%)	Vola / SharpeR 3 y	6.35 / -0.17	A	14.1%	FCR Immobilien
Gold	0%	Ø Credit-Rating	BBB+	BBB	74.7%	Vestas Wind
Cash	2.6%	(net) Interest duration	(3.56) 4.53	BB	1.9%	SMA Solar
		Spread duration	4.45	NR	5.0%	Schneider Electric

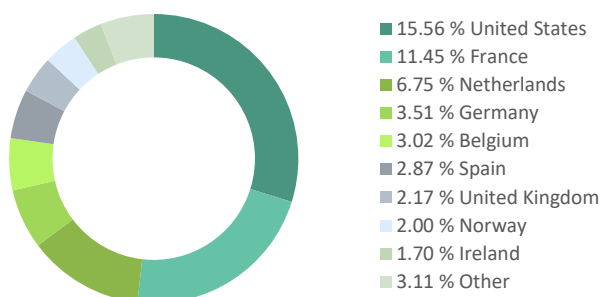
Equities by country



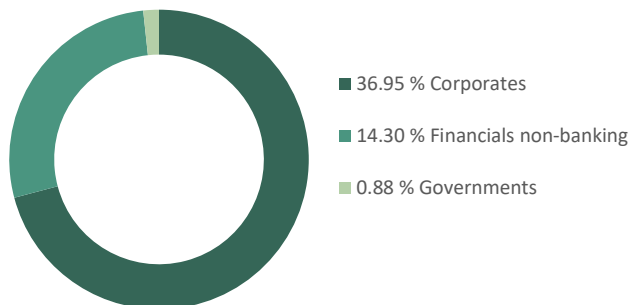
Equities by industry sector



Fixed Income by country



Fixed Income by industry sector



Product details: as of May 31st, 2023 (Source: Universal Investment)

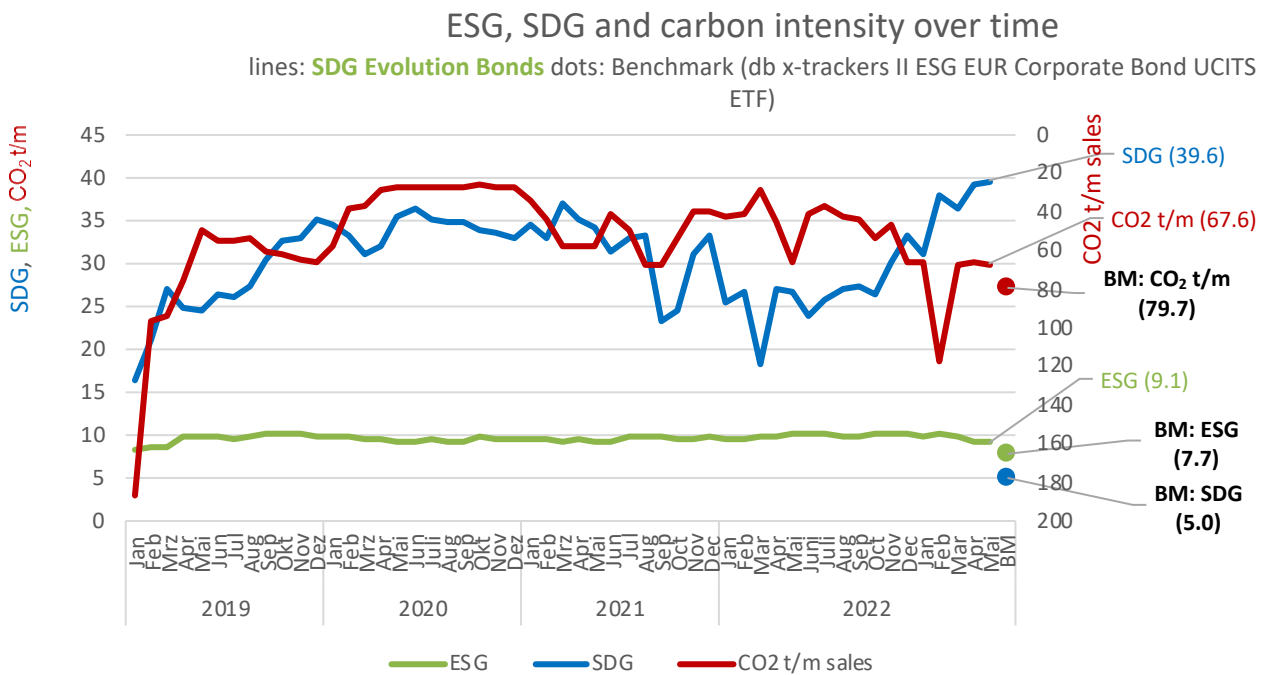
	WKN	ISIN	TER	AuM	Min. Investment
SDG Evolution Flexibel I	A1W9AZ	DE000A1W9AZ5	1.49%	7.5	100,000 EUR
SDG Evolution Flexibel R	A1W9AA	DE000A1W9AA8	2.22%	1.2	100 EUR

SDG EVOLUTION BONDS (WKN: A2AQZE)

In May, the value of our bond fund decreased by 0.7% due to widening credit spreads.

The fund has a high ESG score of 9.1 (max. 10). 6.7% of our positions received an ESG rating upgrade and none a downgrade. For E, we get 7.3 for S, 6.0, and for G 7.0. The SDG impact is 39.6 with the highest exposure to renewable energy. The CO₂ emissions of the companies in the portfolio amount to 67.6t CO₂ per mio. USD of sales (benchmark: db x-trackers II ESG EUR Corporate Bond: 79.7t) (source: MSCI ESG).

The following chart shows the fund's performance in terms of ESG quality, SDG impact, and CO₂ emissions:



Source: MSCI ESG, May 31st, 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								0.43

Source: Universal Investment, May 31st, 2023

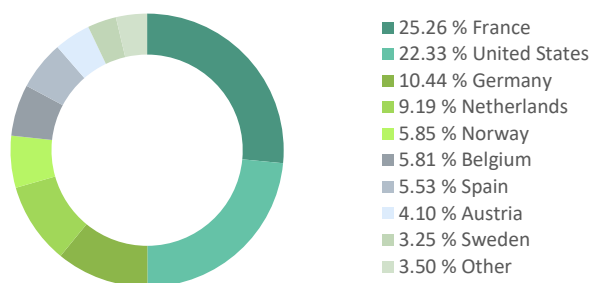
Portfolio statistics: as of May 31st, 2023 (Source: Universal Investment)

Rating Distribution	
AAA/AA	11.2 %
A	22.4%
BBB	58.9%
BB	0%
NR	7.6%

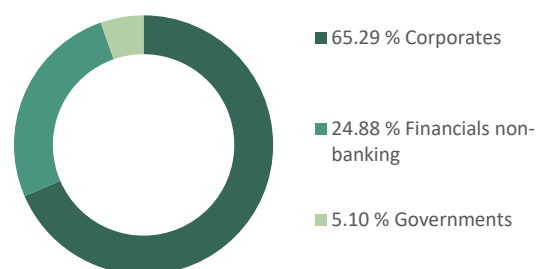
Risk measurements	
Risk-category	2 (max. 7)
Vol. / SharpeR 3 y.	3.74% / -1.54
Ø Credit-Rating	A-
(net) Interest duration	(3.87) 5.12
Spread duration	4.78

Top Holdings
Vestas Wind
Bundesrep. Deutschland
Covivio
Klépierre
Gecina

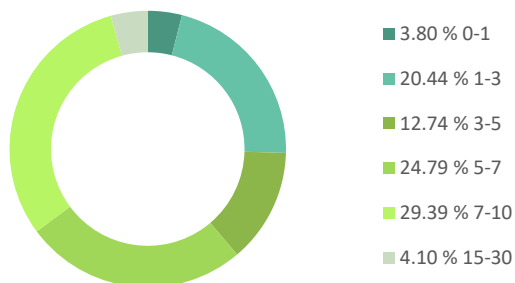
Fixed Income by country



Fixed Income by industry sectors



Fixed Income by maturity profile



Product details: as of May 31st, 2023 (Source: Universal Investment)

	WKN	ISIN	TER	AuM	Min. Investment
SDG Evolution Bonds	A2AQZE	DE000A2AQZE9	0.96%	5.2	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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