

ESG PORTFOLIO MANAGEMENT

Report September 2023



10-year BUND yields since September 2013
Source: Bloomberg



Konstantinos Passias and Max Vollmann

Photos: private

Konstantinos Passias graduated with a Bachelor of Science in Real Estate Management from the Nürtingen-Geislingen University of Applied Sciences and is now studying in a Master's program in Environmental Protection.

Max Vollmann completed an apprenticeship as an industrial clerk at Uniper and is currently studying in a Bachelor of Science program in Business at the Maastricht University School of Business and Economics.

Rising yields depress prices

Inflation rates start to fall

We welcome two new working students

Even though the ECB and the Fed did not raise key interest rates recently, their goal of fighting inflation remains the top priority. Market participants should not hope for future interest rate cuts too early.

These statements, combined with a recent sharp rise in oil prices, led to a significant increase in yields. This in turn triggered a significant correction in global equity and bond markets.

By using equity put options and interest rate derivatives, we were able to comparatively reduce but not avoid losses in our funds in September. We now consider current yield levels attractive and have unwound interest rate hedges at the end of the month. As we expect inflation to decline, we intend to slowly increase our duration in the funds via investments in carefully selected sustainable corporate bonds.

Our Article 9 funds invest with a higher weighting in renewable energy companies. These have significantly underperformed YTD - partly caused by cost increases squeezing their profits, partly also by significant political headwinds in the US.

We believe renewables are essential and the problems highlighted are temporary. Therefore, we maintain our overweight and expect share price recoveries.

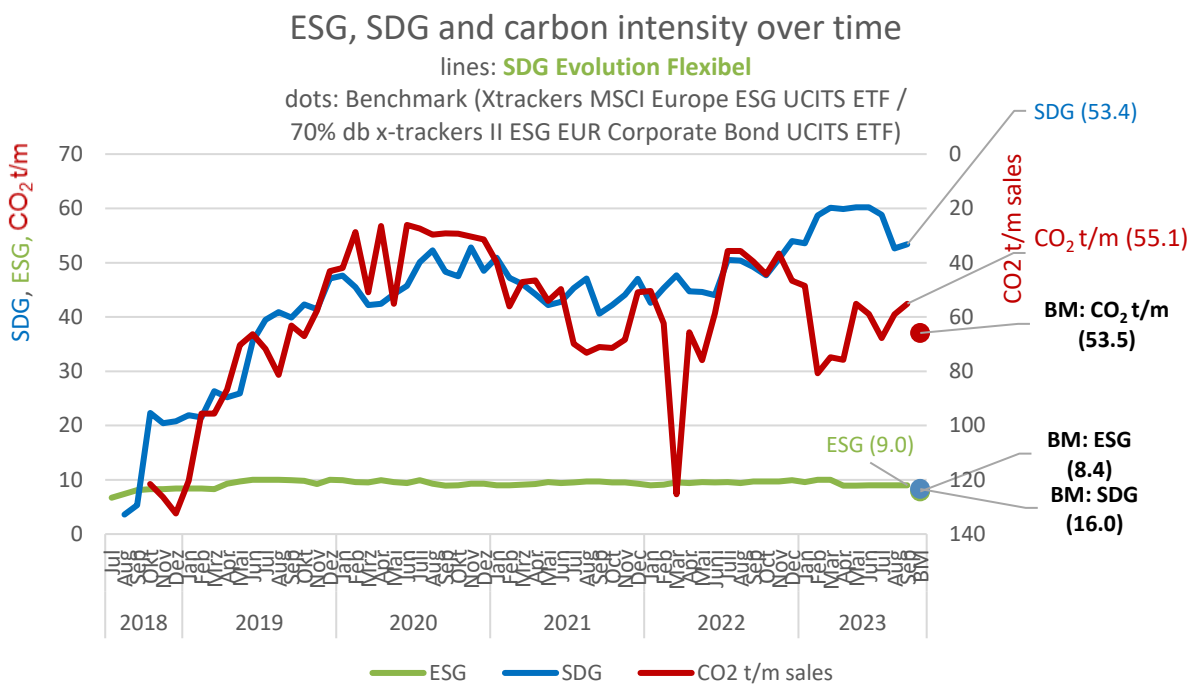
You can obtain our funds from any good bank and via the stock exchanges in Düsseldorf, Hamburg and Stuttgart. For the funds SDG Evolution Flexibel R (WKN: A1W9AA) and SDG Evolution Bonds (WKN: A2AQZE) a single share can be purchased. Both funds are eligible for savings plans.

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SDG EVOLUTION FLEXIBEL I (WKN: A1W9AZ)

In September, the share price fell by 2.52% due to weak equity markets. While some stocks like Grieg Seafood performed well, there were setbacks for Sims, Vestas, SMA Solar, and Ballard. Hedging via DAX put options helped reduce losses in September.

The SDG Evolution Flexibel achieves an overall ESG score of 9.0 (maximum 10). 9.8% of our positions got an ESG rating upgrade and 4.9% an downgrade. For E, we achieved a score of 7.2, for S 5.7, and for G 7.0. Carbon emissions, at 55.1 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: 53.5 t) as we focus more on transition and increased our holdings in industrial companies which actively reduce their emissions. The SDG score is 52.6 % (source: MSCI ESG). The graph presents the fund's ESG quality, SDG impact, and carbon emissions over time. The dots represent current benchmark data:



EU Taxonomy Alignment

Source: MSCI ESG, September 30th, 2023

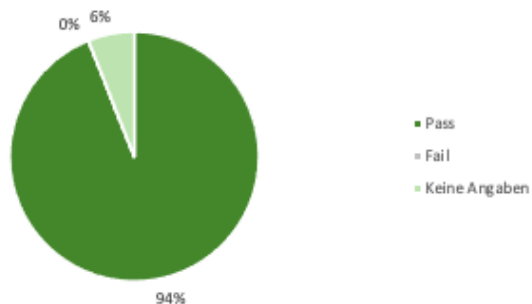
Company	Eligible	Aligned
Clarity AI	55%	22%
MSCI ESG Data	59%	49%



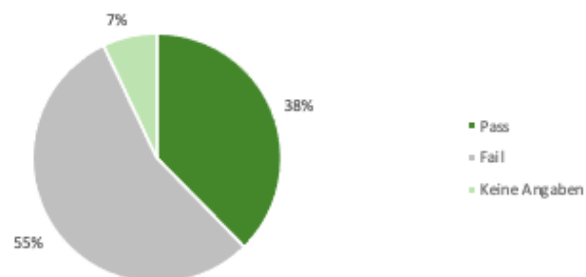
Source: Clarity AI, September 30th, 2023

MSCI EU SUSTAINABLE INVESTMENT SCREENING

SDG Flexibel - MSCI EU Sustainable Investment Screening



Benchmark SDG Flexibel - MSCI EU Sustainable Investment Screening



Source: MSCI ESG, September 30th 2023

PRINCIPLE ADVERSE IMPACT INDICATORS (PAIS)

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

Categories

	Coverage SFDR profile	Total SFDR profile	Units SFDR profile
COMPANIES Calculated from 34 out of 34	-	-	-
Environmental	-	-	-
M1 - Total GHG emissions	98.38 %	< 0.01	tonne CO2e
M1.1 - Scope 1 GHG emissions	98.38 %	< 0.01	tonne CO2e
M1.2 - Scope 2 GHG emissions	98.38 %	< 0.01	tonne CO2e
M1.3 - Scope 3 GHG emissions	98.38 %	< 0.01	tonne CO2e
M2 - Carbon footprint	98.38 %	2,058.65	tonne CO2e / E...
M3 - GHG intensity of investee companies	98.38 %	2,547.10	tonne CO2e / E...
M4 - Exposure to companies active in the fossil fuel sector	81.53 %	0.00 %	%
M5 - Share of non-renewable energy consumption and production	0.00 %	-	-
M5.1 - Share of non-renewable energy consumption	85.69 %	65.79 %	%
M5.2 - Share of non-renewable energy production	58.64 %	2.19 %	%
M6 - Energy consumption intensity per high impact climate sector	100.00 %	0.29	GWh / EUR M re...
M6.1 - Energy consumption intensity per high impact climate sector A	100.00 %	5.19	GWh / EUR M re...
M6.2 - Energy consumption intensity per high impact climate sector B	100.00 %	0.07	GWh / EUR M re...
M6.3 - Energy consumption intensity per high impact climate sector C	100.00 %	0.14	GWh / EUR M re...
M6.4 - Energy consumption intensity per high impact climate sector D	100.00 %	0.20	GWh / EUR M re...
M6.9 - Energy consumption intensity per high impact climate sector L	100.00 %	0.31	GWh / EUR M re...
M7 - Activities negatively affecting biodiversity sensitive areas	86.19 %	0.00 %	%
M8 - Emissions to water	4.52 %	< 0.01	tonne / EUR M i...
M9 - Hazardous waste	98.38 %	6.58	tonne / EUR M i...
Social	-	-	-
M10 - Violations of UN Global Compact principles and OECD Guidelines for Multinational Enterprises	86.19 %	0.00 %	%
M11 - Lack of processes and compliance mechanisms to monitor compliance with UNGC and OECD-GME	90.60 %	0.00 %	%
M12 - Unadjusted gender pay gap	42.33 %	4.71 %	%
M13 - Board gender diversity	90.60 %	40.05 %	%
M14 - Exposure to controversial weapons	87.93 %	0.00 %	%

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	-0.53	-1.91	-2.52				-7.55

Source: Universal-Investment, September 30th, 2023

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

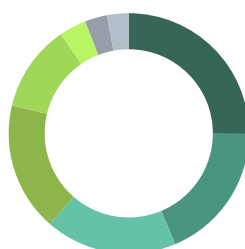
(net) Asset Allocation		Risk measurement		Bond Ratings		Top Equity Holdings	
Equities	44.2% (18.5%)	Risk-indicator	3 (max.7)	AAA/AA	0.0%	FCR Immobilien	
Bonds	58.0% (58.0%)	Vola / SharpeR 3 y	6.38 / -0.80	A	26.6%	SMA Solar	
Gold	0%	Ø Credit-Rating	BBB+	BBB	59.8%	Sims Ltd.	
Cash	-2.0%	(net) Interest duration	(4.59) 4,59	BB	0.0%	General Mills	
		Spread duration	4.71	NR	13.5%	Schneider Electric	

Equities by country



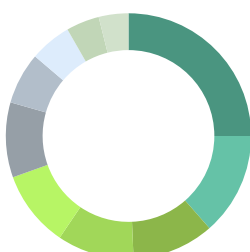
- 13.80 % Germany
- 6.25 % United States
- 5.07 % France
- 4.54 % Norway
- 3.40 % Denmark
- 3.21 % Sweden
- 3.02 % Australia
- 2.06 % Canada
- 1.18 % Netherlands

Equities by industry sector



- 10.67 % Real Estate
- 7.92 % Industrials
- 7.54 % Information Technology
- 7.37 % Consumer Staples
- 4.99 % Materials
- 1.55 % Health Care
- 1.27 % Utilities
- 1.24 % Consumer Discretionary

Fixed Income by country



- 14.25 % United States
- 7.71 % France
- 6.16 % Norway
- 5.77 % Netherlands
- 5.74 % Belgium
- 5.63 % Spain
- 3.88 % Austria
- 3.13 % United Kingdom
- 2.49 % Sweden
- 2.23 % Other

Fixed Income by industry sector



- 48.78 % Corporates
- 8.20 % Financials non-banking

Product details: as of September 30th, 2023 (Source: Universal Investment)

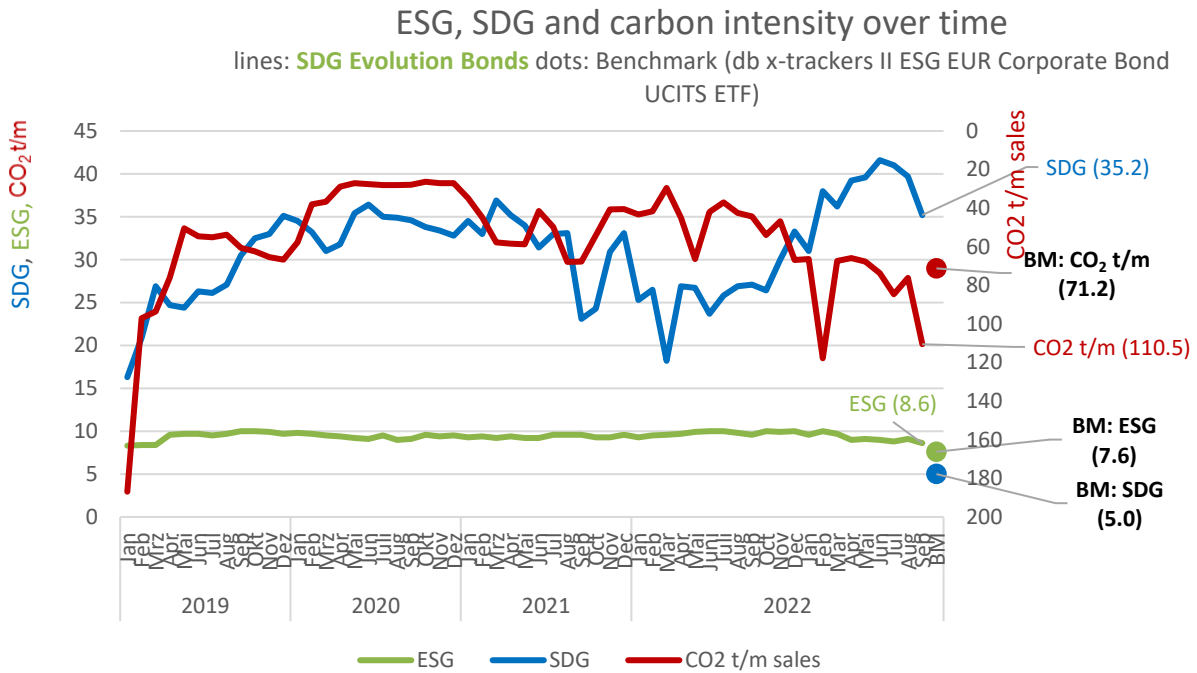
	WKN	ISIN	TER	AuM	Min. Investment
SDG Evolution Flexibel I	A1W9AZ	DE000A1W9AZ5	1.49%	2.1	100,000 EUR
SDG Evolution Flexibel R	A1W9AA	DE000A1W9AA8	2.22%	1.2	100 EUR

SDG EVOLUTION BONDS (WKN: A2AQZE)

In September, the value of our bond fund fell by 1.98% due to rising yields and the widening of credit spreads. During the month, we unwound our interest rate hedges.

The fund has a high ESG score of 8.6 (max. 10). 8.0% of our positions received an ESG rating upgrade and 8.0 % an downgrade. For E, we get 6.3 for S, 6.2, and for G 6.7. The SDG impact is 35.2 with the highest exposure to renewable energy. The CO₂ emissions of the companies in the portfolio amount to 76.2 t CO₂ per mio. USD of sales (benchmark: db x-trackers II ESG EUR Corporate Bond: 71.2 t) (source: MSCI ESG).

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



Source: MSCI ESG, September 30th, 2023

EU TAXONOMY ALIGNMENT

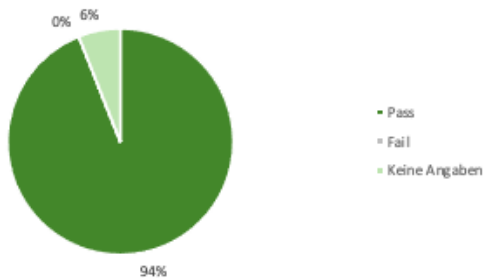
Company	Eligible	Aligned
Clarity AI	28%	6%
MSCI ESG Data	53%	21%



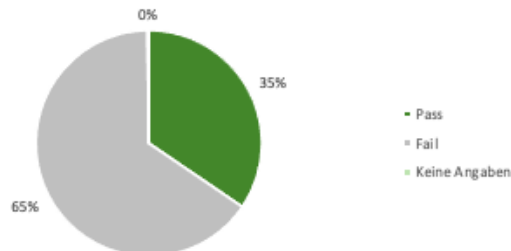
Source: Clarity AI, September 30th, 2023

MSCI EU SUSTAINABLE INVESTMENT SCREENING

SDG Bonds - MSCI EU Sustainable Investment Screening



Benchmark SDG Bonds - MSCI EU Sustainable Investment Screening



Source: MSCI ESG, September 30th, 2023

PRINCIPLE ADVERSE IMPACT INDICATORS (PAIS)

Expand all Close all		Coverage	Total	Units
Categories		SFDR profile	SFDR profile	SFDR profile
▼ COMPANIES	Calculated from 24 out of 24	-	-	-
▼ Environmental		-	-	-
▼ M1 - Total GHG emissions		96.32 %	2.12	tonne CO2e
M1.1 - Scope 1 GHG emissions		96.32 %	0.41	tonne CO2e
M1.2 - Scope 2 GHG emissions		96.32 %	0.10	tonne CO2e
M1.3 - Scope 3 GHG emissions		96.32 %	1.71	tonne CO2e
M2 - Carbon footprint		96.32 %	232.30	tonne CO2e / E...
M3 - GHG intensity of investee companies		96.32 %	569.31	tonne CO2e / E...
M4 - Exposure to companies active in the fossil fuel sector		87.31 %	0.00 %	%
▼ M5 - Share of non-renewable energy consumption and production		0.00 %	-	-
M5.1 - Share of non-renewable energy consumption		95.96 %	56.11 %	%
M5.2 - Share of non-renewable energy production		100.00 %	4.35 %	%
▼ M6 - Energy consumption intensity per high impact climate sector		100.00 %	0.43	GWh / EUR M re...
M6.3 - Energy consumption intensity per high impact climate sector C		100.00 %	0.34	GWh / EUR M re...
M6.4 - Energy consumption intensity per high impact climate sector D		100.00 %	0.62	GWh / EUR M re...
M6.9 - Energy consumption intensity per high impact climate sector L		100.00 %	0.79	GWh / EUR M re...
M7 - Activities negatively affecting biodiversity sensitive areas		91.39 %	0.00 %	%
M8 - Emissions to water		n/a	n/a	n/a
M9 - Hazardous waste		96.32 %	1.37	tonne / EUR M i...
▼ Social		-	-	-
M10 - Violations of UN Global Compact principles and OECD Guidelines for Multinational Enterprises		91.39 %	4.34 %	%
M11 - Lack of processes and compliance mechanisms to monitor compliance with UNGC and OECD-GME		96.32 %	0.00 %	%
M12 - Unadjusted gender pay gap		49.82 %	11.28 %	%
M13 - Board gender diversity		96.32 %	36.78 %	%
M14 - Exposure to controversial weapons		92.23 %	0.00 %	%

Source: Clarity AI, September 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	0.92	0.71	-1.98				-1.26

Source: Universal Investment, September 30th, 2023

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

Rating Distribution

AAA/AA	7.2 %
A	28.2%
BBB	49.6%
BB	7.4%
NR	7.6%

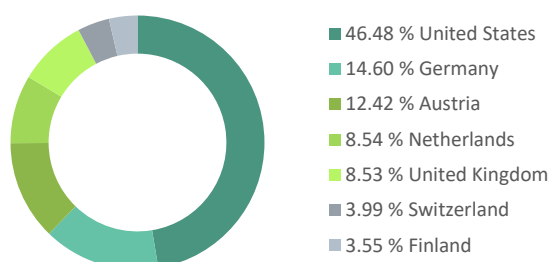
Risk measurements

Risk-category	2 (max. 7)
Vol. / SharpeR 3 y.	3.85% / -1.97
Ø Credit-Rating	BBB+
(net) Interest duration	(5.34) 5.34
Spread duration	5.11

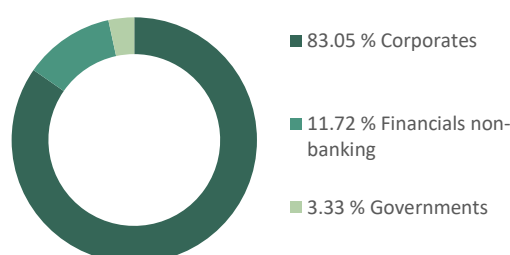
Top Holdings

Verbund
Telefonica
Segro
ConAgra
Bell Food

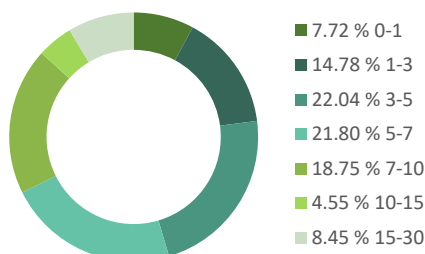
Fixed Income by country



Fixed Income by industry sectors



Fixed Income by maturity profile



Product details: as of September 30th, 2023 (Source: Universal Investment)

	WKN	ISIN	TER	AuM	Min. Investment
SDG Evolution Bonds	A2AQZE	DE000A2AQZE9	0.96%	0.8	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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