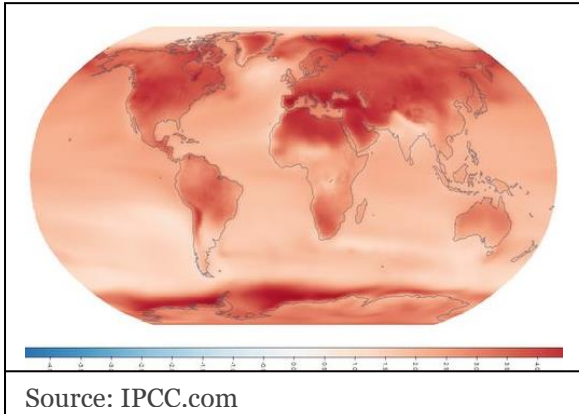


# ESG PORTFOLIO MANAGEMENT

Report October 2023



## Are we supposed to give up?

## Everyone knows: climate change kills

## But the failure to act is worsening

2023 will deliver record temperatures again.

If climate change continues, we will see excessive heat, more water stress, crop failures, and desertification.

Millions will burn or starve to death. Many will try to migrate to better places. Those causing climate change are not the ones suffering most or the soonest. Building walls is unfair and will not help.

Many people understand and actively reduce their carbon footprint, reducing air travel, consuming locally and seasonally sourced food, and refraining from fast fashion.

Also, leading companies are performing the transition by investing in renewable energy and more sustainable production technologies.

Unfortunately, there are obstacles: Some politicians issue ill-designed laws like the “heat pump law” in Germany which caused many to install another gas or oil heating.

Also, the current EU regulation of sustainable investments is achieving the opposite of their targets. Overcomplication, confusion, and increasing costs lead asset managers and banking advisors to recommend to their clients NOT to invest in sustainable investment products.

Ron DeSantis, governor of Florida, signs anti-ESG legislation causing asset managers to stop implementing sustainable investment processes to avoid losing sizeable pension mandates. Where is their commitment?

If you like to support us, you can invest in our funds via any good bank and via the stock exchanges in Düsseldorf, Hamburg and Stuttgart. For the fund, SDG Evolution Flexibel R (WKN: A1W9AA) a single share can be purchased. This fund is eligible for savings plans.



Source: Bloomberg

Green Energy Stocks dropped by almost \$300 bn since August 2022.

SolarEdge Technologies lost 25% on October 19th after a sales warning.

Rising market yields and increasing raw material costs have caused significant market losses (and under-performance) for the share prices of renewable energy companies.

This has also affected our two funds. We believe renewables are essential and the problems highlighted should be temporary. Therefore, we maintain our overweight and expect share prices to recover.

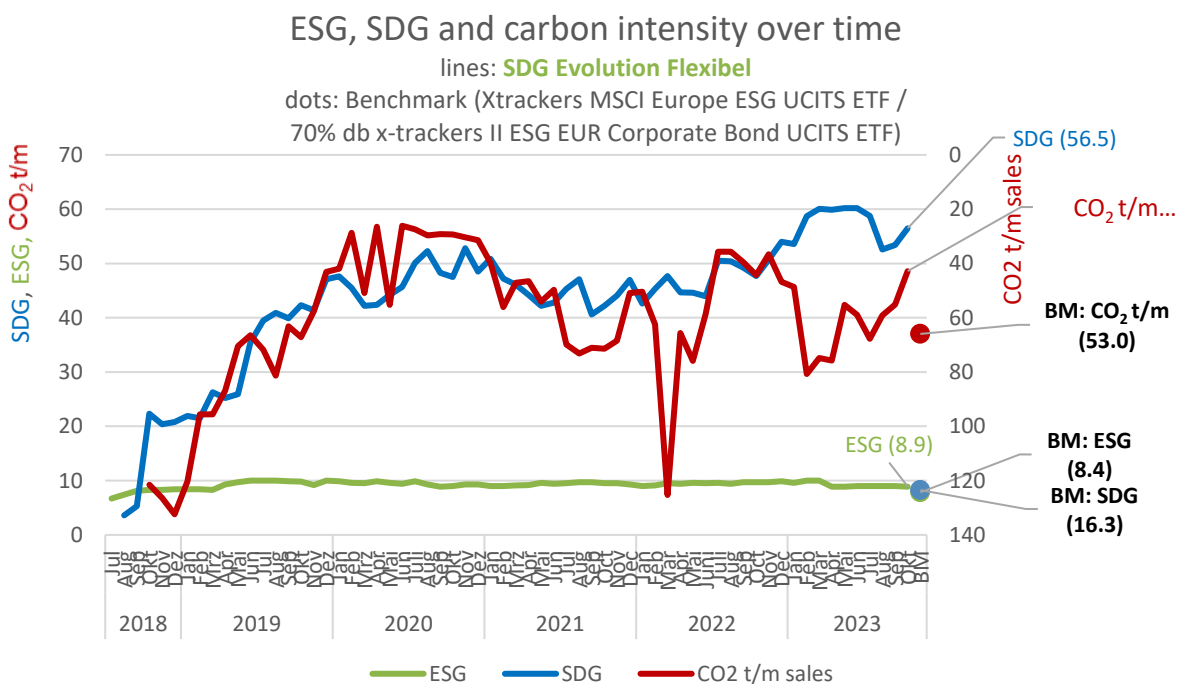
Only for professional clients and eligible counterparties. Not for private customers – Advertisement.

## SDG EVOLUTION FLEXIBEL I (WKN: A1W9AZ)

In October, the fund price fell by 0.83% due to weak equity markets. We reduced our DAX put options during very weak trading days. This helped reduce losses.

While some stocks like Svenska Cellulosa and General Mills performed well, there were severe setbacks for Enphase, Plug Power, and other renewable energy companies. We invested in Alstom after their sharp fall.

The SDG Evolution Flexibel achieves an overall ESG score of 8.9 (maximum 10). 9.8% of our positions got an ESG rating upgrade and 4.9% a downgrade. For E, we achieved a score of 7.2, for S 5.6, and for G 7.0. Carbon emissions, at 42.8 t CO<sub>2</sub> 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: 53.0 t) as we focus more on transition and increased our holdings in industrial companies which actively reduce their emissions. The SDG score is 56.5 % (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, October 31<sup>st</sup>, 2023

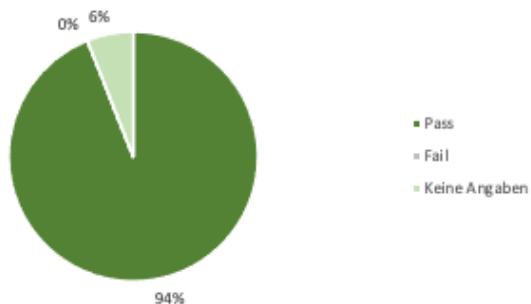
## EU Taxonomy Alignment

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

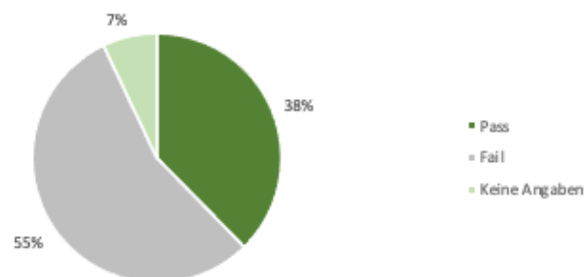


## MSCI EU SUSTAINABLE INVESTMENT SCREENING

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
<b>COMPANIES</b> Calculated from 34 out of 34	-	-	-
<b>Environmental</b>	-	-	-
<b>M1 - Total GHG emissions</b>	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
<b>M2 - Carbon footprint</b>	98.38 %	2,058.65	tonne CO2e / E...
<b>M3 - GHG intensity of investee companies</b>	98.38 %	2,547.10	tonne CO2e / E...
<b>M4 - Exposure to companies active in the fossil fuel sector</b>	81.53 %	0.00 %	%
<b>M5 - Share of non-renewable energy consumption and production</b>	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 %	%
<b>M6 - Energy consumption intensity per high impact climate sector</b>	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...
<b>M7 - Activities negatively affecting biodiversity sensitive areas</b>	86.19 %	0.00 %	%
<b>M8 - Emissions to water</b>	4.52 %	< 0.01	tonne / EUR M i...
<b>M9 - Hazardous waste</b>	98.38 %	6.58	tonne / EUR M i...
<b>Social</b>	-	-	-
<b>M10 - Violations of UN Global Compact principles and OECD Guidelines for Multinational Enterprises</b>	86.19 %	0.00 %	%
<b>M11 - Lack of processes and compliance mechanisms to monitor compliance with UNGC and OECD-GME</b>	90.60 %	0.00 %	%
<b>M12 - Unadjusted gender pay gap</b>	42.33 %	4.71 %	%
<b>M13 - Board gender diversity</b>	90.60 %	40.05 %	%
<b>M14 - Exposure to controversial weapons</b>	87.93 %	0.00 %	%

## PERFORMANCE

### Monthly Returns (in %):

ESG Portfolio management advises since July 2018 (green fields)

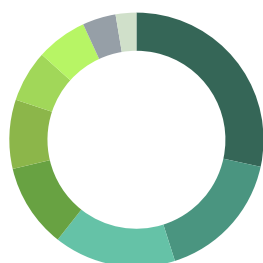
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dez	YTD
2014			-0.48	0.75	0.68	-0.05	-0.25	1.08	0.30	-1.30	2.11	-1.20	1.60
2015	3.23	2.58	0.63	-0.49	-0.38	-2.49	1.52	-4.97	-1.13	4.00	1.90	-1.86	2.19
2016	-3.02	-2.12	1.21	-0.19	-0.17	-1.83	0.64	0.50	-0.47	-0.37	-0.93	1.41	-5.32
2017	0.16	1.13	1.51	0.85	0.28	-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	-0.83			-8.32

Source: Universal-Investment, October 31<sup>st</sup>, 2023

### Portfolio statistics: as of October 31<sup>st</sup>, 2023 (Source: Universal Investment)

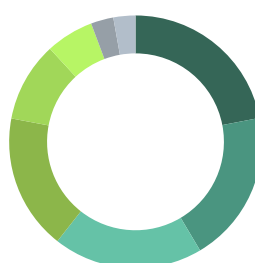
(net) Asset Allocation		Risk measurement		Bond Ratings		Top Equity Holdings	
Equities	43.6% (18.2%)	Risk-indicator	3 (max.7)	AAA/AA	0.0%	FCR Immobilien	
Bonds	54.1% (54.1%)	Vola / SharpeR 3 y	6.57 / -0.86	A	27.7%	SMA Solar	
Gold	0%	Ø Credit-Rating	BBB+	BBB	58.5%	General Mills	
Cash	0.9%	(net) Interest duration	(4.36) 4.36	BB	0.0%	Sims Ltd.	
		Spread duration	4.48	NR	13.8%	Vestas Wind	

#### Equities by country



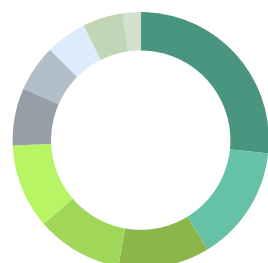
12.39 %	Germany
7.28 %	United States
6.77 %	France
4.66 %	Norway
3.83 %	Denmark
2.86 %	Sweden
2.82 %	Australia
1.85 %	Canada
1.15 %	Netherlands

#### Equities by industry sector



9.58 %	Real Estate
8.50 %	Information Technology
8.35 %	Industrials
7.57 %	Consumer Staples
4.45 %	Materials
2.67 %	Utilities
1.26 %	Health Care
1.23 %	Consumer Discretionary

#### Fixed Income by country



14.41 %	United States
7.92 %	France
6.22 %	Norway
5.90 %	Netherlands
5.76 %	Spain
3.92 %	Austria
3.18 %	United Kingdom
2.80 %	Belgium
2.76 %	Sweden
1.22 %	Other

#### Fixed Income by industry sector



46.25 %	Corporates
7.83 %	Financials non-banking

### Product details: as of October 31<sup>st</sup>, 2023 (Source: Universal Investment)

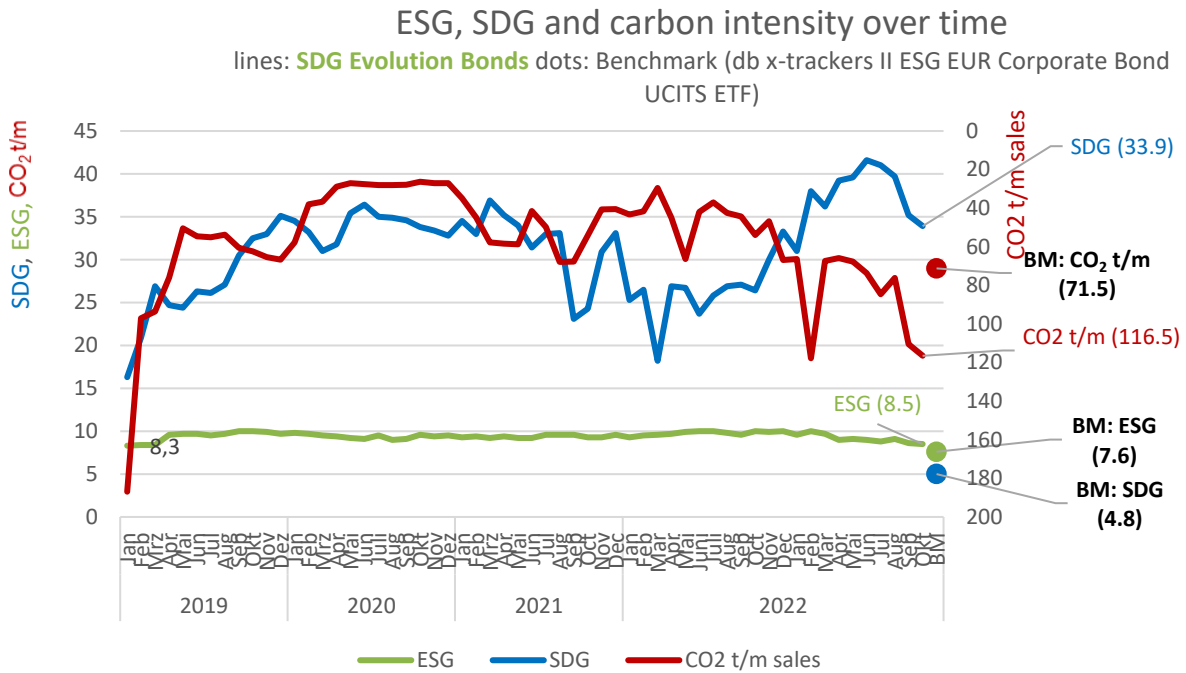
	WKN	ISIN	TER	AuM	Min. Investment
SDG Evolution Flexibel I	A1W9AZ	DE000A1W9AZ5	1.49%	2.05	100,000 EUR
SDG Evolution Flexibel R	A1W9AA	DE000A1W9AA8	2.22%	1.15	100 EUR

## SDG EVOLUTION BONDS (WKN: A2AQZE)

In October, the value of our bond fund fell by 1.99% due to rising US bond yields and the widening of credit spreads. During the month.

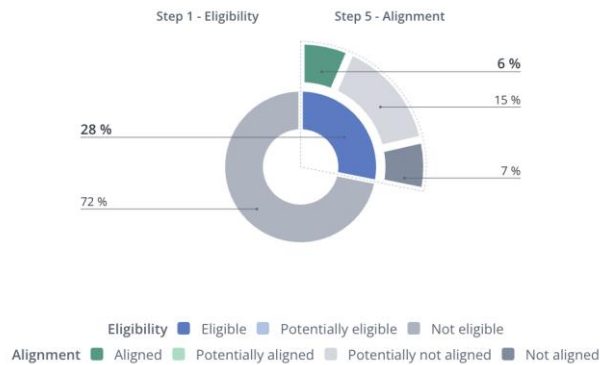
The fund has a high ESG score of 8.5 (max. 10). 8.3% of our positions received an ESG rating upgrade and 8.3 % a downgrade. For E, we get 6.1 for S, 6.2, and for G 6.6. The SDG impact is 33.9 with the highest exposure to renewable energy. The CO<sub>2</sub> emissions of the companies in the portfolio amount to 116.5 t CO<sub>2</sub> per mio. USD of sales (benchmark: db x-trackers II ESG EUR Corporate Bond: 71.5 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

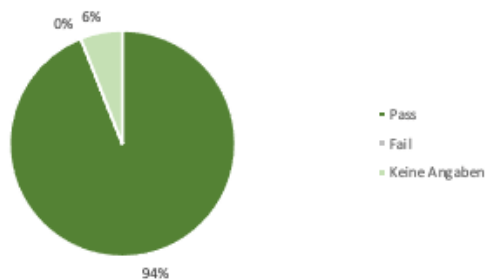
Company	Eligible	Aligned
Clarity AI	28%	6%
MSCI ESG Data	53%	21%



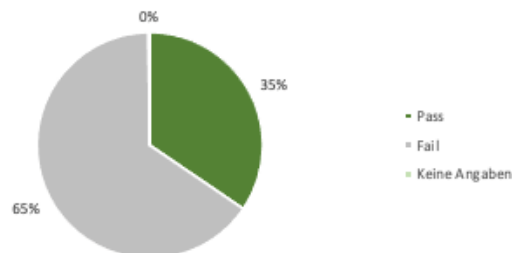
Source: Clarity AI, September 30<sup>th</sup>, 2023

## MSCI EU SUSTAINABLE INVESTMENT SCREENING

SDG Bonds - MSCI EU Sustainable Investment Screening



Benchmark SDG Bonds - MSCI EU Sustainable Investment Screening



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

## PRINCIPLE ADVERSE IMPACT INDICATORS (PAIS)

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

Source: Clarity AI, September 30<sup>th</sup> 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	-1.99			-3.23

Source: Universal Investment, October 31<sup>st</sup>, 2023

### Portfolio statistics: as of October 31<sup>st</sup>, 2023 (Source: Universal Investment)

#### Rating Distribution

AAA/AA	4.3 %
A	21.8%
BBB	58.3%
BB	8.2%
NR	7.5%

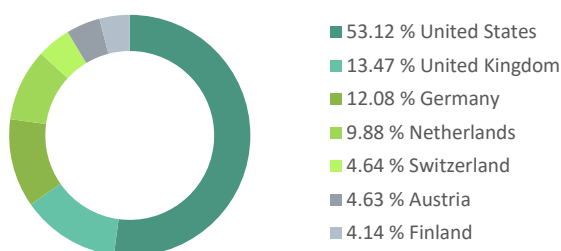
#### Risk measurements

Risk-category	2 (max. 7)
Vol. / SharpeR 3 y.	3.98% / -2.13
Ø Credit-Rating	BBB+
(net) Interest duration	(4.17) 4.17
Spread duration	4.17

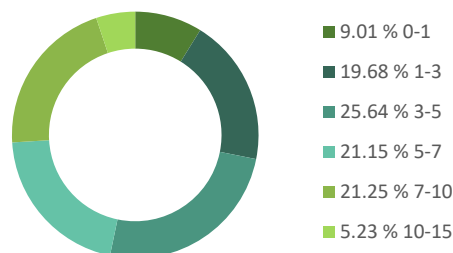
#### Top Holdings

Telefonica  
Segro  
ConAgra  
Vodafone  
Bell Food

#### Fixed Income by country



#### Fixed Income by maturity profile



### Product details: as of October 31<sup>st</sup>, 2023 (Source: Universal Investment)

	WKN	ISIN	TER	AuM	Min. Investment
SDG Evolution Bonds	A2AQZE	DE000A2AQZE9	0.96%	0.65	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**

Weißfrauenstraße 12-16  
60311 Frankfurt am Main  
+49 151 50408817  
[klein@esg-pm.com](mailto:klein@esg-pm.com)  
[www.esg-portfolio-management.com](http://www.esg-portfolio-management.com)