

# ESG PORTFOLIO MANAGEMENT

Report November 2023



## What do we expect from COP28?

### We have further increased our position in SMA Solar.

The first good result of COP28 is available:

A "loss and damage" fund is being set up and the first countries have already pledged substantial financial resources. The fund aims to provide rapid and effective assistance in the event of the consequences of climate change. These include famines following periods of drought or flooding.

This will somewhat alleviate the great injustice that the people who do not cause climate change are already suffering the most from the consequences.

The introduction of a global tax on aviation fuel is being discussed. We know that the CO2 footprint from air travel is particularly high. That's why we prefer virtual meetings. The first commercial flight with alternative fuels took place a few days ago. The general use of green hydrogen will unfortunately still take years.

We hope for a significant reduction in the use of fossil fuels and warn against too much optimism when it comes to carbon capture and compensation. Unfortunately, there is a lot of "greenwashing" here. We call for and promote investment in renewable energies.

For this reason, we have further increased our position in SMA Solar Technologie AG. SMA Solar is profitable and receives top marks from MSCI, such as an ESG rating of AAA and an SDG impact of 100%. Of course, this company is considered sustainable according to Article 2 (17) SFDR. We see the recent share price losses as exaggerated and expect significant recoveries in the longer term.

Anyone can invest in our funds. For the SDG Evolution Flexibel R fund (WKN: A1W9AA), a single unit can be purchased via the Düsseldorf, Hamburg or Stuttgart stock exchanges. This fund is eligible for savings plans.



Source: FNG

Our SDG Evolution Flexibel and SDG Evolution Bonds funds have been awarded the FNG Seal with three stars (highest rating) for the fifth time in a row.

The FNG Seal is awarded by experts from the University of Hamburg.

Each position is strictly examined for ESG quality, SDG impact and compliance with the exclusion criteria. In addition, the commitment of the fund management and transparency are taken into account. <https://lnkd.in/eSyeuwJm>

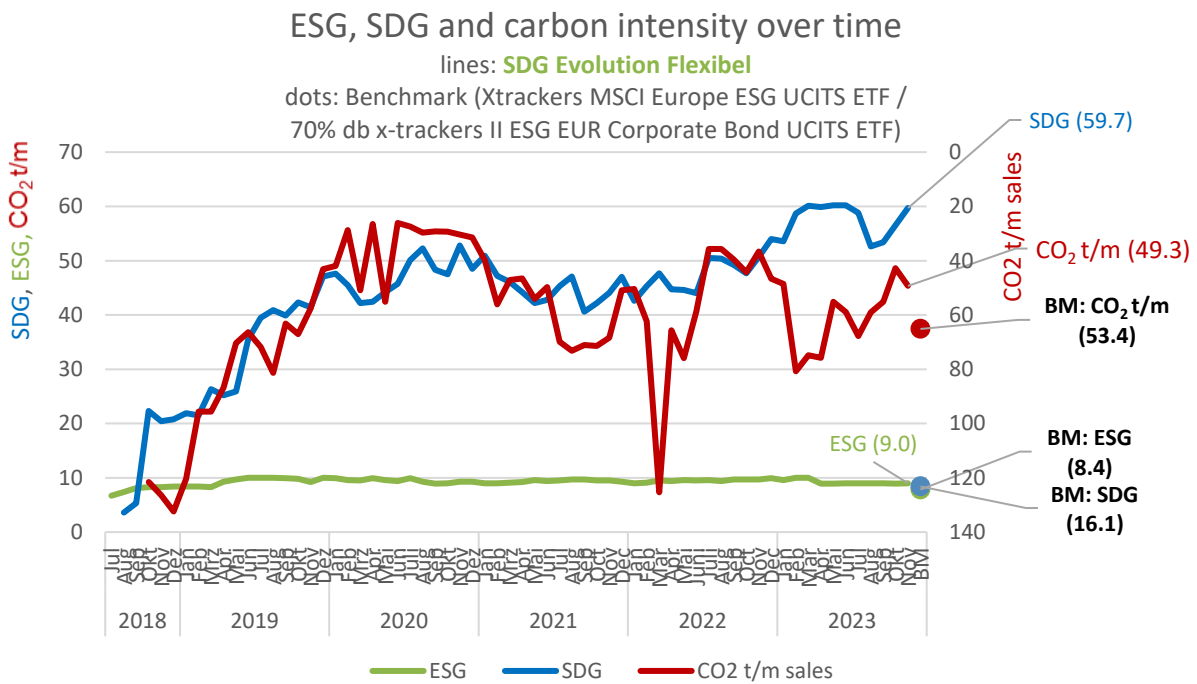
Greenwashers cannot receive the FNG seal. This makes this seal of approval valuable for investors and advisors.

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## SDG EVOLUTION FLEXIBEL I (WKN: A1W9AZ)

The fund price fell by 1.3% in November. This was due to a small number of stocks such as Plug Power, FCR and Grieg, which fell sharply and counteracted the good performance of Vestas, Enphase, Schneider, Boralex and others. Bonds performed well thanks to falling yields and credit spreads.

The SDG Evolution Flexibel achieves an overall ESG score of 9.0 (maximum 10). 7.5% of our positions got an ESG rating upgrade and 5.0% a downgrade. For E, we achieved a score of 7.2, for S 5.6, and for G 7.0. Carbon emissions, at 43.4 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: 53.4 t) as we focus more on transition and increased our holdings in industrial companies which actively reduce their emissions. The SDG score is 59.7 % (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, November 30<sup>th</sup>, 2023

## EU Taxonomy Alignment

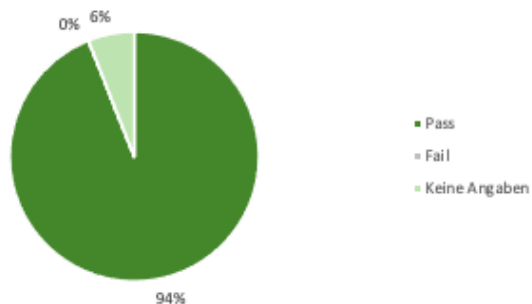
Company	Eligible	Aligned
Clarity AI	55%	22%
MSCI ESG Data	59%	49%



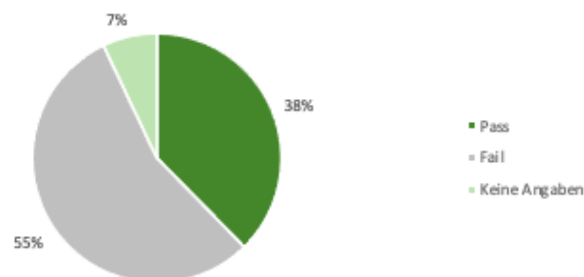
Source: Clarity AI, September 30<sup>th</sup>, 2023

## MSCI EU SUSTAINABLE INVESTMENT SCREENING

SDG Flexibel - MSCI EU Sustainable Investment Screening



Benchmark SDG Flexibel - MSCI EU Sustainable Investment Screening



Source: MSCI ESG, 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)

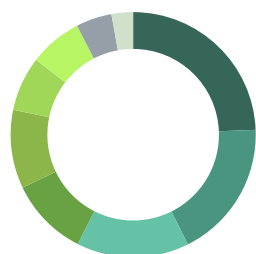
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dez	YTD
2014			-0.48	0.75	0.68	-0.05	-0.25	1.08	0.30	-1.30	2.11	-1.20	1.60
2015	3.23	2.58	0.63	-0.49	-0.38	-2.49	1.52	-4.97	-1.13	4.00	1.90	-1.86	2.19
2016	-3.02	-2.12	1.21	-0.19	-0.17	-1.83	0.64	0.50	-0.47	-0.37	-0.93	1.41	-5.32
2017	0.16	1.13	1.51	0.85	0.28	-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	-0.83	-1.31		-9.52

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

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

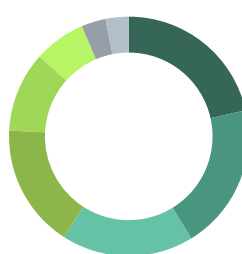
(net) Asset Allocation		Risk measurement		Bond Ratings		Top Equity Holdings	
Equities	45.3% (18.2%)	Risk-indicator	3 (max.7)	AAA/AA	0.0%	SMA Solar	
Bonds	54.5% (54.1%)	Vola / SharpeR 3 y	6.56 / -1.08	A	25.1%	FCR Immobilien	
Gold	0%	Ø Credit-Rating	BBB+	BBB	60.8%	Vestas Wind	
Cash	-0.6%	(net) Interest duration	(3.97) 3.97	BB	0.0%	Sims Ltd.	
		Spread duration	4.08	NR	14.1%	Enphase Energy	

### Equities by country



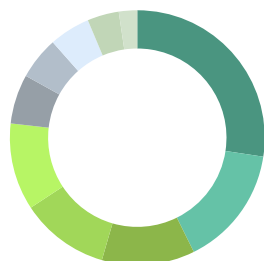
- 11.04 % Germany
- 8.28 % France
- 6.72 % United States
- 4.72 % Norway
- 4.70 % Denmark
- 3.26 % Sweden
- 3.16 % Australia
- 2.14 % Canada
- 1.29 % Netherlands

### Equities by industry sector



- 9.75 % Industrials
- 8.94 % Information Technology
- 8.09 % Real Estate
- 7.55 % Consumer Staples
- 4.92 % Materials
- 3.16 % Utilities
- 1.49 % Consumer Discretionary
- 1.41 % Health Care

### Fixed Income by country



- 14.90 % United States
- 8.33 % France
- 6.42 % Norway
- 6.13 % Netherlands
- 6.01 % Spain
- 3.41 % United Kingdom
- 2.94 % Belgium
- 2.83 % Sweden
- 2.18 % Austria
- 1.27 % Other

### Fixed Income by industry sector



- 46.12 % Corporates
- 8.31 % Financials non-banking

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

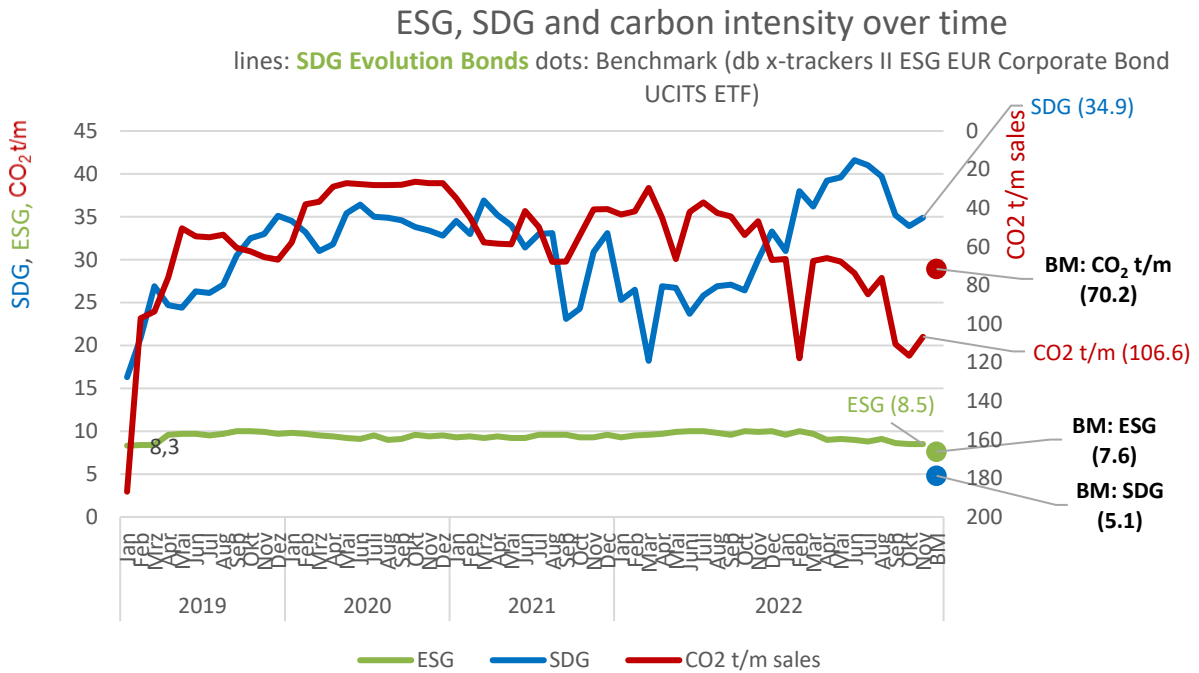
	WKN	ISIN	TER	AuM	Min. Investment
SDG Evolution Flexibel I	A1W9AZ	DE000A1W9AZ5	1.49%	1.98	100,000 EUR
SDG Evolution Flexibel R	A1W9AA	DE000A1W9AA8	2.22%	1.11	100 EUR

## SDG EVOLUTION BONDS (WKN: A2AQZE)

In November, the value of our bond fund rose by 2.7% due to falling yields worldwide and the narrowing of credit spreads. We are maintaining our duration of just over 4 years.

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 6.0 for S, 6.1, and for G 6.7. The SDG impact is 34.9 (source: MSCI ESG). The CO<sub>2</sub> emissions of the companies in the portfolio amount to 106.6 t CO<sub>2</sub> per mio. USD of sales (benchmark: db x-trackers II ESG EUR Corporate Bond: 70.2 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:



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

## EU TAXONOMY ALIGNMENT

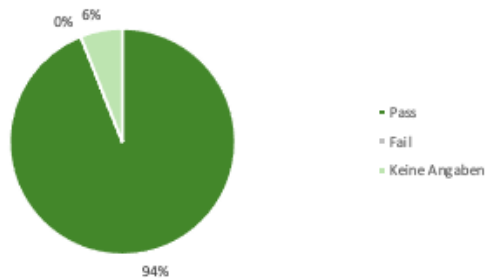
Company	Eligible	Aligned
Clarity AI	28%	6%
MSCI ESG Data	53%	21%



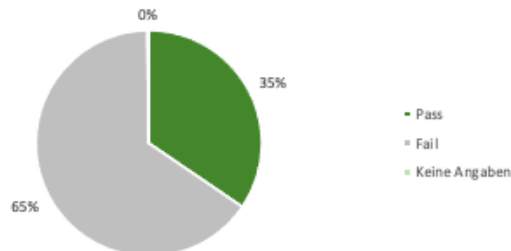
Source: Clarity AI, September 30<sup>th</sup>, 2023

## 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	2.72		-0.59

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

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

#### Rating Distribution

AAA/AA	4.9 %
A	22.4%
BBB	58.1%
BB	6.4%
NR	8.2%

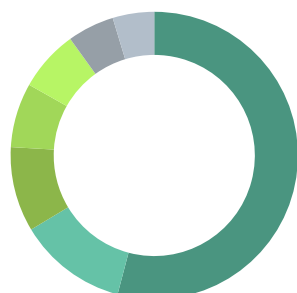
#### Risk measurements

Risk-category	2 (max. 7)
Vol. / SharpeR 3 y.	4.06% / -2.13
Ø Credit-Rating	BBB+
(net) Interest duration	(4.17) 4.17
Spread duration	4.17

#### Top Holdings

Segro
Bell Food
SAP
Wienerberger
Vonovia

#### Fixed Income by country



53.73 % United States
12.18 % United Kingdom
9.48 % Germany
7.20 % Netherlands
5.46 % Switzerland
5.23 % Austria
4.64 % Finland

#### Fixed Income by maturity profile



10.04 % 0-1
18.13 % 1-3
25.46 % 3-5
17.44 % 5-7
20.59 % 7-10
6.25 % 10-15

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

	WKN	ISIN	TER	AuM	Min. Investment
SDG Evolution Bonds	A2AQZE	DE000A2AQZE9	0.96%	0.57	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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