

# ESG PORTFOLIO MANAGEMENT

Report January 2024



Source: [www.esginvesting.co.uk/awards](http://www.esginvesting.co.uk/awards)

## We have been nominated for the ESG Investing Awards Fixed Income and Multi-Asset

### The importance of environmental risks is increasing

We understand the long-term climate and nature-related risks: In January, cyclones with heavy rainfall severely damaged Mauritius and the Seychelles.

Insurance premiums in areas at risk from extreme weather, such as parts of Florida, are rising significantly. Occasionally, relevant insurance policies are no longer offered.

Droughts are increasing and groundwater levels are falling worldwide. In addition, industrial agriculture leads to soil erosion in the long term. As a result, species extinction will continue and the food supply will decline. This will lead to famine and mass migration in many regions.

It is therefore urgently necessary to halt climate change and the extinction of species. Investing in new coal mines, oil or gas fields is not acceptable. We need a consistent transition to renewable energy.

We continue to hold and invest in the market leaders in the renewable energy sector, as they obviously offer the most effective solutions for climate protection.

Our positions in Ballard Power, Enphase, SMA Solar and Vestas Wind suffered price losses in January. The reasons are margin pressure from cost increases but also the dumping prices of some Asian suppliers and the temporary decline in construction activity.

We expect governments to provide more support for these strategically important industries in the future and are maintaining our overweight in renewable energies. We expect share prices to recover 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.

#### 10 years



Source: World Economic Forum

[www.weforum.org/agenda/2024/01](http://www.weforum.org/agenda/2024/01)

Climate change is already causing more frequent and more extreme weather events. According to the WEF, weather risks will pose the greatest risk in ten years' time. The importance of biodiversity is increasingly being recognized - also for the economy.

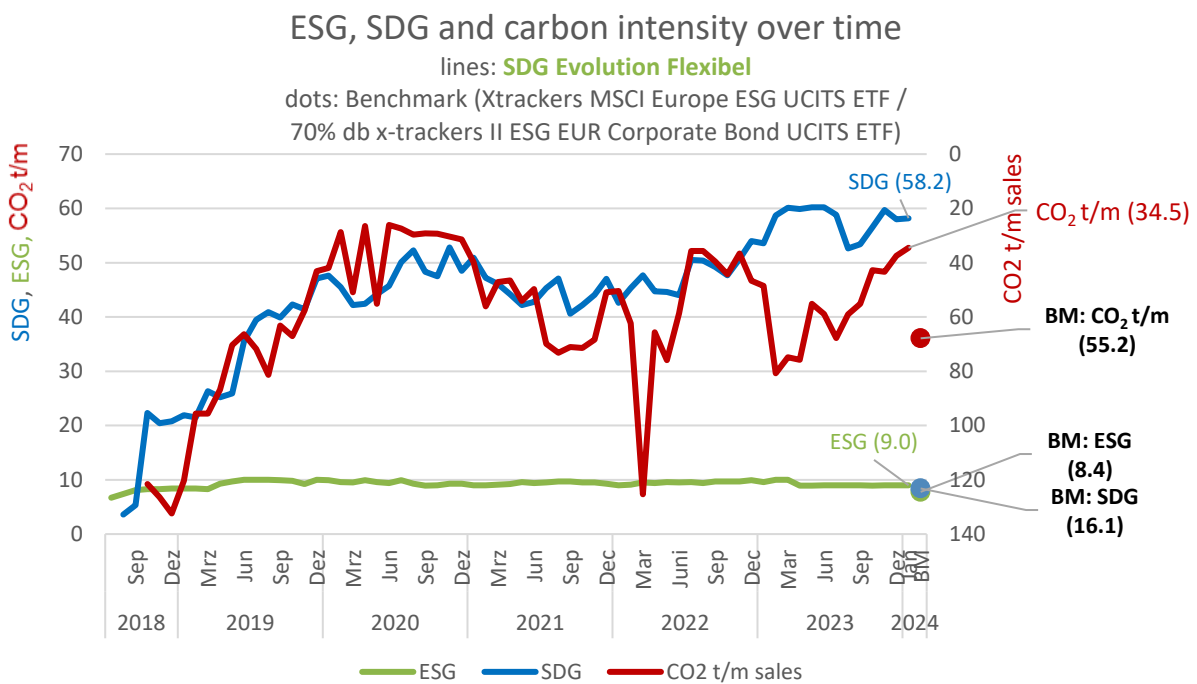
The time to act is now!

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## SDG EVOLUTION FLEXIBEL I (WKN: A1W9AZ)

The fund price decreased by 4.5% in January. This was due to another sharp decline in shares from the renewable energy sector such as Ballard, Enphase and SMA Solar. The Academedia share price performed well, rising by more than ten percent.

The SDG Evolution Flexibel achieves an overall ESG score of 9.0 (maximum 10). 8.1% of our positions got an ESG rating upgrade and 5.1% a downgrade. For E, we achieved a score of 7.1, for S 5.6, and for G 7.1. Carbon emissions, at 34.5 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: 55.2 t) as we focus more on transition and increased our holdings in industrial companies which actively reduce their emissions. The SDG score is 58.2 % (source: MSCI ESG). The graph presents the fund's ESG quality, SDG impact, and carbon emissions over time. The dots represent current benchmark data:



Source: MSCI ESG, January 31<sup>st</sup>, 2024

## EU Taxonomy Alignment

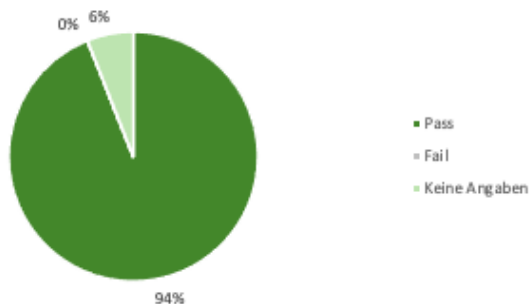
Company	Eligible	Aligned
Clarity AI	55%	22%
MSCI ESG Data	59%	49%



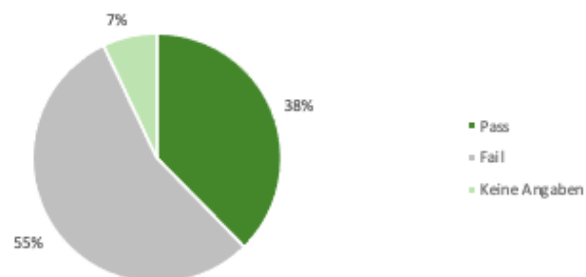
Source: Clarity AI, December 29<sup>th</sup>, 2023

## MSCI EU SUSTAINABLE INVESTMENT SCREENING

SDG Flexibel - MSCI EU Sustainable Investment Screening



Benchmark SDG Flexibel - MSCI EU Sustainable Investment Screening



Source: MSCI ESG, December 29th 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 %	%

Source: Clarity AI, December 29th 2023

## PERFORMANCE

### Monthly Returns (in %):

ESG Portfolio management advises since July 2018 (green fields)

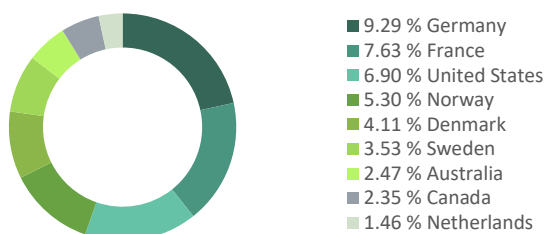
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dez	YTD
2014			-0.48	0.75	0.68	-0.05	-0.25	1.08	0.30	-1.30	2.11	-1.20	1.60
2015	3.23	2.58	0.63	-0.49	-0.38	-2.49	1.52	-4.97	-1.13	4.00	1.90	-1.86	2.19
2016	-3.02	-2.12	1.21	-0.19	-0.17	-1.83	0.64	0.50	-0.47	-0.37	-0.93	1.41	-5.32
2017	0.16	1.13	1.51	0.85	0.28	-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	-0.53	-1.91	-2.52	-0.83	-1.31	5.61	-4.44
2024	-4.45												-4.45

Source: Universal-Investment, January 31<sup>st</sup>, 2024

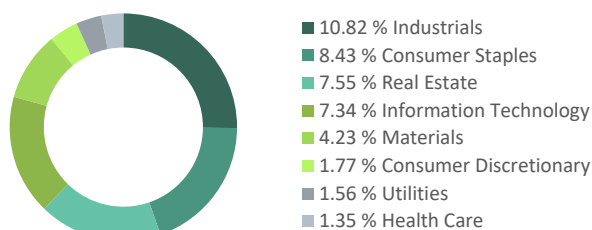
### Portfolio statistics: as of January 31<sup>st</sup>, 2024 (Source: Universal Investment)

(net) Asset Allocation		Risk measurement		Bond Ratings		Top Equity Holdings	
<b>Equities</b>	43.1% (-37.4%)	Risk-indicator	3 (max.7)	AAA/AA	0.0%	SMA Solar	
<b>Bonds</b>	53.4% (53.4%)	Vola / SharpeR 3 y	6.77 / -1.10	A	27.8%	FCR Immobilien	
<b>Gold</b>	0%	Ø Credit-Rating	BBB+	BBB	69.6%	General Mills	
<b>Cash</b>	0.4%	(net) Interest duration	(4.74) 4.74	BB	0.0%	Vestas Wind	
		Spread duration	4.74	NR	1.6%	Sims Ltd.	

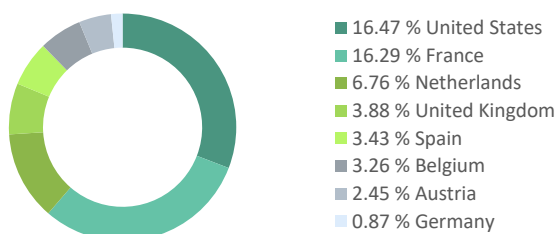
#### Equities by country



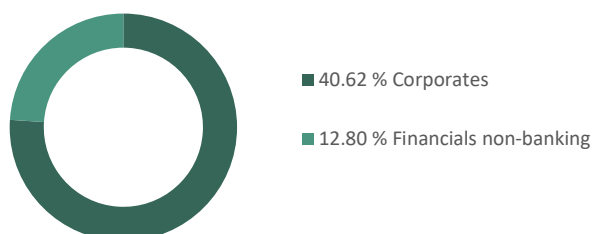
#### Equities by industry sector



#### Fixed Income by country



#### Fixed Income by industry sector



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

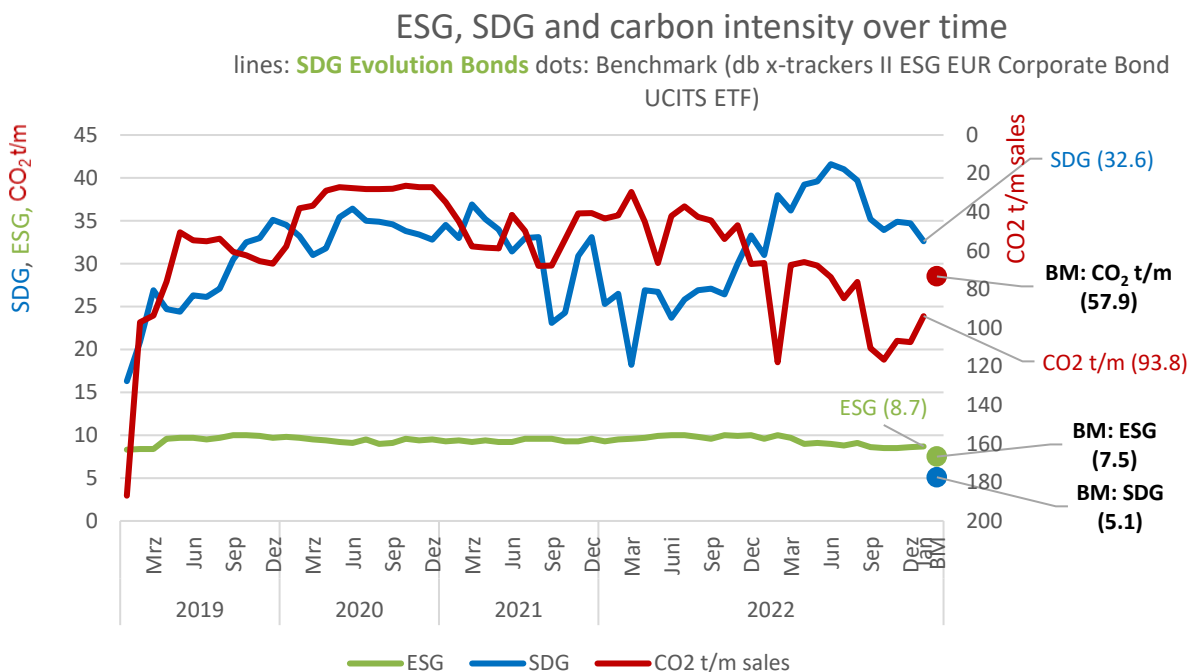
	WKN	ISIN	TER	AuM	Min. Investment
<b>SDG Evolution Flexibel I</b>	A1W9AZ	DE000A1W9AZ5	1.52%	1.7	100,000 EUR
<b>SDG Evolution Flexibel R</b>	A1W9AA	DE000A1W9AA8	2.21%	1.2	100 EUR

## SDG EVOLUTION BONDS (WKN: A2AQZE)

In January, the value of our bond fund decreased by 0.2% due to slightly rising yields worldwide. We are sticking to our duration of just over 4 years and our BBB+ rating. The yield is 4.37%

The fund has a high ESG score of 8.7 (max. 10). 12.0% of our positions received an ESG rating upgrade and 8.0 % a downgrade. For E, we get 6.1 for S, 6.3, and for G 6.5. The SDG impact is 32.6 (source: MSCI ESG). The CO<sub>2</sub> emissions of the companies in the portfolio amount to 93.8 t CO<sub>2</sub> per mio. USD of sales (benchmark: db x-trackers II ESG EUR Corporate Bond: 73.3 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, January 31<sup>st</sup>, 2024

## EU TAXONOMY ALIGNMENT

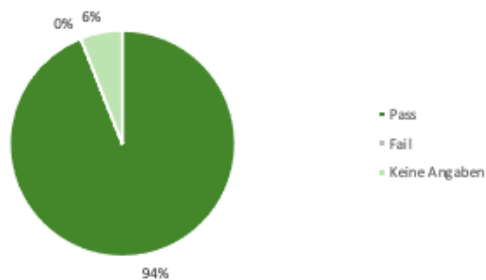
Company	Eligible	Aligned
Clarity AI	28%	6%
MSCI ESG Data	53%	21%



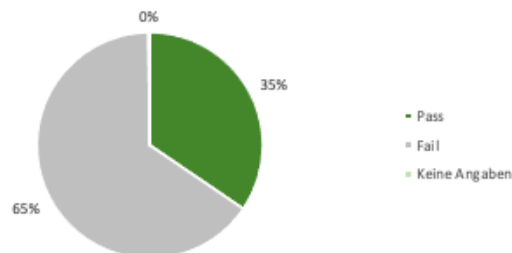
Source: Clarity AI, December 29<sup>th</sup>, 2023

## MSCI EU SUSTAINABLE INVESTMENT SCREENING

SDG Bonds - MSCI EU Sustainable Investment Screening



Benchmark SDG Bonds - MSCI EU Sustainable Investment Screening



Source: MSCI ESG, December 29<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, December 29<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	2.51	1.90
2024	-0.22												-0.22

Source: Universal Investment, January 31<sup>st</sup>, 2024

### Portfolio statistics: as January 31<sup>st</sup>, 2024 (Source: Universal Investment)

#### Rating Distribution

AAA/AA	5.5 %
A	28.0%
BBB	55.2%
BB	7.0%
NR	4.2%

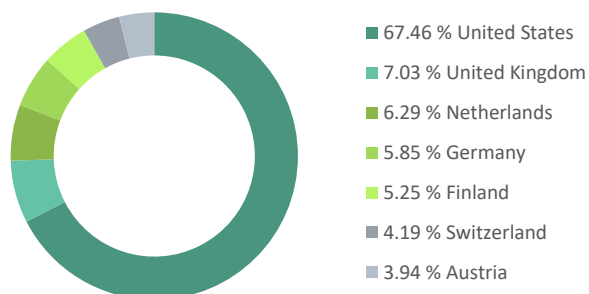
#### Risk measurements

Risk-category	2 (max. 7)
Vol. / SharpeR 3 y.	4.19% / -1.77
Ø Credit-Rating	BBB+
(net) Interest duration	(4.34) 4.34
Spread duration	4.34

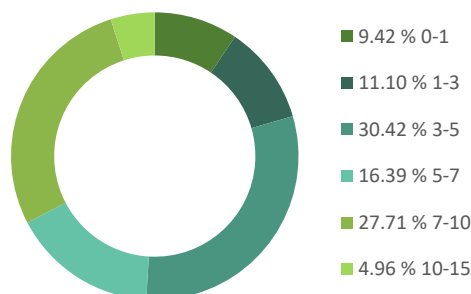
#### Top Holdings

Amgen  
Hewlett Packard  
General Mills  
Microsoft  
Edwards Lifesciences

### Fixed Income by country



### Fixed Income by maturity profile



### Product details: as of January 31<sup>st</sup>, 2024 (Source: Universal Investment)

	WKN	ISIN	TER	AuM	Min. Investment
SDG Evolution Bonds	A2AQZE	DE000A2AQZE9	1.29%	0.51	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 CO<sub>2</sub> 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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