

ESG PORTFOLIO MANAGEMENT

Report April 2022



Source: imotforum.com

SDG Evolution Bonds is the new name of our (article 9) bond fund

The fund continues to aim for positive SDG impact, highest ESG qualities and low climate risks. The average credit rating remains investment grade and we partially reduce interest rate risks.

We intend to invest more in high quality green and social bonds with second party opinions to enhance “additionality”.

Any investment ideas are most welcome!

We are looking for further working students with an interest in sustainability and portfolio management. Female applicants are preferred if they are equally qualified and motivated, as we would like to improve the diversity in our team.

Please send your application to:

Christoph Klein (klein@esg-pm.com)

**Putin’s war will also cause starvation!
Can we stop him please?**

High inflation increases pressure on consumers and companies.

OUR SUMMARY AND OUTLOOK

The Russian army does not only destroy lives, houses, and infrastructure but also crop reserves. The war disrupts agriculture in Ukraine which is one of the most important exporters of food globally. Especially people in Northern Africa and Arabia are depending on this supply.

Furthermore, the high energy prices make fertilizer so expensive, that many farmers are using less. This will result in shrinking crop yields. This will cause starvation and political instability in the affected regions. Aid is needed!

Consumers feel the pressure from high energy and food prices and may reduce spending in other areas. Companies also suffer from increasing energy and raw material prices as it puts pressure on their profitability and credit quality.

The upcoming wage negotiations will be difficult for all and could increase inflation further. We continue to reduce interest rate risks in our funds.

In this challenging environment, we will also continue with our active risk hedging using DAX put options. We aim to act in an anticyclical way, gradually reducing put options during very weak trading days, taking partial profits, and adding put options after a series of days with positive equity performance.

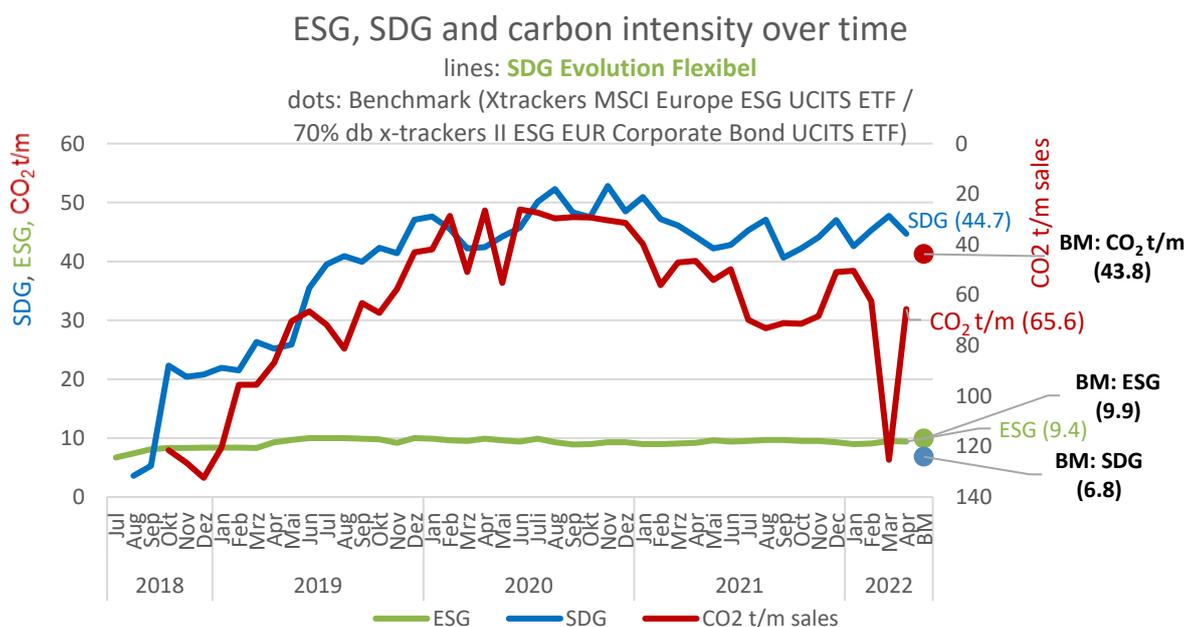
Both funds exploit the new issue markets selecting attractive bonds which pass our extensive filter criteria.

On April 12th, we bought the BBB-rated SSE Plc hybrid bond despite the high carbon intensity. We want to support SSE’s transition and like their AAA ESG rating.

SDG EVOLUTION FLEXIBEL I (WKN: A1W9AZ)

In April, the SDG Evolution Flexibel I lost 1.51%, mainly because of the weak credit markets and rising yields. Our partial interest rate hedging has not been sufficient to mitigate losses. Using MSCI ESG data the SDG Evolution Flexibel has a Taxonomy alignment of 36,1%. We sold companies with weaker PAIs.

The SDG Evolution Flexibel achieves an overall ESG score of 9.4 (maximum 10). 9% of our positions got an ESG rating upgrade and 2% a downgrade. For E, we achieved a score of 7.1, for S 6, and for G 6.4. Carbon emissions, at 65.6 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: 43.8 t) as we focus more on transition and increased our holdings in industrial companies which actively reduce their emissions. The SDG score is 44.7 % (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, May 2nd, 2022

PERFORMANCE

Monthly Returns (in %):

ESG Portfolio Management advises since July 2018 (green fields)

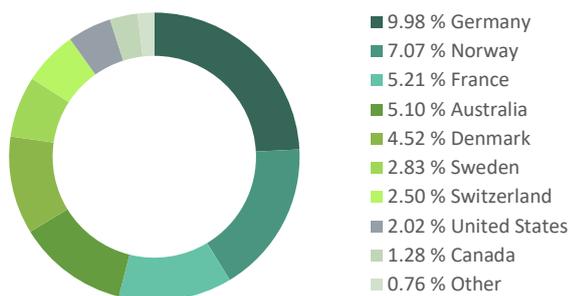
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dez	YTD
2014			-0.48	0.75	0.68	-0.05	-0.25	1.08	0.30	-1.30	2.11	-1.20	1.60
2015	3.23	2.58	0.63	-0.49	-0.38	-2.49	1.52	-4.97	-1.13	4.00	1.90	-1.86	2.19
2016	-3.02	-2.12	1.21	-0.19	-0.17	-1.83	0.64	0.50	-0.47	-0.37	-0.93	1.41	-5.32
2017	0.16	1.13	1.51	0.85	0.28	-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									-0,30

Source: Universal-Investment, April 29th, 2022

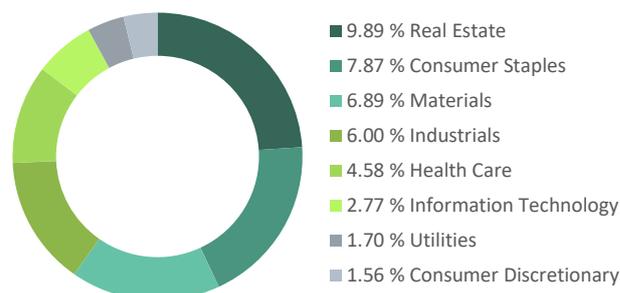
Portfolio statistics: as of April 29th, 2022 (Source: Universal Investment)

(net) Asset Allocation		Risk measurement		Bond Ratings		Top Equity Holdings
Equities	41.2% (15.1%)	Risk-return profile	4 (max.7)	AAA/AA	1.8%	FCR Immobilien
Bonds	51.5% (36.9%)	Vola / SharpeR 3 y	5.81 / 0.07	A	23.9%	Sims Ltd.
Gold	0%	Ø Credit-Rating	BBB+	BBB	63.3%	Vestas Wind
Cash	2.4%	(net) Interest duration	(2.99) 5,35	BB	3.5%	Mowi ASA
		Spread duration	5.37	NR	7.6%	Gecina

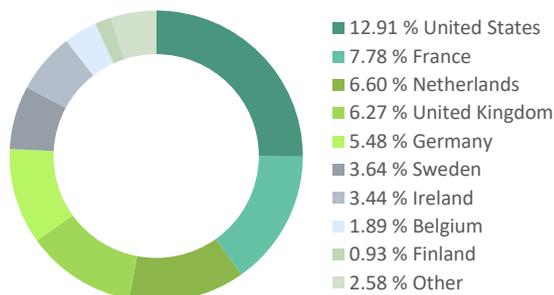
Equities by country



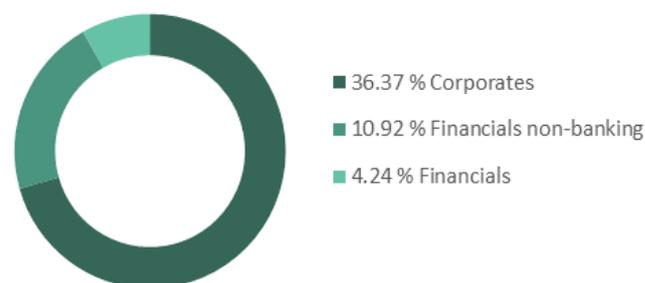
Equities by industry sectors



Fixed Income by country



Fixed Income by industry sectors



Product details: as of April 29th, 2022 (Source: Universal Investment)

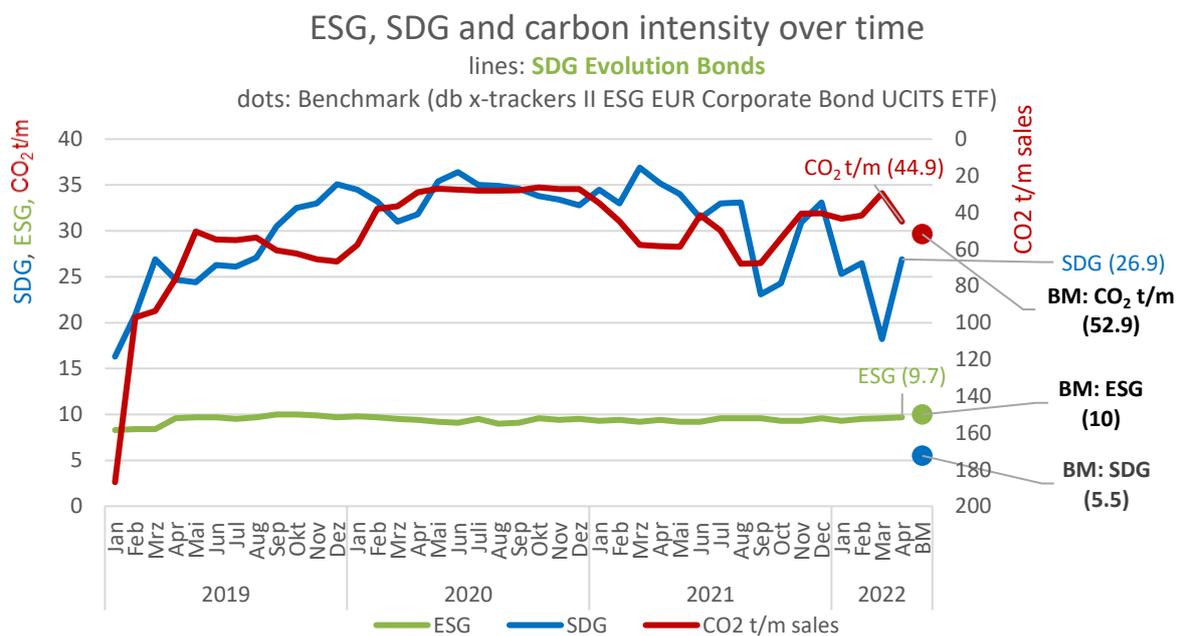
	WKN	ISIN	TER	AuM	Min. Investment
SDG Evolution Flexibel I	A1W9AZ	DE000A1W9AZ5	1.35%	8.2	100,000 EUR
SDG Evolution Flexibel R	A1W9AA	DE000A1W9AA8	1.63%	1.1	100 EUR

SDG EVOLUTION BONDS (WKN: A2AQZE)

In April, the value of our bond fund decreased by 2.37% driven by widening credit spreads and strongly increasing yields. Using data from MSCI ESG the fund has a taxonomy alignment of 30,9 %. We added the SSE hybrid bond as discussed before and sold companies with weaker PAIs.

The fund has a very high ESG score of 9.7 (max. 10). 13% of our positions received an ESG rating upgrade and none a downgrade. For E, we get 7.0 for S, 6.1, and for G 6.5. The SDG impact increased to 26.9. It is our priority to improve the impact further. The CO₂ emissions of the companies in the portfolio amount to 44.9 t CO₂ per million USD of sales (benchmark: db x-trackers II ESG EUR Corporate Bond: 51.8 t) (sources: MSCI ESG).

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



Source: MSCI ESG, May 2nd, 2022

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									-7.46

Source: Universal Investment, April 29th, 2022

Portfolio statistics: as of April 29th, 2022 (Source: Universal Investment)

Rating Distribution

AAA/AA	9.5 %
A	28.0%
BBB	54.4%
BB	1.5 %
NR	6.6%

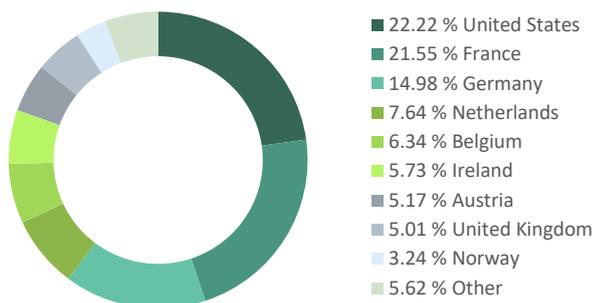
Risk measurements

Risk-return profile	3 (max. 7)
Vol. / SharpeR 3 y.	2.71% / -1.21
Ø Credit-Rating	A-
(net) Interest duration	(4.72) 6.64
Spread duration	6.29

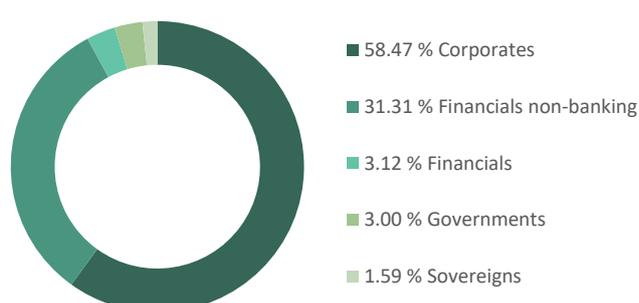
Top Holdings

Elia
Vestas Wind
Gilead Sciences
Covivio
Klépierre

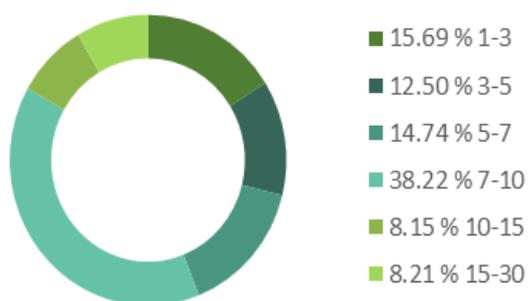
Fixed Income by country



Fixed Income by industry sectors



Fixed Income by maturity profile



Product details: as of April 29th, 2022 (Source: Universal Investment)

	WKN	ISIN	TER	AuM	Min. Investment
SDG Evolution Bonds	A2AQZE	DE000A2AQZE9	1.17%	6.2	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 Paris-aligned (1.75 degree). 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.

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