



# ESG Portfolio Management

A bridge to impactful  
sustainable investments



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January 2021

Only for professional clients and eligible counterparties. No onward transmission to private clients.

# Agenda

1. Executive Summary
2. Company profile
3. Our Investment philosophy
4. Investment process
5. Customer-oriented implementation solutions
6. Appendix

# Company profile

- 2018 June: Foundation of ESG Portfolio Management GmbH  
July: Takeover of the mixed fund SDG Evolution Flexibel
- 2019 February: Takeover of the bond fund Mayence Fair Value Bond Fonds  
Conversion of both funds to the highest level of sustainability  
November: Both funds awarded the FNG label (three stars)
- 2020 January: Received the German Excellence Award  
April: Highest rating in TELOS ESG Check  
June: Awarded as Sustainable Investment Award Multi-asset manager of the year  
October: Acceptance into the Leaders' Group of the Principles for Responsible Investment  
November: Confirmation of the FNG label with three stars for both funds
- 2021 Januar: ESG Investing Awards, Winner Best Fixed Income Fund, Winner Best Multi-Asset Fund



## Our Investment philosophy

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We believe:  
High **ESG**-qualities  
and positive **SDG**-impact  
in combination with detailed **credit analysis**  
and **equity research** are requirements  
to generate long-term competitive attractive  
risk-adjusted **returns**

# Our Investment philosophy

## ESG & SDG

**ESG** – Environmental, Social, Governance

**Risk management – to be able to sleep well**

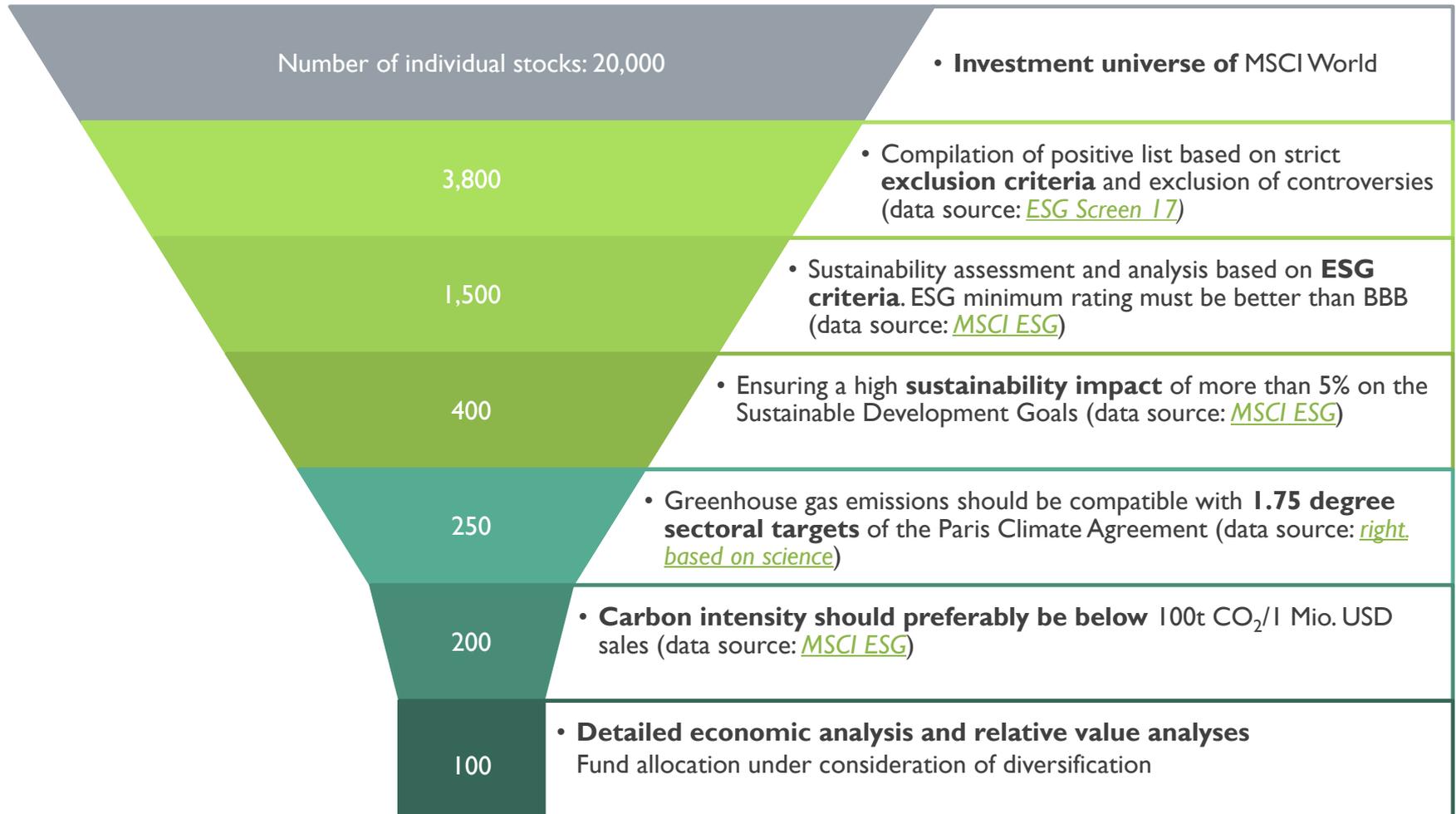
**SDG** – Sustainable Development Goals

**Positive impact – reasons to get up in the morning**



# Investment process

## Multi-stage selection procedure



# Investment process

The exclusions of our funds are very diverse and strict:

1) **Companies** are excluded from business areas:



or if the companies generate more than five percent of sales in the areas: alcohol, gaming, pornography, oil, tobacco or animal testing.



2) **Countries are excluded** when they are involved in severe controversies, death penalty, conflicting human rights, weak labour rights, child labour, corruption, violation of the nuclear non-proliferation treaty, high military budget, authoritarian regimes, no ratification of biological safety protocol.

3) **We monitor all exclusions with positive lists created by ESG Screen I7 ([www.screen17.com](http://www.screen17.com))**

- Positive lists contain only those companies and states that have no business activities in the above-mentioned areas
- ESG Screen I7 uses data from several rating providers (multi-vendor approach)

# Investment process

## ESG analysis (important part of risk management)



Data sources: We use licenses from MSCI ESG, Bloomberg and CDP (Carbon Disclosure Project) and external research



Method: We filter by ESG ratings and exclusion criteria and thoroughly analyse internally for individual relevant ESG factors before purchase to minimise risk of loss



The minimum ESG rating of individual portfolio positions of our funds is BBB (currently the worst ESG rating is A).



At fund level, we aim for average ESG ratings of AAA

### SDG Evolution Flexibel AK I

MSCI  
ESG RATINGS



Peer Group: Mixed Asset EUR Cons - Europe  
Country/Region: Germany



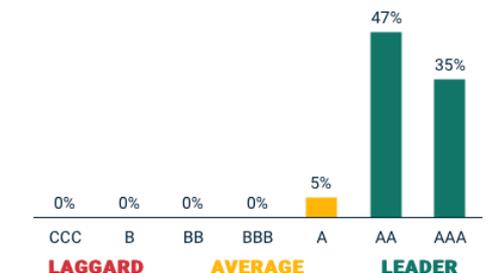
#### Peer and global rank

The fund ranks in the 99th percentile within the Mixed Asset EUR Cons - Europe peer group and in the 98th percentile within the global universe of approximately 34,000 funds in coverage.



#### ESG Rating distribution of fund holdings

82% of the fund's holdings receive an MSCI ESG Rating of AAA or AA (ESG Leaders) and 0% receive an MSCI ESG Rating of B or CCC (ESG Laggards).

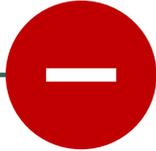


MSCI Portfolio ESG rating of the fund SDG Evolution Flexibel

Source: <https://www.msci.com/esg-fund-ratings/funds/sdg-evolution-flexibel-ak-i/68243264>

# Investment process

## ESG risk management and investment example (ESG ratings from MSCI ESG)



### VALE S.A. (VALE3) Steel | BR

Repercussions of Jan 2019 dam failure still hurt, former CEO faces murder charges

### MSCI ESG RATINGS

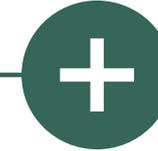


ccc B BB BBB A AA AAA  
LAST UPDATE: November 18, 2020

The mining company Vale S.A. had high environmental risks due to the dam burst in 2019 and was given an MSCI ESG rating of CCC. We use ESG ratings as a risk management tool and accordingly did not invest in this company.



Sources: Der Spiegel, February 8<sup>th</sup> 2019; MSCI



### SCHNEIDER ELECTRIC SE (SU) Electrical Equipment | FR

COVID-19 linked slowdown raises short-term risks; outlook on digitization, automation positive

### MSCI ESG RATINGS



ccc B BB BBB A AA AAA  
LAST UPDATE: November 05, 2020

The electrical engineering group Schneider Electric SE was given the highest MSCI ESG rating of AAA. We were happy to invest in this company. The low environmental risks also supported the good performance of 32% in 2020.



Sources: Bloomberg; MSCI

# Investment process

## SDG analysis



Data sources: For SDG impact measurement, we use licences from MSCI ESG and ESG Screen I7 as well as other external research.



Method: We select companies with positive SDG impacts that have no negative impacts.



The SDG impact of each position and of the fund as a whole is measured as the proportion of revenue that can be clearly attributed to an SDG.



This value should be above 35% for all our portfolios. Most sustainable benchmarks only achieve a value of around 5%.

### SDG impact measurement for the fund SDG Evolution Flexibel:

47.5 %



18.7 %



9.9 %



9.6 %



2.9 %



2.2 %



The figures above reflect the estimated annual revenue generated by companies from products and services providing sustainable impact solutions, based on a \$1mm investment in the Portfolio.

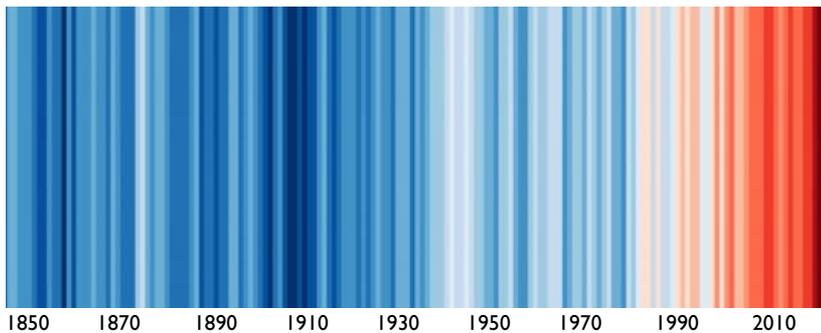
Sources: MSCI ESG, November 3<sup>rd</sup> 2020, own calculations

# Investment process

## Context: climate risks

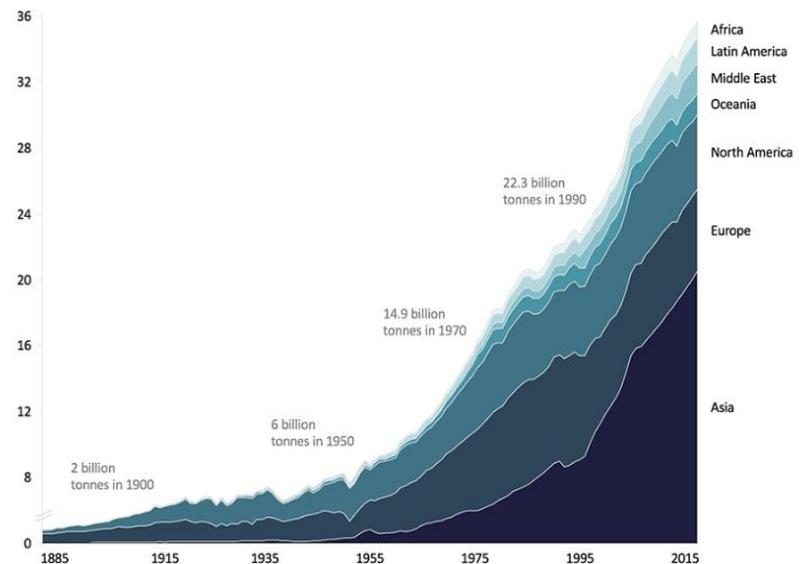
- Climate risks are the most serious threats and are now receiving the highest attention from society, politicians, regulators and investors.
- We are committed to ensuring that our funds meet and fall below the Paris targets of 1.75 degrees.

According to heat strips from 1850-2018, global temperatures rise sharply from 1990 onwards:



Source: Prof. Ed Hawkins: Warming stripes for 1850-2018.  
<https://showyourstripes.info/>

Increase in carbon emissions, especially in Asia:



Source: <https://www.consultancy.uk/news/13553/global-co2-emissions-and-the-20-most-polluting-countries-in-the-world>

# Investment process

## Context: climate risks

Expected economic implications for different warming scenarios

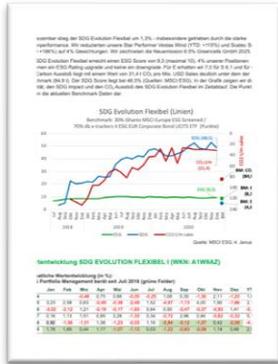
	< 2° C		3° C	5° C
Global GDP impact (2018: \$ 80 billion), compared with scenario without climate change.	-10%	-13%	-23%	- 45%
Stranded assets	Transition: Withdrawal from fossil fuels (assets, supply, power, transport, industry)		Assets based on fossil fuels are decommissioned	Physical risks: uninhabitable zones, agriculture, water-intensive industry, declining tourism
Food supply	Changing diets, crop failures		24% yield loss	60% yield loss;  60% demand increase
Challenges for insurance industry	Production facilities and investments emitting less CO <sub>2</sub> as well as investments in infrastructure		Increasing need to manage sustainability risks	Risk trend: Recession, tensions, high and unpredictable risks

Source: Own table – based on Chief Risk Officers Forum, January 2019.

Source: based on Chief Risk Officers Forum, 2019

# Investment process

## Low climate risks of our funds and transparent reporting



In our monthly reports, we transparently report on financial and non-financial developments, such as the carbon intensity of our funds and benchmarks (see e.g. Footprint Calculator) and received the top rating in Climeetrics' climate rating in 2020.

### MSCI ESG Carbon Footprint Calculator

All Metrics are applicable to Equities, but for Fixed Income<sup>1</sup> refer to only  **Date:** November 2, 2020  
 "Weighted Average Carbon Intensity" marked with the grey box

	Carbon Emissions tons CO2e / \$M invested	Total Carbon Emissions tons CO2e	Carbon Intensity tons CO2e / \$M sales	Weighted Average Carbon Intensity tons CO2e / \$M sales
<b>SDG Evolution Flexibel</b> Coverage by Portfolio Weight <sup>2</sup>	<b>22,1</b> 88,5%	<b>22.141</b> 88,5%	<b>29,3</b> 88,5%	<b>27,3</b> 88,5%
<b>iShares MSCI EUR ESG</b> Coverage by Portfolio Weight <sup>2</sup>	<b>151,6</b> 100,0%	<b>151.617</b> 100,0%	<b>166,6</b> 100,0%	<b>123,5</b> 100,0%
<b>iShares Core DAX ETF</b> Coverage by Portfolio Weight <sup>2</sup>	<b>238,3</b> 100,0%	<b>238.271</b> 100,0%	<b>216,6</b> 100,0%	<b>370,8</b> 100,0%

Source: MSCI ESG, November 2<sup>nd</sup> 2020

Only about 3% of all funds analysed receive the maximum rating of five leaves.

**SDG Evolution Flexibel and Mayence Fair Value Bond Funds:**

# Investment process

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## Climate: Forecasts and targets



The climate risk experts of "right. based on science" used emissions data from Urgentem to calculate:

If all companies worked the way the companies in the SDG Evolution Flexibel and Mayence Fair Value Bond funds do, global warming could be limited to around 1.75 degrees by 2050

(In comparison: Dax in December 2019: 4.9 degrees).

We are working hard - with careful selection and active engagements with the invested companies - to reach and stay below the 1.5 degree target for both funds.

Source: <https://www.right-basedonscience.de>

# Investment process

## Engagement und Proxy Voting

We **engage** with companies to improve their ESG quality and SDG impact. In particular, we fight for education, climate protection, product quality and the avoidance of plastic waste.

We report transparently on our engagements:

<https://www.esg-portfolio-management.com/wp-content/uploads/2020/12/Engagement-Report-2020-November.pdf>

For instance, we launched a global initiative via UN PRI with Kelloggs to reduce their plastic consumption.

We report transparently on our proxy voting:

<https://www.esg-portfolio-management.com/wp-content/uploads/2020/11/Proxy-Voting-Report-2020-November.pdf>

We use **proxy voting** of shares in our funds to improve ESG quality and SDG impact. We exercise constructive criticism to improve, for example, labour safety and climate protection.



# Customer-oriented implementation solutions

## Parameters: SDG Evolution Flexibel

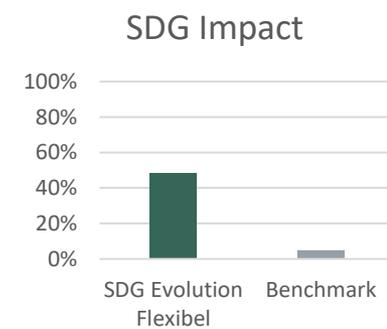
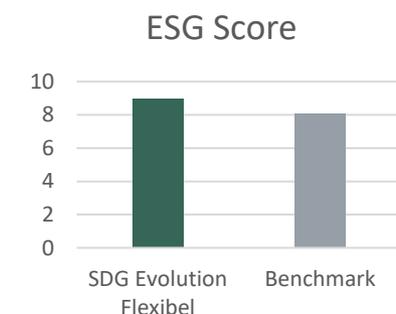
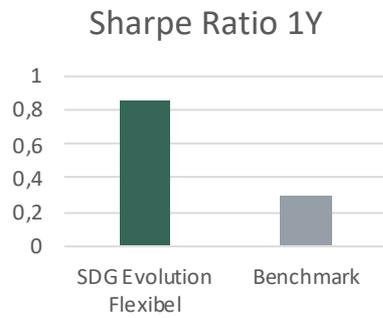
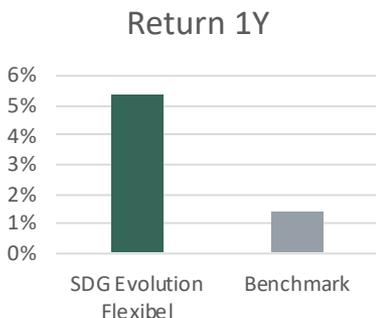
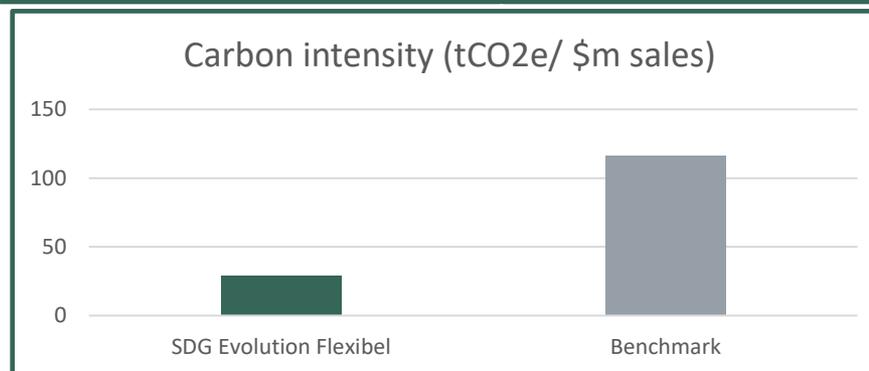
### SDG EVOLUTION FLEXIBEL: Conservative European Multi-Asset Strategy

#### Financial

Ø net equity share 30% (max. brutto 49%)

number positions 40 - 75 (Ø 60)

#### Non-financial



Sources: Universal Investment, MSCI, DWS, iShares, finanzen.net  
 As of: December 2020  
 Benchmark: 30% iShares MSCI Europe ESG Screened /  
 70% db x-trackers II ESG EUR Corporate Bond UCITS ETF

Sources: Universal Investment, MSCI, DWS, iShares, Climetrics  
 As of: November 2020

# Customer-oriented implementation solutions

## Fund tranches overview

Tranchen	SDG Evolution Flexibel AK I	SDG Evolution Flexibel AK R	Mayence Fair Value Bond Fonds
Share class	Institutional	Retail	-
WKN	A1W9AZ	A1W9AA	A2AQZE
ISIN	DE000A1W9AZ5	DE000A1W9AA8	DE000A2AQZE9
Volume	EUR 9 million	EUR 0.2 million	EUR 20 million
Min. order volume	From EUR 100,000	Unlimited	From EUR 25,000
Distribution	Distributing	Distributing	Distributing
Current Benchmark	No Benchmark	No Benchmark	No Benchmark
Costs			
Total costs* p.a.	1,14%	1,85%	1,13%
Advisor	ESG Portfolio Management GmbH		ESG Portfolio Management GmbH
Investment Management Company	Universal-Investment-Gesellschaft mbH		Universal-Investment-Gesellschaft mbH
Custodian	State Street Bank International GmbH		Donner & Reuschel AG

\*related to the previous fiscal year or estimates or the case of new funds

Source: Universal Investment, January 2021

# Contact



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[www.esg-pm.com](http://www.esg-pm.com)

## DEUTSCHER EXZELLENZ-PREIS 2020

für ESG Portfolio Management in der Kategorie Finanzen - Startups.

Quelle: <https://www.n-tv.de/ratgeber/tests/Deutscher-Exzellenz-Preis-2020-verliehen-article21409714.html>

Fotos: Thomas Ecke / DISQ / n-tv / DUB



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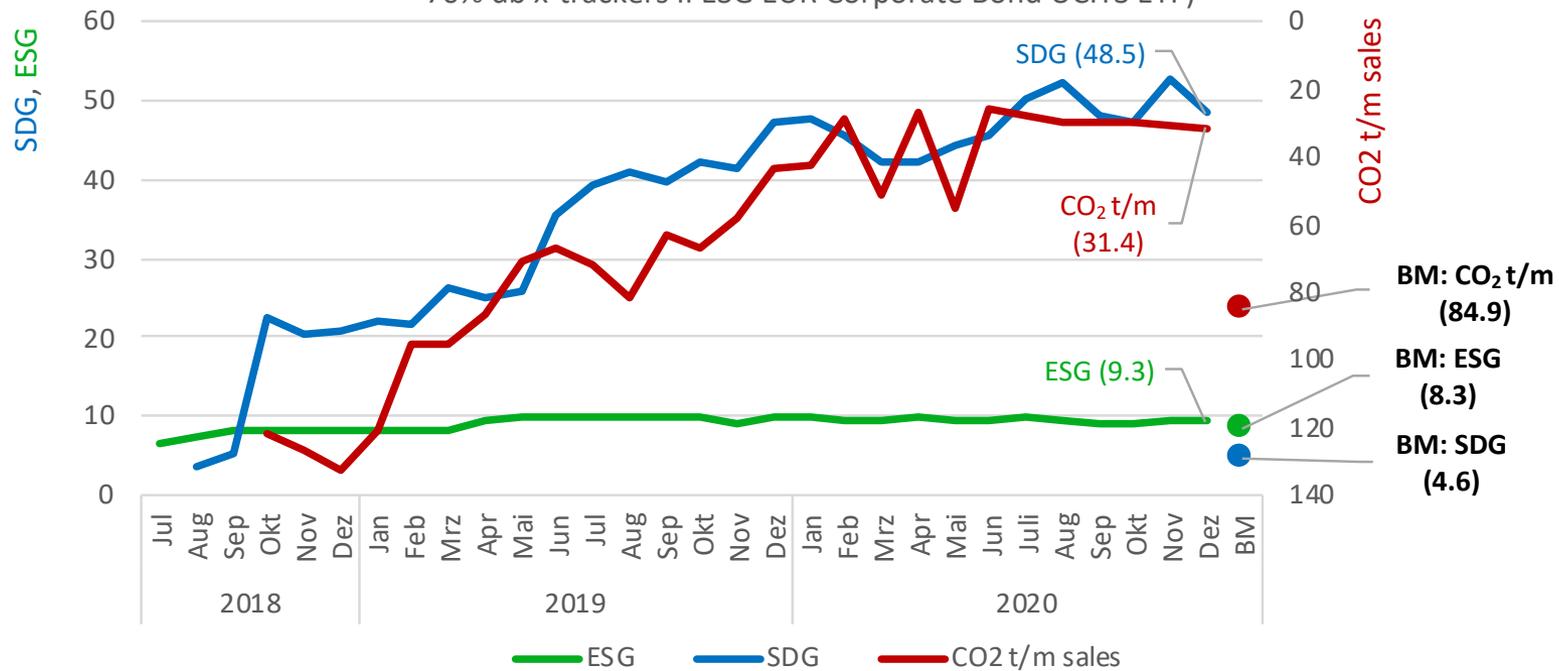
# Appendix

## Low carbon footprint and transparent reporting

### ESG, SDG and carbon intensity over time

lines: **SDG Evolution Flexibel**

dots: Benchmark (30% iShares MSCI Europe ESG Screened / 70% db x-trackers II ESG EUR Corporate Bond UCITS ETF)



Source: MSCI ESG, January 4<sup>th</sup> 2021

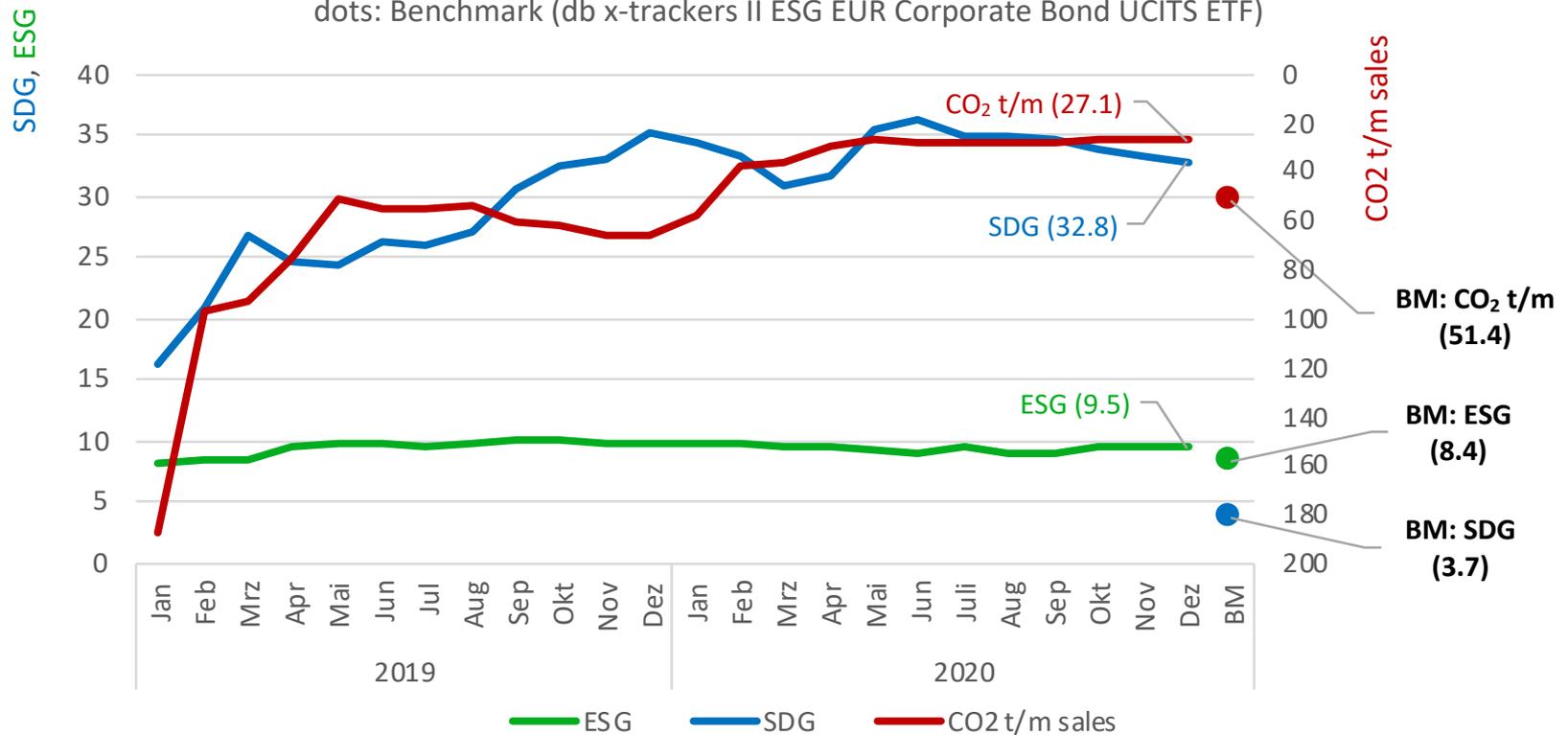
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