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METZLER
Asset Management

Focusing on value:

Responsible Investments

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"Our philosophy is not to impose a definition of sustainability on our clients, but to select varying dimensions of sustainability according to the client's individual needs and integrate them into the investment process"

Dr. Rainer Matthes, CIO Metzler Asset Management

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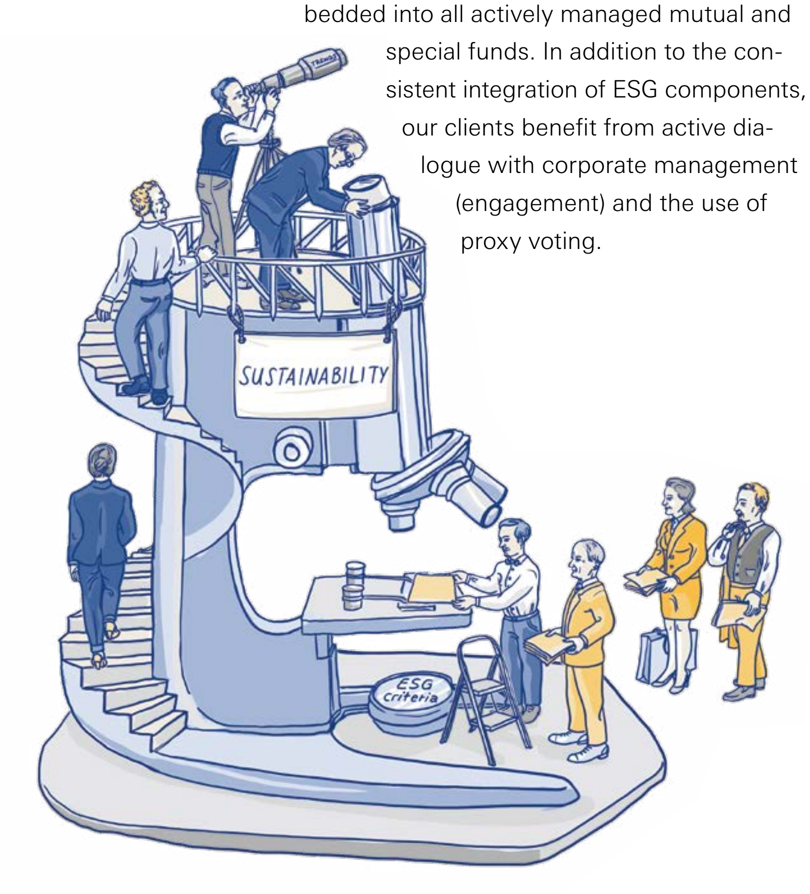
Sustainable investing: Evolving from just a trend to the investment standard

Taking sustainability criteria into consideration for capital investments is nothing new. Investors and asset managers have been doing this since the 1990s, initially with a predominant focus on ethical aspects. In recent years, the broad acceptance of ESG[1] topics (Environment, Social and Governance) has increased significantly. This is because consideration of sustainability factors has proven to be not only socially responsible but also economically sensible. For more than ten years now, capital markets have been rewarding investments in sustainable companies with significant excess returns. In addition, investors are now obliged to comply with increasingly comprehensive regulatory requirements. This suggests that integrating sustainability aspects into the investment process will soon become established as the applicable market standard.

In order to meet the diverse demands of its clients, Metzler Asset Management has established a Sustainable Investment Office (SIO) with experienced ESG experts and now offers a multi-dimensional approach to ESG integration:

- Metzler's basic sustainability concept[2] is embedded into all actively managed mutual and special funds. In addition to the consistent integration of ESG components, our clients benefit from active dialogue with corporate management (engagement) and the use of proxy voting.
- Moreover, our proprietary portfolio construction and risk management tool QbrickS[3] provides clients with a transparent exposure analysis of their investment, tailored ESG advisory services and implementation as well as a comprehensive dialogue on positioning issues.



Our ESG services at a glance:

- Advisory services: Our starting point is your individual understanding of sustainability
- Portfolio construction: Successful management of portfolios using sustainability criteria in an economic context
- Reporting: Transparent and comprehensive sustainability reporting

For details on our range of services, please keep reading or go to www.metzler.com/esg

Please note that the footnotes, legal references and disclaimer on page 14 apply for all pages that follow.

Advisory services: Your understanding of sustainability is our starting point

The demands placed on institutional investors to integrate sustainability criteria into their investments are steadily on the rise. Using a comprehensive consulting concept, the experts at Metzler's Sustainable Investment Office (SIO) can help investors identify the risks and opportunities of sustainable investing and also lend support in effectively implementing individual requirements into the investment portfolios. The consulting concept has four steps:

Step 1 – Analysis and conception

The starting point of our advisory services is your individual understanding of sustainability, your goals and your values – and thus your individual expectations and requirements for your investment. If you choose to utilize our non-binding ESG[1] portfolio check with output from our proprietary portfolio construction and risk management tool QbrickS[3], the results can be incorporated into the consultation. On this basis, we can assist you in developing your individual concept for sustainable investments. We can make suggestions on how to integrate regulatory requirements for sustainability criteria and processes into your investment guidelines and, if desired, we can help you link your investment strategy to the goals of your business strategy. We can also advise you on how to communicate your jointly developed sustainability concept to your committee members and stakeholders.

You will receive answers to these questions:

- How can you anchor sustainability components in your investments and which common methods can you use for this purpose?
- How can you obtain a neutral and non-binding ESG analysis for your investments (an ESG portfolio check)?
- Which sustainability-related regulatory requirements are relevant and have to be considered in your portfolio?

Step 2 – Simulation

We offer ex post simulation for criteria you define. We then analyze what effect the criteria and restrictions would have on your portfolio's risk/return profile. You receive the results broken down by risk factors as well as by country and sector allocation. Taking ESG criteria into account, we also offer implementation of a strategic asset allocation.

You will receive answers to these questions:

- Would taking exclusion criteria into account in the investment guidelines lead to better or worse performance compared to the benchmark?
- How can predictable regulations at national or global level affect your portfolio?
- How can you align your portfolio with the Paris Climate Agreement in the medium to long term and thus promote climate neutrality? Helpful tools in this regard are stress tests and scenario analyses.

Step 3 – Implementation

We can help you implement your individual understanding of sustainability in your portfolio, including designing, developing and deploying an exclusion list for internal and external use that is in line with your investment guidelines. We can also assist you in implementing a previously developed concept or existing investment guidelines. We construct active and passive investment strategies in compliance with investment guidelines to manage your portfolio in accordance with your ESG requirements. We advise you on a target fund universe that meets your sustainability criteria and provide access to the universe best suited for you.

You will receive answers to these questions:

- How can sustainability criteria be met when multiple managers are using the same data – even when ESG research agencies arrive at different ratings for companies?
- How can unintended effects on a portfolio's risk/return profile be neutralized when applying your exclusion criteria?
- Can ESG criteria be considered for investments in mutual funds?

Step 4 – Monitoring

Systematic portfolio controlling and a high degree of transparency for key ESG figures can protect our investors against potential reputational risks. We can also check your portfolio to ensure that the implemented ESG components are in line with your original specifications. We use an automated ESG reporting system to monitor the extent to which your predefined sustainability requirements are met. We also check whether your sustainability goals can be achieved with the current portfolio structure (ESG reporting, see page 11).

You will receive answers to these questions:

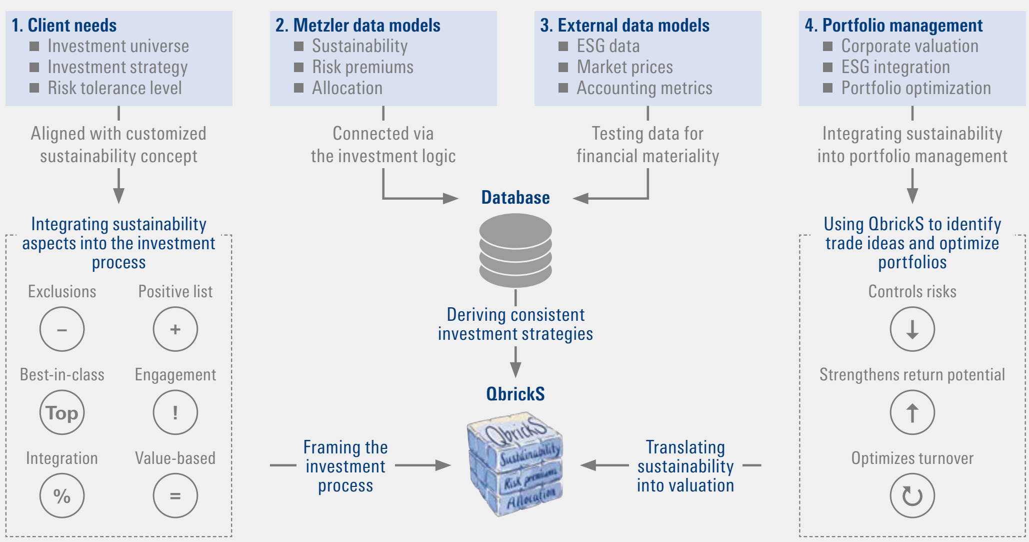
- Are your ESG requirements met in all mandates?
- How far are you from achieving your sustainability goals – on a given reporting date and dynamically over time?
- What ESG risks do you face at an individual mandate level or aggregated at investor level?

Portfolio construction: Successful management of portfolios using sustainability criteria in an economic context

With QbrickS[3], our dynamic portfolio construction and risk management tool, the interdependencies between allocation preferences, risk premiums and ESG[1] decisions can be made transparent. This allows financial and material aspects of sustainability to be seamlessly transferred to your capital investments. You can also incorporate your ESG preferences and restrictions into your investment strategy – regardless of whether they are characterized by values, economic parameters or regulatory restrictions. All of this can be embedded into a forward-looking investment guide to support tactical and strategic investment decisions.

This expansion of Metzler's basic sustainability concept[2] provides added transparency of the three investment levels most relevant for fund managers allocating capital: sustainability aspects, risk premiums[4] and allocation across industry sectors, countries or entire regions when selecting individual securities (see Chart 1).

Chart 1: QbrickS – Smooth integration of sustainability into an optimized investment process



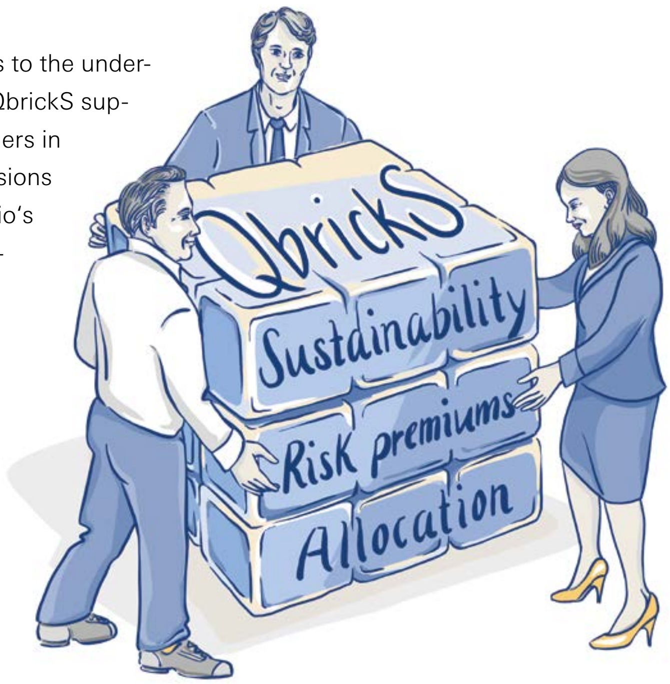
We believe that having a good understanding of sustainability aspects from an economic view can significantly enhance the risk/return profile of a portfolio. It is therefore important for active portfolio managers to anticipate relevant trends when allocating capital. This can generate sustainable excess returns against the benchmark.

We use QbrickS to achieve three goals for our clients: avoid unintended tilts, increase return potential and optimize portfolio turnover.

- Risk control: QbrickS provides a high level of transparency at all relevant investment levels, thus strengthening the risk management process. This prevents unintended tilts in a portfolio. It also allows ESG risk to be clearly distinguished from market risk and addressed separately. This helps reduce the volatility of a portfolio, keep tracking error[5] low compared to the benchmark and thus save transaction costs.

- Return potential: Thanks to the underlying investment logic, QbrickS supports active fund managers in making investment decisions that increase the portfolio's return potential. It is crucial to consider macroeconomic perspectives in addition to microeconomic issues. This particularly applies in times when monetary and economic policies are having a heightened impact on the capital markets.

- Portfolio turnover: QbrickS also enables portfolio managers to optimize their trading activities by adapting them to the economic cycle or other external effects. This saves transaction costs when stock markets are quiet, and in turbulent times, it ensures that the risk/return profile of a portfolio can continue to develop well above average despite higher transaction costs.



Our model is rooted in a deep understanding of the practical and financial sustainability factors that influence security prices. This provides a solid foundation for the three-step investment process that follows (see Charts 2 and 3).

Step 1: Incorporate your sustainability needs into the investment strategy

There are different ways to handle sustainability aspects in the portfolios. Besides outright exclusion, the most common methods are engagement (active dialogue with corporate management), integration (using ESG indicators to set accents when building over- and underweights), the use of positive lists (e.g. impact investing in line with UN sustainability goals) and a preference for certain values and norms (e.g. faith-based aspects). With QbrickS, you can choose a method for your investment strategy or combine several of them.

Step 2: Analyze the status quo of your portfolio with proprietary Metzler models and ESG data

You can use QbrickS to analyze the structure of your portfolio at three investment levels: sustainability, risk premiums, and allocation across industry sectors, countries or entire regions. This way any significant deviation from the benchmark

Chart 2: Analyzing and optimizing portfolios at all relevant investment levels with QbrickS

can be challenged against the backdrop of a forward-looking investment strategy and adjusted as needed.

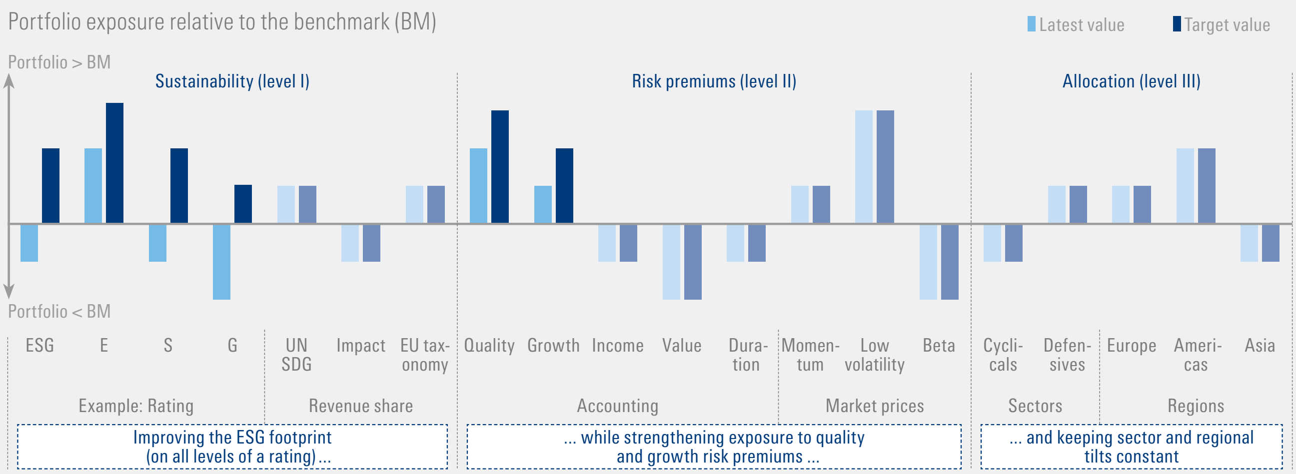
Step 3: Optimize the structure of your portfolio

We take targeted countermeasures to ensure that adjustments to one investment level do not affect the thematic focus of the other investment levels. The risk model developed specifically for this purpose not only minimizes tracking error compared to the benchmark, but it also ensures that the desired adjustments materialize in a way that is neutral to other factors.

QbrickS is clearly strong in this area. For example, if you want to reduce climate risk in your portfolio (sustainability level) but still want to focus on quality stocks (risk premium level) from cyclical sectors (allocation level), QbrickS suggests adjusting the portfolio by optimizing your strategies. In the optimization process, you will be advised to a) reassess the weightings of existing positions or b) add some portfolio holdings that help strike a balance between the different investment levels.

In addition to valuable insights for portfolio managers, QbrickS provides important information on the companies in which we invest on your behalf. For example, it provides us with clues about the quality of the company's management that help us to assess the management's ability to increase enterprise value sustainably.

Chart 3: Optimization of portfolios at all relevant investment levels



Reporting: Transparent and comprehensive sustainability reporting for your investments

Together with our clients, we have been developing a transparent and traceable reporting system for sustainable investments since 2017. The result is a comprehensive ESG reporting system that not only highlights ESG opportunities and risks but also evaluates the sustainability of an investment.

A 15-page report covers the following eight topics for you:

- ESG[1] in the investment profile, sustainability at a glance
- Turnover in controversial business areas, violations of international norms and guidelines
- ESG ratings of individual companies
- Climate profile of the investment
- Impact measurement of the portfolio with regard to the UN Sustainable Development Goals (SDGs)
- Analysis in the context of regulation and transparency initiatives
- Success achieved via active corporate dialogue and results of proxy voting
- ESG in a country profile (government bonds).

In order to guarantee you a high level of reporting quality at all times, we work closely with the major agencies for sustainability research and are in constant contact with the companies we invest in on your behalf.

ESG reporting is free of charge for you and is provided for all Metzler mandates and Master KVG. Reporting includes the following financial instruments: equities, corporate and government bonds, and investment fund shares. You can define a benchmark (BM) for strategic asset allocation or use an ESG benchmark for comparison.

Assessments are relevant based on the reporting date or on certain events. Thus, the effects of the ESG profile on your portfolio as seen over time are taken into consideration. The advantage for you is that investment changes in your ESG profile can be tracked transparently over any given reporting period.

Values and norms

We analyze sales figures in controversial business areas for you and check for possible violations of globally accepted norms, for example those contained in the UN Global Compact. Investments are reviewed based on common exclusion lists (see Chart 4) in line with Metzler's basic sustainability concept[2], the EKD guidelines for ethical-sustainable investments of the Protestant church, and the orientation guidelines for ethical-sustainable investments of the German Bishops' Conference (DBK).

Climate risks

In addition to the carbon footprint, our ESG reporting shows physical, regulatory and transitory risks in line with the requirements of transparency initiatives like the TCFD[7] and EU regulatory measures. For example, the current energy mix (input) of companies in your portfolio can be compared to the energy mix of a Paris climate agreement aligned 2°C[8]-compatible scenario in 2030 and 2050. Another use case is to identify "stranded assets"[9] based on fossil reserves (see Chart 5).

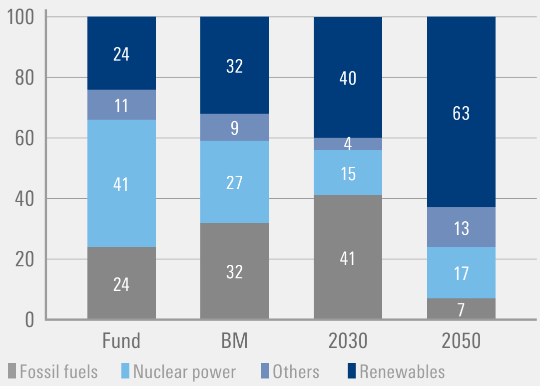
Chart 4: Business activities and exclusions (in % or percentage points)

Business activities	Fund	BM	Difference
Alcohol	4.5	4.0	0.5
Nuclear power	0.6	0.5	0.1
Adult entertainment	0.0	0.0	0.0
Green genetic engineering	0.0	0.9	-0.9
Gambling	0.0	0.3	-0.3
Tobacco	0.0	1.4	-1.4
Coal mining	0.0	0.0	0.0
Coal combustion	0.6	0.3	0.3
Controversial weapons	2.1	0.6	1.5
Conventional weapons	0.0	0.4	-0.4
Business involvement exposure	**7.1**	**8.1**	**-1.0**

Exclusion lists	Fund	BM
Metzler policy	0.0	5.8
EKD guidelines (Protestant church of Germany)	6.6	11.7
DBK guidelines (German Bishops' Conference)	5.5	10.2

Metzler policy according to market value (in %)

Chart 5: 2°C energy mix of the public utilities and climate indices (in % or percentage points)



Climate indices	Fund	BM	Difference
Low carbon transition (LCT) score	58.9	60.5	-1.6
Environmental score	57.6	65.3	-7.7
Ø GHG intensity	236.3	173.3	63.0
Ø GHG intensity 3 years	233.5	193.0	40.5
Transition risk (in %)	14.9	18.1	-3.2
Physical climate risk (in %)	7.3	16.5	-9.2
Regulatory climate risk (in %)	6.2	14.7	-8.5

Measuring the impact in environmental and social terms

We analyze the sales figures achieved by companies selling goods and services and check whether they are in line with the UN sustainable development goals (UN SDGs). These goals can be assigned to the four investable themes "basic needs, self-determination, climate change and natural capital" (see Chart 6).

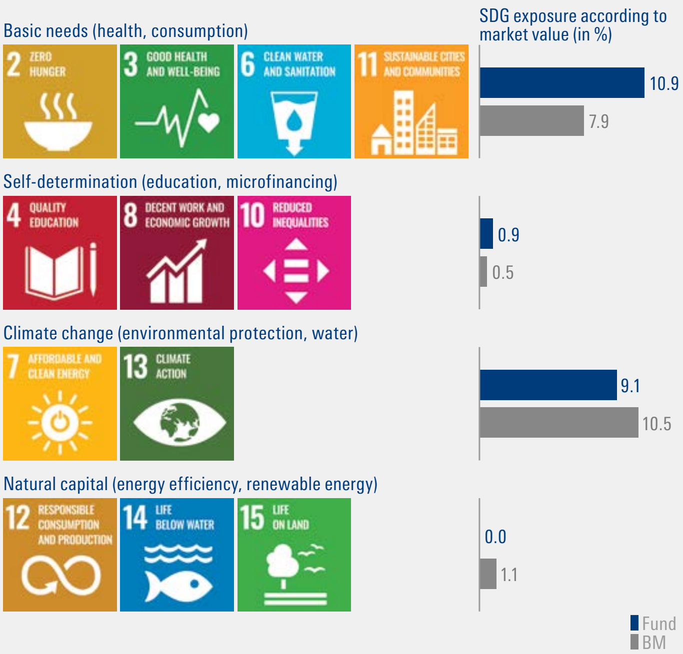
Additional reports and individual evaluations

In addition to ESG reporting, we offer the following detailed reports:

- The ESG segment report enables direct mandate comparisons in the Master KVG fund.
- ESG factsheets are available for mutual funds and exchange-traded funds (ETFs).
- The ESG engagement report provides insight into our active corporate dialogues.

Additional individual evaluations are also possible based on our ESG database with over 250 data entries for more than 10,000 companies and up to 200,000 securities.

Chart 6: Four investable areas in the UN SDGs



In summary, our ESG reporting answers a multitude of questions:

- How has my portfolio developed over time in terms of recognized ESG aspects?
- How well is my portfolio positioned compared to the benchmark?
- How does the environmental footprint of my portfolio compare and how well equipped are my investments for the opportunities and risks arising from climate change – also in view of the United Nations' 2°C target[8]?
- What benefits for my portfolio have resulted from active dialogue with the companies represented in the portfolio and from proxy voting?
- What impact does my portfolio have on the UN sustainability goals?
- How does the ESG profile differ amongst the mandates in the Master KVG fund?
- How should direct holdings in mutual funds and ETFs be assessed from an ESG perspective?

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Information for professional clients – not to be passed on to private/individual clients

Footnotes, legal references and disclaimer

[1] ESG = Environment, Social and Governance

[2] Basic sustainability: This relates to the exclusion of securities that are burdened by a "serious controversy" and/or are affiliated with the production of cluster munitions and landmines. In addition, signals from external data providers and the results of our own analyses are taken into account – on top of active dialogue with companies and proxy voting on ESG issues.

[3] QbrickS is based on a modular, three-dimensional cube (English: cube or "Q") with building blocks ("brick") connected by a uniform investment logic, by means of which sustainability (sustainability or "S") can be integrated into portfolios.

[4] Risk premiums: The market risk premium is the difference between the expected return of a risky market portfolio and the risk-free interest rate

[5] Tracking error refers to the unintended deviation between the performance of an index fund or portfolio and its benchmark over a certain observation period.

[6] KPI = key performance indicator

[7] TCFD = task force on climate-related financial disclosures

[8] The United Nations' 2°C goal is to limit global warming to 2°C above the pre-industrial level.

[9] Stranded assets: Assets that become worthless within a short time due to environmental or climate-related factors

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Past performance cannot be regarded as an indicator of future performance. It cannot be guaranteed, warranted or assured that a portfolio will repeat its past performance in the future. Any gains generated by investments are subject to fluctuations; the price or value of any financial instrument described in this document may rise or fall. Moreover, the actual performance of a portfolio depends on its asset volume as well as on the agreed fee structure and external expenses.

Metzler therefore is not in a position to guarantee, warrant or assure that a portfolio will actually display the performance the investor desires, as an investment portfolio is always subject to risks that can have an adverse effect on its performance, risks on which Metzler itself may have only limited influence.

In particular, it cannot be guaranteed, warranted or assured that ESG investments will actually increase returns and/or reduce portfolio risk. Similarly, no civil liability of Metzler can be derived from the goal of "responsible investing" (as defined by the BVI Rules of Conduct).

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Metzler Asset Management

Metzler Asset Management GmbH
Untermainanlage 1
60329 Frankfurt/Main, Germany

Phone (+49-69) 2104-1111
Fax (+49-69) 2104-1179
asset_management@metzler.com

www.metzler.com/asset-management

As of: August 2020_Order no.: MESG-KB-e