

The decarbonization of portfolios – thought through

Consistent sustainable investing with Finreon Carbon Focus®
The innovative building block for reducing the financed carbon footprint



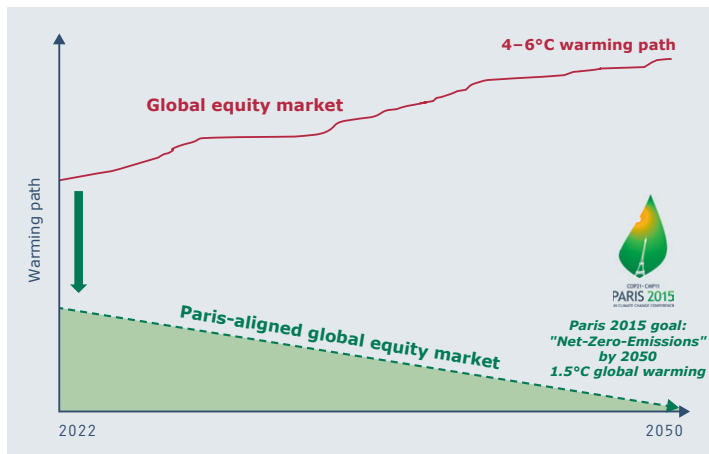
Climate change means investment portfolios will face great challenges

The mitigation of climate change and the transition to a carbon neutral economy represent one of the greatest challenges of the coming years. "Business-as-usual" is no longer an option. Climate change and numerous measures to mitigate it constitute a systemic risk. Integrating this risk is therefore becoming increasingly important as an elementary component of holistic risk management in all industries.

Increasing social and regulatory pressure lead to the fact that the financial industry must also make its contribution. With a traditional equity portfolio (global equities), the economy is on a global warming path of ca. six degrees Celsius. To achieve the target of 1.5 degrees Celsius agreed in the Paris climate agreement, the measurement, disclosure and reduction of the carbon footprint of investment portfolios are becoming increasingly important.

Measures to mitigate climate change will lead to a transformation of the economic structure

illustrative



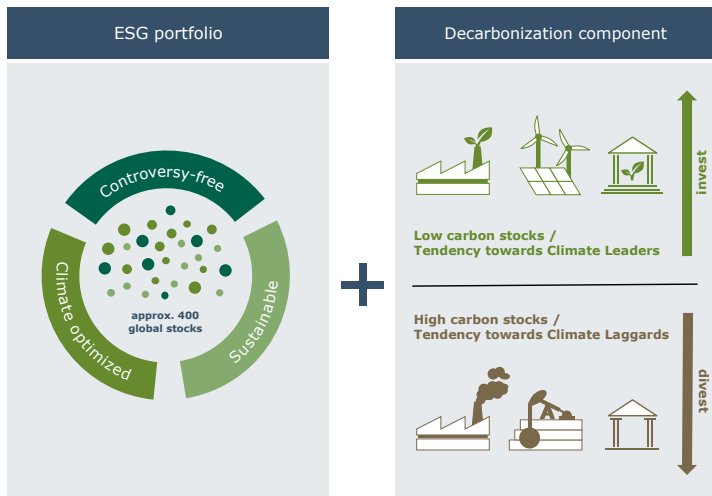
Finreon Carbon Focus®: Decarbonization thought through

Investors can send market signals – Investment decisions such as overweighting stocks with a low carbon footprint, or underweighting up to even excluding stocks with a high carbon footprint can create the necessary incentives for transformation.

The Finreon Carbon Focus® solution takes this approach to its logical conclusion: By negatively weighting stocks with high carbon emissions and positively weighting stocks with low carbon emissions in the innovative Carbon Focus® overlay, financial flows are directed from the "brown" to the "green economy".

Optimal sustainability component – The Finreon Carbon Focus® solution supports the "green economy" by investing in a strictly sustainable and climate-optimized global equity portfolio. This equity component is combined with the innovative decarbonization component – the Finreon Carbon Focus® overlay –, which exerts increased market pressure on carbon intensive business models and thus significantly reduces the portfolio's carbon risks.

The Finreon Carbon Focus® Concept



The advantages of Finreon Carbon Focus®

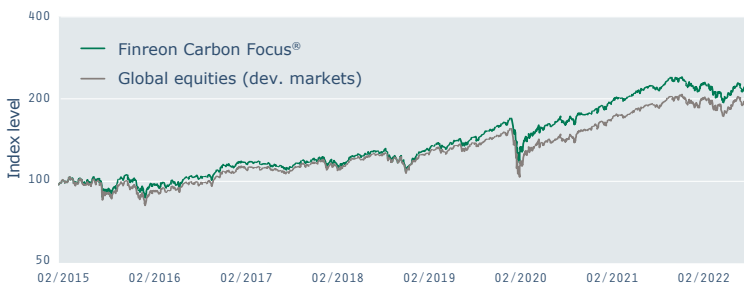
Steering investment from brown to green – The Finreon Carbon Focus® solution steers capital flows away from the brown economy to the green economy.

Building block with strongly negative financed carbon footprint Thanks to its innovative decarbonization component, the solution has a strongly negative exposure to carbon intensive business models. Thus, the carbon-related risks as well as the financed carbon footprint of the portfolio can be reduced.

Strict sustainable quality standards (FNG label) The fund portfolio is constructed in a multi-stage selection and optimization process, taking into account key figures in the areas of ESG and climate change as well as strict exclusion criteria.

Flexible allocation into any portfolio – Thanks to its innovative portfolio construction, the global equity portfolio has a low tracking error compared to the benchmark and is therefore suitable for flexible use in the world equity allocation.

Characteristics of the Finreon Carbon Focus® strategy



	Finreon Carbon Focus®	Global equities (dev. markets)
Return (p.a.)	11.0%	9.3%
Volatility (p.a.)	16.7%	16.4%
Maximum Drawdown	31.6%	33.7%
CO₂-footprint (Scope 1 & 2) (financed tCO ₂ e/ €M EVIC*)	-429 t CO ₂	47 t CO ₂
CO₂-footprint (Scope 1, 2 & 3) (financed tCO ₂ e/ €M EVIC*)	- 2'698 t CO ₂	389 t CO ₂

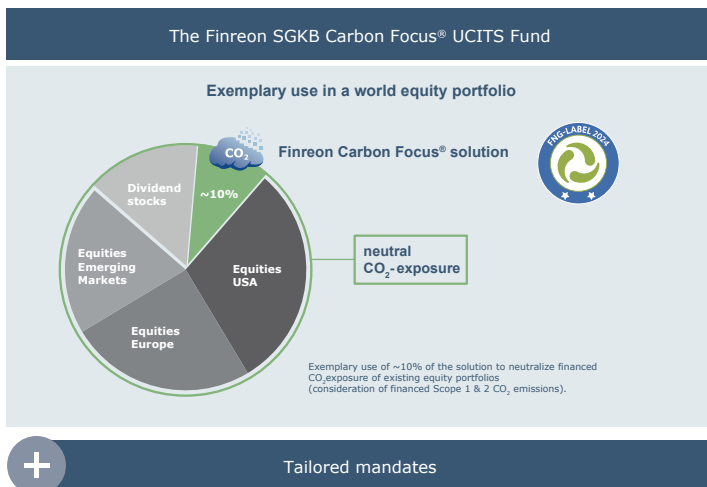
Data as of 30/09/2022. Backtesting data from Finreon AG until 19/01/2022, live Finreon SGKB Carbon Focus fund data afterwards (Class I2, TR). Historical performance, simulations or forecasts are not a reliable indicator of future performance. Performance in EUR. Data basis: Refinitiv; Finreon Research. *Enterprise Value incl. Cash.

Implementation: efficient UCITS fund and customized mandates

The Finreon SGKB Carbon Focus® UCITS fund substantiates Finreon's innovative and consistent sustainability strategy. The fund offers itself as an efficient building block for the targeted decarbonization of existing investment portfolios. The UCITS fund, which has been awarded the coveted FNG label, is a cost-effective and sustainable equity component that can be used flexibly in the portfolio.

Other customized solutions – In addition to investments in the fund, investors can also choose from customized certificates and individual mandates. Finreon works with numerous renowned investment banks as well as asset managers to implement customized investment solutions based on client needs.

The Finreon Carbon Focus® solutions



Finreon – a spin-off from the University of St.Gallen (HSG)

Finreon, founded in 2009 as a spin-off from the University of St.Gallen (HSG), has established itself as a competent partner for innovative investment concepts in the field of asset management and investment consulting. In its solutions, the company combines many years of investment experience with the latest findings in financial research.

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Notes on the Finreon Carbon Focus® methodology

Finreon Carbon Focus® solutions aim, among other things, to optimize, reduce or neutralize the financed carbon footprint of a portfolio. The following definitions and assumptions are used:

- The carbon footprint of portfolios is defined as financed tCO_2e / million \$ EVIC, where tCO_2e is the greenhouse gas emissions of a company and EVIC is the company value (including liquidity). The carbon footprint of portfolios is thus derived from the proportional attribution of greenhouse gas emissions caused by the portfolio companies. The allocation is made according to the respective (positive or negative) weighting in the investors' portfolio.
- The carbon footprint of a portfolio does not reflect real carbon emissions caused by the investor, but the financed footprint of the investor compared to the real carbon emissions caused by the portfolio companies. The influence via capital allocation does not represent a direct reduction of real emissions and therefore a carbon offset of financed emissions' reduction with real emissions may not take place.
- Investor influence on corporate decision-making should not be confused with real-world impact. The Finreon Carbon Focus® concept focuses on public market instruments and aims at optimizing the carbon profile of a portfolio and exerting an indirect influence on portfolio companies through non-market and market signals.
- In the Finreon Carbon Focus® concept, derivatives (e.g. carbon focus® swaps or futures) are partly used as a technical portfolio management tool and to manage the exposure to carbon-intensive companies. Due to the economic exposure of the derivatives to the underlying assets, they are considered similarly to a direct investment in the underlying assets with regard to their carbon metrics (such as carbon footprint).

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