

Carnot Efficient Resources 2nd Quarter 2022

Thorsten Grimm, Andres Gujan / July 4, 2022

The net asset value of the currency-hedged CHF share class (D) was CHF 149.16 at the end of June, down 14.0% in the quarter, 1.3% below benchmark performance (MSCI World TR CHF: -12.7%). In the unhedged EUR share class (D), the net asset value on a quarterly basis decreased by 12.2% to EUR 136.53 (MSCI World TR EUR: -10.8%). Q2 was dominated by interest rate and inflation concerns, the ongoing Ukraine war, and the expected economic slowdown. In the rebalancing at the beginning of June, we strengthened the North American portfolio share through the Weyerhaeuser shares (earth/agriculture and forestry) and made further adjustments as scheduled.

Rollercoaster in the 2nd Quarter

The second quarter of 2022 was characterised by high volatility. Several negative developments overlapped: the war in Ukraine and the resulting geopolitical risks were joined by rising interest rates, galloping inflation figures and lockdowns in China. Almost all manufacturing sectors suffered from material shortages and supply difficulties. Growth expectations are constantly being reduced and even the slide into a severe recession in the wake of sharply increased energy prices and rising interest rates is widely discussed. It should be said that the operating figures of most companies in the portfolio still look good and that high energy and commodity prices are generally not bad news for companies with resource-saving technologies. In our opinion, this is part of the explanation why Carnot Efficient Resources "only" suffered a loss moderately below the overall market in Q2 despite its cyclical orientation.

Wood: Building Material of the Future

Building with wood is the trend. In mid-June, Flughafen Zürich AG announced that the new Dock A including the tower will be built from sustainable wood. With this, the airport operator wants to set new standards for terminal buildings in terms of sustainability. After more than 35 years, Dock A has reached the end of its life cycle and needs to be replaced. However, construction of the 700-million-euro building is not scheduled to start until 2030 and is thus still far in the future.

But a glance at the present is enough to recognise the growing importance of wooden buildings. In Germany, the share of residential buildings in timber construction in all approved residential buildings has almost doubled within five years and was 21% in 2021.

Zurich Airport: New Dock A made of wood



New technologies enable the substitution of steel and concrete with wood: View of the future Dock A at Zurich Airport

Source: Zurich Airport

According to a survey by the Swiss Timber Construction Association, the proportion of wood used in buildings with 3 or more residential units (new construction) has risen from a very low 4.3% in 2011 to 6.2%, and for extensions and conversions from 22.8% to 28.1%.

Building with wood scores points in terms of sustainability and also has other advantages.

Wood, especially domestic wood, protects the climate and is significantly **more energy-efficient** than other building materials. Wood has good **thermal insulation** properties, is a natural **CO2 reservoir**, regulates air humidity and ensures a **good indoor climate**. Last but not least, wood as a building material can be **reused** - an important plus point when considering how much building material makes up the waste volume.

Growth potentials also result from the **energetic renovation** of many buildings, which will become necessary in the coming years and decades in order to achieve the climate goals. The political course is set - worldwide - in favour of energy-efficient renovations and new buildings with renewable raw materials.

A young field are **high-rise buildings** made of wood, which support the urban development towards "sustainable cities". Ambitious architects and engineers have planned the Mjøstårnet House in Norway. It was completed in 2019 and, at 85 metres high, is currently considered the tallest wooden house in the world. But there are even bigger timber projects in the pipeline (see also Spotlight).

With the US company **Weyerhaeuser**, we now have a stake in one of the largest international forestry companies. The German emigrant Friedrich Weyerhäuser (1834-1914) founded the company in 1900, which is today the largest private owner of forest areas in the USA. Weyerhaeuser manages about 10.1 million hectares of forest, of which 4.5 million are owned by the company in the USA. The remaining areas are leased from the Canadian government. The standards of management are such that Weyerhaeuser is represented in the Dow Jones Sustainability North America Index.

Weyerhaeuser not only manages huge areas of forest, but is also active in the entire value chain of the timber industry: from planting, harvesting and trading to the production of wood panels and construction timber. The group has benefited from the timber trend and has been able to increase turnover by almost 50% over the last five years.

Portfolio Rebalancing Beginning of June 2022

Within "Energy" we reduced the "Transport" theme with the sale of **Trelleborg** (SE) and **Stadler Rail** (CH). Trelleborg reported the sale of its tyre business to Yokohama with a gain of around USD 640 million, whereupon the share rose by 25%. Due to shifts in the ranking, we took advantage of the sharp rise in Trelleborg's share price to sell. We like Stadler Rail thematically, its broad international presence, and the fantastic order intake. However, the results have been disappointing and the situation surrounding the plant in Belarus is fraught with risks. We decided to sell the position because the strength of the Swiss franc will be an additional challenge. In the energy segment, on the other hand, we bought **Verbio** (DE, renewable energy) and **AFRY** (SE, industrials) - both

after strong price declines. In the "Renewables" segment, we sold **Daiseki** (JP, Recycling) again and instead strengthened the "Agriculture and Forestry" theme with the purchase of the attractively valued **Weyerhaeuser**. Another purchase was **Croda International** (UK, feed and food additives), known from the past, while **Chr. Hansen** (DK) was sold within the theme. In the "Air" sector, we divested from the battery manufacturer **Panasonic Holdings** (JP, Clean Energy) and took a new stake in the more promising **NGK Spark Plug** (JP). NGK Spark Plug is active in the field of exhaust gas sensors, among other things, and wants to grow significantly in the area of sensor technology.

Transition in the Portfolio Management

Thorsten Grimm, who managed the fund together with Andres Gujan, will leave Carnot after seven years. Thorsten will take up a new position as a board member of a German investment company. Thorsten will be replaced by Lukas Götz, who has been with Carnot since 2020. Lukas has already been involved in the portfolio management of Carnot Efficient Resources in the past, which ensures continuity and quality.

We wish Thorsten and Lukas good luck and success in their new functions!

Ressource	Theme	Portfolioshare	Performance Q2 (local currencies)
Energy	Building technology Industry Transport Renewable Energy	49%	-12.9%
Water	Drinking water Wastewater Irrigation	16%	-16.1%
Earth	Agri/forestry, ocean Food, feed Metal resources	25%	-14.7%
Air	Exhaust gases Clean fuels	9%	-2.1%

Did you know?

Winterthur also has ambitions to build the world's tallest wooden building: The "Rocket Hochhaus", a residential tower with a height of 100 metres, is being planned and is to be realised by general contractor Implenia on the Lokstadt site by 2026.

Quelle: [Implenia](https://www.implenia.com)

Carnot Efficient Resources Fund (EUR)

Factsheet June 2022

Fund Description

Carnot Efficient Resources is a global impact equity fund. The core elements of the fund are the theme of resource efficiency and the quality investment style. The fund invests in listed equities of established companies with products and technologies that conserve natural resources, i.e. use the basic elements "fire, water, earth, air" more efficiently. Stock selection is based on quality and valuation criteria, in particular debt ratio, return on capital employed and ratio of enterprise value to operating cash flow. All portfolio positions fulfil sustainability criteria.

Carnot Capital AG was founded in July 2007. Carnot is a pioneer in impact investing and is supervised by FINMA. The partners have broad experience in portfolio management and financial analysis.

General Information

Umbrella Fund	PPF II
Domicile	Luxembourg
Legal Form	UCITS, FCP
Public Distribution	DE
Investment Manager	Carnot Capital AG, Bäch SZ
Portfolio Manager	Thorsten Grimm, Andres Gujan
Custody / Administration	European Depository Bank SA
Launch	01/12/2015 (EUR: 13/02/2017)
Subscription / Redemption	daily / daily
Currencies	CHF, EUR
Performance Fee	None
CO ₂ Intensity Fund	173.6 tCO ₂ per EUR mn revenue
CO ₂ Intensity MSCI World Index	180.8 tCO ₂ per EUR mn revenue

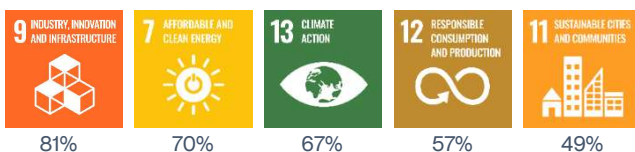
Key Data

Volatility	22.0% (daily data, 3 years)
Beta	1.1 (vs. MSCI World TR)
Information Ratio	-0.27 (vs. MSCI World TR)
Perf. since Launch	36.5% (EUR)
Fund Size	13.3 EUR mn

Largest Positions

Name	Country	Ressource/Theme	ROCE	Weight
Emcor Inc.	US	Energy/Industry	37%	2.6%
Sprouts Farmers	US	Earth/Food & Nutrition	39%	2.5%
ThermoFischer	US	Water/Water Treatment	32%	2.5%
Takasago	JP	Energy/Building Tech.	18%	2.5%
Schweiter Tech.	CH	Energy/Renewables	17%	2.4%

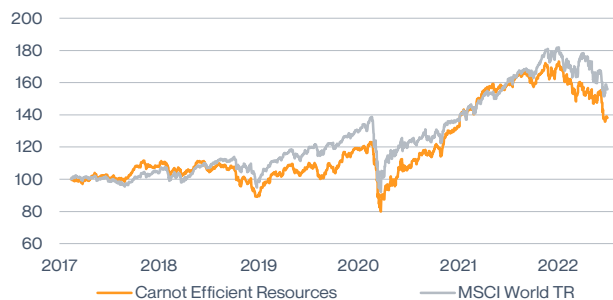
Portfolio Contribution to the SDGs



Net Asset Value (NAV) as of June 30, 2022

Share Class B	EUR 119.04
Share Class D	EUR 136.53

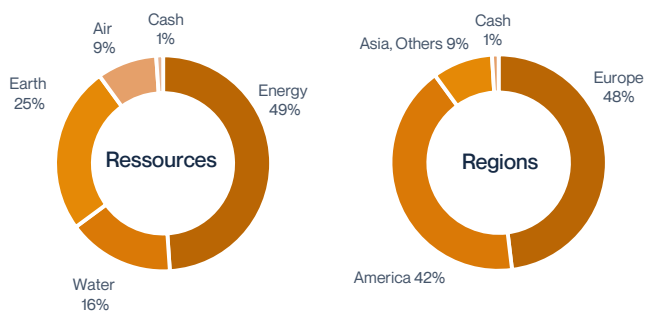
Indexed Performance since February 13, 2017 (EUR)



Performance in % (EUR)

	Fund	MSCI World TR
1 month	-10.7%	-6.4%
3 months	-12.2%	-10.8%
1 year	-14.0%	-2.8%
3 years	26.8%	33.4%
since Launch	36.5%	55.8%
YTD	-19.9%	-13.5%
2021	28.2%	31.1%
2020	12.5%	6.3%
2019	31.6%	30.0%
2018	-16.6%	-4.1%
2017	7.7%	3.7%

Portfolio Structure



Fund Classes

Name	ISIN	Minimum	Management Fee
B CHF	LU1296765586	-	1.5%
B EUR	LU1296765230	-	1.5%
D CHF ^{1,2}	LU1296765743	1 mn	0.9%
D EUR ²	LU1296765669	1 mn	0.9%

¹ Currency hedged ² Redemption Period: 10 days

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