

# Monthly ESG Equity Market Report

January 2023

**HANetf & Saturna Capital**

**Saturna Sustainable ESG Equity HANzero™ UCITS ETF**

SESG.L

75 bps

IE00BMGRZP89

Product Inception Date: 07/07/2022

For Professional Clients Only. Capital at risk.

All data as of 31/12/2022

This report was written by, and is the opinion of Saturna Capital

## Key Takeaways

In December the Saturna Sustainable ESG Equity HANzero UCITS ETF slipped -1.55% as measured in USD. The return was significantly better than conventional global indices. Market sentiment shifted to risk-off in December with Healthcare and Consumer Staples performing well and Technology accounting for most of the losses. Diabetes champion Novo Nordisk and Pfizer led Healthcare returns, while GSK consumer goods spin out Haleon jumped 15% and has recouped nearly all the loss since its separate listing. Also rebounding strongly was Vestas Wind Systems, which jumped 36% in DKK. As a result, our Industrials selection made a positive contribution to ETF returns. At the other end of the spectrum, Apple, Taiwan Semiconductor and NXP Semiconductor dragged down returns. Novozymes also performed poorly on its intra-Denmark bid for CH Hansen.

Source of all data: Bloomberg as of 31.12.2022. **Please note that all performance figures are showing net data.** Past performance is not indicative of future performance and when you invest in ETFs your capital is at risk.

## Macro Outlook

As we embark upon the New Year two questions figure prominently among investors: 1) What are your market expectations? 2) Growth or Value? In 2023 such queries carry greater urgency given the significant decline in 2022 combined with recessionary worries in the coming year. In response, we typically reply that we are not market prognosticators, preferring to focus on the long-term outlook for the individual stocks in which we invest. Regarding the first question, however, every four years we arrive upon a phenomenon with an unblemished multi-decade record of calling the market over the next year, at least in the United States – the Mid-Term Effect. From 1945 through 2019 the calendar year return of the S&P 500 has been positive in 19 of the 19 years following a US mid-term election. Over that span returns for the S&P 500 in the years following a mid-term election have averaged 16.28% compared to an average return of 7.99% in other years.

Additionally, since 1942 there have been 17 down years for the S&P 500 but over the same period there have been only three pairs of consecutive down years (1973-1974, 2000-2001 and 2001-2002). Considering the market's 2022 downdraft this perhaps provides another reason for optimism regarding the prospects for 2023 and for remaining engaged with the markets.

The growth versus value question involves several considerations. Firstly, how do we determine the constituents of a growth versus value index? As determined by well know index providers, in 2022 value outperformed growth for the first time since 2016. Given that these indexes make no distinction for sector, that mostly tells us that Energy, Utilities, Real Estate and Financials generally outperformed Technology. We think a more nuanced approach, examining intra-sector valuation has an important role to play. Secondly, what are the relative valuations? Several years of growth outperformance pushed relative valuations to levels not seen since the end of the 1990's. Finally, what are the external factors that influence the dynamic? Monetary policy is certainly one and if we look back to those same late 1990's we find a period of loose monetary policy in the run-up to Y2K followed by a period of

tightening. We also find value in the driver's seat for several years following 2000. As noted above, we are not market prognosticators but neither do we ignore the evidence.

## Sustainable ESG Equity Performance

As of 31.12.2022

	1M	3M	6M	YTD	12M	SI
Saturna Sustainable ESG Equity HANzero™ UCITS ETF (Acc)	-1.55%	10.49%	2.40%	-21.94%	-21.94%	-19.11%

Please note that all performance figures are showing net data. Source: Bloomberg / HANetf. Data as of 31/12/2022

Performance before inception is based on back tested data. Back testing is the process of evaluating an investment strategy by applying it to historical data to simulate what the performance of such strategy would have been. Back tested data does not represent actual performance and should not be interpreted as an indication of actual or future performance. Past performance for the index is in USD. Past performance is not an indicator for future results and should not be the sole factor of consideration when selecting a product. Investors should read the prospectus of the Issuer ("Prospectus") before investing and should refer to the section of the Prospectus entitled 'Risk Factors' for further details of risks associated with an investment in this product. When you invest in ETFs and ETCs, your capital is at risk.

### Product Details

The Saturna Sustainable ESG Equity HANzero™ UCITS ETF is a UCITS compliant exchange traded fund domiciled in Ireland.

The fund aims to achieve long-term capital growth by investing in companies with robust environmental, social and governance (ESG) policies. The fund comprises 50-60 high quality, attractively priced global companies that are best-in-class on a variety of ESG, financial and valuation metrics and have solid growth prospects.

The fund is actively managed by Saturna Capital, global asset managers with over 30 years of experience in socially responsible investing.

This fund gives environmentally conscious investors the opportunity to target capital growth with the reassurance that any carbon emissions linked to their investment will be offset through HANzero™, HANetf's carbon offset program and South Pole, a certified and audited carbon offset provider.

Please remember that when you trade ETFs your capital is at risk and past performance is no guarantee of future performance.

Visit the [SESG Fund Page](#) for more information.

Exchange	BBG Code	RIC	ISIN	Valoren	SEDOL	Currency	TER
London Stock Exchange	SESG LN	SESG.L	IE00BMGRZP89	-	BMGS7S8	USD	0.75%
London Stock Exchange	SESP LN	SESP.L	IE00BMGRZP89	-	BMGS7T9	GBP	0.75%
Deutsche Boerse Xetra	ASWN GY	ASWNG.DE	IE00BMGRZP89	-	BMCFKJ5	EUR	0.75%
Borsa Italiana	SESG IM	SESG.MI	IE00BMGRZP89	-	BMCFKG2	EUR	0.75%



## Jane Carten, MBA

President, Director, and Portfolio Manager

Jane Carten, President and Director, joined Saturna Capital in June 1997. Ms. Carten graduated from Western Washington University with an MBA and undergraduate degree in Computer Science and Business. As President, Jane oversees Saturna's daily operations and directs Saturna's internal and external information systems, managing the technology and marketing activities. She also directs Saturna's continuing education program and the philanthropic efforts of the firm. Ms. Carten currently serves on the ICI Board of Governors and as Chair of ICI's Small Funds Committee, on the SEC's Asset Management Advisory Committee, and on the Board of the Whatcom Business Alliance.

## Important Information

### Communications issued in the UK (ETFs and ETCs)

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### Communications issued in the EEA relating to ETCs

The content in this document is issued by the relevant Issuer.

## The Issuers

1. HANetf ICAV, an open-ended Irish collective asset management vehicle issuing under the terms in the Prospectus and relevant Supplement for the ETF approved by the Central Bank of Ireland ("CBI") ("ETF Prospectus") is the issuer of the ETFs. Investors should read the current version of the ETF Prospectus before investing and should refer to the section of the ETF Prospectus entitled 'Risk Factors' for further details of risks associated with an investment in the ETFs. Any decision to invest should be based on the information contained in the ETF Prospectus.
2. HANetf ETC Securities plc, a public limited company incorporated in Ireland, issuing:
  - i. the precious metals ETCs under the terms in the base prospectus approved by both the Central Bank of Ireland ("CBI"), the UK Financial Conduct Authority ("FCA") and the final terms of the precious metals (together, "Metals ETC Prospectuses");
  - ii. the carbon securities ETCs under the terms in the base prospectus approved by the UK Financial Conduct Authority ("FCA") and the relevant final terms of the carbon securities (together, "FCA Carbon ETC Prospectus"); and
  - iii. the carbon securities ETCs under the terms in the base prospectus approved by the Central Bank of Ireland ("CBI") and the final terms of the carbon securities (together, "CBI Carbon ETC Prospectus").

Investors should read the latest versions of the relevant ETC prospectus before investing and should refer to the section of the relevant ETC prospectus entitled 'Risk Factors' for further details of risks associated with an investment in the ETCs. Any decision to invest should be based on the information contained in the relevant ETC prospectus.

3. ETC Issuance GmbH, a limited liability company incorporated under the laws of the Federal Republic of Germany, issuing under the terms in the Base Prospectus approved by the Bundesanstalt für Finanzdienstleistungsaufsicht ("BaFin") and the final terms ("Cryptocurrency Prospectus") is the issuer of the ETC Group ETCs. Investors should read the latest version of the Cryptocurrency Prospectus before investing and should refer to the section of the Cryptocurrency Prospectus entitled 'Risk Factors' for further details of risks associated with an investment in the ETCs contained in the Cryptocurrency Prospectus. Any decision to invest should be based on the information contained in the Cryptocurrency Prospectus.

The ETF Prospectus, Metals ETC Prospectus, FCA Carbon ETC Prospectus, CBI Carbon ETC Prospectus and Cryptocurrency Prospectus can all be downloaded from [www.hanetf.com](http://www.hanetf.com).

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