

# Monthly ESG Equity Market Report

February 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 31/01/2023

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

## Key Takeaways

The Federal Reserve met expectations by hiking rates a further 25bp at its first meeting of the year, while sticking to its story that rates will continue to move higher until assured victory over inflation. The ECB followed suit the next day with a 50bp hike of its own, perhaps reassured that a mild winter and receding concerns over energy shortages provided the leeway for aggressive anti-inflationary measures.

Markets took the Federal Reserve's action in stride with the probability of two additional 25bp rate hikes even declining to 30% the day after the meeting from a bit higher the previous week. Then the January jobs report was released showing non-farm payrolls jumping by an expectations-busting 517,000 and the unemployment rates dropping to a 53-year low of 3.4%. Of such things are higher wages, continued inflationary pressures and future rate hikes made and the market-implied probability of two additional hikes promptly doubled to 60%, while equity markets rolled over following strong January performance.

It appears the inflation/rates tug-of-war between the hawks and the doves will continue for some time, perhaps leading to a choppy market than we have seen year-to-date, at least in the United States. European markets have fared relatively better, boosted by the aforementioned moderating of energy concerns and decent economic performance from various countries, not including the UK. A renewed Russian offensive in Ukraine could chill the enthusiasm.

In January the Saturna Sustainable ESG Equity HANzero UCITS ETF gained 4.75% as measured in USD. The returns trailed global indices. Everything that happened in December reversed in January as a "junk rally" drove market returns. The largest positive contributors to SESG were almost uniformly technology stocks, led by ST Microelectronics, Apple, NXP Semiconductor, Taiwan Semi and Microsoft. Solid performance was also registered by Walt Disney, although not due to its own efforts. Rather a US activist investor announced that it had taken a stake and was agitating for change. Stocks detracting from ETF returns were largely pharmaceuticals and consumer staples, including Pfizer, Johnson & Johnson, Biontech, and Reckitt Benckiser.

Sources available upon request. **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

Defenestration – a fine word that we rarely have cause to use. But markets were in a defenestrating mood in January, throwing quality out the window, while embracing the unloved, the over-leveraged and the unprofitable. One broker's in-house indices showed that the most shorted stocks, along with unprofitable tech stocks dramatically outperformed broad markets over January. Much of the equity action over the course of the month was considered a case of stock investors calling the Fed's bluff, which naturally boosted the prices of long-dated stocks that would benefit from a lower discount rate. In our opinion, the Fed isn't bluffing and there are too many factors working to support higher prices – strong labour markets, wage growth, China re-opening, potential further

disruption from Russia-Ukraine, the building of more diverse and resilient supply chains – to consider an immediate pause or mid-term reversal. We're expecting a rocky ride through the remainder of the quarter but remain true to our long-term approach, rather than attempting to speculate on monetary developments and animal spirits.

## Sustainable ESG Equity Performance

As of 31.01.2023

	1M	3M	6M	YTD	12M	SI
Saturna Sustainable ESG Equity HANzero™ UCITS ETF (Acc)	4.75%	10.19%	0.66%	4.75%	-11.16%	-15.27%

**Please note that all performance figures are showing net data.** Source: Bloomberg / HANetf. Data as of 31/01/2023  
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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