zCapital

Swiss ESG Fund

Class A

zMonthly August 22

Clear message from Fed chair Powell

Global equity markets had a mixed start to August. Exchanges in the US maintained their July momentum up to the mid-month stage and continued to extend their gains, while the Swiss market trended sideways within a narrow range. Investors were initially cheered by slightly lower than expected inflation numbers for the US. This raised hopes that the Fed could slow the pace of rate hikes and even cut key interest rates again as early as next year. The situation on the European inflation front remains fraught. In the UK, for example, consumer prices were up 10.1% in July – their first double-digit jump in 40 years. Given this backdrop, both the Bank of England and the European Central Bank will be unable to avoid a significant hike in key interest rates. The speech given by Jerome Powell at the annual Jackson Hole Symposium provided a taste of what this could mean for equity markets. The Fed chair's clear message that financial markets needed to adapt to more restrictive monetary policy crushed hopes of an imminent US central bank pivot. This naturally went down badly with financial markets. In a surprise move, hearing aid solutions firm Sonova downgraded its guidance for the current financial year due to subdued demand as well as burgeoning procurement costs. Shares in laboratory equipment producer Tecan leapt as the company announced impressive first-half numbers and raised full year sales guidance. Zug Estates removed the last heating oil system from its portfolio in June 2022, bringing the real-estate developer very close to its target of becoming a carbon-neutral company. The fund shed 3.5% in August.

Portfolio adjustments

We used the strong run shown by Tecan shares in recent months as an opportunity to take some profits. The holding in Sonova was reduced significantly. We increased our investments in Galenica, Baloise, LEM and Roche and acquired an initial, small position in Ypsomed.

Electricity prices becoming a major burden

Europe's energy crisis has now spread to Switzerland. While retail customers face average price hikes of 30% next year, companies buying electricity on the open market will be particularly hard hit. Those that have failed to secure long-term purchase agreements will now have to pay up to 10 times more for their electricity needs in 2023 versus this year's level. This is likely to become a real burden for many businesses and will put a squeeze on operating margins unless the rise in prices can be passed on to customers. Developments on the wage front constitute another factor of uncertainty. The fact that many sectors enjoy full employment means employees have major bargaining power. A sharp rise in wages can be expected in the US and now Europe, too. Equity market volatility is therefore likely to remain at a high level, amid thin trading volumes. There are no changes to our investment strategy, and we remain cautiously positioned.

Performance since Launch (as of 31/08/2022)

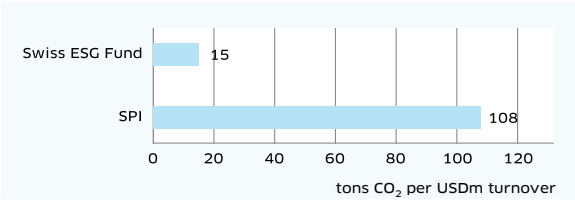
Performance (as of 31/08/2022)

MTD	-3.5%
YTD	-18.1%
1 year	-18.7%
Since launch p.a.	-0.8%

ESG Key Figures (as of 31/08/2022)

MSCI ESG Rating	AA
RepRisk Rating	AA
zRating (Fund / SPI)	68 / 67
Estimated global warming Fund	<1.5°C
Companies which contribute positively to the UN SDGs (Fund / SPI)	82% / 60%

Carbon Intensity (as of 31/08/2022)



Largest Positions (as of 31/08/2022)

1	Roche	9.4%
2	Zurich Insurance Group	5.3%
3	ABB	4.9%
4	Swisscom	4.0%
5	Givaudan	4.0%
6	Tecan	3.9%
7	Baloise	3.7%
8	Geberit	3.6%
9	Galenica	3.5%
10	SIG Group	3.5%

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Investment Strategy

The zCapital Swiss ESG Fund invests in Swiss equities which zCapital believes qualify as sustainable companies and have an attractive risk and return profile. The fund's assets are invested in a concentrated portfolio of 25 to 35 stocks from the SPI (Swiss Performance Index) universe. In addition to ESG integration, companies which violate social and environmental criteria are excluded. The sustainability of companies is also promoted through engagement and voting. zCapital invests with a long-term horizon and pursues an active selection process.

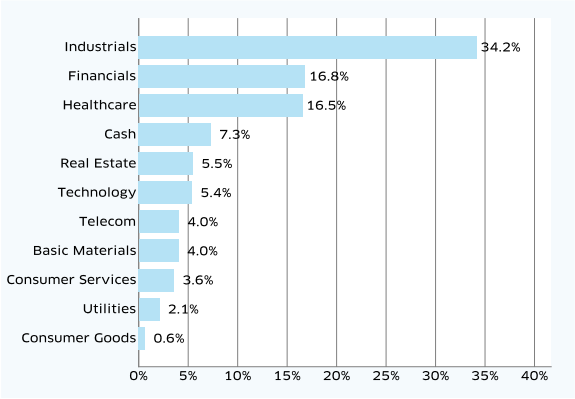
Impact of zCapital

zCapital plants each year 100 trees for every million Swiss francs of assets under management in the zCapital Swiss ESG Fund. In cooperation with myclimate, it is ensured that the trees are cared for in the long term. The project combines nature and climate protection with the creation of new sources of income for small farmers.

Portfolio Structure (as of 31/08/2022)

Net Asset Value	CHF 981.99 per Share A
Total Assets	CHF 20 m
Investment Exposure	92.7%
Number of Companies	33

Sectors (as of 31/08/2022)



Termsheet

Fund-Name	Swiss ESG Fund (Class A)
Asset Manager	zCapital AG, Zug
Swiss Security Number / ISIN	59273267 / CH0592732678
Price Publications	www.zcapital.ch, www.swissfunddata.ch, www.fundinfo.com
Bloomberg / Reuters	ZCAPESG SW Equity / 59273267.S
Minimum Investment / Reference Currency	No minimum investment required / CHF
Fund Type / Distribution	Swiss Securities Fund / Authorized for public distribution in Switzerland and Germany
Management Fee (incl. Fund Management and Custodian Fees)	1.25%
Issue Fee / Redemption Fee	none
Total Expense Ratio (TER) 30/11/2021	1.31%
Fund Management Company / Custodian Bank	LLB Swiss Investment AG, Zurich / Bank Julius Baer & Co. Ltd., Zurich
Subscriptions and Redemptions	On each bank working day at Net Asset Value (NAV). Subscription and redemption orders received by the custodian bank by 3.45 p.m. CET at the latest on a given bank business day (order day, T) will be settled on the next bank business day (valuation date) on the basis of the net asset value calculated on that date. The net asset value used to settle the order is therefore not known when the order is placed (forward pricing). The net asset value is calculated on the valuation date on the basis of the closing prices on the order day.
Auditor	PricewaterhouseCoopers AG, Zurich

Monthly Performance (as of 31/08/2022)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year
2021		-0.9%	6.4%	1.2%	3.6%	4.2%	3.2%	2.0%	-6.1%	1.5%	-0.3%	4.5%	20.6%*
2022	-6.5%	-3.4%	1.6%	-1.1%	-3.8%	-6.9%	4.4%	-3.5%					-18.1%

* since Launch date (29 January 2021)

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