# GREEN MONEY

## FINANCIAL MARKETS+SUSTAINABILITY

Issue No. 1 – March 4th, 2022

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### HIGHLIGHTS OF THIS ISSUE

- REVIEW & PREVIEW**: Brief analysis of the last week and outlook for dates**
- HOT TOPIC**: Porsche unleashes the turbo**
- CONTRARIAN**: USDRUB Short**
- CHARTS OF WEEK**: The energy market is completely upside down**
- NEWS RADAR**: Selected news on ESG and financial markets**
- STANDPOINT**: Putin and sustainability**

### EDITOR MESSAGE

**New, fresh, independent. Authentic opinions for you!**

Welcome to our first issue! We believe in authentic investment advice. Therefore, we provide interested readers a brief and comprehensive overview of the latest developments in the financial market. We publish no "broker-dealer blabla" but authentic opinions. We appreciate your feedback. Don't be shy to drop an email to either jakob.beckmann@ggx.swiss or martin.raab@ggx.swiss.

Enjoy reading!

Jakob Beckmann

Martin Raab

## REVIEW

### Last Week on the Markets

The markets dropped on Monday due to further tensions between Russia and Ukraine starting in the new week. The reason for this was sanctions of the Western nations, such as the exclusion of seven Russian banks from the SWIFT system.

In the further development of the week, the oil price started to reach $102 (mark 2014) and then $110 (mark 2011). The market tendency was more optimistic on Wednesday after the FED statement to continue with raising the federal funds rate in March by 25 basis points. With increasing tensions in the Ukraine-Russia conflict and related economic measures, the market gives up some gains towards the end of the week. Defense stocks and oil/gas companies benefit enormously. Oil prices surged to $114/barrel crude in the meantime.

On the topic of ESG and sustainability, the newly published EU "Social Taxonomy" dominated the headlines. Previously, the EU Commission's decision to classify nuclear power and gas-fired power plants as "sustainable" – both subject to conditions – had already caused a stir. Equally controversial (see also the STANDPOINT section in this issue) since Russia's war of aggression has been the topic: good and evil defense manufacturers.

## THE WEEK AHEAD

The upcoming week is again packed with market-relevant dates:

**Monday:** China trade balance as the first indicator for China's economy.

**Tuesday:** US trade balance (January)

**Wednesday:** China CPI (February), US EIA crude oil inventories

**Thursday:** ECB rate decision (1.30 pm press conference), hopefully, more than just tea leaves reading. 1.30 pm - US inflation CPI and Core CPI (February), initial jobless claims (w/e 5 March).

**Friday:** 7 am - UK GDP (January), US Michigan consumer sentiment (March, preliminary).

HOT TOPIC

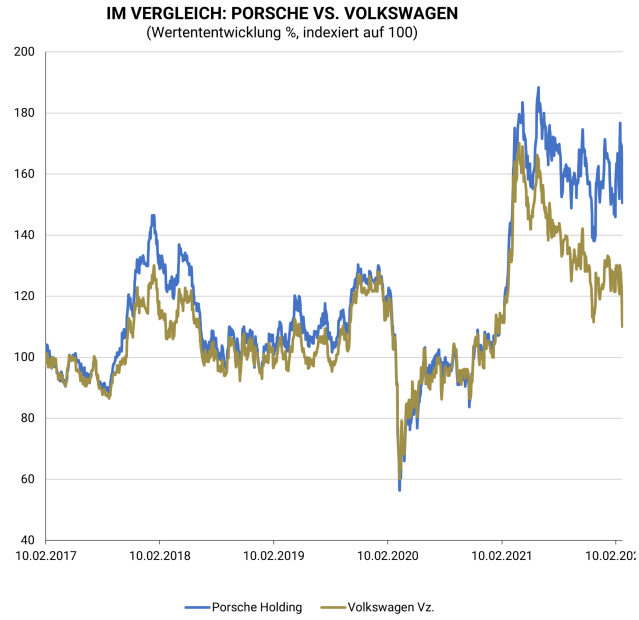
# Porsche unleashes the turbo

**As tensions intensify around the IPO of Porsche Automobil Holding SE, one of the largest IPOs of all time is on the horizon. Which players are involved? When to expect news? How can I profit in case it comes to pass?**

by **Jakob Beckmann**

Anyone who follows the global financial media will have hardly avoided this headline in recent weeks and months. An IPO of Porsche AG is now becoming an increasingly likely scenario. Further concrete indications of such a move are expected in March. Still, it is said to be at an advanced stage of negotiations between Volkswagen AG and its main shareholder Porsche SE. The speculation alone has caused the Porsche SE share to rise by around 20% in the period since December 2021. So how would such an IPO look? One possibility would be a spin-off, which would give Porsche owners direct control again. The other opportunity would be an IPO, in which Porsche AG would launch an initial public offering. This would raise some money for VW, which could be invested in the mobility transition. In addition, this would also be exciting for investors who plan to purchase this stock. Whichever of the two possibilities is considered, investors are well served with a long position in the Porsche Automobil Holding SE from my perspective. Especially this week, since the share has declined slightly due to bad news from VW concerning delivery shortages, the occasion is all in favor of taking an even closer look at Porsche.  In terms of valuation, Ferrari is often used as a possible comparison (market cap approx. 45 billion). In addition to the continuously increasing EBIT, Porsche's high share of electric vehicles at nearly 11% is particularly remarkable.

How or if the IPO will actually be realized remains exciting. This will certainly not be the last time we report about Porsche and its IPO. ↗




Source: Bloomberg

*«In addition to the continuously increasing EBIT, Porsche's high share of electric vehicles at nearly 11% is particularly remarkable»*

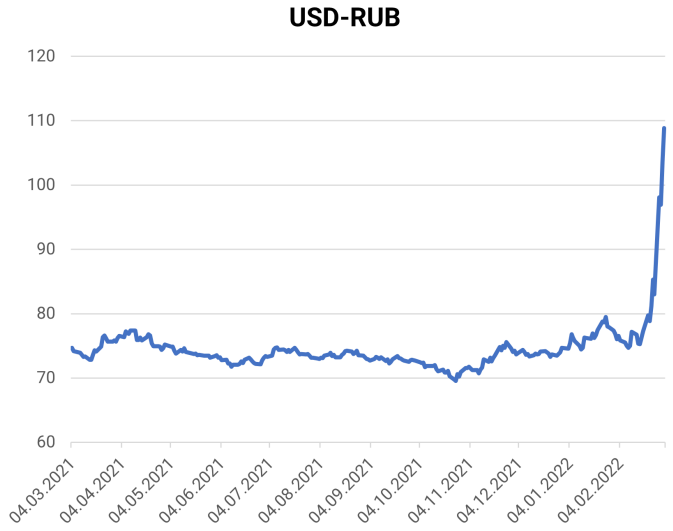
CONTRARIAN INVESTMENT STRATEGY

# Short USDRUB

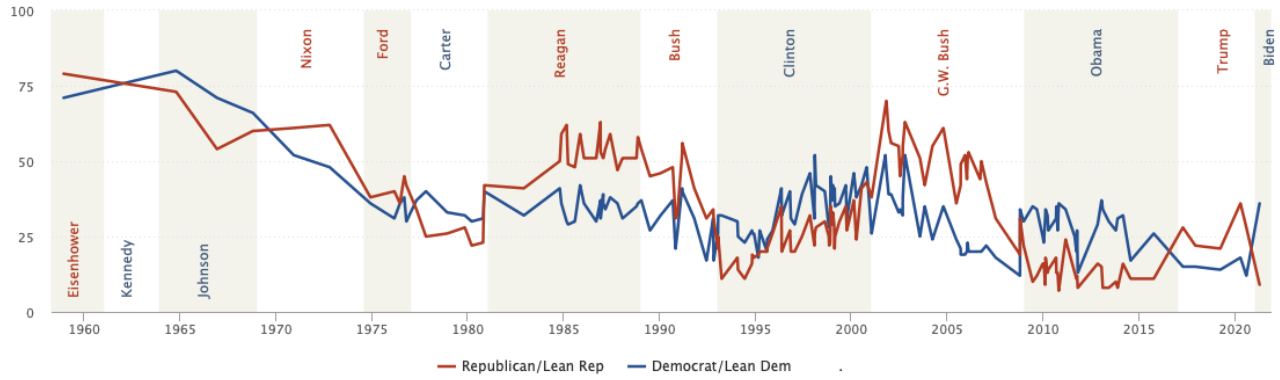
## The RSX stock index and the ruble are losing a large portion of their value. Is this an opportunity for investors as soon as the FX market returns to normal?

by **Jakob Beckmann**

As already mentioned by Martin Raab, there are many commodities such as palladium, natural gas, oil, uranium, wheat and substances needed for fertilizers, on which the West is more or less dependent on Russia. The Russian benchmark index RSX consists of roughly 65% of companies in the commodities and energy sector. So what will happen to the profits of these companies over the next few years - despite presumably long-lasting economic sanctions - if the price development in the commodities market can hardly be slowed down?




In my view, the economic advantage for Russian commodity and energy companies remains intact and forms implicit support for the equitable exchange rate against the U.S. dollar. Currently, the USD-RUB foreign exchange duo is extraordinarily volatile and can only be traded with the most enormous spreads in the over-the-counter (OTC) market. A complex cocktail is brewing in the dollar at the moment: far too high inflation, which the U.S. Federal Reserve will probably only be able to recapture with the utmost effort ("Behind the Curve"), and Joe Biden's unfortunately still insufficient ability to do anything in the Washington political circus. But admittedly: Biden's popularity could rebound with tailwinds from the Russia crisis. Historically, he is one of the presidents whose administrative work the least trust is given (see chart page 5).




Sources: pew research, Bloomberg

That means for interested investors who believe in the survivability of the Russian currency due to high commodity prices and the recovery of the Russian economy (currently -50%), a short position of the USDRUB (or long position in the RUBUSD) could be more than attractive. Historically, global conflicts always represent an opportunity to make money in the capital markets. This is due in part to the large monetary sums that are spent in such situations. To quote Nathan Rothschild: "buy on the sound of cannons, sell to the sound of trumpets". As soon as brokers start pricing realistic spreads on the currency pair again, high yield opportunities beckon for risk-conscious investors.

## CHARTS OF THE WEEK

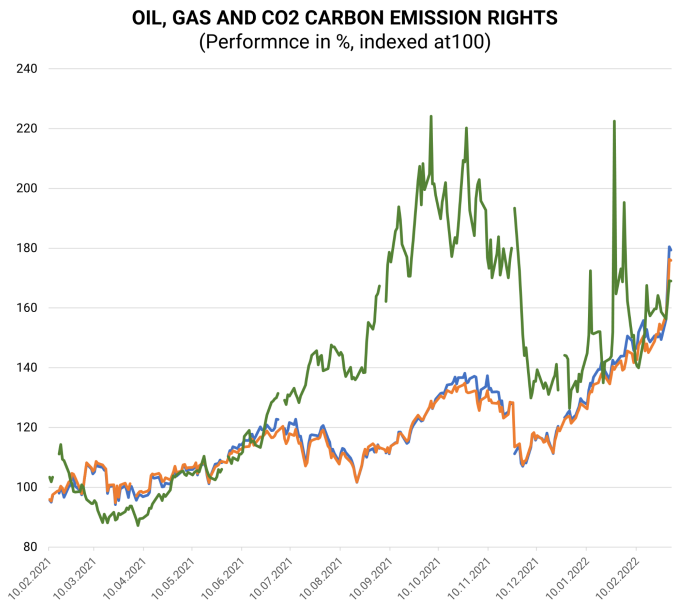
# The energy market is completely upside down

**Oil and gas prices are skyrocketing, CO2 emission allowances are plummeting. Despite some ESG concerns, selected energy stocks remain interesting for investors. Pure fiction, on the other hand, seems to be the political ambition to be able to quickly become independent of Russian energy supplies.**

by **Martin Raab**

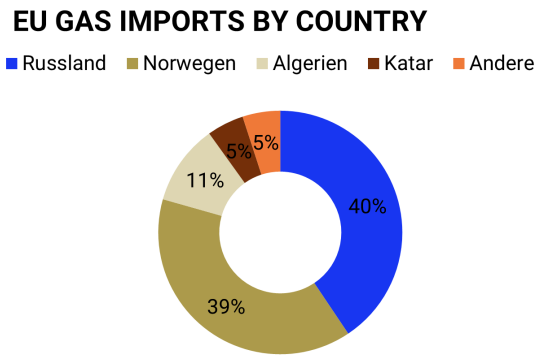
Commodity traders in Switzerland, London, and the U.S. have seen anything happen over the past 15 years concerning the roller coaster of oil and gas prices, but the last few days cost even experienced traders their last nerves. Skyrocketing prices for oil and gas, while the physical market for Russian fuels is on the edge of an exodus within a few days. Despite concerns among many professional investors about diving into fossil fuel companies, shares of **ENI** SpA or U.S. pipeline operators **Kinder Morgan**, **Energy Transfer**, or **Magellan Midstream** remain of

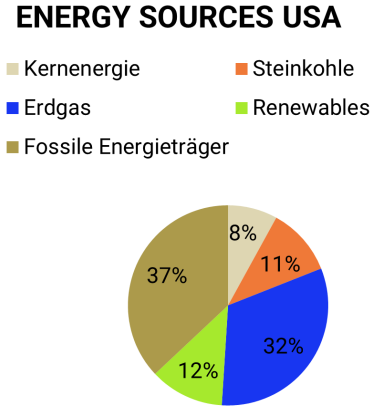
interest for balanced portfolios. ENI, for example, is looking for new natural gas sources in Algeria–instead of Russia.

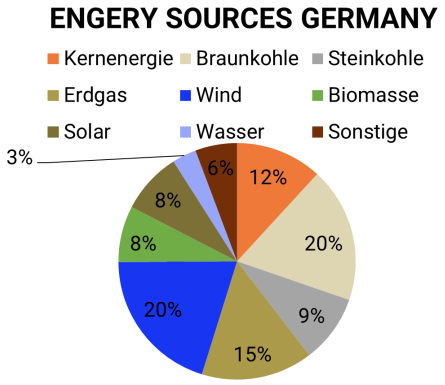



Simultaneously to the soaring oil and gas prices, the price for EU CO2 pollution rights plummeted by 25% in the last few days. In December, the fear already expressed that the politicians could proclaim specific (temporary) price caps has now moved into grasping distance.

Meanwhile, we can only shake our heads at statements by German politicians who believe that "a prompt halt to Russian energy supplies" is possible. Currently, Germany imports 40% of its natural gas from the Russian Federation. The logistics and infrastructure efforts to quickly




compensate for this 40% with gas from Abu Dhabi or Qatar, for instance, are tremendous. Plus: LNG carriers cannot yet be magically produced overnight from a 3D printer. Unfortunately, the questionable dependence on the dictator Putin remains a harsh reality for the time being. Nevertheless, alternative energy sources urgently need to be worked on!↗

Sources: AG Energiebilanz, IEA, GGX

## NEWS RADAR

*Selected News articles from international sources*

**ESG & Sustainability**

### SEC Asks Companies for Rationales Behind Disclosures of Climate Risks

https://www.wsj.com/articles/sec-asks-companies-for-rationales-behind-disclosures-of-climate-risks-11646044202

### EU Social Taxonomy Final Report Officially Published

https://ec.europa.eu/info/sites/default/files/business_economy_euro/banking_and_finance/documents/280222-sustainable-finance-platform-finance-report-social-taxonomy.pdf

### Ford announces to divide the Business into EV and combustion Cars

https://www.manager-magazin.de/unternehmen/autoindustrie/ford-spaltet-elektrogeschaeft-ab-in-ford-blue-und-ford-e-a-df879f31-7f79-444d-b48c-1744ca25267d

### Why We Need to Revive Global Food Diversity

https://e360.yale.edu/features/a-look-inside-the-global-movement-to-revive-food-diversity

### GRI Concern Over 'Watered Down' EU Corporate Governance Directive

https://www.3blmedia.com/news/gri-concern-over-watered-down-eu-corporate-governance-directive

**Financial Markets in general**

### Russia Bans Coupon Payment to Foreigners on $29 Billion in Bonds

https://www.bloomberg.com/news/articles/2022-03-01/russia-bans-transfer-of-ruble-bond-coupon-payments-to-foreigners

### Longest Stock Market close in Russia since 1998

https://www.bloomberg.com/news/articles/2022-03-02/russia-keeps-stock-market-closed-in-longest-shutdown-since-1998

### Nevertheless, the Fed is planning a quarter-point rate increase in March

https://www.bloomberg.com/news/articles/2022-03-01/stocks-to-drop-bonds-up-as-oil-surge-dims-outlook-markets-wrap?srnd=premium-europe

STANDPOINT

# Putin and sustainability

## The demonization of defense stocks is just as deceptive as the too-slow expansion of renewable energy. Are Putin's tanks also rolling over the priority of sustainability and ESG - or are these goals positively fueled?

by **Martin Raab**

To date, all investment funds trimmed to sustainability or ESG (Environmental, Social and Governance) criteria sorted out any armor companies per se. Almost like an unwritten law of nature. This collective reflex was never publicly questioned. It was part of good manners to ban investor money from any arms manufacturers. There is nothing wrong with this approach - on ethical or religious grounds. However, not only since the large-scale invasion of the territory of Ukraine by the Russian Federation, the question of a closer look and realistic perspective on this heavily discussed issue arises.

*«People do not like to hear about it, but many armor companies are good value investments.»*

Any weapon can be used for an attack but also defense. But what would the free world's response to aggressors look like without any defensive capability in the form of military hardware? How will NATO stop invading aircraft without a technically superior or at least an equal fleet of aircraft? Which company will finance research and development for sophisticated weapons systems if no investors provide it with the necessary capital? Or are there only non-listed defense companies left whose activities and capital providers we no longer have any reliable information about?

**Do not mistake sustainability for naivety**

One certainty is: - The ESG exclusion principle: The ESG exclusion criteria of armor manufacturers - we are explicitly not talking about cluster bombs or anti-personnel mines - must be critically reconsidered at the latest since February 24, 2022. The world must not be over-militarized. However, it is also time to stop demonizing Western arms companies. Especially sustainability must not be misunderstood with naivety in professional investment decisions. On top of that, many listed defense companies now qualify as value investments: stable business fundamentals, favorable P/E ratios, attractive dividend yields, and high transparency on ESG

**Independence from energy imports as a goal**

In line with the explosions across Ukraine, the political agenda about independent energy supply is currently being shaken up. The Russian war of aggression exposes the good-faith approach of many Western European countries to the question, "Where and from whom do we actually get our energy supply? "Import dependencies of almost 60% on a single, not particularly democratic state like Russia are not necessarily sustainable – that is obvious.

Germany in particular would also be well advised to quickly break away from former Chancellor Schröder's delusion about the "flawless democrat" Putin and instead focus on accelerated procedures for the construction and operation of wind, solar and biomass power plants instead of Russian natural gas and Nordstream 2.

*«There are no official statistics at German ministries on the critical dependence on Russian pipelines .»*

**False assumptions**

The German Federal Environmental Agency meekly states that "imports of various energy sources still cover 70 percent of the energy supply". Not even a word about Russia or other exporting countries. No official statistics at German ministries on the critical dependence on Russian pipelines. The mocking position from November 2020 around the liquefied natural gas (LNG) terminal to be built in Wilhelmshaven now also turns out to be cheeky. At the time, the project was forecasted to be "underutilized." "Too little firm demand from the market for liquefied gas from the United States for the project to safely pay off," the FAZ quoted potential operator Uniper as saying at the time. This scenario has now abruptly changed.

**A stepping stone for more independence**

Putin's tanks have great potential to be a wake-up call to replace fossil energies from critical sources with renewable energies from domestic production or those from Western Europe. Decisive in this context is also the decongestion of timescales for planning. Germany, in particular, can no longer afford to budget four years of planning time for a new wind farm, for example, because essential operating permits are "delayed" by the authorities. Likewise, power lines are not acceptable to require similarly long lead times. Independence of energy supply through an intelligent mix of energy sources also means independence from geopolitical influence!

## INVESTOR-SNAPSHOT: SELECTED ARMOR SUPPLIERS

| Company | ISIN | Price-earnings Ratio | Dividend p.a. | Operative Margin | Revenue growth YoY |
|---|---|---|---|---|---|
| Lookhead Martin | US5398301094 | 13 | 2.38% | 13.6% | 2.52% |
| General Dynamics | US3695501086 | 20 | 1.40% | 10.8% | 1.43% |
| Raytheon Tech. | US75513E1010 | 22 | 2.00% | 7.7% | 13.79% |
| Rheinmetall AG | DE0007030009 | 21 | 2.22% | 1.6% | -6.08% |
| BAE Systems plc | GB0002634946 | 18 | 1.34% | 11.5% | 3.62% |

### Sense of reality without diminishing sustainability

Looking ahead to the next few months, it already seems predictable: The war of aggression against Ukraine has drastically turned the political agenda in Europe upside down. In 2022 the Federal Republic of Germany will build up and invest around EUR 100 billion in a newly created special fund for the Bundeswehr. The sum shows the massive backlog demand that Europe's third-largest army - as measured by the "Firepower Index" - has. France, Italy, Spain, and the United Kingdom will shortly join the ranks of armor purchasers (also as NATO partners). Microscopic in comparison are the 6 billion Swiss francs billed to us Swiss taxpayers by the Federal Department of Defense (DDPS) for 36 F-35 fighter jets.

However, despite the focus on a completely new design of the European security architecture, we are all called upon as Europeans not to let Putin's tanks overrun our hard-won sustainability goals. Essential environmental protection measures must not be eliminated by irrationally acting despots. The accelerated reduction of CO2 emissions, more energy efficiency, or even standardized ESG reporting at the corporate level must be just as much a part of the future policy as the new security function of a free Europe.↗

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**CONTACT**
Feedbacks and opinions: **office@ggx.swiss**
Partnerships: **marketing@ggx.swiss**

**IMPRINT**
Editorial: Jakob Beckmann, Martin Raab
Marketing: Isabelle Tschugmall, Priscilla Kläfiger
Global Green Xchange AG, 8835 Feusisberg (Switzerland)
LEI (Legal Entity Identifier): 5067001NN42WWCO7L958
UID: CHE-182.826.774
Chairman of the Board: Harald Schnabel
Legal form: Corporation