

An Investor's Guide

Cedar Austrian Economics ESG Index

The New Investment Paradigm:

- ***Help Society and the Environment***
- ***Focus on all Stakeholders***
- ***Target Outperforming Returns***

June 2021

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The Cedar Portfolio

Introduction to the Cedar Austrian Economics ESG Index

- ***A Dual Focus –***
 - ***Helping Society and the Environment***
 - ***Portfolio Outperformance***

The Cedar Austrian Economics ESG Index is an actively managed ESG portfolio of businesses from around the world. The portfolio has a dual focus of helping society and the environment and targeting outperforming returns at the same time. In 2020, the Index generated portfolio returns of over 40%.

The portfolio currently holds 38 great businesses from around the world. In addition, the portfolio holds 5% in physical gold and 5% in physical silver stored at secure depositories – this helps to preserve purchasing power in the portfolio, especially at a time of depreciating currencies and a loss of confidence in central bank and government policies.



Why Invest in the Portfolio?

- **Integrated View of ESG and Sustainability:**
 - **Businesses with great ESG metrics**
 - **Socially Responsible Positive and Negative Screening**
 - **Businesses with Impact Investments**

We take an integrated view of ESG, Socially Responsible and Impact Investing – while many portfolios only look at ESG, we integrate all three!

Most funds look to defining and meeting pre-defined ESG and sustainability themes, policies or objectives and then go looking for businesses that meet them. In most cases, this approach results in selecting businesses that may not be successful and may not have good financials or equity performance returns. Our approach emphasizes successful businesses in the economy with great ESG metrics and sustainability that implement the [17 United Nations Sustainable Development Goals \(SDGs\)](#) – at the same time.

In addition to assessing the sustainability practices of each business towards 169 specific SDG target objectives corresponding to the 17 UN SDG goals, we combine through our unique assessment process:

- five comprehensive ESG metrics;
- five positive screens and five negative screens as part of socially responsible investing;
- an assessment of the extent of impact investments by each business in the portfolio.

Uniquely our approach integrates market environmentalism, not environmentalism based on any political or government agendas.



- **Signatory to the UN Principles for Responsible Investment (PRI)**

We are a signatory to the [UN PRI initiative](#) – it has six principles:

Principle 1: We will incorporate ESG issues into investment analysis and decision-making processes.

Principle 2: We will be active owners and incorporate ESG issues into our ownership policies and practices.

Principle 3: We will seek appropriate disclosure on ESG issues by the entities in which we invest.

Principle 4: We will promote acceptance and implementation of the Principles within the investment industry.

Principle 5: We will work together to enhance our effectiveness in implementing the Principles.

Principle 6: We will each report on our activities and progress towards implementing the Principles.

Signatory of:



- **An Active Owner in the Businesses of our Portfolio**

We do not just passively invest. The above-mentioned Principle 2 of the UN PRI is active ownership – this includes striving to provide consulting advisory on enhancements and improvements to the businesses in our portfolio; this enhances value to all stakeholders.

- **Stakeholder versus Shareholder Focus**

We strongly believe in stakeholder versus shareholder focus, with value benefitting all stakeholders, not just shareholders. There are many studies supporting the synergistic value to focus on all stakeholders – customers, investors, communities, government, employees and the environment!



Deutsche Bank – University of Hamburg

- Positive link between stronger ESG management and better financial performance – [link here](#)

University of Oxford and Arabesque Partners

- Positive relationship between sustainability with equity performance and with lower cost of capital – [link here](#)

Harvard Business Study

- Focusing on material sustainability issues can be value-enhancing for shareholders – [link here](#)

Alex Edmans on The Business Case for Purposeful Business

- [link to presentation](#)

- ***Research Strategy led by an Industry Veteran – Yra Harris!***

Our Research Strategist is industry veteran Yra Harris – Yra has decades of experience as a Floor Trader, and served as a Board Member of the Chicago Mercantile Exchange (CME). He frequently appears on CNBC and other global media outlets to provide perspective and insight into the economy and financial markets.



Yra Harris, Research Strategist

- ***Easy Access to Businesses Publicly Traded Around the World***

The portfolio holds great businesses from around the world. For many investors, opening and managing trading accounts overseas is difficult, time consuming or expensive. The portfolio provides an easy and low cost access to all of the businesses in the portfolio.

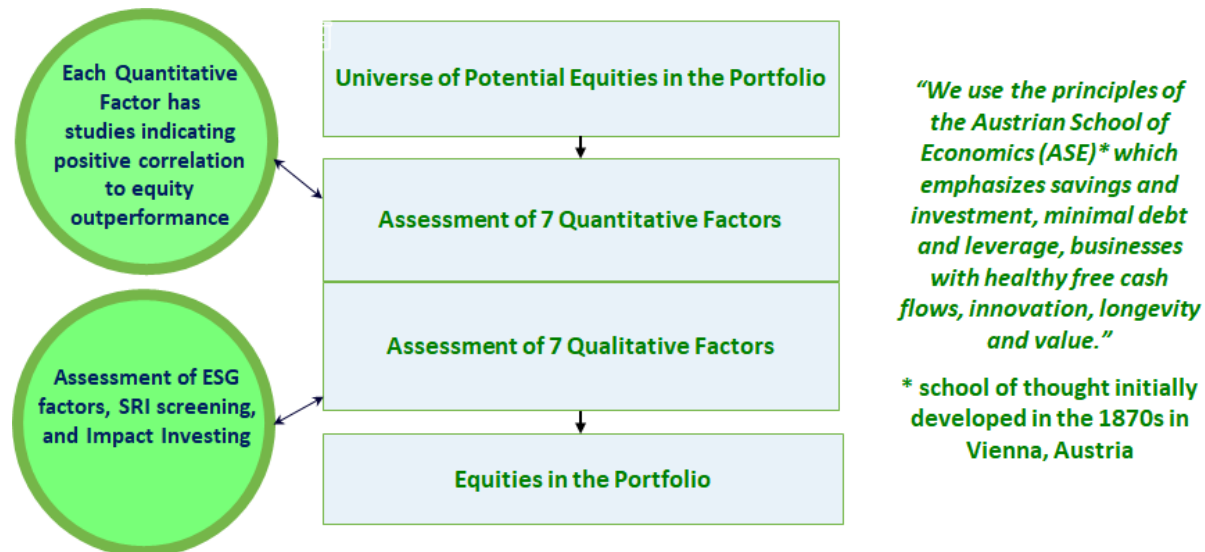
- ***A Social Media Community to be Actively Involved***

We operate a social media community to understand and to help facilitate discussion and debate on the economy and the financial markets. Everyone can participate in the community. A global podcast program show interviews some of the best industry gurus, fund managers and economists from around the world.

Investment Philosophy and Ongoing Investment Process

The investment philosophy uses the principles of a unique school of thought known as the [Austrian School of Economics](#), placing emphasis on enduring businesses with high free cash flows, minimal or manageable debt, and stores of value. This represents a powerful advantage in an era beset with excessive debt and leverage.

The approach assesses seven quantitative factors and seven qualitative factors, distilled from the principles of the Austrian School of Economics (ASE).



7 Quantitative Factors Assessed:

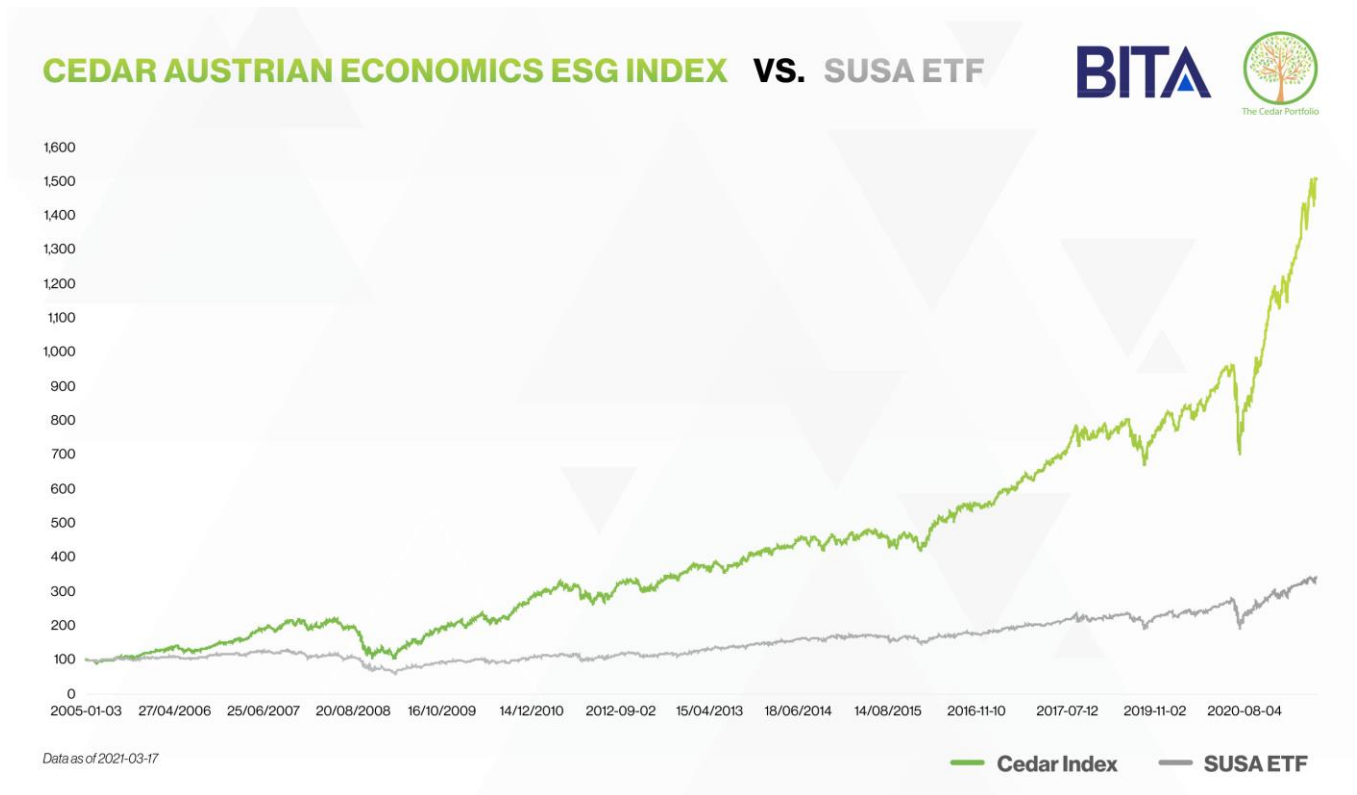
1. ASE Principle – Value is placed upon high, positive cash-flowing businesses
2. ASE Principle – Value is placed upon limited debt and leverage
3. ASE Principle – Value is placed upon high earnings per share
4. ASE Principle – Value is placed upon payout distribution
5. ASE Principle – Value is placed upon enduring operations
6. ASE Principle – Value is placed upon owner-operators
7. ASE Principle – Value is placed upon stable or decreasing float

7 Qualitative Factors Assessed:

1. ASE Principle – Value is placed upon environmental, social and governance factors
2. ASE Principle – Value is placed upon alignment to economic trends
3. ASE Principle – Value is placed upon alignment to millennial trends
4. ASE Principle – Value is placed upon uniqueness and scarcity
5. ASE Principle – Value is placed upon innovation
6. ASE Principle – Value is placed upon risk mitigation
7. ASE Principle – Value is placed upon holding purchasing power

The seven Quantitative ASE Principles translate into measurable metrics. We have conducted extensive research on optimized levels and ratios in these metrics.

Track Record and Performance



Past performance is no guarantee of future performance.

The above chart is a combination of backtesting results on the Cedar Portfolio from 2005 to Nov 2021, and actual performance results on the Cedar Portfolio since Nov 2021.

The comparison is to the **iShares MSCI USA ESG Select Fund**, an ESG fund of over USD \$1.8 Billion in Assets Under Management (AUM) (as of November 3, 2020) **with total return performance of 277% since inception in January 2005 to November 2020.**¹

Our Index provider is **BITA** – the above chart provided through BITA.

[Performance Data – Click Here](#)

Where this strategy is acquired through a portfolio management service, additional charges may be applied by the portfolio manager. 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.

BITA

¹ <https://www.ishares.com/us/products/239692/ishares-msci-usa-esg-select-etf#/>

Why Invest in this Portfolio Now?

One of the qualitative ASE principles above – ASE Principle 2 – emphasizes alignment to current economic trends. Our active portfolio management approach takes into account these economic trends, which change from time to time.

Currently the portfolio incorporates some emphasis relating to the economic trends of food inflation, infrastructure spending and an emerging commodities bull market.

- **Food Inflation**
 - **Supply Chain/Logistics Disruptions due to COVID-19**
 - **Protectionist Factors in the Economy**
 - **Loss of Purchasing Power due to Currency Depreciations**
 - **Climate Change**
 - **Agriculture - An Underinvested Sector**
- **Infrastructure Spending**
 - **Fiscal Stimulus due to COVID-19 Economic Challenges**
 - **Infrastructure Spending toward the goals of UN SDGs – Climate Change, Environmental Systems, Transportation Systems, Renewable Energy**



- **Commodities Bull Market**
 - **Supply Chain/Logistics Disruptions due to COVID-19**
 - **Poor/Insufficient investment by commodity producers**
 - **Loss of Purchasing Power due to Currency Depreciations**
 - **Precious Metals – Loss of Confidence in Central Bank/Govt Policies**



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About Cedargold

Cedargold Pte. Ltd. is a global firm providing research and consulting services in ESG and Sustainability, and supporting the development of an exemplary model ESG portfolio.

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Cedargold Consulting Inc. is a Registered Investment Advisor regulated under the U.S. SEC.

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If you are a Fund, ETF Issuer or Institution and would like to license the CAEEI Index, contact us for more information.

Past performance is not a reliable indicator of future performance. Any historical performance included on this document may be based on back testing. 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 performance is purely hypothetical and is provided on this document solely for informational purposes. Back tested data does not represent actual performance and should not be interpreted as an indication of actual or future performance. The value of any investment may be affected by exchange rate movements.

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