

# Thematic Impact Equity Funds

Huub Van der Riet and Ivo Luiten

April 2020



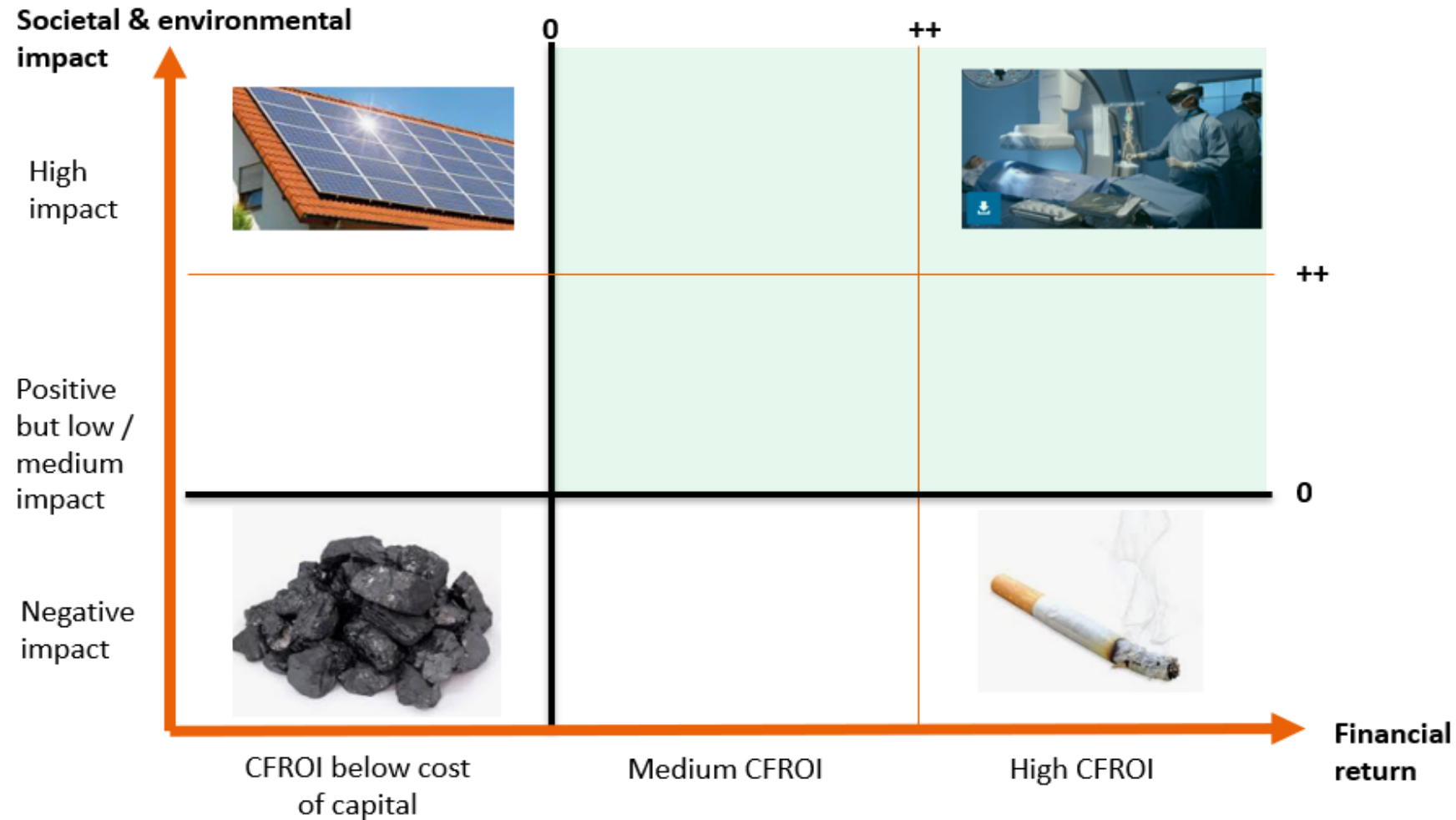
# Mission statement

“Make a meaningful contribution to solving the world’s biggest challenges  
and achieve an attractive financial return”



*Societal & shareholder value creation can be achieved simultaneously*

# Reconciliation of positive impact and high returns

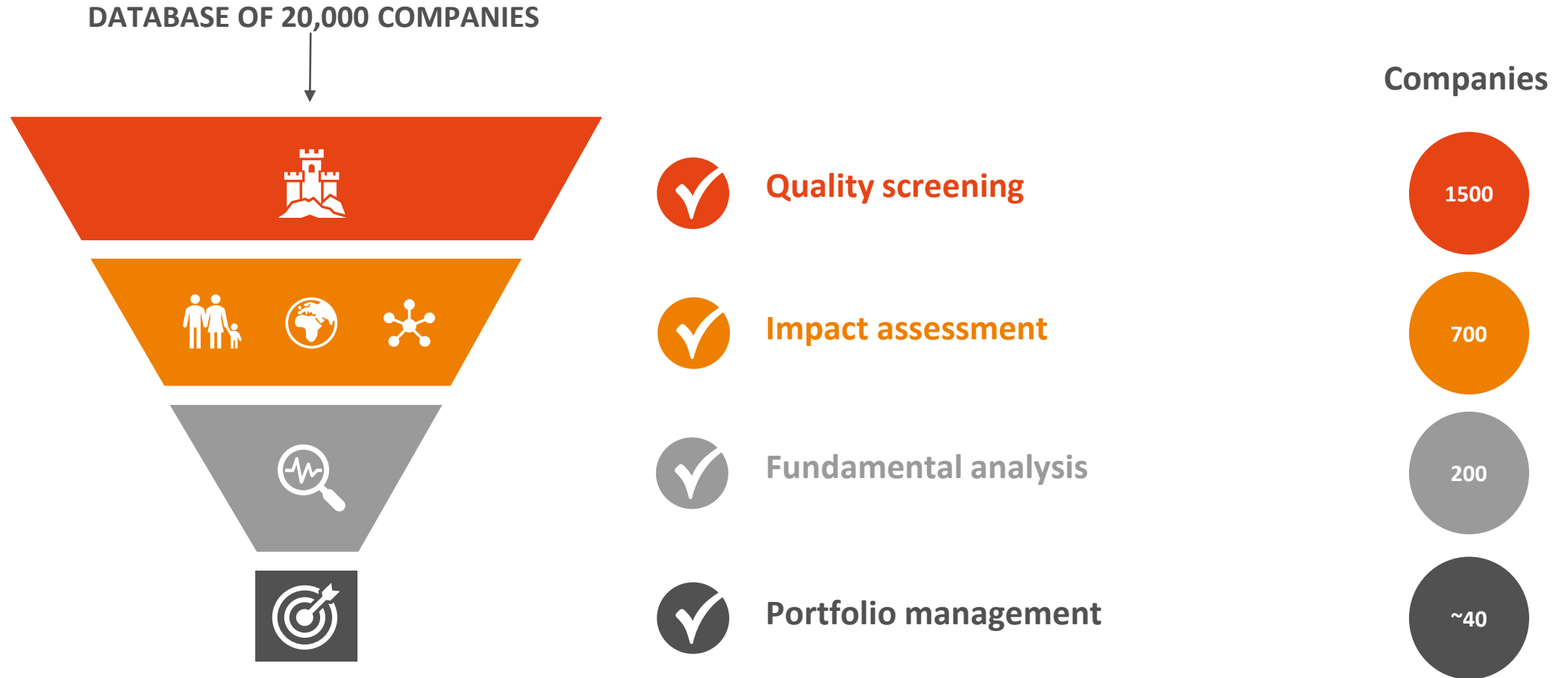


# Philosophy



*Innovative solutions that are valuable for society and shareholders*

# How we combine financial and societal returns

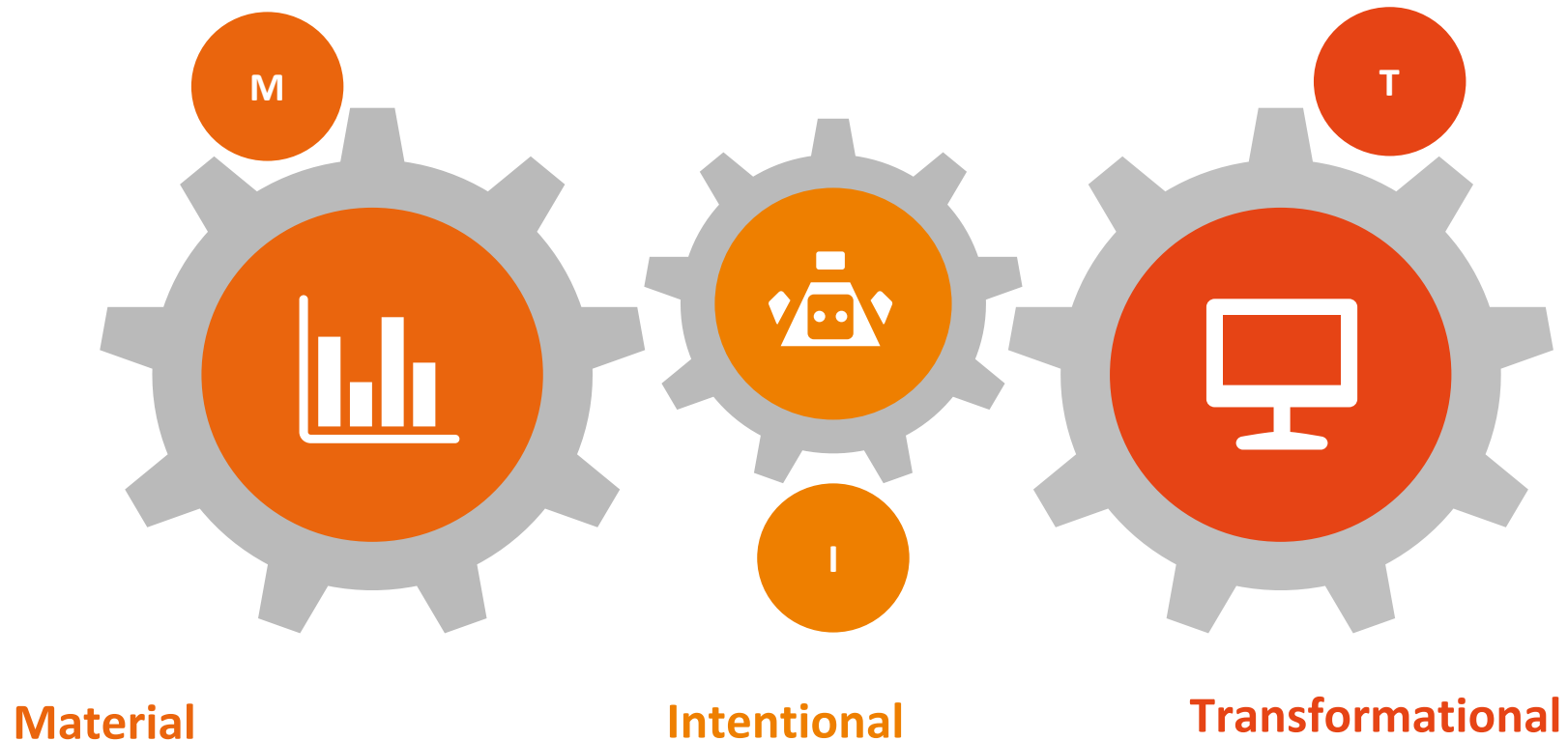


# From SDGs to impact goals to investment funds

## NN (L) Global Equity Impact Opportunities

Fund name	NN (L) Health & Well-Being	NN (L) Climate & Environment	NN (L) Smart Connectivity
UN theme	 <p>People</p>	 <p>Planet</p>	 <p>Prosperity</p>
Goals	<p>Decent Living Standards Fit Body &amp; Mind Affordable Healthcare Financial Inclusion</p>	<p>Water Management Food Sufficiency Energy Transition Circular Economy</p>	<p>Enhanced Productivity Resilient Infrastructure Better Knowledge Safe Society</p>
SDGs	     	     	     

# Impact assessment: MIT



*MIT assessment to avoid “green”-washing*



# Impact assessment: MIT to ensure real impact



**Market leader for biological solutions for industrial processes**

## Material

Superior performance and energy savings for clients help Novozymes grow twice as fast as the chemicals industry at twice the profitability

## Intentional

Business model focused on environmentally friendly solutions and direct involvement in settings the SDGs

## Transformational

Enzymes have the potential to replace all chemical processes, hence reduce CO2 emissions



*MIT assessment to avoid “green”-washing*



# Experienced team with extensive resources

## Thematic Impact Equity Team



**Huub van der Riet**  
Lead Portfolio Manager  
Experience since 1995



**Ivo Luiten**  
Sr. Portfolio Manager  
Experience since 2001

## Dedicated Research Analysts



**Fabian Smeets**  
Exp. since 2007

Smart Materials &  
EV value chain



**Mark van der Geest**  
Exp. since 1995

Capex cycle &  
B2B Services



**Camiel Mulders**  
Exp. since 1998

Fintech &  
Financial Inclusion



**Oskar Tijs**  
Exp. since 1996

Energy transition,  
Waste & water



**Hans Slob**  
Exp. since 1993

Digital  
revolution



**Aleks Kushev**  
Exp. since 2014

Consumer  
trends



**Philip Chau**  
Exp. since 2016

Access to  
Healthcare

## Data Scientists

**Koen Oussoren**  
Data Scientist  
Experience since 2016

**Douglas Hatfield**  
Sr. Data Scientist  
Experience since 2006

## Investment Services

**Guido Veul**  
Client Portfolio Manager  
Experience since 2000

**Anthony de Silva**  
Sr. Portfolio Specialist  
Experience since 1997

## Management Team



**Jeroen Bos**  
Head of Spec. Equities  
Experience since 1999



**Hendrik-Jan Boer**  
Head of Team  
Lead PM Sustainable Equity  
Experience since 1990

## Responsible Investment Team



**Adrie Heinsbroek**  
Principal  
Experience since 1998

# Our focus on finding solution providers



# Portfolio construction (stock weighting)

*Focused worldwide equity portfolio with +/- 50 stocks*

		Fundamentals / upside potential		
		High	Medium	Low
Impact	High	3-5%	2-4%	1-3%
	Medium	2-4%	1-3%	<2%
	Low	1-3%	<2%	0%

*Portfolio positions are based on convictions regarding Impact and Fundamentals*

# Stock weightings explained



BUSINESS		ENZYMES	SMART ELEC. METERS
IMPACT	Material (score)	87 mt GHG saved (5)	7 mt GHG saved (3)
	Intentional (score)	Involved setting SDGs (5)	Manage energy better (3)
	Transformational (score)	Significant solution (5)	Awareness solution (2)
IMPACT		HIGH	(RELATIVELY) LOW
FUNDAMENTALS	Market share	Global 48%	Regional range 14%-33%
	EBITDA margin	36%	14%
	CFROI	12%	7%
	Valuation/upside potential	✓	✓
FUNDAMENTALS		HIGH	MEDIUM
PORTFOLIO WEIGHT		450 Bps	100 Bps

# Attractive track record of financial returns

Fund performance (%)	YTD	2019	2018	2017	Since strategy inception (ann.)
<b>NN (L) Global Equity Impact Opportunities</b>	<b>-19.19</b>	<b>31.16</b>	<b>-6.46</b>	<b>17.57</b>	<b>2.43</b>
<b>NN (L) Health &amp; Well-Being</b>	<b>-19.38</b>	-	-	-	-
<b>NN (L) Climate &amp; Environment</b>	<b>-16.05</b>	-	-	-	-
<b>NN (L) Smart Connectivity</b>	<b>-16.08</b>	-	-	-	-
MSCI AC World Index (NR)	-19.56	28.93	-4.85	8.89	0.64
MSCI Emerging Markets Index (NR)	-21.84	20.61	-10.27	20.59	-2.46
MSCI ACWI SMID Cap Index (NR)	-26.66	27.67	-9.46	9.07	-4.18

Source: NN IP, Morningstar Direct. Returns are presented in EUR after all transaction costs, but before management fees. Returns include the reinvestment of income. Strategy inception date of NN (L) Global Equity Impact Opportunities is 1 April 2017. Past performance is no guarantee of future results and the possibility of loss does exist. Data as per end of March 2020

*Aim: to generate a higher return than MSCI AC World over the cycle*

# Approach ensures positive societal performance

## Financial performance

- Fund returns above reference index since inception (as per March 2020)
- Very strong value creation through high CFROI of portfolio constituents

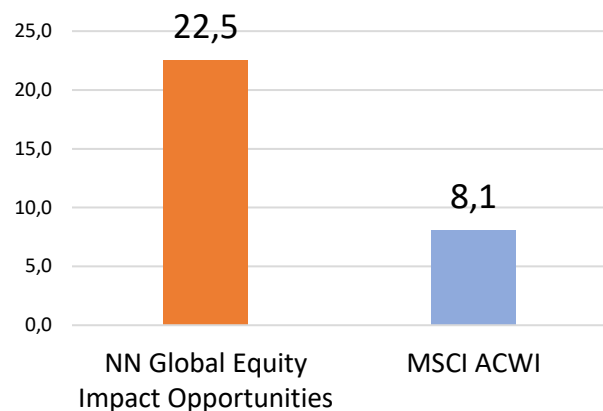
## Environmental performance

- CO2 emissions >80% below reference index
- Additional environmental savings from low water and waste footprint

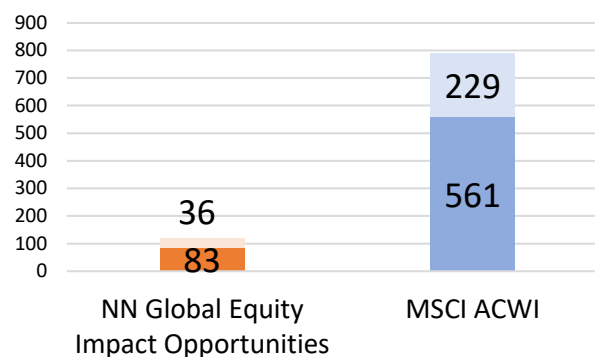
## Social performance

- All holdings contribute positive to the UN SDGs
- High reinvestment of cash flows into R&D stimulates innovation

### Financial Value Creation CFROI (%)

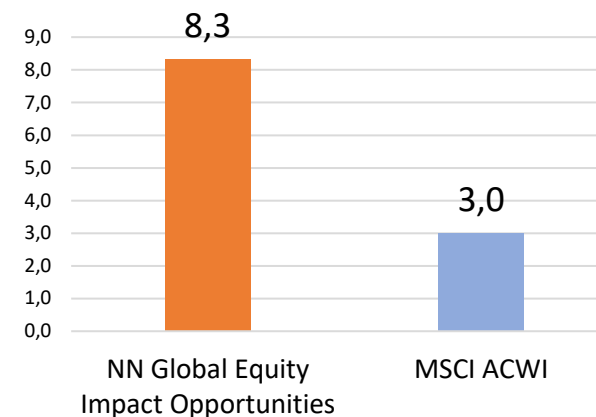


### Carbon Intensity Scope 1+2 & 3 (tCO2e / €1mln revenue)



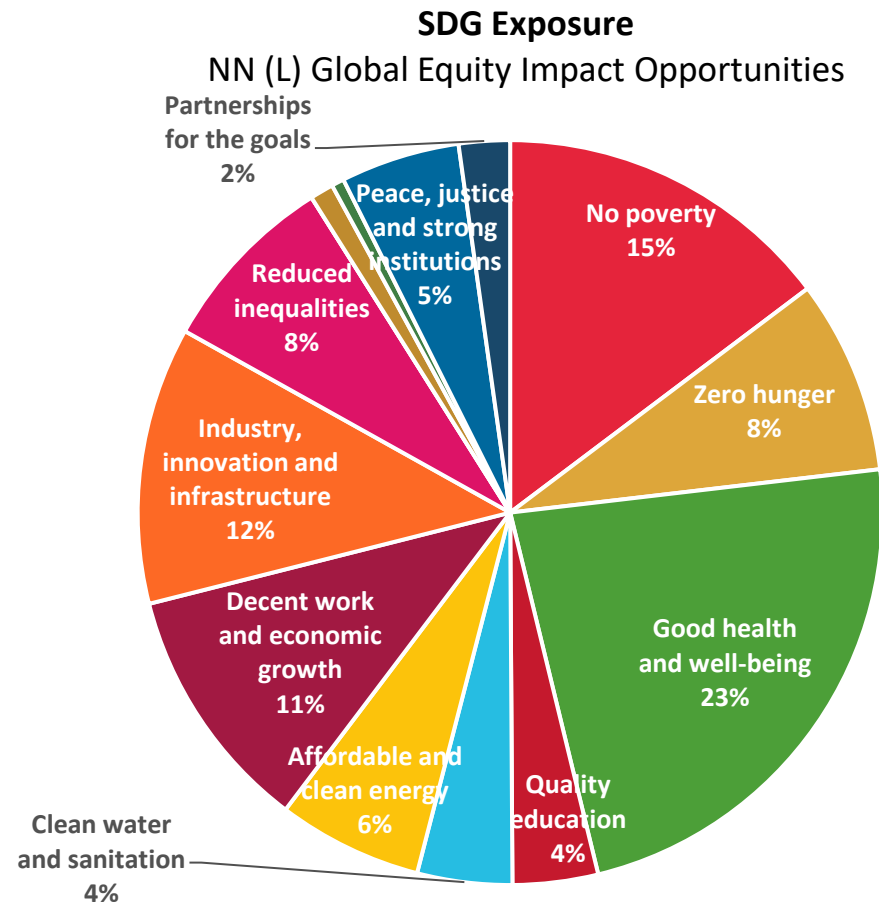
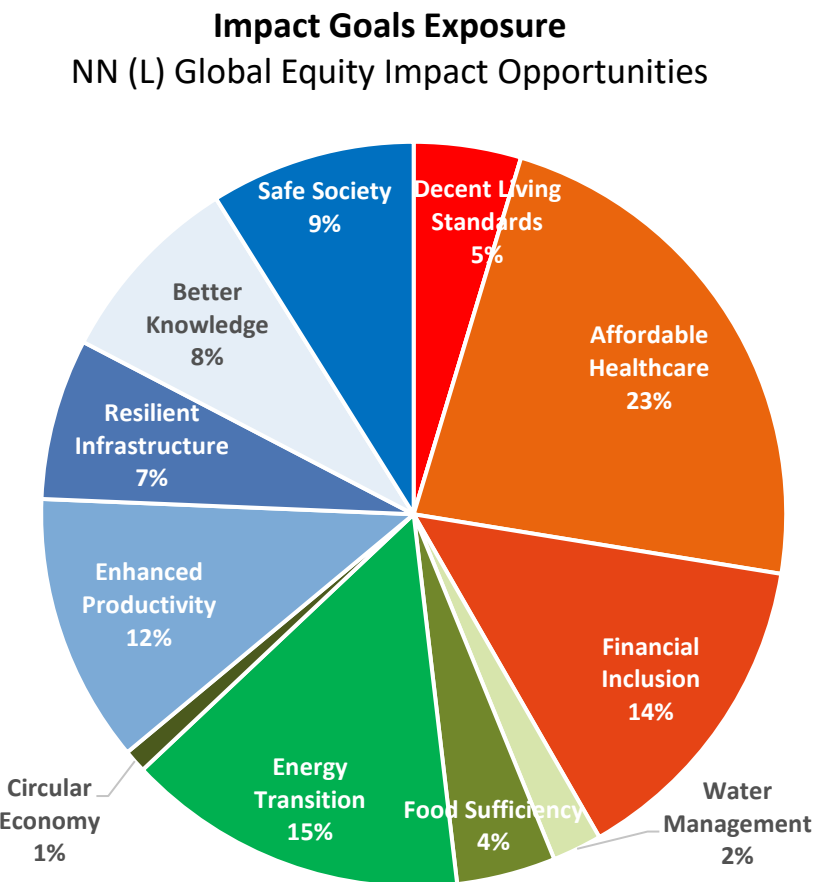
### Innovation

#### R&D as % of revenues



Source: NN IP, ISS Ethix Climate Solutions, EEA and Eurostat; data as per end of March 2020

# Diversified exposure to impact goals and SDGs



Source: NN IP; data as per end of March 2020



# Five steps of impact measurement



*With engagement we aim to improve the impact measurement to the next level*

# Impact measurement

## Stage 1) SDG exposure

### PURPOSE

Sustainability is at the core of what we do



#### Better farming

We help feed the growing population by promoting sustainable agriculture.



#### Good health

We improve global health through healthier and more safe products.



#### Less waste

We help customers reduce food waste and improve yield and productivity.



# 82%

of Chr. Hansen's revenue  
contributes to the UN Global Goals

- reviewed by PWC

### Operational foundation



Workplace  
responsibility



Climate and  
environment



Business and  
product integrity

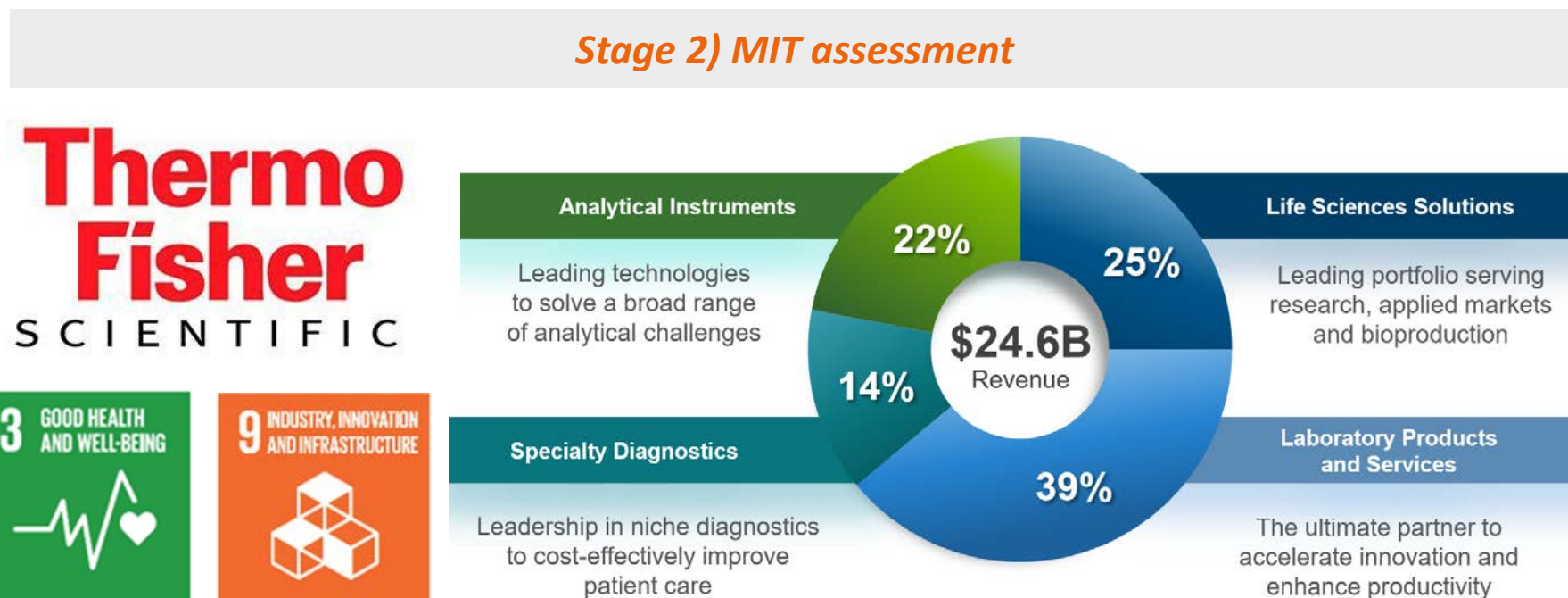


Human rights and  
responsible sourcing

CHR HANSEN

Improving food & health

# Impact measurement



- Material** Market leader in Life Science tools with \$1 billion investments in R&D
- Intentional** Mission “to make the world healthier, cleaner and safer”
- Transformational** Significant solutions due to superior analytical data & technology

# Impact measurement

## Stage 3) Impact quantity

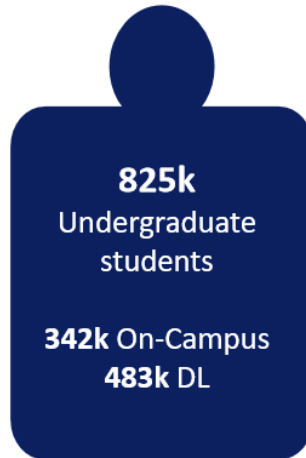
Cogna provides education to 2.3 million students in Brazil

BRAZIL'S LARGEST EDUCATION COMPANY

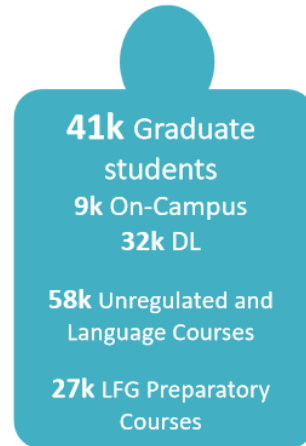
2.3 MILLION STUDENTS<sup>1</sup>

**cogna**  
EDUCAÇÃO

**kroton**



**PLATOS**



**SABER**



**VASTA**  
EDUCAÇÃO



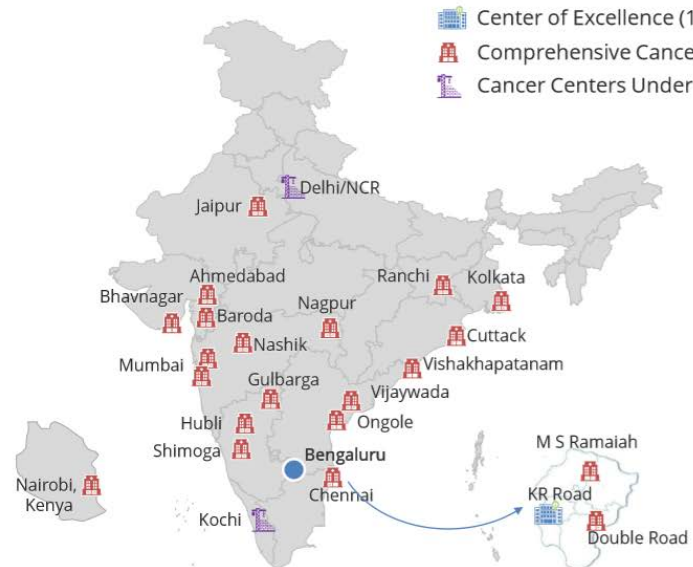
<sup>1</sup> Base date: 3Q19

# Impact measurement

## Stage 4) Impact quantity & quality



### India's Leading Provider of Cancer Care



- Center of Excellence (1)<sup>1</sup>
- Comprehensive Cancer Center (21)<sup>2</sup>
- Cancer Centers Under Development (2)



1,654  
OPERATIONAL  
BEDS

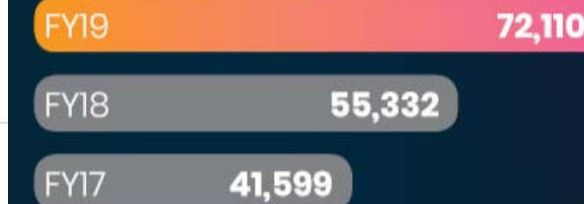
28  
LINEAR  
ACCELERATORS

16  
PET-CT  
SCANNERS

300+  
ONCOLOGISTS

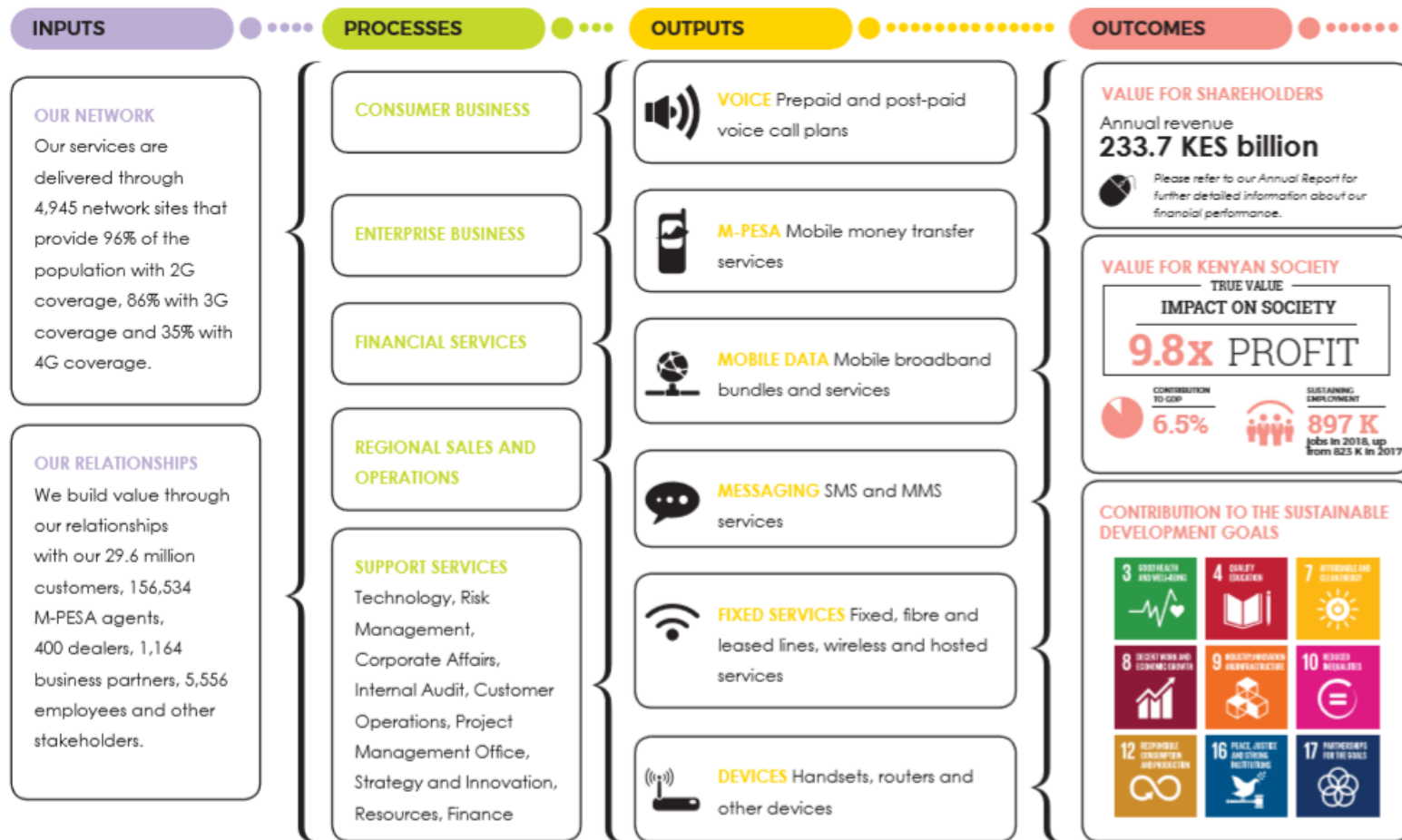
~72K  
NEW CANCER  
PATIENTS/YR

### New Patient Registration across our cancer centers



# Impact measurement

## Stage 5) True value/price analysis





# NN Health & Well-Being





# Company examples

Goal	Companies		
<b>Decent Living Standards</b> 	 		<b>1 NO POVERTY</b> 
<b>Fit Body &amp; Mind</b> 	 		<b>2 ZERO HUNGER</b> 
<b>Affordable Healthcare</b> 	 		<b>3 GOOD HEALTH AND WELL-BEING</b> 
<b>Financial Inclusion</b> 	 		<b>4 QUALITY EDUCATION</b> 
			<b>6 CLEAN WATER AND SANITATION</b> 
			<b>7 AFFORDABLE AND CLEAN ENERGY</b> 

# NN Climate & Environment



# Company examples

Goal	Companies		
<b>Water Management</b> 			<b>2 ZERO HUNGER</b> 
<b>Food Sufficiency</b> 			<b>6 CLEAN WATER AND SANITATION</b> 
<b>Energy Transition</b> 			<b>7 AFFORDABLE AND CLEAN ENERGY</b> 
<b>Circular Economy</b> 			<b>9 INDUSTRY, INNOVATION AND INFRASTRUCTURE</b> 
			<b>12 RESPONSIBLE CONSUMPTION AND PRODUCTION</b> 
			<b>13 CLIMATE ACTION</b> 

# NN Smart Connectivity 🌐



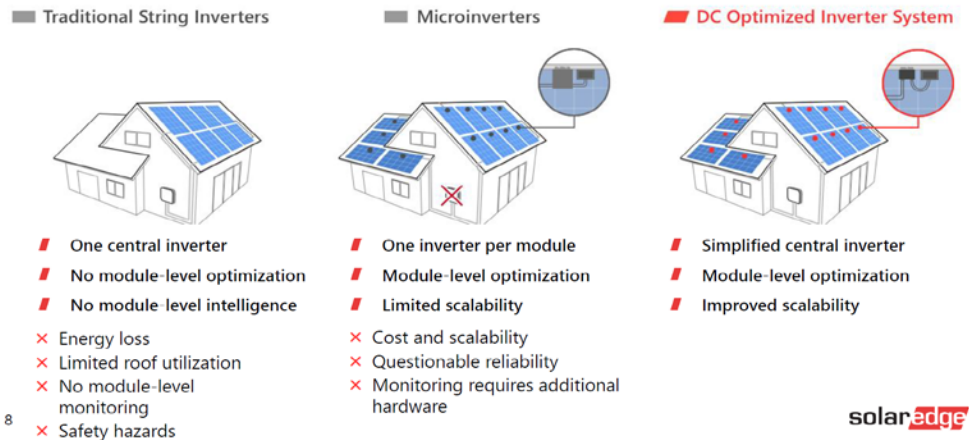
# Company examples

Goal	Companies		
<b>Enhanced Productivity</b> 			<b>8</b> DECENT WORK AND ECONOMIC GROWTH 
<b>Resilient Infrastructure</b> 			<b>9</b> INDUSTRY, INNOVATION AND INFRASTRUCTURE 
<b>Better Knowledge</b> 			<b>10</b> REDUCED INEQUALITIES 
<b>Safe Society</b> 			<b>11</b> SUSTAINABLE CITIES AND COMMUNITIES 
			<b>16</b> PEACE, JUSTICE AND STRONG INSTITUTIONS 
			<b>17</b> PARTNERSHIPS FOR THE GOALS 

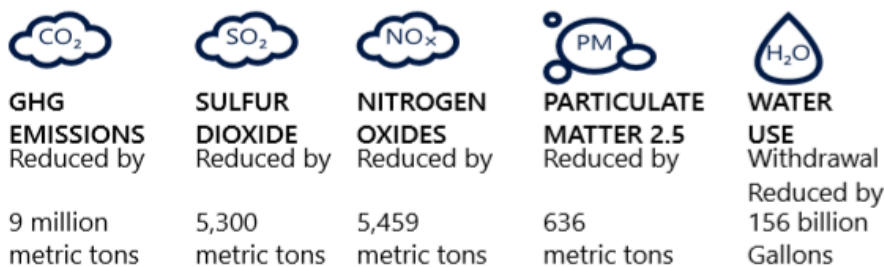
# NN (L) Climate & Environment



## Innovative Architecture



**Reduced Emissions Footprint from SolarEdge Systems**  
10.6 GW of SolarEdge shipped systems is equivalent to the following reduction of emission footprint:

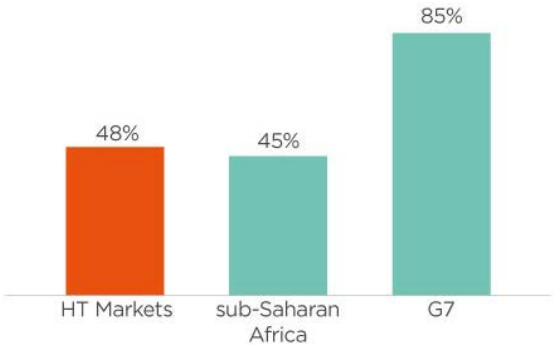


BUSINESS		SOLAR PANEL INVERTERS
IMPACT	Material	100% energy-saving solar solutions
	Intentional (Mission)	“Broaden availability of solar energy”
	Transformational	New technology drives solar efficiency
IMPACT		HIGH
FUNDAMENTALS	Business model	Market leader, outsourced production
	CFROI	18%
	Growth	Above 20%
	Valuation	✓
FUNDAMENTALS		HIGH

Source: SolarEdge Technologies, NN IP

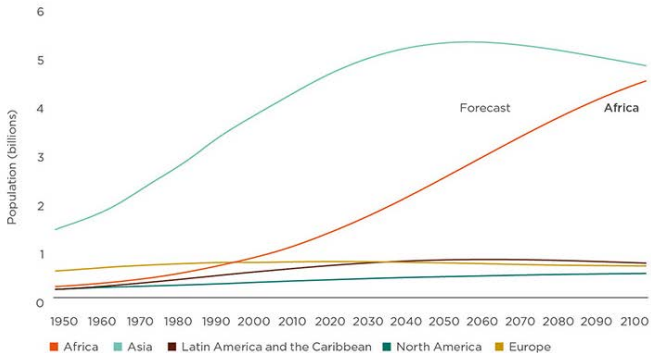
# NN (L) Smart Connectivity

Mobile penetration<sup>(3)</sup> (%) (2019)



+55 million  
Additional Mobile Subscribers (2018-2024E)

+19,000  
Additional Points of Service (2018-2024E)



BUSINESS		COMMUNICATION TOWERS
IMPACT	Material	Sole focus on Congo, Ghana, Tanzania
	Intentional (Mission)	“Lead wireless connectivity in Africa”
	Transformational	Vital for local communication
IMPACT		HIGH
FUNDAMENTALS	Business model	Price setter & operating leverage
	EBITDA margin	40%
	Growth	5-10%
	Valuation	✓
FUNDAMENTALS		HIGH

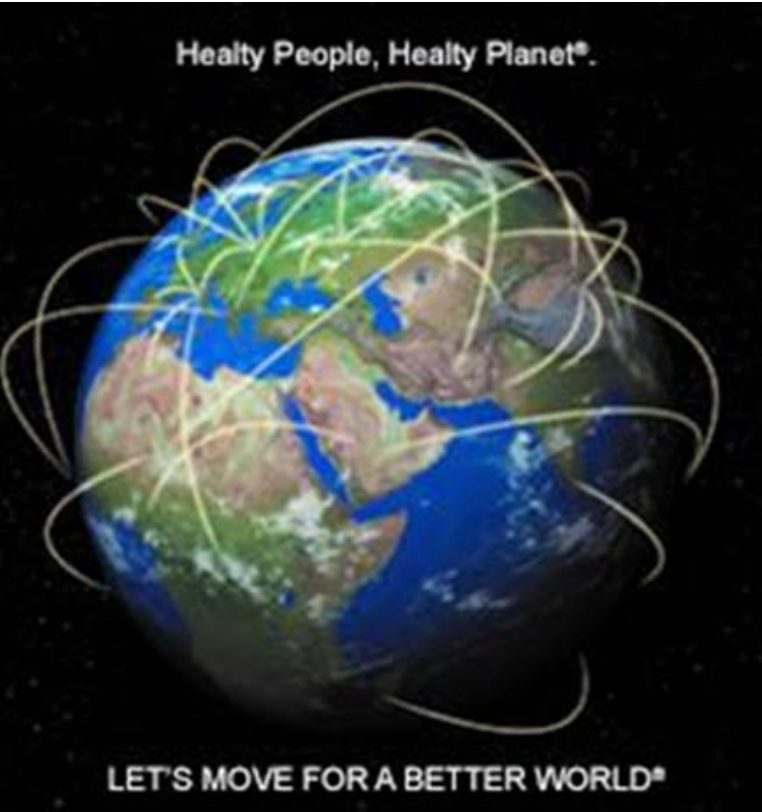
Source: Helios Towers, NN IP



# NN (L) Health & Well-being



The Wellness Company



BUSINESS		COMMUNICATION TOWERS
IMPACT	Material	All revenues are related to promote a healthy life-style
	Intentional (Mission)	“Objective is to help people adopt a Wellness lifestyle ”
	Transformational	Solution provider to promote an active healthy life-style
IMPACT		HIGH
FUNDAMENTALS	Business model	Price setter & operating leverage
	CFROI %	15%
	Growth	Mid single digit
	Valuation	✓
FUNDAMENTALS		HIGH

Source: TechnoGym, NN IP

# Disclaimer

**This communication is intended for MiFID professional investors only.** This communication has been prepared solely for the purpose of information and does not constitute an offer, in particular a prospectus or any invitation to treat, buy or sell any security or to participate in any trading strategy or the provision of investment services or investment research. While particular attention has been paid to the contents of this communication, no guarantee, warranty or representation, express or implied, is given to the accuracy, correctness or completeness thereof. Any information given in this communication may be subject to change or update without notice. Neither NN Investment Partners B.V., NN Investment Partners Holdings N.V. nor any other company or unit belonging to the NN Group, nor any of its directors or employees can be held directly or indirectly liable or responsible with respect to this communication. Use of the information contained in this communication is at your own risk. This communication and information contained herein must not be copied, reproduced, distributed or passed to any person other than the recipient without NN Investment Partners B.V.'s prior written consent.

The Funds mentioned in this communication are Funds of the Sicav NN (L) established in Luxembourg and authorised in Italy. The prospectus and the Key Investor Information Document (KIID) and other legally required documents, relating to the fund and the sub-fund are available on [www.nnip.com](http://www.nnip.com). Investment sustains risk. Please note that the value of any investment may rise or fall and that past performance is not indicative of future results and should in no event be deemed as such. This communication is not directed at and must not be acted upon by US Persons as defined in Rule 902 of Regulation S of the United States Securities Act of 1933, and is not intended and may not be used to solicit sales of investments or subscription of securities in countries where this is prohibited by the relevant authorities or legislation.



**NN investment  
partners**