

Thematic Equity Investing

Smart Connectivity



- Invest in companies that are set to benefit from long-term societal trends...
- ...while supporting several UN Sustainable Development Goals (SDGs)

Smart Connectivity thematic investing

Investors in the NN (L) Smart Connectivity fund are well positioned to benefit from **global long-term societal trends**, such as:

- Rising levels of urbanization
- Continuous evolution of industrialization
- Accelerating pace of IT and digitization
- Need for quality standards and more transparency

The fund invests in companies that contribute to a more sustainable society through innovation and connectivity. We believe that many of these solution providers not only contribute actively to a more sustainable society, but are also set to earn attractive financial returns for their investors.

Enhanced productivity

Technology and innovation are key drivers behind higher productivity of labour and capital, and are therefore important enablers of economic growth. The industrial automation market is growing at a rate of 10% per year, driven by **robotics, 3D printing, augmented reality** and **new sensor technologies**. Cloud technology drives global IT spending as it offers superior data storage, computing speed and security. These trends result in growth opportunities for companies in the IT sector, including **software, (industrial) automation** and **consultancy companies**.

Resilient infrastructure

Urbanization leads to increased (air and waste) pollution. To meet economic and environmental targets, **sustainable buildings, efficient transportation** and **reliable networks** are essential. Digital connectivity is also on the rise. There are 27 billion internet-connected devices and each year this number grows by 15%. Industries that benefit from these trends and thus offer compelling investment opportunities include **smart building appliances, mobility, and network operators**.

Better knowledge

Knowledge-driven medium- and high-tech sectors are important disintermediaries for other sectors and represent 45% of GDP. **Scientific research, open access to information and good education** are strong enablers of economic progress and inclusive growth. Data is at the centre of many trends, and data consumption and production are expected to continue rising explosively, mainly due to the surge of **information processing, digitization** and the **Internet of Things**.

Investable solutions include **education, recruitment** agencies that provide more efficient job markets and providers of **data analytics and information services**.

Safe society

Digital safety and security are key ingredients for creating a **stable society** and provide trust and confidence for all economic actors. Cybercrime and fraud now represent 25% of the total economic cost of crime, estimated at almost USD 4 trillion annually. **Digital security** is therefore top of mind for business leaders and is growing at a rate of 10% per year as it gains share

within overall IT budgets. Another impact of the rise in cybercrime is that financial institutions now need to spend more to meet regulatory requirements and improve their risk-monitoring practices. Globalization makes it more difficult to trace product origins, while regulators and consumers demand greater supply-chain transparency. Investible solutions include **testing & inspection, fraud prevention and identity detection, and (cyber) security firms.**

Smart Connectivity

The NN (L) Smart Connectivity fund aims to create a sustainable society. The fund invests in companies offering solutions with a positive societal impact.



Huub van der Riet & Ivo Luiten

“Our mission: make a meaningful contribution to solving the world’s biggest challenges and achieve an attractive financial return”

Aligning with the UN’s Sustainable Development Goals (SDGs)

The NN (L) Smart Connectivity fund invests to deliver a positive contribution to **six SDGs that are relevant for achieving the most important societal targets.** By aligning with these SDGs, we offer investors a widely acknowledged and structured way to gain insight into the societal impact of their investments.

SDGs	8 DECENT WORK AND ECONOMIC GROWTH	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE	10 REDUCED INEQUALITIES	11 SUSTAINABLE CITIES AND COMMUNITIES	16 PEACE, JUSTICE AND STRONG INSTITUTIONS	17 PARTNERSHIPS FOR THE GOALS
Goals	Enhanced Productivity	Resilient Infrastructure	Better Knowledge	Safe Society		
Solutions	<ul style="list-style-type: none"> • Software • (Industrial) automation • Consultancy 	<ul style="list-style-type: none"> • Smart building • Mobility • Network operators 	<ul style="list-style-type: none"> • Education • Recruitment • Data & information 	<ul style="list-style-type: none"> • Testing & inspection • Fraud prevention • (Cyber) security 		

In addition to benefiting from socio-economic growth trends, the fund is well positioned to **benefit from some of the additional capital that is being mobilized to meet the SDGs.** This funding gap is estimated to be USD 2.5-3.0 trillion per year, equivalent to 3-4% of global GDP.

Investment opportunities

We have identified **four goals and twelve solutions** that target these global societal challenges (see figure below). In our view, companies that provide solutions to one or more of these goals are well positioned to benefit from the underlying trends. These companies have a **competitive advantage** and are likely to outperform their competitors over the long term.

Strategy description

Our NN (L) Smart Connectivity fund invests in **listed equities** that offer **attractive financial returns** and have a **positive societal impact.** We endeavour to measure the societal contribution of the securities we hold in the portfolio and **engage with companies** to help them make a growing impact.

Objective

For financial performance comparison purposes, the MSCI AC World (Net) is used by the fund as a reference index.

Fund information

Investment Universe	Global Equities
Investment Style	Bottom-up impact focused stock-picking from a thematic and ESG compliant investment universe based on fundamental and in-depth financial research
Reference Index	MSCI (AC) World (Net) Index
Base Currency	Euro (USD share class available)
Number of holdings	30-60
ISIN CODE	LU0242142221 (USD)
Maximum stock position	10%
Fees I share	0.60%

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