



EXPERTISE IN GLOBAL EQUITIES

Multi-thematic Sustainable

NEWGEMS

December 2018





FUNDAMENTAL EQUITY

SUSTAINABLE

EUROPE

WORLD

THEMATIC

DIVIDEND

EUROPE DIVIDEND

WORLD DIVIDEND

EUROPEAN

EMU/EUROPE

SMALL CAPS

BELGIUM

LISTED REAL ESTATE

EUROPE

EMU

DIVIDEND



1

WHY

Why global multi-thematic equities?

Why future winners?

Why sustainable?

2

STRATEGY HIGHLIGHTS

Investment philosophy

Investment style

Investment objectives

Investment process

Investment team

3

OUTLOOK

Market commentary

Positioning



1

WHY?

Why global multi-thematic equities?

Why future winners?

Why sustainable?



WHY **GLOBAL MULTI-THEMATIC** EQUITIES?

- Diversification across **geographies**
- Broader **opportunity** set
- Diversification across **themes**
- Investment themes should be **analyzed globally**



WHY FUTURE WINNERS?

- Today's winners are not always the winners of **the future**
- **Innovation** is higher at smaller companies
- Many themes that **will shape the future** are not driven by established companies
- **Society 5.0** - because we look at the future society as a starting point



WHY SUSTAINABLE?

- A greater focus on **environmental, social and governance** factors benefits the whole society
- In the long run, a greater focus on environmental, social and governance can **mitigate future financial risks**
- ESG challenges create **business opportunities**



WHY GLOBAL MULTI-THEMATIC SUSTAINABLE AT DPAM ?



ACTIVE ASSET MANAGER



SUSTAINABLE INVESTOR



RESEARCH DRIVEN



Degroef Petercam AM is an independent active asset manager part of a family owned **GROUP WITH ITS ORIGINS IN 1871**



CLIENT-DRIVEN, creating long-term partnerships with our customers with an international network of 8 local offices across Europe



Broad experience in **THEMATIC INVESTMENTS**



Degroef Petercam AM is a **PIONEER IN SUSTAINABLE INVESTING** since 2002. Active ownership and ESG across asset classes and themes



PROPRIETARY fundamental and quantitative research provided by in-house Credit, Equity and SRI analyst teams



SUSTAINABILITY APPROACH based on a combination of screenings, analysis and engagement



PERFORMANCE-DRIVEN, centralized asset management in Brussels and Paris



EXPERIENCED MANAGEMENT TEAM supported by in-house Buy Side Research Team



UNIQUE COMBINATION IN THE MARKET Multi-thematic and Sustainable



2

STRATEGY HIGHLIGHTS

Investment philosophy

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INVESTMENT PHILOSOPHY



MULTI- THEMATIC APPROACH

Future winners
Innovative &
Disruptive



ACTIVELY MANAGED

Fundamental
screen, FCF based



SUSTAINABLE SCREEN

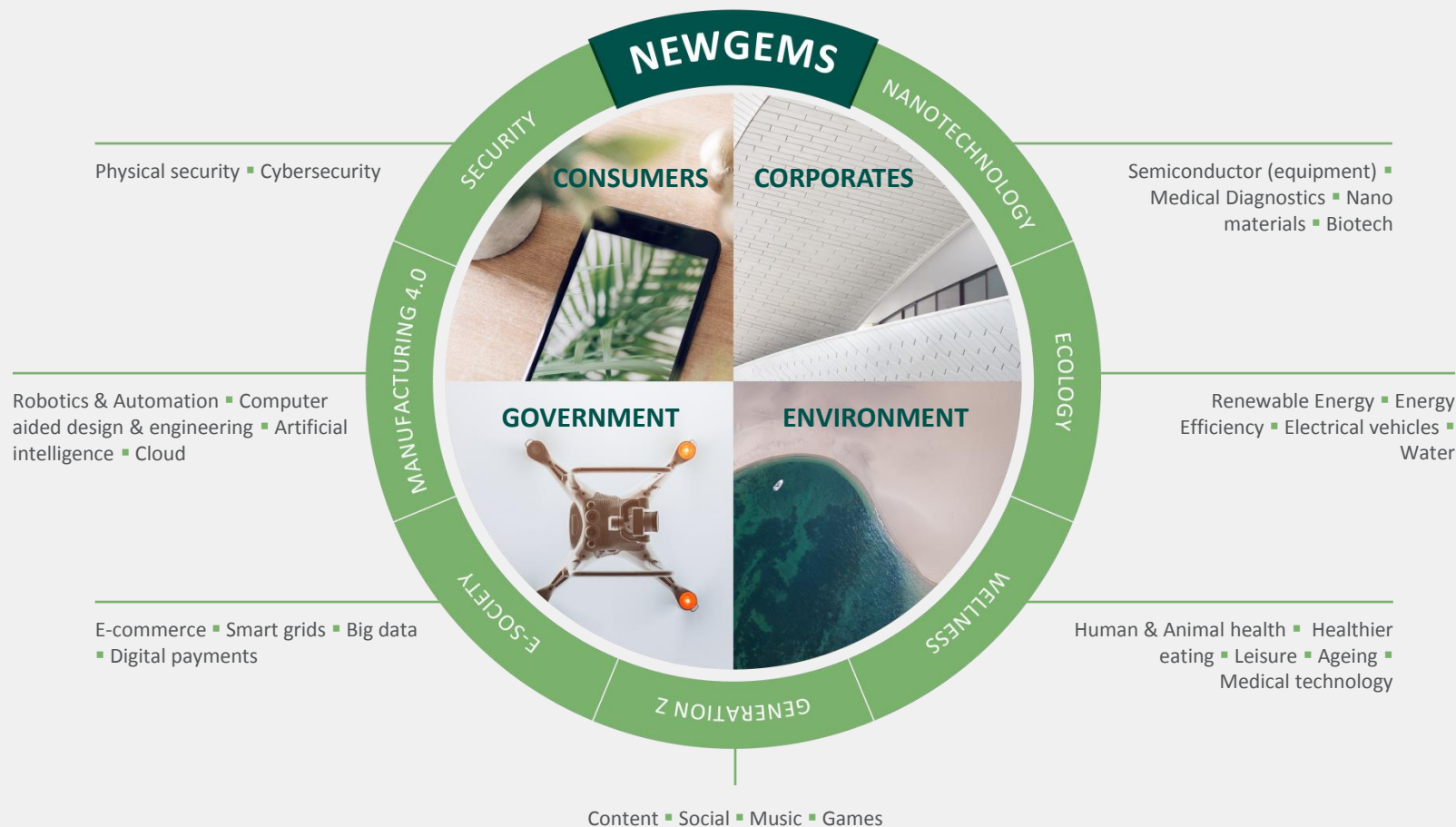
Initial Exclusion +
Proprietary subsector
KPIs



GLOBAL MARKETS

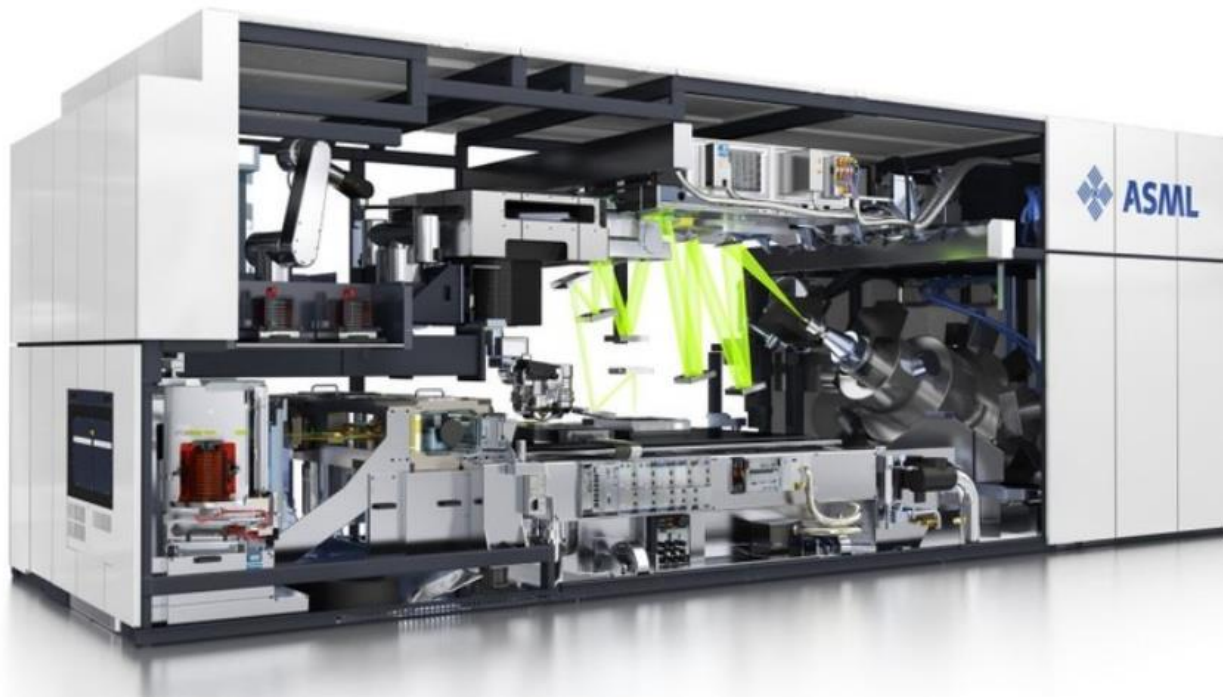
US and
Under-researched
mid-cap bias





EXAMPLE OF NANOTECHNOLOGY

ASML, the key enabler of Moore's law



Source: <https://www.deingenieur.nl/artikel/eerste-commerciele-euv-chip-asml-in-productie>

EXAMPLE OF ECOLOGY

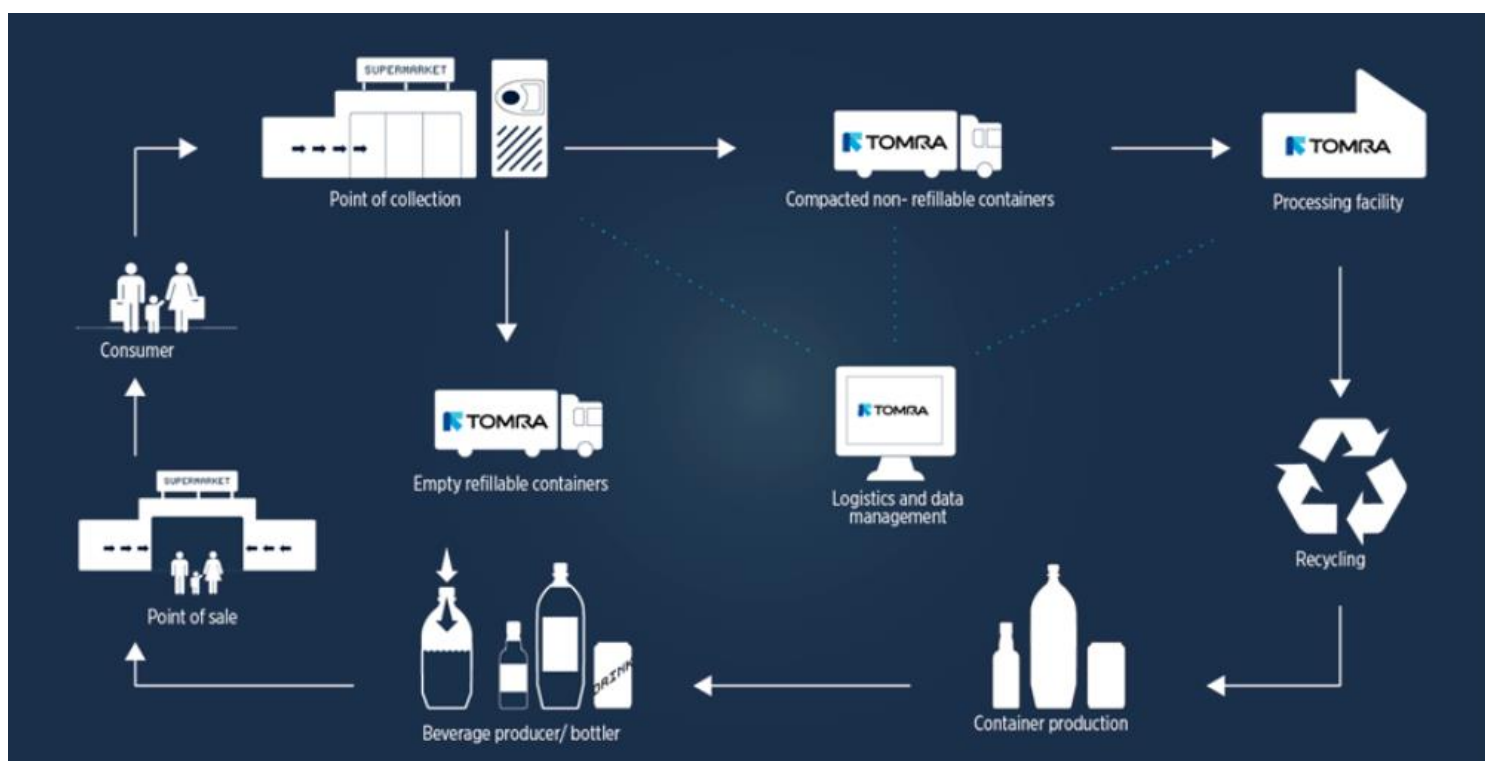
Being sustainable also means finding opportunities



Source: National Geographic

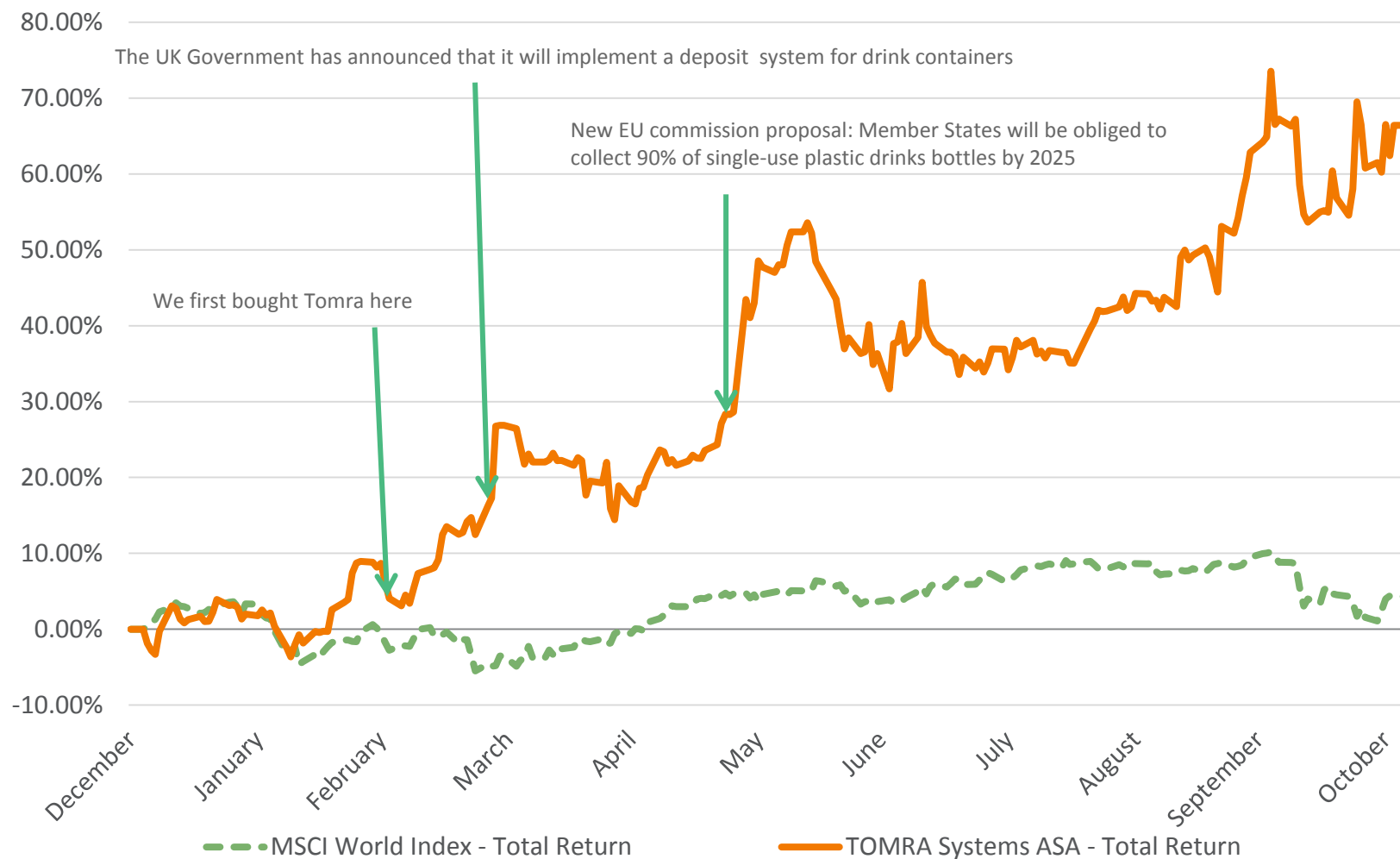
EXAMPLE OF ECOLOGY

To fight plastic waste solutions we are invested in **Tomra**, a perfect example to play the **circular economy**



Source: Tomra website

EXAMPLE OF ECOLOGY

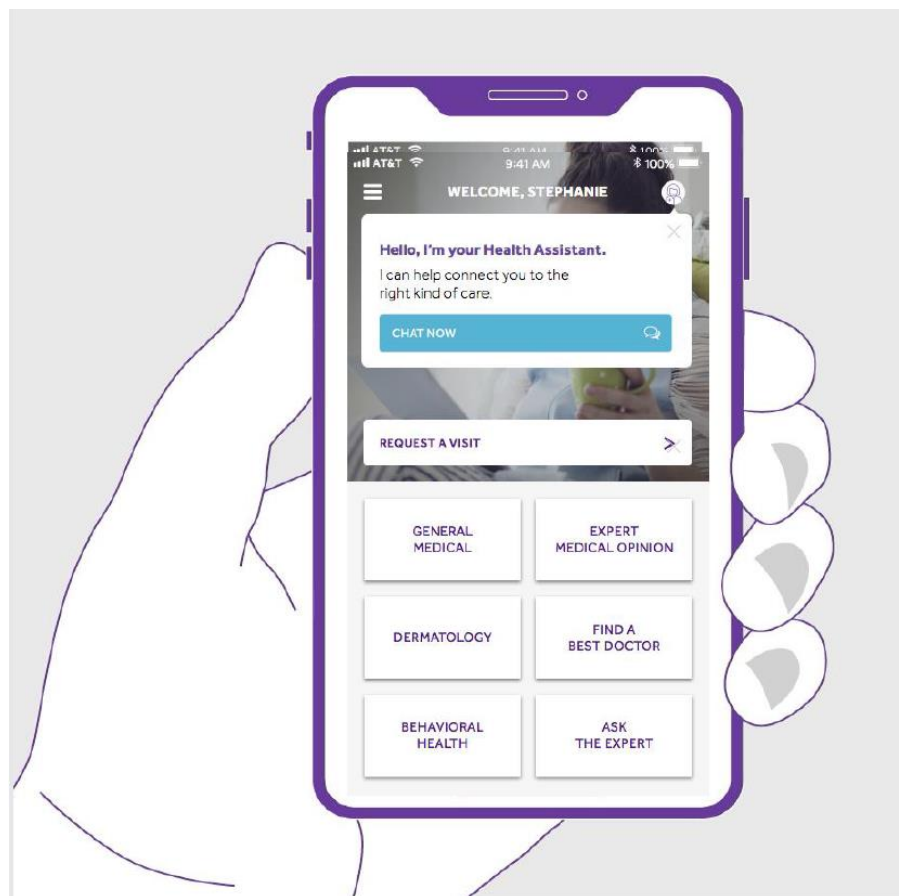


Source: DPAM, Factset



EXAMPLE OF E-SOCIETY/WELLNESS

Teladoc, the largest e-health provider in the US



Source: Teladoc website

EXAMPLE OF MANUFACTURING 4.0

We can invest **globally** and have focus on **midcap** and **under-researched** companies.

ViTrox, a high-IP, Malaysian machine vision system specialist, €758m market cap

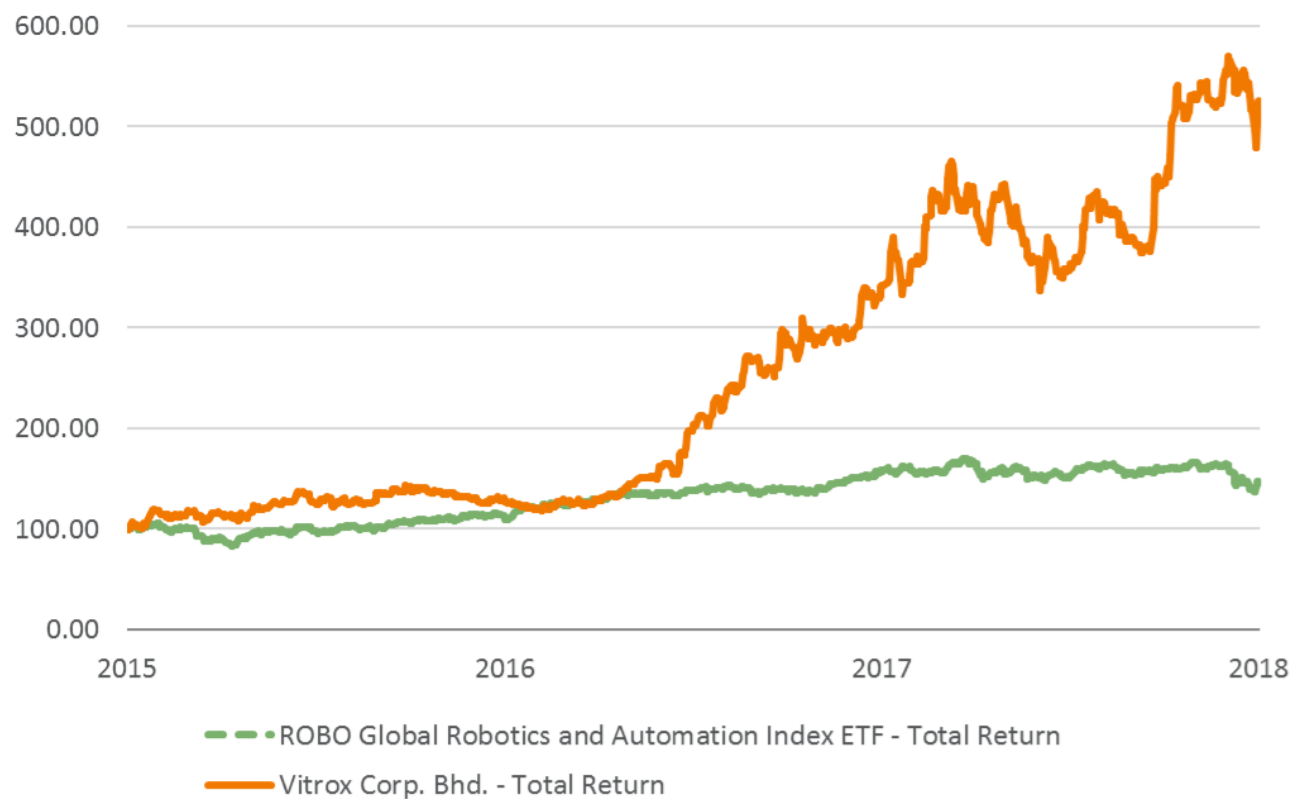


* SPI: Solder Paste Inspection
** AOI: Automated Optical Inspection

Source: Picture left, Vitrox. Picture right, Koh young

EXAMPLE OF MANUFACTURING 4.0

Performance of Vitrox vs Robo ETF



Source: Picture left, Vitrox. Picture right, Koh young



INVESTMENT OBJECTIVES



Outperform the MSCI World All Net Return Index
on a 5-year rolling period



INVESTMENT PROCESS

1

QUANTITATIVE SCREENING

Based on:

*Free Cash Flow
Sustainable*

2

ACTIVE STOCK SELECTION

± 70-80 stocks

Top down theme selection

Bottom up stock picking

ESG Sector Criteria

Portfolio Construction

1

QUANTITATIVE
SCREENING*± 3000 stocks*

1

QUANTITATIVE SCREENING

± 3000 stocks

OUR SUSTAINABLE QUANTITATIVE SCREENING

Based on 3 pillars

Normative ESG screening

UN Global Compact
Principles

Exclusion of non
compliant companies

Controversies and exclusions

Exclusion of companies
with level 5 controversies

Level 4 controversies are
discussed in the
Responsible Investment
Steering Group

Quantitative sector exclusion

Exclusion of defence,
tobacco and gambling
companies

2

ACTIVE STOCK
SELECTION*± 70-80 stocks*

Top down theme selection &
Bottom up stock picking

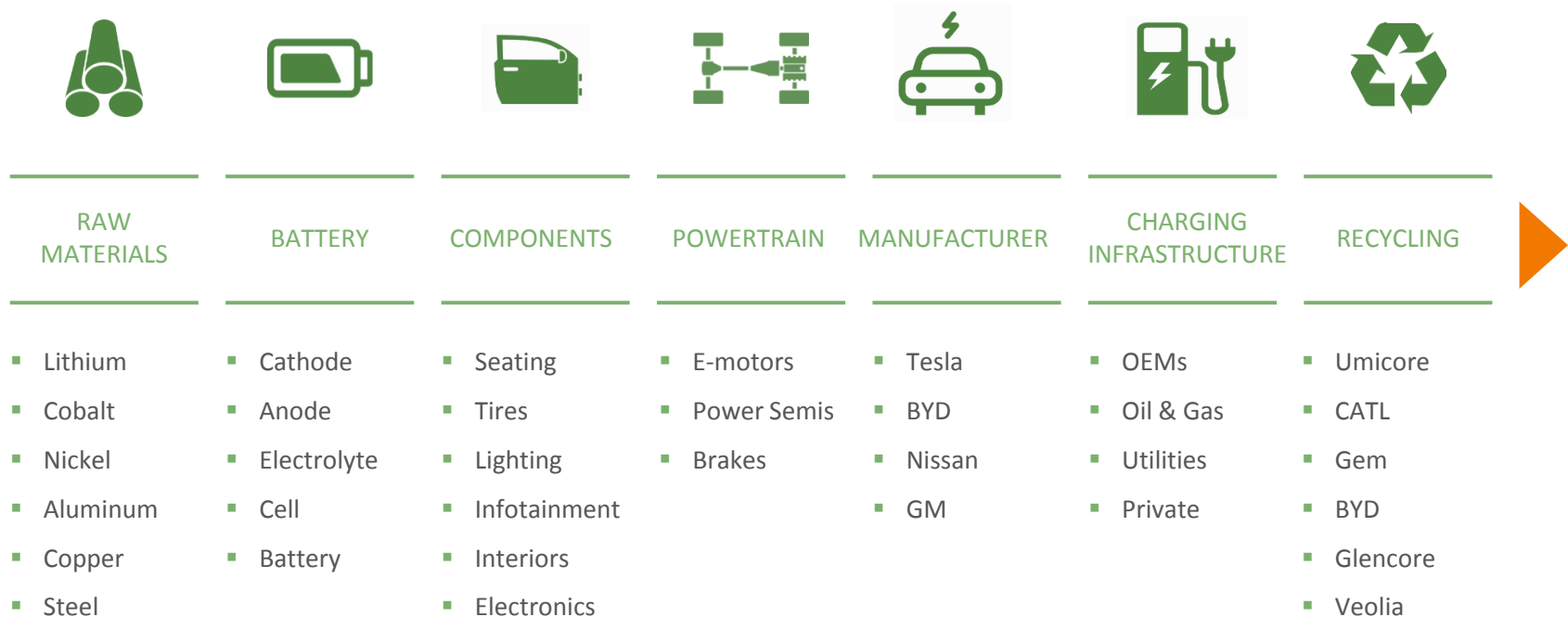


ESG sector criteria



Portfolio Construction

IDENTIFICATION OF THE VALUE CHAIN



Source: Degroof Petercam AM, 12.10.2018

2

ACTIVE STOCK
SELECTION*± 70-80 stocks*

Top down theme selection &
Bottom up stock picking

FUTURE WINNERS

QUANTITATIVE

Innovation leader

Disruptive technology

Short term cash generative

Strong growth

QUALITATIVE

Sound Business model

Competitive advantage

ESG Related Strengths



2

ACTIVE STOCK
SELECTION*± 70-80 stocks*STOCK SELECTION BASED ON
SECTOR ESG CRITERIA

WHAT IS ESG?

Environment	Social	Governance
Energy efficiency	Diversity and discrimination	Business ethics
Natural resource use	Working conditions	Anti-competitive practices
Hazardous waste management	Employee safety	Corruption and instability
Recycled material use	Product safety	Anti-bribery policy
Clean technology	Fair trade products	Anti-money laundering policy
Green buildings	Advertising ethics	Compensation disclosure
Biodiversity programs	Human rights policy	Gender diversity of board

2

ACTIVE STOCK
SELECTION*± 70-80 stocks*

PORTFOLIO CONSTRUCTION

- 70-80 stocks, no equal weighting
- Diversified across sectors but overweight to certain sectors
- Diversified across market caps
- Diversified across investment themes
- No hedging
- Fully invested (max 5% cash)





ALEXANDER ROOSE

Head of International Equity

16 Years of Experience

2016

DPAM: *Head of International Equity*

2006

PIAM: *Fund Manager International Equity*

2005

Joalco: *Manager of L/S Strategy*

2001

Strategus: *Business Analyst*

Education

EHSAL Management School (Belgium): *Master in Applied Economics*



QUIRIEN LEMEY, CFA

Fund Manager

10 Years of Experience

2016

DPAM: *Fund Manager of International Equity funds*

2010

PIAM: *Buy Side Equity Analyst*

2007

Accenture: *Financial Services Analyst*

Education

University of Leuven: *Advanced Master in Financial Economics*

University of Leuven: *MA, Economics*



DRIES DURY, CFA

Fund Manager

11 Years of Experience

2016

DPAM: *Fund Manager International Equity*

2013

Degroof FMC: *Fund Manager EMU High Dividend Yield Equity*

2011

Bank Degroef: *Sell side real estate equity analyst*

2006

National Bank of Belgium: *Research analyst*

Education

University of Ghent, Belgium: *Master in Economic Sciences*



OPHÉLIE MORTIER

Responsible Investment Strategist

15 Years of Experience

2016

DPAM: *Responsible Investment Strategist*

2012

PIAM: *Responsible Investment Coordinator*

2009

PIAM: *Fixed Income Macro-coordinator*

2005

Petercam: *Institutional Sales and Account Manager*

2002

Pragma Consulting: *Consultant Institutional Portfolio Managers*

Education

ICHEC Brussels(Belgium): *Master in Commercial and Financial Sciences*

3

OUTLOOK

Market commentary and positioning



INVESTING IN **FUTURE WINNERS**

Big Data	IQVIA
Cyber Security	Zscaler
Physical Security	Secom
Telemedicine	Teladoc
Value Based Healthcare	Amedisys
Generation Z	Sony
Robotics	Fanuc
Batteries	Johnson Matthey
Food Technology	DSM
Digital Payments	Paypal

Source: Degroof Petercam AM, 05.11.2018



- Proprietary scorecard based on fundamental and *sustainable drivers* -

DSM FOR FOOD TECHNOLOGY- WELLNESS

	DSM	GIVAUDAN	KERRY	SYMRISE
Complete solutions offering	2	3	5	2
Cosmetic ingredients	3	2	1	4
Customer mix	2	2	3	4
Delivery method	2	3	3	2
Formulation capability	3	3	4	2
Functional ingredients	2	2	3	4
Geographical mix	4	2	5	4
Innovation capability	4	3	3	3
M&A manoeuvring	4	2	5	3
Valuation	5	3	4	2
Working capital improvement	4	2	4	3
Reduction food waste	3	1	2	2
Natural ingredients	2	3	3	4
Fermentation Technology	5	1	3	4
Water scarcity and efficiency	3	4	1	2
GHG emissions	3	5	4	5
Supply chain	4	3	3	5
Food safety	4	4	2	3
Total	59	48	58	58

Methodology: Equally weighted criteria, Scale 1 (worst) to 5 (best).

Source: Degroef Petercam AM, 05.11.2018



- Proprietary scorecard based on fundamental and sustainable drivers -

ASML FOR NANO TECHNOLOGY

	ASML	ASM international	Applied Materials	Lam Research
Current offering	5	4	4	4
Future offering	5	3	4	4
Competitive environment	5	3	4	4
Cyclicalit	3	2	2	2
Underlying drivers	4	4	4	4
M&A capacity	3	4	3	4
Valuation	3	4	5	5
Supply chain positioning	5	4	4	4
	33	28	30	31
Energy efficiency enabler	5	3	3	3
Take over defenses	3	3	4	4
Cybersecurity threat	3	1	2	4
Innovation capability	5	3	3	3
Sustainalytics score	5	3	3	4
	21	13	15	18
Total	54	41	45	49

Methodology: Equally weighted criteria, Scale 1 (worst) to 5 (best).

Source: Degroof Petercam AM, 05.11.2018



- Proprietary scorecard based on fundamental and sustainable drivers -

SPLUNK & VARONIS FOR (CYBER)SECURITY

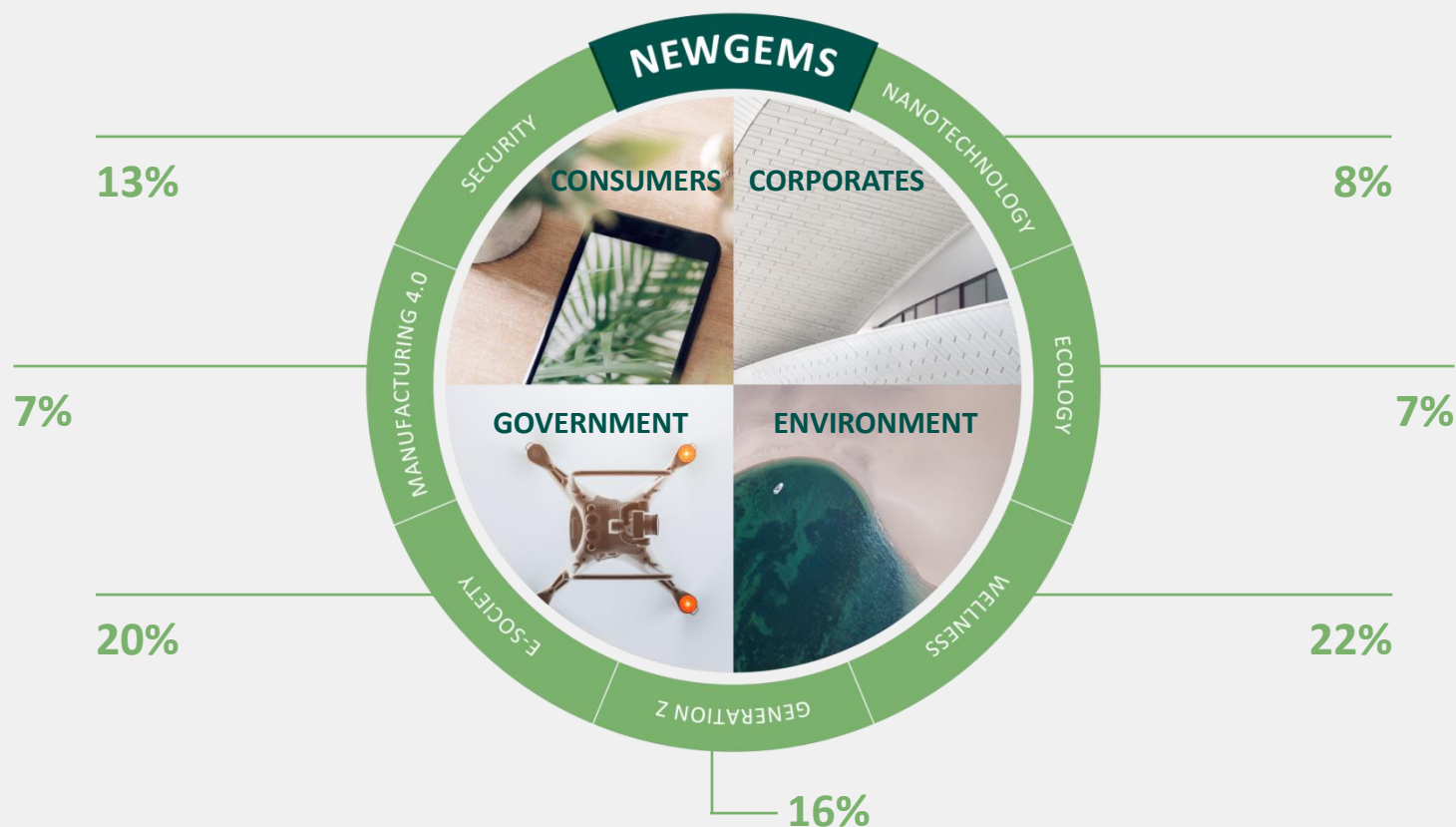
		Varonis	Trend Micro	Splunk	Sophos
Fundamental KPIs	Current offering	5	3	5	3
	Future offering	5	4	5	3
	Competitive environment	5	3	5	4
	Barriers to entry	4	3	5	3
	Underlying drivers	5	3	5	4
	M&A capacity	3	4	3	2
	Valuation	3	5	3	4
		30	25	31	23
ESG KPIs	Data privacy	3	4	3	3
	Collection, retention and usage of data	2	3	3	2
	Environmental considerations & energy efficiency	1	3	2	3
	Human capital	3	4	3	2
	PSD2 compliance enabler (EU regulation)	5	3	3	3
	Innovation	4	3	5	2
		18	20	19	15
Total		48	45	50	38

Methodology: Equally weighted criteria, Scale 1 (worst) to 5 (best).

Source: Degroof Petercam AM, 05.11.2018



EXPOSURE PER **THEME**



Target range is **5-25%**

Source: Degroof Petercam AM, 15.11.2018

EXPOSURE PER SECTOR

Energy	0%
Materials	5%
Industrials	9%
Consumer Discretionary	8%
Consumer Staples	3%
Healthcare	23%
Financials	9%
Information Technology	24%
Communication Services	17%

Source: Degroof Petercam AM, 05.12.2018



EXPOSURE PER CURRENCY

USD	58%
EUR	12%
JPY	11%
GBP	8%
CAD	3%
SEK	2%
CHF	1%
Other	4%

Source: Degroof Petercam AM, 05.12.2018



DISTRIBUTION PER MARKET CAP

	NEWGEMS	MSCI WORLD
<€1bn	3%	0%
€1bn-3bn	9%	0%
€3bn-€5bn	9%	2%
€5bn-€7bn	4%	3%
€7bn-€10bn	3%	5%
>€10bn	69%	90%

Source: DPAM, 15.11.2018



COMPARISON KEY METRICS

	NEWGEMS	MSCI WORLD
Market Cap (bn euro)	18	12
Return on Equity	22%	12%
Net Income Margin	16%	9%
Capex / Sales	5%	9%
3y annual adj. EPS growth	18%	10%
'19 PE ratio	20	15
Net debt to EBITDA ratio	-0.4	3.2
'19 FCF/EV	4.3%	4.8%

Source: Degroof Petercam AM, Bloomberg estimates, 16.10.2018, weighted average figures

For certain metrics (capex/sales, net debt /ebitda, FCF/EV) Financials are excluded.



PERFORMANCE YTD



Source: Degroof Petercam AM, Factset, 05.12.2018



PERFORMANCE YTD

Newgems Sustainable vs. MSCI World (in EUR)

GICS1 Performance Attribution

Economic Sector

29/12/2017 to 05/12/2018

	Attribution Analysis		
	Allocation Effect	Selection + Interaction	Total Effect
Total	2.78	9.00	11.78
Communication Services	-0.13	0.48	0.35
Consumer Discretionary	0.11	0.99	1.09
Consumer Staples	0.15	-0.29	-0.14
Energy	0.25	--	0.25
Financials	0.53	0.03	0.56
Health Care	0.98	3.33	4.31
Industrials	0.07	1.40	1.47
Information Technology	1.03	2.76	3.80
Materials	-0.00	0.31	0.31
Real Estate	-0.01	--	-0.01
Utilities	-0.21	--	-0.21
[Cash]	0.00	--	0.00
[Unassigned]	0.00	-0.01	-0.01

Benchmark Holdings As Of Date: MSCI World 01/01/2018 through 04/12/2018

Calculation Frequency: Daily

Source: Factset 05.12.18



ALPHA PER THEME

	% of AUM	Total Alpha generated
Nanotech	8%	0.9%
Ecology	7%	0.63%
Wellness	22%	2.16%
Generation Z	16%	0.29%
E-society	20%	2.02%
Manufacturing 4.0	7%	0.86%
Security	13%	1.25%

Source: Degroof Petercam AM, Factset estimates, 15.11.2018



ALPHA PER MONTH

	Newgems	MSCI World	Alpha
January	3.51%	1.48%	+2.03%
February	0.11%	-2.09%	+2.20%
March	-1.97%	-2.99%	+1.02%
April	2.59%	2.96%	-0.37%
May	6.75%	4.15%	+2.60%
June	1.09%	-0.07%	+1.16%
July	2.37%	2.90%	-0.53%
August	5.29%	1.81%	+3.48%
September	1.56%	0.73%	+0.83%
October	-6.60%	-5.02%	-1.58%
November	1.47%	1.21%	+0.26%



PERFORMANCE OF FUNDS MANAGED BY TEAM VS PEERS

	Year-to-date	2 years	3 years	5 years
DPAM INVEST B Eqs NEWGEMS Sust F Cap	1	1	2	3
DPAM INVEST B Eqs World Sust F Cap	9	2	4	24
DPAM INVEST B Eqs Europe Sust F Cap	5	4	3	18
DPAM INVEST B Eqs Sust Food Trnds F Cap	19	29	5	5

Source: Morningstar, 28.11.2018

Figures shown are peer group percentile, latest date included in analysis is 23/11/2018

Peer Group NewGems is Global Large-Cap Blend Equity; 1638 investments ranked YTD

Peer Group World Sustainable is Global Large-Cap Blend Equity; 1638 investments ranked YTD

Peer Group Europe Sustainable is Europe Large-Cap Blend Equity; 644 investments ranked YTD








Peer Group Sustainable Food Trends Sector Equity Agriculture; 22 investments ranked YTD



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