

# Portfolio Construction Framework: Top Down

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## Macroeconomic Analysis

- SAM Group
- Economic Research Robeco
- Rabobank
- Analyst Reports
- Trends and Outlooks

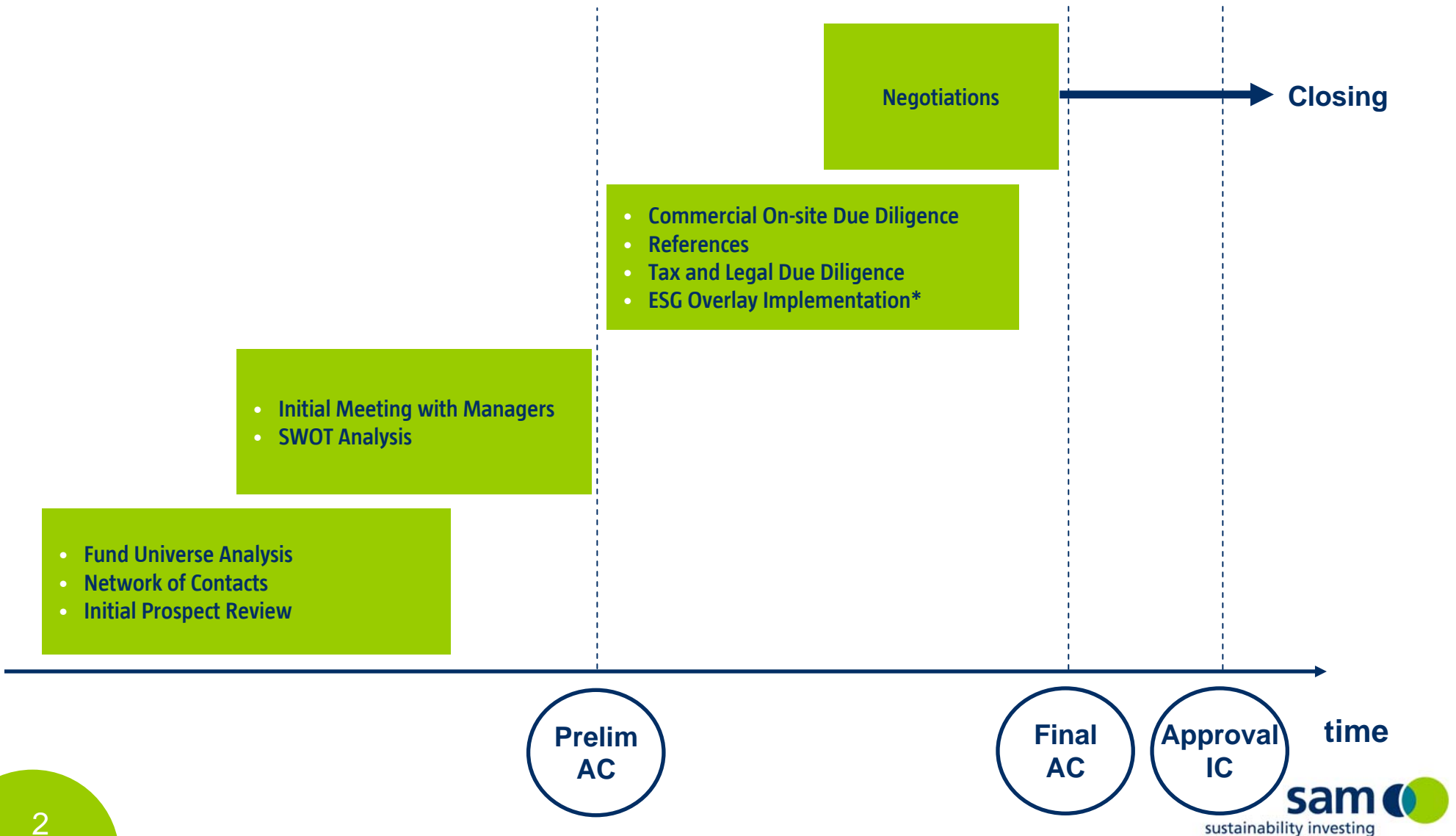
## Portfolio Development

- Geographic
- Sectors & Industries
- Financial Stages

## Portfolio Allocation

- Risk-Return Profile
- Diversification
- Analysis
  - Regions
  - Sectors
  - Financial stages

# Investment Selection Process: Bottom Up



# Sustainability Defined: A Company's Capacity to Prosper

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Incorporation of ESG factors into investment analysis, investment decision-making and ownership practices

**E**

- Depletion of natural resources: energy, water, materials
- Climate change
- Impact on ecosystems: waste, emissions
- Population growth

**S**

- Human rights: child labour, diversity, right to organize (unions)
- Working conditions
- Bribery and corruption
- Community relations

**G**

- Executive compensation
- Accounting and audit quality
- Shareowner rights
- Independent Boards and separation of Chairman and CEO

# Sustainability/ESG Policy Implementation

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- **Managers of Investee Funds and Co-Investments should be willing to consider acceptance and/or accept the implementation of a set of principles for sustainability investing (the ‘Principles’)**
- **Pre-investment screening process will provide investment opportunities that:**
  - Implement an ESG policy and/or accept the Principles
  - Do not currently implement an ESG policy yet, but express the credible intention to do so
  - But, will not consider investment opportunities that do not express a credible intention to do so
- **Post-investment process will:**
  - Monitor and score the ESG performance of investments using proven capabilities of SAM Research
  - Encourage Investee Fund managers and Co-Investments to further improve the ESG performance of their companies
  - Advise Investee Fund managers and Co-Investments on the implementation of an ESG policy and the Principles

# Sustainability/ESG: Creating Value

|                           |                                 |  |
|---------------------------|---------------------------------|--|
| <b>Management quality</b> | <b>Long-term strategic view</b> | ESG analysis leads to improved understanding of how future trends could affect a certain industry                    |
|                           | <b>Adaptability</b>             | Ability to adapt to changing political and social situations by engaging local communities                           |
| <b>Return on capital</b>  | <b>Operational efficiency</b>   | Cost savings through energy and water efficiency, reduced need for raw materials                                     |
|                           | <b>Workforce efficiency</b>     | Higher morale through ESG; lower costs related to turnover or recruitment  |
|                           | <b>Reputation/price premium</b> | Improved reputation that makes customers more willing to pay price increase or premium                               |
| <b>Risk management</b>    | <b>Risk to reputation</b>       | Avoidance of negative publicity and boycotts   |
|                           | <b>Public support</b>           | Ability to conduct operations, enter new markets, reduce local resistance  |
|                           | <b>Regulatory risk</b>          | Lower level of risk by complying with regulatory requirements, industry standards and demands of other organizations |
| <b>Growth</b>             | <b>New markets</b>              | Access to new markets through exposure from ESG programs   |
|                           | <b>New products</b>             | Offerings to meet unmet social needs and increase differentiation  |
|                           | <b>New customers</b>            | Engagement with consumers, familiarity with their expectations and behavior  |

# Sustainability/ESG: Creating Value

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- **Reduces non-financial risk of investments**  
Avoid negative publicity that could damage reputation
- **Likely to increase expected return on capital**  
Gains on e.g. operational and workforce efficiency
- **Improve exit potential of investments**  
ESG demands on public companies are high, private companies that are better prepared to deal with these potentially command a higher valuation
- **Use ESG performance as a proxy for a company's management**  
It reflects the company's ability to respond to long term trends and maintain competitive advantage
- **Growing recognition among investors of ESG integrations as value driver**  
Increasing pressure from stakeholders to integrate ESG practices

# Important Information

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