

# Why perfect is the enemy of good

Aegon Global Sustainable Equity Fund

15 October 2021

Andrei Kiselev – Investment Manager, Global Equities



*Beyond  
borders™*

# Hilfe über Grenzen hinaus



**Wir freuen uns, dass wir wieder an physischen Veranstaltungen teilnehmen und unsere Kunden in einer COVID-19-sicheren Umgebung persönlich treffen können.**

**Wir verzichten nun bei derartigen Treffen und Veranstaltungen auf Werbegeschenke und unterstützen stattdessen die weltweite Corona-Impfkation „Vaccines-for-all“ der UNICEF mit einer Spende.**

## **„Vaccines-for-all“**

Bis Ende 2021 will UNICEF zwei Milliarden Impfdosen in arme Länder liefern. Die logistischen Vorbereitungen, um diese historische Mammutaufgabe zu stemmen, laufen bereits auf Hochtouren. Kinder werden zwar nicht gegen das Coronavirus geimpft, trotzdem ist diese weltweite Impfkation für sie von entscheidender Bedeutung.

Klicken Sie hier, um weitere Informationen über diese Impfkation zu erhalten: [www.unicef.org/vaccines-for-all](http://www.unicef.org/vaccines-for-all)

# Introducing Aegon Asset Management

## Global client base

- Serving clients in Europe, the Americas and Asia
- Institutional, intermediary and wholesale markets

## Investment offerings

- Research-driven active management
- Expertise in fixed income, real assets, equities, multi-asset & solutions
- Multi-management
- A responsible investment leader

## Deeply-resourced

- Approximately 1,200 employees
- Approximately 370 investment professionals

## A sustainable business

- Carbon-neutral since 2016<sup>1</sup>

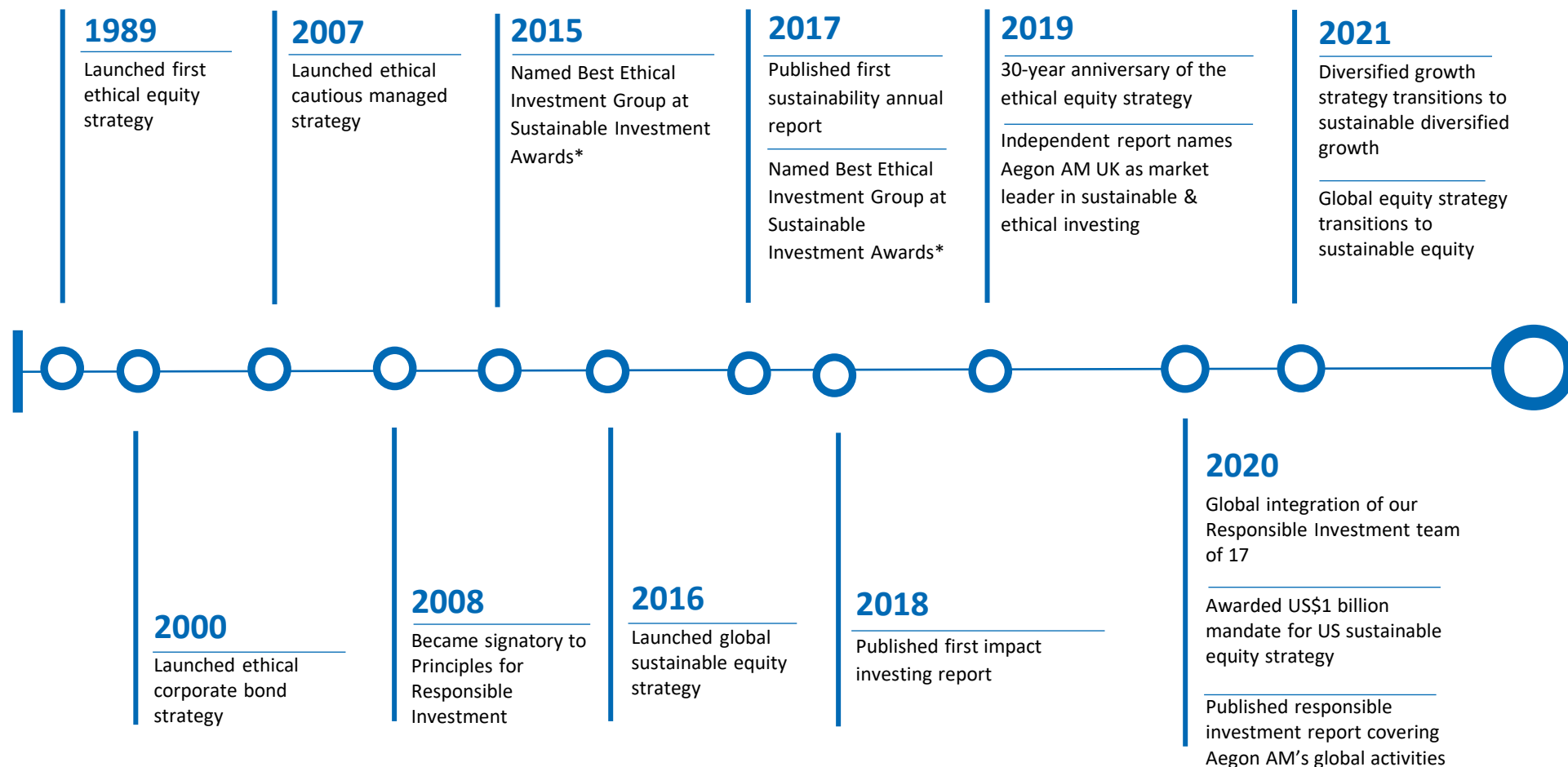
## Assets under management/advisement

- \$463.8 billion (€391.1 billion / £336.1 billion)



As of June 30, 2021. <sup>1</sup>Reflects principal Aegon N.V. operations in the Netherlands, US and the UK. We achieve carbon neutrality by reducing facility-level emissions and supporting offset projects in cooperation with ClimateCare. Please refer to the disclosures in the appendix for more details.

# Aegon AM UK's responsible investment history



\*Responsible Investment Review, 2019, Research in Finance. On 7 September 2020 the Kames Capital brand was retired to align global capabilities around the Aegon AM brand.

Context: the need for improvement

# The scale of global sustainability challenges

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These will not be solved in one leap

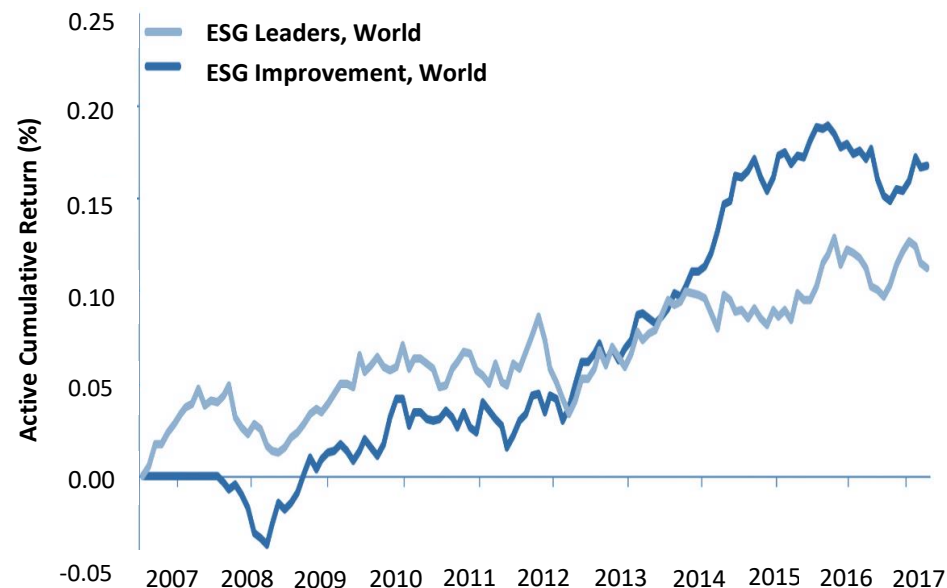
- **\$1 trillion:** Estimated investment needed in clean energy for foreseeable future
- **2 years:** Water used in the garment production process could fill the Mediterranean Sea every 2 years
- **8x:** Number of times higher infant mortality rate is in Africa than in Europe
- **10 million:** Estimated cancer deaths globally in 2020



# Sustainability improvement is a potential alpha source

- Sustainability improvement has been shown to outperform sustainability leaders
- We incorporate both 'leaders' and 'improvers', focus on 'improvers'
- Sustainability improvement typically leads to a better performance and valuation re-rating


## ESG: Absolute ('Tilt') and Improvement ('Momentum') Strategies Active Performance vs. MSCI World Index



The identification of 'leaders', 'laggards' and 'improvers' is based on Aegon AM UK's assessment of a company's sustainability of its products and practices. In the above example, Aegon AM UK believes Tilt strategies to be reflective of leaders, and Momentum strategies to be reflective of improvers against the MSCI World Index from February 2007 to February 2017. Tilt represents the performance of 'Best in class' top quartile ESG companies in the MSCI World Index relative the MSCI World index itself. 'Momentum' represents the performance companies in the MSCI World Index with 'improving ESG metrics' vs the MSCI World index itself.

Past performance is not indicative of future results. All investments contain risk and may lose value. There is no guarantee that the assessment of a company as a leader or improver will continue or that positive results will be obtained from investment in the securities of such companies. Indices are unmanaged and unavailable for direct investment.

# Looking beyond the leaders

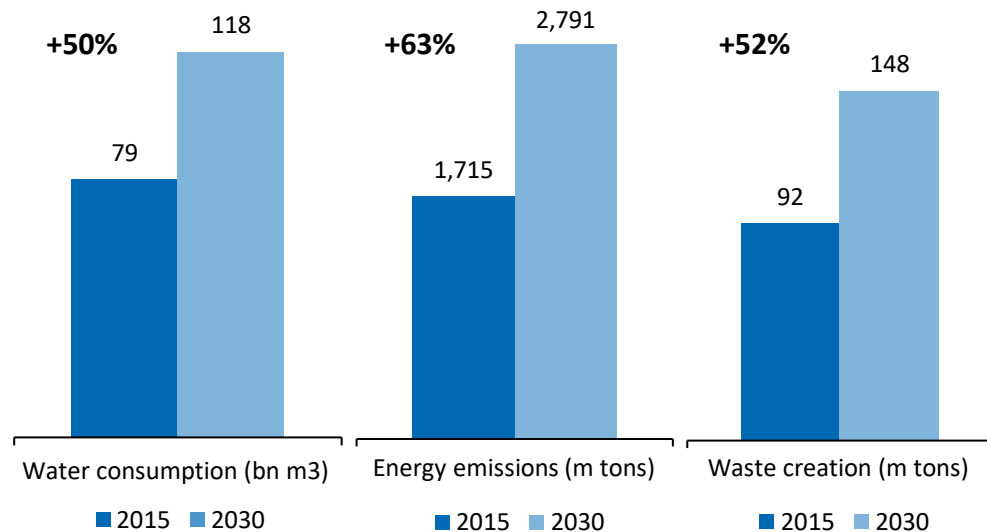
	The poster child	The uncomfortable 'leader'	The impactful improver
<b>Publishes sustainability report</b>	✓	✓	✗
<b>SDG alignment on website</b>	✓	✓	✗
<b>General disclosure</b>	Strong	Strong	Limited
<b>Governance practices</b>	Strong	Strong	Require improvement
<b>Ratings agency assessment</b>	AAA	A	N/R
			
<b>Product impact</b>	✓	✗	✓



# Real impact investing – Kornit Digital

Contributing to a more sustainable garment production industry

## Environmental impact of fashion industry is growing rapidly



### Problem

- Fashion contributes 8% of GHG emissions
- Water used in garment production process could fill Mediterranean Sea every 2 years

### Solution

- Direct to garment digital printing removes use of water
- Inks used are non-hazardous and biodegradable

### Outcome

- ✓ Environmental impact reduced significantly: less water usage, energy consumption and waste
- ✓ Social issues improved as supply chain simplified
- ✓ Strong and sustainable revenue growth, customers include significant industry players



# Ratings comparison: Focusing on what matters

ESG Category Product	Material ESG factor identified for Product / Service	Rationale for selecting ESG factor	Score / Rating for the ESG factor
<p><b>Rating Agency</b></p>	<p>Overall assessment</p>	<p><i>Disclosure is very poor, signalling inadequate accountability to investors and the public. It lacks policies and programmes to manage risks.</i></p> <p><i>Zero involvement in 'Sustainable product' categories.</i></p>	<p><b>Severe ESG Risk</b></p>
<p><b>Aegon AM UK</b></p>	<p>Overall assessment</p>	<p><i>Kornit manufactures textile printing machines that utilise a 100% waterless process with no pre-treatments, steaming or washing required. They also produce environmentally friendly inks that are non-toxic and biodegradable. Kornit are providing a disruptive solution to a key sustainability challenge, with the textiles industry accounting for 20% of global wastewater.</i></p>	<p><b>Improver</b></p>

Our process: The hard work starts here

# Aegon Global Sustainable Equity Fund

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<b>Mission</b>	Generate excess returns by investing in sustainable growth companies that have a positive impact
<b>Benchmark</b>	<ul style="list-style-type: none"><li>• MSCI ACWI</li></ul>
<b>Characteristics</b>	<ul style="list-style-type: none"><li>✓ <b>Sustainable</b> - Leveraging sustainable analysis seeking to generate alpha by identifying leadership and improvement</li><li>✓ <b>Growth</b> - Focusing on innovative and disruptive growth companies</li><li>✓ <b>Conviction</b> – A concentrated 35-45 stock portfolio with around 98% active share</li></ul>

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**Andrei Kiselev**

Co-manager  
12 years' experience



**Malcolm McPartlin**

Co-manager  
19 years' experience



**Audrey Ryan**

Support Manager  
26 years' experience

# Three dimensions of sustainability

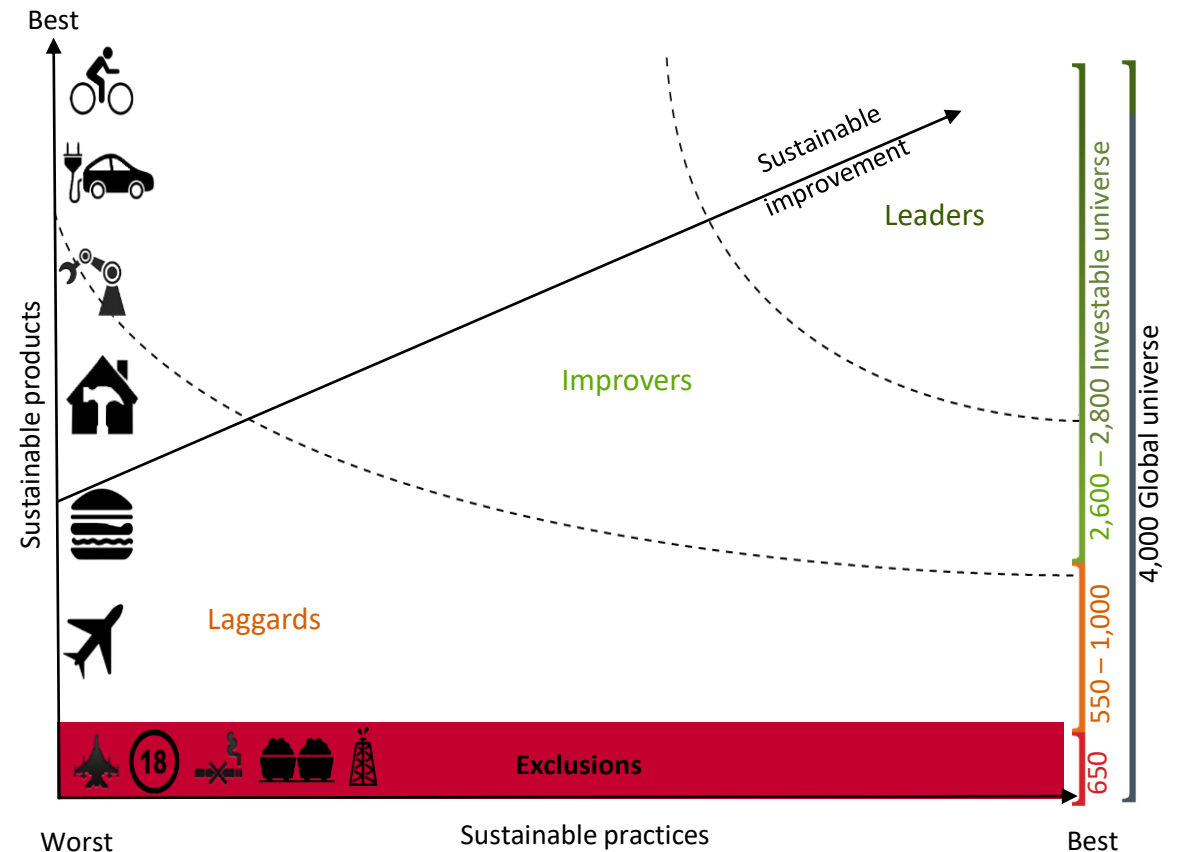
Our comprehensive framework assesses three dimensions of sustainability

## Three dimensions of sustainability

- **Products:** What a company does
- **Practices:** How a company does it
- **Improvement:** Track record over time

## Differentiated approach

- Identifies leaders, improvers and laggards
- Aligns with multiple sustainability megatrends
- Results in a high-conviction, sustainability-themed portfolio

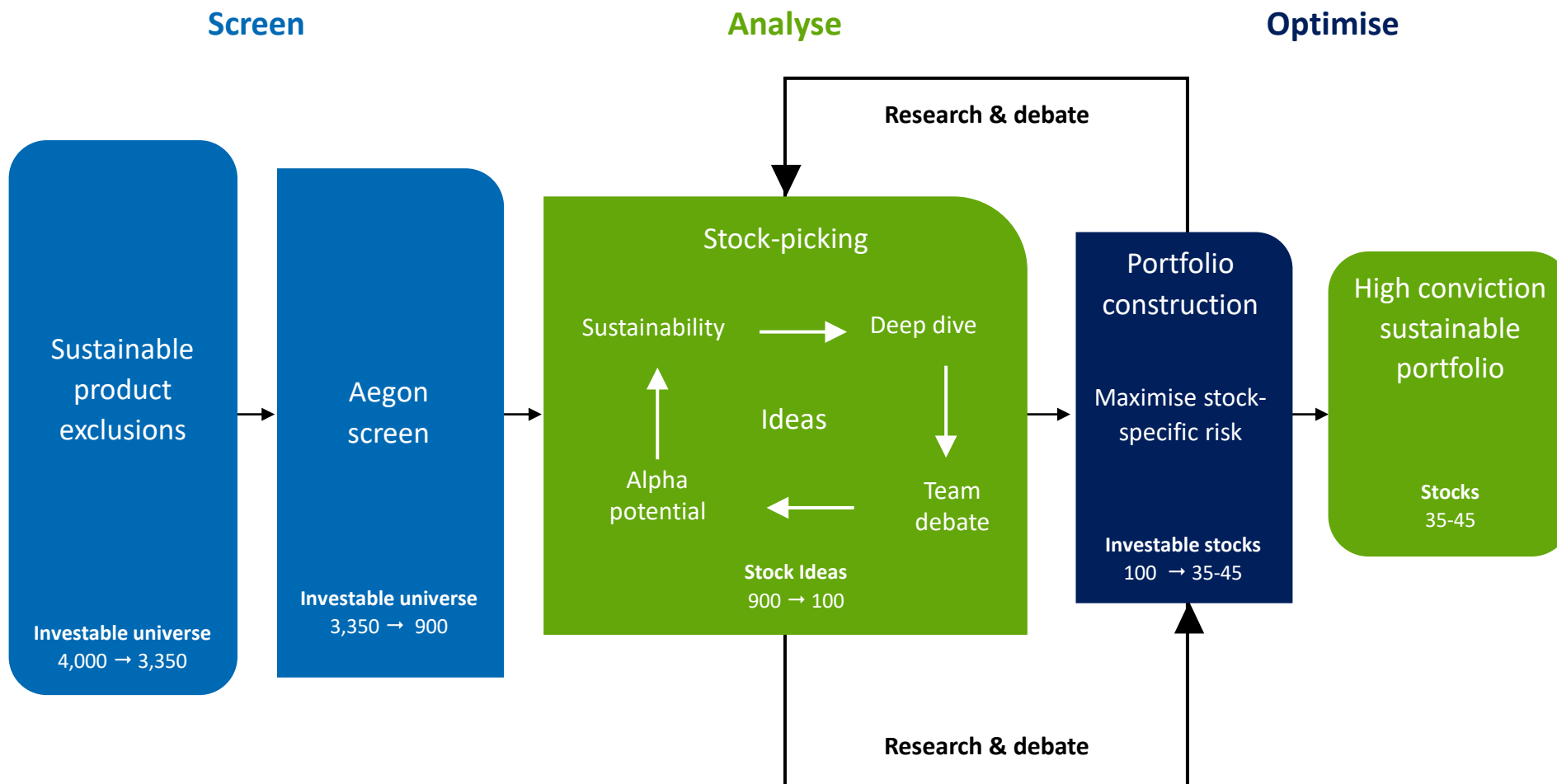


All investments contain risk and may lose value. There is no guarantee that the assessment of a company as a leader or improver will continue or that positive results will be obtained from investment in the securities of such companies.

The identification of 'leaders', 'laggards' and 'improvers' is based on Aegon AM UK's assessment of a company's sustainability of its products and practises. Sustainable product exclusions: Tobacco, Weapons, Nuclear power, Gambling, Animal welfare, Adult entertainment, Genetic modification, Coal, Oil exploration and production.

# Our global sustainable investment process

High conviction sustainable alpha



Sustainable product exclusions: Tobacco, Weapons, Nuclear power, Gambling, Mistreatment of animals, Adult entertainment, Genetic modification, Coal, Oil exploration and production.

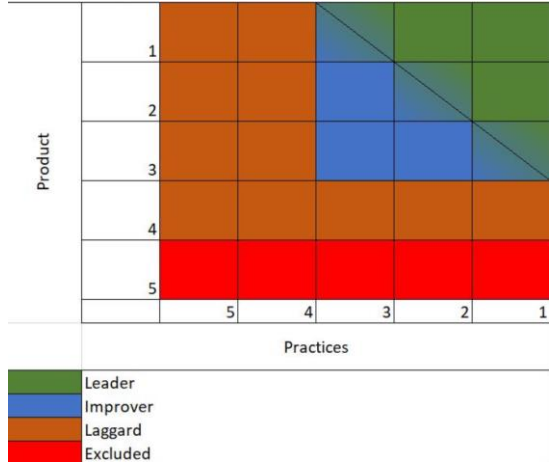
# Our rigorous sustainability analysis process

Building a holistic view of each stock

## Proprietary sustainability framework

<b>Exclusions</b>	Product-based exclusions built on experience of client feedback
<b>Materiality</b>	Identify materiality using Sustainability Accounting Standards Board Materiality Map
<b>Controversies</b>	High level controversy monitoring
<b>Analysis</b>	<ul style="list-style-type: none"> <li>Detailed company analysis</li> <li>- Based on materiality</li> <li>- Tailored for each company</li> <li>- Varying weights for E, S and G</li> <li>- Key Performance Indicators identified to track over time</li> </ul>
<b>Sustainability categories</b>	Categorise as Leader, Improver, or Laggard based on combined scores for product, practices and improvement
<b>Engagement</b>	Engage with company, review thesis at least annually and track KPIs over time

## Consider multiple dimensions of sustainability



## Identify leaders, improvers and laggards

<b>Leader</b>	Demonstrably leaders in sub-sector
<b>Improver</b>	Some issues identified but evidence of improvement or credible plans to do so
<b>Laggard</b>	Poor product exposure and/or inadequate practices, with little signs of improvement

**There is no guarantee that the assessment of a company as a leader or improver will continue or that positive results will be obtained from investment in the securities of such companies.**

The identification of 'leaders', 'laggards' and 'improvers' is based on Aegon AM UK's assessment of a company's sustainability of its products and practices.



# Engagement: A key component of improvement

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## Pre-investment Where issues prevent us investing

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- Engagement to encourage improvement to acceptable levels
- Idea can be reconsidered if sufficient improvement

## Post-investment Ongoing monitoring of our investments

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- Monitoring for changes to original case
- Tracking improvement in KPIs

## Thematic Wider engagement with the market on broad issues

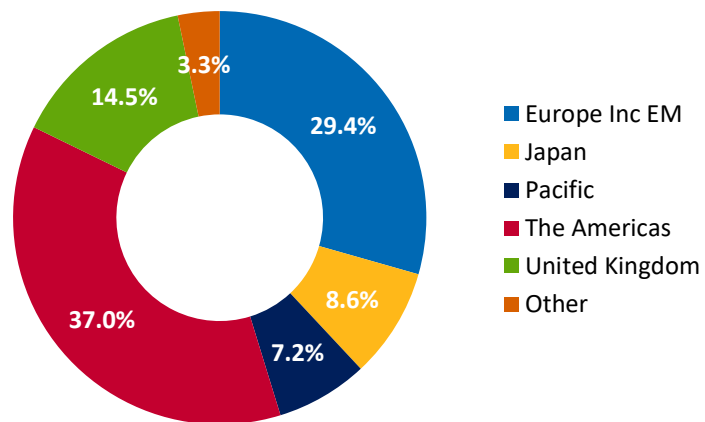
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- Broad thematic issues covered such as diversity
- Trying to improve overall market standards

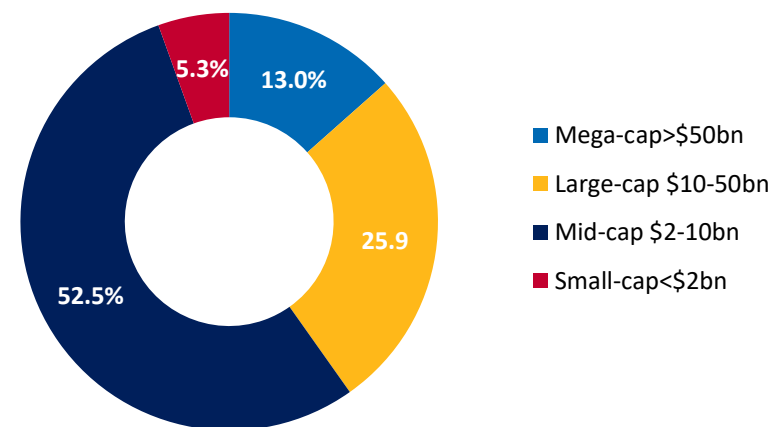
# Aegon Global Sustainable Equity Fund

## Portfolio Positioning

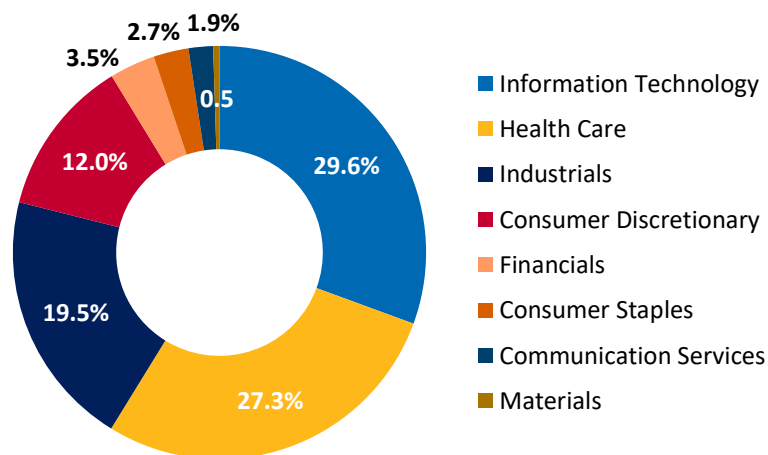
### Region



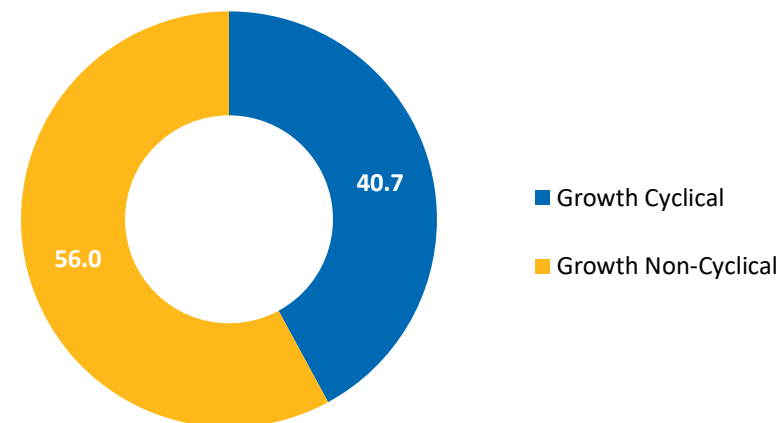
### Market cap



### Sector



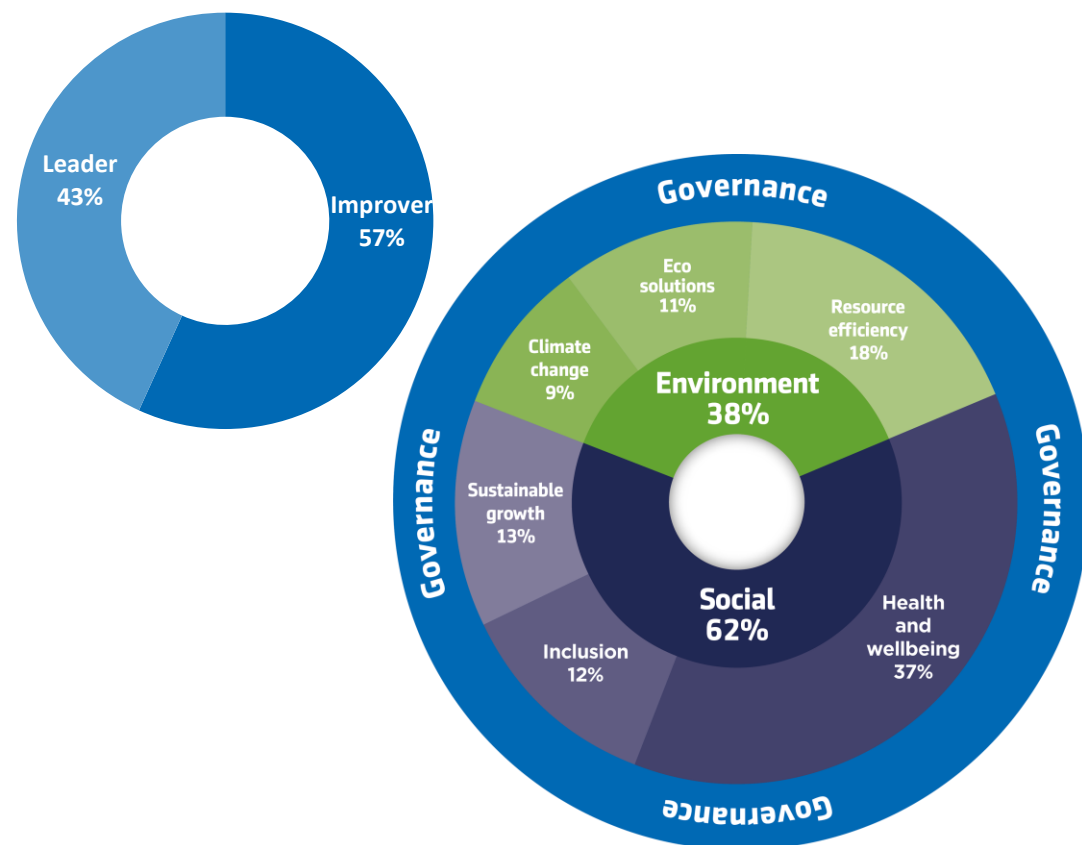
### Style



Source: FactSet as at 30 September 2021. Any differences are due to rounding.

# Aegon Global Sustainable Equity Fund

## Portfolio Positioning

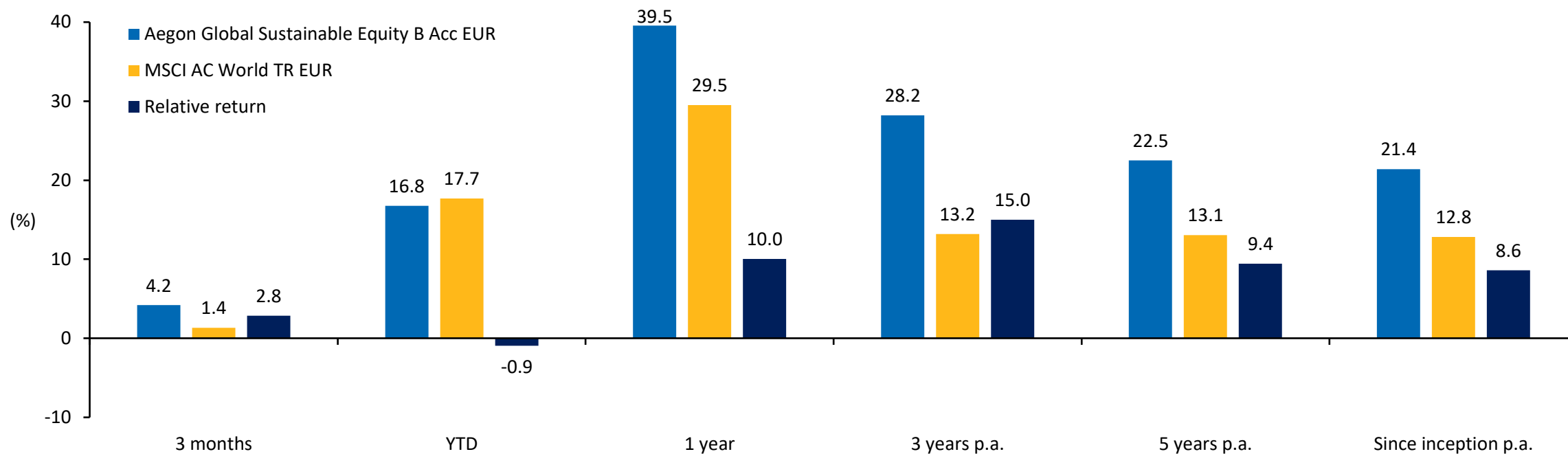


Top 10	Sustainability category	Sustainability theme	Weight (%)
Kornit Digital	Improver	ECO Solutions	4.5
Endava	Improver	Sustainable Growth	4.2
Keyence Corporation	Improver	Resource Efficiency	4.0
IDP Education	Improver	Inclusion	3.8
Dynatrace	Improver	Resource Efficiency	3.5
First Republic Bank	Leader	Inclusion	3.5
Amplifon	Leader	Inclusion	3.4
Basic-Fit	Leader	Health & Wellbeing	3.2
Alfen	Leader	Climate Change	3.2
Everbridge	Leader	Health & Wellbeing	3.2

There is no guarantee that the assessment of a company as a leader or improver will continue or that positive results will be obtained from investment in the securities of such companies.

Source: FactSet as at 30 September 2021. Each company in the portfolio is assessed against Aegon AM's seven sustainability pillars and assigned to the appropriate pillar based on our analysis of their products, practices and rate of improvement. The above pie chart depicts what percentage of the portfolio in our strategy is in each pillar (bottom lhs chart).

# Performance and risk-adjusted returns



Risk-adjusted returns	Sharpe Ratio	Information Ratio
1 year	2.43	0.51
3 years	1.34	1.05

**Past performance is not indicative of future results.**

Source: Lipper, NAV to NAV, noon prices, income reinvested, net of ongoing charges, excluding entry or exit charges as at 30 September 2021. Benchmark source: Lipper. Benchmark is MSCI All Countries World Index (Euro). Note: peer group benchmark has noon prices and index benchmarks have close of day prices. Fund: Aegon Global Sustainable Equity Fund B (Acc) EUR. Fund inception: 21 April 2016. Risk-adjusted Returns are shown for the Global Sustainable Equity Fund B (Acc) EUR share class.

# Key takeaways

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## Sustainability context

- Global sustainability challenges will not be solved quickly or in one leap
- Investors need to be open minded to find the most impactful solutions

## Why improvers

- Innovative companies with positive impact products should not be overlooked because they don't tick all the boxes
- Young, growing companies need the most support from investors and can offer a source of alpha

## Aegon Global Sustainable Equity Fund

- ✓ **Sustainable** - Leveraging sustainable analysis seeking to generate alpha by identifying leadership and improvement
- ✓ **Growth** - Focusing on innovative and disruptive growth companies
- ✓ **Conviction** – A concentrated 35-45 stock portfolio with around 98% active share
- ✓ **Track record** – Over 8% pa outperformance of index since launch



# Aegon Global Sustainable Equity Fund

Shareclass	ISIN	Bloomberg	WKN	Austria	Belgium	Switzerland	Germany	Spain	UK	Guernsey*	Ireland	Italy	Jersey*	Luxembourg	Malta	Netherlands	Portugal*
A Acc EUR	IE00BYZHYJ00	KAGSAE ID	A2PGN1	✓		✓	✓	✓			✓				✓		
A Inc EUR	IE00BYZHYK15	KAGSAIE ID	A2PGN2	✓		✓	✓	✓			✓				✓		
B Acc GBP	IE00BYZJ3441	KGSEBAG ID				✓			✓	✓	✓		✓				
B Acc USD	IE00BYZJ4F20	KGSEBAU ID	A2AHG7	✓		✓	✓			✓	✓		✓	✓		✓	
B Acc EUR	IE00BYZHYQ76	KGSEBAE ID	A2AHG6	✓	✓	✓	✓	✓			✓	✓		✓	✓	✓	✓
B Inc EUR	IE00BYZHXR83						✓										
C Acc GBP	IE00BYZJ3771	KGSECAG ID				✓			✓	✓	✓		✓				
C Acc EUR	IE00BYZHYX44	KGSECAE ID	A2AHG9	✓	✓	✓	✓	✓			✓	✓		✓		✓	✓
C Inc EUR	IE00BYZHYY50						✓										
C Acc CHF	IE00BYZJ4290	KGSECAC ID				✓					✓						

# Important information

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