

HUMAN
is CAPITAL

SYCO
MORE
am

Sustainable Tech @ Sycomore

June 2021

Sabrina RITOSSA FERNANDEZ
Senior ESG Analyst

Disclaimer

This document is meant exclusively for qualified investors as defined in articles L. 411-2 and D. 411-1 of the French financial and monetary code and for professional investors as defined in articles L. 533-16 and D. 533-11 of the same code. It may in no case whatsoever be used in promotional or marketing activities aimed at non-professional investors. The labels allow the identification of responsible and sustainable investments for savers. They are intended to guide investors but do not guarantee the capital invested and do not attest to the quality of the management implemented through the funds.

An entrepreneurial vision

- In **2001**, an entrepreneurial adventure began
- Strategic partnership with Generali in 2019
- **Independent** in terms of **governance**, **strategy** and **fund management**



Our key asset: human capital

- **68** professionals
- A corporate culture focusing on talent, cohesion and commitment
- A happy employee is more **creative**, more **involved** and more **successful**



Independence in our investment management, strong performance driver

- **Stable** and **experienced** management
- **25** analysts-fund managers of which **9** SRI specialists
- **Fundamental** and proprietary **analysis**

Leading company in sustainable investment in France

- **Integrated extra-financial analysis** applied to all managed assets
- **Shareholder engagement** at the heart of our approach
- **€8.4 bn AUM** of which **79%** has a SPECIAL SRI approach



Tech is
everywhere,
for better,
and for worse

Tech | a booming market

\$3,8 tr

Global IT spending

5 biggest market caps in the US are tech companies²

2 biggest market caps in China are tech companies

Tech stocks make up

40%
of S&P 500³

TECH

Tech represents

35%
of stocks within world market cap

GAFAM make up almost

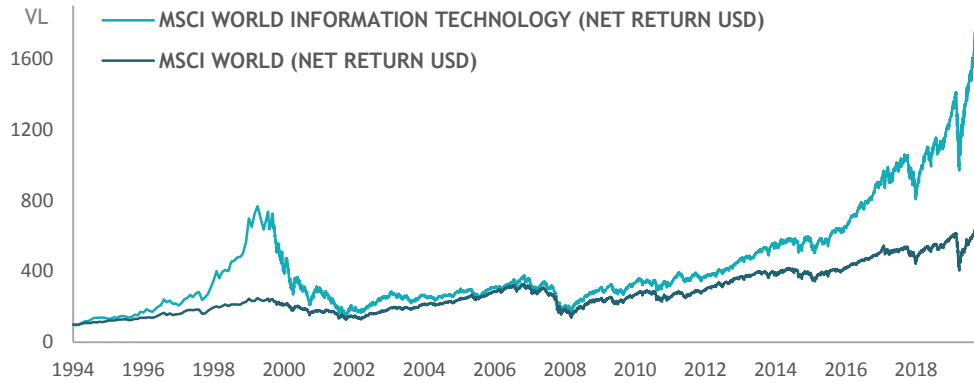
20%
of S&P 500³

Per year, the Edtech market is expected to grow at a CAGR of

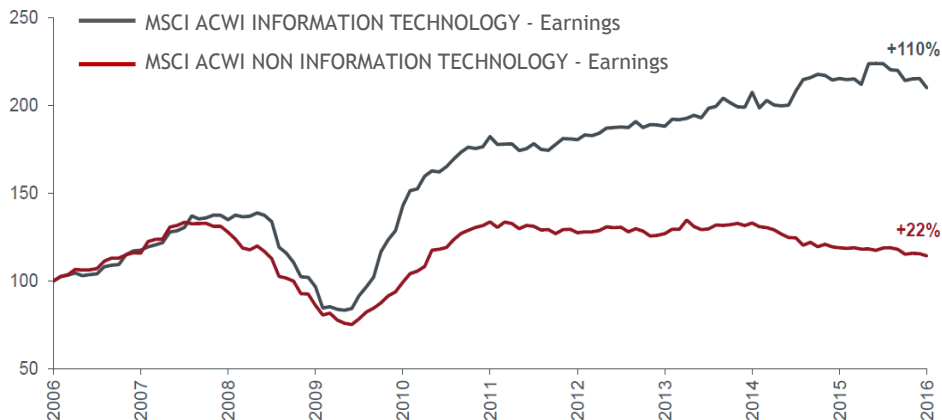
18,3%¹

Tech | a source of growth

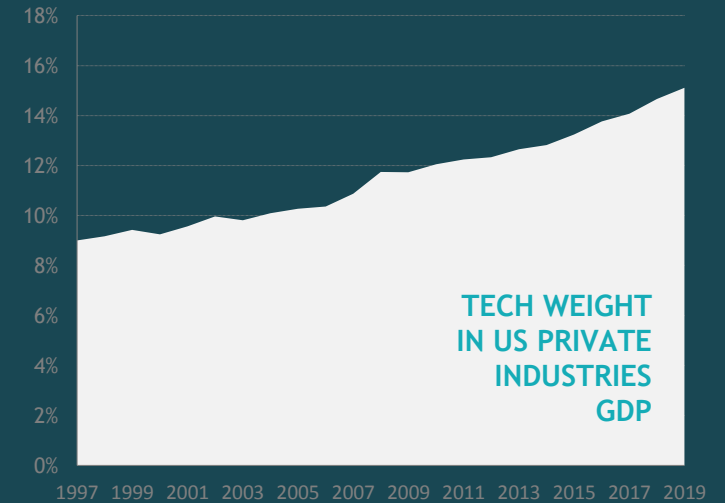
Tech outperforms over the long term¹...



...driven by superior earnings growth²



...SIGNIFICANTLY CONTRIBUTES TO GDP³



“ At the highest of level today, Tech spending is **5% of world GDP**. We think it will **double** in the next 10 years. The pandemic perhaps has accelerated this doubling. ”

Satya Nadella, CEO of Microsoft

Past performance is not a reliable indicator to future returns. Source: 1. Bloomberg as at 04.11.2020. 2. Bernstein as at 31.08.2016. 3. Bloomberg as at 04.11.2020, Information + Computer systems design & related services + Miscellaneous professional, scientific, & technical services.

... but which reveal major issues at stake



A risk to job creation

20 million manufacturing jobs worldwide lost to robots by 2030¹



Human rights abuses

Data privacy and security, freedom of expression...

Health and well-being issues

Addiction, hearing loss, radiation exposure, ...

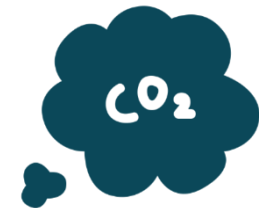


A threat to democracy

Large tech companies have monopolistic behaviours influencing opinions

Environmental risks

Digital services as a whole now produce more greenhouse gas than even the air travel industry²



HIKVISION[®]

Surveillance and facial recognition in detention camps in exchange for state contracts

Child data privacy, ban of videos with topics sensitive to the Chinese government,...

TikTok

Via  Quatro

Detection of emotions, gender and age of passers-by to display targeted ads



Responsible Tech @Sycomore

Responsible Tech, for a better
world, designed by mankind
to serve mankind

Sycomore AM, in partnership with Gaia Capital Partners, has drawn up a **“Responsible Tech Framework”** to identify Tech companies with **positive environmental and societal contributions.**

To help make the best investment decisions



Assessing the level of responsibility in Tech of a company



Are companies offerings **intended** and **designed** to have a **positive social** and **environmental impact**?

Do companies **use** technology in a responsible way to **reduce negative externalities** on individuals and the environment?

What are companies' **intentions** and their actual **ability** to **improve** on the two previous dimensions in the near future?

2 OUT OF 3 BOXES MANDATORY

TECH FOR GOOD

Assessing the **impact** of a Tech company's **offerings** and **business model**

What is the societal contribution of its activities?

OR

Do its activities have a positive environmental contribution?

SOCIETAL CONTRIBUTION SCORE $\geq 3/5$

NEC > 0

2 OUT OF 3 BOXES MANDATORY

GOOD IN TECH

Evaluating a company's responsible **business practices** regarding Tech

CLIENT RISK SCORE $\geq 3/5$

- Cybersecurity
- Digital rights (data privacy, freedom of speech...)
- Responsible marketing
 - User health and well-being

IMPROVEMENT ENABLERS

Assessing the company's **intentions** and **ability to improve** in the near future?

SUSTAINABLE DEVELOPMENT MANAGEMENT $\geq 3/5$

- Strategy and goals
- Transparency and results
- Transformation signals

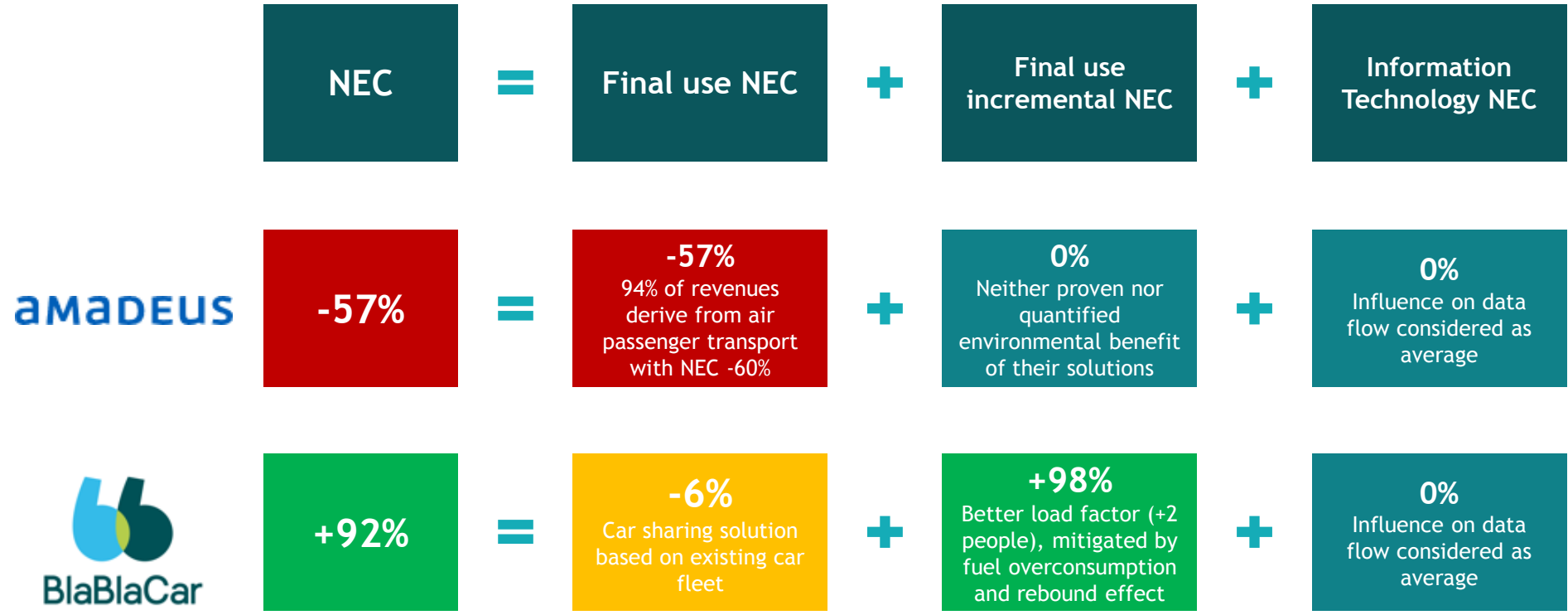
The NEC: Integrating key environmental issues

A multi-dimensional approach for an holistic view of the net environmental impact

	CLIMATE	RESOURCE WASTE	BIODIVERSITY	WATER	AIR QUALITY	EXAMPLES OF SPECIFIC KPIS & CERTIFICATIONS
ECOSYSTEMS	✓		✓	✓		<ul style="list-style-type: none"> - Type of agriculture, fishery and farming (intensive vs organic, ...) - GHG content and water footprint per kg of nutrient - Palm Oil usage (RSPO certification level) - Forestry and wood certifications (PEFC, FSC, SFI) - APUR, Ecolabel, Blue Angel...
ENERGY	✓	✓	✓		✓	<ul style="list-style-type: none"> - Species depletion (Nb/kWh) - Type of extraction of fossil fuels and over 2°C carbon budget for fossil fuels from Mcglade, C., & Ekins, P., 2015, Nature, 517, p187-190 - gCO₂e/kWh...
MOBILITY	✓				✓	<ul style="list-style-type: none"> - Passenger mobility: CO₂, NO_x and fine particles per passenger.km - Freight: CO₂, NO_x and fine particles per ton.km
CONSTRUCTION	✓	✓			✓	<ul style="list-style-type: none"> - Energy Intensity - Carbon content of materials and constructive solutions - Construction and operation certifications, such a BREEAM, LEED, BBCA, HQE, Passiv Haus, etc....
PRODUCTION	✓	✓	✓	✓		<ul style="list-style-type: none"> - ReCiPe method with ecosystem quality endpoint from Ecoinvent - Share of fertilizers and pesticides in chemicals production - Product reliability and lifespan - Higg MSI impact score for textile from Sustainable Apparel Coalition - % of input with recycled materials ...
	✓					
	Key issues for the impact domain			Important issue, but hard to quantify (lack of reliable data)		

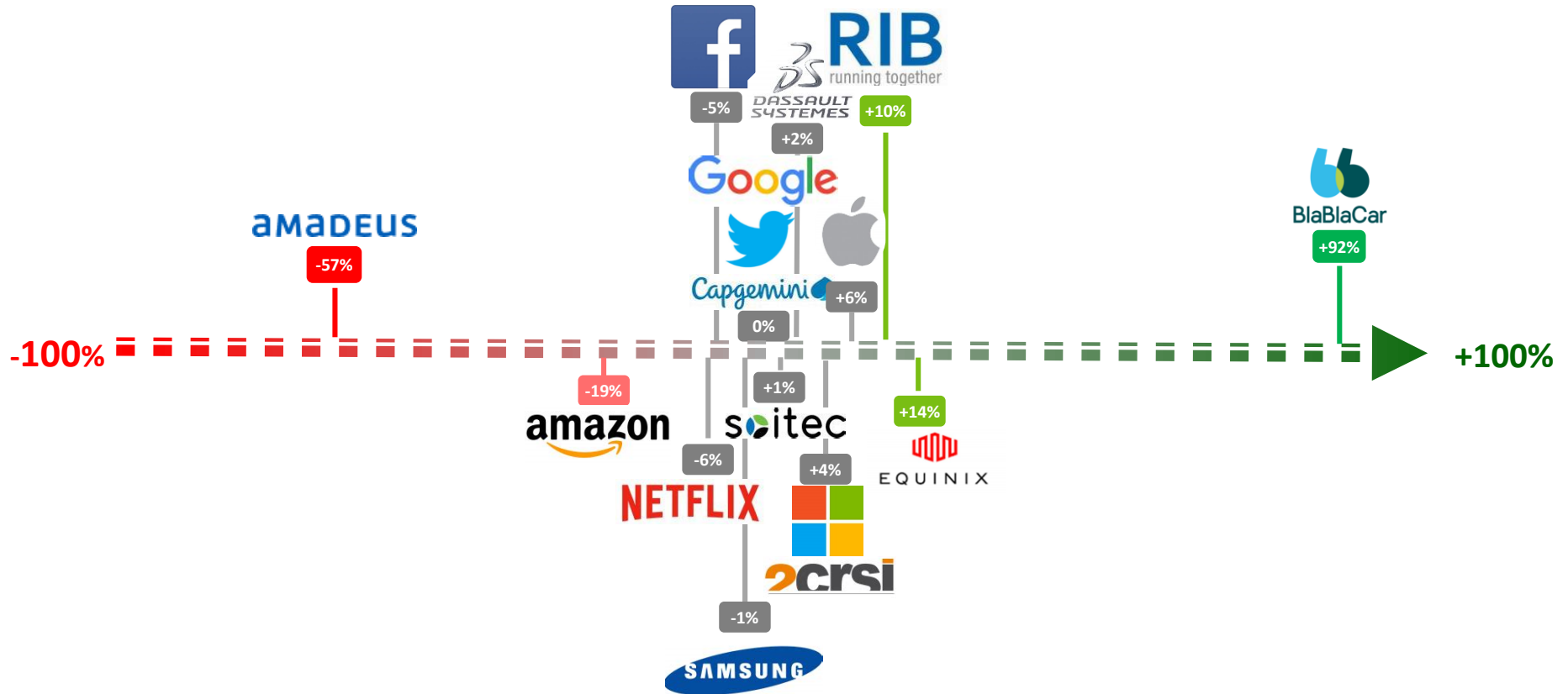
Source: NEC 1.0, Sycomore AM, Quantis and I Care&Consult, 2019.

Examples for the generic NEC equation



Source: NEC 1.0 calculated by Sycomore AM, based on 2018 and 2019 data.

Outcome for IT companies - NEC examples



Source: NEC 1.0 calculated by Sycomore AM, based on 2018 and 2019 data.

COMPUTATION METHOD

INDICATOR TYPE	INDICATOR	UNIT	RATIONALE	CONTRIBUTION TO ACCESS & INCLUSION
Specific contribution	% revenues from clients who are SMEs for products with a clear value added in terms of B2B support	% turnover	SDG 9.3 Increase the access of small-scale industrial and other enterprises, in particular in developing countries, to financial services, including affordable credit, and their integration into value chains and market	+25%
Specific contribution	% revenues from critical infrastructure in low income / lower middle income countries	% turnover	Basic service essential to the economy	+25% for revenue from critical infrastructure in lower middle income +50% for revenue from critical infrastructure in low-income countries
Bonus	R&D spend in countries least developed in terms of tech	Bonus, e.g. using headcount or locations as a proxy	SDG 9.5 Enhance scientific research, upgrade the technological capabilities of industrial sectors in all countries, in particular developing countries, including, by 2030, encouraging innovation and substantially increasing the number of research and development workers per 1 million people and public and private research and development spending	+10% if one of the major R&D hub is in a country lagging in terms of technology

The application in the Sycomore Sustainable Tech fund

Selection and exclusions

✓ Selection



Digital tools for
pharmaceutical **innovation**



Payment infrastructure,
especially for SMEs



Governance and **privacy**:
strong policies and disclosures

Examples of exclusions

Tencent 腾讯

Privacy issues
and video game **addiction**

amazon

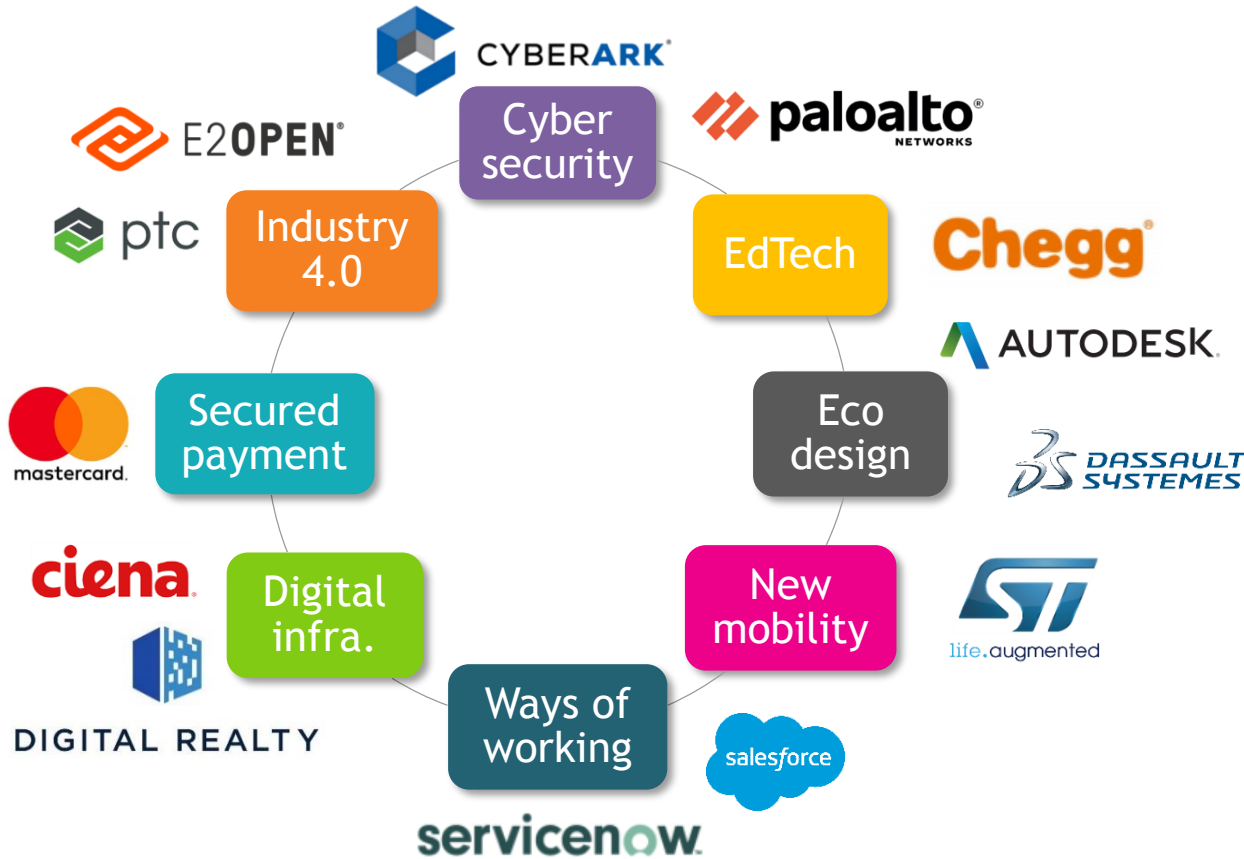
Failure to respect **human rights**

coinbase

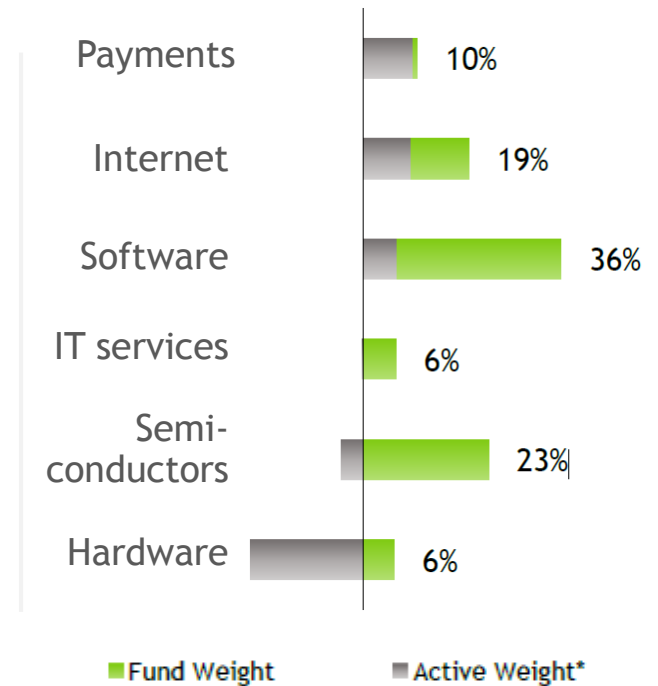
Unclear BM **social and environmental** impact

The application in the Sycomore Sustainable Tech fund Booming themes and a positive ESG contribution

THEMATIC BREAKDOWN



SECTOR BREAKDOWN OF SYCOMORE SUSTAINABLE TECH



The application in the Sycomore Sustainable Tech fund A SRI constructivist approach

Engaging
with management
to induce change
in corporate practices

**GOOD
in
TECH**


**TECH
FOR
GOOD**


Good In Tech

Academic partnerships


Direct engagement

NETFLIX → Platform addiction

 → Freedom of speech

 → Environmental impact of data centres

Engagement through a coalition to move the lines

 → Data privacy & human rights

Sycomore Sustainable Tech | main characteristics

- **Investment team:** Johan Söderström, Gilles Sitbon, Marie Vallaey
- **ISIN code**
 IC share | LU2181906269
 ID share | LU2181906343
- **Fund domicile:** Luxembourg - a sub-fund of Sycomore Fund Sicav
- **UCITS V**
- **Inception date:** 09/09/2020
- Daily pricing & liquidity, Cut-off on D before 11am (BPSS)
- Subscription/redemption on T, on NAV T+1, settlement T+2
- **No minimum subscription**
- **Management and outperformance fees**
 IC and ID shares: 1.00%
 Performance fees | 15% over MSCI AC World Information Technology Net Return with positive performance condition
- **Subscription/redemption**
 Max subscription fee (not credited to the fund): 5% IC and ID shares
 Max redemption fee (not credited to the fund): None
- **Turnover commission**
 No commission charged by Sycomore AM
- **Auditor:** PWC Luxembourg

Sycomore Sustainable Tech | risk profile

Synthetic risk and reward indicator



The fund's risk category is not guaranteed and may change over time. The lowest category does not mean "risk free". Historic data used to calculate the synthetic indicator may not represent a reliable indication of the fund's future risk.

- Capital risk:** the Sub-Fund benefits from no guarantee or protection, so it is therefore possible that the capital initially invested is not recovered in full.
- Equity risk:** the Sub-Fund may be exposed from 70% to 100% to variations of the equity markets and as a consequence suffers from the uncertainties of the equity markets. In this regard, investors' attention is drawn to the fact that the equity markets are particularly risky, that they can undergo periods of sharp falls lasting several years, resulting in severe capital losses for investors. If there is a fall of the equity markets to which the Sub-Fund is exposed the net asset value will fall. Furthermore, it is possible that some securities in the portfolio might experience a period of sharp falls even when the equity markets are rising. If one or more equities in the portfolio fall then the net asset value may fall, irrespective of market trends.
- Emerging country risk:** the Sub-Fund may be exposed up to 30% to emerging markets. Investments in the emerging markets may be more volatile than investments in the developed markets. Some of these markets may have relatively unstable governments, economies based on a handful of companies and financial markets limited to trading just a small number of securities. Most emerging markets do not have a developed regulatory supervision system in place and information published is less reliable than that in the developed countries. There are greater risks of expropriation, nationalisation, political and economic instability in emerging markets than developed markets. Some of these markets may also subject investments made there to temporary or permanent tax charges
- Foreign exchange risk:** as eligible securities in the portfolio may be quoted in currencies other than the euro and deposits may be made in currencies others than the Euro, up to 100% of the Sub-Fund's assets may be exposed to foreign exchange risk, the hedging of that risk being subject to a discretionary policy on the part of the management team.
- Risk related to discretionary management:** this risk is inherent in the style of management which rests on anticipation of the evolution of different markets. There is a risk that the Sub-Fund is not at a given time invested on the most profitable markets or in the most profitable securities. The Sub-Fund's performance therefore depends on the manager's ability to anticipate market or security trends. This risk may result in a fall of the net asset value.

Sycomore Sustainable Tech | risk profile

- **Credit risk:** up to 30% of the Sub-Fund's assets may be exposed to fixed income instruments and deposits, generating credit risk. It represents the possible risk of deterioration of the issuer's signature or failure, and this will have a negative impact on the price of debt securities issued by it or on the reimbursement of the deposits and therefore the Sub-Fund's net asset value, resulting in a capital loss. The level of credit risk is variable depending upon expectations, maturities and the degree of confidence in each issuer, which may reduce the liquidity of the securities of an issuer and have a negative impact on the net asset value, particularly in the case of liquidation by the Sub-Fund of its positions in a market with reduced transaction volumes.
- **Interest rate risk:** up to 30% of the Sub-Fund's assets may be exposed to fixed income instruments, generating an interest rate risk. It represents the possible risk that interest rates fall if investments are made at a variable rate or that interest rates increase if investments are made at a fixed rate, the value of an interest rate product being an inverse function of the level of interest rates. In case of unfavourable variation of interest rates the net asset value may fall.
- **Counterparty risk:** is the risk of failure of a counterparty leading to a payment default. The Sub-Fund may be exposed to counterparty risk resulting from the use of financial contracts traded over the counter with a credit establishment. The Sub-Fund is therefore exposed to the risk that one of these credit establishments cannot honour its commitments under such transactions, resulting then in a fall of the net asset value.
- **Currency risk:** Hedged share class: the Sub-Fund may enter into currency exchange transactions to hedge against a change in currency exchange rates that would cause a decline in the value of class denominated in a currency other than the reference currency of the Sub-Fund in exchange for the currency in which the class is denominated.
- **Derivatives:** the Sub- Fund may enter into derivatives (including OTC derivatives) for hedging and investment purposes, in compliance with current legislation for UCITS. These financial instruments may add volatility to the performance of the underlying securities and involve peculiar financial risks. OTC derivatives will be entered into in accordance with the Management Company's criteria and rules, but will expose the Sub-Fund to the credit risk of its counterparties and their ability to satisfy the terms of such contracts.

Sycomore Sustainable Tech | risk profile

- Sustainable finance:** sustainable finance is a relatively new field of finance. Currently, there is no universally accepted framework or list of factors to consider to ensure that investments are sustainable. Also, the legal and regulatory framework governing sustainable finance is still under development.

The lack of common standards may result in different approaches to setting and achieving ESG (environmental, social, and governance) objectives. ESG factors may vary depending on investment themes, asset classes, investment philosophy and subjective use of different ESG indicators governing portfolio construction. The selection and weightings applied may to a certain extent be subjective or based on metrics that may share the same name but have different underlying meanings. ESG information, whether from an external and/or internal source, is, by nature and in many instances, based on a qualitative and judgemental assessment, especially in the absence of well-defined market standards and due to the existence of multiple approaches to sustainable investment. An element of subjectivity and discretion is therefore inherent to the interpretation and use of ESG data. It may consequently be difficult to compare strategies integrating ESG criteria. Investors should note that the subjective value that they may or may not assign to certain types of ESG criteria may differ substantially from that of the Sub-Fund.

The lack of harmonised definitions may also potentially result in certain investments not benefitting from preferential tax treatments or credits because ESG criteria are assessed differently than initially thought.

Applying ESG criteria to the investment process may exclude securities of certain issuers for non-financial reasons and, therefore, may forgo some market opportunities available to funds that do not use ESG or sustainability criteria.

ESG information from third-party data providers may be incomplete, inaccurate or unavailable. As a result, there exists a risk of incorrectly assessing a security or issuer, resulting in the incorrect inclusion or exclusion of a security. ESG data providers are private undertakings providing ESG data for a variety of issuers. The ESG data providers may change the evaluation of issuers or instruments, at their discretion and from time to time, due to ESG or other factors.

The approach to sustainable finance may evolve and develop over time, both due to a refinement of investment decision-making processes to address ESG factors and risks, and because of legal and regulatory developments.

The opinions and estimates herein are based on our judgement and may change without prior warning as may assertions on financial market trends which are based on current market conditions. To the best of our knowledge, the information herein is reliable but must not be considered as exhaustive. Data, graphs and extracts have been calculated or carried out using public information we believe to be reliable but they have not been checked independently by us. Please note that all estimates have their own limitations and that there is consequently no undertaking from SYCOMORE ASSET MANAGEMENT that these estimates will materialise.

This document is not an offer or a solicitation to buy or sell any financial instrument whatsoever. References to specific securities or their issuing companies are merely for illustrative purposes and should not be construed as recommendations to buy or sell these securities.

Past performance is not a reliable indicator of future returns. Opinions and strategies described may not be suitable for all investors. Returns and valuations for investments in any funds that might be mentioned may rise or fall and investors may receive more or less at redemption than the sum initially invested.

This document is provided for information purposes along. We recommend you seek advice before making any investment decision. Any investment in any UCITS mentioned herein must be based on the key investor information document (KIID) or the current prospectus. These documents are available on request from SYCOMORE ASSET MANAGEMENT.

This is an advertisement which has not been drawn up in line with regulatory provisions in favour of promoting independent financial analysis.

SYCOMORE ASSET MANAGEMENT is not bound by the ban on dealing in the instruments concerned before this advertisement is disseminated.



SYCOMORE  **RE** 