



SUSTAINMENTALS® Insight

January 2023



INVEST IN HIDDEN SUSTAINABILITY CHAMPIONS!

Highlights

- We analyze where and how to find business models with a high and at the same time as steady as possible growth potential over the coming years, which are still undiscovered and undervalued.
- With real-world sustainability, we describe, among other things, the business models, companies and thematic areas that participate disproportionately well in the inevitable global upcoming sustainability transformation.
- The CHOM CAPITAL PURE Sustainability - Small Cap Europe UI bundles these hidden sustainability champions in a very focused way - we look forward to exchanging ideas with you!

In this current uncertain and volatile market phase, the search for long-term performance that is as steady as possible is great.

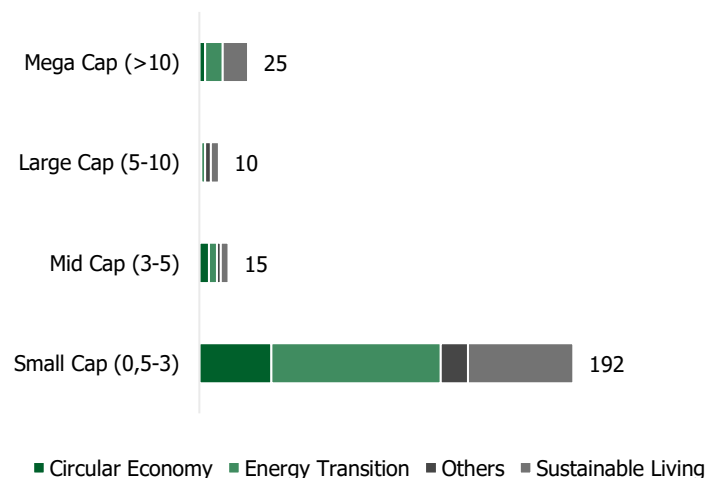
What characteristics should a business model fulfill in order to demonstrate a superior performance opportunity with moderate risk? Long-term resilient, steady and significant growth, supported by investments that can be financed, with a solid balance sheet, in a market-leading position, positioned in future topics at an attractive valuation and executed by top management and largely undiscovered! We call these companies "Hidden Sustainability Champions". How and where do you find them?

The well-known Neglected-Firm-Effect also exists in the field of sustainability data and especially in ESG ratings. There is a systematic neglect of smaller companies ("small caps") by rating agencies (see also [here](#)). Small caps in particular not only receive little ESG rating coverage, those that do have ESG ratings systematically perform worse than larger companies. As a result, many small caps do not end up on the radar of purely data-driven or passive investors. These companies are on average EUR 1-2 billion in size (market capitalization), globally active and often market leaders in their segments - i.e. investable in terms of liquidity, undiscovered and market leaders in their respective segments (Porter forces).

This market segment not only offers superior risk-return profiles and low correlations, but also provides access to leading companies that play critical roles in the value chains that are essential for successful sustainability transformation - true hidden sustainability champions. In this context, we have identified relevant topics - from energy transition, circular economy, to products and services around sustainable living.

ESG ratings do not give us the relevant answers. We therefore analyze the universe with a view to business models in these fields. It turns out that the important technologies of tomorrow are mainly found in the small-cap sector today. And with superior growth profiles.

SUSTAINABILITY CHAMPIONS BY SIZE¹⁾



¹⁾Market capitalization in EUR billion, Sustainability Champions Watchlist
Source: FactSet, Bloomberg, own calculations

The fund range publishes in accordance with Article 8 of the Disclosure Regulation

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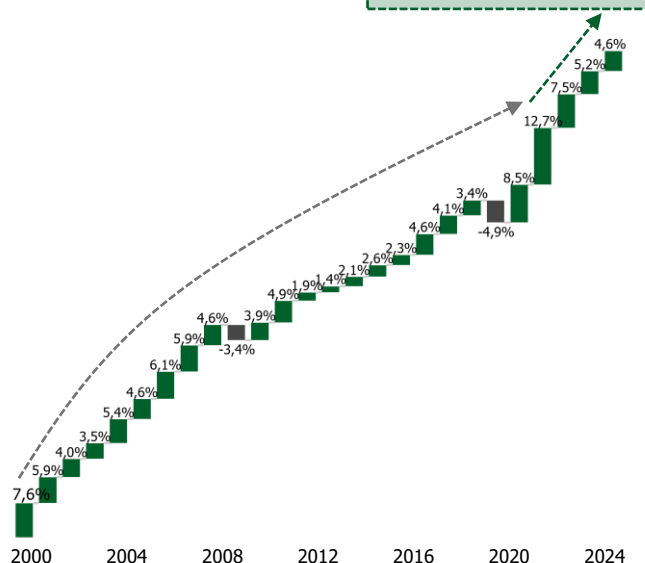


PARTICIPATE IN THE SUSTAINABILITY TRANSFORMATION WITH CHOM CAPITAL

NOMINAL GDP-GROWTH EU²⁾

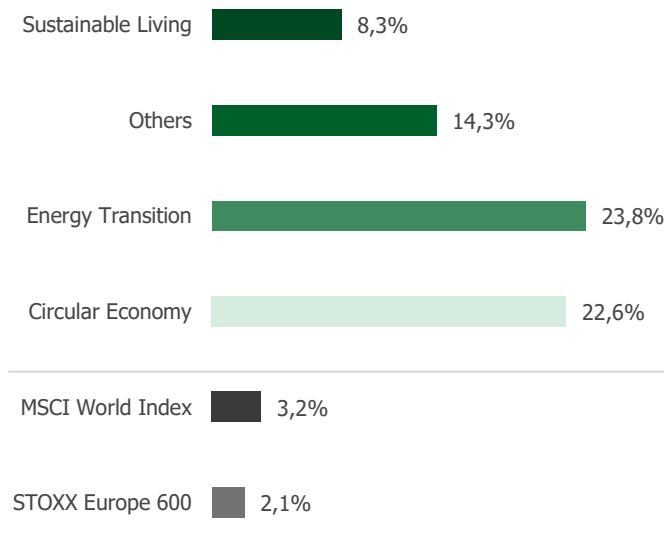
CAGR FY00-22: 3,9%

CAGR FY23-25E: 5,7%



²⁾Market capitalization in EUR billion, CHOM Capital Universe Europe
Source: IMF, own calculations

SALES GROWTH FORECASTS FY2023-2025³⁾



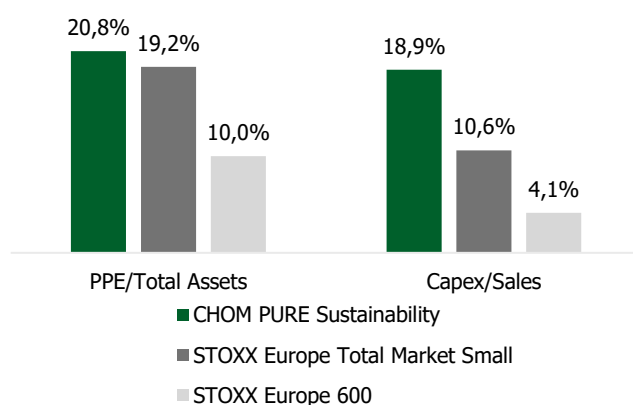
³⁾Broker consensus sales growth
Source: FactSet, own calculations

Thanks to their structural drivers and regulatory tailwinds, the thematic areas we have identified offer superior growth for many years to come. While the IMF estimates that the European economy will grow nominally by 5.7% per year until 2025, companies in the thematic areas we have identified are expected to achieve significantly higher growth rates ranging from 8% to 24% per year on average. Once again - small caps in particular are growing disproportionately strongly in these themes.

To be successful in this neglected segment, you need an investment approach that can handle low information density. This requires a holistic company analysis with a hands-on approach with deep dive into business models, market and drivers, as well as strong access to company executives. Only with an understanding of real-world impact and the entire value chain can one truly understand an investment. And thus find the hidden sustainability champions with the growth profiles shown above.

This is exactly what our approach reflects. Anyone wishing to participate in this unstoppable sustainability transformation will find around 30 of these stocks in our active and focused **CHOM CAPITAL PURE Sustainability - Small Cap Europe UI** fund. We also pay particular attention to the type of growth (see chart below) - only growth underpinned by real investments will lead to sustainable value development for years to come.

GROWTH UNDERPINNED BY INVESTMENTS⁴⁾



⁴⁾Aggregated financial data FY2021
Source: FactSet, Bloomberg, own calculations



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