GENERALI INVESTMENTS

INVESTING IN SOCIETY

Why the next wave of global equity growth could be driven by social themes

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Luca Fasan, Senior Portfolio Manager at Sycomore Asset Management, part of Generali Investments, explains why focusing on companies that deliver tangible, measurable social value should stand out as equities regain their shine.

- *Recent years have revealed the fragility of health systems, supply chains, and communities, bringing societal investment themes to the fore.*
- *The Sycomore Global Social Impact Fund offers a disciplined, transparent, and performance-oriented strategy.*
- *Its proprietary metrics make social impact measurable, its breadth avoids the pitfalls of overly narrow social funds, and its conviction-driven portfolio is designed to harness long-term megatrends.*
- *AI, healthcare and power generation/electrification are three key areas of rich with investment opportunities.*

For decades, ESG investors have found it easier to measure progress on the "E" of environment and the "G" of governance. Carbon footprints, energy efficiency, or board independence lend themselves to clear metrics. The "S" pillar – social – has been trickier. Yet, in today's markets, society's needs are increasingly centre stage: healthier workplaces, inclusive services, meaningful jobs.

The Sycomore Global Social Impact Fund, launched in 2021, is one of the few global equity strategies built expressly to capture and measure these opportunities linked to societal themes.

What is positive social impact and how can it be measured?

At Sycomore, we define "society" through three roles we all play: consumers, coworkers, and community members.

From an investment perspective, this translates into three proprietary metrics:

1. **Societal Contribution** assesses whether a company's products and services provide a net positive to consumers, balancing benefits and risks, and scoring outcomes on a scale from –100 to +100.
2. **Happy@Work** evaluates employees' experiences across five dimensions (meaning, empowerment, skills, relationships, and equity), capturing whether companies truly enhance the lives of their staff.
3. **The Good Jobs Rating**, developed with The Good Economy, measures the quality, durability, and inclusivity of the employment a company creates, with added recognition for jobs in underserved areas.

What differentiates the Sycomore Global Social Impact Fund?

Firstly, the granularity of our investment approach stands out. While many ESG funds screen companies broadly for controversies or best-in-class practices, Sycomore's approach maps directly onto people's lived experience. The fund does not simply ask whether a company reports well on social matters, but whether its products, workplaces, and community footprint tangibly improve lives.

Second is the breadth of our investment universe. By recognising that social value is multidimensional, the portfolio universe is wider and more diversified than peers. It spans multiple sectors, styles, and regions, helping to reduce bias and improve alpha potential. At the same time, exclusions are strictly applied across the firm – no fossil fuels, tobacco, or other sectors considered structurally harmful.

The result is a high-conviction yet diversified global equity portfolio of around 50 holdings, ranging from large-cap leaders in financial services and technology to healthcare innovators and industrial enablers.

Why is now a good time to invest?

Two current trends are converging to make social impact investing compelling today.

From a macro perspective, with inflation moderating and interest rates expected to decline into 2026, equities are regaining their shine. In a more stable, less volatile environment, stock selection and bottom-up fundamentals should come back to the fore – precisely where our investment process excels.

In terms of social trends, from the pandemic to geopolitical fractures, recent years have revealed the fragility of health systems, supply chains, and communities. Companies that address these vulnerabilities – whether through inclusive finance, healthcare innovation, or resilient infrastructure – are positioned not just to "do good," but to capture secular growth opportunities.

The fund's strong track record underscores this potential: in 2024, it returned +30.8% in, outpacing the MSCI AC World (+25.3%). Annualised performance since inception in December 2021 is +9.2%, close to the benchmark, but with demonstrable positive social outcomes.

What kind of companies and sectors does the fund hold?

The portfolio's exposures illustrate its structural tilt toward long-term societal megatrends:

- **Technology** (c.31% of assets) offers exposure to artificial intelligence, digital infrastructure, and data – also called the "gold of the future."
- **Healthcare** (c.15%) includes firms at the forefront of obesity treatments, surgical innovation, and wellness solutions.
- **Industrials** (c.16%) capture opportunities in infrastructure, logistics, and equipment, often with a local employment angle.
- **Financials** (c.14%) include banks and insurers whose products promote inclusion and resilience, while also standing out for employee policies.

The fund is global in scope, with roughly 62% in North America, 30% in Europe, and selective allocations in Asia-Pacific and emerging markets. Standout names include a banking global credit card company, enabling financial inclusion worldwide; a surgical company that pioneers minimally invasive procedures; and a global insurer recognised for inclusive insurance and a robust employee ownership programme.

Outlook: Risks and opportunities in global equities

Looking to the rest of 2025 and beyond, we see the market environment shifting from uncertainty to clarity. Trade tariffs are stabilised, and monetary easing is on the horizon. The risk of recession, high earlier in the cycle, now looks lower. Instead, attention is turning back to fundamentals, offering fertile ground for stock pickers.

We see three key areas of opportunity:

1. **Artificial intelligence** and its ripple effects across industries.
2. **Healthcare**, particularly companies tackling obesity and chronic disease.
3. **Power generation and electrification**, as the global economy transitions to more sustainable energy systems.

Risks remain, of course – such as execution challenges in healthcare innovation, geopolitical flare-ups, or uneven monetary easing across regions. But we believe that the fund's broad sectoral and geographical spread offers resilience. Importantly, its strict exclusion policy avoids structurally challenged sectors, while its active approach ensures the portfolio is tilted only where our team has conviction.

At a time when society's needs are impossible to ignore, and when equities once again look attractive, we believe the fund provides a way to align portfolios with both positive impact and financial opportunity – investing in society not just for values, but for value creation.

SYCOMORE GLOBAL SOCIAL IMPACT

[factsheet]

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Fund manager	Luca Fasan, Giulia Culot
AUM	€ 757.6 M (end of August '25)
Inception date	17 December 2021
ISIN	LU2413890901
Benchmark	MSCI AC World Net Return
Currency	EUR
Domicile	Luxembourg
Investment manager	Sycomore AM
Management company	Sycomore AM
Risk level SSRI	4/7
SFDR	Article 9