

# Sustainable European Small-caps

Strategy Overview 2024  
 For professional investors only

## Why Van Lanschot Kempfen for Sustainable European small-caps?

- **Small-cap specialist for over 30 years:** We have over three decades of experience in identifying and selecting high quality, small-cap businesses with attractive fundamentals and valuations.
- **Strong track record:** As disciplined investors we have built a strong long-term track record.
- **Long-term, engaged shareholder:** Our long-term investment horizon and a mindset for rigorous focus on fundamentals, positions us as a valuable active owner for our portfolio companies.
- **Focus on Sustainability:** Our integrated sustainability approach has resulted in a rating of 5 Morningstar sustainability globes, an AA MSCI ESG rating, the Belgian Febelfin Towards Sustainability Label and the French ISR label (February 2024). We also have a net zero CO<sub>2</sub> emission commitment by 2050 with mid-term (-57% by 2030) and short-term (-38% by 2025) reduction objectives.

## Five investment principles



### Fundamental

In-depth analysis of the business and its management



### Long-term

Long-term perspective, and not afraid to be contrarian



### Value

We look for a margin of safety between price and intrinsic value



### Engaged

Engaging with management on strategy, operations and ESG



### Sustainable

We look for companies that offer sustainable products and services or conduct their business in a sustainable way

## Investment philosophy

Our philosophy is to be a long-term active owner of 30-50 sustainable, high-quality companies at an attractive price.

- We undertake our own research with an experienced team, as we believe that in the long term, the fundamentals of a business eventually determine its valuation. We integrate ESG risks and opportunities in well-documented investment cases, models and management meetings.
- To review the outcome of our investment process and its alignment with our philosophy, we not only assess the relative 3-5 year total return of the strategy but we also monitor the sustainability, quality and valuation characteristics compared to the benchmark.
- The strategy has typically enjoyed a better external sustainability score, a superior return on capital employed (ROCE) and a more attractive valuation than the benchmark.
- On a value/growth spectrum, the strategy has in recent years been more centrally oriented than peers who are typically more growth oriented.



The small-cap market opportunity set is very broad. Selecting sustainable, high-quality companies at attractive valuations should ultimately hold many advantages for long-term investors like ourselves



Thibault van Heeswijk,  
 Portfolio Manager

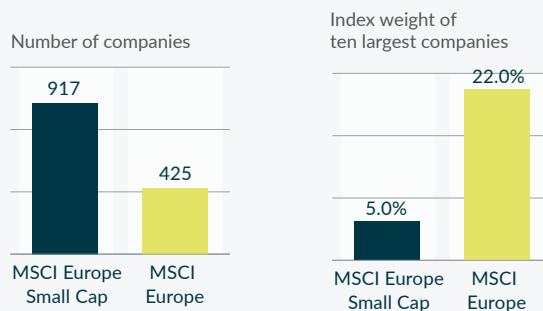
## Opportunities in European small-caps

**Graph 1: Substantial long-term outperformance:**  
MSCI Europe Small Cap vs MSCI Europe



Source: Factset, 31 December 2023

**Graph 2: Many more companies and less concentration**



Source: Factset, 31 December 2023

**Risk warning:** The value of investments and income from them may go down as well as up, past performance is not an indicator of future investment returns.

### The case for European small-caps

- **The 'small-cap premium':** Small-caps have generated returns above those of large-caps over longer periods of time (see graph 1).
- **An inefficient, under-researched market:** The investment opportunities can be more meaningful when there is less analyst coverage and readily available information.
- **Large investment universe for active managers:** In Europe there are about twice as many small-cap companies compared to their larger peers (see graph 2).
- **Strong intrinsic qualities:** Small-cap businesses can often be more niche and entrepreneurial, as well as display greater agility.

### Our team

One of the core strengths of the Sustainable European Small-cap Strategy is its team-based approach where new ideas have to be unanimously agreed upon to enter the portfolio. To be able to do so, the team follows a shared philosophy and consistent, repeatable investment process. This approach is sector-based whereby each team member acts both as portfolio manager and research analyst for several sectors.



**Erwin Dut, CFA**  
Portfolio Manager  
Experience since 1997



**Sander van Oort, VBA**  
Portfolio Manager  
Experience since 2001



**Ingmar Schaefer**  
Portfolio Manager  
Experience since 2006



**Thibault van Heeswijk**  
Portfolio Manager  
Experience since 2012

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**Capital at risk** The value of investments and the income from them can fall as well as rise and are not guaranteed. Investors may not get back the amount originally invested. Past performance provides no guarantee for the future. Investing in a small-cap strategy may be subject to country risk, equity market risks and small cap company risk, which could negatively affect the performance. Under unusual market conditions the specific risks can increase significantly. Potential Investors should be aware that changes in the actual and perceived fundamentals of a company may result in changes for the market value of the shares of such company. Equities of companies with small capitalization can be more volatile than equities of mid and large companies and may also be less liquid.