



DECALIA CIRCULAR ECONOMY

“INVESTING IN CIRCULAR ECONOMY TRANSITION OPPORTUNITIES”

11th November 2021



DECALIA
INVESTMENT FUNDS

MARKETING MATERIAL

- Swiss Independent Investment Management company, fully owned by its Management
- Three business lines:
 - Wealth Management
 - Asset Management
 - Private Markets
- Solution-oriented focusing on four major investment areas: disintermediation of the banking sector, quest for yield, new consumer trends and market inefficiencies
- Full alignment of interests: Management co-invests alongside its clients in the same solutions
- Regulated by FINMA / Auditor: PricewaterhouseCoopers



2021: Best External Asset Manager
 2021: Best Equity Based Strategy
 2021: Best Growth Strategy
 2020: Best External Asset Manager

3 Offices
Geneva (HQ) – Zurich – Milan

EUR 4.5 Billion
Assets under management

6 Partners







65 Employees

12 PM/Analysts
More than 15 years of experience in average



2017	Pioneer investor	DECALIA started to investigate the Circular Economy model and put together a team, led by Antonio Garufi
	Dedicated Team	During more than 1 year, the team did an extensive research effort to build a proprietary investment universe on the Circular Economy
2018	Longest track record	Decalia launched the 1st UCITS fund dedicated to the Circular Economy
2020	Label ESG	The Decalia Circular Economy fund is the 1st Circular Economy Fund accredited with a Label ESG from LuxFlag
	100 million	Decalia Circular Economy reached the 100 million milestone
2021	Article 9 SFDR	The Decalia Circular Economy Fund is classified under the scope of Article 9 of the SFDR

Experienced and complementary thematic team

 <p>ANTONIO GARUFI Lead PM, DECALIA Circular Economy</p>	 <p>ALEXANDER ROOSE Head of Equities Co-Lead PM, DECALIA Sustainable SOCIETY (To be launched)</p>	 <p>QUIRIEN LEMEY, CFA  Co-Lead PM, DECALIA Sustainable SOCIETY (To be launched)</p>	 <p>JEAN-CHRISTOPHE LABBE Lead PM, DECALIA Millennials</p>	 <p>ROBERTO MAGNATANTINI, CFA Lead PM, DECALIA Silver Generation & Eternity</p>
16 years of experience	20 years of experience	15 years of experience	20 years of experience	20 years of experience
<p>Highlights</p> <ul style="list-style-type: none"> Joined DECALIA in 2017 3 years at JPMorgan Previously Fund Manager & Analyst of a multi-thematic hedge fund at Astor Pioneer in Circular Economy and sustainable investing 	<p>Highlights</p> <ul style="list-style-type: none"> Joined DECALIA in 2021 15 years at Degroof Petercam AM Pioneer in Sustainable Thematic Investment Launched in 2016 with Quirien DPAM Equities NEWGEMS Sustainable 	<p>Highlights</p> <ul style="list-style-type: none"> Joined DECALIA in 2021 11 years at Degroof Petercam AM Ranked 7th best PM in Europe by Citywire in 2021 Launched in 2016 with Alexander DPAM Equities NEWGEMS Sustainable 	<p>Highlights</p> <ul style="list-style-type: none"> Joined DECALIA in 2020 Previously Lead PM of Goldman Sachs Millennials fund (5 stars Morningstar) Senior Investment Analyst in the TMT sector for ING Investment Management & Merrill Lynch 	<p>Highlights</p> <ul style="list-style-type: none"> Joined DECALIA in 2020 12 years at SYZ Asset Management Previously Lead PM of OYSTER World Opportunities and OYSTER Global High Dividend

Supported by in-house investment resources

 Macro Research
Fabrizio Quirighetti & 1 Analyst

 Equity Research
12 PM/Analysts

 ESG Research
3 Analysts

 Risk management
2 Risk Managers

 Trading
2 Traders



ANTONIO GARUFI
Lead Portfolio
Manager

- Antonio joined DECALIA in 2017, leading the research effort to develop the proprietary investment universe for the Circular Economy theme. He was co-portfolio manager of DECALIA Circular Economy since launch.
- Previously, he worked 8 years with Astor Investment as PM and analyst of a multi-thematic hedge fund.
- Before that, he spent 3 years at JPMorgan in London.
- He holds a master degree in Corporate Finance from Bocconi University, a PhD in Economics, and executive degrees from Columbia and Harvard Business School.



ROBERTO MAGNATANTINI
Deputy Portfolio
Manager

- Roberto Magnatantini joined DECALIA in 2020.
- Before joining DECALIA, Roberto Magnatantini was Head of Global Equities at SYZ Asset Management, where he spent 12 years managing two strategies for the OYSTER funds' franchise.
- Before that, he worked 4 years at Lombard Odier and 4 years at HSBC where he managed equity funds.
- He is CFA, CMT and holds ESG certification.

Supported by in-house investment resources



Macro Research
Fabrizio Quirighetti & 1 Analyst



Equity Research
12 PM/Analysts



ESG Research
3 Analysts



Risk management
2 Risk Managers



Trading
2 Traders

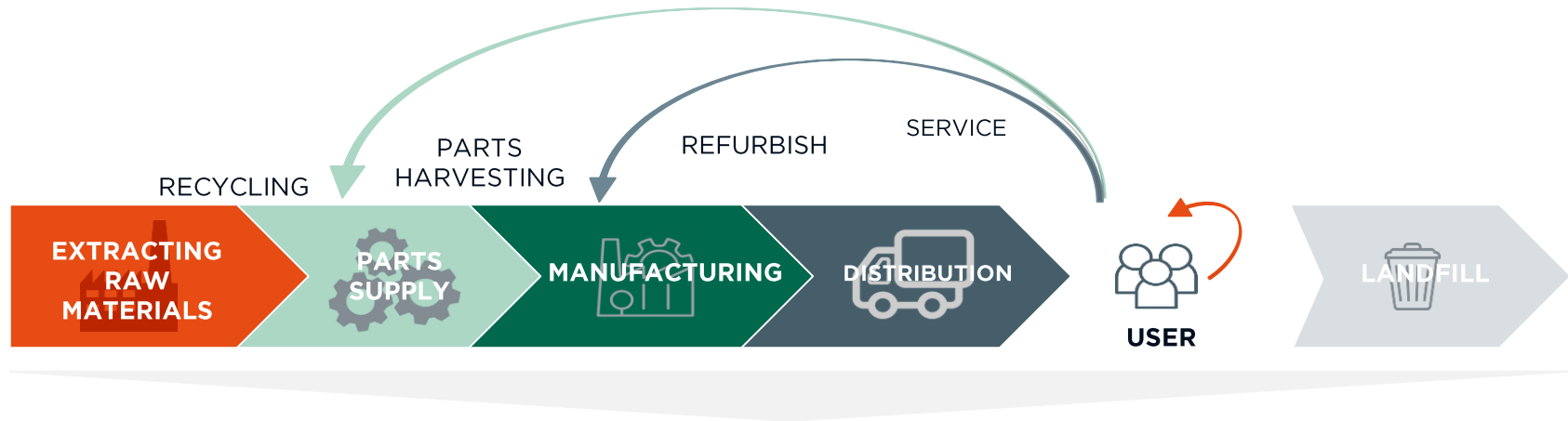
CONTENT

— WHY CIRCULAR ECONOMY

HOW WE INVEST IN THE CIRCULAR ECONOMY

PORTFOLIO CHARACTERISTICS

CIRCULAR ECONOMY



A circular economy is a regenerative model of production and consumption aimed at decoupling growth from the consumption of finite resources

**ENVIRONMENT
BENEFIT**



**BUSINESS
BENEFIT**

Enhanced product value

Circular economy principles stimulate companies to innovate and **create new more competitive products/services**

Enhanced brand equity

Circular companies perceived as sustainable, **connect to customers** leading to **new sources of revenues** from a service model

Consumer demand

Increasing customer demand for sustainable products is fueled by growing awareness

Regulation

Increasing national and supra-national **legislation on Circular Economy and sustainability**

Resource scarcity & supply chain disruption

Disruption is a **key reason why companies should transition to a circular economy**

Lower costs

Operational effects of reducing material usage/reusing materials are **reduced costs, time and logistics**



**INCENTIVES
TO GO
CIRCULAR**

CONTENT

WHY CIRCULAR ECONOMY

— **HOW WE INVEST IN THE CIRCULAR
ECONOMY**

PORTFOLIO CHARACTERISTICS



Categories

PURE PLAYERS

TRANSITIONING/ BENEFICIARIES

ENABLERS

Description

Pure thematic players

Companies benefitting from/or transitioning towards a circular economy business model

Businesses needed to accelerate and enact the transition

Company Examples

Etsy NESTE

Kingspan

BASF
We create chemistry

intertek

accenture

Universe creation

Stock selection

Portfolio management

HOW WE IDENTIFY CIRCULAR COMPANIES?

- The DECALIA Circular Economy investment team uses **Accenture's** framework to select Circular companies within the proprietary sectors (universe of 600 listed companies globally)

Business models



CIRCULAR SUPPLIES

Endless and renewable inputs



SHARING PLATFORMS

Optimize product usage



PRODUCT LIFE EXTENSION

Extend life cycles



RECOVERY & RECYCLING

Increase efficiency and transform waste into capital



PRODUCT AS A SERVICE

Shift of the ownership

Companies examples



Manufacture products using bio-based alternatives to traditional fossil-based resources



Leading second hand marketplace



Leader in remanufacturing technologies by returning products at the end of their serviceable lives to same-as-new condition.



Veolia is a global leader in waste and water management



Signify sells "light by the hour" and reduces energy consumption

Universe creation

Stock selection

Portfolio management

Looking for compounding resilient quality businesses within our mandate

1

Research - Find the right companies

2

Valuation - Avoid overpaying

BUSINESS ANALYSIS

- Clear and robust competitive advantage
- High barriers to entry/exit
- Pricing power
- Switching costs
- Long-term visibility
- Sound sustainability profile

MARKET OPPORTUNITY

- Sizable organic growth opportunities
- Market potential
- Industry dynamics
- Scalable business model

FINANCIAL ANALYSIS

- High ROCE & low capex needs
- Solid balance sheet
- Sustainable growth
- Shareholder friendly capital allocation

VALUATION & IMPLEMENTATION

- Long-term exit scenario analysis (5 year model)
- Downside scenario
- 5yr IRR risk weighted computation
- Market perception analysis
- Buy or pass decision

Universe creation

Stock selection

Portfolio management

1

Exclusion List

Controversies: companies with a red flagged controversy, that operate in controversial jurisdictions* & fail to comply with global norms and conventions**

Sectors*:** Adult Entertainment, Alcohol, Gambling, Nuclear Power, Tobacco, Nuclear Weapons, White Phosphorus Weapons

MSCI ESG Rating: Companies with a CCC rating

2

DECALIA Internal ESG Rating

Companies are assigned an **internal ESG rating** according to:

- the proprietary ESG quantitative checklist
- a qualitative analysis of the DECALIA ESG Team with input from PMs taking into account sub-sector context

3

Recommendation of ESG Team

A **final report** is produced by DECALIA ESG Team and debated with the investment team

4

Active Engagement & Monitoring

Non-confrontational **active engagement** with selected portfolio companies where we see potential to improve its ESG profile and with ESG rating providers

Universe creation

Stock selection

Portfolio management

* Investments in countries identified in the United Nations Security Council Sanctions and high risk jurisdictions identified by the Financial Action Task Force

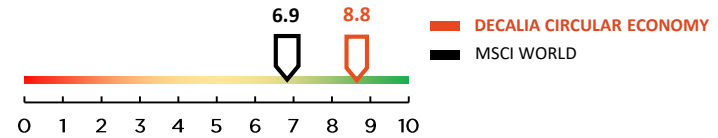
** i.e. United Nations Global Compact Principles

***white phosphorous weapons (threshold any tie); controversial weapons (threshold any tie); nuclear weapons (threshold any tie); tobacco production (threshold 5%); nuclear power (threshold 5%); tobacco licensor (threshold 15%); tobacco distributor (threshold 15%); tobacco supplier (threshold 15%); tobacco retailer (threshold 15%); adult entertainment (threshold 5%); alcohol (threshold 5%); gambling (threshold 5%)



- 1st Circular Economy Fund with a **ESG Label from LuxFlag** and classified as **Article 9 of the SFDR**

ESG RATING



MSCI ESG RATING

DECALIA CIRCULAR ECONOMY

AAA

MSCI WORLD

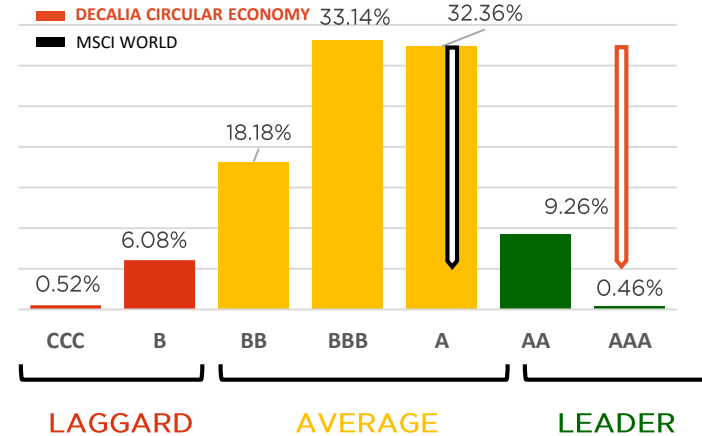
A

Morningstar Sustainability rating



5 Globes. Source : Morningstar Date: 30.09.2021

MSCI ESG Fund Ratings Universe



Source: Decalia, MSCI ESG, Average Score Date : 31.10.2021

VALUE CREATION POTENTIAL FROM STRATEGIC INITIATIVES - OUR ENGAGEMENT

Action suggested**Rationale****A****Legacy oil
asset sale**

1. The oil business adds cyclicalitiy
2. Lowers the overall ROCE of the group
3. Prevents many ESG investors from including the stock in their portfolio

We estimate around 2Bn could be obtained by the asset sale, that could be reinvested in the renewables business or to extend the buyback program

✓ Started: base oil business sold

B**Capital structure
optimization**

We estimate Neste could buy back more than 10% of outstanding shares and have an incremental 20% effect on the current stock price over the next 5 years

✓ Ongoing

1 PORTFOLIO CONSTRUCTION

Stock level

- Bottom up selection of ideally 40 to 60 businesses
- Target cash range: 0%-10%
- Gradual and progressive position buildup
- Low turnover
- IRR monitoring at position level
- Market capitalization limit: 300m€
- ESG internal scoring

Portfolio level

- Avoid excessive sector, factor or geographical biases
- Correlation analysis
- IRR monitoring at portfolio level
- Active management but long-term approach

2 RISK MANAGEMENT & MONITORING

Portfolio manager

- Liquidity risk assessment
- Constant correlation & currency risk monitoring
- Sell discipline
- ESG controversies monitoring & ESG internal committee

Risk Management Team

- Internal monitoring tools to monitor pre-trade/post trade
- Liquidity and cash monitoring



CONTENT

WHY CIRCULAR ECONOMY

HOW WE INVEST IN THE CIRCULAR ECONOMY

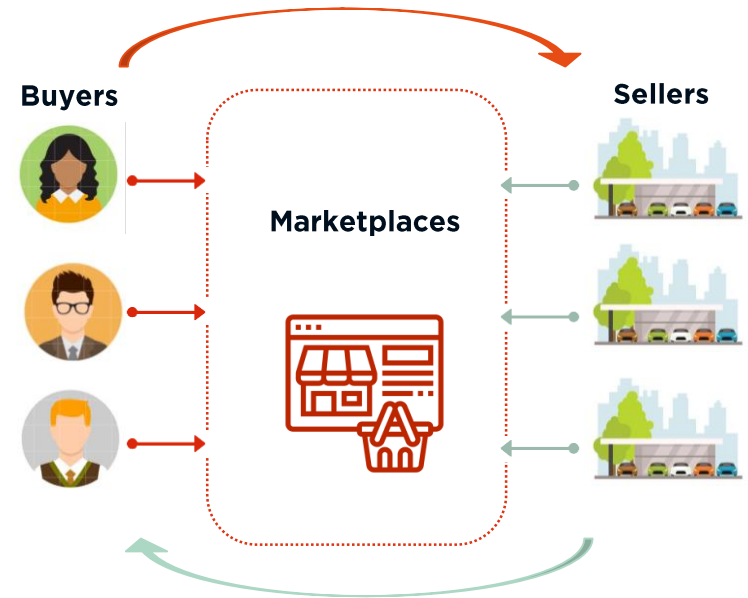
— **PORTFOLIO CHARACTERISTICS**

Why Marketplaces?

- Marketplaces keep products into the loop for longer
- Marketplaces' network effects offer a long-term competitive advantage
- The Network effect is a *"phenomenon whereby a product or service gains additional value as more people use it"*
- The increase in user base during the pandemic has generated a goodwill that will payoff over time

What type of Marketplaces we like and why?

- Used goods marketplaces (the closed loop economy):
 - 1) Used cars
 - 2) Vintage/second-hand goods
- Marketplaces exhibit:
 - ✓ high margins
 - ✓ low capex needs
 - ✓ high return on capital
 - ✓ network effects
 - ✓ barriers to entry



Stock Examples

Used cars
marketplaces

AutoTrader

CarGurus

Vintage items
marketplaces

Etsy

MERCARI

Why Energy Efficient Housing?

- In the EU, buildings account for:
 - ✓ 40% of total energy consumption,
 - ✓ 36% of CO2 emissions
- 75% of buildings in the EU are not energy efficient
- One of the key initiatives of the EU Green Deal is renovating both public and private buildings

Source: European Commission

EU Green Deal

Renovation Wave Priorities

Tackling energy poverty and worst-performing buildings

Renovation of public buildings

Decarbonisation of heating and cooling

Source: European Commission

What type of Energy Efficiency Housing we like and why?

- High-performance insulation allows for a much lower energy consumption
- Efficient climatization: reduces the use of fossil fuels

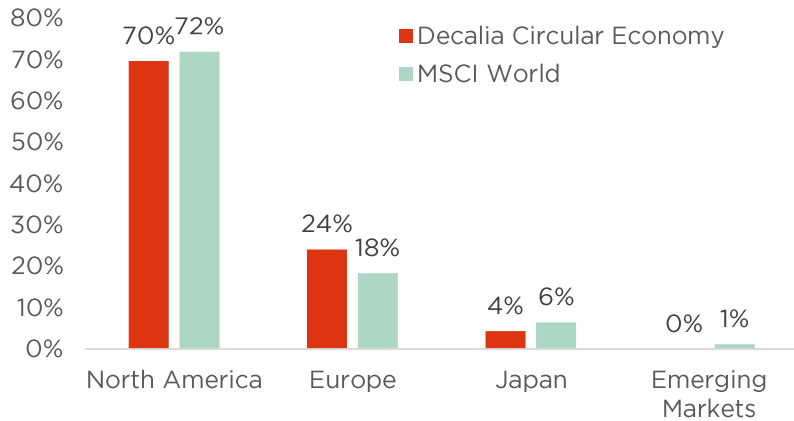
Stock Examples



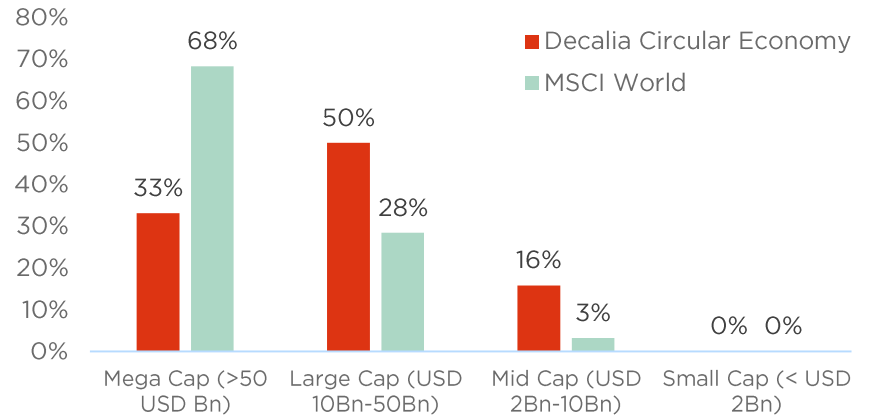
DECALIA CIRCULAR ECONOMY

PORTFOLIO SECTOR BREAKDOWN

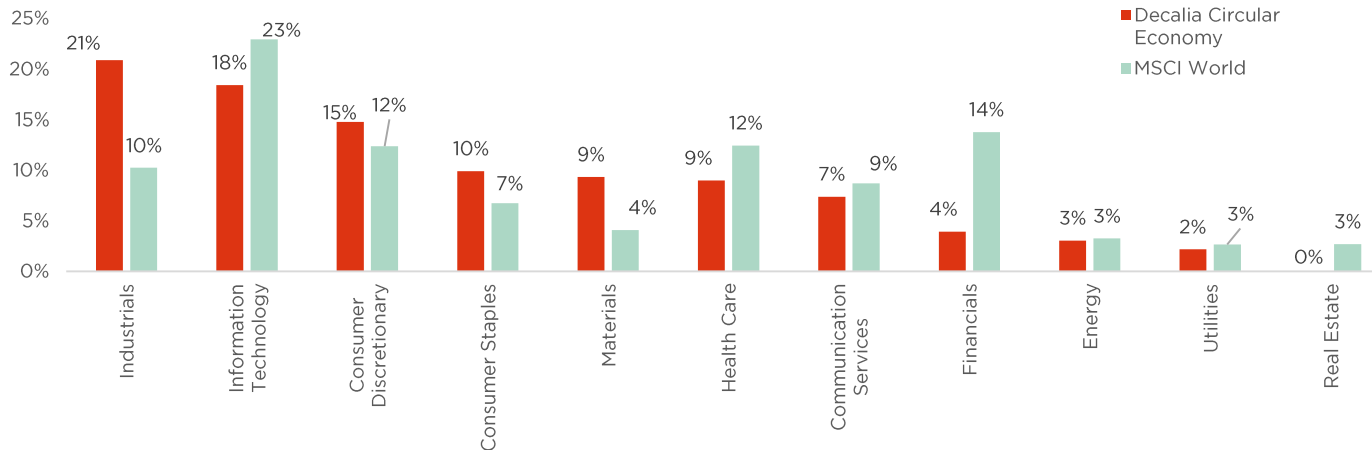
Geographical Breakdown



Market Cap Breakdown

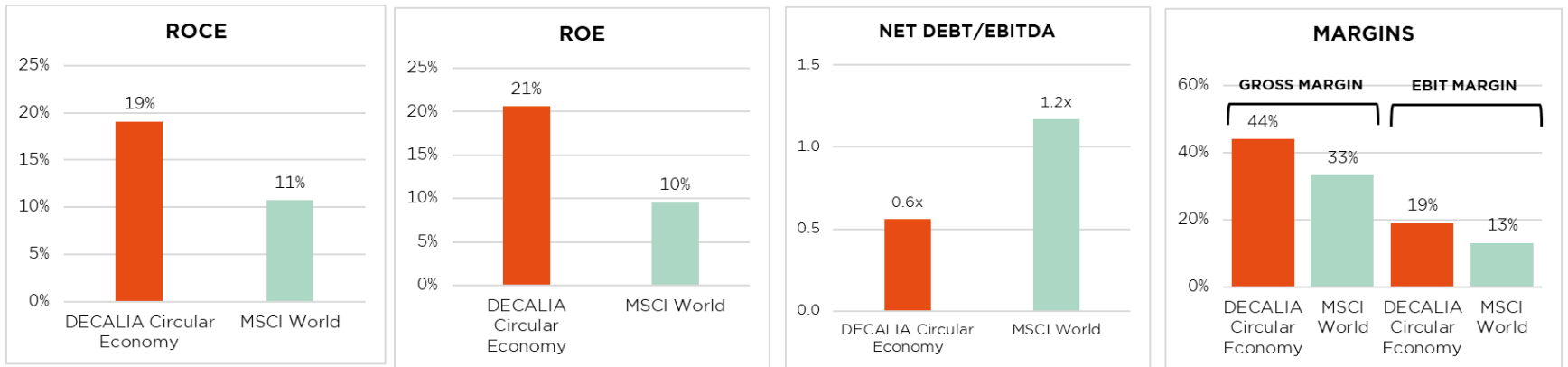


Sector Breakdown



Excluding cash

Operational data



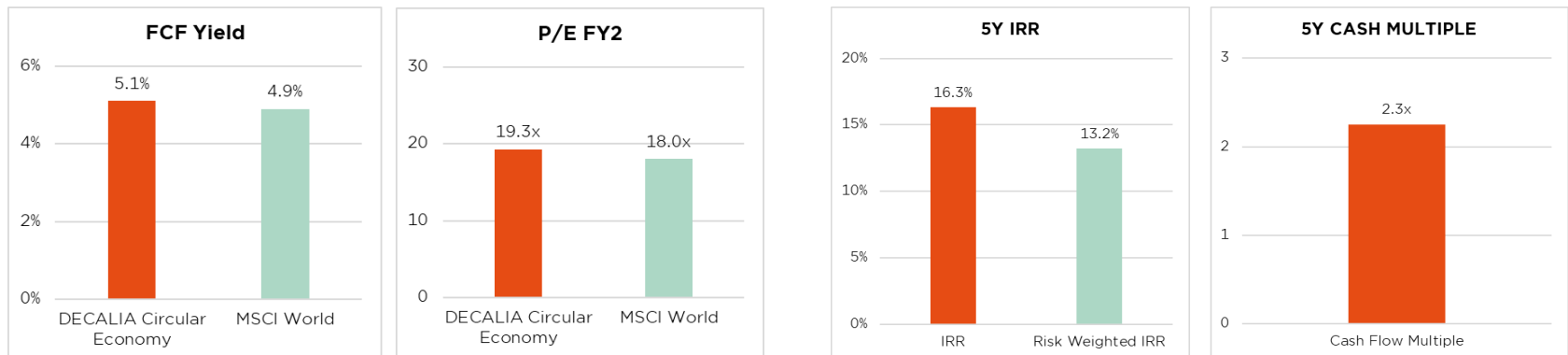
QUALITY

SAFETY

PRICING POWER / EFFICIENCY

Valuation profile

Portfolio upside



Top 10 Holdings

Absolute	
Company	Weight
Microsoft Corporation	4.2%
Vontier Corp	3.7%
Waste Management, Inc.	3.3%
Avery Dennison Corporation	3.2%
Neste Corporation	3.1%
LKQ Corporation	2.8%
Cummins Inc.	2.8%
Otis Worldwide Corporation	2.7%
Adobe Inc.	2.7%
Mondi plc	2.6%

Relative	
Company	Weight
Vontier Corp	3.7%
Avery Dennison Corporation	3.2%
Waste Management, Inc.	3.2%
Neste Corporation	3.0%
LKQ Corporation	2.8%
Cummins Inc.	2.8%
Otis Worldwide Corporation	2.7%
Mondi plc	2.6%
Laboratory Corporation of America Holdings	2.4%
Agilent Technologies, Inc.	2.4%

Key Ratios

	DECALIA Circular Economy	MSCI World
Market Capitalization - USD Millions	217 820	433 765
# of Securities	52	1 556
Dividend Yield	1.1%	1.6%
Price/Earnings FY2	19.9x	18.7x
Est 3-5 Yr EPS Growth	17.1%	17.0%
Sales Growth 2020	0.3%	-1.1%
EPS Growth 2020	7.6%	-3.7%
Price/Book	5.0x	3.2x
ROCE	18.4%	10.5%
Net debt/EBITDA	0.56	1.18

✓ A set of quality businesses

✓ Less leverage

✓ A sound valuation profile

Source DECALIA - Data as of 31/10/21

SHORT-TERM



✓ **Green stimulus packages** from regulators and policymakers



✓ Efficiency becomes a key operational and strategic concept



✓ Growing **consumer awareness**



✓ Valuation of «cyclical» companies at **affordable levels**

MEDIUM-LONG TERM

1. Superior growth profiles, better risk controls than linear economy companies

2. Increasing margins

- Service model is less capital intensive
- Lower raw materials costs

3. Multiple expansion

- Revenue and recurrent cash-flow reduce the risk profile
- Capital inflows on sustainable stocks lower the cost of capital

THE CIRCULAR ECONOMY BRINGS **THE THREE MAIN INGREDIENTS** FOR A SUCCESSFUL LONG-TERM INVESTMENT

Fund Type	UCITS, Luxembourg SICAV	Share Classes	ISIN Code	Management Fee	Registered in	Tax figures
Custodian	Pictet & Cie (Europe) S.A.	A1 USD P	LU1787059036	1.50%	LU, CH, IT	CH
Central Administrator	FundPartner Solutions (Europe) S.A.	A1 CHF H P	To be opened	1.50%	LU, *	CH
Auditors	PricewaterhouseCoopers	A1 EUR H P	LU1787059465	1.50%	LU, CH, IT	CH
Management Company	FundPartner Solutions (Europe) S.A.					
Fund Manager	DECALIA S.A.	R USD P	LU1787060471	0.90%	LU, CH, IT (inst)	CH, UKRS
Reference index	MSCI World	R CHF H P	To be opened	0.90%	LU, *	CH
Fund Launch Date	30.05.2018	R EUR H P	To be opened	0.90%	LU, *	CH, UKRS
Liquidity	Daily					
Trade Date	T	I USD P	LU1787061107	0.75%	LU, CH, IT (inst) DE	CH, AT
Cut-off time	T 12:00 CET	I CHF H P	LU1787061362	0.75%	LU, *	CH
Settlement date	T+2	I EUR H P	LU1787061529	0.75%	LU, CH, IT (inst) DE	CH
Management Fee	Refer to the share classes for details					
Performance Fee	10% over the reference index					
Fund Domicile	Luxembourg					
NAV available through	Bloomberg, Morningstar, Telekurs, Lipper	Further Information	www.decaliagroup.com			

* To be registered in CH at launch

DECALIA SA

31, rue du Rhône
Case postale 3182
CH - 1204 Genève

Tél. +41 22 989 89 89
Fax +41 22 310 44 27
info@decalia.com

DECALIA Asset Management SIM SpA
Corso Europa, 2
I - 20123 Milano

Tel. +39 02 3211571

This document is a marketing document and reflects the opinion of DECALIA SA, thereafter DECALIA, as of the date of issue. It is neither directed to, nor intended for distribution or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation. Only the latest version of the fund's prospectus, regulations, Key Investor Information Document, annual and semi-annual reports may be relied upon as fund the basis for investment decisions. You should read the Prospectus and the Key Investor Information Document (KIID) for each fund in which you want to invest. These documents are available on www.decaliagroup.com or at FundPartner Solutions (Europe) S.A., 15 Avenue J.F. Kennedy, L-1855 Luxembourg.

Reasonable efforts have been made to ensure that the content of this document is based on information and data obtained from reliable sources. However, DECALIA has not verified the information in this document and does not guarantee its accuracy or completeness. DECALIA accepts no liability whatsoever and makes no representation, warranty or undertaking, express or implied, for any information, projections or any of the opinions contained herein or for any errors, omissions or misstatements. The information contained herein is subject to change without prior notice. DECALIA gives no undertaking to update this document or to correct any inaccuracies in it which may become apparent.

This document may refer to the past performance of investment interests. Past performance is not a guide to current or future results. The value of investment interests can fall as well as rise. Any capital invested may be at risk and you may not get back some or all of your original capital. In addition, any performance data included in this document does not take into account fees and expenses charged on issuance and redemption of securities nor any taxes that may be levied. Changes in exchange rates may cause increases or decreases in your return.

All statements other than statements of historical fact in this document are "forward-looking statements". Forward-looking statements are not guarantees of future performance. The financial projections included in this document do not represent forecasts or budgets, but are purely illustrative examples based on a series of current expectations and assumptions which may not eventuate. The actual performance, results, financial condition and prospects of an investment interest may differ materially from those expressed or implied by the forward-looking statements in this document as the projected or targeted returns are inherently subject to significant economic, market and other uncertainties that may adversely affect performance. DECALIA disclaims any obligation to update any forward-looking statement, as a result of new information, future events or otherwise.

The tax treatment of any investment depends on your individual circumstances and may be subject to change in the future.

This is a marketing document and is intended for informational and/or marketing purposes only. It should not be construed as advice or any form of recommendation to purchase or sell any security unless otherwise specifically stated. It does not replace a prospectus or any other legal documents that can be obtained free of charge from the registered office of a fund or from DECALIA. The opinions herein do not take into account individual investors' circumstances, objectives, or needs. Each investor must make his/her own independent decision regarding any securities or financial instruments mentioned herein and should independently determine the merits or suitability of any investment. Investors are invited to read carefully the risk warnings and the regulations set out in the prospectus or other legal documents and are advised to seek professional advice from their financial, legal and tax advisors.

The document neither constitutes an offer nor a solicitation to buy, subscribe for or sell any currency, product or financial instrument, make any investment, or participate in any particular trading strategy in any jurisdiction where such an offer or solicitation would not be authorized, or to any person to whom it would be unlawful to make such an offer or invitation.

This document is confidential and is intended only for the use of the person to whom it was delivered. This document may not be reproduced (in whole or in part) or delivered to any other person without the prior written approval of DECALIA.

This presentation is addressed only to:

- Swiss qualified investors as defined under art 10 para 3, 3bis and 3ter of the Collective Investment Scheme Act (CISA);
- Professional investors, as defined in Annex II to the Directive 2004/39/EC, who are established in another Member State of the European Union.

DECALIA is authorized and regulated in Switzerland by the Swiss Financial Market Supervisory Authority. In May 2015, DECALIA has been granted by the Swiss regulatory authority FINMA the agreement to manage investment funds as per CISA (collective investment schemes agreement).

Paying agent in Switzerland: Banque Pictet & Cie SA, 60 route des Acacias, 1211 Genève, Suisse

Representative in Switzerland: FundPartner Solutions (Suisse) S.A., Route des Acacias 60, 1211 Genève, Suisse

The place of execution and jurisdiction in connection with the shares distributed in or from Switzerland is at the registered office of the Representative