GENERALI INVESTMENTS

INNOVATION INVESTING

Two approaches for unlocking the growth potential of AI and beyond

JANUARY 2024

With AI and digitalisation set to revolutionise every sector, companies that can unlock, integrate or enable the growth potential of rapidly advancing new technologies should find themselves the winners of tomorrow, explain two innovation specialist portfolio managers from the Generali Investments ecosystem.

Anis Lahlou
CIO Equity, UK and PM - Aperture Investors

EUROPE: THE OVERLOOKED INNOVATION POWERHOUSE

We seek European companies that are embracing and integrating innovation into their DNA – whatever the sector

How does Aperture European Innovation ("AEI") invest in innovation as a growth enabler?

AEI's investment strategy revolves around understanding the S-curve, a fundamental concept in innovation. The S-curve represents the typical adoption pattern of innovations over time, from the slow early beginnings as the technology or process is developed, to an acceleration phase as it matures and begins to be adopted (the steepening of the curve) and, finally, to its stabilisation over time, as adoption becomes widespread (the flattening of the curve). While each innovation has unique drivers, the S-curve reveals a common trajectory.

Our approach is to leverage the S-curve in seeking to identify sustainable growth. Take generative AI, for example, which is a groundbreaking innovation expected to define the next decade or more – regardless of whether interest rates and inflation go up, down, or sideways. Generative AI is a prime example of a potentially exponential adoption curve that we seek to exploit in our strategy. To invest in these kinds of remarkable growth enablers, we analyse each innovation within its own vertical and try to understand where it currently sits on the adoption curve, while applying behavioural finance teachings in our efforts to unveil market biases around the share price, projected forward earnings, and other company fundamentals. This meticulous bottom-up analysis helps us determine whether potential investments align with our growth-centric perspective.

How does the Aperture European Innovation strategy use flexibility and sector-diversification to target growth opportunities?

AEI's *raison d'être* lies in recognizing that innovation transcends and permeates every sector. It's everywhere, from healthcare's digitalized drug discovery (like mRNA technology) to the elephant in the room, generative AI, which is the most versatile technology I think we've seen since electricity. And remember, while electricity revolutionized industries, it wasn't just confined to "the power sector." Similarly, generative AI will seep into everything – finance, medicine, real estate… the list continues.

David Rainville
Portfolio Manager, Global Technology - Sycomore AM

COMBING THE GLOBE FOR SUSTAINABLE TECHNOLOGY ENABLERS

Our deep proprietary ESG analysis allows us to find responsible companies worldwide that are unlocking the digital revolution

How does Sycomore Sustainable Tech ("SST") invest in innovation as a growth enabler?

Over the next decade, digital products and services will claim a growing share of global GDP, transitioning from 15% to 30%. This implies that the technology sector should significantly outperform global economic growth. That's why the Sycomore Sustainable Tech strategy invests in the underlying infrastructure and the enabling technologies that are driving this digital revolution – the core engines propelling the digitalisation megatrend. Our investment universe is global, and as an Article 9 strategy under SFDR, we seek responsible companies that we believe can generate sustainable returns over the long-term for our investors.[1]

Our strategy focuses on two key areas. Firstly, the majority of our investments are allocated to digital infrastructure, encompassing public cloud vendors, infrastructure software, data and analytics companies as well as the underlying "deep tech" value chain like servers, chips and networking equipment. We also invest in technologies that help secure this new world infrastructure, through cybersecurity companies. We invest in both established leaders and disruptive new entrants in this space. Secondly, we invest in the applications that sit atop that infrastructure, which people use in their day-to-day, whether for work, or in their personal lives. We specifically seek companies in the application space unlocking this potential through advanced data analytics, AI-powered insights, and workflow improvement solutions. We believe the ability to derive actionable and intelligent insights (application layer) from data (infrastructure layer) will be a key differentiator for businesses across all industries.

Unlike many strategies drawn to consumer-facing technology, we mostly prioritise enterprise-oriented solutions empowering businesses to adapt and thrive in the digital age. We prefer this customer base (vs. consumer markets) because they are sophisticated and committed technology buyers that have very large wallets with very low churn. These companies buy technologies that enhance their operational efficiency, optimize their workflows, and facilitate the development of next-generation digital products and services which allows them to be relevant in an increasingly digital future.

[1] Find more about the Sustainable Finance Disclosure of the Fund in the following pages.

When we launched AEI, the investing world was laser-focused on US tech, neglecting Europe's potential – a manufacturing powerhouse that is teeming with innovation. Every industry here bursts with opportunity. Just look at healthcare, where digital tools are accelerating drug discovery, and that's just the tip of the iceberg.

Now, with generative AI in its early stages, the spotlight is on "enablers." These are the companies building the infrastructure for this revolution, and Europe is often overlooked. The world is buzzing about ChatGPT and Nvidia, but they need a whole ecosystem to thrive. Nvidia's supercomputers need supercomputers to make them, and many of those are made by European industrial giants. AI is not a solo show. I'd point to an excellent recent article in The Economist explaining how Europe is at the very epicenter of AI enablement ("Does Europe at last have an answer to Silicon Valley?")[2]

In short, innovation is not just about "tech companies" in Europe; it's about traditional industries embracing innovation and integrating it into their DNA. They're not just finding applications for AI; they're embedding it, becoming smarter, and more efficient.

So, every sector, every vertical – that's where the growth opportunities lie. It's not about finding a niche for AI; it's about weaving it into the fabric of your business. That's why AEI emphasizes sector diversification and extends beyond the US and tech.

What are the key opportunities and threats for European innovation in 2024?

In 2024, our focal point is the transformative potential of generative AI due to its qualities as a general-purpose technology across various industries. Meanwhile, research into ageing and longevity that leverages AI is expected to advance. Defined EVs, tackling range anxiety and affordability, are also poised to make major advancements. Additionally, graphics processing unit ("GPU") manufacturers, cloud service providers, and R&D leaders in natural language processing and machine learning are primed to benefit from the AI boom. While Europe holds hidden AI gems across all sectors, there is potential for both winners and losers given the technology's rapid evolution. Regulatory and societal impacts like job displacement and privacy concerns warrant careful consideration, but AI's long-term potential remains in our view a compelling investment prospect.

Anis Lahlou
CIO Equity, UK and PM
Aperture Investors

How does SST's focused ESG approach help to target growth opportunities?

The Sycomore Sustainable Tech team takes a distinctive approach to tech investing, prioritizing long-term financial fundamental strength as well as strong sustainability profiles. We go beyond traditional financial analysis by conducting a holistic 360 review of the business across all stakeholders which is underpinned by our proprietary SPICE research methodology. Our process considers the perspectives of society & suppliers, people (employees), investors (business model and governance), customers, and the environment. This comprehensive approach helps us identify companies with lower risk, leading to investments that, in our view, create sustainable value that is shared over the long term. In addition, our model assesses how companies integrate sustainability issues into their operations and the positioning of their products and services in meeting societal and environmental challenges.

At the heart of our philosophy lies the Charter of Responsible Tech, co-authored with Revaia. This framework focuses on three key pillars:

1. Tech for Good: We invest in companies whose products and services have a positive societal or environmental impact. This is not just about "feel-good" initiatives; we assess potential impact through quantitative methods, research and company discussions.

2. Good for Tech: We assess whether and to what extent the practices of a company are designed to be responsible and to limit negative externalities of technology on individuals and the environment. Does the company design and use technology ethically and responsibly? Companies with stringent data privacy guidelines exemplify this pillar, while companies like Facebook/Meta, with its Cambridge Analytica scandal, falls short.

3. Improvement Enablers: We prioritize companies actively improving the first two pillars. This allows us to engage with businesses on their journey to adopt best sustainability practices.

For a company to make it into our portfolio, it must meet at least two of these three criteria. The aim is to identify companies with positive long-term sustainability benefits and mitigated negative risks across all stakeholder groups, generating both financial returns and positive changes.

What are the key opportunities and threats for Sustainable Tech in 2024?

We view cybersecurity, particularly through AI, as the biggest risk, as cyberattacks are escalating aided by the better emulation of human behaviour by large-language models. Investing in cybersecurity, therefore, becomes a positive growth enabler for us. Another risk, in our view, is with companies building generative AI products and the non-ethical AI risks they carry. We expect more regulatory scrutiny on the horizon as we see a lack of clear guidelines currently, so thorough analysis is essential. Looking ahead, we favour opportunities in the semiconductor and software sectors due to higher quality and superior margins. We more cautious on certain hardware companies that carry lower margins and have much higher instances of human rights and labour rights violations in the supply chains.

David Rainville
Portfolio Manager, Global Technology
Sycomore AM

[2] "Does Europe at last have an answer to Silicon Valley?" The Economist, Jan 8th 2024. Link: https://www.economist.com/business/2024/01/08/does-europe-at-last-have-an-answer-to-silicon-valley

FUNDS FACTS
as at Jan 2024

	APERTURE INVESTORS SICAV EUROPEAN INNOVATION	SYCOMORE SUSTAINABLE TECH
Investment policy	The objective of the Fund is to generate superior long-term risk adjusted returns in excess of the MSCI Europe Net Total Return EUR Index by investing in a portfolio exposed essentially to European equities and equity-related instruments.	The objective is to outperform the MSCI AC World Information Technology Index Total Return (denominated in EUR) over a minimum investment horizon of five years, through a SRI strategy in listed equities.
Benchmark	MSCI Europe Net Total Return EUR Index[1]	MSCI AC World Info. Tech. Net[2]
Management Company	Generali Investments Luxembourg S.A.	Generali Investments Luxembourg S.A.
Investment Manager	Aperture Investors UK, LTD	Sycomore Asset Management
Structure	Luxembourg UCITS - SICAV	Luxembourg UCITS - SICAV
Inception date	17.12.2017	09.09.2020
Base currency	EUR	EUR
Recommended Holding Period	5 years	3 years
ISIN	LU2077746936 (I Eur Dis)	LU2181906269 (IC Eur Acc)
Countries of registration	AT, FR, DE, IT, LU, PT, ES, CH, GB	BE, DE, ES, FR, IT, LU, PT
Fund Domicile	Luxembourg	Luxembourg
AUM	€515 M	€213 M
Fund Manager	Anis Lahlou	Luca Fasan and David Rainville
Entry / Exit Charge[3]	Up to 3.00 max / None	5.00% / None
Management Fee	0.30%	Max 1%
Total Ongoing Charges[4]	0.55 per year	1% per year
Transaction costs	0.93%	0.24%
Performance Fee	2% Positive or negative performance adjustment of the VMF up to +/-2.55% from the VMF Midpoint of 2.85% with a VMF Minimum 0.30% and VMF Maximum of 5.40%.	15% over the MSCI AC World Information Technology Index Total Return Amount of performance fee charged in the last financial year. The actual amount will vary depending on how well your investment performs.
Valuation of the Net Asset Value (NAV)	Daily	Daily

[1]Used for Performance Fee Calculation. [2]The product is actively managed in reference to the Benchmark. The Investment Manager has full discretion over the composition of the portfolio and therefore its composition may deviate from the Benchmark. [3]The percentage of entry and exit fees is based on the NAV. [4]Management fees and other administrative or operating costs. There is no guarantee that an investment objectives will be achieved or that a return on capital will be obtained. The Sub-funds does not benefit from any guarantee to protect the capital.

APERTURE INVESTORS SICAV EUROPEAN INNOVATION

RISK AND REWARD PROFILE

Lower risk — Higher risk

1	2	3	**4**	5	6	7

Potentially lower rewards — Potentially higher rewards

The risk indicator assumes you keep the Product for 5 years. The summary risk indicator is a guide to the level of risk of this Product compared to other products. It shows how likely it is that the Product will lose money because of movements in the markets or because we are not able to pay you. We have classified this Product as 4 out of 7, which is a medium risk class. Beside the risks included in the risk indicator, other risks may affect the fund performance.

Inherent risk of the Fund (non-exhaustive list): Sustainable Finance risk, Market risk, Volatiity risk (Due to the exposure of the Sub-fund to financial derivative instruments the volatility can at times be magnified). **Investment in smaller companies, Foreign exchange, Equity, Short exposure risk, Derivatives** (the expected level of leverage may vary up to 200% and may increase the risk of loss). **OTC financial derivative Instruments, Investment in SPACs, Interest rate risk, Credit risk, Emerging Markets, Rule 144A and/or Regulation S securities. Risk of capital loss:** this is not a guaranteed product. Investors may risk losing part or all of their initial investment.

SFDR CLASSIFICATION

The Sub-fund promotes environmental or social characteristics as per Article 8 of the Regulation (EU) 2019/2088 on sustainability-related disclosures in the financial services sector ("SFDR"). It does not have sustainable investments as its objective.

WHAT ENVIRONMENTAL AND/OR SOCIAL CHARACTERISTICS ARE PROMOTED BY THIS FINANCIAL PRODUCT?

Exclusionary screen: The Sub-fund incorporates a firm-wide ESG exclusionary screen which looks to exclude businesses with any revenue exposure to the following activities: Production of controversial weapons and country exclusions based on international sanctions. In addition, the Sub-fund applies further revenue-based exclusions with various thresholds with regards to thermal coal, oil sands, nuclear power generation, tobacco, and palm oil.

Proxy voting: The Investment Manager must have in place and apply at all times policies and procedures in respect of proxy voting that, in general terms, prioritise sustainability concerns and seek to advance sustainability goals, such as advocating for stewardship of environment, fair labour practices, non-discrimination, the protection of human rights and advancing principles of good corporate governance.
No reference benchmark has been designated for the purpose of attaining the environmental or social characteristics promoted by the Sub-fund.

SYCOMORE SUSTAINABLE TECH

RISK AND REWARD PROFILE

Lower risk — Higher risk

1	2	3	4	**5**	6	7

Potentially lower rewards — Potentially higher rewards

The summary risk indicator is a guide to the level of risk of this product compared to other products. It shows how likely it is that the product will lose money because of movements in the markets or because we are not able to pay you. We have classified this product as 5 out of 7 which is a medium-high risk class. This rates the potential losses from future performance at a medium high level, and poor market conditions will likely impact our capacity to pay you.

Inherent risk of the Fund (non-exhaustive list): Equity risk, Risk incurred by small and midcap investments, Emerging country risk, Risks inherent in the settlement of transactions and risk factors specific to emerging countries, Derivatives (the expected level of leverage may vary up to 200% and may increase the risk of loss), **Sustainable finance. Risk of capital loss:** this is not a guaranteed product. Investors may risk losing part or all of their initial investment.

SFDR CLASSIFICATION

The Fund has sustainable investments as its objectives as per Article 9 as per Regulation (EU) 2019/2088 on sustainability related disclosures in the financial services sector ("SFDR").

WHAT ENVIRONMENTAL AND/OR SOCIAL CHARACTERISTICS ARE PROMOTED BY THIS FINANCIAL PRODUCT?

As mentioned in the prospectus, the investment objective of Sycomore Sustainable Tech is to outperform the MSCI AC World Information Technology Index Total Return (denominated in EUR) over a minimum investment horizon of five years, through a SRI strategy in listed equities. By selecting companies that value the responsible use of technology as a key driver for sustainable performance, the Sub-Fund aims to generate a positive impact on social issues, notably as highlighted by the United Nations' Sustainable Development Goals.The Sub-Fund aims to overweight the theme of sharing of companies' growth among stakeholders, particularly their societal contribution.

No reference benchmark has been designated to meet the sustainable investment objective of the Sub-Fund.

Methodological limits: The Investment Manager will rely on third-party independent scoring to guide and monitor the evolution of these ESG impact and risk rating considerations. The scoring is only a guide and not a substitute to further bottom-up analysis, which ultimately assesses the relevance and materiality of the scores.

Before making any investment decision, please read the Key Information Document (KID), the Prospectus, its SFDR Appendix and the SFDR website product disclosures to consider all characteristics, objectives, binding elements of the selection process and methodological limits. A summary of the SFDR website product disclosures are available on Generali Investments and Sycomore websites.

IMPORTANT INFORMATION

This marketing communication is related to Aperture Investors SICAV and Sycomore Asset Management, open-ended investments companies with variable capital (SICAV) under Luxembourg law of 17 December 2010, qualifying as an undertaking for collective investment in transferable securities (UCITS) and their Sub-Funds, European Innovation Fund and Sycomore Sustainable Tech, altogether referred to as "the Funds". This marketing communication is intended only for professional investors in the countries where the Funds are registered for distribution and is not intended for retail investors, nor U.S. Persons as defined under Regulation S of the United States Securities Act of 1933, as amended.

This document is issued by Generali Asset Management S.p.A. Società di gestione del risparmio.

Generali Investments Luxembourg S.A. is authorized as a UCITS Management Company and Alternative Investment Fund Manager (AIFM) in Luxembourg for European Innovation Fund, regulated by the Commission de Surveillance du Secteur Financier (CSSF) - CSSF code: S00000988, LEI: 222100FSOH054LBKJL62.

Generali Asset Management S.p.A. Società di gestione del risparmio is authorized as Italian asset management company, regulated by Bank of Italy and appointed to act as marketing promoter of the Fund in the EU/EEA countries where the Fund is registered for distribution - (Via Niccolò Machiavelli 4, Trieste, 34132, Italia - C.M. n°: 15376 - LEI: 549300LKCLUOHU2BK025).

Aperture Investors UK Ltd is authorized as Investment Manager in the United Kingdom, regulated by the Financial Conduct Authority (FCA) – (135-137 New Bond Street, London W1S 2TQ, United Kingdom – UK FCA Reference n°: 846073 – LEI: 549300SYTE7FKXY57D44). Aperture Investors, LLC is authorized as investment adviser registered with the U.S. Securities and Exchange Commission ("SEC") which wholly owns Aperture Investors UK, Ltd, altogether referred as "Aperture".

Sycomore Asset Management ("Sycomore AM") is authorized as UCITS management company and Alternative Investment Fund Manager (AIFM) in France for Sycomore Sustainable Tech, regulated by the Autorité des Marchés Financiers (AMF) - 14 avenue Hoche 75008 Paris, France - AMF code: 1115835, LEI: 9695006BRVMTPTUB1R68.

For Aperture Investors SICAV: Before making any investment decision, investors must read the Prospectus, their SFDR Appendices and the Key Information Documents ("KIDs"). The KIDs are available in one of the official languages of the EU/EEA country, where the Funds are registered for distribution, and the Prospectus/ SFDR Appendices are available in English (not in French), as well as the annual and semi-annual reports at www.generali-investments.lu or upon request free of charge to Generali Investments Luxembourg S.A., 4 Rue Jean Monnet, L-2180 Luxembourg, Grand Duchy of Luxembourg, e-mail address: GILfundInfo@generali-invest.com. The Management Company may decide to terminate the agreements made for the marketing of the Fund. A summary of your investor rights (in English or an authorized language) is available at www.generali-investments.lu in the section "About us/Generali Investments Luxembourg". A summary of the SFDR Product Disclosures (in English or an authorized language) is available under the Funds page of the website in the "Sustainability-related disclosure" section.

For Sycomore Asset Management: Before making any investment decision, investors must read the Prospectus, their SFDR Appendices and the Key Information Documents ("KIDs"). The KIDs are available in one of the official languages of the EU/EEA country, where the Funds are registered for distribution, and the Prospectus/ SFDR Appendices are available in English (not in French), as well as the annual and semi-annual reports at https://en.sycomore-am.com/ or upon request free of charge to Sycomore Asset Management, 14 avenue Hoche 75008 Paris, France e-mail address: info@generali-invest.com. The Management Company may decide to terminate the agreements made for the marketing of the Fund. A summary of your investor rights (in English or an authorized language) is available at https://en.sycomore-am.com/. A summary of the SFDR Product Disclosures (in English or an authorized language) is available under the Funds page of the website.

This marketing communication is not intended to provide an investment, tax, accounting, professional or legal advice and does not constitute an offer to buy or sell the Funds or any other securities that may be presented. Any opinions or forecasts provided are as of the date specified, may change without notice, may not occur and do not constitute a recommendation or offer of any investment. Past or target performance do not predict future returns. There is no guarantee that positive forecasts will be achieved in the future. The value of an investment and any income from it may go down as well as up and you may not get back the full amount originally invested. The future performance is subject to taxation, which depends on the personal situation of each investor and which may change in the future. Please liaise with your Tax adviser in your country to understand how your returns will be impacted by taxes. The existence of a registration or approval does not imply that a regulator has determined that these products are suitable for investors. It is recommended that you carefully consider the terms of investment and obtain professional, legal, financial and tax advice where necessary before making a decision to invest in a Fund.