A WORLD IN TRANSITION

SPECIAL EDITION

EUROPEAN INVESTOR SUMMIT 2024

THE FUTURE IS YOU

SOCIETE GENERALE
Securities Services

NAVIGATING A WORLD IN TRANSITION

As we mark **the 160th anniversary of Societe Generale** this year, we are also celebrating **the 5th edition of SGSS' European Investor Summit**. And the first thing that comes to mind is to thank you for your loyalty to our annual event, the success of which you make possible by kindly coming to debate and take part in our discussions.

This year we decided to tackle **the topic of transition**, which lies at the heart of our development challenges. As Winston Churchill said, **"If you don't take change by the hand, it will take you by the throat"**. I believe that in the midst of the stakes of the energy transition, the dawn of new opportunities offered by private capital and innovation in digital assets, we are all committed to **tackling those challenges and seizing every opportunity to serve our customers' investments**.

I am proud and grateful that so many eminent professionals have accepted SGSS' invitation for this day of debates, which revolved around the most pressing issues affecting our industry. These include **the energy transition, the transformation of the private markets segment, changes in investor behaviour and the growth potential offered by the spread of digital assets**.

But we know that the investment industry has always demonstrated its ability to adapt and, even more so, to embrace the great qualities of Olympism. And to illustrate this, I am particularly grateful to Paralympian **Cyril Moré, multiple medallist in wheelchair fencing and alpine skiing**, for sharing with us the values that have made him such an accomplished athlete.

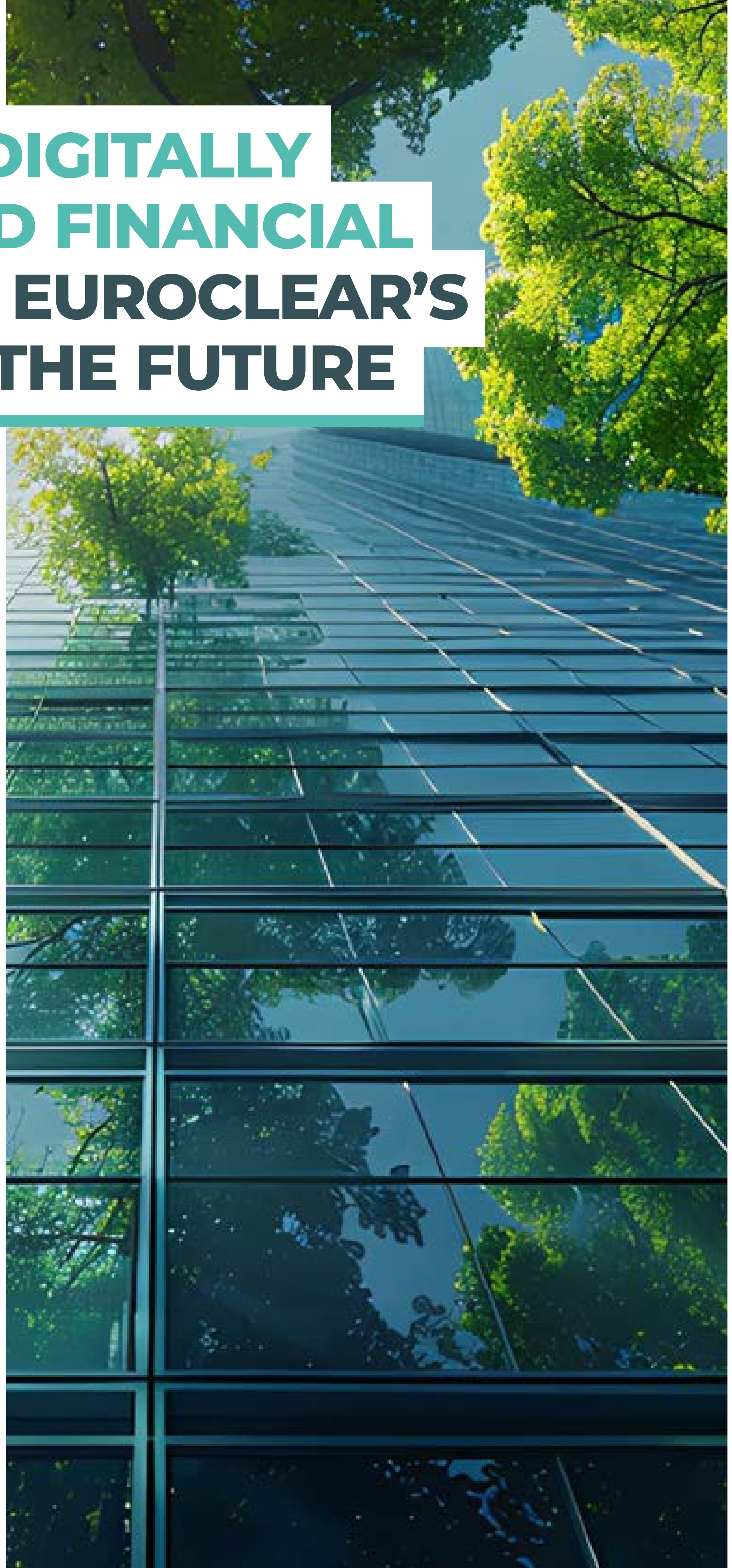
I hope you enjoyed the panels and found value in the day's events. You will find in this magazine some of the day's most prominent topics covered. Happy reading!

GILDAS LE TREUT
Co-Head of Coverage, Marketing & Solutions
Societe Generale Securities Services

CONTENT

IN COLLABORATION WITH euroclear

FORGING A DIGITALLY EMPOWERED FINANCIAL ECOSYSTEM: EUROCLEAR'S VISION FOR THE FUTURE



BERNARD FERRAN

Chief Commercial Officer

Euroclear

Discover how Euroclear is pioneering a paradigm shift in financial services through data-driven innovation, strategic partnerships and a client-centric mindset.

REDEFINING THE FINANCIAL MARKET INFRASTRUCTURE: OUR TRANSFORMATIVE ROADMAP

In the fast-paced world of finance, Euroclear is embarking on a transformative journey. Traditionally known for our expertise in post-trade services, **we are redefining our role as a Data and Digital-Enabled Financial Market Infrastructure – a vision we refer to as 'D^2FMI'**.

At the core of this strategic shift lies Euroclear's ambition to leverage data and cutting-edge technologies to reshape the existing market model. By transitioning from a sequential value chain to an open, collaborative platform, we aim to co-create innovative data-driven solutions with our clients, fintech partners and other industry players.

UNLOCKING NEW FRONTIERS OF GROWTH AND EFFICIENCY

The implications of the Euroclear D^2FMI initiative are far-reaching, promising significant benefits for our clients and the broader financial ecosystem.

From reducing operational costs and risks to unlocking capital for new business opportunities, our data-driven approach is set to drive increased efficiency, expanded reach and greater value creation. Our objective is to craft solutions that address the evolving needs of our customers and catalyse industry advancements. This includes empowering clients to optimise their balance sheets through tokenisation - opening up new avenues for growth and innovation.

TOKENISATION OF ILLIQUID ASSETS: A TRANSFORMATIVE OPPORTUNITY

One of the key focus areas for Euroclear's D^2FMI initiative is the tokenisation of global illiquid assets, a market opportunity projected to reach a staggering USD 16 trillion by 2030[1]. By representing physical assets or digital rights on a blockchain, **tokenisation has the potential to unlock liquidity** and create new investment channels across a wide range of hard-to-access assets, from real estate to private equity. However, the journey towards widespread institutional adoption of tokenised assets has been fragmented, with firms often working in silos and struggling to drive broader ecosystem development. As a leading FMI, Euroclear is poised to play a pivotal role in bridging the gap between digital asset securities and the conventional financial landscape.

PIONEERING DISTRIBUTED LEDGER TECHNOLOGY (DLT) INITIATIVES

Recognising the transformative potential of DLT, we have been actively engaged in exploring and implementing this technology. Over the years, we've participated in various DLT projects with market partners, and **have recently launched our own DLT platform - D-FMI - with an initial module for digital securities issuance**. One notable milestone is the World Bank's utilisation of the D-FMI platform to issue Digital Native notes, supporting the financing of sustainable development initiatives. More recently, the Asian Infrastructure Investment Bank (AIIB) successfully issued its first digitally native note on our D-FMI platform, and we anticipate a growing number of issuers leveraging this platform in the future. Furthermore, we recently collaborated with DTCC[2] and Clearstream, with the support of the Boston Consulting Group (BCG), on a comprehensive whitepaper outlining a blueprint for an industry-wide digital asset ecosystem. The Digital Asset Securities Control Principles (DASCP) introduced in the paper aim to address regulatory compliance and mitigate operational risks, paving the way for the wider adoption of tokenised assets.

EMBRACING DLT: PRAGMATISM AND PURPOSE

While Euroclear recognises the transformative potential of DLT, we cannot emphasise enough the importance of taking a pragmatic approach. **DLT is a powerful technology, but it's not a one-size-fits-all solution**. We need to embrace it for the right purpose and in the right context.

As an FMI, Euroclear's role is to guide our clients and partners in navigating the complexities of the evolving digital landscape. By providing innovative solutions and a collaborative platform, we aim to help our clients unlock the full potential of DLT and other emerging technologies.

FOSTERING A CULTURE OF COLLABORATION AND CLIENT-CENTRICITY

Realising Euroclear's vision of a data and digital-enabled FMI requires more than just technological advancements. Bringing our D^2FMI vision to life requires the collective efforts of our clients, partners and our own talented team. Fostering **a mindset of collaboration, innovation and client-centricity** among our people is crucial to the success of this transformative journey. Euroclear has transitioned from a siloed organisational structure to a more agile, cross-functional model, bringing together diverse expertise to address the evolving needs of our clients. This holistic approach, encompassing areas such as client demand, risk management, resilience and compliance, ensures that we remain responsive and adaptable in the face of industry changes.

UNWAVERING COMMITMENT TO INNOVATION AND VALUE CREATION

At Euroclear, our dedication to driving progress, enhancing efficiency and creating value for our clients and the broader industry remains steadfast. In partnership with our clients and the market, we will continue to help shape the future of the global financial ecosystem.

Euroclear's transformation into a leading Data and Digital-Enabled FMI is a complex undertaking, yet the destination promises a future where financial services are **more integrated, efficient and responsive** to the needs of an increasingly dynamic world.

(1) Source: Boston Consulting Group (BCG) 2022 report.
(2) Depository Trust & Clearing Corporation

PEERING INTO 2025: IT COULD BE BUMPY!

PAUL JACKSON

Global Head of Asset Allocation Research

Invesco

Over recent years, policy makers and financial markets have been preoccupied with inflation. However, I suspect **the emphasis will now switch to growth**, or rather the lack of it in the United States (US). Just as the US Federal Reserve (Fed) committed a policy error in 2021 (by waiting too long to tighten), I fear it has committed the opposite error in 2024 by waiting too long to ease.

FISCAL POLICY HAS GIVEN THE US ECONOMY AN EDGE SINCE THE PANDEMIC

The US economy has certainly outperformed Europe over recent decades. However, much of that was explained by population growth, with annualised real GDP[1] per capita growth from 2000 to 2023 almost the same in the EU[2] (1.22%) as in the US (1.21%), based on PPP (purchasing power parity) conversions to US dollars[3].

Nevertheless, since the onset of the pandemic, the US has outperformed the EU, with annualised growth since 2019 of 1.33% versus 0.87% (though China has done much better at 5.15%). In my opinion, much of the outperformance by the US is due to the fiscal support offered by the US government during and since the pandemic. For example, US government gross debt to GDP rose from 108% in 2019 to 121% in 2023, while in Germany the gross debt ratio fell from 68.5% to 65.4%[4].

BUT THE US CONSUMER IS RUNNING OUT OF STEAM AND THE FED IS NOT HELPING

The fiscal transfers in the US allowed household excess savings to rise way beyond what was seen elsewhere. Not only have US households spent those excess savings, but they have also reduced the savings rate to close to historical lows, while in Germany the savings rate is close to historical norms. I believe this explains why US consumer spending excelled but then ground to a halt during the first half of 2024: with very little real income growth and savings depleted, the US consumer has no way to boost spending.

This is why I think the Fed may already have committed a policy error: with core inflation on the way towards its target rate, waiting so long to start easing increases the risk of recession, in my view. Hence, I think **there is a risk that we start 2025 preoccupied by the spectre of US recession**.

Of course, there may be a change of US president and it is expected that a second term for Donald Trump would bring tax cuts and an even larger fiscal deficit. Even if that fiscal largesse boosts the economy, it is unlikely to be implemented in the first half of 2025, so could come too late to avoid recession. Even worse, it is possible that markets react negatively to the prospect of an increased fiscal deficit, as seen in the United Kingdom (UK) with the Truss/Kwarteng budget debacle and in the Eurozone when an expansive extreme French government looked a possibility.

A BUMPY ROAD AHEAD FOR CYCLICAL ASSETS AND THE US DOLLAR

What would a weak US economy mean for financial markets? First, of course, a US recession would dampen the global economy, so the problem would spread throughout the world. Second, recessions are usually bad for cyclical assets, meaning that I would expect assets such as equities, high yield and industrial commodities to suffer. In particular, profits tend to follow economies downward, so I would expect default rates to rise at a time when high yield spreads are very narrow (they usually widen when economies weaken). Third, I would expect central banks (and especially the Fed) to cut rates aggressively, which usually brings bull steepening of yield curves, outperformance of government bonds versus equities and the favouring of duration.

I would also expect the US dollar to weaken, which could help non-commodity related emerging market assets. Further, to the extent the Chinese economy can plough its own furrow, it could suddenly look like a sea of tranquillity. This could help Chinese stocks, which I believe are compelling value (at some times this year, my calculations suggest its cyclically adjusted price earnings ratio fell to the same level as in the US in March 2009, when we thought the world was heading for financial collapse and depression).

If the dollar weakens, I think the **Japanese yen is a good candidate to be strongest major currency**. The yen has fallen to an extreme low in real trade weighted terms because its central bank maintained a very accommodative stance while nearly all others tightened aggressively. The BOJ[5] is now tightening (gently) as other central banks are easing, so I think we could see a reversal of that yen weakness.

COULD ARTIFICIAL INTELLIGENCE COME TO THE RESCUE?

Of course, I could be wrong and the global economy may accelerate into 2025, with cyclical assets favoured. The obvious refuge for those seeking reasons to be optimistic is Artificial Intelligence (AI). I certainly believe **it could boost productivity and economic growth** over the medium to long term but doubt its benefits could be felt broadly enough to impact economic outcomes over the next 12 months. Of course, if AI does boost trend growth, I would also expect it to lift real interest rates and we all know how it felt when real rates rose sharply in 2022.

(1) Gross domestic product. **(2)** European Union. **(3)** Source: Own calculations based on International Monetary Fund data. **(4)** Source: Organisation for Economic Co-operation and Development. **(5)** Bank of Japan (Central Bank of Japan).

BROADENING THE PATH TO LOW-CARBON INVESTING: A DIVERSIFIED APPROACH TO CLIMATE-FOCUSED EQUITIES

ERIN BIGLEY

Chief Responsibility Officer; CFA

AllianceBernstein

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Chief Investment Officer
Strategic Core Equities; Portfolio Manager Global Low Carbon -

AllianceBernstein

Investors with a climate focus must take a holistic view of the biggest environmental challenge of our time, because adapting to climate change is just one ingredient of business sustainability and return potential. Both also hinge on a company's strategy and execution, the macroeconomic environment, and shifting cyclical and secular trends.

Company fundamentals such as profitability and capital discipline are equally vital inputs in active climate-focused strategies. Strong fundamentals help quality businesses surmount macro hurdles beyond climate risks, such as inflation and higher interest rates. Attractive share valuations support return potential and help investors avoid risks in expensive parts of the market. We believe that **integrating these three elements in stock selection—quality, climate and price—can better align a portfolio's climate characteristics with investors' long-term financial objectives** (Display 1).

QUALITY CLIMATE AND PRICE: VITAL INPUTS TO ADDRESS RISKS, FIND OPPORTUNITIES

For illustrative purposes only - Source: AllianceBernstein (AB).

HOW WILL COMPANIES FIT INTO THE TRANSITION?

In the transition to low-carbon economies there will be corporate leaders and laggards. Understanding how climate change impacts companies' business models will be crucial for identifying the winners and losers. As a result, we believe an active approach that strikes a strategic balance between quality, climate and price can help a portfolio capture stronger return potential at significantly lower carbon exposure than the benchmark's.

QUALITY: A SOLID FOUNDATION FOR SUSTAINABLE GROWTH

Companies with high-quality features enjoy flexibility to navigate short-term market stresses and longer-term challenges. We believe strong profitability, measured by return on assets (ROA) and return on invested capital, is a robust predictor of future earnings power. And capital discipline can help support margins, particularly in a world of higher interest rates.

Quality business models also tend to be more predictable and potentially less volatile. It's an especially important consideration for climate-focused investors, given how economic conditions, geopolitics and market volatility can place unique strains on low-carbon industries, especially alternative energy.

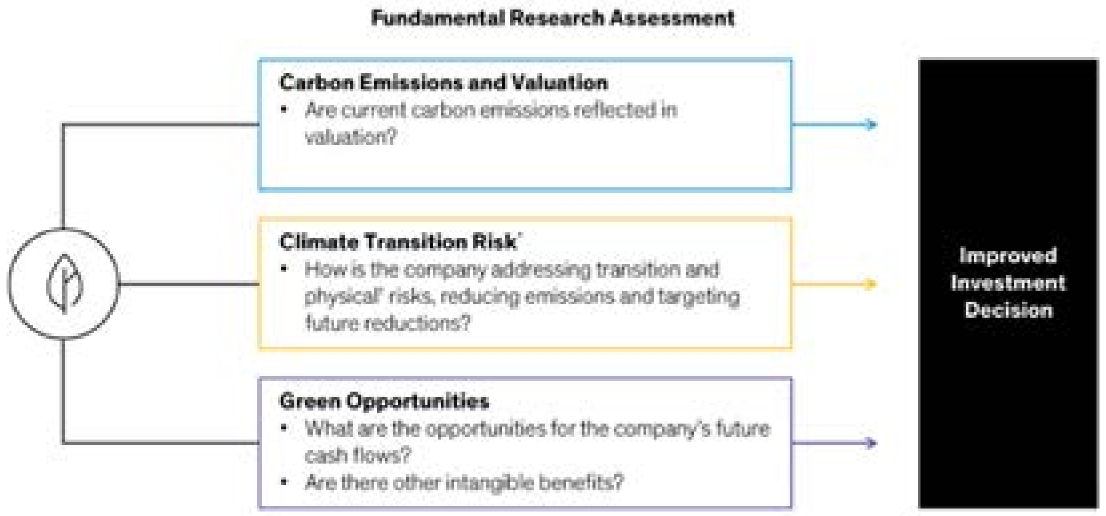
CLIMATE: A PANORAMIC VIEW OF RISKS AND OPPORTUNITIES

Evaluating climate credentials requires a panoramic view of both risks and opportunities. Carbon emissions are a prominent risk, and companies that don't control the associated costs may face lower expected returns and additional volatility. In contrast, companies with clear carbon targets and strategic plans to curb CO_2 emissions should enjoy advantages versus peers with higher carbon intensity.

Meanwhile, green opportunities are already surfacing in a range of industries—including those that aren't typically targeted by climate-focused investors.

Asking the right questions is crucial to discern how companies are transitioning to the low carbon economy (Display 2).

INCORPORATING CLIMATE RESEARCH CAN IMPROVE INVESTMENT OUTCOMES



For illustrative purposes only
*Transition risk: policy, technology and consumer preferences
†Physical: extreme weather events and changes in climate
Source: AB

PRICE: VALUATION UNDERPINS FUTURE RETURN POTENTIAL

Valuation is highly important: investors shouldn't buy climate-focused stocks at any price. Both quality and climate factors can become overvalued, and so **investors need to stick to a valuation discipline** to improve their chances of strong returns.

QUALITY IN ACTION: THE "GREENABLER" CHAIN EFFECT

Quality, climate-focused companies, at attractive valuations can be found among the **greenablers**. These firms are enabling other companies across the value chain to improve their climate credentials. Their products and services help a wide swath of industries to decarbonise, bolstering their climate focus—and growth potential.

Autodesk is one such greenabler. The firm provides computer-aided design software for clients in various industries, including infrastructure, water and transportation—all with a sustainability bent. Autodesk helps businesses such as Schneider Electric, which designs fuel-efficient machinery, and Eaton Construction, which builds energy-saving LEED*-certified structures.

Greenablers can also be overlooked in industries often assumed to be "less green", like manufacturing. Consider Prysmian Group, the world's largest cable producer, supplying the power, energy, infrastructure, construction, industrial and telecom markets. Global decarbonisation hinges on energy transition and electrification, so Prysmian is well positioned to enable customers to connect renewable generation capabilities directly to power grids.

GREEN EXPENDITURES: INVESTING IN RESILIENCE

Green capex is a pivotal indicator both of a company's commitment to sustainability and its preparedness for the transition to a low-carbon economy. So far, corporates are focusing green capex on solar power, battery storage, energy efficiency and electric vehicles. But over time, we expect green investment to broaden across a wider range of areas, including the full range of renewable and/or low-carbon power generation.

QUANTITATIVE RESEARCH HELPS ESTIMATE EXPECTED RETURNS

We believe that **the combination of fundamental and quantitative research** may provide a climate-focused portfolio with an advantage over portfolios that only deploy one type of research. In the illustrative examples below, based on real companies in distinct sectors, we show how quality, climate and price can be used to shape return forecasts (Display 3). For climate, we incorporate a carbon price of $50 per tonne, applied to the industry context. This helps us compare between companies within and across industries at a time when more firms are applying their own shadow prices on carbon, which complicates comparisons. While the mining company offers high quality and an attractive valuation, the cost of carbon drags down its return potential. In contrast, the pharmaceutical manufacturer enjoys stronger return potential because of lower carbon-emission costs.

BALANCING QUALITY, CLIMATE AND PRICE TO SHAPE RETURN FORECASTS

Expected Return (12-Months Forward), Incorporating the Cost of Carbon Emissions, Scopes 1+2+F*

For illustrative purposes only - This example is provided for the sole purpose of illustrating how a research process can be used to help identify investable ideas in a climate-focused portfolio management process. We believe the Scope 1,2 and F framework best estimates a stock's carbon emissions. This data is included in our propriatery quantitative tool. Scope 1,2 and F emissions are measured in metric tonnes of CO_2 equivalent greenhouse gas emissions per annum. To derive the impact of carbon on a return forecast, we multiply the company's most recently disclosed total annual amissions (scopes1+2+F) by the cost of carbon per tonne and offset unsing the company's market cap. This gives us an estimate of the coast to the company to offset all its emissions, which we then use to reduce the expected return from our proprietary model.
*Scope F is fossil fuels produced but not consumed
As of December 31, 2023
Source: AB

A DIVERSIFIED CLIMATE APPROACH FOR A CHANGING WORLD

By following a roadmap to quality stocks with attractive valuations, we believe investors can create a climate-aware portfolio that taps into a wider array of sectors, industries, business models and return sources. **With a diversified equity strategy and risk-management tools**, this type of portfolio can be designed to deliver through macroeconomic cycles, while capturing the extraordinary capital growth being unleashed by growing efforts to decarbonise the world.

*Leadership in Energy and Environmental Design.

SUSTAINABLE INVESTMENT: TIME TO CONVERGE

FOUAD MASSABNI

Head of ESG commercial offer

Societe Generale Securities Services (SGSS)

Early 2024, SGSS conducted a survey among key European asset management players. The goal was to review the progress made, the projects already underway and the obstacles that remain for fund managers based in Europe's main financial centres.

REGULATION IS NO LONGER THE ONLY INCENTIVE FOR SUSTAINABLE INVESTMENT: THE ENTIRE ECOSYSTEM HAS EMBRACED ESG[1]

ESG regulations remain an effective driver for fund managers to make their funds greener

The transparency requirement on the inclusion of ESG criteria in investment strategies remains a powerful lever for encouraging asset managers to turn their portfolios green. **In our sample, 80% offer Article 8 or 9 funds, and all of them confirm that new funds will be, at the very least, Article 8**. However, certain factors, such as the challenges related to the quality, availability and cost of data, as well as the lack of clarity in the regulations, are prompting some asset managers to adopt **a more conservative approach to fund classification**.

Investor demand for sustainable strategies remains strong

All of the institutional investors in the sample expect their managers to adopt strategies that incorporate ESG criteria. The need for institutional investors to better address environmental and social risks in the face of climate change has clearly become a prudential obligation. But beyond this, it also responds to the desires of their individual investors, especially the younger ones.

(1) Environment, Social, Governance.

This study reveals the pressure exerted by lenders to take ESG criteria into account when granting loans

Banks are becoming increasingly demanding towards borrowers, particularly when it comes to real estate and financing property renovations. **The asset management company must meet minimum sustainability criteria as a condition of granting the loan**.

Asset managers are increasingly approached by fintechs and consultants

The market for investment management solutions and consulting has grown rapidly. There are many offerings, covering a wide range of needs. **As a result, these solutions are in great demand among our respondents, with 62% having used them to launch their ESG funds**.

THE CHOICES MADE BY PLAYERS REMAIN HIGHLY DIVERSE, IN TERMS OF BOTH STRATEGY AND ORGANISATION

The size of players remains an obstacle to the adoption of more ambitious strategies

How ESG criteria are addressed varies from one player to another, and the size of the management companies presents obstacles. Given the increasing level of regulation, they have had to adapt without always having the necessary resources. Overall, the entire sample applies exclusion rules when choosing investments, but **only 80% use ESG criteria**. One of the obstacles is the inability to manage them directly in the management tools, particularly for smaller asset managers.

Managers of real assets face specific problems while remaining the main players in impact investment

As mentioned above, the issue of financing is becoming a major constraint for funds that are less advanced in sustainable investment. There is also the difficulty of collecting data on investments. In this process, **Excel is the main tool used to consolidate all this information** and draft the required regulatory reports. Procedures are therefore largely manual...

Scan the QR Code to discover the full survey

THERE ARE MANY NEEDS TO FUEL THE MOMENTUM, BUT SOLUTIONS ARE BEING PUT IN PLACE

The decision to adopt sustainable strategies often comes from the top, but can only succeed if taken on board by the teams

Attentive to the needs of their investors, but also holding strong convictions, **our respondents' management teams are, for 30% of them, the main drivers behind the ESG transition** of their companies. To achieve this, they rely on the support of analysts and managers, but sometimes find it difficult to convince the entire organisation. Training all asset managers in environmental and social issues is a priority.

The implementation of engagement policies is a unanimous objective, but still has to be developed

Voting and engagement are areas of progress in the sustainable strategies of the vast majority of the asset managers interviewed. However, the form of this commitment varies from one to another. For some players, **engagement is taken into account at the moment the investment decision is made**. There is no investment if there is no possible impact on the company's strategy. **Active engagement is considered to be too resource- and time-intensive**, which could act as a barrier to its development and encourage players to stick with less resource-intensive options such as outsourcing. However, everyone agrees that **transparency on votes is the right way to get investors to see the effort** that goes into sustainable management strategies.

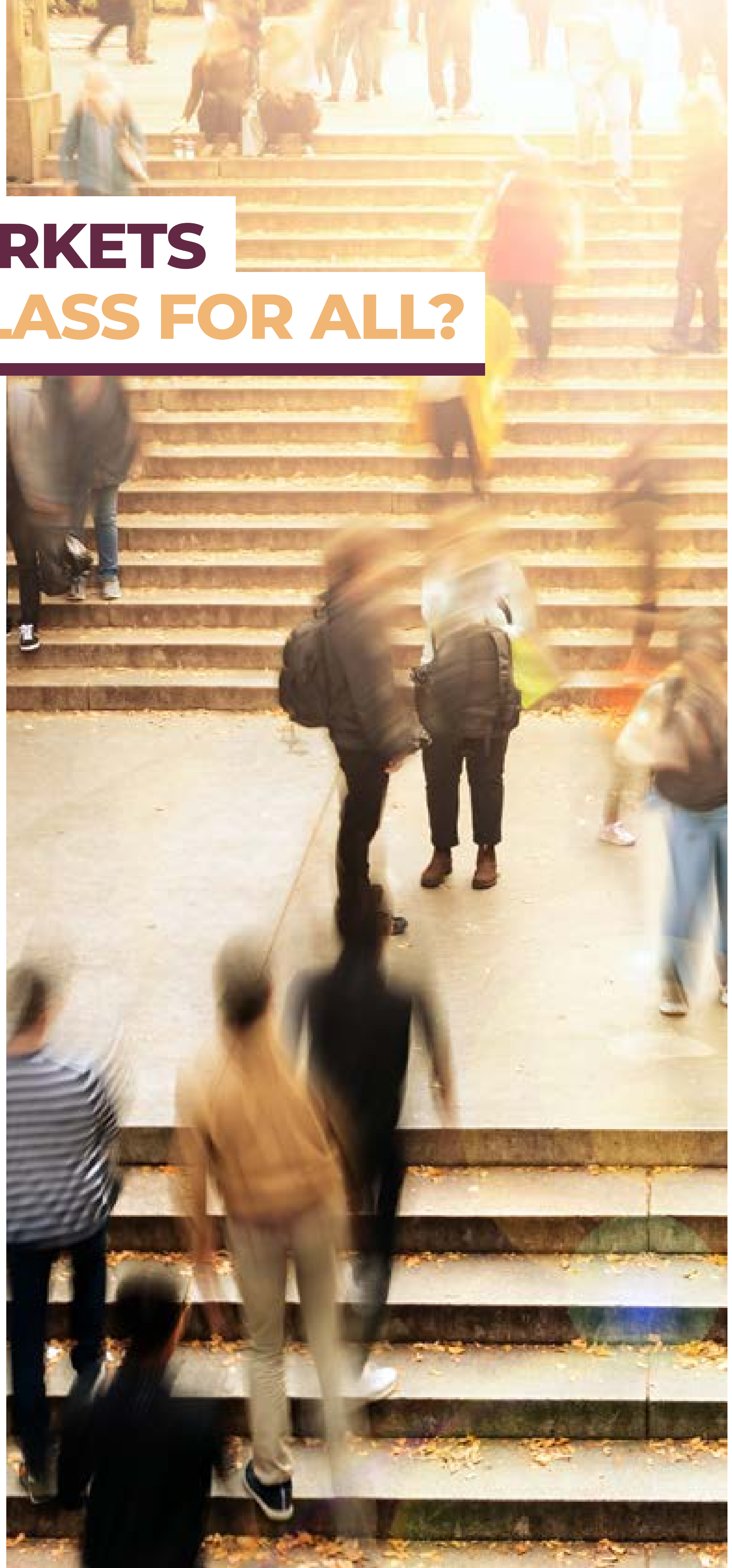
To control the cost of implementing sustainable investment strategies, external expertise is becoming essential

Choosing totally in-house solutions is out of reach for many and leads to **investments that are very difficult to make profitable. The choice to use external service providers is therefore a natural one** to meet all the different needs. Securities services providers such as SGSS are playing their part in this movement by offering their customers the benefit of their services or those of fintechs.

CONCLUSION

This latest SGSS survey clearly shows how far the investment industry has come in its shift towards sustainable development. Even though the majority of players have adopted strategies in this area, difficulties still lay ahead. Maximising the results will require internal objectives and investments to converge, and external resources and expertise will need to be shared. However, the ball is already rolling on a major transition.

PRIVATE MARKETS
AN ASSET CLASS FOR ALL?



JOSEPH PINTO
Chief Executive Officer
M&G Asset Management

With private markets retaining its attractions for institutional investors, there is now a growing desire to widen its access to a broader array of investors. Now a $13 trillion asset class, having demonstrated 20% p.a. growth over the last 5 years (Mc Kinsey, June 2023), asset managers have recently encouraged private investors to consider this area of investment. **Is this targeting of wholesale/retail investors appropriate and do hurdles remain which still need to be overcome?**

IN TERMS OF INVESTMENT FOCUS, IT IS HARD TO UNDERSTAND WHY A WIDER RANGE OF POTENTIAL INVESTORS WOULD NOT WANT TO PARTICIPATE

The investment solutions which the asset class provides to institutional investors are of equal relevance to most other investors. Potentially higher returns, diversification, reduced portfolio volatility – these desired outcomes are not unique to only pension funds and insurance companies. Private investors often have long-term investment horizons – ideally suited to many private market strategies. Many may seek dependable income streams to fund retirement, school fees etc. Real assets, a core option with private markets, largely comprise directly-held real estate and infrastructure businesses. These are obvious providers of long-term reliable income streams.

COMPANIES ARE CHOOSING TO REMAIN PRIVATE FOR LONGER AND PUBLIC BANKS CONTINUE TO RETRENCH FROM KEY LENDING SEGMENTS, SUPPORTING DEMAND FOR PRIVATE CREDIT

Current trends further suggest the opportunity set within private markets is only likely to grow, fuelling the incentive for the asset class to extend its investor appeal. **Companies are choosing to remain private for longer and public banks continue to retrench from key lending segments, supporting demand for private credit**. The democratisation of private markets would seem to be in the interests of a broad range of investors, asset managers and portfolio companies themselves.

Confidence that access will actually widen to more investors can be taken from recent market developments. Prime among these would be the emergence of LTAFs[1] in the United Kingdom (UK), and ELTIFs[2] in Europe. These open-ended vehicles, specifically created to widen investor access, overcome some previous impediments. Liquidity concerns are addressed by the ability to trade shares in these new funds. Regulation has greatly improved post the Alternative Fund Managers Directive a few years ago, including strict criteria regarding diversification and currency exposures. Further, in the UK, the FCA[3] have confirmed they will be conducting a review of private market valuations. This is to be welcomed, as it will improve investor outcomes and provide clarity in certain parts of the market e.g. SDR[4].

HOWEVER, PERHAPS THE SINGLE BIGGEST OBSTACLE TO OPENING UP PRIVATE MARKETS TO A WIDER AUDIENCE IS A CLEAR KNOWLEDGE GAP – AMONG NON-INSTITUTIONAL INVESTORS, BUT ALSO WITH MANY ADVISERS

Being a relatively unfamiliar investment area, and likely holding certain misconceptions, there is a clear educational process which needs to be undertaken. These are wary investors and are looking to leading private market managers such as M&G Investments to provide this guidance and education. Only then will wider investor access become a reality.

We believe those best suited to address these challenges will be asset managers with the strongest pedigree and demonstrable expertise. With 25 years' experience within private markets and over 500 professionals managing c.€87 billion of private assets[5], M&G Investments is well placed to lead this transformation. We have already launched our first private credit ELTIF with a €700m commitment from our internal client, and plans are in place for the launch of LTAFs for UK DC[6] schemes. Our asset owner/asset manager model will further ensure we can continue to seed and scale innovative solutions.

THE HEAVY LIFTING NOW MOVES CLEARLY TO ASSET MANAGERS WITH THE RESPONSIBILITY TO WALK A BROADER ARRAY OF INVESTORS ALONG THE PRIVATE MARKETS PATH

Whilst private markets is not a completely unknown asset class for non-institutional investors (wealth clients are established investors in private equity), a knowledge gap persists and the asset managers need to increase their range of private investor-friendly fund offerings. **The heavy lifting now moves clearly to asset managers with the responsibility to walk a broader array of investors along the private markets path**.

Investment involves risks. The views expressed in this document should not be taken as a recommendation, advice or forecast.

(1) Long-Term Asset Funds. **(2)** European Long-Term Investment Funds. **(3)** Financial Conduct Authority. **(4)** Sustainability Disclosure Regulation. **(5)** Source: M&G, data as of 31st December 2023. **(6)** Defined Contribution.

ASSESSING EVERGREEN FUNDS: AN INVESTORS' GUIDE

MARKUS PIMPL

Managing Director, Co-Head Private Wealth Europe, Senior Member of Management

Partners Group

Private markets investing has adapted to macroeconomic and business landscape developments, but how the asset class is accessed has remained relatively unchanged. Over two decades ago, **Partners Group introduced an innovative approach to accessing private markets with the launch of an evergreen fund**. Evergreens are perpetual capital funds that offer investors the ability to subscribe and redeem within limits over time, in contrast to the typical 10 to 12 years lock ups of traditional closed-end funds. The structure's lower minimum investment requirements and more flexible liquidity options cater better to individual investors' needs.

In recent years, the industry has recognised evergreens as a key part of the landscape and numerous evergreen funds have been launched. In this article, we aim to provide investors with an overview of characteristics that a great evergreen must have.

FOCUS ON DIRECT INVESTMENTS: LIMITING THE ROLE OF FUND BUILDING BLOCKS

In private markets, direct investments involve a manager investing in a company or asset without intermediation, while fund investments involve committing capital to a fund managed by a third party. We believe evergreen funds should

prioritise direct investments because they are fully drawn and offer more flexibility - ultimately allowing for **greater control over deployment pace and the ability to pivot investment focus** in response to real-time market opportunities. In contrast, capital committed to a fund is deployed gradually, creating uncertainty over cash flow timing and requiring extra cash on hand. Direct investments can be supplemented by a flexible allocation to secondaries. This can help stabilise deployment over time, in particular during market turbulences when direct transaction activity declines and allow managers to take advantage of market dislocations through discounted opportunities. However, investors should be cautious of evergreen funds that are heavily reliant on secondary transactions undertaken at deep discounts (30-50%+). In such cases, most of the investment's potential is often used up (written up to NAV) on Day 1, rather than developed over time, which tends to be unsustainable.

ACCESS TO THE RIGHT INVESTMENT PLATFORM

As perpetual investment vehicles, **evergreen funds must consistently invest in new transactions** to maintain attractive investment levels, requiring a strong, constant investment pipeline for diversification and steady deployment. If this is not the case, an evergreen fund risks being underinvested or overly concentrated. Furthermore, it **is crucial for evergreen funds to have equal access to investment opportunities** as other offerings from a manager. Unfortunately, many managers favour their flagship closed-end funds over their evergreen equivalent, putting the latter at a disadvantage. This « Waterfall » approach, where the evergreen fund is deprioritised, is not in the best interest of its investors. Therefore, we strongly advocate for a strict pro-rata allocation policy, ensuring equal access for all clients.

DISCIPLINED GROWTH: THE KEY TO LONG-TERM SUCCESS

As evergreen funds can accept inflows on an ongoing basis, a manager might be tempted to capitalise on momentum by fundraising as much as possible. However, **maximising fundraising at any cost can create portfolio imbalances**. For instance, by accepting disproportionately large inflows, a manager may be forced to make significant near-term investments to remain fully deployed – thereby creating a concentration risk. A more disciplined approach to growth can pave the way to a more diversified portfolio – achieving a healthy balance between younger and mature assets. Striking this balance has a clear impact on a fund's ability to deliver liquidity and returns. This can only be achieved through a combination of disciplined fundraising and careful investment sizing over time.

VALUATION ASSESSMENTS: MORE ACCURATE AND FREQUENT

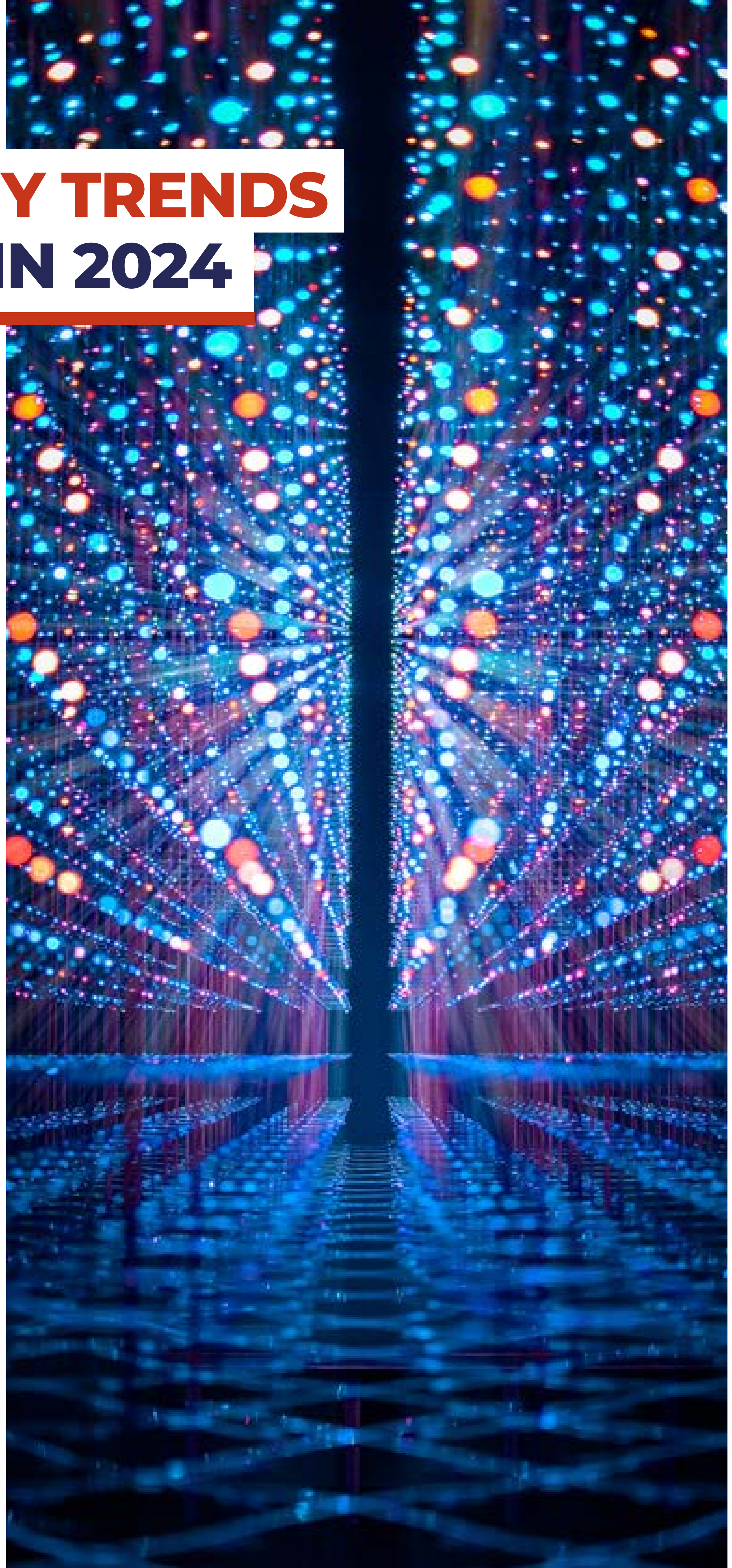
Valuing private markets investments is increasingly in focus because **market participants differ in their valuation approach**, particularly when it comes to frequency and reflecting public market fluctuations. Managers of closed-end funds typically conduct quarterly valuations, while evergreen funds offer monthly unit prices for investor subscription and redemption. It is crucial for investment valuations to accurately reflect the health of underlying assets and the market environment. If an evergreen fund is not perceived to be accurately valued, investors may be incentivised to redeem or subscribe based on their assessment, potentially leading to arbitrage opportunities to the detriment of existing unitholders. Therefore, managers offering evergreen funds must have a robust valuation process in place, be able to consider real-time valuation-relevant events and make appropriate adjustments.

LIQUIDITY MANAGEMENT: THE MOMENT OF TRUTH

Liquidity is the lifeblood of any evergreen fund and managing it requires dedicated resources. These funds offer liquidity through gates or redemption queues, making it crucial for investors to trust the manager's portfolio construction, as the way capital has been invested determines the fund's ability to service redemptions. Only during market stress will it become clear which managers have strong processes in place. Managers must stringently stress test their portfolios under various scenarios and be able to demonstrate their ability to generate sufficient liquidity during prolonged (12+ months) and severe stress while minimising negative portfolio impacts - where the challenge lies in avoiding fire sales and carefully steering liquidity according to previous communication. Experience shows that only few managers can successfully manage liquidity during times of significant stress and volatility.

In conclusion, we view the increasing interest in evergreen funds as **a positive development for private markets investors**. We trust that managers with credible means, on the investment side but importantly also on the operational side, to address these topics will be capable, and indeed best positioned, to deliver attractive and sustainable long-term performance. We hope this article serves as a valuable resource for investors, empowering them to make informed decisions and hold evergreen managers to high standards. By asking the right questions, we believe investors can embark on a successful and enduring evergreen investment journey.

TECHNOLOGY TRENDS IN FINANCE IN 2024



LAURENT MAROCHINI

Head of Innovation

Societe Generale Securities Services

From generative AI to tokenisation, crypto, cybersecurity and sustainable development, let's take a look together at the major technological trends in finance for 2024.

5 major trends arise for 2024:

THE POTENTIAL OF GENERATIVE ARTIFICIAL INTELLIGENCE FOR COMPANIES IN THE FINANCIAL SECTOR

ChatGPT has just celebrated its first birthday. Highly hyped in the media, this tool has put Artificial Intelligence (AI), and in particular generative AI, back on the agenda for organisations. **Generative AI was the most talked-about topic at the World Economic Forum**, with Bill Gates citing it as the best productivity tool in any sector.

In 2023, financial institutions focused on challenges especially regarding data leakage and infrastructures, and cognitive biases through targeted use cases. According to McKinsey, generative AI could have a significant impact on the banking sector, boosting productivity by between 2.8% and 4.7% of annual turnover, representing an additional gain of between $200 billion and $340 billion[1].

Banks will continue their transformation, making full use of their data to offer a better client experience, to optimise their risk and fraud management, and to automate most repetitive tasks. AI will become employees' best companion, enabling them to concentrate on value-added tasks.

TOKENISING THE WORLD

Tokenisation has taken off across a wide range of products, from bonds and investment funds to fewer liquid products such as real estate and private equity.

The world's largest financial institutions have matured on questions related to tokenisation, and market infrastructures are evolving in step with their achievements. It is in this context that **the leading custodians will be able to offer digital custody**. Financial institutions anticipate that 2024 will be a year in which the number of achievements will grow along with the increasing liquidity needed. This will be an opportunity to seize the opportunities offered by the pilot scheme in Europe.

CRYPTO AND BEYOND

The crypto world has suffered several setbacks since November 2022. Crypto winter was a period that saw the bankruptcy of platforms such as FTX and the fall of stablecoin Terra Luna to name a few.

Nevertheless, crypto prices took off in 2023, with capitalisation up 80%[2], particularly following the announcement of crypto spot ETFs validated by the Securities and Exchange Commission (SEC) on 11 January 2024. **Asset management giants such as Blackrock and Fidelity are leading the way**.

With MiCa[3] regulations coming into force this year, Europe has a real competitive advantage. The launch of a digital Euro, both wholesale and retail, is also on the agenda of the European Central Bank. Experiments in tokenisation of assets using a central bank digital currency are planned for the second part of 2024.

All these factors argue in favour of the continued institutionalisation of the crypto world but also digital assets for settlement and delivery.

PROTECTING ASSETS IN A DIGITAL AND RESILIENT WORLD

The recent development of ChatGPT and artificial intelligence has helped to fuel the creativity of hackers.

For 2024, **cybersecurity must be built by design, taking ethical factors into account**. The Data Act that has just been adopted in Europe should reinforce this factor and make it a priority. Investment will be the key to success.

Alongside this growing risk, it is the resilience of organisations that will be topical, particularly with DORA (Digital Operational Resilience Act)[4]. The regulation will apply to all 27 members of the EU on 17 January 2025, but preparations are being made now.

TOWARDS A BETTER, GREENER WORLD

Driven by growing urgency, client demand and the introduction of new regulations, such as the European Sustainable Finance Disclosure Regulation (SFDR) and the Corporate Sustainability Reporting Directive (CSRD), financial institutions are increasingly focusing on ESG issues.

As Arnaud Jacquemin, Head of Societe Generale Securities Services, explains:

In the face of ESG[5] challenges, the banking sector is called upon to play a central, responsible role in accompanying and supporting a more resilient economy.

New technologies, particularly on the data side, will accelerate this movement and contribute to organisations positioning themselves in new niches. It is therefore a potential source of innovation for asset servicers. The pairing of Artificial Intelligence and Blockchain has a bright future in this business segment.

GRASPING CHANGE

Technology is only a means to an end. It is the combination of technology with our ability to grasp change that will drive innovation and tomorrow's future business models. The human being is at the heart of this process, as an agent of change to facilitate adoption. At Societe Generale Securities Service Luxembourg, we have developed artificial intelligence initiatives to automatically read our prospectuses or detect atypical cash flows. 2024 will be a year rich in innovation if, and only if, we have the capacity and conviction to change. It is up to us to work together to create a better, more responsible world.

(1) www.finance-investissement.com/nouvelles/developpement-des-affaires/lia-generative-un-game-changer-pour-les-banques/ **(2)** Coinmarketcap.com **(3)** Market in crypto assets **(4)** https://www.securities-services.societegenerale.com/fr/insights/views/news/dora/ **(5)** Environmental, social and governance (ESG) criteria.

AUTHORS' BIOGRAPHIES

GILDAS LE TREUT - Co-Head of Coverage, Marketing & Solutions
Societe Generale Securities Services

Gildas Le Treut is appointed Co-Head of Coverage, Marketing & Solutions in September 2021. He joined SGSS as Head of Sales and Relationship Management in May 2018 after 11 years at ABN Amro Clearing. Since 2007, he has been successively Managing Director of the branch in France (Fortis Bank Nederland), Global Head of Product & Network Management and Global Director of Prime Services. He has developed ABN AMRO Clearing franchise for institutional investors, banks, asset managers and hedge funds. He started his career in 1996 at BNP Paribas Securities Services in the equity clearing team where he occupied various positions before being promoted as Sales & Relationship Manager for Continental Europe. Gildas Le Treut has a Master's degree in Bank & Finance from Sorbonne University.

BERNARD FERRAN - Chief Commercial Officer - **Euroclear**

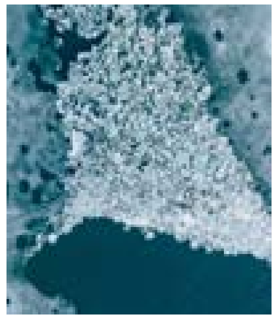
Bernard Ferran heads the Sales & Client Relationship Division and is responsible for the overall business development and relationships with customers across the Euroclear group. Previously, Bernard was in charge of the business development activities across the Americas and then for the European, Middle Eastern, African and CIS regions where he also acted as Chief Representative Officer for the Euroclear Bank office in Dubai. Mr. Ferran joined Euroclear Bank in 2001, having previously spent six years at MasterCard, first as a client relationship manager and then as head of the Pricing and Revenues department. Prior to that, from 1992 to 1994, he worked at GSI (now called ADP), a French software house, where he was involved in developing their business in Italy, Spain and Greece. Mr. Ferran holds a Bachelor of Arts degree from the European Business School, London (UK) as well as the Advanced Development Programme certificate of the London Business School (LBS).

PAUL JACKSON - Global Head of Asset Allocation Research - **Invesco**

As Global Head of Asset Allocation Research at Invesco, Paul analyses how the asset allocation process is impacted by behavioural considerations, major long-term themes and economic/geo-political events. Prior to joining Source (and Invesco), Paul worked at Societe Generale in both Paris and London, holding positions as Macro Specialist Sales, Equity Strategist and Global Head of Research, during which time he wrote under "The Belgian Dentist" label. He started his career at Morgan Stanley in London where he worked in Corporate Finance and Equity Research before transferring to New York where he joined Morgan Stanley Asset Management as portfolio manager. He is also a Major in the British Army Reserve, an advisory role which led to him being a member of the UK government's International Best Practice Advisory Group (a team of academic and business experts set up by the UK Cabinet Office in response to the Covid pandemic). He holds a Bachelor of Science degree in Economics from the London School of Economics and a Master of Philosophy in Economics from Oxford.

ERIN BIGLEY - Chief Responsibility Officer; CFA - **AllianceBernstein**

Erin Bigley is a Senior Vice President, AB's Chief Responsibility Officer and a member of the firm's Operating Committee. In this role, she oversees AB's corporate responsibility practices and responsible investing strategy, including integrating environmental, social and governance considerations throughout the firm's research, engagement and investment processes. Bigley joined the firm in 1997 and previously served as a portfolio manager and trader for the global and Canadian bond strategies. She spent two years based in London as the global head of Fixed Income business development for institutional clients. Bigley served as a fixed-income senior investment strategist for over a decade, and as head of the strategist team from 2018 to 2021. Most recently, she held the role of head of Fixed Income Responsible Investing, where she oversaw the Fixed Income team's responsible investing strategy. Bigley holds a BS in civil engineering from Villanova University and an MBA from the Massachusetts Institute of Technology's Sloan School of Management. She is a CFA charterholder. Location: New York.



KENT HARGIS - Chief Investment Officer Strategic Core Equities; Portfolio Manager Global Low Carbon - **AllianceBernstein**

Kent Hargis is the Chief Investment Officer of Strategic Core Equities. He created the Strategic Core platform and has been managing the Global, International and US Strategic Core portfolios since their inception in 2011. Hargis has also been Portfolio Manager for the Global Low Carbon Strategy Portfolio since 2022. Previously, he managed the Emerging Portfolio from 2015 through 2023. Hargis was global head of quantitative research for Equities from 2009 through 2014, with responsibility for directing research and the application of risk and return models across the firm's equity portfolios. He joined AB in 2003 as a senior quantitative strategist. Prior to that, Hargis was chief portfolio strategist for global emerging markets at Goldman Sachs. From 1995 through 1998, he was assistant professor of international finance in the graduate program at the University of South Carolina, where he published extensively on various international investment topics. Hargis holds a PhD in economics from the University of Illinois, where his research focused on international finance, econometrics and emerging financial markets. Location: New York.

FOUAD MASSABNI - Head of ESG commercial offer - **SGSS**

Head of the ESG commercial offer, Fouad Massabni joined the Societe Generale Group in 2007. Throughout these years, he has developed extensive banking experience, particularly in the market and investment activities. After 8 years spent in London, Fouad took up the challenge of returning to Paris to lead a multi-year programme to bring the Societe Generale Group into compliance with sustainable investment regulations. Fouad recently joined SGSS to build a commercial ESG offer to support clients in their environmental and social strategies. Very concerned by ESG matters, Fouad has recently enriched his expertise by obtaining the Business Sustainability Management certification from Cambridge University. Convinced of the importance of raising awareness of environmental and social realities, he has been leading the Climate fresk within the group.

JOSEPH PINTO - Chief Executive Officer - **M&G Asset Management**

Joseph joined M&G plc in March 2023 as Chief Executive Officer of M&G Asset Management and became a member of M&G's Group Executive Committee, reporting to Group Chief Executive, Andrea Rossi. Joseph has accountability for all investment capabilities including the equity, fixed income, multi asset, private and alternative asset strategies alongside distribution, operations and proposition management across the Asset Management business. With 30 years of experience in asset management, financial services, and consulting, Joseph joined from Natixis Investment Managers where he served as Head of Distribution and Investment Solutions for EMEA, APAC and LATAM and Global Chief Operating Officer. Previously at AXA Investment Managers for 13 years, Joseph held senior positions, including Global Chief Operating Officer, Global Head of Markets & Investment Strategy and Head of Business Development for Southern Europe and the Middle East.

MARKUS PIMPL - Managing Director, Co-Head Private Wealth Europe, Senior Member of Management - **Partners Group**

Markus Pimpl is the Co-Head of Private Wealth Europe Business Unit, based in Zug. He has been with Partners Group since 2007 and has 25 years of industry experience. Prior to joining Partners Group, he worked at Reuters, Saunders & Zellweger and Sal. Oppenheim Jr. & Cie. He holds a bachelor's degree in business administration from the University of Applied Sciences, Lahr, Germany.

LAURENT MAROCHINI - Head of Innovation - **Societe Generale Securities Services**

Laurent Marochini is Head of Innovation at Societe Generale Securities Services in Luxembourg. Since 2018, Laurent is Blockchain Leader for the Group. Prior to joining SGSS, Laurent held various management positions in the banking sector, in particular in BNP Paribas Securities Services and Credit Suisse Private Banking. He joined Societe Generale in 2006 as a risk manager. Laurent is highly involved in the Fintech ecosystem. He is Co-Chairman of the ALFI (Association Luxembourgeoise des fonds investissements) Working Group Blockchain & Crypto Currencies and member of the Fintech & Digital Executive Committee, President of the taskforce Blockchain and crypto at the LHoFT (Luxembourg House of Financial Technology), as well as Chairman at ABBL (Association Banques et Banquiers Luxembourgeois) for the Fintech and Innovation Committee. The industry has recognised Laurent as: Twice awarded second Worldwide Best Innovation Maker of Societe Generale (2015–2016) / Top 4 Fintech Leader of the year for the Luxembourg by Finance Awards (2017) / Top 21 Regtech worldwide Leader by Medici (2018) / Top 100 movers & shakers Luxembourg Finance by Delano 2023 / Personality of the year 2024 Digital Assets Luxembourg by Deloitte 2024.

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Societe Generale's diversified bank model is based on complementary businesses around the world. The Group's expertise in securities services offers clients core banking services and the security of a global custodian.

SGSS provides a toolbox of solutions and innovative, value-added securities services that allow clients to meet the burden of regulatory change and concentrate on their core business. SG Markets, the Group's online BtoB platform, provides a variety of digital tools to manage, control and steer their operations.

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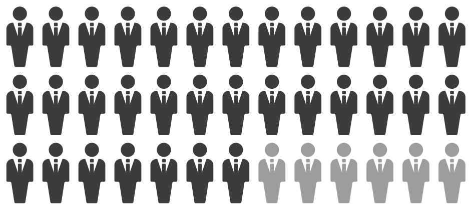

4,808 bn eur	**598** bn eur
ASSETS UNDER CUSTODY	ASSETS UNDER ADMINISTRATION

Source: SGSS internal report - data as of 30.06.2024

For more information, please visit **https://www.securities-services.societegenerale.com/**

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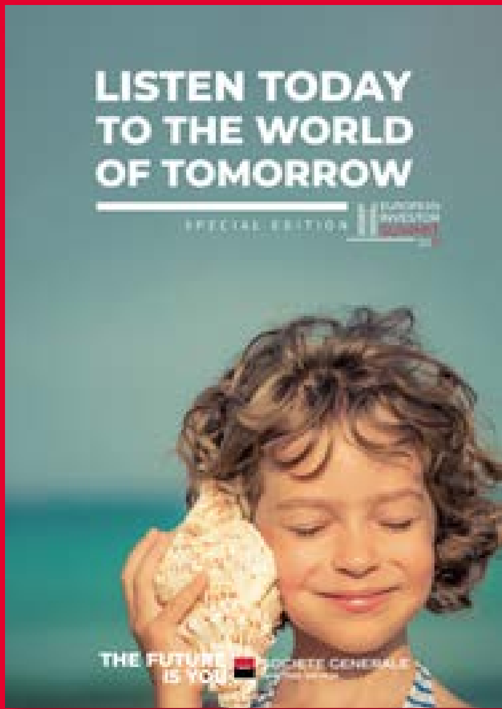

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SOCIETE ANONYME WITH A SHARE CAPITAL OF €1,015,044,435.00 AS OF 25 JULY 2024.
THE SHARE CAPITAL IS DIVIDED INTO 8808,208,965 ORDINARY SHARES, EACH WITH AN UNCHANGED NOMINAL VALUE OF 1.25 EURO.
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