

THE ESG-DRIVEN CONCENTRATED EQUITY PORTFOLIO

RESPONSIBLE INVESTING OR A RISKY EXPERIMENT?

27 NOVEMBER 2025



CFA Society
Netherlands

vba



ARTICLE IN WINTER EDITION OF 'VBA JOURNAAL'

- Summary of the storyline
- We will present a number of statements to fuel an interactive discussion
- Please don't hesitate to ask questions during the presentation



THERE IS A NEW TREND IN PENSION FUND LAND

- From broad diversification to concentration
- ESG is the main driver for this transition

“From Exclusion to Inclusion”

“We want to know in which companies we invest”

- You have probably not missed this in the news.....

THERE IS A NEW TREND IN PENSION FUND LAND

fd. Mijn nieuws Net binnen Beurs ▾ Krant Podcasts FD Persoonlijk Boeken

22 dec '24 15:00

Richtingenstrijd bij PGGM over duurzame beleggingen

 Marceline Bresson, Gerben van der Marel



Bij pensioenuitvoerder PGGM is sprake van weerstand tegen de nieuwe ingezette duurzaamheidskoers. Werknemers zeggen dat het bestuur kritiek naast zich neerlegt, een...

THERE IS A NEW TREND IN PENSION FUND LAND

PensioenPro

Agenda / Events ▾ Magazine ▾ Podcasts Kennisbank Abonneren ▾ Meer ▾

 **Nieuws** **PP**

Huisartsenfonds naar aandelenportefeuille met zeventig bedrijven

Tjibbe Hoekstra ✉ 6 december 2024 1 reactie

Het beroepspensioenfonds voor huisartsen stapt over op een geconcentreerde aandelenportefeuille met ongeveer zeventig bedrijven. Zo'n portefeuille is eenvoudiger en beter uitlegbaar aan deelnemers, vindt het fonds.

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Opinie • 25 feb 12:00

Volgens ABP deugt de helft van alle bedrijven niet

Han de Jong



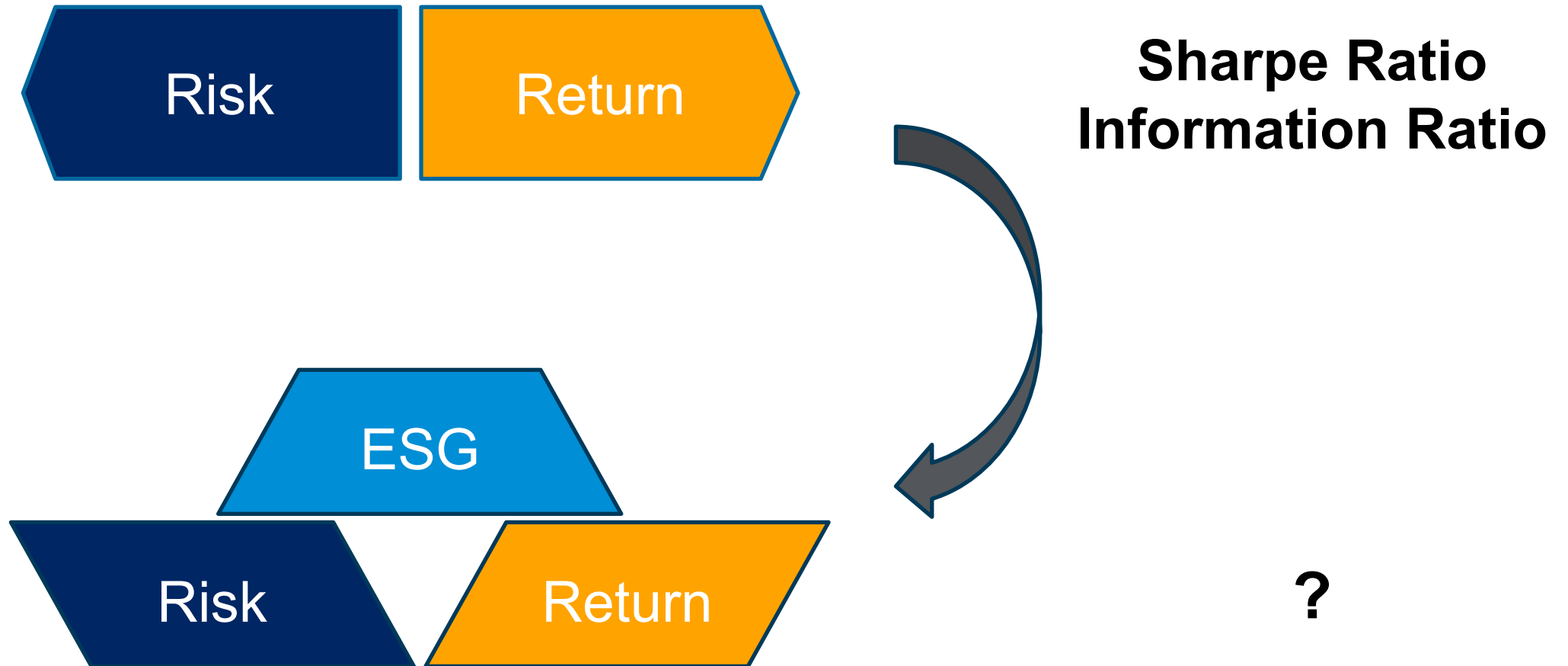
Het ABP nam vorig jaar in stilte afscheid van een groot deel van de beleggingsportefeuille. Het maakt daarbij keuzes die niet overeenkomen met de wens van de politiek en het...

THE PARADOX

- Dutch pension funds believe they cannot outperform the market
- Fama's Efficient Market Hypothesis remains the foundation for investing in capital markets

...yet when it comes to ESG.....

A NEW DIMENSION IN PORTFOLIO CONSTRUCTION



THE RESPONSE OF NL PENSION FUNDS

- ESG = fiduciary duty, not speculation
- Social legitimacy outweighs alpha
- Long-term performance not inferior
- Poor ESG = higher long-term risk

CAN WE DO WITH LESS DIVERSIFICATION?



INCOMPLETE REPORTING (TO BROAD PUBLIC)

- Returns are only compared to a custom benchmark
- The gap with the market index remains 'hidden'



CHALLENGES IN COMMUNICATION

- Goals of concentrated equity portfolio must be clear:
 - Financial?
 - Moral?
 - Reputational?
 - Impact?
- Ambiguous goals result in inconsistent communication
- Transparency is key to maintain participant trust

RECOMMENDATIONS

- 1 Acknowledge that ESG concentration = active management
- 2 Define ESG primarily as a 'societal' choice and responsibility
- 3 Be modest about the contribution of ESG to risk management
- 4 Prepare participants for periods of underperformance
- 5 Report transparently on results (also vs. broad market index)
- 6 Don't let short-term volatility drive your policy decisions

RECENT DEVELOPMENTS AT NL PENSION FUNDS

- **PFZW** recently reshaped its equity portfolio, reducing holdings from over 2,800 to about 800 companies after weighing risk, return, and sustainability. It provides its asset managers with a tracking-error budget and reports versus the broad market index.
- **ABP** follows a different path: investing passively in a custom index that excludes certain sectors and companies. Because the key decisions now lie in the index construction, greater transparency would come from reporting results and risk relative to the broad market index.
- **PME** uses a core equity portfolio with thematic focus areas such as energy transition and industrial innovation. It measures performance against its own strategic benchmark rather than a broad index like MSCI World.
- **Pensioenfond Huisartsen** simplified its portfolio in 2024 to about 70 companies, aiming for clarity and participant understanding; it no longer uses a formal benchmark but continues to reference broad-market performance.

THANK YOU FOR YOUR ATTENTION
QUESTIONS?

David Janssen
Independent Consultant
Solvinci
david@solvinci.com