# THE ESG-DRIVEN CONCENTRATED EQUITY PORTFOLIO

## RESPONSIBLE INVESTING OR A RISKY EXPERIMENT?

**27 NOVEMBER 2025** 





#### 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

PINIE

# De ESG-gedreven geconcentreerde aandelenportefeuille: verantwoord beleggen of riskant experiment?<sup>1</sup>

David Janssen<sup>2</sup>

#### NLEIDING

Nederlands gemoenlooden hedden de haldes javen een groullends oorspringing ingenet. Waar zijn het sigdopen decen man serkrijt op geschown rekring bevel gepredel reldeblegingen gemoenn als "gaard belagery", in mee de die belegingen gemoenn als "gaard belagery", in mee drei publiske ansiden. Daarby werd bewust afgewien van bestelle publiske ansiden. Daarby werd bewust afgewien van bestelle publiske ansiden de MSCU World of PTPSS World, met BSC -critera Grovenments, Javois & Governatory als voorsanaterel kein.

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Deze sanpak roept kritische wagen op: wat betekent het voor rizoo en rendement wanneer het aantal beleggingen in portefeuille sterk afneemt? Wat is de aantoonbure impact van deze strategie op mens en milien? En is er overtus gende onderborwing det dewe ESG-gerichte kenzwop de lange tormijn randeren?

In dit ar tiled analyseer ik de motieven achter deze ontwikkeling, de kritisk de zij oproep te ode reglisk hierog van pensionelhaden Herra gas ikin op de uitdaigingen op het peted van occamunitatie, gevolgd door een aantal aanbevelingen voor een heldere en oorstanstat banadering van ISSG-gedreven portektrille-oonstructie.

#### DE OPKOMST VAN DE GECONCENTREERDE ESG-PORTEFEUILLE

Toch is et een duidelijks kentering zichtbaart een groeiend aantal pensioenfondsen kiest er beveust voor om af te wijken van de index. Deze findsen ziellen zelf een geconcent eerde portefenille amen, waar hij bedrijven worden geschoteerd (of uitgesloten) op bazavan nun ESG-protel. Deze strategie wordt in de praktijk.

David Jansson, MSo, CFA Zerstando consultant





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- 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.....





#### Pensioen Pro





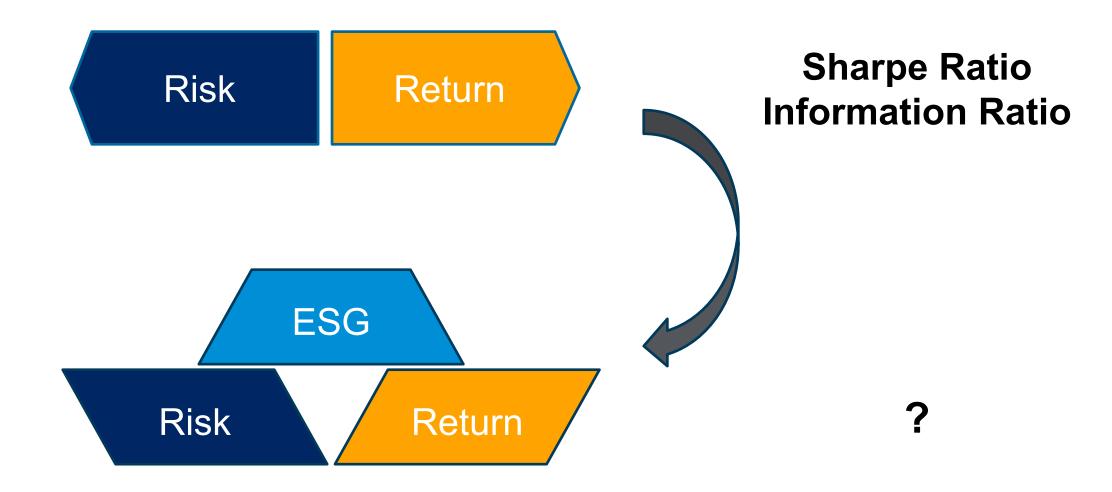
### THE PARADOX

- 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?**

From thousands of stocks → to sometimes fewer than 100

Diversification is the only free lunch in investing

Less diversification → higher risk?

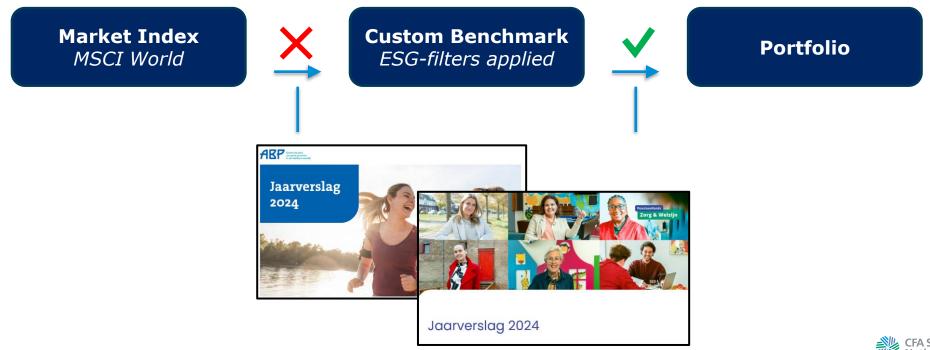
Some studies suggest that 200-300 names should be enough

FOMO-effect: can we afford to miss out on top performers (e.g., Tesla, Nvidia)?



## **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:
  - o Financial?
  - o Moral?
  - o Reputational?
  - o 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.
- Pensioenfonds 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**

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