VAN LANSCHOT KEMPEN

INVESTMENT MANAGEMENT

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Portfolio News

Delivering alignment, deepening sustainability

Kempen Euro Sustainable Credit

Passive may dominate euro credit allocations, but many investors are now looking for strategies that combine disciplined credit management with meaningful sustainability integration. The Kempen Euro Sustainable Credit Fund reflects that approach.

From commitment to delivery

In July, the fund adopted the Paris-Aligned Benchmark (PAB), a milestone that strengthens its climate credentials. The PAB starts with 50% lower carbon intensity than the broad market index and targets a 7% annual reduction in emissions. It also applies stricter ESG criteria, excludes companies with the highest controversy scores and allocates more to green bonds.

The transition to this new benchmark required only limited trading because sustainability has long been embedded in our process. That continuity matters: it shows alignment is not a marketing exercise but a natural extension of how we invest. Today, the portfolio demonstrates clear progress with a carbon intensity of 44 versus 53 for the benchmark, 53.5% of holdings classified as sustainable investments[1], and an average AA MSCI ESG rating with zero severe controversies.

Why active matters now

Index exposures can hardwire yesterday's risks. Benchmarks show what the market has been, not what it is becoming under policy change, evolving data standards and shifting supply. In euro credit, flows and technicals often dominate while fundamentals move unevenly across sectors and issuers. Active management helps avoid unintended concentrations and keeps allocations aligned with forward-looking sustainability goals and risk tolerances.

Controlled alpha in practice

The strategy is built on disciplined credit selection and tight risk control. Position sizes and sector weights are managed within defined ranges so the team can adapt exposure as liquidity and issuance patterns change. Sustainability analysis is integrated alongside credit work, drawing on a proprietary framework that combines external inputs with the team's forward view of governance quality, carbon pathways, social factors and the credibility of transition plans, among other things

To support transparency, the fund has adopted a sustainability benchmark aligned with Paris criteria, used by other institutional investors to guide climate-focused allocations.

At a glance[1]

- Benchmark: Paris-Aligned index, effective 1 July 2025
- Carbon intensity: 44 vs 53 (benchmark)
- Sustainable investments: 53.5% of holdings
- Average ESG rating of holdings: AA (MSCI methodology).

Beyond climate: what is next

Climate alignment remains central, but nature and social factors are rising in materiality for fixed income investors. The team is piloting biodiversity KPIs on selected holdings to assess both potential impact and enterprise value risk. Engagement remains a core tool, with 37 active dialogues[1] under way across environmental, social and governance topics. These conversations aim to reduce medium-term risk and improve sustainability outcomes, using the credit relationship to influence change where it matters most.

1. Portfolio metrics as at 30 September 2025, reflecting Q3 2025 holdings.

Strategy in context

The recent developments in the strategy reflect a broader evolution in euro credit investing. Rather than reacting to short-term pressures, the approach continues to build on embedded sustainability analysis, measured portfolio adjustments and a clear framework for long-term alignment.

Ready to take the next step?

If you are looking for a credit strategy that combines robust financial discipline with genuine sustainability leadership, we invite you to learn more about the Kempen (Lux) Euro Sustainable Credit Fund.

Visit our fund library for detailed documentation, or contact our team to discuss how this strategy can support your investment goals.

Let's take the next step towards a more resilient and sustainable future.

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Euro Sustainable Credit strategy

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Credits: general risks to take into account when investing in Credit strategies

Investing in a credit strategy may be subject to interest rate securities risk, credit risk and bond market risk, which could negatively affect the performance. Under unusual market conditions the specific risks can increase significantly. Potential Investors should be aware that upgrades or downgrades of the issuing institution's credit rating may affect the value of the fixed-income security. The issuing institution may not be able to meet its interest and repayment liabilities, which may result in the strategy sustaining losses. The value of your investment may fluctuate, past performance is no guarantee for the future. Do not take unnecessary risks. Before you invest, it is important that you are aware of and are informed about the characteristics and risks of investing. This information can be found in the available documents of the strategy and/or in the agreements that are part of the service you choose or have chosen.

Profile of the typical investor in Credit strategies

The strategy may be suitable as a core or supplemental investment for those:

- interested in a convenient way of gaining exposure to international (below) investment grade corporate bond markets;
- seeking long-term growth of their investment (3-5 years or longer);
- who can bear the possibility of losses, especially in the short term; and
- who have experience with the risks and rewards investing in fixed income securities issued by corporates.

For more information about the sustainability features of the fund, please visit the Sustainability-Related Disclosures page at https://www.vanlanschotkempen.com/en-nl/investment-management/fund-library

Kempen (Lux) Euro Sustainable Credit Fund (the "Sub-Fund") is a sub-fund of Kempen International Funds SICAV (the "Fund"), domiciled in Luxembourg. This Fund is authorised in Luxembourg and is regulated by the Commission de Surveillance du Secteur Financier. Van Lanschot Kempen Investment Management NV (VLK Investment Management) is the management company of the Fund. VLK Investment Management is authorised as management company and regulated by the Dutch Authority for the Financial Markets (AFM). The Sub-Fund is registered with the Dutch Authority for the Financial Markets (AFM) under the license of the Fund. The information in this document provides insufficient information for an investment decision. Please read the Key Investor Document (available in Dutch, English and several other languages, see website) and the prospectus (available in English). These documents of the Fund are available at the registered office of the Fund located at 60, avenue J.F. Kennedy, L-1855, Luxembourg and on the website of VLK Investment Management (www.kempen.com/en/asset-management). The information on the website is (partly) available in Dutch and English. The Sub-Fund is registered for offering in a limited number of countries. The countries where the Sub-Fund is registered can be found on the website.

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