

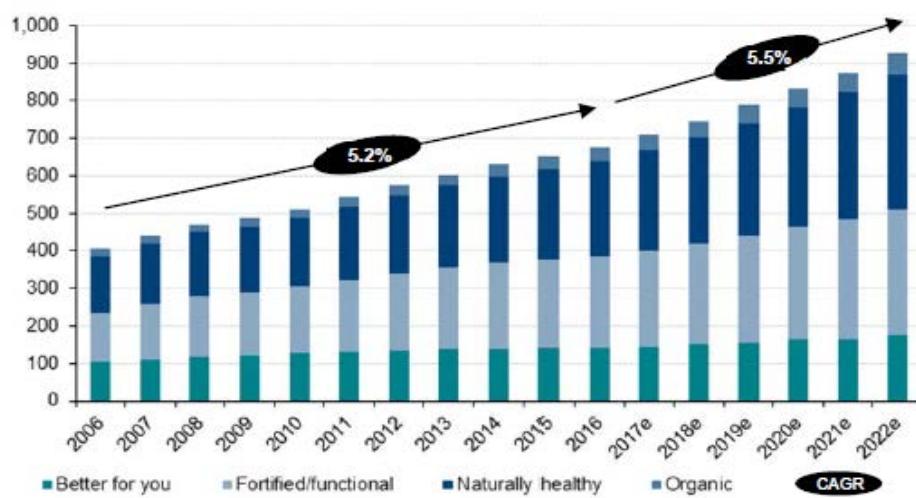
Green Consumerism: A \$1 trillion megatrend driving consumer decisions

Hilde Jenssen, Product Manager, Fundamental Equities Team

“Green consumerism” is a term which means many things to many people. Let’s take a look at the trend as it relates to food—food ingredients and how food is grown. Most consumers equate green consumption with “natural”, i.e. food that is free of chemicals, artificial ingredients, genetically modified organisms (GMOs), and that is organically grown.

A Nielsen survey¹ shows 58% of global consumer respondents want more all-natural products, while a Euromonitor study² finds 30% of consumers “closely read the nutrition labels of food and beverages.” Over the past decade, the “healthy” food category has almost doubled in size with future growth set to accelerate reaching \$1tn in the next few years.

Global retail sales (off-trade), USDbn, fixed 2017 exchange rates



Source: Euromonitor

Organic Farming—a long-term investment

While the market for healthy food is enormous, the percentage of organic farmland is only inching up and amounts to less than 10% of total farmland in Europe and a meager 1% in the US. Organic farming is not a matter of simply turning off the chemical sprayers: Farmers must learn to manage soil nutrients without fertilizer and tackle weeds and insects without herbicides and insecticides. It's a steep learning curve.

Organic farming requires different equipment and other up-front investments and it requires more labor, mainly to deal with weeds. Regulations also require crop rotation, which limits the crops produced in a given year. As a result, organic systems are generally competitive with conventional yields only after a 5-year transition

¹ What's in our food and on our mind?, Nielsen.com, August 2016.

² How millennials' taste for authenticity is disrupting powerful food brands, Financial Times, 18 June 2018.

period.

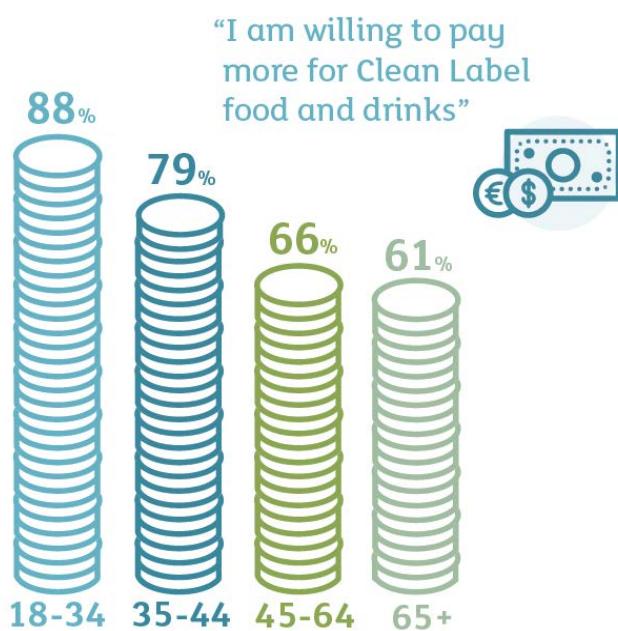
Once implemented, organic techniques are superior compared with conventional farming, as they use an estimated 45% less energy, produce 40% less carbon emissions, and build soil health rather than deplete it. As soil health improves, 15-20% more water percolates through the soil in organic systems, replenishing ground water and boosting performance.³

Global brands partner with farmers

To optimize production and help farmers commercially, big brands are getting involved. PureCircle produces the natural sweetener Stevia—the stevia plant is about 40 times sweeter than sugar, requires less growing space and can be harvested up to four times per year, providing a steadier income for farmers. Another example is Unilever Hindustan, which helps 8,000 Indian farmers optimize growing tomatoes on more than 11,000 acres of land. Finally, as a leading producer of chocolate products, Mondelez has partnered with the governments and farming communities in Ghana and Cote D'Ivoire to reach zero de-forestation rates in the two countries. This is a significant goal, as Ghana and Cote D'Ivoire make up 60% of the world's cocoa supply. This is also something that drove the investment decision of Nordea Asset Management's (NAM) Fundamental Equities Team when they added Mondelez International to their Global Stars Equity strategy.

Ingredients matter and consumers are willing to pay more for “Clean Labels”

“Clean Label” has become a catch-all phrase for healthy and sustainable food. The willingness to pay a premium is highest among younger consumers. The demand for healthy and natural baby food may be a major factor in millennials’ willingness to pay more for clean labels.



Ingredients are critical in consumers' perception of healthy food. This is an area which is currently gaining traction as more and more consumers are looking for healthier foods. Among the global leaders in clean food ingredients and flavors, Global Stars Equity strategy holding Kerry Group is known for partnering with its customers to produce food solutions, including a cultured celery product that provides natural texture while maintaining fresh taste over the shelf life of meat products. International Flavors and Fragrances (IFF), another Global Stars Equity strategy holding, also benefits from the healthy food megatrend. The company supplies flavors and

³ Farming Systems Trail, Rodaleinstitute.org

fragrances to the food industry and recently acquired Frutarom, a specialty provider of spices and fruit ingredients. Another company, Symrise, offers taste solutions in food products while targeting 100% sustainably sourced key ingredients by 2020. This is an ambitious goal given Symrise has operations in 40 countries and 5000+ suppliers around the world.

The case for backward integration: Symrise

By keeping the supply chain under tight control, ingredients providers can ensure quality and that suppliers adhere to sustainable practices. From an economic perspective, strong backwardly-integrated relationships with suppliers helps minimize resource use and, hence, lower production costs. Backward integration can also build strong foundations for future relationships.

For example, beets make up an important source of natural food coloring. Recently, a fungal attack in France reduced Symrise's beet harvest from 80 tons to 10-20 tons and also affected the color. Instead of dropping the producers, Symrise worked with the farmers to find a solution. They alternated watering schedules and volumes, and changed fertilizers and plowing areas. The results are encouraging and may help prevent future incidents.

The Mean Green Machine?

With the acquisition of sustainable food-focused retailer Whole Foods in 2017, Amazon sent shivers down the spine of traditional food retailers: If Amazon could revolutionize the way people shop for books, why not broccoli and eggs? Today, Amazon counts more than 300 million active users—a powerful forum for prioritizing green consumerism. In Amazon's virtual grocery store, users can choose which features their food should have. A search for “organic” and “GMO-free” reduces the number of food items from thousands to a modest 149, signaling potential significant growth in this area. Food producers' future success will depend, in part, on their ability to properly label their products on the virtual Amazon shelf. A trillion-dollar opportunity may very well wait for those that do so.



About Nordea Asset Management

Nordea Asset Management (NAM, AuM 204.8bn EUR*), is part of the Nordea Group, the largest financial services group in Northern Europe (AuM 282.6bn EUR*). NAM offers European and global investors' exposure to a broad set of investment funds. We serve a wide range of clients and distributors which include banks, asset managers, independent financial advisors and insurance companies.

Nordea Asset Management has a presence in Cologne, Copenhagen, Frankfurt, Helsinki, London, Luxembourg, Madrid, Milan, New York, Oslo, Paris, Santiago de Chile, Singapore, Stockholm, Vienna and Zurich. Nordea's local presence goes hand in hand with the objective of being accessible and offering the best service to clients.

Nordea's success is based on a sustainable and unique multi-boutique approach that combines the expertise of specialised internal boutiques with exclusive external competences allowing us to deliver alpha in a stable way for the benefit of our clients. NAM solutions cover all asset classes from fixed income and equity to multi asset solutions, and manage local and European as well as US, global and emerging market products.

*Source: *Nordea Investment Funds, S.A., 31.12.2018*

For further information:

François Passant, +352 621 319 244, francois.passant@nordea.lu

Nordea Asset Management is the functional name of the asset management business conducted by the legal entities Nordea Investment Funds S.A. and Nordea Investment Management AB ("the Legal Entities") and their branches, subsidiaries and representative offices. This document is intended to provide the reader with information on Nordea's specific capabilities. **This document (or any views or opinions expressed in this document) does not amount to an investment advice** nor does it constitute a recommendation to invest in any financial product, investment structure or instrument, to enter into or unwind any transaction or to participate in any particular trading strategy. This document is not an offer to buy or sell, or a solicitation of an offer to buy or sell any security or instruments or to participate to any such trading strategy. Any such offering may be made only by an Offering Memorandum, or any similar contractual arrangement. Consequently, the information contained herein will be superseded in its entirety by such Offering Memorandum or contractual arrangement in its final form. Any investment decision should therefore only be based on the final legal documentation, without limitation and if applicable, Offering Memorandum, contractual arrangement, any relevant prospectus and the latest key investor information document (where applicable) relating to the investment. The appropriateness of an investment or strategy will depend on an investor's full circumstances and objectives. Nordea Investment Management recommends that investors independently evaluate particular investments and strategies as well as encourages investors to seek the advice of independent financial advisors when deemed relevant by the investor. Any products, securities, instruments or strategies discussed in this document may not be suitable for all investors. This document contains information which has been taken from a number of sources. While the information herein is considered to be correct, no representation or warranty can be given on the ultimate accuracy or completeness of such information and investors may use further sources to form a well-informed investment decision. Prospective investors or counterparties should discuss with their professional tax, legal, accounting and other adviser(s) with regards to the potential effect of any investment that they may enter into, including the possible risks and benefits of such investment. Prospective investors or counterparties should also fully understand the potential investment and ascertain that they have made an independent assessment of the appropriateness of such potential investment, based solely on their own intentions and ambitions. Investments in derivative and foreign exchange related transactions may be subject to significant fluctuations which may affect the value of an investment. **Investments in Emerging Markets involve a higher element of risk. The value of the investment can greatly fluctuate and cannot be ensured. Investments in equity and debt instruments issued by banks could bear the risk of being subject to the bail-in mechanism (meaning that equity and debt instruments could be written down in order to ensure that most unsecured creditors of an institution bear appropriate losses) as foreseen in EU Directive 2014/59/EU.** Nordea Asset Management has decided to bear the cost for research, i.e. such cost is covered by existing fee arrangements (Management-/Administration-Fee). Published and created by the Legal Entities adherent to Nordea Asset Management. The Legal Entities are licensed and supervised by the Financial Supervisory Authority in Sweden, Finland and Luxembourg respectively. The Legal Entities' branches, subsidiaries and representative offices are licensed as well as regulated by their local financial supervisory authority in their respective country of domiciliation. Source (unless otherwise stated): Nordea Investment Funds, S.A. Unless otherwise stated, all views expressed are those of the Legal Entities adherent to Nordea Asset Management and any of the Legal Entities' branches, subsidiaries and representative offices. This document may not be reproduced or circulated without prior permission. Reference to companies or other investments mentioned within this document should not be construed as a recommendation to the investor to buy or sell the same, but is included for the purpose of illustration. The level of tax benefits and liabilities will depend on individual circumstances and may be subject to change in the future. © The Legal Entities adherent to Nordea Asset Management and any of the Legal Entities' branches, subsidiaries and/or representative offices.