Nordea
ASSET MANAGEMENT

Fund Portrait

2025

Nordea's BetaPlus Sustainable Enhanced Equity Strategies

Highlights

- **Active equity** solutions that aim to deliver **consistent excess return, limited active risk & strong ESG outcomes**[1]
- A comprehensive range of sustainable building blocks managed vs traditional market cap-weighted indices, that **meet investors' financial & sustainability needs** without altering their benchmarks[1]
- Leverage **NAM's** established **leadership** and expertise in **Responsible Investments & Multi-factor** solutions

In today's intricate investment landscape, investors are struggling to find solutions that can offer added value across four critical dimensions: consistent **performance, limited risk, strong sustainability and cost-effectiveness**. Meeting this diverse set of needs is a considerable challenge that most passive and active solutions cannot satisfy. Yet it remains an attainable goal for managers that have credible long-standing expertise and experience meeting these demands.

The truth behind Passive ESG investments

Despite ESG passive solutions appearing to be the most financially-savvy and potentially better sustainable outcome approach, several important caveats warrant careful consideration. First, passive funds merely track or even underperform their benchmarks due to fees, operational costs and suboptimal replication strategies. This seemingly minor **annual lack of excess return compounds over time**, potentially resulting in substantial opportunity costs in the long term.

Secondly, investors seeking to achieve superior sustainable outcomes have been **forced to invest in ESG-optimized benchmarks** with clear tilts vs standard market indices, as you cannot both track the market while also excluding controversial business and/or optimizing for certain ESG outcomes (emissions, rating, etc.). This benchmark change introduces **active risk at the core of investors asset allocation, with the related implications this can have on performance** (i.e. ESG benchmarks can significantly underperform traditional benchmarks) and risk.

In this context, a crucial question arises: if **these challenges cannot be addressed adequately by passive ESG solutions**, how can investors minimise active risk while meeting their return, costs and sustainability requirements?

Nordea's BetaPlus Sustainable Enhanced. The active answer to passive

With over **EUR 60 billion[2] in assets under management**, Nordea's BetaPlus Enhanced Equity strategies address this challenge by effectively balancing the pursuit of outperformance with limited active risk and – in its Sustainable versions – strong ESG characteristics. These cost-effective solutions employ a quantitative process based on fundamentals, combined with a rules-based qualitative overlay for trading and implementation, with the overarching goal of delivering:

- Target excess return of 0.5% p.a. gross, while maintaining a low tracking error (2% ex ante)[1]
- Beta of 1, aiming for **region/sector (where possible) neutrality** and avoiding unintended biases[1]
- **Lower carbon footprint, higher ESG quality** and no exposure to high ESG-risk companies and/or businesses[3]
- **Modest turnover** and limited trading costs[1]

Nordea Asset Management (NAM) has been at the forefront of sustainable investing since 1988, when it launched its first sector-screened portfolios. This long-standing commitment to ESG is the foundation of the BetaPlus Sustainable Enhanced strategies – quantitative, factor-driven solutions with robust ESG integration.

Launched in 2018, these strategies are managed by the Diversified Equity Team (DET), part of the Multi Assets Team (MAT), leveraging MAT's decades of expertise in multi-factor investing. The result is a forward-looking, sustainability-enhanced approach designed for long-term, sustainable outperformance.

1) **There can be no warranty that an investment objective, targeted returns and results of an investment structure is achieved. The value of your investment can go up and down, and you could lose some or all of your invested money.** 2) Source: Nordea Investment Management AB. Date: 30.06.2025. 3) Carbon footprint is the sum of a proportional amount of each portfolio company's emissions, scopes 1+2 (direct and indirect emissions) and ESG-related risks refers to the exclusion of companies with B & CCC MSCI ESG ratings, plus an overall portfolio MSCI ESG rating higher than the index (MSCI's ESG Quality score). For illustrative purposes only.

Today, the BetaPlus Sustainable Enhanced family spans Global (ACWI, World, and Small Cap), European, Japanese, and Emerging Markets portfolios. All of them **meet the ESMA[4] requirements to be considered Sustainable**, as they have a minimum of 50% Sustainable Investments and are aligned with the PAB exclusions (as they have historically applied NAM's long-standing Responsible Investment and Paris-Aligned Fossil Fuel policies).

Tailored for asset allocators and institutional, these solutions also support bespoke mandates with custom benchmarks, exclusions, decarbonization pathways, and risk budgets.

Unveiling the BetaPlus Sustainable Enhanced Investment Process

1	**Investment Universe & Segments**	• Define investment universe • **Implement ESG Exclusions** • Decompose by segments
2	**Define Risk Premia**	• Quality • LT. Mom. • Value • Earn. Mom. • Growth • Reversal
3	**Creating Alpha List**	• Factor weights across segments • Stocks' factors exposures • Identify potential buys/sells
4	**Portfolio Construction & Risk Management**	• Tracking error & beta • Sector/Region neutral • +1/-1% active weight p/stock • **Optimize ESG Outcomes**
5	**Ongoing Monitoring & Trading**	• Qualitative & Quantitative implementation approach

BetaPlus Sustainable Enhanced Equity Portfolio

Source: Nordea Investment Management AB. For illustrative purposes only.

The investment process begins by defining the index (investment universe) to outperform and applying NAM's or any mandate-specific ESG exclusion criteria (sector/value based, minimum rating, etc.). The strategy's benchmark (e.g., MSCI World) is then systematically divided into distinct regions (e.g., North America, Europe, Japan, and Rest of the World) and further segmented into sectors (e.g., Financials, Healthcare). This structure establishes a solid foundation for a proprietary methodology that creates coherent groups of companies, referred to as **Segments**, by combining geographic and sectoral classifications. These Segments group companies with comparable characteristics, enabling a nuanced analysis.

Within each Segment, companies undergo a detailed screening and ranking process based on six factors: **Quality, Value, Growth, Long-Term Momentum, Earnings Revisions, and Reversal**. A key differentiator of NAM's approach is the treatment of **Growth** as a standalone factor, departing from conventional academic literature. This unique perspective reflects Growth's proven effectiveness in segments that represent significant portions of the market.

Strategic factors, **Value and Quality**, are given particular emphasis, jointly accounting for at least 50% of the weighting within each Segment. This strategic weighting aims to prioritize **good companies that trade at attractive valuations**. The remaining weight is allocated to the other four factors, with adjustments across segments based on historical performance and relevance. This tailored approach recognizes that certain factors are more relevant in specific industries or regions, distinguishing BetaPlus Sustainable Enhanced Equity strategies from conventional factor-weighting methodologies.

After ranking stocks within each Segment based on their factor characteristics, the portfolio management team selects candidates for the Alpha List. High-ranking stocks are identified as potential buy/overweight candidates, while lower-ranking ones are marked for sell/underweight consideration.

Portfolio construction follows a rigorous optimization process designed to balance positions, while adhering to strict constraints and delivering strong ESG outcomes. These can include (among others):

- A maximum active weight of +/-1% per stock[5]
- An ex-ante tracking error of up to 2%[4]
- Neutrality in regional and sector exposures, to the extent allowed by ESG the exclusions[4]
- Alignment with the benchmark's beta[4]
- 25% lower carbon footprint than the market[6]
- A minimum ESG Rating of A and a higher ESG Quality Score than the index[7]

Lastly, a rules-based qualitative overlay governs portfolio implementation. This layer integrates short-term momentum signals, such as Earnings Revisions and Reversals, to optimize the timing of trades. This thoughtful implementation minimizes turnover and prevents trading costs from eroding alpha, ensuring cost efficiency and consistency in delivering excess returns.[4]

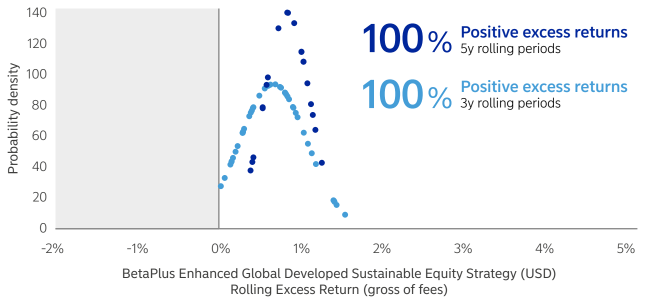
4) ESMA, the European Securities and Markets Authority, is an independent EU authority that works to safeguard the stability of the EU's financial system by ensuring the integrity, transparency, and efficiency of securities markets, and by enhancing investor protection. 5) **There can be no warranty that an investment objective, targeted returns and results of an investment structure is achieved. The value of your investment can go up and down, and you could lose some or all of your invested money.** 6) Carbon footprint is the sum of a proportional amount of each portfolio company's emissions, scopes 1+2 (direct and indirect emissions). 7) ESG Rating & Quality Score refer to those provided by MSCI ESG. For illustrative purposes only.

Why us? The BetaPlus Sustainable Enhanced Difference

Consistent Excess Returns

The foremost and most critical feature of the strategy is its exceptional historical consistency. As shown in the table below, NAM's BetaPlus Global Developed Sustainable Enhanced Equity Strategy has displayed outstanding resilience, **delivering positive (gross of fees) excess returns in 100% of 5 and of 3-year rolling periods**. This track record underscores the strategy's reliability and its ability to generate superior risk-adjusted return potential over time, **while also meeting strong ESG standards.**[8]

Consistent & positively skewed excess returns



Rolling p.a. (gross of fees)	Avg. Excess Return when positive	Avg. Excess Return when negative	Overall Avg. Excess Return
5y	0.83%	–	0.83%
3y	0.66%	–	0.66%

Source: Nordea Investment Management AB. Period under consideration: 30.11.2018 – 30.06.2024. **The performance represented is gross of fees, composite and historical; past performance is not a reliable indicator of future results and investors may not recover the full amount invested. The value of your investment can go up and down, and you could lose some or all of your invested money.** For illustrative purposes only.

Superior ESG without changing benchmark

Clear & strong ESG outcomes are not incompatible with excess returns and limited active risk versus the most commonly used market cap-weighted indices. While many other managers have retrenched from the sustainability space, exhibit weaker ESG credentials and expertise or prefer to embed the ESG characteristics in a customized index, **NAM's BetaPlus Sustainable Enhanced solutions offer credible market-leading sustainability characteristics applied to standard benchmarks**.

NAM has built these solutions to meet the ESG needs of institutional and wholesale investors globally – including compliance with ESMA's Sustainable naming requirements – by combining **extensive exclusions with superior ESG outcomes** (lower emissions, higher rating, etc.) within a limited active risk budget. NAM has also had extraordinary success customizing ESG characteristics – such as different decarbonization approaches – for some of the largest institutional clients across the globe.

Superior Sustainability Outcomes

≥25%	**Lower carbon footprint vs. benchmark** (scope 1, 2 & 3 emissions[1])
≥50%	**Sustainable investments** minimum exposure
≥A	**Portfolio's MSCI ESG Rating** and higher MSCI ESG Quality score vs index
⃠	**PAB, Coal, Tobacco, Alcohol** (and other sector exclusions[2])

Source: Nordea Investment Management AB. **There can be no warranty that an investment objective, targeted returns and results of an investment structure is achieved. The value of your investment can go up and down, and you could lose some or all of your invested money.** 1) A portfolios carbon footprint is the sum of a proportional amount of each portfolio company's emissions. Scope1+2 emissions refers to direct and indirect emission. 2) Limited exposure to Coal, Conventional unconventional oil and gas, controversial and nuclear weapons, military equipment, tobacco, adult entertainment, gambling and alcohol. For illustrative purposes only.

Adaptive multi-factor approach

NAM's BetaPlus Sustainable Enhanced solutions utilize an adaptive multi-factor approach rooted in proprietary-defined risk premia, dynamically tailored to different segments. **Across the more than 90 segments globally, the weighting of each factor is customized based on its historical success within that specific segment.**

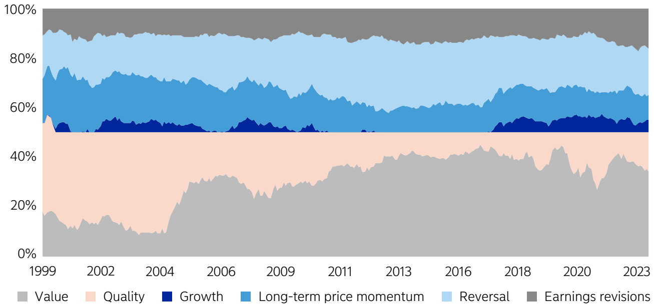
This adaptive methodology also accounts for the evolving importance of each factor. By identifying trends in the correlation between factors and excess returns, the process dynamically adjusts factor weightings over time within each segment.

As a result of this distinct approach, the portfolio maintains a moderate style bias toward any given factor. Factors are overweighted in segments where they demonstrate strong performance and underweighted in those where they show less success. This dynamic adjustment ensures that the portfolio consistently aligns with the factors most likely to drive excess returns across varying market conditions.

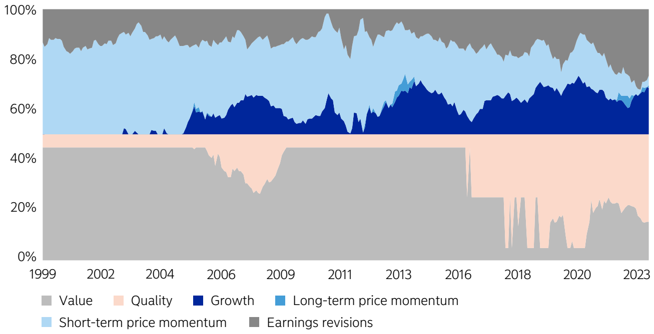
8) **The performance represented is historical; past performance is not a reliable indicator of future results and investors may not recover the full amount invested. The value of your investment can go up and down, and you could lose some or all of your invested money.**

No model fits all: Factors' weights change across 90+ segments & over time

North America – Health Care Equipment & Services



North America – Pharmaceuticals, Biotech & Life Science



Source: Nordea Investment Management AB. Period under consideration: Dec. 1987 – Nov. 2023. For illustrative purposes only.

A cost-efficient solution

The BetaPlus Sustainable Enhanced solutions present a compelling and cost-effective value proposition, featuring **competitive fee structures compared to both active and passive strategies**. Designed to deliver incremental gains beyond standard equity market index performance, these solutions serve multiple purposes.[9] They can seamlessly replace traditional passive core equity allocations while capturing excess returns against broadly used market-cap weighted indices. At the same time, they allow investors to meet their ESG standards/ambitions by delivering strong ESG outcomes that, in our view, are unachievable with pure passive solutions.

This combination of affordability, adaptability, ESG and performance potential makes BetaPlus Sustainable Enhanced solutions a unique choice for investors seeking for consistent alpha, limited risk and superior sustainability outcome, at a very competitive price.

Nordea BetaPlus. The active answer to passive.

Track-record, scale & all asset allocation building-blocks available

	Strategy	Benchmark	Inception Date
BetaPlus Enhanced	Global Developed Sustainable Equities	MSCI World	30.11.2018
	Global Sustainable Equities	MSCI ACWI	31.05.2018
	North American Sustainable Equities	MSCI North America	30.09.2020
	Emerging Market Sustainable Equities	MSCI EM 10/40	30.11.2018
	Global Small Cap Sustainable Equities	MSCI World Small Cap	28.02.2021
	European Sustainable Equities	MSCI Europe	30.09.2020
	Japanese Sustainable Equities	MSCI Japan	30.11.2023

Source: Nordea Investment Management AB. Date: 30.06.2025. For illustrative purposes only.

Asset Management in Nordea

As an active investment manager, Nordea Asset Management (NAM) manages asset classes across the full investment spectrum and aims to serve its clients in every market condition.

Nordea's success is based on a sustainable and unique multi-boutique approach that combines the expertise of specialized internal boutiques with exclusive external competences allowing us to deliver alpha in a stable way for the benefit of our clients.

NAM is dedicated to delivering returns with responsibility. Besides being an ESG pioneer and market leader when it comes to responsible investments we have put a lot of emphasis on launching outcome – as opposed to benchmark – oriented investment solutions, managed by Nordea's Multi Assets Team (MAT) and designed to meet clients' risk appetite and needs.

The MAT is one of the most experienced investment teams in the risk premia universe, managing numerous multi-factor strategies (total return, absolute return, constrained, unconstrained, etc.).

9) There can be no warranty that an investment objective, targeted returns and results of an investment structure is achieved. The value of your investment can go up and down, and you could lose some or all of your invested money.