



Fund Portrait

2024

Nordea 1 – Global Climate and Environment Fund

LU0348926287 (BP-EUR) / LU0348927095 (BI-EUR)

SFDR classification

 ARTICLE **9**

Highlights

- The focus on climate solutions was born out of the conviction that companies providing products and services with environmental benefits and attractive payback times would also be able to generate attractive shareholder returns over time¹
- Our longer-term belief in the attractiveness of the Climate and Environment opportunity set remains high as we continue to see emerging technologies entering, solving the issues of tomorrow
- Passionate, experienced, stable (15+ years) portfolio management team, and pioneer in climate investing supported by NAM Responsible Investment Team and a dedicated impact analyst



Asset Management at Nordea

As an active investment manager, Nordea Asset Management 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 distinctive 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.¹ Furthermore, we've put a lot of emphasis on launching outcome – as opposed to benchmark – oriented investment solutions whose basis, "stability investment philosophy", is designed to meet clients' risk appetite and needs.

The Nordea 1 – Global Climate and Environment Fund has been managed internally by Nordea's Fundamental Equity team since its launch in 2008. The investment team, based in Copenhagen, uses a bottom-up investment process to identify and analyse companies that are mispriced in respect to their ability to generate future cash flows.

Climate Change: an investment opportunity

For years, investors have held the conviction that in order to invest in companies exposed to climate and environment, one would have to sacrifice returns. However, selecting 'green' companies or avoiding carbon-intensive stocks in your portfolio are not the only options.

Nordea's distinct approach has proven to be effective. Every company added to the portfolio needs to show a good sustainability profile contributing positively to the fund's objective, while integrating ESG factors in the fundamental valuation. The team focuses on selecting companies that use their talent and innovation to identify solutions to climate and environmental challenges. Hence, these companies benefit from a strong growth in demand.

As such, climate change represents an attractive investment opportunity, which is **accelerated by a number of drivers**. There is a push from society and consumers who ask companies to be more 'responsible', as well as a push from politicians, who feel the urge to develop better environmental policies. However, in our opinion, the biggest push is the economic incentive that comes from adopting these technologies.

"It simply makes economic sense," says Thomas Sørensen, one of the two co-portfolio managers. "If companies can buy a new product that allows them to cut the energy bill and reduce the cost of material used in the production phase, and if all of this comes with a very short pay-back period, it is a no brainer." Saving energy and material will have a direct impact both on the company's balance sheet and the company's sustainability impact.

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.

Following this approach, the Nordea 1 – Global Climate and Environment Fund (BP-EUR) has delivered consistent returns for several periods compared to its peers, represented by the Morningstar category Equity Sector Ecology².

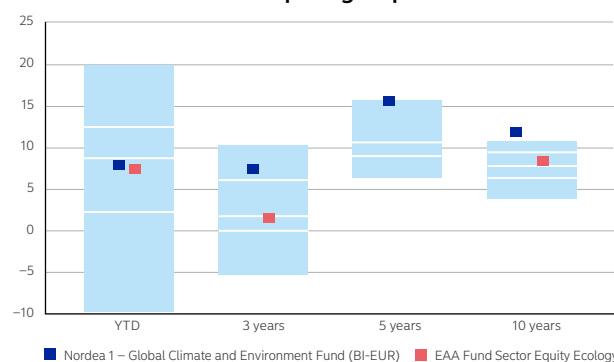
Performance over 10 years^{3,4}

Discrete Year	Fund (BP-EUR)	Fund (BI-EUR)	Benchmark*
2023	6.44%	7.37%	19.55%
2022	-15.42%	-14.69%	-13.13%
2021	33.56%	34.70%	31.96%
2020	19.79%	20.83%	6.09%
2019	38.06%	39.19%	30.23%
2018	-13.33%	-12.69%	-4.37%
2017	15.38%	16.31%	7.52%
2016	16.36%	17.22%	11.04%
2015	11.44%	12.33%	10.55%
2014	10.34%	10.96%	19.20%
2013	24.73%	25.60%	21.19%

*MSCI World Index (Net Return).

Performance Relative to Peer group⁴

Performance of the Nordea 1 – Global Climate and Environment Fund vs. its peer group



Source: © 2024 Morningstar, Inc. All Rights Reserved. Data as of 31.12.2023. Data in Euro. Peer Group: EAA Fund Sector Equity Ecology.

The investment approach

The **Nordea 1 – Global Climate and Environment Fund** was launched as a fundamental bottom-up investment process in 2008. The focus on climate solutions was born out of the conviction that companies providing products and services with environmental benefits and attractive payback times would also be able to generate attractive shareholder returns over time⁵. The investment philosophy is based on the following beliefs:

- **Solution approach** – we think that market based solution can contribute to the transition to a low carbon economy and identify companies providing them at scale
- **Fundamental** – we believe free cash flows ultimately drive shareholder value
- **Disciplined** – we believe our investment process can produce consistent results and reduce the risk of unintended biases
- **Long-term sustainability** – we take a long-term view on ESG performance and believe in the role of active ownership to enhance it over time

“Our fundamental, bottom up investment process aims to identify a portfolio of high conviction ideas (**40 – 60 undervalued stocks**) that derive significant future cash flows from their innovative climate solutions,” says Thomas Sørensen. The fund focuses on global equities, typically with a **mid-cap, growth bias**, that derive significant future cash flows from businesses contributing to solutions to climate change.

The strategy has three themes, and fifteen subthemes, created from qualitative research intended to identify global environmental challenges that the market economy can address. We address the drivers underlying the energy and environmental transition by investing in climate change mitigation and adaptation (**Alternative Energy**), biodiversity management and

Climate & Environment investment universe

	Alternative Energy		Resource Efficiency		Environment Protection	
Clusters						
	Portfolio	Universe	Portfolio	Universe	Portfolio	Universe
	~5%*	~10%*	~60%*	~70%*	~35%*	~20%*
Strategies	Renewable Power Solar Wind Energy storage		Energy Efficiency Smart Grid Eco-Mobility Smart Farming Intelligent Construction Advanced Materials		Clean Water & Air Green Consumerism Waste Management Environmental Services Sustainable Forestry	

Source: Nordea Investment Management AB (FET). For illustrative purposes only. *Please note that the weights are dynamic, based on market cap and a consequence of the bottom-up selection and risk management.

2) Comparison with other financial products or benchmarks is only meant for indicative purposes. Source – © 2024 Morningstar, Inc. All Rights Reserved. 3) Period under consideration (unless otherwise stated): 01.01.2013 – 31.12.2023. 4) **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.** 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.

solutions based on nature (**Environment Protection**), and sustainable and responsible use of resources (**Resource Efficiency**).

- **Resource Efficiency:** we identify companies whose products and services help optimising the existing resource base and improving resource use efficiency. We believe this area is the most economically sensible to achieve lower emissions and reduce energy consumption. It is often not the most visible area in the universe but one of the most diverse and interesting which spans from smart farming via advanced navigation systems to energy efficient cooking and process equipment, to energy efficient lighting and building material applications
- **Environment Protection:** we are incorporating companies with strong offerings to reduce, eliminate or avoid pollution and other forms of environmental degradation. This area is often driven by environmental regulation and risk management considerations, as well as consumers that demand more sustainable products and services. Preventing potential future costs of negative externalities is as important as dealing with existing issues of the past
- **Alternative Energy:** we capture companies that typically focus on innovations to generate cleaner energy supply. The world is still very much dependent on conventional energy sources and growth comes at the expense of negative externalities for the environment and societies. The global share of primary energy from renewable sources is still very low, but emission-free renewables like solar and wind have shown their economic feasibility and further improvements will lead to higher adoption. Our research leads us to believe that electricity will in the long run become the primary form of energy used for consumption and the age of oil and coal will come to an end

A proprietary investment universe is key

The fund invests in its proprietary climate and environment investment universe, which has no equivalent in terms of benchmark. Although we have a different investment universe, as part of our risk management framework, we monitor the risk versus global equity markets to avoid cluster / factor risks which can otherwise easily occur when managing thematic strategies.

The multifaceted problems that societies around the world are facing today and tomorrow, cannot be solved with one-size-fits-all-approaches. Rather, we need to adopt the existing best of breed solutions as quickly as possible, and more importantly develop a gazillion of new solutions to ensure our basis of existence here on Earth. We are aiming to find undiscovered global leaders in niche segments that are continuously evolving and expanding our proprietary investment universe and we believe this trend to endure for decades as there is no end in sight when it comes to new environmental innovations, industrial scaling of proven technologies, and broadening global adoption. By marrying our thematic-oriented idea generation – that creates a wide and diverse opportunity set – with our fundamental stock-picking approach, we aim to offer an investment solution that embraces opportunities and “walks the talk” by allocating capital into solution providers that can make a real difference.

Investment process and portfolio management

The strategy follows a structured, disciplined and repeatable investment process that combines forward-looking thematic research with fundamental stock selection and a distinct risk management framework.

Our investment philosophy and process are designed around our core skill set: finding mispriced climate and environment solution providers. We call this the “Expectations Gap” which can arise from inefficiencies like:

- Underestimating future growth from Climate and Environment opportunities
- Failure to correctly value structural impact from regulations
- Underestimating technology change as a risk or opportunity for a company
- Failure to incorporate ESG/Sustainability aspects in the investment analysis
- Fading returns on capital too quickly

Hence, selecting the right stocks and constructing a robust portfolio are key components.

In the portfolio construction process, the portfolio management team constantly quantifies the relationship between upside and risk of each existing and potential investment. Portfolio weights are enhanced towards high conviction names, sell-discipline is enforced and risk management tools are utilised to create the optimal portfolio.

Engagement and Impact Assessment

Being a key part of the investment process, engagement means having a constructive and active dialogue with the companies we invest in or that we are considering for investment. Such dialogue enables us to understand how a company is thinking about and addressing ESG risks or opportunities that are relevant for its business.

The investment team and RI Team build together an engagement roadmap, where they identify the most relevant and material ESG topics for each company as well as their impacts. While the RI Team typically takes the lead in engagement activities, our portfolio managers often participate as well. We see engagement as a way to preserve and enhance long-term shareholder value, as well as a great opportunity to create a positive impact for the broader society.

In addition, as we intend to invest with positive impact, we are committed to assess, monitor and report the environmental and social (E&S) performance of underlying investments. Therefore, we have developed an Impact Framework to integrate the E&S positive and negative impacts of the company within the investment process.

As we focus on the extent to which the investee company's business model contributes to intentionally and sustainability, the primary metric is activity-based. Here, we estimate how much of the company's revenue derives from activities contributing to the achievement of one of the 17 UN SDGs. We break down company's revenues by activity, and map the activities against the SDGs and EU Taxonomy. Our minimum revenue threshold is 20% in order to comply with NAM definition of a sustainable investment in the context of the SFDR Article 9 classification, but we aim at maximizing sustainable contribution.

We are using four different data sources:

1. Company self-reported data from corporate annual reporting, investor presentations, and CDP Climate Change, Water and Forests questionnaires
2. Upright UN SDG contribution data: third party data provider Upright's AI-powered data engine provides them with the alignment of a company's products and services with the 17 UN SDGs
3. ISS SDG Solutions Assessment. This approach ensures that the type of activity is linked to the company's business model, in alignment with the approach taken by the EU Taxonomy
4. Clarity.ai Taxonomy data. In last resort, they use aligned revenues as a proxy for the company's contribution to a relevant environmental SDG

To complement revenue alignment, we carry out a sustainability analysis beyond compliance with the "Do No Significant Harm" and "Good Governance" criteria required by NAM definition of a sustainable investment in the context of the SFDR Article 9 classification. This sustainability analysis captures environmental and social operational performance metrics, but also one or two measures of impact performance. Those are company specific and mostly sourced from corporate reports, or sometimes sourced from expert calls or external reports. Example metrics could be the number of small and medium-sized enterprises (SMEs) clients for a productivity software provider, the volume of certified product produced for a food ingredients distributor, or the total greenhouse gas emissions avoided for an industrial gas manufacturer.

Distinct product characteristics

We believe we have the specialist expertise and experience to successfully implement our philosophy into a disciplined, consistent and repeatable investment process based on:

- Passionate, experienced, stable (15+ years) portfolio management team, and pioneer in climate investing
- Distinct approach focused solely on the climate and environmental solutions segment that aims to generate positive impacts for society
- High return potential through a broad proprietary investment universe in an attractive global mid- and large-cap growth segment⁶
- Structured and disciplined investment process focused on long-term investing, based on bottom-up fundamental analysis and proprietary modeling
- Aim to generate alpha through fundamental and ESG analysis, while including engagement opportunities with portfolio companies
- Strong emphasis on portfolio construction and risk management
- Supported by a strong global research platform with a diverse international team

Nordea 1 – Global Climate and Environment Fund	
Fund manager	Fundamental Equities Team
Fund domicile	Luxembourg
ISIN codes*	LU0348926287 (BP-EUR) LU0348927095 (BI-EUR) ⁷
Annual management fees	1.50% p.a. (BP-EUR) 0.75% p.a. (BI-EUR) ⁷
Base currency	EUR
Reference index ⁸	MSCI World Index (Net Return) ⁹
Launch date	13.03.2008

To find out more, visit our local microsite:

- nordea.lu/YourClimateExpert
- nordea.co.uk/YourClimateExpert
- nordea.ch/YourClimateExpert



6) 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. 7) BI-EUR share class: only for distribution towards institutional clients. Minimum investment amount: EUR 75,000 (or the equivalent). 8) The fund uses a benchmark that is not aligned with its sustainable investment objective. 9) With effect from 14.12.2020, the official reference index of the fund is MSCI World Index (Net Return). Prior to this date, the fund did not have an official reference index.

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Risk indicator



Risks

The summary risk indicator is a guide to the level of risk of this product compared to other products.

For more information on risks the fund is exposed to, please refer to the section "Risk Descriptions" of the prospectus.

Other risks materially relevant to the PRIIP not included in the summary risk indicator:

Depository receipt risk: Depository receipts (certificates that represent securities held on deposit by financial institutions) carry illiquid securities and counterparty risks.

Derivatives risk: Small movements in the value of an underlying asset can create large changes in the value of a derivative, making derivatives highly volatile in general, and exposing the fund to potential losses significantly greater than the cost of the derivative.

Emerging and frontier markets risk: Emerging and frontier markets are less established, and more volatile, than developed markets. They involve higher risks, particularly market, credit, legal and currency risks, and are more likely to experience risks that, in developed markets, are associated with unusual market conditions, such as liquidity and counterparty risks.

Securities handling risk: Some countries may restrict securities ownership by outsiders or may have less regulated custody practices.

Taxation risk: A country could change its tax laws or treaties in ways that affect the fund or shareholders.

For UK investors, please refer to the SRRI and risks as per the Key Investor Information Document (KIID) and Prospectus, which are available on nordea.co.uk.

Investment policy

The fund mainly invests in equities of companies from anywhere in the world. Specifically, the fund invests at least 75% of total assets in equities and equity-related securities. The fund will be exposed (through investments or cash) to other currencies than the base currency. The fund is actively managed.

SFDR classification

The fund has been classified as an article 9 fund under SFDR. The fund has sustainable investment as its objective.

For more information on sustainability-related aspects of the fund, please visit:

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