

## Interview with Portfolio Managers René Møller Petersen and Frederik Nøkleby Weber

### Nordea 1 – European Stars Equity Fund

LU1706106447 (BP-EUR) / LU1706108732 (BI-EUR)

Please note that the conference call occurred on the 11th of November 2020. All market commentary and information refers to the period before then.

#### Key takeaways

- The aim of Nordea’s ESG STARS family is to beat the benchmark<sup>1</sup>, meet Nordea’s ESG standards and create change through active ownership.
- European companies tend to have a larger stakeholder focus than US and emerging market peers.
- In terms of politics, Europe is the world’s environmental and decarbonisation leader. This tailwind will benefit companies providing solutions for decarbonisation and those already displaying a green profile.

#### The European Stars Equity Fund, which celebrates its third birthday this month, has delivered solid alpha for investors since launch. What do you put this down to?

**Weber:** We are extremely pleased with how the strategy has progressed. We certainly attribute our success so far to our integrated approach – which combines positive ESG selection with strong bottom-up fundamental analysis. Like all of Nordea’s ESG STARS funds, our investment team works closely with the Responsible Investment team. Our performance over these first three years demonstrates investors do not have to sacrifice returns when focusing on sustainability – it is the opposite, in fact.



#### Can you talk us through how this integrated approach works?

**Petersen:** Of course. When undertaking a 360° look at a company, the ESG and the fundamental analysis processes are interlinked. Typically, the starting point is looking at a company from a fundamental perspective – such as its growth rate, profitability and standing in its marketplace. In parallel we look at ESG factors – like management incentive schemes and remuneration packages, as well as board diversity. A company with a more sustainable competitive edge can deliver for all stakeholders – shareholders and others.

<sup>1</sup> 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

## European equity markets are well covered by external ESG ratings, why is there a need for investors to conduct their own internal analysis?

**Weber:** This is simple – it adds value. One of the key differentiating elements of our ESG STARS range is our focus on positive selection. This approach is designed to identify future ESG winners, rather than simply exclude ESG laggards. Look at the investment implications of the world's goal of limiting global temperature increases to well below 2°. For some companies we simply have to exclude - we avoid areas like oil and coal. However, we can go one step further and look for companies offering solutions for the future, here making positive selection. French global automotive supplier Valeo is a good example. It used to supply parts for internal combustion engines but made the decision a number of years ago to focus its R&D budget on the electrification of cars. It is now the leader in the space and is benefitting from the major structural changes underway in the auto industry. When we identify such an opportunity, we work closely with the Responsible Investment team to ensure the company is truly on the right side of change in the world.

## Are there areas within ESG where Europe is still lagging?

**Weber:** There are – especially in relation to the 'S' and 'G'. For example, there are many examples of companies with combined CEO and chairperson roles, while we often see European companies lagging international peers in terms of gender diversity. In addition, Europe is home to many conglomerates that have displayed poor capital allocation decisions. So, even though European corporates may be ahead of global peers in the 'E' component of ESG, there is still work to be done. This is where engagement and investment flows can make an impact in driving corporates in a more sustainable direction – while also boosting the return potential of a company.

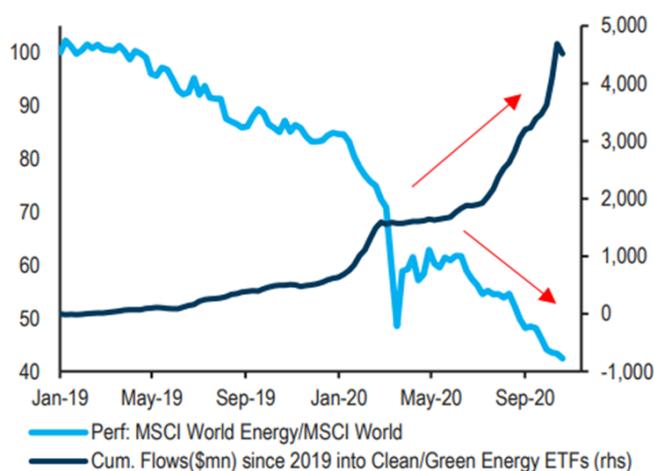
## You just touched on the engagement efforts you undertake alongside Nordea's Responsible Investments team, do you have an example of this?

**Petersen:** German company GEA Group, one of the largest technology suppliers for food processing, is a good example. The company had grown sustainably through acquisitions, but profitability lagged due to integration issues. ESG-related metrics were also declining, such as in its high labour turnover, which resulted in falling employee satisfaction. Along with fund manager Elliott, we began an engagement process with the company in 2017 and took it all the way to the board the following year. A new management team was installed in 2019 to improve integration and get the company back on the right track. We recently had a follow up meeting with the new management team, and we are seeing promising signs.

## For investors seeking to boost their equity allocations in Europe, why should they choose an ESG strategy?

**Petersen:** There are many reasons why it makes a lot of sense to invest with an ESG focus. We see a clear path towards increased sustainability in broader society, which is driven by both politicians and consumers. We believe the winners of tomorrow will be the companies providing solutions to the sustainability transition we are witnessing across the world. On the flipside, it will be extremely difficult for many 'old economy' companies to adapt and become ESG positive. Investors are already taking action, with strong flows into ESG-influenced strategies. We believe it is dangerous to be on the wrong side of this trend.

Traditional Energy sector performance keeps hitting new lows while alternate energy space surges



The sub-funds mentioned are part of Nordea 1, SICAV, an open-ended Luxembourg-based investment company (Société d'Investissement à Capital Variable), validly formed and existing in accordance with the laws of Luxembourg and with European Council Directive 2009/65/EC of 13 July 2009. **This document is advertising material** and does not disclose all relevant information concerning the presented sub-funds. Any investment decision in the sub-funds should be made on the basis of the current prospectus and the Key Investor Information Document (KIID), which are available, along with the current annual and semi-annual reports, electronically in English and in the local language of the market where the mentioned SICAV is authorised for distribution, without charge upon request from Nordea Investment Funds S.A., 562, rue de Neudorf, P.O. Box 782, L-2017 Luxembourg, from the local representatives or information agents, or from our distributors. Investments in derivative and foreign exchange 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 shares can greatly fluctuate as a result of the sub-fund's investment policy 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. For further details of investment risks associated with these sub-funds, please refer to the relevant Key Investor Information Document (KIID), available as described above.** Nordea Investment Funds S.A. has decided to bear the cost for research, i.e. such cost is covered by existing fee arrangements (Management-/Administration-Fee). Nordea Investment Funds S.A. only publishes product-related information and does not make any investment recommendations. Published by Nordea Investment Funds S.A., 562, rue de Neudorf, P.O. Box 782, L-2017 Luxembourg, which is authorized by the Commission de Surveillance du Secteur Financier in Luxembourg. Further information can be obtained from your financial advisor. He/she can advise you independently of Nordea Investment Funds S.A. **Please note that all sub funds and share classes might not be available in your country of jurisdiction.**

**Additional information for investors in Switzerland:** The Swiss Representative and Paying Agent is BNP Paribas Securities Services, Paris, Succursale de Zurich, Selnaustrasse 16, CH-8002 Zurich, Switzerland. **Additional information for investors in Germany:** The Information Agent in Germany is Société Générale S.A. Frankfurt Branch, Neue Mainzer Straße 46-50, DE-60311 Frankfurt am Main, Germany. A hard copy of the above-mentioned fund documentation is also available here. **Additional information for investors in Austria:** The Information and Paying Agent in Austria is Erste Bank der österreichischen Sparkassen AG, Am Belvedere 1, AT-1100 Vienna, Austria. **Additional information for investors in the Netherlands:** Nordea 1, SICAV is a Luxembourg Undertaking for Collective Investment in Transferable Securities (UCITS) registered in the Netherlands in the register kept by the AFM, and as such is allowed to offer its shares in the Netherlands. The AFM register can be consulted via [www.afm.nl/register](http://www.afm.nl/register). **Additional information for investors in France:** With the authorisation of the AMF the shares of the sub-funds of Nordea 1, SICAV may be distributed in France. Centralising Correspondent in France is CACEIS Bank, located at 1-3, place Valhubert, FR-75206 Paris cedex 13, France. **Investors are advised to conduct thorough research before making any investment decision.** **Additional information for investors in Belgium:** The Financial Service Agent in Belgium is BNP Paribas Securities Services S.C.A., Brussels Branch, Rue de Loxum, 25, BE-1000-Brussels, Belgium. A hard copy of the above-mentioned fund documentation is available upon demand free of charge. **Additional information for investors in Spain:** Nordea 1, SICAV is duly registered in the CNMV official registry of foreign collective investment institutions (entry no. 340) as authorised to be marketed to the public in Spain. The Depository of the SICAV's assets is, J.P. Morgan Bank Luxembourg S.A. In Spain, any investment must be made through the authorised distributors and on the basis of the information contained in the mandatory documentation that must be received from the SICAV's authorised distributor prior to any subscription. The Representative Agent is Allfunds Bank S.A.U., C/ de los Padres Dominicos, 7, ES-28050 Madrid, Spain. A complete list of the authorised distributors is available in the CNMV's webpage ([www.cnmv.es](http://www.cnmv.es)). **Additional information for investors in Portugal:** The Management Company of the SICAV, Nordea Investment Funds S.A., and the Depository of the SICAV's assets, J.P. Morgan Bank Luxembourg S.A., are validly formed and existing in accordance with the laws of Luxembourg and authorized by the Commission de Surveillance du Secteur Financier in Luxembourg. Our distributor in Portugal is BEST - Banco Electrónico de Serviço Total, S.A., duly incorporated under the laws of Portugal and registered with the CMVM as a financial intermediary. **Additional information for investors in Italy:** Fund documentation as listed above is also available in Italy from the distributors and on the website [www.nordea.it](http://www.nordea.it). The updated list of distribution agents in Italy, grouped by homogenous category, is available from the distributors themselves or from the Paying Agents: State Street Bank International GmbH – Succursale Italia, BNP Paribas Securities Services - Succursale di Milano, Allfunds Bank S.A.U. Succursale di Milano, Société Générale Securities Services S.p.A., Banca Sella Holding S.p.A., Banca Monte dei Paschi di Siena S.p.A., CACEIS Bank S.A – Succursale Italia and on the website [www.nordea.it](http://www.nordea.it). Any requests for additional information should be sent to the distributors. **Before investing, please read the prospectus and the KIID carefully.** We recommend that you read the most recent annual financial statement in order to be better informed about the fund's investment policy. **The prospectus and KIID for the sub-funds have been published with Consob.** For the risk profile of the mentioned sub-funds, please refer to the fund prospectus. **Additional information for investors in the United Kingdom:** The Facilities Agent is Financial Express Limited 2nd Floor, Golden House 30 Great Pulteney Street W1F 9NN, London, United Kingdom. **Additional information for investors in Ireland:** The Facilities Agent is Maples Fund Services (Ireland) Limited, 32 Molesworth Street, D02 Y512 Dublin 2, Ireland. **Additional information for investors in Sweden:** The Paying Agent is Nordea Bank Abp, Swedish Branch, Smålandsgatan 17, SE-105 71 Stockholm, Sweden. **Additional information for investors in Denmark:** The Representative and Sub-Paying Agent is Nordea Bank Abp, Danish Branch, Grønlandsvej 10, DK-2300 Copenhagen S, Denmark. A hard copy of the above-mentioned fund documentation is available here. **Additional information for investors in Norway:** The Paying Agent is Nordea Bank Abp, Norwegian Branch, Essendrops gate 7, Postboks 1166 Sentrum, NO-0107 Oslo, Norway. The Representative Agent is Nordea Funds Ltd, Norwegian Branch, Essendrops gate 7, Postboks 1166 Sentrum, NO-0107 Oslo, Norway. **Additional information for investors in Finland:** The Paying Agent is Nordea Bank Abp, Satamaradankatu 5, FI-00020, Helsinki, Finland. The Representative Agent is Nordea Funds Ltd, Satamaradankatu 5, FI-00020, Helsinki, Finland. **Additional information for investors in Latvia:** The Representative Agent is Luminor Bank AS, 62 Skanstes iela 12, LV-1013 Riga, Latvia. **Additional information for investors in Estonia:** The Representative Agent in Estonia is Luminor Bank AS, Liivalaia 45, EE-10145 Tallinn, Estonia. **Additional information for investors in Lithuania:** The Representative Agent in Lithuania is Luminor Bank AB, Konstitucijos pr. 21 A, LT-03601 Vilnius, Lithuania. Shareholders must evaluate possible investment risks and take this into consideration when making investment decisions. **Information for investors in Brazil:** This is a strictly privileged and confidential document for the purposes of a potential investment in foreign securities on a one-on-one basis with potential investors with a pre-existing relationship with Nordea Investment Funds S.A. This document contains information addressed only to a specific individual and is not intended for distribution to, or use by, any other person. This document (i) is provided for informational purposes only, (ii) should not be construed in any manner as any solicitation or offer to buy or sell any securities or any related financial instruments, (iii) should not be construed in any manner as a public offer of any securities or any related financial instruments, and (iv) will be addressed to a potential investor with restrict access of information. Nordea 1, SICAV have not been, and will not be, registered with the Brazilian Securities Commission (Comissão de Valores Mobiliários - CVM), and must not be offered or sold in Brazil except in circumstances which do not constitute a public offering or distribution under Brazilian laws and regulations. Any public offering, placement or distribution, as defined under Brazilian laws and regulations, of securities in Brazil, is not legal without prior registration under Law No. 6,385 of December 7, 1976, as amended. Documents relating to the offering of the Nordea 1, SICAV, as well as information contained therein, must not be supplied to the general public in Brazil (as the offering of the Nordea 1, SICAV is not a public offering of securities in Brazil) or used in connection with any offer for subscription or sale of the Nordea 1, SICAV to the general public in Brazil. Investors within Brazil should consult with their own counsel as to the applicability of these laws and regulations or any exemption there from. **Information for Investors in Singapore: NORDEA INVESTMENT FUNDS S.A. SINGAPORE BRANCH 138 Market**

**Street, #09-02 Capita Green (UEN No. T18FC0105C) (Incorporated in Luxembourg, with limited liability)** The sub-funds which are mentioned in this document form part of the restricted schemes under the Sixth Schedule to the Securities and Futures Regulations. The sub-funds are not authorised or recognised by the Monetary Authority of Singapore ("MAS"). NORDEA INVESTMENT FUNDS S.A. SINGAPORE BRANCH is registered as a foreign company under Part XI Division 2 of the Companies Act, Chapter 50 of Singapore on 9 July 2018, bearing registration number T18FC0105, the address is 138 Market Street, #09-02 Capita Green and it is Incorporated in Luxembourg, with limited liability. The offer or invitation mentioned, which is the subject of this document, does not relate to a collective investment scheme which is authorised under Section 286 of the Securities and Futures Act, Chapter 289 of Singapore (the "SFA") or recognised under Section 287 of the SFA. The Fund is not authorised or recognised by MAS, nor allowed to be offered to the retail public. Thus, it may not be circulated, distributed, offered, sold or be made subject to an invitation to persons in Singapore other than (i) to an institutional investor under Section 304 of the SFA, (ii) to a relevant person pursuant to Section 305(1), or any person pursuant to Section 305(2), and in accordance with the conditions specified in Section 305, of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA. This document and any other document or material issued in connection with the offer or sale is not a prospectus as defined in the SFA. This document contains information only intended for professional qualified under section 304 and 305 of the SFA and is not intended for general publication. **Information for Investors in Hong Kong: Warning: The contents of this document have not been reviewed by any regulatory authority in Hong Kong. You are advised to exercise caution in relation to the offer. If you are in any doubt about any of the contents of this document, you should obtain independent professional advice.** The Fund, and thus comprising its sub-funds, have not been authorised by the Securities & Futures Commission ("SFC"). Accordingly, the Shares adherent to the Fund and its sub-fund(s) in question may only be offered or sold in Hong Kong to persons who are i) "Professional Investors" as defined within the Securities & Futures Ordinance of Hong Kong or ii) in circumstances which are permitted under the 17<sup>th</sup> Schedule of the Companies Ordinance of Hong Kong and as defined under the Securities and Futures Ordinance of Hong Kong. This document contains information only intended for professional investors qualified under the SFO, the Companies Ordinance and is not intended for general publication. **Additional information for investors in Japan:** These sub-funds are not authorized for public distribution in Japan. Clients of advisory business do not qualify as qualified institutional investors and shall not be offered this product prior to registration for public offering. **Additional information for investors in South Korea:** This document is not, and under no circumstances is, to be construed as, a public offering of securities in South Korea. Neither the mentioned Funds nor Nordea Asset Management (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) is making any representation with respect to the eligibility of any recipients of this presentation to acquire the shares in the Fund mentioned under the laws of South Korea, including but without limitation, the Foreign Exchange Transaction Law and Regulations thereunder. The shares of the funds mentioned have not been registered with the Financial Services Commission of South Korea under the Financial Investment Services and Capital Markets Act (the "FSCMA") for a public offering, and none of the shares of the Fund may be offered, sold or delivered, or offered or sold to any person for re-offering or resale, directly or indirectly, in South Korea or to any resident of South Korea except pursuant to applicable laws and regulations of South Korea. The shares Fund may only be sold in South Korea through a local financial investment company registered with the Financial Services Commission and on a private placement basis to certain qualified professional investors as defined in the FSCMA. **Please note that Nordea 1, SICAV has not been registered in Australia. Additional information for Chile: Fecha de inicio de la oferta: 11.11.2020 (i) La presente oferta se acoge a la Norma de Carácter General N° 336 de la Comisión para el Mercado Financiero de Chile. (ii) La presente oferta versa sobre valores no inscritos en el Registro de Valores o en el Registro de Valores Extranjeros que lleva la Comisión para el Mercado Financiero, por lo que los valores sobre los cuales ésta versa, no están sujetos a su fiscalización; (iii) Por tratarse de valores no inscritos, no existe la obligación por parte del emisor de entregar en Chile información pública respecto de estos valores; y (iv) Estos valores no podrán ser objeto de oferta pública mientras no sean inscritos en el Registro de Valores correspondiente.** It conforms to the General Ruling no. 336 issued by the Comisión para el Mercado Financiero de Chile (the "CMF") on June 27th, 2012 ("Safe Harbour Regulation" or "SHR"). The sub-funds mentioned within this document are not registered in the Registry of Securities or in the Registry of Foreign Securities of the CMF, i.e. these sub-funds are not subject to the oversight of the CMF. As long as the sub-funds mentioned within this document are not registered with the corresponding Registry of Securities in Chile, this document shall not constitute a public offering. Nordea Investment Funds S.A. is not obligated to provide public information in Chile regarding the sub-funds mentioned within this document since they are not registered with the CMF. **Additional information for USA: This sub-fund is not authorized for public distribution in the United States of America. This document and the information contained herein is for relevant investors only and shall not be distributed to retail investors. Clients of advisory business do not qualify as qualified investors and shall not be offered this product prior to registration for public offering. Additional information for Peru:** Nordea 1, SICAV have not been and will not be registered in Peru under Decreto Legislativo 861- Ley del Mercado de Valores (the "Securities Market Law"), and are being offered pursuant to a private placement. The interests have not been registered in the Securities Market Public Registry (Registro Público del Mercado de Valores) maintained by, and the offering of the securities in Peru is not subject to the supervision of, the superintendencia del Mercado de Valores. Any transfers of the interests shall be subject to the limitations contained in the securities market law and the regulations issued thereunder. As the securities are not registered, there is no obligation to deliver in Peru public information with respect to the securities offered hereby. These securities cannot be offered by way of public offering as long as they are not registered in the securities market public registry. Investors in Peru should consult with their own counsel as to the applicability of these laws and regulations or any exemption there from. This material aims to provide information only and does not constitute and should not be construed as an offer to buy or sell or solicitation of an offer to buy or sell any security or financial instrument. Source (unless otherwise stated): Nordea Investment Funds S.A. Unless otherwise stated, all views expressed are those of Nordea Investment Funds S.A. This document may not be reproduced or circulated without prior permission and must not be passed to private investors. This document contains information only intended for professional investors and financial advisers and is not intended for general publication. 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.