

## Interview with co-portfolio manager Thomas Sørensen Nordea's Global Social Empowerment Strategy

Kindly note that the strategy is currently available via the Nordea 1 – Global Impact Fund LU2257592514 (BP-USD) / LU2257592787 (BI USD)

Please note that the conference call occurred on the 9th of December 2020. All market commentary and information refers to the period before then.

### Key takeaways

- About two thirds of the SDGs are dedicated to social empowerment, but to achieve these goals, an estimated \$5-7trn of investment is needed per year.
- The Covid-19 pandemic and recent social inequality demonstrations magnified awareness of this theme.
- We truly believe we can help move the world forward in terms of social empowerment, while generating attractive returns for our investors at the same time.

### Firstly, what are you setting out to achieve with the new strategy?

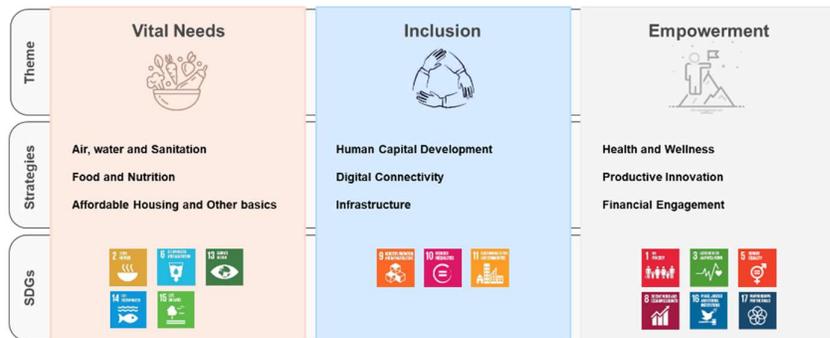
We have three primary goals with the new Global Social Empowerment strategy. Goal one is generate attractive returns and outperform the broader market over time – which is essentially the objective of every actively managed strategy. Goal two is to move the world in the right direction by allocating capital to the companies focused on providing social solutions. We should not underestimate the power of capital allocation, which we have seen first-hand through the success of our Global Climate and Environment Strategy. Finally, goal three is we want to be an active owner of companies – an integrated element of what we do here at Nordea. Importantly, we believe all three goals can be achieved at the same time<sup>1</sup>.

### Has the world taken enough notice of the 'S' element within ESG?

I believe we have somewhat overlooked the 'S' element of ESG in recent years, with most of the attention on the 'E'. For example, from 2017 to 2019, 61% of investment inflows related to the UN Sustainable Development Goals, or SDGs, were in environment-focused funds. However, the Covid-19 pandemic and recent social inequality demonstrations – which have primarily been driven by younger generations – have magnified awareness around this theme and now is the time to act.

### What is the investment universe for the Global Social Empowerment Strategy?

If we think about the 17 goals within the SDGs, almost two thirds are dedicated to social empowerment. To achieve these goals, an estimated \$5-7trn of investment is needed per year – but only half is being spent. This gap is creating opportunities for companies providing solutions. This is what we are looking to capture with this strategy.



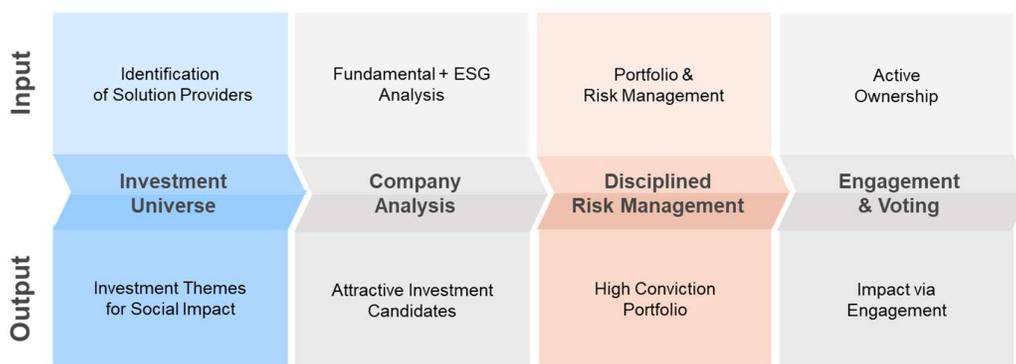
Source: United Nations

<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.

As for our universe, we have broken it up into three defined themes – Vital Needs, Inclusion and Empowerment. We then have a number of underlying sub-themes within the three baskets. So far, we have identified a universe of about 1000 companies, with a good mix of stable and economically sensitive business models. This universe will grow over time.

## Are there similarities between the new strategy and your renowned Global Climate and Environment portfolio?

Yes, the key investment professionals and the investment process – which has been proven over many years – are identical to those of the Global Climate and Environment vehicle, but the universe is obviously different. We apply the same toolbox as for the Global Climate and Environment strategy – rigorous fundamental and ESG analysis – as well as the same disciplined risk management framework. Again, active ownership is an important element of our process, with our in-house Responsible Investment team recently growing to 18 members.



## Could you provide examples of companies leading the way in social empowerment?

Certainly. The first company I would like to highlight is Simply Good Foods, the US producer of healthy snacks. Poor nutrition is a major cause of obesity globally, as shown by the fact 31% of the US population is obese. Within the US, 90% of the population eat snacks, but only 50% choose the healthy alternative. However, this is a growing category, and we should not underestimate the power of the consumer – which is enabling the company to grow by in excess of 5% on the top line. This is a good example of how investors can help make a positive impact on society, while also be rewarded over the long term.

Moving to Norway, we have identified a compelling opportunity in a company called Kahoot!, which has created an engaging and fun online learning platform. According to the UN, 69 million new teachers are needed to reach SDG education goals by 2030. Kahoot!'s education ecosystem is large – with 800 million students benefitting from this platform and six million teachers utilising the system to enhance educational experiences. With a substantially growing user base, Kahoot! is now embarking on monetising its platform and we believe it offers a very attractive investment case.

The last company I will mention comes from the emerging markets – Bank Rakyat. The second-largest bank in Indonesia, it is one of the most successful microfinance institutions in the world. Many people in Indonesia do not have access to a bank account, so Bank Rakyat's small loans are crucial in enabling families to establish their own small businesses. Bank Rakyat can provide loans at reasonable rates, as its non-performing loan ratio is actually very small compared to traditional bank lending. This is positive for the company and investors, as well as society at large.

## Finally, why are you so passionate about the launch of this new strategy?

There is a great quote from Steve Jobs, who said: "Those who are crazy enough to think they can change the world usually do." We want to be these so-called crazy people, but this is not a crazy proposition to invest in. We truly believe we can help move the world forward in terms of social empowerment, while also generating attractive returns for our investors<sup>2</sup>. We have seen the power of capital allocation on the climate side, and there is no reason why innovative solutions cannot be found for social empowerment.

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