

## Interview with Hilde Jenssen, Head of Fundamental Equities at Nordea Asset Management

### Delivering returns with responsibility

Please note that the conference call occurred on the 2nd of September 2020. All market commentary and information refers to the period before then.

#### Key takeaways

- Nordea's Fundamental Equities team has fully embraced ESG, which provides an additional tool to help mitigate risks and increases the potential of future returns.
- Our STARS concept is at the forefront of ESG investing, offering:
  - Full integration of ESG aspects into the investment process.
  - Investment-driven engagement with the companies we invest in.
- We walk the talk and aim to deliver 'returns with responsibility' for our investors.

#### The Fundamental Equities team at Nordea Asset Management has transitioned to fully incorporate ESG considerations: why have you made this change?

Firstly, ESG is nothing new to Nordea, as we have been offering our clients sustainable products, and have been undertaking analysis in this space, for over a decade so we've built up a lot of expertise. This transition to full ESG integration across the team's products allows our Fundamental Equities team to fully utilise our core skills and gives ESG greater visibility within the solutions we offer. Secondly, ESG investing is truly aligned to our thinking. As our name suggests, we are fundamental investors and we take a long-term view on the companies we invest in. Pricing sustainable competitive advantages – which includes ESG factors - is part of this. Finally, the long track record of many of our ESG-enhanced solutions demonstrates that ESG factors can contribute positively to performance when compared both to competitor products and relevant market indices.

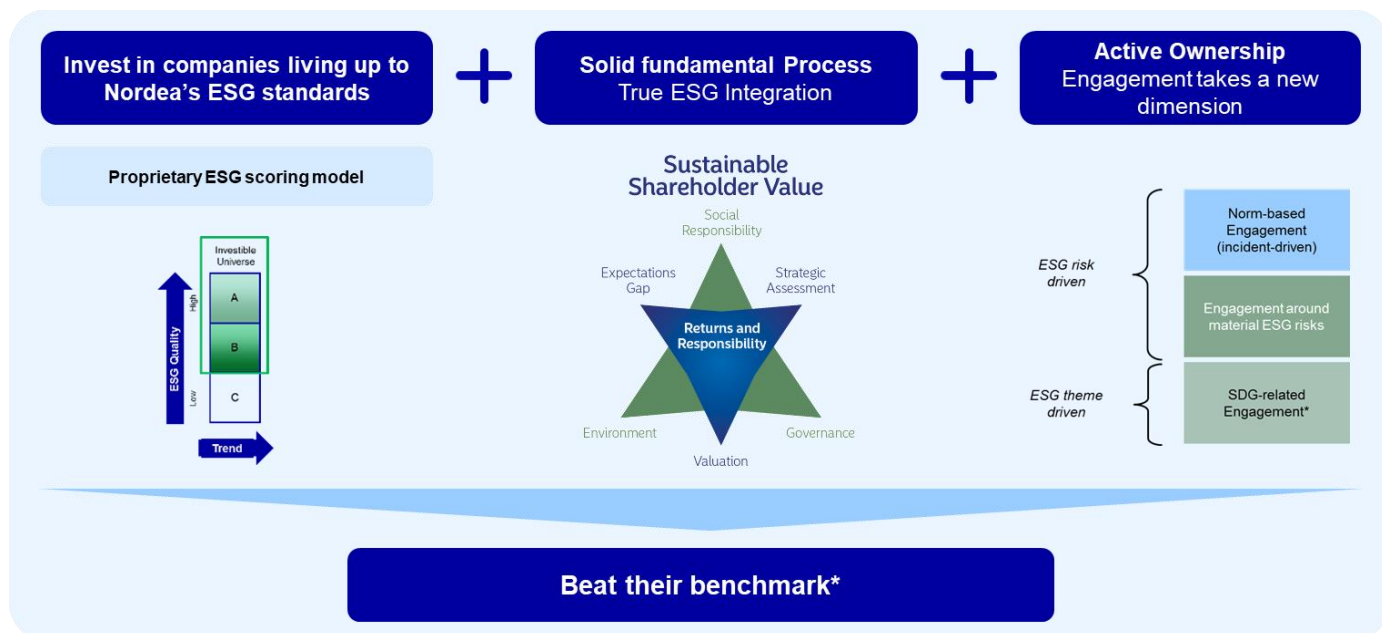
#### What were the main changes undertaken by the Fundamental Equities team?

There were two important factors in transitioning to this ESG focus. First, it is the cooperation with Nordea's renowned Responsible Investments team, which we work very closely with. Not only is this collaboration valuable as an information source, it also helps move the needle on ESG for the companies we invest in. We have 25 investment professionals in Copenhagen and Stockholm in our Fundamental Equities team, and we are supported by the 18-strong Responsible Investments team. Secondly, we took the opportunity to calibrate some of our internal historical and forward-looking ESG models, which help us quantify material ESG risks with individual companies, as well as risks at a sector level.

#### Nordea's STARS strategies have built up an enviable track record, how does the team look to identify the 'stars of tomorrow'?

There are essentially three components to this equation. Firstly, we exclude the worst ESG offenders from our investment universe. Working closely with the Responsible Investments team, we utilise qualitative and quantitative analysis to score companies. Companies rated A and B can be invested in, while companies rated C are excluded. Importantly, we are trying to determine whether there is potential for a company to improve on ESG in the future, as these factors could be significantly mispriced by the market. The second component is to essentially superimpose our fundamental view of a company's financial prospects with the ESG analysis. Both segments bring very valuable information to the table. This 360-degree understanding of a company is what I refer to as the 'secret sauce' of the STARS concept. The final part is the engagement with companies. The

most important change we have made in this area is the process for how we prioritise the types of companies our portfolio managers and analysts want to engage with.



## Markets have been very volatile this year, how has the team navigated this period?

There is no substitute for a very experienced team. Managing the team through this period, I saw first-hand the importance of having professionals who have lived through similar periods and can draw on this experience to benefit the entire team. It is also crucial to have a clear decision-making process in place for times of heightened market stress. An environment such as we have witnessed in 2020 does truly stress-test your investment process, and I am extremely proud of the team's ability to generate strong results relative to peers and the market over this period. It is also pleasing to note the majority of outperformance can be attributed to stock selection.

## The Fundamental Equities team's products, including many of the STARS strategies, have demonstrably strong track records. What is the secret?

This is no secret to me – it is the people. Our team members are continuously evaluating their respective portfolios and sharing knowledge with each other. It demonstrates the trust in the process and the trust in one and other. In addition, it is also important our portfolio managers and analysts are tied to specific products, ensuring we are fully aligned with the journey our clients are on.

## Finally, back to ESG, how will this space develop in the coming years?

My experience tells me our clients will want even more information – with additional questions about what impact their investments are having on society. We welcome this dialogue, as we can share more of our thinking, our process and our view of the path moving forward. We currently share information of the many company engagement efforts we are undertaking with our clients, as well as other various metrics – such as the carbon intensity of our portfolios versus benchmarks. In addition, one of the big trends we are seeing in Europe is the movement towards a common set of standards for ESG investing – which is a positive development. Country or regional-specific labels are the first step in this, and we are extremely proud to have 19 of these ESG label designations across our STARS products.

\*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.

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