

Interview with Nils Bolmstrand, CEO of Nordea Asset Management

Staying alert during the Covid-19 crisis

Please note that the conference call occurred on the 26th of August 2020. All market commentary and information refers to the period before then.

Key takeaways

- Nordea's strategy of stability and prudence has paid off, with its STARS and multi-asset solutions delivering strong returns throughout the COVID crisis¹.
- When confronted with a turbulent market environment, having experienced and committed people makes a major difference.
- Responsible investment is in Nordea's Nordic DNA. In addition to its 'off the rack' ESG solutions, it can build model portfolios incorporating different risk levels and asset classes, all with ESG integration.
- Nordea offers a broad range of alpha and outcome solutions, which can meet differing client needs through all market environments.

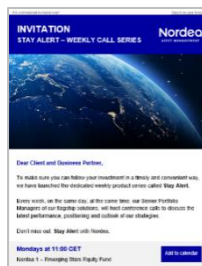
As the CEO of an asset manager, what have been your broad impressions of 2020 so far?

Asset managers, similarly to the rest of society, were taken by surprise by the pandemic. As this outcome was not expected, the short-term impact on asset prices was significant – because, as we know, markets do not like surprises. In response, societies took decisive and dramatic action from both a health and financial perspective. Society, and markets, found comfort in the willingness of leadership to tackle the issue, which led to asset prices bouncing back and stability returning to markets to some degree. As asset managers, this is the time to ask questions about how we organise ourselves, as well as what resilience we need to build into our structures and business models going forward.

How has Nordea navigated through this turbulent period?

First of all, we weathered the storm well, proving our resilience and our ability to deal with adversity. The Covid-19 situation caused significant market turmoil in Q1, but we recovered, and since then we have performed strongly in terms of fund performance and flows. Again, our long-term strategy and focus on stability paid off. In particular, our ESG 'STARS' product range and our multi-asset solutions, as well as our Global Climate and Environment strategy, continued to deliver the outcomes and performance our clients have come to expect. We foresee continued positive flows into these strategies and beyond.¹

I am also extremely proud of how the organisation responded by immediately going digital. Client relationships are at the heart of what we do, so communication was – and will continue to be – paramount. We developed our 'Stay Alert' microsite at an early stage, which provides timely and relevant information for our investors. As mentioned, quality client relationships and interactions are crucial during challenging situations and the continued trust placed in us by our clients is incredibly rewarding.



¹ 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.

What pleased you the most during this challenging time?

When facing a crisis, you cannot underestimate the importance of experience, as well as the commitment of your entire team. This dedication was clearly evident at the individual level during the period we were all working remotely. It was also visible for the organisation as a whole, with tremendous team spirit shown throughout the crisis. At our core, our focus is on delivering and maintaining the investment performance and promises we make to our clients – and building on our already close relationships. Our team really came together to deliver on these objectives.

Switching to ESG and responsible investment, Nordea has long been renowned for its expertise in this burgeoning space, what do you believe distinguishes the group?

Responsible investment is not new to us, it is deeply rooted in our Nordic DNA. We have been active in this area for an incredibly long time – for example, we launched our first sector screened funds in 1988 and we were early signatories to the UN Principles for Responsible Investment in 2007. The fact others in the industry are now joining us is truly a positive development, as we can effect far much more change together than we can on our own.

At Nordea, part of our edge is the ability to deliver both single ESG solutions for our clients – like our 'STARS' range, or our Global Gender Diversity and Global Climate and Environment strategies – as well as building tailored client portfolios with different risk levels and asset class exposure, all with ESG integration.

In addition, we often talk about being 'ESG proactive', which essentially describes the integration of ESG into our portfolios and into the way of thinking of our portfolio managers. We created our Responsible Investments Team in 2009, which has now grown to 18 dedicated analysts. This team works closely with our portfolio managers and generates significant levels of research and analysis.

How will the Covid-19 pandemic impact ESG investing longer term?

This is a public health crisis, with exponential effects on the economy and markets. It is a dramatic challenge for society and has brought to life many questions – such as supply chain issues, biodiversity and even pharmaceutical company challenges. Topics such as these are within the ESG sphere.

It was clear at the beginning of this crisis that we were facing a threat to our lives and our livelihoods. Therefore, I did have concerns about whether our society as a whole was going to be able to stick to our sustainability goals and our ESG roadmap. But from discussions with our clients, as well as noting the narratives emanating from politicians, it became apparent societies are seeking a green recovery and ESG topics are even more vital today than before the crisis.

Finally, how do you think the responsible and sustainable investing landscape will evolve in the years ahead?

This trend will continue to be strong, as it resonates with future generations of investors. We will see a lot of change, particularly as politicians have entered this arena far more forcefully than previously – which will likely lead to new regulations, etc.

More specifically, I see two main trends. Firstly, the integration of ESG risks into the portfolio manager way of thinking will become the norm – which is something we at Nordea have been undertaking for a long period of time. Secondly, we will see continued developments in impact. Not only will clients want to know about how we engage, they will want to know the impact and results of the engagement. A quantifiable impact will need to be shown. As part of our development at Nordea, we are beginning to report ESG metrics for our 'STARS' strategies, as well as for our Global Climate and Environment strategy.

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