



Fund Portrait



Nordea 1 – Asian Stars Equity Fund

ISIN: LU215297971 (BP-USD) / LU2152928607 (BI-USD)

Highlights

- A **true Asian equity portfolio**, both in terms of its objective and its portfolio construction
- **High conviction, bottom-up driven**, with a **GARP** (Growth at a Reasonable Price) and **High Quality** bias
- A **true ESG-investing** solution where our dedicated Responsible Investment team conducts detailed **ESG research** and aims at **engaging** actively on all portfolio companies



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 unique multi-boutique approach which combines the expertise of specialized internal resources with exclusive external competences with the aim to deliver alpha over time for the benefit of our clients.¹

Investment Management Team

Since its launch in 2020, the Nordea 1 – Asian Stars Equity Fund has been managed internally by the Emerging Markets Equities Team. While still being young in age, the team has been managing Asian equities since 2013, with an outstanding historical alpha creation, now adding ESG integration in the ESG STARS format on top.

The Emerging Markets Equities Team is part of Nordea's Fundamental Equities Team (FET). The FET consists of around 30 investment professionals, mainly focusing on sustainability themed strategies, where they apply a fundamental bottom-up investment process in order to identify and analyse mispriced companies relative to their ability to generate future cash flows.

The investment team cooperates with Nordea's Responsible Investment (RI) team which provides company specific and general research regarding Environmental, Social and Governance risks and opportunities. Formed in 2009, the RI Team is one of the largest and most experienced teams in Europe. It

encompasses around 25 analysts working hand in hand with the portfolio managers. This creates synergies by actively integrating ESG research throughout every step of the investment process, from the idea generation stage to the engagement with the company. We believe this set-up of combining a full ESG integration with fundamental analysis is key when it comes to delivering alpha.

Introduction to the ESG STARS concept

Nordea's ESG STARS funds proactively select high-quality companies with the objective to identify tomorrow's winners, which, we believe, have sustainable business models and conduct their businesses responsibly in relation to their stakeholders – employees, suppliers, customers, investors and society at large. The FET works closely with the RI team in order to deliver a solution able to:

- **Outperform the benchmark:** actively managing a concentrated high conviction portfolio¹
- **Meet Nordea's ESG standards:** systematically analysing each stock to ensure the fund invests only in businesses which meet our ESG standards. We invest in companies that are either leaders in terms of their ESG profile or alternatively in those with a rising ESG potential, thus avoiding the laggards
- **Active ownership:** proactively engaging with companies and encouraging them to improve on material ESG issues as well as exercising our voting rights

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.

Well positioned to participate in the Asian growth stories

The rising purchasing power of Asian consumers indicates opportunities in many consumer-related businesses across a range of segments. This goes far beyond the purely internet-related names that Asia is known for and includes among others sportswear and staples consumption.

We believe new technology like artificial intelligence, automation, 5G and biotech will continue to perform as a result of the pandemic and the need for businesses to adopt some of these technologies to maintain growth. Meanwhile, the 'digitisation' of many areas of the economy will continue. We expect digital adoption in South East Asia to catch up with China, which drives demand for increased processor power, bandwidth and storage.

On top, our Nordea 1 – Asian Stars Equity Fund is perfectly positioned to benefit from the afore mentioned tailwinds that Asian equities are benefitting from.



Our solution is allocating into pockets of growth, being identified as the structural shifts in the Asian region taking place right now.

While by 2030, Asia is expected to contribute 60% to global growth, Asian equities are still under-represented in global benchmarks and investors' portfolios.

Investment Strategy

In 2020, reacting to the strong demand from investors to have an **ESG solution investing solely in Asia**, we launched the Nordea 1 – Asian Stars Equity Fund. This strategy follows **the same process, the same philosophy, the same integration, the same engagement policy and the same bias towards sustainable business models** than its older sister, the Nordea 1 – Emerging Stars Equity Fund.

Structural growth themes

Technology	<ul style="list-style-type: none"> Memory, Foundry, IoT, Industrial Automation, Cloud software Samsung Electronics, TSMC, Kingdee, Aspeed, Silergy, Glodon
Sustainability	<ul style="list-style-type: none"> Energy efficiency in manufacturing, electric vehicles, Power generation mix shifting to renewable energy Samsung SDI, Chroma
Healthcare	<ul style="list-style-type: none"> Ageing populations with more disposable income demanding better quality services, insurance Ping An Healthcare & Technology
Indian Growth	<ul style="list-style-type: none"> Financial inclusion, consumption, property, growth of middle class HDFC Bank, Hindustan Unilever, Varun Beverages, Info Edge
Emerging Consumer	<ul style="list-style-type: none"> Social Media, eCommerce, new retail, online travel agencies, financial inclusion, lifestyle changes Alibaba, Baozun, Bank Rakyat, Sea, Foshan Haitian, Pinduoduo
New China	<ul style="list-style-type: none"> Development of new China, consumption upgrading, media consumption, growth in financial services Ping An, AIA, Tencent, Li Ning

The Nordea 1 – Asian Stars Equity Fund is a **high conviction** and **bottom-up** driven Asia equity portfolio with a **GARP** (Growth at a Reasonable Price) and **High Quality bias**. The objective of the fund is to outperform the MSCI AC Asia ex-Japan Net Return Index – the most commonly used benchmark within Asia – by 300 bps p.a. (gross of fees) over a full investment cycle, while keeping an eye on active risk vis-a-vis the benchmark (target information ratio 0.5 – 0.75)².

The Portfolio Managers (PMs) work to find the right balance between growth and valuation by concentrating on the mid- to long-term opportunities and **to avoid focusing on short term noise**. Markets, especially Asian equities tend to be very inefficient at assessing the potential development of earnings in the long term, which is actually one of the most important periods when estimating the value of a company's growth potential.

Fundamental analysis

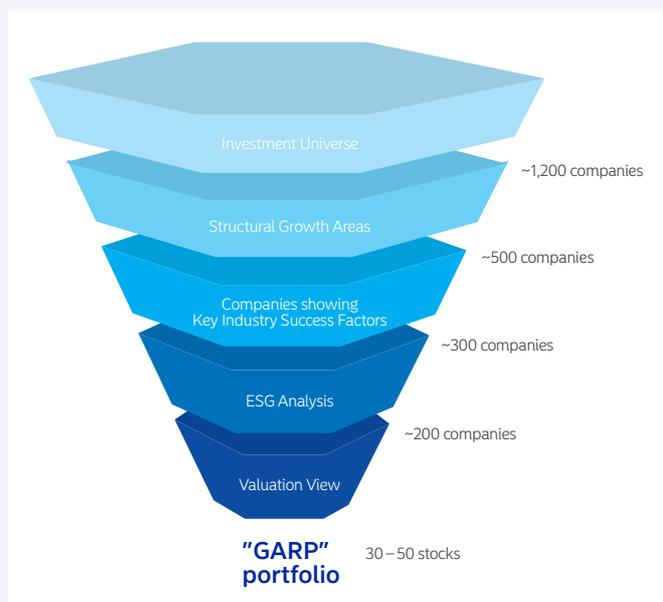
The DNA of the investment process has been in place and has not changed since the inception of the fund on 28.04.2020.

The team focuses on finding companies with the ability to capitalize on **structural growth opportunities** and investing in such firms before the market recognizes their potential. The businesses they select must be very well positioned among their sector's peers, having a **sustainable competitive advantage** in order to profit the most from the recognized opportunities. The resulting names should have what they call **Industry Key Success Factors**.

The companies identified as beneficiaries are then screened following a strict ESG analysis, in order to find business models that are capable to deliver sustainable shareholder value. Only the companies that have passed the ESG screening become a part of the fund's idea pool and are subject of our proprietary in depth bottom-up stock selection process.

This last step protects us from paying too much for the growth potential we have recognized in the previous stages of the investment process. The identified 30 to 50 "Asian Stars" are then included in the high conviction portfolio that offers investors a diversified exposure to Asia that avoids top-down, country-specific bets.

²⁾ 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.



ESG research

As an integrated component to the investment process of all our ESG STARS products, a thorough in-house ESG analysis is performed by our independent and seasoned RI team. The team uses multiple sources of information in their proprietary analysis (the most important being the companies themselves) where we aim that each ESG-analysis is achieved through a face-to-face conference with the relevant representatives.

All companies considered for investment are analysed by our RI team. The analysis is performed “bottom-up” and focuses on how the company operates with stakeholders, particularly on potential conflict areas. For each sector we have identified their material ESG issues, which are included in our evaluation. These inputs are used to form our own company view, meaning that we are not bound by any external ESG assessments. Moreover, when assessing a company’s ESG risk profile we also focus on specific themes utilising the UN Sustainable Development Goals (SDG).

Additionally, our ESG research is systematically impacting the valuation model. In the DCF framework, companies with strong ESG profiles tend to generate superior excess returns above their cost of invested capital. Other things being equal, this results in a greater fair value estimate for strong ESG performers.

Engagement & Impact Management

Being a key part of the investment process, Engagement means having a constructive 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 portfolio managers and RI Team together build an engagement roadmap, where they identify the most relevant and material ESG topics for each company. Engagement can take various forms, from conference calls to face-to-face

meetings, field visits and even active ownership & voting. While the RI Team typically takes the lead in engagement activities, our portfolio managers often participate as well. We hold upwards of 150 meetings a year. 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.

Adhering to Nordea’s Responsible Investment policy, we do not invest in companies involved in the production of illegal or nuclear weapons, including cluster munitions and anti-personnel mines. Moreover, we exclude some companies with exposure to coal mining, oil sands, oil and gas extraction through arctic drilling and Tobacco. The ESG STARS strategies are also subject to a number of formal exclusion criteria and adhere to our PAFF (Paris-Aligned Fossil Fuel Policy). Exclusions will, however, rarely be triggered as companies subject to exclusion would typically not be selected as potentially investible in the first place. However, it is worth noting that the ESG STARS concept aims for positive selection with the objective to influence companies to improve their ESG profiles, that’s why excluding a company from our portfolios is always the last resort for us.

Engagement takes a new dimension with our ESG STARS products. It does not only consist of the traditional forms of engagement, like the exercise of voting rights or entering into a dialogue to encourage companies to improve their management systems, their ESG performance or their reporting. When assessing a company’s ESG risk profile, the RI team pays attention to specific themes utilising the UN Sustainable Development Goals.

We distinguish between two types of engagement:

- **Risk Engagement:** if a company is not managing its material ESG risks well, the RI team engages with the company on the issue. The ESG risks can be company specific or stem from the country in which the company operates or its industry. Violations of international norms and conventions are also addressed under Risk Engagement
- **SDGs Engagement:** we believe the UN Sustainable Development Goals (SDGs) form a useful framework, which helps us to understand company strategy in the context of global ESG themes. While companies’ exposure to SDGs varies greatly, these exposures can be both a source of opportunity and risk, and hence a valuable area for engagement

Delivering shareholder value

Since its inception, back in April 2020, the Nordea 1 – Asian Stars Equity Fund has successfully integrated a strong fundamental view on the companies with a comprehensive ESG analysis. The broad capabilities and extensive resources available within Nordea have been key in this process. The PM profits from a strong analytical platform with both regional and sector experts.

Nordea 1 – Asian Stars Equity Fund	
Fund manager	Fundamental Equities Team
Fund domicile	Luxembourg
ISIN codes*	LU2152928607 (BI-USD) LU2152927971 (BP-USD)
Annual management fees	0.75% (BI-USD) 1.50% (BP-USD) ³
Base currency	USD
Reference index	MSCI AC Asia ex Japan – Net Return Index
Launch date	28.04.2020

Risks

Please be aware that there are risks associated with investing in this sub-fund, amongst others in: **Country risk – China, Depository receipt, Derivatives, Emerging and frontier markets, Securities handling, Taxation.** For further details, please refer to the Key Investor Information Document, which is available as described in the disclaimer at the end of this document.

To find out more, visit our local microsite:

nordea.lu/en/professional/funds/nordea-stars-offering/



*Other share classes may be available in your jurisdiction. 3) BI-USD share class: only for distribution towards institutional clients. Minimum investment amount: EUR 75,000 (or the equivalent).

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