



# Fund Portrait



## Nordea 1 – Global Climate and Social Impact Fund

ISIN: LU2355687059 (BP-USD) / LU2355687216 (BI-USD)

### Highlights

- Awareness is now rising on the **interconnection between environmental and social issues**
- With the Nordea 1 – Global Climate and Social Impact Fund investors can be an **active player of the transition towards an Inclusive Green Economy**
- Create value by investing in businesses that provide meaningful solutions to meet **pressing social and environmental needs**
- Investment team with an **outstanding track record<sup>1</sup>** and **substantial experience in thematic investing**



### 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 specialised internal resources with exclusive external competences with the aim to deliver alpha over time for the benefit of our clients<sup>2</sup>.

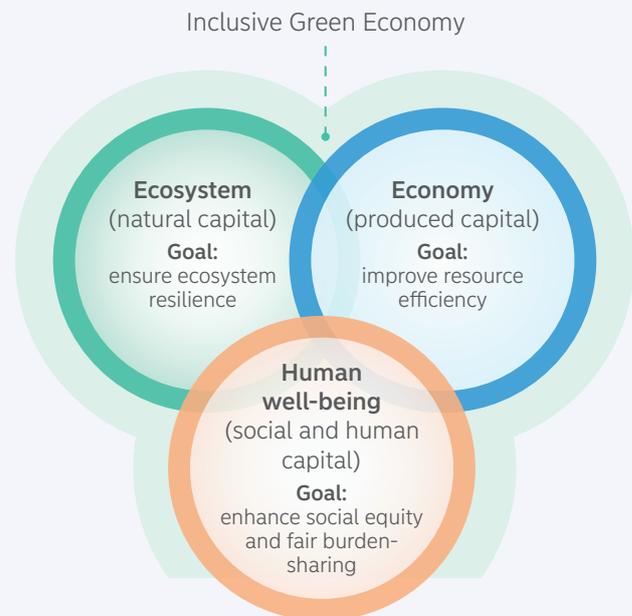
The Nordea 1 – Global Climate and Social Impact Fund, launched in July 2021, is managed internally by Nordea's Fundamental Equities Team (FET). More specifically, it is managed by two portfolio managers, Thomas Sørensen and Henning Padberg, who have been responsible since 2008 for the successful multibillion Nordea 1 – Global Climate and Environment Fund. The team is further supported by the Nordea Responsible Investment (RI) Team, one of the largest and most experienced teams in Europe, as well as a dedicated Impact Analyst.

### The concept of an Inclusive Green Economy

Since 2015, the ideal horizon for 2030 of a sustainable development has been described by 17 objectives, broken down into 169 more precise targets. While these Sustainable Development Goals recognize that action in one area affects outcomes in others, many contributions to sustainability still ignore the intertwinement of social and environmental issues.

However, the interconnection between social and climate issues has gained massive visibility outside public organizations dur-

ing the last pandemic. We are now aware that improving human well-being and social equity while reducing environmental risks and scarcities are beneficial one to another, hereby **setting the soundness of building an Inclusive Green Economy**.



Source: Switch2green: <https://www.switchtogreen.eu/inclusive-green-economy/>

The European Environment Agency defines a **Green Economy** as one, in which environmental, economic and social policies, and innovations enable society to use resource efficiency – thus

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. 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.

enhancing human well-being in an inclusive manner, while maintaining the natural systems that sustain us.

An Inclusive Green Economy protects the ecosystem and ensures resilience, while also being associated to a set of opportunities, for both:

- **People:** to improve their life quality, increase social equality and create opportunities to enhance human lives
- **Businesses:** to benefit from more efficient and responsible production and take advantage of growing market for environmental goods and services

As such, the concept of the Inclusive Green Economy forms a pathway towards achieving the 2030 agenda. It also creates an investment opportunity, as achieving the SDGs could unlock economic opportunities worth at least 12 trillion USD/year by 2030.

### Our expertise to make the Inclusive Green Economy investible

In 1988, Nordea started its Responsible Investment journey by launching the first sustainable solution. Since then, many others followed, based on the firm believes to deliver **returns with responsibility and the power of capital allocation**, which we have seen first-hand through the success of our Global Climate and Environment Strategy<sup>3</sup>. Hence it comes with no surprise, that we leverage on the **very same investment team, that successfully has been managing the Global Climate and Environment Strategy for more than 13 years now.**

The Portfolio Management team continues to leverage the substantial expertise of our RI Team – which focuses on ESG anal-

ysis, engagement and active ownership – and has expanded its resources with a dedicated Impact Analyst supporting the team with the impact assessment of the portfolio positions.

Therefore, by combining the latter with the great expertise the team built up by investing in Global Climate and Environment solution providers and the knowledge built when designing the investment universe for the Global Social Empowerment Strategy, we offer a solution that prioritizes an inclusive green economy where the E (environment) and S (social) in ESG go hand-in-hand: the **Nordea 1 – Global Climate and Social Impact Fund.**

### Our path towards an Inclusive Green Economy

Our fund's concept is based on four pillars aiming to create sustainable value<sup>4</sup>:

- 1) **Challenges:** We identify specific challenges into thematic areas, selected for their pressing social and environmental issues
- 2) **Solutions:** We select companies serving the market with impactful solutions to create sustainable value
- 3) **Outcomes:** We measure tangible effects of the solution and seek to assess how it affects the users and the environment on a broader scale
- 4) **Impact:** We generate impact in two ways: first, through the positive change created by the solutions in which we invest; second, through the improvement of ESG-factors and impact measurement resulting from our engagement approach

Themes	 <b>Health and Wellbeing</b>	 <b>Inclusion and Opportunity</b>	 <b>Sustainable Living</b>	 <b>Low Carbon Economy</b>
Goals	Improved life quality and expectancy	Opportunities to enhance human lives and businesses	Responsible production and consumption patterns	Low carbon-intensity and energy-efficient solutions
Strategies	<ul style="list-style-type: none"> <li>• Healthy Living</li> <li>• Life Science</li> <li>• Health Care</li> </ul>	<ul style="list-style-type: none"> <li>• Inclusive Finance</li> <li>• Knowledge &amp; Skills</li> <li>• Housing, Comfort &amp; Security</li> <li>• Business Enablers</li> </ul>	<ul style="list-style-type: none"> <li>• Sustainable Food System</li> <li>• Circular Economy</li> <li>• Water &amp; Sanitation</li> </ul>	<ul style="list-style-type: none"> <li>• Green Construction</li> <li>• Intelligent Industry</li> <li>• Clean Mobility</li> <li>• Smart Energy System</li> </ul>
SDGs				

Source: Nordea Investment Management AB and UN: <https://sdgs.un.org/>

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Based on our expertise, we identified a proprietary investment universe of solution providers, that are actively addressing global sustainability challenges through their products. Companies are being broken up into 4 main themes and 14 sub-strategies.

## Health and Wellbeing

According to World Health Organization, non-communicable diseases are the first cause of death and disability and, in parallel, the number of older people is projected to double by 2050<sup>5</sup>.

In Health and Wellbeing, our investments focus on companies that contribute to the improvement of life quality and expectancy. Hence, we identify and invest in companies that serve the population with access to good quality health services, medicines and technologies, and nutritious foods **to enable individuals of all ages to be healthy, productive members of society.**

## Inclusion and Opportunity

Currently, 1.6 billion people are still housed inadequately<sup>6</sup> and 30% of adults worldwide still do not have bank accounts<sup>7</sup>. Thus, within the Inclusion and Opportunity theme, we identify companies that offer opportunities to enhance human lives and businesses. We invest in companies that create the conditions that will **allow people to lead productive, fulfilling lives in a fair and safe environment.**

## Sustainable Living

It is estimated that 1.7 earths would be needed to support our demands on renewable natural resources<sup>8</sup>, while on the other hand 2.1 billion people do not have access to safe drinking water<sup>9</sup>. Therefore, in this theme we focus on solutions which **meet basic human needs while ensuring the future availability of key natural resources.**

## Low Carbon Economy

As reported by the European Commission, 75% of the buildings in the EU are classified as energy inefficient<sup>10</sup> and 20% of energy consumption could be saved through energy-efficiency<sup>11</sup>. Hence, in Low Carbon Economy we invest in companies that provide solutions to **reduce greenhouse gas emissions and minimize adverse effects on biodiversity and human health.**

## Investment philosophy and process

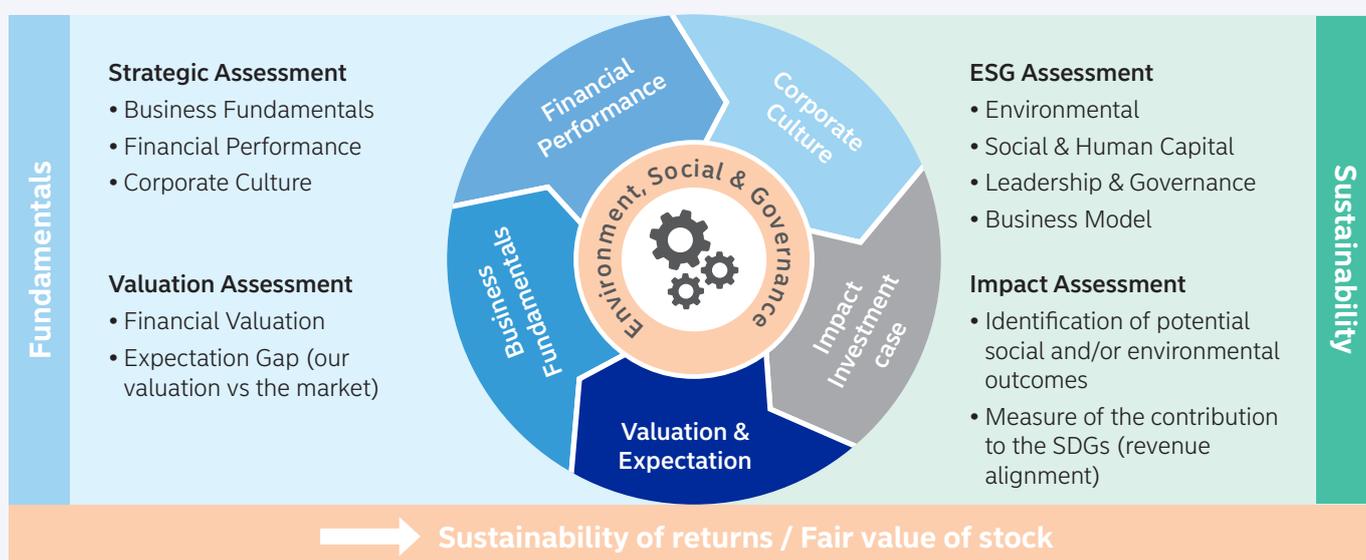
The investment philosophy is based on the following beliefs:

- **Positive Impact** – we believe our solutions-oriented approach contributes a better society
- **Fundamental** – we believe free cash flows ultimately drive shareholder value
- **Discipline** – we believe our investment process can produce consistent results and reduce the risk of unintended biases<sup>12</sup>
- **Long-term sustainability** – we believe in active ownership and take a long-term view

The fund follows a structured, disciplined and well documented investment process with long-term thinking, fundamental bottom-up analysis and a unique risk management framework.

The investment process integrates ESG as part of the strategic assessment of all potential companies we invest in. Together with all other relevant inputs, ESG is reflected in our valuation predominantly via how we fade returns (sustainability of returns) in our DCF model. We use external ESG data and Nordea's own ESG assessment (ESG analysis performed by our internal RI Team) to assess the ESG profile of each company. As part of this assessment, we would not invest in C-scored companies.

The investment process also incorporates an in-depth assessment of the potential impact of each investment. The impact framework aims to identify potential social and/or environmental



5) World Population, Ageing, United Nations. 6) World Habitat Day, United Nations. 7) Global Findex, World Bank. 8) Earth Overshoot Day. 9) Better Business, Better World, Business and Sustainable Development Commission. 10) European Commission. 11) International Energy Agency. 12) **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.**

solution within our clusters and measure the positive contribution to the SDGs (revenue alignment). Simultaneously, we examine the EU taxonomy alignment of the respective solution and company.

Overall, our fundamental, bottom-up, ESG and Impact integrated approach aims to identify a portfolio of high conviction ideas – **40 to 60 under-valued stocks** – that invests in global equities, **typically with a mid-cap, growth bias**, that derive future cash flows from their innovative climate and social solutions.

## Engagement & Impact Management

Being a key part of the investment process, Engagement means having a constructive and active 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 investment team and RI Team build together an engagement roadmap, where they identify the most relevant and material ESG topics for each company as well as their impacts. While the RI Team typically takes the lead in engagement activities, our portfolio managers often participate as well. 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.

Engagement takes a new dimension with our Global Climate and Social Impact solution, which goes beyond its traditional forms. 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 risk properly, the RI team decides to engage. Violations of international norms/conventions are also addressed – and **SDGs Engagement** – while companies' exposure to SDGs varies greatly, they can be a source of opportunity and risk, hence a valuable area for engagement.

Nordea 1 – Global Climate and Social Impact Fund	
Fund manager	Fundamental Equities Team
Fund domicile	Luxembourg
ISIN codes*	LU2355687059 (BP-USD) LU2355687216 (BI-USD)
Annual management fees	1.50% (BP-USD) 0.75% (BI-USD)
Base currency	USD
Fund Size in millions	143.01
Reference index	MSCI ACWI Index (Net Return)
No. of holdings	62
Launch date	06.07.2021

**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.

\*Other share classes may be available in your jurisdiction.

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