

# Nordea Emerging Markets Debt

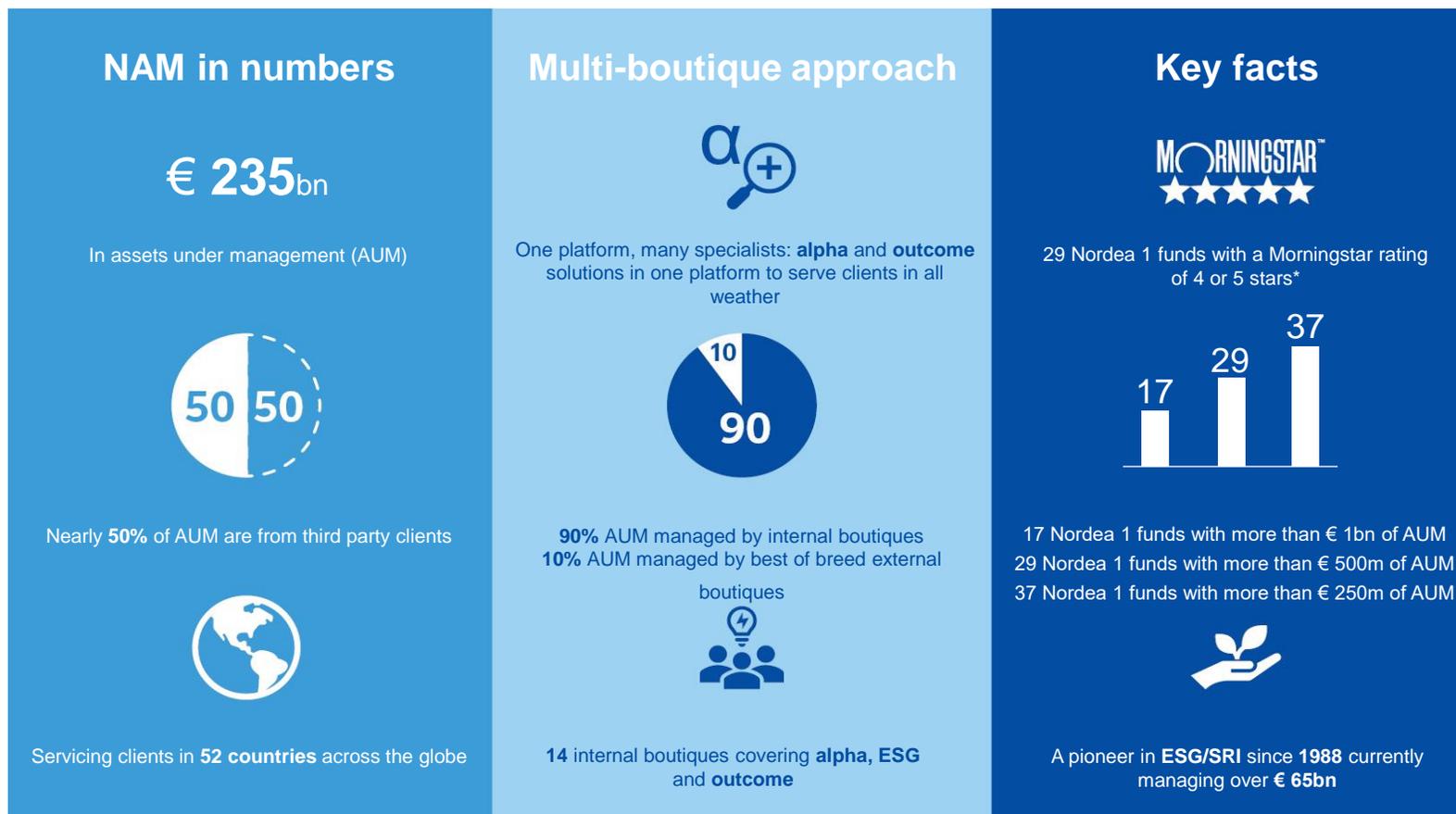
March 2020

\*Investing for their own account – according to MiFID definition



# Nordea Asset Management

## At a glance



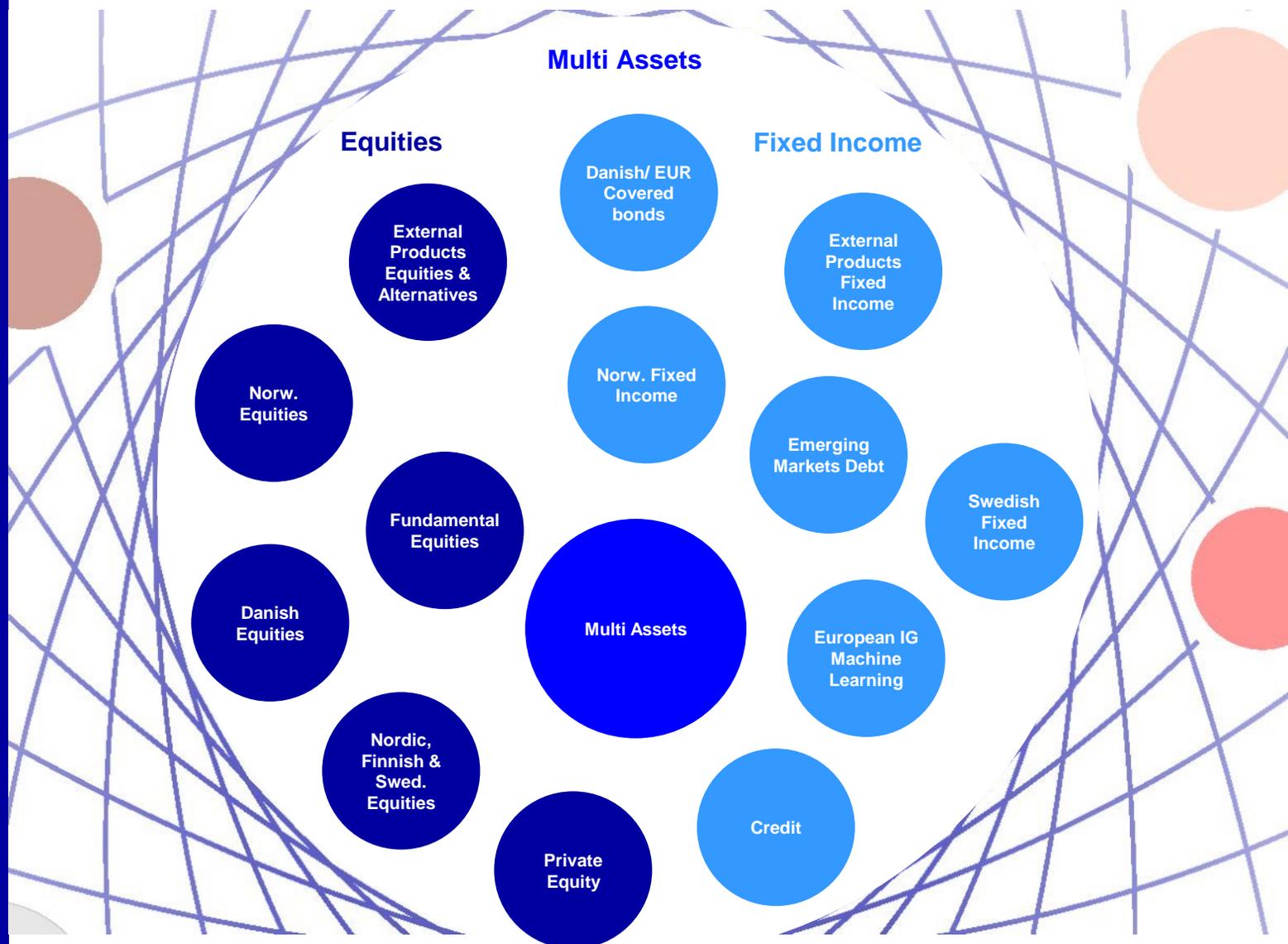
Source: Nordea Investment Funds S.A. and Nordea Investment Management AB. Date: 31.12.2019. © 2020 Morningstar, Inc. All Rights Reserved as of 31.12.2019. The Morningstar Rating is an assessment of a fund's past performance — based on both return and risk — which shows how similar investments compare with their competitors. A high rating alone is insufficient basis for an investment decision. **Past performance is no guarantee of future results.**

# Investment units

## Internal Boutiques:

- Independent and autonomous decision making facilitating swift decision making
- ESG integrated in investment processes
- 200 investment professionals in 4 locations supported by traders and risk analysts
- One IT platform supporting all boutiques in all locations

## Internal Boutiques



# Emerging Markets Debt

## Investment Philosophy

**We are sustainable and data driven!**

# Emerging Markets Debt Team

Portfolio Management



**Thede Rüst**  
Head of EMD & Lead HC/TR/Stars  
13 years of investment experience



**Thorben Velling**  
Lead PM LC  
15 years of investment experience



**Anna Ege**  
PM EMD Total Return  
3 years of investment experience



**Anne Tingleff**  
PM HC  
10 years of investment experience



**Lamine Bougueroua**  
PM LC  
12 years of investment experience



**Marianna Olsson**  
EMD Trader  
8 years of investment experience



**Kristen Bonefeld**  
Risk & Performance Analyst  
12 years of investment experience

## Dedicated Trading and Risk

Research & ESG



**Ann Frank Andresen**  
Head of Research & ESG  
21 years of investment experience



**Witold Bahrke**  
Macro Strategist  
14 years of investment experience



**Ida Andreasen**  
Sovereign Analyst  
14 years of investment experience



**Sascha Stallberg**  
Credit Analyst  
8 years of investment experience



**Line Ekner**  
Quant & Credit Analyst  
6 years of investment experience



**Morten Vindberg**  
Quant Analyst  
1 years of investment experience

## Responsible Investment Team

**Team of 16 investment professionals**  
ESG analysts  
Governance  
Proxy voting



# Emerging Markets Debt Strategy Overview

## Hard Currency

**Active with Sustainability**

STARS Bond

**Enhanced Index**

Hard Currency Enhanced

## Unconstrained

**Active**

Total Return

## Local Currency

**Active with Sustainability**

STARS Local Bond\*

**Enhanced Index**

Local Debt Enhanced

Source: Nordea Investment Management AB. Data as of: 01.01.2020

## Performance – Nordea Emerging Markets Debt Strategies

|   |   | YTD    |        | 2019    |         | 3Y, annualized |          | 5Y, annualized |         | TE    |         |
|---|---|--------|--------|---------|---------|----------------|----------|----------------|---------|-------|---------|
|   |   | Return | Active | Return  | Active  | Return         | Active   | Return         | Active  | 3Y IR | ex ante |
| HC  | Emerging Stars Bond Strategy                          | 1,49%  | 0,95%  | 12,51%* | -0,07%* |                |          |                |         |       | 1,50%   |
|   | Emerging Markets Hard Currency Enhanced Bond Strategy | 0,55%  | 0,01%  | 14,56%  | -0,47%  | 5,84%          | 0,18%    | 7,84%**        | 0,26%** | 0,44  | 0,67%   |
| LC  | Emerging Markets Local Debt plus Strategy             | -4,23% | 0,42%  | 14,56%  | 1,09%   | 4,70%          | 0,75%    | 5,58%**        | 0,70%** | 1,16  | 0,92%   |
|   | Emerging Markets Local Debt Enhanced Bond Strategy    | -4,45% | 0,20%  | 13,70%  | 0,22%   | 4,18%          | 0,23%    | 2,22%          | 0,21%   | 0,56  | 0,50%   |
| Emerging Markets Debt Total Return Strategy |   | 2,47%  | 4,56%  | 17,09%  | 3,77%   | 7,61%***       | 3,92%*** |                |         |       | 4,84%   |

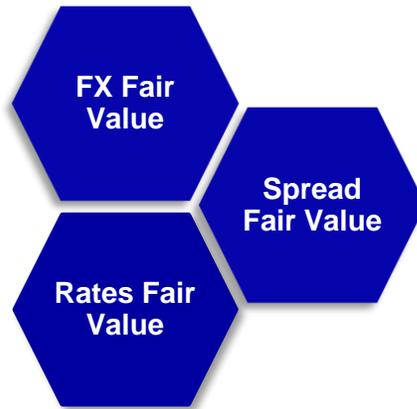
Source Nordea Investment Management AB. Period under consideration (unless otherwise stated): 29.02.2020 The performance gross of fees. **The performance represented is historical; past performance is not a reliable indicator of future results and investors may not recover the full amount invested. The value of your investment can go up and down, and you could lose some or all of your invested money. There can be no warranty that an investment objective, targeted returns and results of an investment structure is achieved. Comparison with other financial products or benchmarks is only meant for indicative purposes.**

\* Since inception 17th of January 2019, \*\* Since inception: 26th of October 2015, \*\*\* Since inception: 21 November 2017.

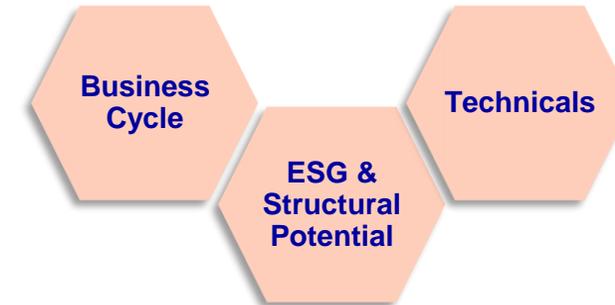
## Investment process

Fair Value is established and analysed by Factors

### Fair Value



### Factors



### We seek to establish Fair Value by means of screens and tools

We conduct an analysis on all securities available to us by data driven top down analysis to establish whether a security trades rich or cheap

### We concentrate our analysis on factors we believe can cause deviations from Fair Value

Once we have established that a security trades rich or cheap we aim to identify the reason for deviations

# Brazil

## Example: lack of Environmental governance

### Background

Nordea's sovereign ESG rating model assigns a comfortable A rating to Brazil. In our Qualitative assessment of Brazil we highlighted need for awareness on:

*“Newly elected president Jair Bolsonaro is expected to weaken environmental protections to accommodate extractive activities, agribusiness expansion, and development of large-scale infrastructure projects”*

### Analysis

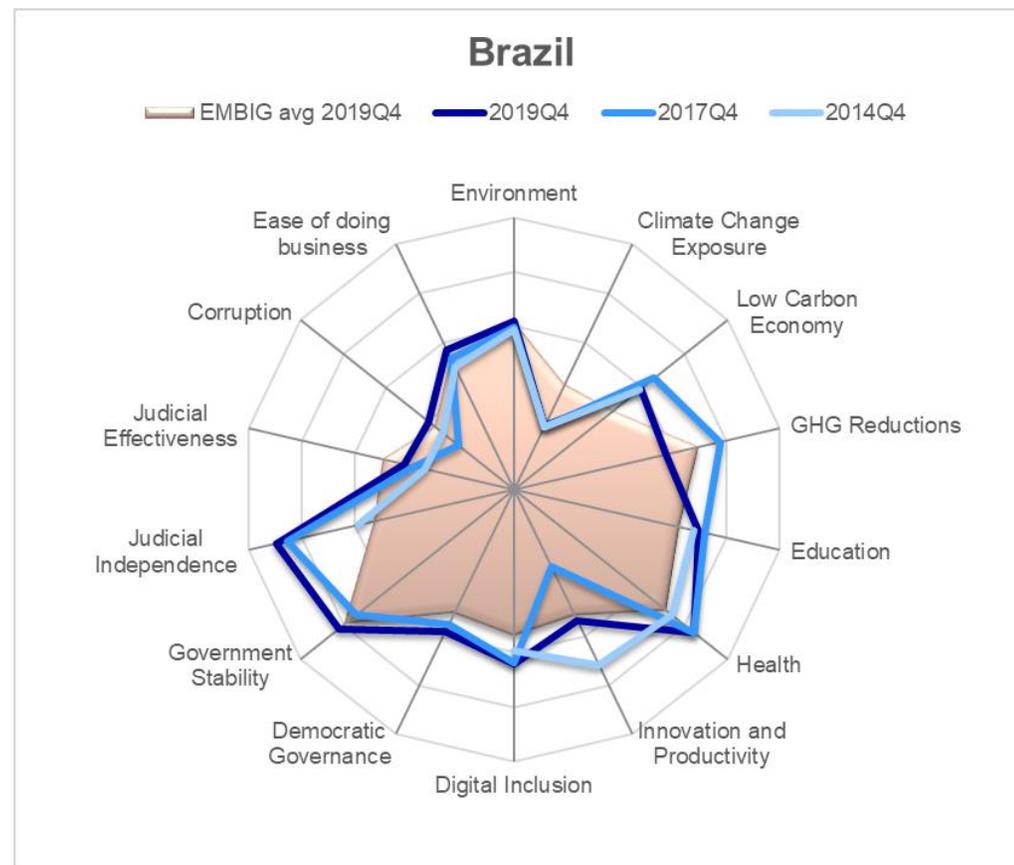
Sources have reported an increase in the number of fires in the Amazon region, most likely resulting from an escalating rate of deforestation, also when controlling for dry season. Ultimately, we – in line with decision makers on the Mercosur trade agreement - need to see a reversal of this trend.

### Conclusion

Specifically, we would like to see a reaction to improve and ensure incentives for sustainable land use, i.e. incentives to abstain from deforestation and fire-setting. This would include, but not be limited to that Brazil reinstate credible environmental regulation, such as fines and monitoring in the Amazon region. And show a clear prioritization of environmental preservation in the Amazon region in the rhetoric of government officials.

On the back of this, we decided **to suspend purchases** of Brazilian government bonds

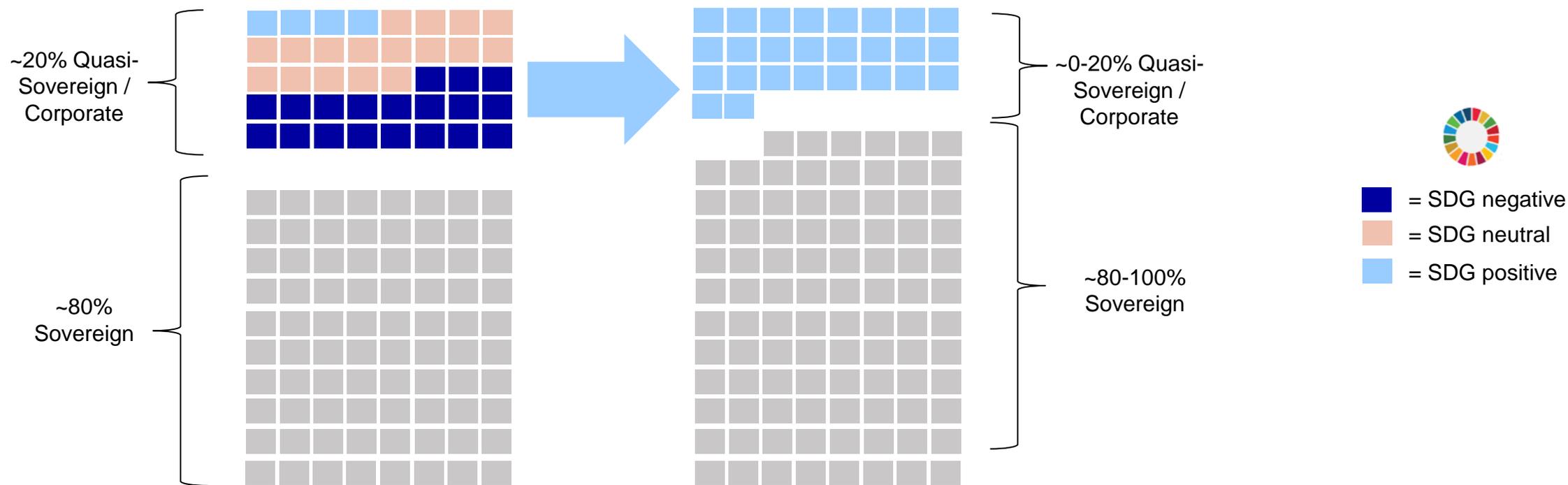
Engagement with officials from the Brazilian government related to deforestation



# Corporates

## SDG Contributors

We only invest in Quasi-Sovereign OR Corporate issuers that we can identify to be neutral or positively contributing to the UN's Sustainable Development Goals.



Source: Nordea Investment Management AB and [un.org/development/desa/en/news/sustainable/sustainable-development-goals.html](https://un.org/development/desa/en/news/sustainable/sustainable-development-goals.html). For illustrative purpose only.

## Investment case: ReNew

India's largest renewables independent power producer



### The Company

- Owned by reputable shareholders (49% Goldman Sachs, 16% Canada Pension Plan Investment Board)
- 5.4 GW of installed capacity making RenewPower the largest IPP of the country
- Energy sold under long-term PPAs (>20 years)
- Assets spread over country
- High profitability with EBITDA margins > 80%
- High financial leverage (net leverage 6.4x) but broad access to local and international bank and bond markets
- Positive contribution to three SDGs (self reporting)

### The Transaction (21<sup>st</sup> January 2020)

- \$450mm in new 7-year senior secured USD bonds
- The bonds are “Green Bonds” according to the criteria of the Climate Bonds Initiative
- Rating BB-
- Yield 5.875%
- Bid-to-Cover 3x



**Thank you**



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