

'Companies that take global challenges seriously will be the most profitable in the long run'

BY JOLANDA DE GROOT

Storebrand Asset Management is Norway's largest private asset manager with € 73 billion of assets under management. The company is a leading provider of sustainable solutions in the Nordics. Financial Investigator sat down with CEO Jan Erik Saugestad to gain some insights from this new player in the Dutch market.

What kind of company is Storebrand Asset Management?

Storebrand Asset Management is an asset manager with € 73 billion of assets under management. We are a leading provider of sustainable solutions in the Nordics and we have been a global pioneer in ESG for over 20 years. We have been specializing in offering broad and scalable solutions to both institutional and private investors, mainly in Norway and Sweden. At the moment we are expanding our business to reach a broader European market.

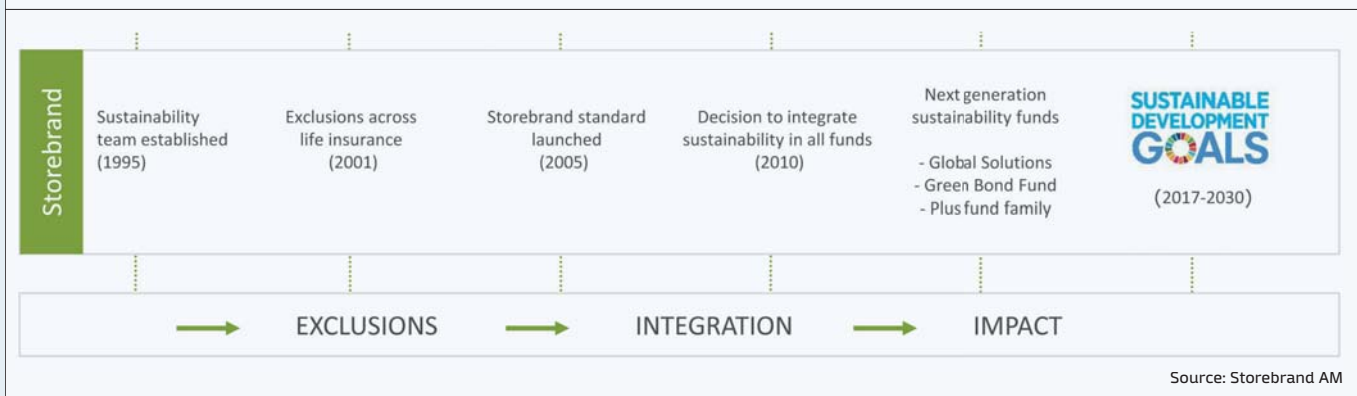
Our investment strategy is built on the conviction that companies that take global challenges seriously will be the most profitable in the long run. Better understanding of the environmental, social and governance issues makes us a better asset manager and enables us to make better investment decisions. This is done through managing a broader spectrum of risks and capturing a broader spectrum of opportunities.

Nordic countries are known for being frontrunners in sustainability. However, sustainability is a buzzword nowadays with many different meanings. How does Storebrand Asset Management position itself regarding sustainability?

Sustainability is part of our DNA. We were the first Norwegian company to establish a dedicated sustainable investment department in 1995 and have one of the most experienced ESG teams in the Nordic region. Our sustainable investment policy applies to all our assets under management.

Our investment strategy is built on the conviction that companies that take the global challenges seriously will be the most profitable in the long run.

Figure 1: History Storebrand Asset Management



Source: Storebrand AM

We were very early in addressing sustainability, maybe too early if you look at market maturity. In the 90s we were already convinced that investing sustainably was simply the right thing to do.

We have a unique offering, and are positioned well, to provide our solutions to a broader market. Our development of fossil free low-risk index based products in our home markets has pushed the industry to develop smarter solutions by demonstrating that issues such as climate change can be addressed in all types of products. It's the mainstay of how we do business. With our experience in the field and cutting edge products, the international expansion will provide us with great market opportunities.

What is necessary to achieve a sustainable planet in your opinion? Do you have a house view for the future?

Our long-term vision for the year 2050 is a world where nine billion people live well, within the earth's natural limits. Companies that contribute to solving society's problems in a sustainable way will be the most profitable.

Are all the funds in the Storebrand Group sustainable?

All Storebrand funds follow Storebrand's standard for sustainable investments. This excludes over 170 companies from the Group's investment universe. These exclusions are typically product-based, for instance weapons, tobacco and palm oil, or norm-based, like breaches of international laws and conventions such as environmental damage and corruption.

Just excluding companies is not enough though. That's why we choose to invest in companies with an attractive ESG-profile, by which we mean companies that are positioned to deal with global challenges and run their business sustainably. We also use our power as an active owner to influence companies to adapt their business models to a sustainable future.

We like to work with companies on their transition to a low carbon economy, investing in new solutions. However, some companies and activities are simply incompatible with our ambitions.

Sustainability is part of our DNA. We were the first Norwegian company to establish a dedicated sustainable investment department in 1995 and have one of the most experienced ESG teams in the Nordic region.

Just excluding companies is not enough though. That's why we choose to invest in companies with an attractive ESG profile.

Until now you have mainly been active in the Nordics. How are you going to expand your business with sustainable solutions in Europe?

Sustainable solutions are more attractive than ever and the demand is increasing rapidly all over Europe. We already have a strong position in our home markets, so the ambition now is to target sustainable investing on a broader frontier. To meet the requirements of our international investors. We

Foto: Archive Storebrand AM



CV of Jan Erik Saugestad

2015 – now	CEO Storebrand Asset Management
2006 – 2015	Chief Investment Officer, Storebrand
1999 – 2006	Senior Portfolio Manager, Storebrand
1997 – 1999	Sector head Equities Energy, Handelsbanken
1995 – 1997	Partner, Marsoft Capital
1992 – 1995	Head of Research, Christiana Markets
1990 - 1991	Consultant at McKinsey

Figure 2: AuM Storebrand Asset Management



are launching a Luxembourg SICAV to gain access to the increasing demand for sustainable solutions in European markets. I am sure our commitment to sustainability and innovative solutions is attractive outside the Nordics. Skagen, one of Storebrand’s boutique managers, has now started to distribute three of Storebrand’s sustainable equity strategies: a fossil free index-fund which tracks the MSCI World index, a SDG-impact fund and a multifactor strategy fund.

But you are not the only company trying to do this in Europe...

The European market size is around 25.000 billion euro, according to the industry organisation EFAMA. With such a

large market place, there is inevitably a lot of competition. We are fully aware of this and realize it won’t be an easy journey. Nevertheless, we believe that we have a history of successful innovation and experience in investing sustainably on a large scale. Our clear view that sustainable investments deliver the best long-term returns and that it is the right thing to do, helps to differentiate us from the major organizations in this market, who have more difficulty cultivating such a position.

Following the Skagen deal, you acquired a private equity boutique this year called Cubera. How does this fit into the strategy of Storebrand Asset Management?

Our ambition is to build a multi-boutique platform. Delphi is our momentum oriented asset manager, SPP is mainly concerned with sustainable index trackers and active fixed income, Skagen is a highly active equity manager with a strong value focus and Cubera will be our private equity outlet. Cubera represents a strong offering together with our existing private equity operations.

We are not ruling out further bolt-on acquisitions if opportunities arise.

Are you confident that the 2015 Paris Agreement, which aims to limit global warming to below 2c, will be met?

At the current pace it doesn’t seem like we will get there, but we have got to keep trying. There is no other option. For me, it’s a very important part of my motivation. Everyone needs energy to contribute to something larger. «

We like to work with companies on their transition to a low carbon economy, investing in new solutions.

Case study

Storebrand dropped utility RWE

We dropped shares of the German energy producer RWE AG in November 2017, ahead of the UN climate talks, along with nine other coal-exposed companies like Uniper and PGE, as part of self-imposed climate risk investment measures. This builds on our previous divestments from coal dating back to 2013. We ended our ownership in RWE, as we believe that coal related stocks are toxic and when a utility decides to expand its coal-related activities, there is only one option, which is to exit.

In 2018, Germany produced enough renewable energy in the first half of the year to power every single household in the country for an entire year. There are no excuses to remain in the coal business or to justify expanding coal mines – the IPCC is clear that the world needs to phase out coal now.