



The Nordic view of the markets

Third Nordic Investment Managers Forum in Luxembourg

On the 6th of October 2016, the Nordic Investment Managers Forum in Luxembourg celebrated its third event: Four leading asset managers from Scandinavia discussed at Cercle Cité in Luxembourg City important market trends and investment topics. The Forum was opened by Camille Thommes, Director General at ALFI (Association of the Luxembourg Fund Industry) - a sign for the growing importance of the event. Jonathan Boyd, Editorial Director of Open Door Media Publishing, the owner and publisher of Investment Europe and International Investment led the discussion as moderator. The forum was organized by Danske Invest, DNB Asset Management, East Capital and Sparinvest. About 100 People attended the event, the third increase in succession.

Emerging Markets: Transformed Asset Class

Antti Raappana, Chief Portfolio Manager, Head of Global Emerging Markets Solutions at Danske Invest, described the Emerging Markets as transformed Asset Class. According to Mr. Raappana the role of China is and already has changed, causing both challenges but also opportunities both inside and outside of China. Raappana: "Equity markets are now more representative of this rapid change in consumption patterns, and the role of IT has grown substantially and the role of commodities decreased markedly".

In absence of common drivers, markets are becoming more heterogenic. This challenges may prompt investors to rethink their EM approach and exposure. "There definitely is a renewed interest towards Emerging Markets. Now I would argue, that international investors view EM in more realistic and constructive way, which has led to revival of fund flows".

Nordic High-Yield: Diversifying high-yielding exposure

DNB's Head of Fixed Income, Svein Aage Aanes, gave an overview of the Nordic high-yield market. The 34bn Euro market, which has grown strongly in the aftermath of the financial crisis, involves primarily Norway and Sweden. Two thirds of the market are issued in Norway, while a little less than one third is issued in Sweden. With the majority of issues being floating rate notes, the Nordic high-yield market offers an exposure to Scandinavian economies and currencies in the BB- rating universe with relatively low interest rate sensitivity.

According to Svein Aage Aanes, the oil price drop and falling oil investments led to a couple of difficult years recently: "The oil service sector is down and out of the issuance markets, but we do not believe that the oil price presents much of a downside risk from here." At the same time, Swedish issuance became relatively more important. Spreads have come in, but investors who are willing to accept a higher level of volatility can benefit from higher risk premiums in the Nordic high-yield market. Svein Aage Aanes reminded the audience that a highly diversified portfolio of Nordic high-yield bonds in different sectors is crucial.

Sustainability: Most important challenge of our time

Louise Hedberg, Head of Corporate Governance at East Capital, talked about the importance of integrating Corporate Governance and Sustainability related considerations in fundamental analysis. For Hedberg, sustainability is clearly one of the most important management challenges of our time, but also one of the most interesting, with China's clear determination to win the war against pollution and the investment opportunities it generates within the Chinese clean tech markets, presented as a specific example.

For the emerging and frontier market specialist East Capital, the integration of the analysis and assessment of corporate governance standards in the investment process is a key tool to help navigate markets where the regulatory framework is not always as clear or developed. "Experience shows, that companies that understand and appreciate the purpose of good corporate governance are more often well-managed in every sense. Relevant and material environmental and social factors can significantly impact the financial value and future position of a company", said Hedberg. According to the expert, the type, size and timing of impact still varies depending on the maturity of the regulatory environment and

consumer pressure of that particular market.

Value Investing: Underperformance can end abruptly

Jens Moestrup Rasmussen, Chief Portfolio Manager at Sparinvest, talked about value investing. According to Rasmussen value is out of style. "People claimed the death of value investing in the early 1970s, the late 1980s, the late 1990s and most years since the financial crisis. But people tend to overlook the fact, that research shows, that value investing is an efficient way to outperform the market over longer time horizons".

For Rasmussen history suggests that periods of value underperformance always end – and can end abruptly. He recommends investors to take another look at their equity exposure and consider rotating into this unloved category. "Buying cheap assets remains a solid long term investment strategy ", said Rasmussen. The performance of value strategies is often tied to market and economic cycles, and interest rates. Rasmussen: "Rising interest rates could be a catalyst for a value rebound."

Presentation documents can be viewed at www.nimf.lu. If you would like more information please contact the following persons:



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Projected returns are indicated before charges and based on current yield levels taking the historic default and recovery rates experienced by running the strategy.

Past performance is no guarantee for future performance.