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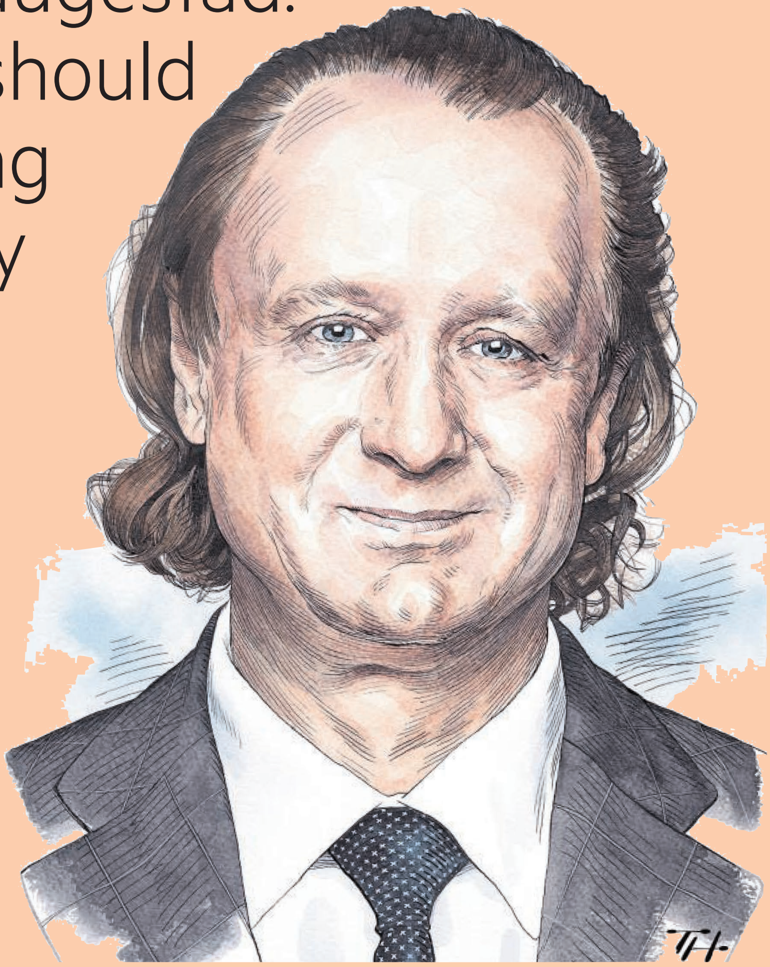
FACE TO FACE **JAN ERIK SAUGESTAD**

Jan Erik Saugestad: everyone should be investing responsibly

INTERVIEW

The Storebrand executive on market trends, sustainability and the danger of greenwashing



Storebrand Asset Management

Founded 1981 (group traces its roots back to 1767)

Assets NKr707bn (£63.6bn)

Employees 265

Headquarters Lysaker, Norway

Ownership Parent is publicly listed

JENNIFER THOMPSON

First they came to raid, then they came to trade. Now the Vikings are coming for your money again — but this time it's about investing responsibly.

Storebrand, the Norwegian financial group, is seeking to capitalise on surging interest in sustainable investment with a greater push into Europe by its asset management business.

The investment arm is responsible for putting to work the group's total assets of NKr707bn (£63.6bn) and it has positioned itself as a "good" investor, pulling back from problem areas such as tobacco and coal.

"It's been a long journey and we've seen the approach to sustainability move from 'what not to invest in' to solutions," says Jan Erik Saugestad, a Storebrand veteran who has been executive vice-president of asset management since 2015. He says that clients are increasingly interested in knowing whether their funds have a positive effect.

It doesn't quite date to the Middle Ages but Storebrand still has a long pedigree. The group, whose activities also cover retail banking and insurance, traces its roots to 1767 and the founding of a fire insurance business. The company began running workers' pension schemes in 1917.

Storebrand as a whole is overseen by Odd Arild Grefstad. The asset management unit was formed in 1981 and assets have roughly doubled over the past decade; the unit reported a net profit before amortisation of NKr542m last year, accounting for 17 per cent of group profit.

"Pensions, savings and asset management are really converging into one," says Mr Saugestad.

"Having a strong position in the asset management market is a way to retain a strong position in the pensions market."

CV

Born *April 5 1965*

Salary NKr5.9m (£530,000)

Education
1985-89 MSc from Norwegian University of Science and Technology (NTNU)
1990-91 MBA from Insead

Career
1990-91 Consultant, McKinsey
1992-95 Head of research, Christiania Markets
1995-97 Partner, Marsoft Capital
1997-99 Sector head equities energy/shipping, Handelsbanken Markets
1999-06 Senior portfolio manager, Storebrand Asset Management
2006-15 Chief investment officer
2015-present Executive vice-president

He wants to shore up the asset manager's position in Scandinavia, expand further into Europe and build up its portfolio of alternative assets.

"We have a strong foothold in Norway and Sweden and we are making a push in Denmark," Mr Saugestad says, adding that he hopes to mimic the success sustainable and factor-based funds have had in Sweden.

Storebrand is in the process of establishing a Luxembourg domicile in order to sell more easily across Europe. Last year it opened an office in Frankfurt that focuses on sales and distribution.

It has also been making acquisitions. In 2017 it bought Skagen Funds, a smaller Norwegian asset manager, for NKr1.5bn in a cash and share deal. As well as a presence in Scandinavia, Skagen has offices in Frankfurt and London's Mayfair, which is where we speak. In February Storebrand agreed to buy Cubera, a Nordic private equity firm with offices in Oslo and Stockholm.

Mr Saugestad does not rule out acquisitions elsewhere on the continent though the group is not pursuing deals at the moment.

"We look for opportunities that can be complementary. It's more bolt-on acquisitions," he says. "Of course European markets close to us will naturally be the focus."

Sustainability has long been a focus for Storebrand. It was one of the first houses to establish a sustainable investing team in its asset management business in 1995 and it recently invested in a new "blue bond" launched by the Nordic Investment Bank, the aim of which is to reduce pollution and protect marine life in the Baltic Sea.

All investments screen out 173 companies that are judged unacceptable. These include Glencore and Anglo American, deemed to be contributing to serious environmental damage, and weapons makers including Airbus, BAE Systems and Boeing.

The group was a pioneer of tobacco divestment, stripping the classic "sin stock" from every portfolio in 2005. It began excluding mining and power companies that derived more than 30 per cent of revenues from coal in 2013, except those with a clear plan to reduce this. In November it announced it would tighten those restrictions, reducing the threshold by 5 per cent every two years to result in total divestment from coal by 2026.

Storebrand was itself rated the world's second most sustainable company in the world in a global ranking in 2017 composed by Corporate Knights, a Canadian media and research group, which considered issues such as energy use, board gender diversity and a comparison of CEO pay to that of the average employee.

About one-third of Storebrand's portfolio is in equities with the remainder in fixed income and alternatives. The heavy emphasis on bonds is a legacy of Storebrand's roots as an insurer and provider of defined benefit pensions but Mr Saugestad says the mix is gradually shifting as they hunt for better returns.

"The fixed income part of the portfolio has been there to match the guarantees in the fund [but] in terms of changes we've increased the amount of private debt in case to capture better risk premium," he says. "The composition of the fixed income book has changed quite a bit from sovereign exposure to private debt."

Its NKr15bn private debt assets are mainly focused on Nordic markets.

Mr Saugestad does not shy away from discussing a paradox in Norway: that a large chunk of the country's wealth is derived from its oil assets while Norwegian society is regarded as being environmentally conscious.

We speak shortly before the announcement that Norway's $1tn sovereign wealth fund, the world's biggest sovereign investor, is poised to divest from about $7.5bn of oil and gas companies that are focused purely on exploration and production in an attempt to limit its exposure to the sector.

"We have a lot of oil in the ground. The last thing we need to do is invest in oil in the stock market," he says. "It's important for the whole country that it's invested in a sensible way."

Storebrand's largest shareholder with a stake of about 11 per cent is Folketrygdfondet, an organisation that manages Norway's second, far smaller sovereign wealth fund.

Mr Saugestad is concerned about greenwashing, where managers overstate the environmentally friendly credentials of their portfolios.

"There are some assessments that over $30tn will shift from baby boomers to the millennials.

Around two-thirds of them say they want to know their investments express their values, their views," he says. "This journey, this increasing business opportunity, makes it tempting for almost everybody to position themselves into the sustainable investing arena."

Judging its prevalence is difficult "but I clearly see it as a risk", he adds. On the plus side, he notes that tools by providers such as Sustainalytics to measure and assess portfolios are "constantly getting better".

"It's not so easy to get away with ambitious statements," he says.

Is he confident that the target of the 2015 Paris agreement, which aims to limit global warming to well below 2C, can be met?

"At the current pace it doesn't seem like we would get there," he says. "There was a clear understanding we need to move faster and there is not much time."

He admits that, at the beginning of his career, he did not have a special interest in sustainable investing. He is now a convert and sports a lapel badge symbolising the UN's 17 sustainable development goals — which include objectives for affordable and clean energy, action on climate change and clean oceans.

"For me it's a very important element of what makes me motivated. Everyone needs energy to contribute to something larger."