BankInvest
Global Equity Income

BANKINVEST

Team

Michael Clemens
Chief Portfolio Manager

- Developed, designed and started the Global Equity Income strategy in 2011 and the Global Equites strategy in 2021
- +35 years experience as (sell-side analyst and buy-side portfolio manager)
- Born 1962

Kresten Johnsen
Senior Portfolio Manager

- Joined the team in 2015
- +15 years experience as (sell-side analyst and buy-side portfolio manager)
- Born 1986

Aleksander Edemann, CFA
Portfolio Manager

- Joined the team in 2020
- +6 years experience as (sell-side analyst and buy-side portfolio manager)
- Born 1994

- The team composition promotes a diversified skillset, facilitates intra-team learning
- A succession plan is in place

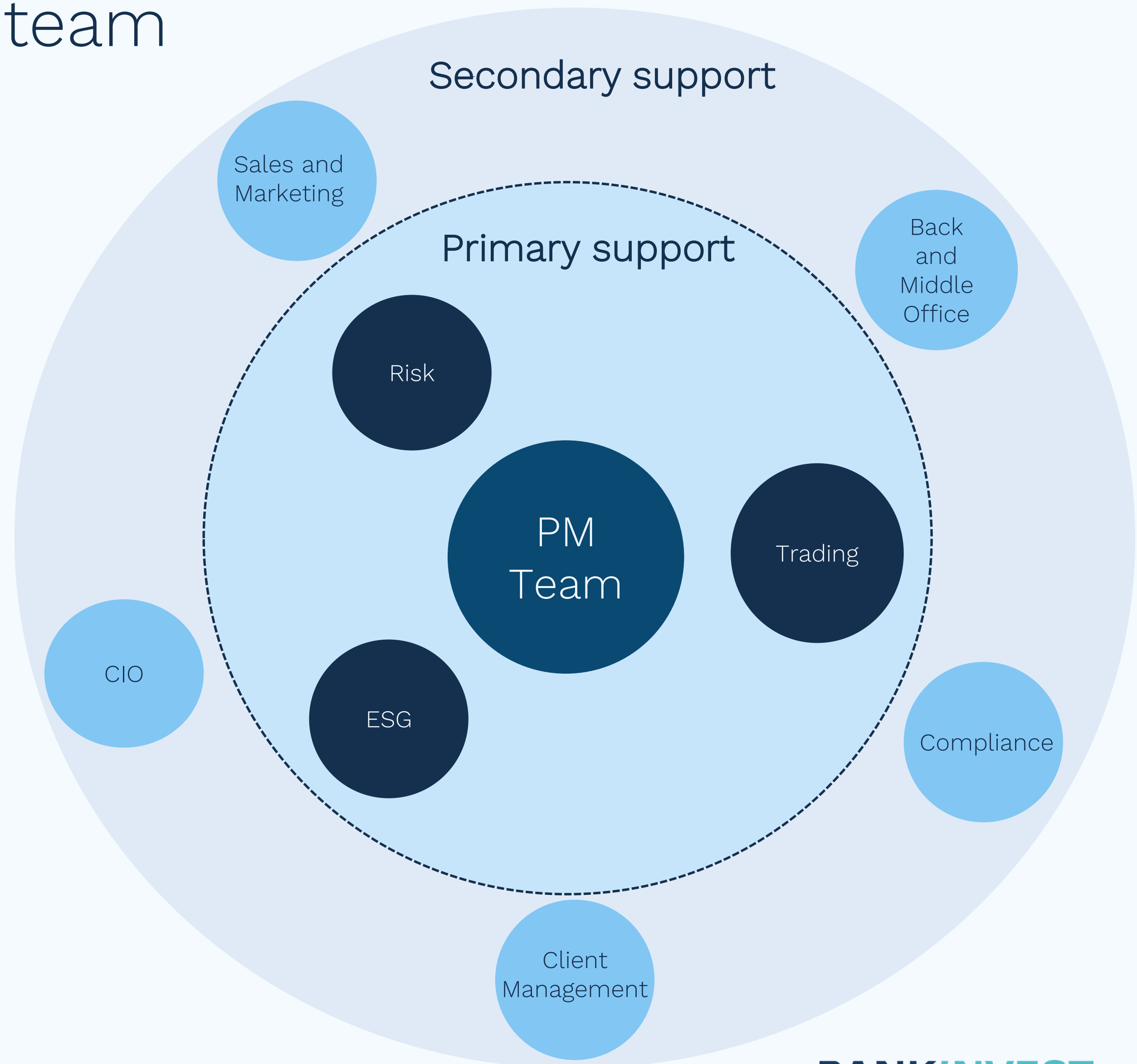
- All team members are former sell-side analysts, responsible for the end-to-end investment process
- All carry dual roles as analysts and portfolio managers
- Reports directly to the CIO

Organizational support to the PM team

- Organizational support for the PM team varies by function. The primary support comes from the Risk team, the ESG team and the Trading team.

Primary team support

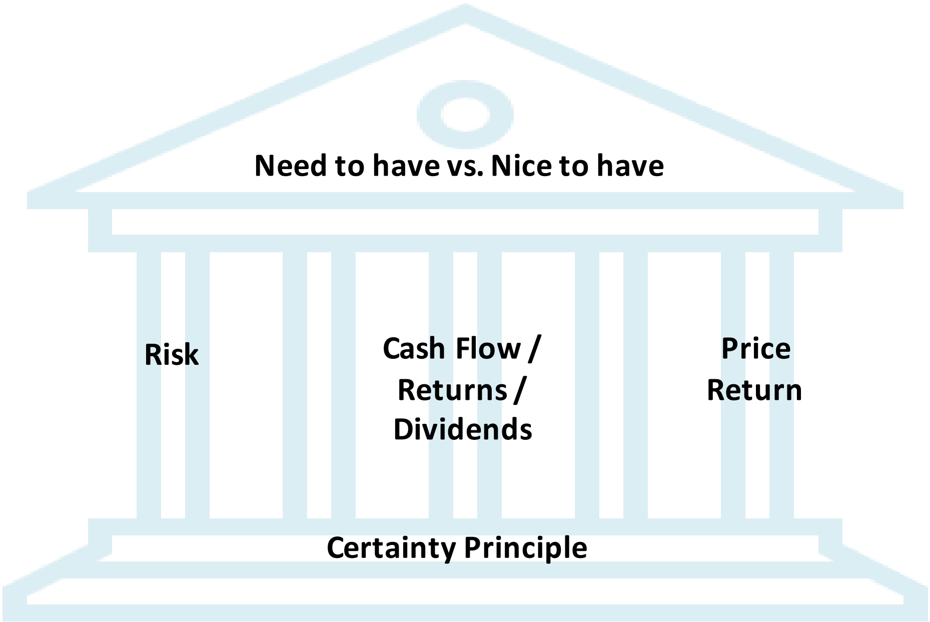
Trading	Trading execution
Risk team	Report and discuss relevant portfolio and stock specific risks to PM team
ESG team	Report and discuss relevant portfolio and stock specific ESG and sustainability issues to PM team



Investment philosophy

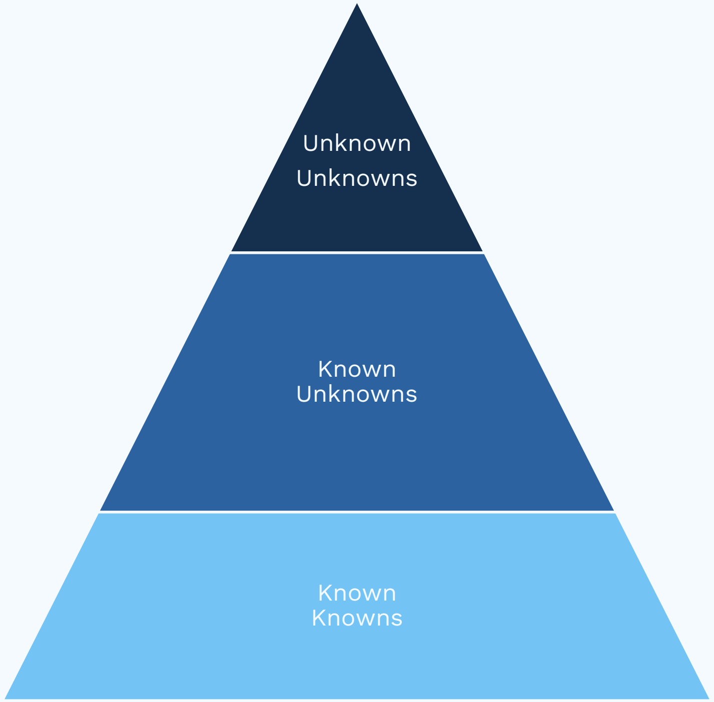
Investment philosophy

- The most certain aspect of investing is uncertainty. Hence, Risk (in the meaning of both “risk” and “uncertainty”) is the first pillar of our investment philosophy, thereby putting risk management at the front, center, and back of the investment process, portfolio construction, and portfolio design.
- Value creation stem from cash flows and return on investments, not reported or adjusted earnings. While we care about the generation of free cash flow, we also care about the use of that free cash flow and generally prefer dividends, share buy-backs and small bolt-on acquisitions to large-scale transformative M&A’s.
- We do not disregard price return, but since we do not know when the market will be up or down, we are patient and long-term investors.
- We prefer “Need to have” over “Nice to have” products and services.
  - The resilience of the former over the latter becomes obvious in times of economic uncertainty.
  - “Need to have” products and services will probably thrive better as the battle against climate change might influence the demand side of the economy.
- We consider downside protection just as important as upside potential.



Types of risks and how we deal with them

- The only “sure thing” about investing in stocks is that nothing is sure. Hence, risk and uncertainty needs to be managed from the start.
- Former US Secretary of Defense, Donald Rumsfeld once mentioned the presence of “Unknown Unknowns” in decision making. We have adopted this way of thinking about risk.
- In the design of the portfolio and in our daily work, we take the following layers of risk into consideration.



What we don’t know we don’t know – Risks that we don’t know exists

- Black Swan events: Broad diversification, no “conviction bets”

What we know we don’t know – Risk that we know, but don’t know for sure which direction it will take

- Macro risks: ”Measured” macro risk taking. Maintain broad diversification on sectors and regions/countries
- Technological, regulatory, fashion risks: Focus on business models with manageable risks

What we know we know- Risks that we know

- The quality and the use of free cash flow decide long-term value creation (Agency issues)
- Risk of default: Try to avoid companies with high debt AND unstable earnings and low trading liquidity
- Nice to have or need to avoid ESG profile?

Investment process

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Portfolio Construction summary

Portfolio	**BankInvest Global Equity Income**
Benchmark	MSCI World High Dividend Yield index
Process	Bottom-up stock selection
Number of stocks	Around 50
Position size	1.0%-2.5%
Sector limits (soft)	Benchmark +/- 5%
Regional/country limits	Less restrictive than sectors
Cash	< 1%

Investment process

Investment Process Step	Defining Universe	Idea Generation	Research Process	Valuation	Pair Trade Analysis	Portfolio Construction and Maintenance
Key Issues to Consider	• Market cap. • Trading liquidity • Developed Markets • Dividend paying companies only	• Analyst meetings • Conference participation • Meeting corporates • Regular and systematic monitoring of portfolio companies and large "peer group" of investable companies	• How does the industry look in 5-10 years? • Can the company compete? / Strategic moat? • Full financial analysis with a focus on defining real free cash flow	• Applying various valuation models based on own financial forecasts	• Relative valuation and relative upside/downside of two related and competing investment opportunities	• Optimal position size of new investments and normal rebalancing due to portfolio maintenance
Risk Management	• Manage illiquidity risk • Eliminate excess indebted companies	• Does the company's business fit within our circle of competence?	• Analyze traditional credit metrics. • Need to have vs. Nice to have? • Identify and assess potential hidden risk factors.	• Integrate business, financial and liquidity risk into discount factors and target multiples	• Relative risk profiles may weigh in the decision process if pair-trade analysis is inconclusive	• Manage "macro risk" exposure • Manage portfolio liquidity risk
ESG and Sustainability Management	• Apply exclusion lists	• Apply exclusion lists	• Analyze potential red flags but apply "Nice to have" and "Need to avoid" principle • Abandon ideas with any "Need to avoid" ESG issues	• Integrate ESG and sustainability issues into valuation • Lump sum and/or discount rate adjustment	• Relative ESG and sustainability profiles may weigh in the decision process if pair-trade analysis is inconclusive	• Balancing the portfolio's ESG and sustainability profile
Output	• Investable Universe	• Buy and sell candidates, as well as portfolio maintenance trades	• Understanding of industry dynamics and company's position within • Detailed financial modelling • Identification of "hidden" risks	• Fair value point estimate(s) • Fair value range • IRR estimate	• Relative attractiveness of new idea vs. existing investment • Decision to invest or put on "hold"	• Final portfolio

Performance

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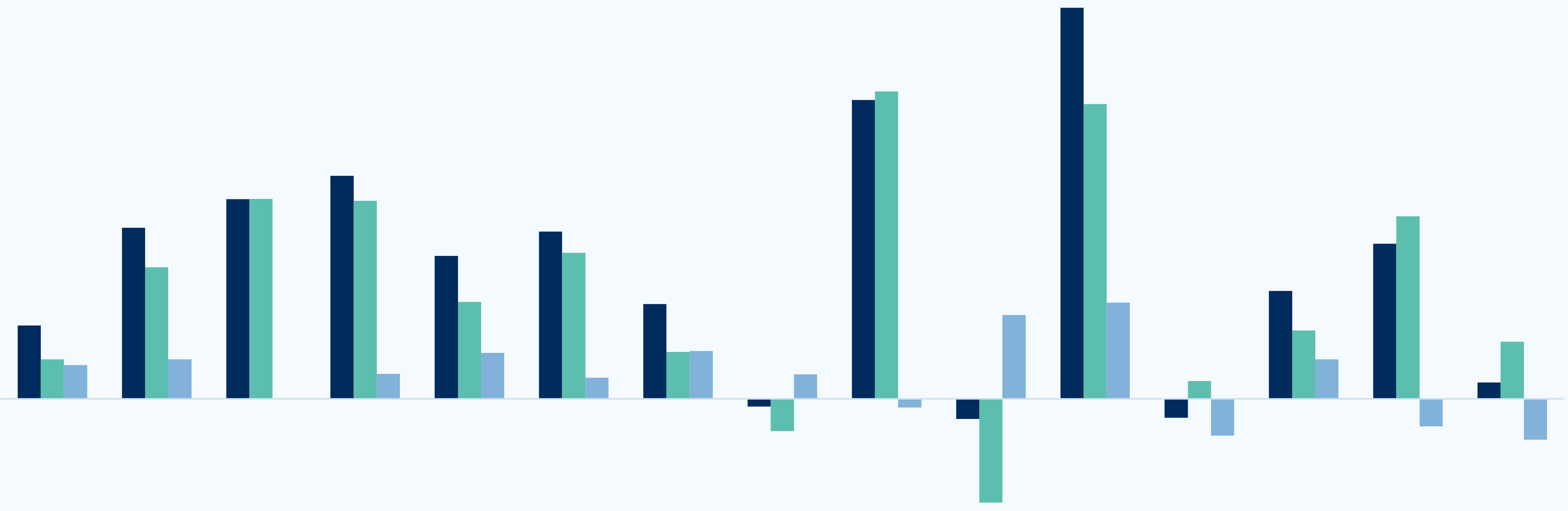
Performance

Return since inception



	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Strategy	6,1%	14,2%	16,6%	18,6%	11,9%	13,9%	7,9%	-0,6%	24,9%	-1,7%	32,5%	-1,6%	9,0%	12,9%	1,4%
Benchmark	3,3%	10,9%	16,6%	16,5%	8,1%	12,1%	3,9%	-2,7%	25,6%	-8,6%	24,5%	1,5%	5,7%	15,2%	4,8%
Excess Return	2,8%	3,3%	0,0%	2,1%	3,8%	1,8%	4,0%	2,0%	-0,7%	7,0%	8,0%	-3,1%	3,3%	-2,3%	-3,4%

Executive summary

People and organization	• Stable team with diversified set of competences • Clear succession plan • Support teams with special insight available (portfolio risk, ESG/sustainability, trading, etc.)
Philosophy	• Risk (incl. ESG/sustainability) is an integrated part of the investment philosophy and therefore in all stages of the investment process • Focus on long-term value creation • Acknowledge of own short-comings and potential biases
Process	• Well defined and repeatable process with proven track record • Fundamental bottom-up stock picking with strong focus on understanding company risks and financials
Portfolio	❑ Diversified portfolio with measured ”macro risk” ❑ Approximately equal weighted portfolio with no conviction bets mitigating behavioral biases ❑ Dividend paying companies only ❑ Strategy launched 2011 ❑ BM: MSCI World High Dividend Yield Index
Performance and Risk	• Strong performance with excellent risk and ESG/sustainability profiles • Comprehensive risk, ESG/sustainability and compliance oversight

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