



# **Storebrand Investments**

## **From cost center to international competitiveness**

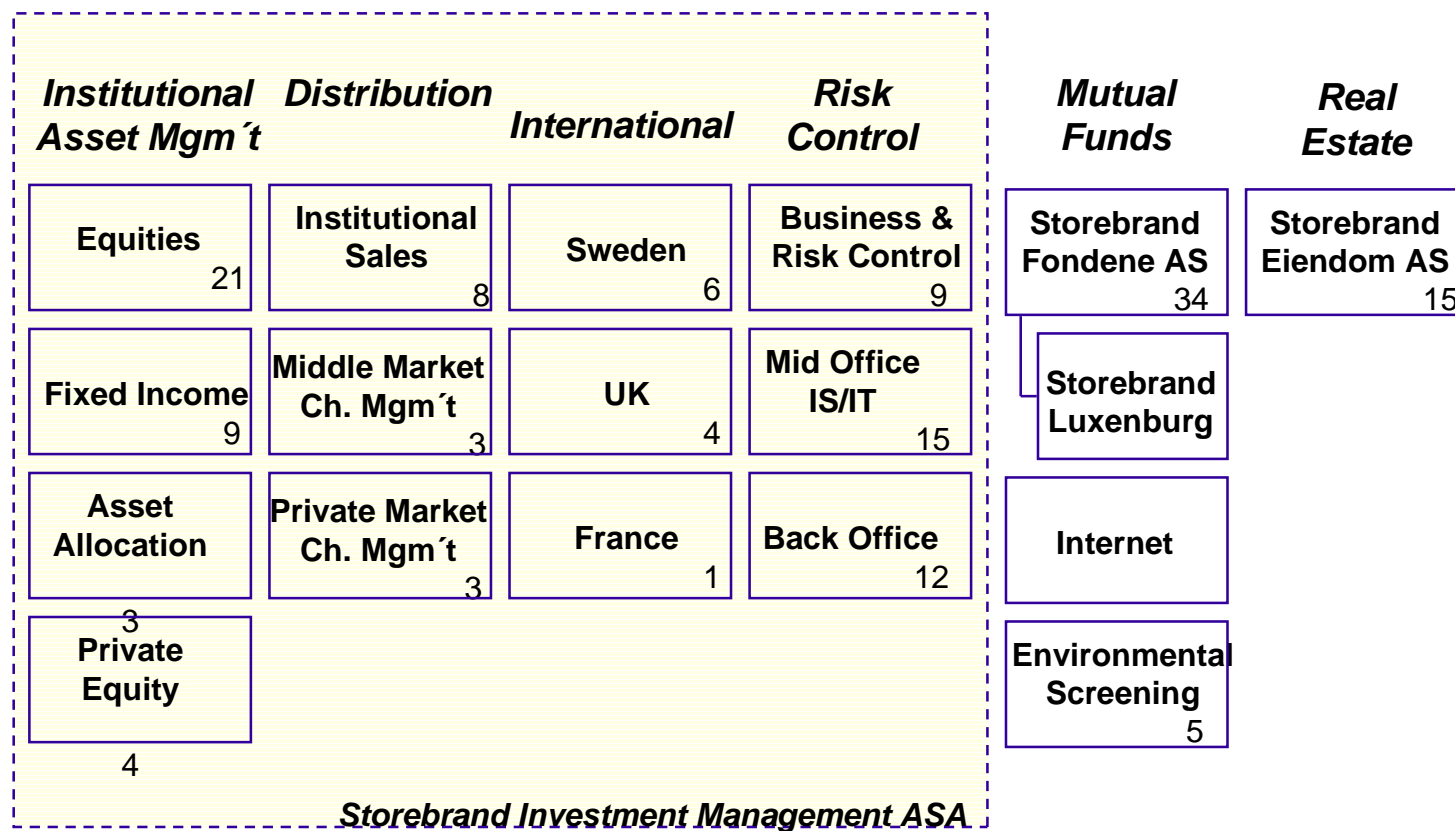
**“commercializing a core competence”**

**June 8, 2000**

**Allan Åkerstedt**  
**Managing Director**

# Storebrand Investments

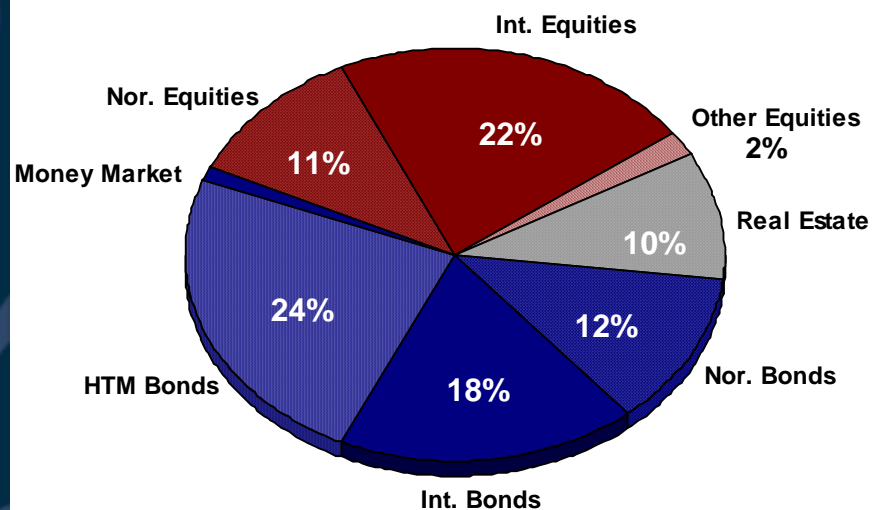
## Organization



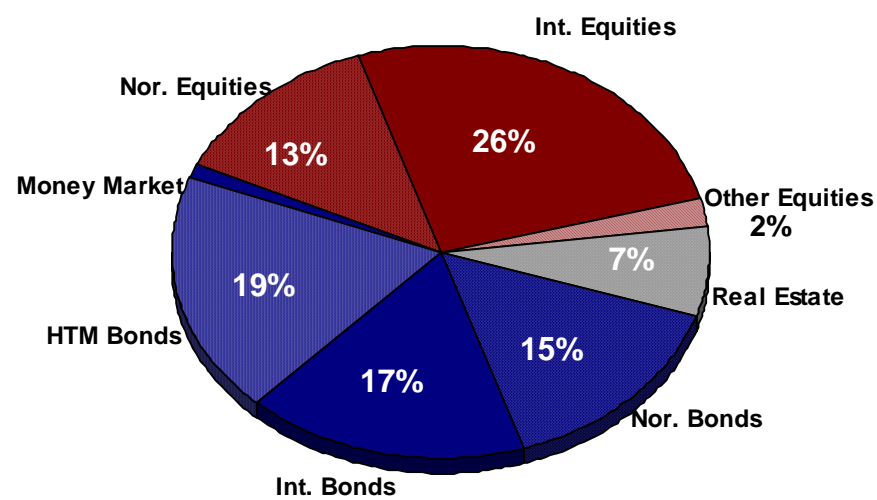
# Storebrand Investments

## Portfolio structure Q1 2000

**Life insurance Co.**  
NOK 112 bn



**Total AuM**  
NOK 153 bn



# Storebrand Investments

## Where do we come from?

### **1995**

- Total assets under management NOK 78 bn, whereof 95% internal funds
- No external discretionary mandates
- Dominant domestic focus
- No specialized or external sales channels
- No international mutual funds, market share declining to 5.5% medio 1998

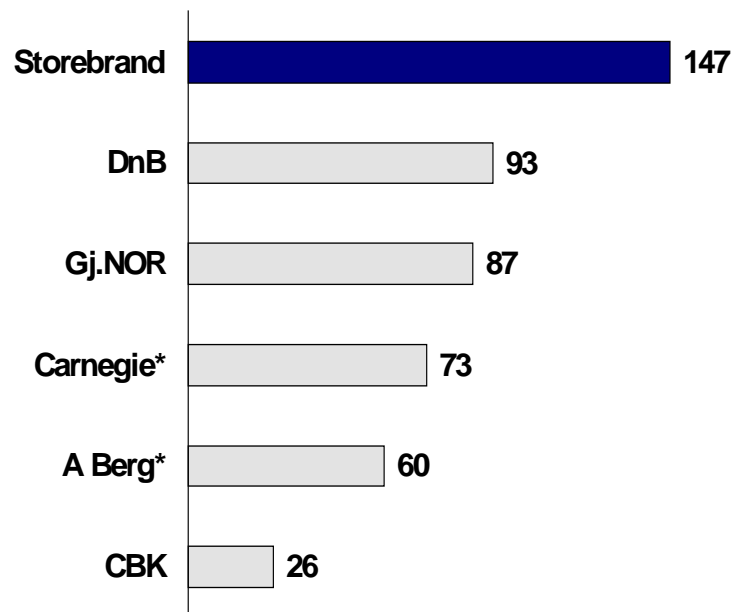
### ***Point of departure:***

- Small, but critical mass
- Emerging international focus
- Limited product offering
- Insufficient distribution
- Respectable performance record

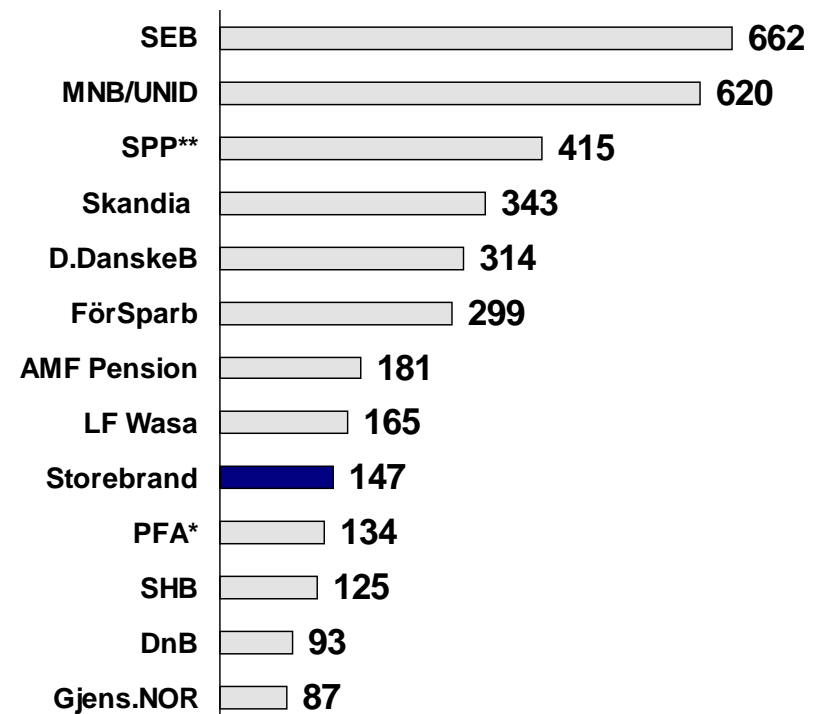
# Market position 1999:

Dominating in Norway, mid sized in Nordic region

## Norway



## Nordic Region

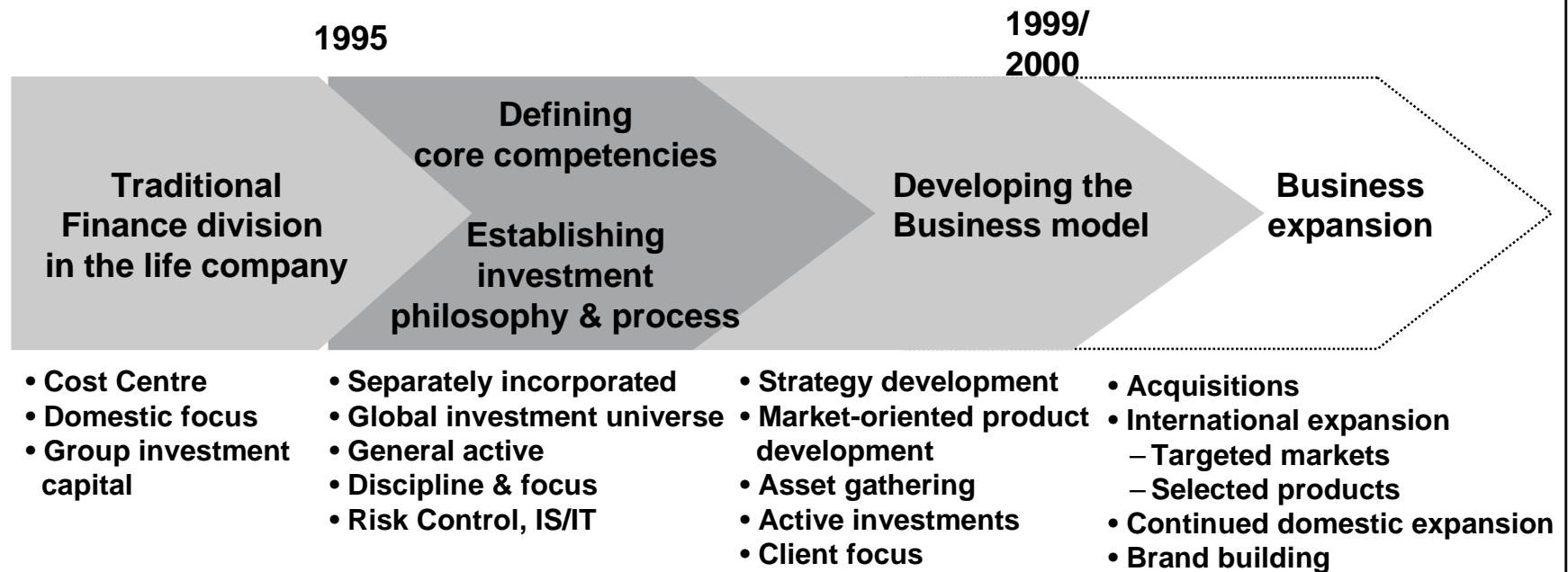


\* Nordic assets for Carnegie and Alfred Berg

Source: Annual Reports

# Storebrand Investments

## Stages of development



# Core competencies

## Establishing a credible value proposition

- Portfolio construction eliminating all but desired risk
- International large cap research model integrating top-down / bottom-up
- Team oriented investment process
- SRI screening
- Strict risk control based on state of the art IS/IT



- Strong core of building blocks for sophisticated asset management product offering to institutional market:

*“institutionalized excellence”*



- *Distinct value proposition:*  
Most efficient use of information to allocate risk only to active positions with high probability to generate outperformance.



- Extend Storebrand's brand image to include asset management.

## Investment philosophy: Institutionalized excellence

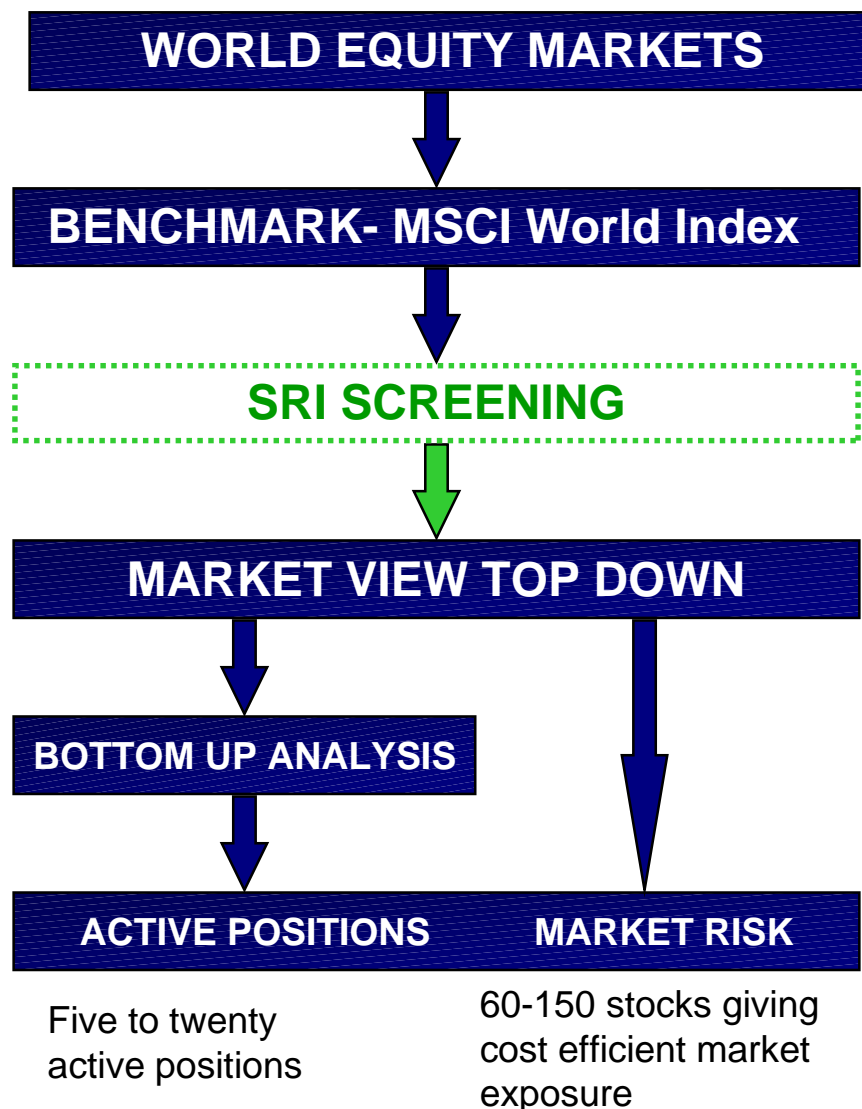
- Relative investor, developing general active into active niche
- Inhouse focus on International Large-Cap Equities, European Credit, Tactical Asset Allocation, Private Equity as well as Norwegian Securities and Real Estate
- Extreme focus & discipline
- Combining tracker portfolios with focused active positions
- Proprietary research model integrating top-down/bottom-up
- “If we haven’t analyzed it - don’t allocate risk to it”



*Cost effectiveness of indexation and risk/reward potential of hedge funds*



# Industrializing the investment process: Integrating Top Down/Bottom Up

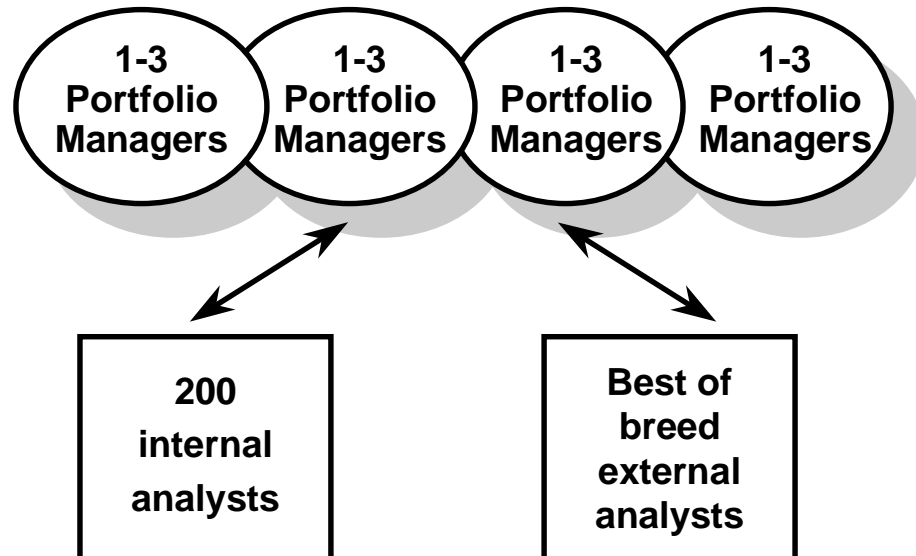


- Approx. 40.000 stocks
- Approx. 2.600 stocks
- Thorough SRI screening (subject to client demand)
- Financial screening (Macro, Sector, Theme and Style)
- Analysis of individual companies
- Relative risk allocation

# Staying more focused than the competition

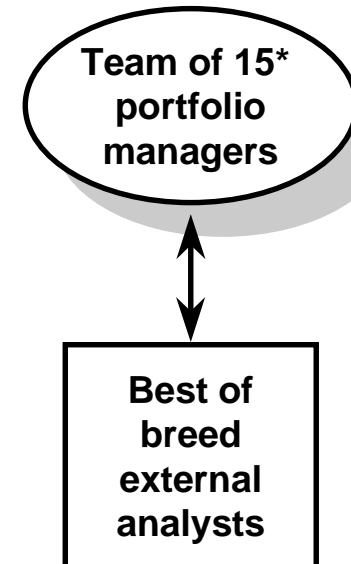
Process information effectively instead of gathering data

## Traditional model



- 100-200 active positions, >2000 uncontrolled short positions
- Subcultures; limited information sharing
- Focus on managing and monitoring internal analysts instead of creating value for the customer; use best-of-breed external analysts anyway

## Storebrand



- Limited number of active positions; index non-core not to dilute value-added
- Large-cap focus
  - globalization
  - deep research coverage
- Experienced team of inv.mgrs. from most Nordic countries with specific and complementary skills
- Strong organizational and IS/IT support to enable focus on value-creating activities and information sharing

\*) Average investment management experience of approx. 10 years. 12 seniors, 3 juniors.

# Organizing for developing the business:

## Unlocking the potential

### *Production*

- Coordinating Mutual Funds´ and Institutional inv. process
- Integrating Norwegian and international equities
- Global Tactical Asset Allocation
- Building Private Equity capabilities
- Integrating mid-office with IS/IT-development
- Automation of performance and compliance monitoring and reporting
- Arm´s length internal pricing

### *Distribution*

- Proprietary institutional sales organization
- Sales support unit
- Systematic brand building
- Sales offices in Sweden, UK, France
- Internet department
- Asset gathering through Private Banking
- Acquisition of momentum manager (Delphi)

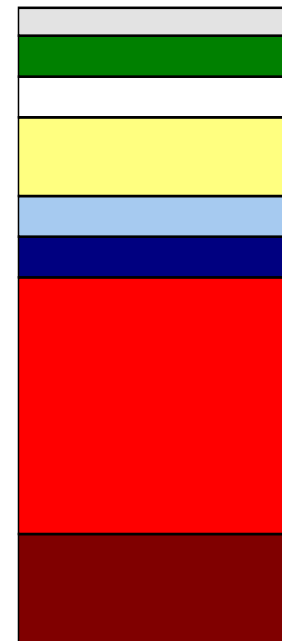
# Broadening product offering through aggressive product development

1995

Mutual Funds

2000

- 5 Life Cycle funds
- 1 Money Market funds
- 2 Norw. Fixed Income funds
- 3 Norwegian Equity funds



- Foreign & Colonial Emerging Markets
- Goldman European Small caps
- 3 SRI funds\*
- 3 Fund-of-funds
- 6 Life Cycle funds
- 3 Money market funds
- 3 Fixed Income funds
- 19 International Equity funds
- 8 Norwegian Equity funds

## Discretionary Management

- Segregated portf. for internal co's

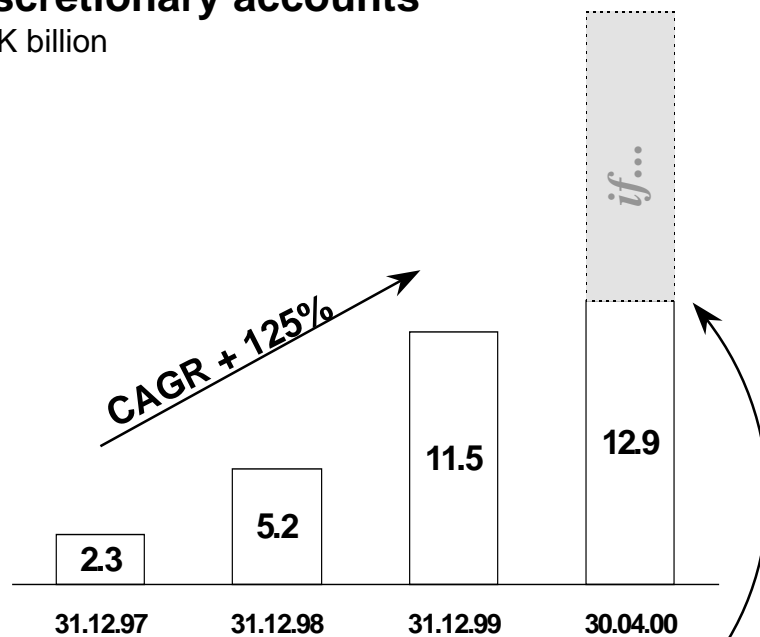
- Segregated portf. for internal co's
- 53 external discretionary management customers (institutions)
- Fund-of-fund Private Equity Fund 1999; Fund-of-fund Hedge fund (Delphi)
- Finansbanken index

 **Storebrand**  
Investments

\* Principle Global, Europe , and UK.

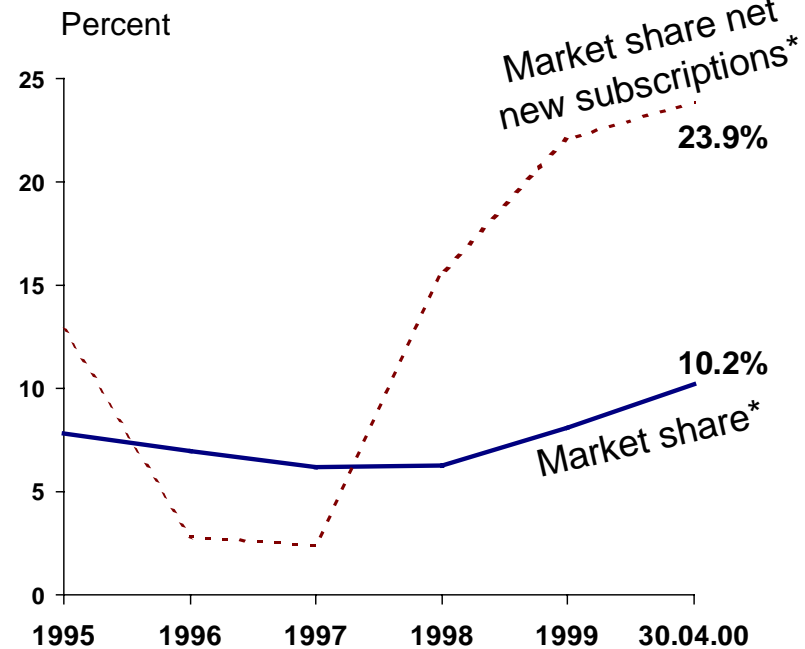
# Storebrand is emerging as top-of-mind asset manager in Norway

## Assets under management Discretionary accounts NOK billion



External customers' share of AUM increased from 2 % to 17% (incl. If...)

## Market shares mutual funds



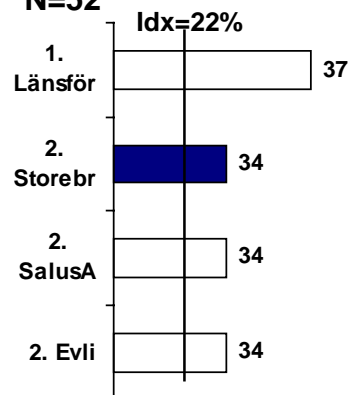
\*Figures for 2000 includes Delphi

# Storebrand has respectable performance track record:

Storebrand only company consistently in top spots of Swedish PPM\* market  
(1999 returns)

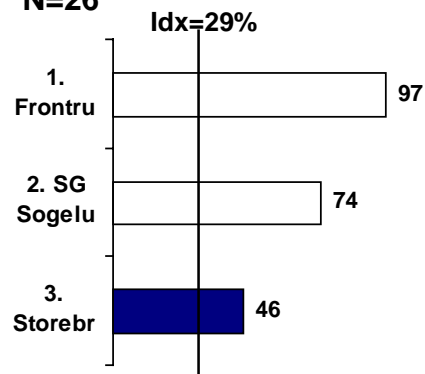
## European Equity

N=52



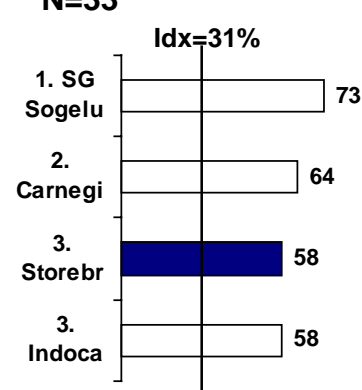
## North American Eq.

N=26



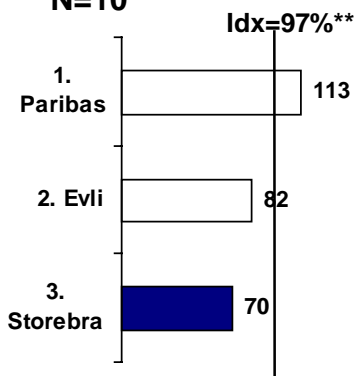
## Global Eq.

N=33



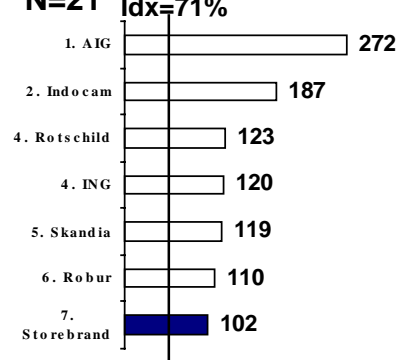
## Nordic Equity

N=10



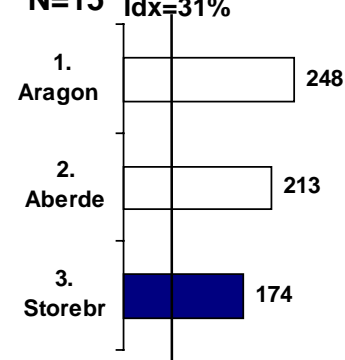
## Japanese Eq.

N=21



## IT and Communication

N=15



Sources: PPM, Svensk  
Fondstatistik,  
Dagens Industri



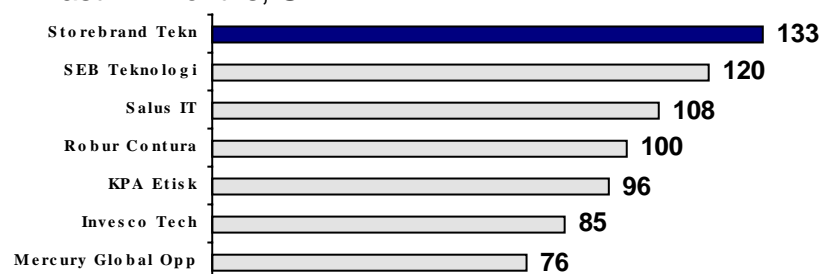
\* PPM is part of Sweden's new pension system, where each Swede may choose individually the manager for pillar I pensions

\*\* Index underperformance due to 10% cap on market weights in Ericsson and Nokia (regulatory constraint)

# Best-of-breed quality investment products

## Best Global Equity Funds, Sweden

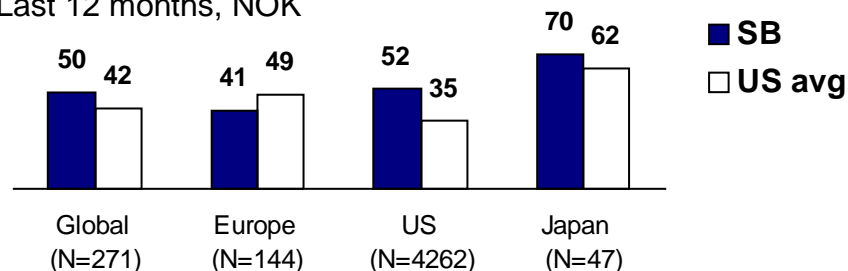
Last 12 months, SEK



- Storebrand Technology best (3rd best) global (international) fund in the Swedish market last 12 months (as at end of May 2000)

## Storebrand vs US competitors

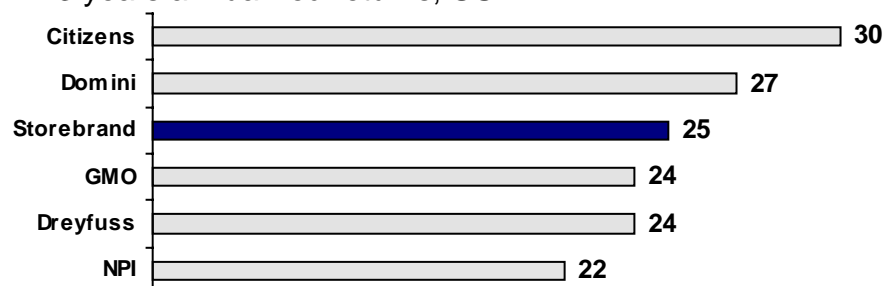
Last 12 months, NOK



- Storebrand outperformed significantly both average US managers (and benchmark index) in most regions except European Equities last 12 months (as at end of May 2000)

## Best SRI Funds Worldwide

3 years annualized returns, USD

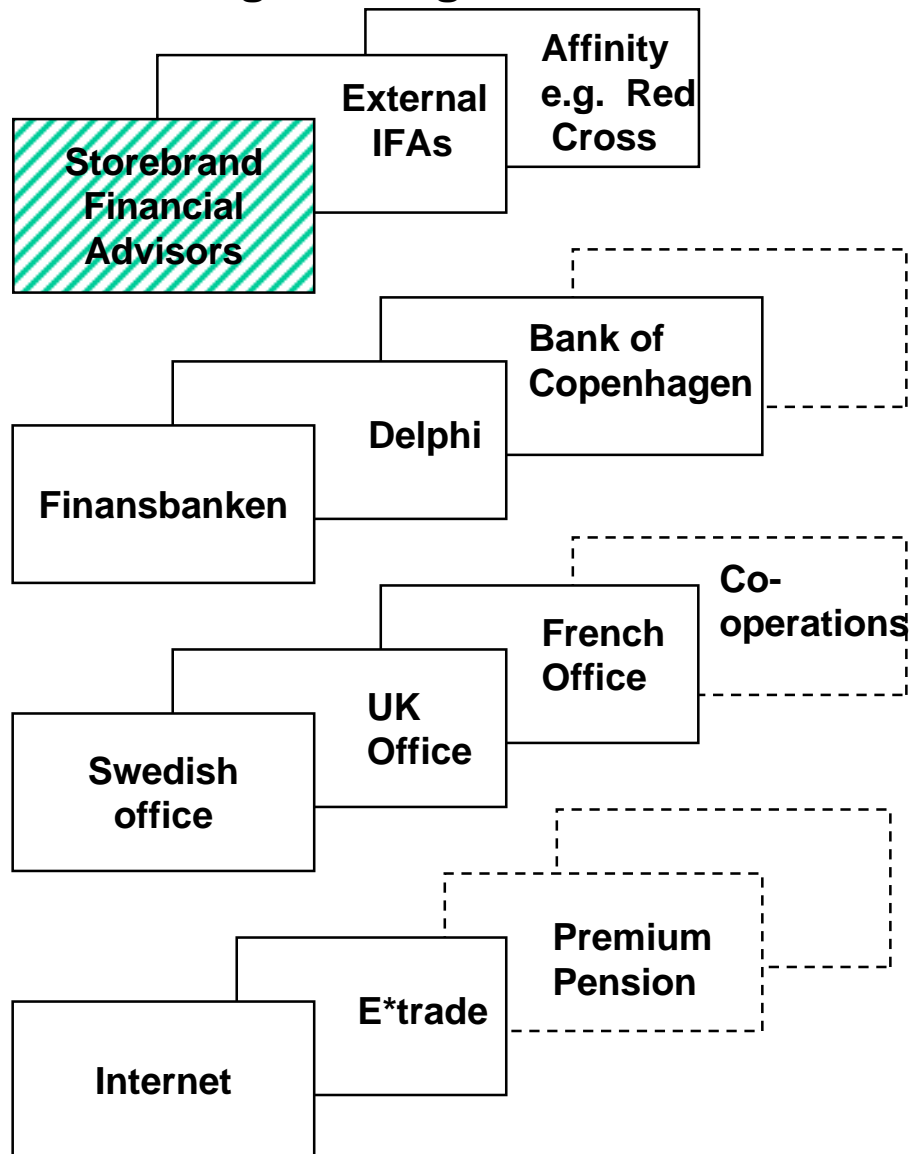


- Storebrand Principle Global Fund 3rd best SRI fund in worldwide last 3 years.
- Top quartile of all global equity funds last 3 years in Micropal offshore universe

Sources: Morningstar; Fondstar, Micropal, team analysis

# Strong development of distribution

## Focus on targeted segments



• **Domestic market**  
~ 350 sales people  
passed mutual fund  
certificate.

• **Nordic HNWI Market**  
~ Potential of 180.000  
individuals with  
NW > \$1 million

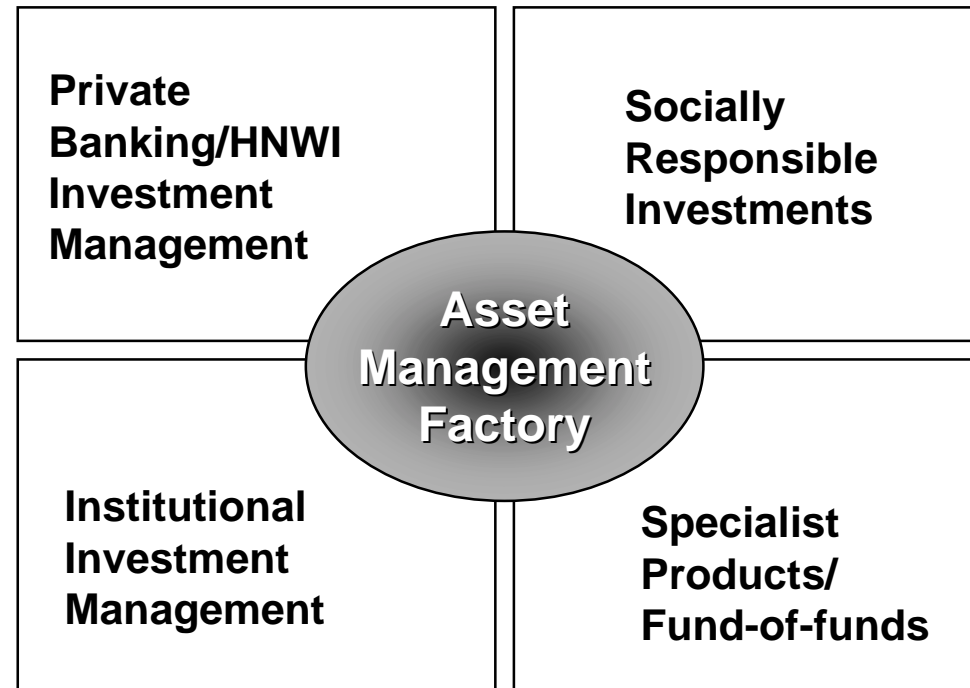
• **International  
institutional market**  
~ Selected products in  
targeted markets/segments

• **e-Mass market**



# Positioned for Continued Business Expansion

- Nordic string-of-pearls strategy (Finansbanken, Delphi, Bank of Copenhagen)
- Storebrand Investments
  - sophisticated institutions
  - international inv. advisory /nominee arrangements



- Storebrand Principle funds
  - Triple returns™
- Own products expansion from core or acquisitions
- Fund-of-funds in best-of-breed external specialists

# Storebrand Investments

Will Storebrand Investments make money?

Profit and loss in NOK millions

	1998	1999
<b><i>Storebrand Kapitalforvaltning ASA</i></b>		
Income	96,5	169,6
Costs	110,8	145,5
Earnings before tax	-14,3	24,1
<b><i>Storebrand Fondene AS</i></b>		
Net earnings before tax	5,9	11,1
Total earnings from investment management area	-8,4	35,1

- Strong top-line growth expected to continue, especially for discretionary accounts
- Asset allocation changes in favour of more equities, which improves margins
- Low growth in fixed costs, since more costs will be performance-related

**Bottom-line will show higher growth than top line.**