



ESG and technology driving emerging Asia's recovery

Gary Corcoran (GC) – Head of Corporate Communications and Content: Jorry, you have run your Emerging Market Stars strategy for nearly a decade but how has it evolved since you joined Polar Capital and launched the Emerging Market Stars Fund two years ago?

Jorry Nøddekær (JN) – Fund Manager: Clearly, one of the key enhancements we have made to the process was instead of having a silo approach with ESG on one side and the valuation work on the other, we believe you need to truly integrate the two. What we have now is a much broader approach to sustainability that allows us to quantify what that sustainability actually means to the valuation of a company.

GC: Why does ESG place such an important part in your process?

JN: The environment a company operates in today is increasingly complex. Whether it is on the supply side or the demand side, they are much more focused on environmental issues. There is much more focus on your brand and your social responsibility as a company, so these variables are having an increased influence in terms of both your cost structure as well as how you engage with stakeholders – this can significantly enhance your growth opportunity.

We try to find a company that can navigate the stakeholder environment, help and expand what we call its sustainability delta, the longevity of this business model, and thereby enhance growth opportunities by de-risking the business model. This will help create better economic value added which is in essence what we want to identify with our process.

GC: Is there a specific example that you can talk us through of where you invest as a result of your ESG integration?

JN: I would say there is a strong ESG or sustainability angle on almost every single stock we have in the portfolio, whether it is a driver of revenue or as a supporting factor on navigating risk of its cost structure.

A classic example here would be EVs (electric vehicles) where we believe we are at the forefront of a revolution almost when it comes to what the auto industry and renewable energy sector will look like in the years to come. They are increasingly merging together.

GC: Everyone has been using technology more and differently since COVID-19 hit. What role has technology played for you in Asia's economic and market recovery?

JN: Our Fund and investment strategy have always had a great deal of exposure and focus on technology. We believe it is one of the really strong industry where we have a number of companies that are often able to create a lot of value and positively surprise the market. Both have played an essential role for us for the past decade and we have gradually increased our focus there.

Technology in Asia plays two keys roles. First, it is becoming a significant consumer of technology products in its own right and there is a very strong focus on 5G technology. They are early adopters of smart phones and many key electronic gadgets are increasingly



Jorry Nøddekær

Fund Manager

Jorry joined Polar Capital in June 2018 to set up the Polar Capital emerging markets growth franchise in July 2018.



Awards & ratings



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being consumed in Asia.

Second, Asia is playing an increasingly important role in the technology supply chain. Despite the trade war between China and the US, we still see the Asian supply chain increasing in importance and for that reason we believe Asia offers significant opportunity both for the consumption of technology as well as being an essential part of its value chain.

GC: What changes have you made to the Fund this year, Jorry?

JN: This has clearly been an eventful year and for that reason we have been slightly more active than we would normally be as long-term investors. The significance of what we saw in March has led to what we believe is price dislocation and, therefore, investment opportunities for us to take advantage of.

There are still areas, around e-commerce for example, where we have been able to identify exciting opportunities, where we believe there are still returns left in these companies. Other parts of the market, such as in India, have had a more difficult recovery but we still see attractive valuations in high quality companies. We are being more active to make sure we take advantage of these opportunities as long-term investors and are allocating capital there.

GC: You have run the Fund for Polar Capital for the past two years, so what is your outlook for emerging markets for the next two?

JN: We are seeing a real recovery and believe there is a great deal of pent-up demand, not only because of COVID-19 but there were a couple of key markets, again India is an example, that were seeing an economic slowdown before COVID-19. We believe we will see an economic recovery and remain optimistic on that whole demand/consumption side.

Furthermore, we also believe we are at the forefront of a significant technology upgrade cycle where we believe emerging markets, particularly Asia, will really start to benefit as they have very strong listed companies in the technology sector.

Jorry Nøddekær, Fund Manager

Polar Capital Emerging Market Stars Fund

14 August 2020

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