
INTERVIEW

GLOBAL PARTNERSHIPS AND BUILDING LONG-TERM TRUST AND RELATIONSHIPS BETWEEN LIKE-MINDED INSTITUTIONS AND INVESTORS ARE KEY.



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AP3 – Third Swedish National Pension Fund

How has AP3 transitioned to the COVID environment?

We were quite fortunate because just earlier this year, the whole organization received laptops, so that was impeccable timing. We've been home since March and we've had the opportunity to go into the office if needed, a limited number of staff at any one time. But other than that, it's been remote work from day one. And I guess like everyone else you speak to, we're finding that it's working remarkably well. You're quite efficient and you get a lot of work done.

How have you modified your approach and do you have tips for others?

The biggest challenges are the social aspects and the blurred lines between private and professional lives. One tends to go from one call to another, and there's no slack. You don't get the five minutes walking between conference rooms, and there's no change of scenery in between meetings. I try to create small spaces in the calendar, sort of mimicking natural pauses, just to get a change of pace and some form of exercise into my day. A quick walk or something just to get out.

How do you underwrite under these current conditions? Any advice on the process?

It's a really hard question. Should one make adjustments now, or wait and see? In real estate it's pretty clear that one is going to have to change the underwriting thesis for certain types of assets. And I'd say the same goes for infrastructure to a certain extent.

In general, underwriting new opportunities in the current environment will become a more challenging and complex exercise. Household names, or larger, more established firms, are somewhat easier to assess. But finding new investment opportunities, especially new relationships that are not in close geographic proximity and those that are not previously known, that will be harder. This challenge will most likely render negative effects when it comes to building a long-term pipeline of new relationships. I mean, how do we as a public pension ensure that we continue to be responsible long-term investors by obtaining critical insights into potential new investments without actually physically meeting counterparts in their offices? How do we conduct traditional due diligence and gain insights virtually? I don't think we've fully come to terms with how we're going to do this, and at the same time, also be thorough and cost efficient. I do, however, expect that these processes will take longer and require more resources in order to reach the same level of comfort as we had pre-COVID. If

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that is at all possible. To summarize, I think we're heading in a direction where we'll have to be able to do things from afar. But I don't think it will ever fully substitute physical meetings.

Some people that say this is the death of globalization because no one is traveling and other people say this is the start of a new globalization. Which do you think is more accurate?

I am going to be boring and say that both are probably true to different extents. Many countries have discovered that they need to be able to do certain things locally, that they are not capable of doing currently. One example would be the production of certain basic medical equipment. I think that it will be a requirement to have more redundancy and standby capability and not be as highly dependent on on-time delivery from a supplier in another part of the world.

The other side of this is that global partnerships are more important than ever. I mean, how are we to ensure that we can do the work we need to do without collaboration and movement across borders? And I think in that context, global partnerships and building long-term trust and relationships between like-minded institutions and investors are key.

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AP3

SPOTLIGHT

Tredje AP-foden (AP3) is one of five funds that manage capital on behalf of the Swedish state pension system. AP3 is tasked by Parliament with generating maximum possible benefit for the state pension system by managing its fund capital responsibly and delivering strong investment returns at a low level of risk.

As of December 31, 2019, AP3 had \$41.7 billion of AUM.

Founded: **2001**
Headquarters: **Stockholm, Sweden**
Total Headcount: **58**
Investment Team: **28**

What has it been like to be a citizen in a country that has chosen a different road, what has been called the "Swedish Experiment," personally speaking?

My perception, for what it's worth, is that the differences aren't that great. Our younger kids never left daycare or primary school. High school and other higher educational institutions have closed. That's one of the major differences, I guess. Also, in Sweden, we were never prohibited from moving about locally. On the other hand, we were asked to not travel further than 2 hours away, and most people respected that. We have had a lot of freedom within reason I would say.

Have you found any silver linings or pleasant surprises during this time? Have you been reading or watching or listening to anything interesting? Any hobbies that you've picked up?

One thing I did do - I bought a bike. I use the time I would have spent commuting, biking instead. I've also found that I'm reading more books. The one I'm currently reading is a biography about Carl Linnaeus, a Swede who lived during the 18th century who formalized the modern system of naming organisms. I find it interesting to get an insight into the life of the person who made some remarkable changes to how we see nature. The book, roughly translated, is called *The Man Who Organized Nature*.