ChatGPT

Nest Corporation – Emerging Markets Equity Mandate Briefing

Summary

Ninety One is preparing for a final pitch to **Nest Corporation** (UK's National Employment Savings Trust) in two weeks for a ~**£3 billion** Emerging Markets Equity mandate. This is a high-stakes, procurement-led tender with intense competition. Our objective is to win this mandate by demonstrating a compelling combination of **strong investment capability**, **alignment with Nest's expectations** (portfolio structure, risk discipline, ESG focus), and **partnership approach**. Below is a briefing on the engagement to date, Nest's requirements, the competitive landscape, and key messages to emphasize in our presentation.

Objective of the Engagement

- **Win Nest's ~£3bn EM Equity Mandate:** Secure a flagship relationship with Nest by delivering an investment proposal that meets their needs and outshines competitors. This mandate is sizeable (initial funding could be ~£1bn with rapid growth to ~£3bn over time [1]) and strategically important, given Nest's status as the largest UK DC pension scheme (growing ~£500m in assets per month) [2] . Success would establish Ninety One as a long-term partner for a **high-profile client** and reinforce our Emerging Markets franchise.

Recent Engagement History

- **Early Relationship Building:** We engaged with Nest early on. In mid-2024, Joshua and Alex met with **Edo** (Nest's Head of Equities) for an informal discussion, which provided valuable insight into Nest's thinking [3] . A key takeaway was that despite Nest's large size, their investment team is **under-resourced and willing to lean on managers they trust** [4] . This indicated an opportunity for us to act as a **value-added partner**, helping Edo build the internal case for active EM management – an opportunity we "can't miss" [4] . Our proactive support (e.g. sharing research and data) began establishing that trust.
- **Addressing Nest's Concerns:** Nest's leadership initially approached Emerging Markets cautiously. In discussions, **Mark Fawcett (CEO)** and **Liz Fernando (CIO)** challenged the case for active management, asking whether active EM managers truly outperform over the long term [5] . They even contemplated a hybrid approach (active in certain markets, passive elsewhere) to control risk [6] . Meanwhile, **Diandra** (Head of Responsible Investing) was **advocating for an active allocation** to improve stewardship outcomes [7] . We responded to these concerns with evidence: industry data on active manager performance and our own track record, alongside thought leadership on where active can add value. This helped **frame the narrative** that a core active approach can deliver excess returns and ESG benefits, addressing the internal skepticism. Liz in particular subjected our team to robust Q&A (drawing on her experience at USS), but our thorough answers helped **build credibility** [8] .

- **Progress to Formal RFP:** By September 2024, Nest's trustee committee was sufficiently convinced to consider an active EM allocation (after a key meeting on 1 Sept) [9]. Following that decision, Nest **engaged the market** in late 2024, and a formal RFP was launched in 2025. Thanks to our early engagement, Ninety One was on the radar and included in the process – which is crucial, as Nest's typical approach is to invite ~20 managers initially but then only **4 or so to final pitch, all of whom had been engaging pre-RFP** [10]. In other words, our groundwork put us "in the game at the right time" [11]. We submitted a comprehensive RFP response, including a model portfolio and extensive ESG answers, showcasing our capabilities in detail. We also participated in follow-up due diligence discussions (e.g. detailed Q&A on our portfolio and process) to ensure **alignment with Nest's requirements**. So far, Nest's feedback has been positive – they recognize our commitment and preparation – but they remain keenly focused on specifics around risk and implementation, which we will need to nail in the final pitch.

Nest's Expectations and Requirements

- **Portfolio Structure & Risk Parameters:** Nest is seeking a **"core" Emerging Markets equity strategy** – i.e. an active approach that is not overly high-octane, but delivers consistent alpha with controlled risk. They are likely looking for a **low-to-moderate tracking error** solution (on the order of ~1.5–2.5% tracking error) to complement their existing passive EM exposure [12]. In similar mandates, we've demonstrated we can run portfolios around ~1.5% TE with broad diversification (e.g. ~130+ holdings) to meet such risk targets [12] [13]. Nest's questions indicate they want to avoid extreme bets: for instance, they raised whether it might be viable to use active management only in certain countries and go passive elsewhere [6]. Our proposed portfolio aligns with this core philosophy – it's well-diversified across countries and sectors, aiming for steady outperformance without outsized volatility. We should be prepared to discuss our **risk controls** (position limits, sector/country limits, tracking error discipline) to give Nest comfort that we will adhere to their risk parameters. For example, in our model portfolio exercise we set strict limits (e.g. max 1.5% active weight per stock, ability to liquidate positions within ~20 trading days given the mandate's size) to ensure the strategy is scalable [14]. Expect Nest to probe how we will manage a multi-billion fund in less liquid EM markets – we should highlight our experience in trading and liquidity management (e.g. using trading algorithms, scaling positions) as evidence that we can handle the volume.
- **Focus on Key Markets & Benchmark Alignment:** Nest's allocation will likely follow a broad EM index, but they have specific considerations. Notably, they're focused on the big EM countries (**China, India, Taiwan, Korea**) – these are markets where they see active management potential [15]. In fact, Nest may use the FTSE Emerging index (which *excludes Korea*) because they classify Korea as developed in their overall portfolio [15]. They also indicated they might maintain some passive exposure alongside active, partly due to **liquidity constraints** – with such a large mandate, certain smaller markets or positions could be hard to trade in size [16]. What this means for us: we should demonstrate how our strategy is **broad and flexible**. We can add value in major markets (e.g. our insights in China/India) while not ignoring the rest of the benchmark. And we can accommodate Nest's index preferences or exclusions (e.g. we can manage against FTSE Emerging ex-Korea if needed). Emphasize that our portfolio construction already factors in liquidity and capacity (for example, we avoid outsized positions in small caps), ensuring we can take on **£3bn+ without compromising performance**.
- **ESG and Stewardship Commitment:** Like many large asset owners, **ESG is a top priority for Nest**. We know they place **extensive emphasis on responsible investing and active ownership**. (Nest's RI team has explicitly pushed for active managers partly to drive stronger engagement with

companies [7] .) We should expect detailed questions on our ESG approach, and we must show full alignment with their expectations. Nest will likely have a **strict RI policy and criteria for managers**, similar to other UK pension tenders – for example, The People's Partnership (a peer DC scheme) publishes clear **responsible investment priorities and expectations of asset managers** [17] . Nest will be no different: they will expect us to adhere to their responsible investment policy (e.g. exclusions of controversial weapons, tobacco, thermal coal, etc., and compliance with UN Global Compact principles) [18] . In our RFP response, we have already outlined how we integrate ESG into our EM strategy and how we would implement **Nest-specific exclusions or reporting**. In the pitch, we must reinforce this: highlight our credentials (e.g. PRI ratings, stewardship reports) and give tangible examples of our engagement successes in EM companies. Key message: *Ninety One will be a steward of Nest's capital*, fully aligned with their sustainability mission. Show enthusiasm for partnering with Nest on initiatives (for instance, climate transition or "just transition" themes which Nest cares about). By demonstrating that we **"speak the same language" on ESG**, we can strengthen their confidence that we are the right cultural fit as a manager.

Competitive Context

- **Procurement-Led Tender Process:** This mandate is being awarded through a formal, highly-competitive process. Nest's approach is very structured – **scores are assigned 80% to quality and 20% to price** in the evaluation [19] . They issued an initial questionnaire (ISQ) and have now moved to a full RFP (stage 2), meaning all finalists are closely scrutinized on both their investment propositions and their commercial terms. Importantly, **the fee we offered in Stage 1 is considered binding for Stage 2** [20] – unlike some other clients (e.g. TPP) that negotiate fees later, Nest has effectively treated the initial bid as "best and final" [21] . This underscores that **procurement is driving** the process with a strong focus on transparency and fairness. We should ensure every requirement is met to the letter (they will check compliance on each question) and that our pitch answers every point in their RFP criteria. Only a handful of managers have made it this far (likely 3–5 finalists out of a large field). Nest's last EM search invited ~20 firms and then picked 4 to present [10] , so we're now facing the very **best of our competitors**. Expect that **global EM heavyweights** are in the mix and that Nest will be comparing us on fine details.
- **Intense Fee Pressure:** Fees are a critical factor in this mandate. Nest, as a government-established DC scheme, operates on a **tight cost budget (~30 bps total for all expenses)** [22] , which means they push asset management fees extremely low. In conversation, Edo indicated they anticipate the winning fee to be **around 20 bps** (perhaps even lower) for a mandate of this scale [23] . All competitors know this, so there's effectively a **race to the bottom on fees**. We've seen evidence of this: for instance, **BlueBay** has apparently bid as low as **14 bps** [24] , and it's hinted some others might be even lower, which is extraordinary. In light of this, we made a strategic decision to **price very aggressively** – our proposal is a ~**15 bps blended fee at £3bn** (with tiering) [25] . This level is in line with the cheapest end of the range and reflects our commitment to win (we judged that adding even 1 basis point could jeopardize our chances, given that a 1bp fee difference can swing ~0.7–1% of the overall RFP score [26]). Our internal discussion stressed that *losing the pitch opportunity over a marginal fee difference is not worth it* [27] . The good news: our fee is highly competitive; the challenge: we must **convince Nest that our offering justifies even a 15 bps fee** when passive is far cheaper. In the pitch, we should be prepared to defend our fee by articulating the value we provide (alpha net of fees, risk management, service, etc.). Also, we should reassure them that our interests are aligned – we've put forward our best price **from the start**, demonstrating partnership.

- **Competitive Landscape:** Given the scale of this mandate, the competition likely includes both major global EM managers and perhaps some more niche or factor-oriented ones (since Nest initially cast a wide net). We should assume the finalists all have strong track records. Differentiation will therefore hinge on **subtle but crucial factors**: how well we address Nest's specific concerns, how we fit culturally (ESG and client service), and our perceived commitment to the partnership. Fees will be very close across finalists (all in the teens basis points), so **the qualitative edge is key**. It's worth noting that this is a **procurement-led, consultant-advised process**, so Nest's team will be looking for clear, concise answers and consistency with our written RFP. Any discrepancy or fluff could count against us. By contrast, hitting the right notes (e.g. emphasizing our **"implementation skill"**, see below) could give us the edge. We should also be mindful of who the other finalists may be – if, for example, one is an index manager offering an enhanced passive, we need to highlight how our truly active approach (with ESG integration) is superior. If another is a specialist boutique, we emphasize Ninety One's **scale and stability** (we have a large EM team and robust infrastructure, but still a high-conviction approach). Essentially, **our pitch must convince Nest that we offer the best of both worlds: competitive fee like a passive manager, but with the engagement, expertise, and partnership of an active manager.**

Suggested Tone and Key Messages for the Pitch

- **"Trusted Partner" Mindset:** The tone should be **collaborative, supportive, and forward-looking**. Nest wants a manager who will act as a partner, not just a vendor. We heard directly that their team is lean and **happy to rely on managers they trust for insight and support** [4]. We must reinforce that Ninety One is ready to be an **extension of their team**. Key message: *"We are here to support you and make your life easier."* In practice, this means highlighting our client service commitment (dedicated team, regular tailored reporting, training or knowledge-sharing if they desire) and our willingness to go above and beyond (for example, providing research that helps Nest's internal decisions, or collaborating on bespoke requests). We should reference how we've engaged so far – e.g. "When you asked about XYZ, we promptly provided analysis" – to show our responsiveness. Convey **flexibility and humility**: we will listen to their needs and adapt as required. By striking a partnership tone, we align with Nest's stated desire for a manager who is in it for the long haul, not a short-term mercenary.
- **Alignment on ESG and Purpose:** It's crucial to communicate that we **share Nest's values and purpose**. Nest isn't just another investor; they are the guardian of ~10 million UK savers' pensions (many of them in default funds). They have a strong social mission. Our pitch should reflect an understanding of that responsibility. Concretely, emphasize our **Responsible Investing philosophy** – e.g., "Like Nest, we believe active ownership drives better outcomes. We will be stewards of your capital, pushing for higher standards on governance and sustainability." We should explicitly reference Nest's ESG priorities (they've likely provided them in RFP materials or public policy documents) and mirror that language. For instance, if climate and "just transition" are priorities, mention how our EM approach aligns with those (perhaps cite examples: our engagement with a utility on transition, or investing in renewable opportunities). Show enthusiasm for **partnership in ESG**: e.g., offer to collaborate with Nest's RI team, invite them to our ESG forums, or share our research – positioning us as an **ally in their responsible investment journey**. Importantly, since Nest's RI head is a champion of this mandate, reinforcing this alignment will resonate well. (We can note that we understand this mandate is not just about returns, but also about **active ownership impact**, which is one reason Nest is hiring active managers [7].) Every portfolio manager speaking

should convey genuine conviction about ESG integration, so Nest sees that our values are genuinely in sync.

- **Demonstrate Implementation Excellence:** Nest will be highly focused on whether we can **execute** what we promise, given the scale and complexity of their mandate. We need to project confidence in our operational capabilities. Key message: *"We have the experience and infrastructure to implement this mandate efficiently from day one."* To support this, we can mention our track record managing other large institutional EM portfolios (without naming clients, we can say we manage multi-billion EM mandates for major institutions, which gave us the know-how in handling transitions, cashflows, rebalancing, etc.). We should highlight specifics: for example, our trading platform and team (perhaps mention our traders' expertise in EM markets), our risk systems that monitor exposures daily, and the rigorous pre-trade compliance we perform to adhere to client guidelines. Also, note any **transition plan** we have: Nest will likely want to hear how we would onboard £1bn+ of assets – we should outline a high-level plan (e.g. use of transition manager or in-house trading over a certain period to minimize market impact). We can reference that we've **modeled a sample portfolio** for Nest's mandate already (as part of the RFP) to ensure it meets their criteria and is fully implementable – this shows we've done our homework and reduces their perception of execution risk [28] . By conveying a meticulous approach to implementation, we instill trust that "Ninety One can handle this."
- **Reinforce Core Strengths with Evidence:** While tone is important, we must not forget to substantiate our promises with evidence. Nest's team (especially the CIO, Liz) will appreciate a fact-based, no-nonsense style. Each key message should be backed by a proof point. For example, when asserting our stock-picking skill, cite our **five-year track record** vs benchmark (if strong) or specific performance in down markets to show resilience. When we talk about risk management, mention that our **active risk has consistently been in the X% range**, and we've never had an incident of guideline breach or a major surprise. If we claim thought leadership, refer to a recent piece we shared (e.g. our research on regime change in EM that we know Nest has seen). Essentially, use the pitch to **answer the exact questions Nest has raised** in the past. Recall those questions: *Do active EM managers outperform? Where and why can active add value?* We should concisely answer these: e.g., "Yes, over the last 10 years, active EM managers outperformed in X% of periods [29] – importantly, those with a core style (like ours) did best, and here's why…". *Is partial passive an option?* "We understand why that was considered, but we will explain how our approach captures the benefits of broad exposure while adding alpha in all major markets, making a fully active solution compelling." By proactively addressing these points, we show we **listened** and we come across as credible and prepared.
- **Confidence without Complacency:** Finally, the tone should mix **confidence in our capabilities with respect for the process**. We should project that we truly believe we are the right partner for Nest – our enthusiasm should come through – but also acknowledge that this is Nest's decision and we are here to answer any and all of their concerns. The presenters (portfolio managers and others) should strike a **balanced tone: professional, passionate about EM, and client-focused**. Avoid overpromising; instead, let our consistent message (partnership, alignment, expertise) convince them. Close the pitch by reiterating our commitment: *"If chosen, we are ready to dedicate ourselves to making this a success, working hand-in-hand with Nest for years to come."* This assures them that hiring Ninety One means getting a **devoted partner** who understands their goals, shares their values, and has the skill to deliver on their mandate.

Sources:

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- Internal email – J. Kriskinans, *“Nest pricing”*, 18 Jun 2025 [19] [21] [26] [25] [30] [27]
- Internal meeting notes – *Nest/TPP EM mandate prep* (4Factor team), Sep–Dec 2024 [15] [16] [12] [14]
- Internal communication – *People’s Partnership EME RFP context*, Sep 2024 [17] [18]

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