



Fund Portrait

Second quarter 2019

Nordea 1 – Global Stable Equity Fund - Euro Hedged

ISIN: LU0278529986 (BP-EUR) / LU0351545669 (BI-EUR)



Highlights

- The fund manager aims to offer equity investors a safety buffer in volatile markets
- Focus on “Stable Equities” with moderate stress level and attractive valuation
- Main criteria for the stock selection is the stability of the development in all important areas (e.g. price, earnings, dividends, cash flow)



Asset Management at Nordea

As an active investment manager, Nordea Asset Management manages asset classes across the full investment spectrum and aims to serve its clients in every market condition. Nordea's success is based on a sustainable and unique multi-boutique approach that combines the expertise of specialised internal boutiques with exclusive external competences allowing us to deliver alpha in a stable way for the benefit of our clients. Furthermore, we have put a lot of emphasis on launching outcome – as opposed to benchmark – oriented investment solutions whose basis, “stability investment philosophy”, is designed to meet clients' risk appetite and needs.

Harnessing this stable approach in 2005, Nordea's Multi Assets Team created the concept of “Stable Equities”.

// We are offering an investment alternative which enables investors to benefit from the long-term return opportunities on the global equity markets with limited exposure to the high volatility which characterises this asset class.

The fund is managed by the same team since launch, which oversees around EUR 90bn of assets across various asset classes¹.

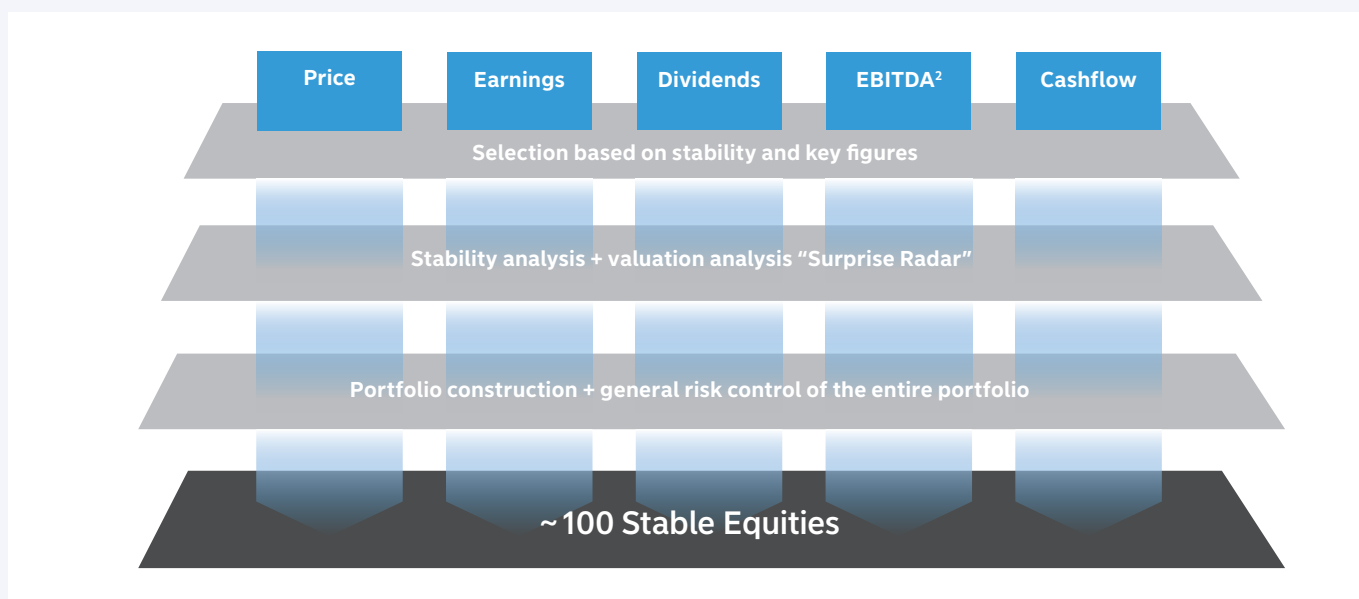
Stable Equities

The fund managers of the Nordea 1 – Global Stable Equity Fund (GSEF) identify companies that operate in established lines of businesses, generating relatively stable earnings, dividends, cash flows, etc. on an ongoing basis. **A higher level of stability** in these key figures helps dampen price volatility of such companies' stocks, making them less risky than the market.

Stable Equities in many cases can be seen as “boring stocks”, attracting less attention from investors, media, and the public in general. Instead, investors focus on “hot stocks” with interesting stories, i.e. stocks in companies associated with high profile stories, new technologies, product development, or other factors leading to expectations of extraordinary future returns. As a result, the pricing of stable stocks does not necessarily reflect a rational weighting of expected returns relative to risk.

The GSEF looks for stocks that go along with a moderate stress level – comforting for investors.

¹) Source: Nordea Investment Management AB. Date: 30.06.2019.



Global stable equity investment process

The investment process' cornerstone is based on a unique stock selection process, which analyses the development of a company's stock price, earnings, dividends, EBITDA and cash flow over prior years. Here we **focus on one major characteristic: stability**. The more stable these variables have been in the past, the more interesting the company is for us.

In addition, we also consider **valuation** to identify attractively valued stocks offering a good risk/reward ratio. Therefore the process prevents to overpay for stability.

Following the initial company screening, we apply various types of fundamental oversight to broaden the analytical query and reduce the dependence on historical data. For instance, the portfolio managers regularly discuss company specific, industry specific and/or country specific aspects related to investments. Such aspects may include among others discussions related to valuation and/or overall risk and return factors, risk monitoring and portfolio optimisation.

By applying this **"fundamental oversight"**, the fund manager can validate the investment rationale. It is a confirmation that the investment case, built on measures of historical relationships, can be expected to maintain its relevance in the future.

Finally, an objective fundamental validation of the final recommendations is combined with an in-depth risk control process. In the end a portfolio consisting of around 100 Stable Equities is created and permanently monitored.

How we build the portfolio

- **Bottom-up approach:** the emphasis is on the company itself. Factors such as market capitalisation, sector, region, etc. are secondary
- Main selection criteria: **stability and attractive valuation**
- **High degree of portfolio diversification:** no stock normally has a weighting of more than 3%
- **Selling discipline:** the shares are sold as soon as:
 - equities in the portfolio rise above their fair value. There is no pre-defined target price, which triggers the sale. Instead the fair value of companies is recalculated regularly
 - significant changes which undermine our stability criteria occur or are imminent in a company (e.g. mergers, changes in management or the business model)

Investments are hedged into EUR³



2) Earnings before interests, taxes, depreciation and amortisation. 3) The same strategy is also offered in an unhedged version with the Nordea 1 – Global Stable Equity Fund. In the prospectus dated 15.01.2010, the Nordea 1 – Global Core Equity Fund was renamed to Nordea 1 – Global Stable Equity Fund – Unhedged; the investment policy of the sub-fund was modified, and the NAV history prior to this date is not used for performance measurement. In the prospectus dated 18.03.2016, the Nordea 1 – Global Stable Equity Fund – Unhedged has been renamed to Nordea 1 – Global Stable Equity Fund.

Minimum variance, low beta or high dividend?

Recent volatility in financial markets has undoubtedly raised investors' interest in "low volatility" strategies. This acronym includes a wide range of strategies like: minimum variance, low beta or high dividend, all implemented through different processes. The Nordea 1 – Global Stable Equity Fund could clearly be included in this space as it seeks to outperform global equity markets with roughly 2/3 of its volatility over a full investment cycle.

In addition, while most low volatility strategies rely on a pure quantitative process, our fund includes a qualitative and fundamental oversight. This clearly adds value in the process and helps to incorporate factors that are not necessarily accounted for in a pure quantitative process.

The best of both worlds: High dividend and low volatility

We do not specifically target low beta or high dividend stocks. However, the investment process results in a portfolio which includes stocks with lower beta and higher dividend yield than the overall market.

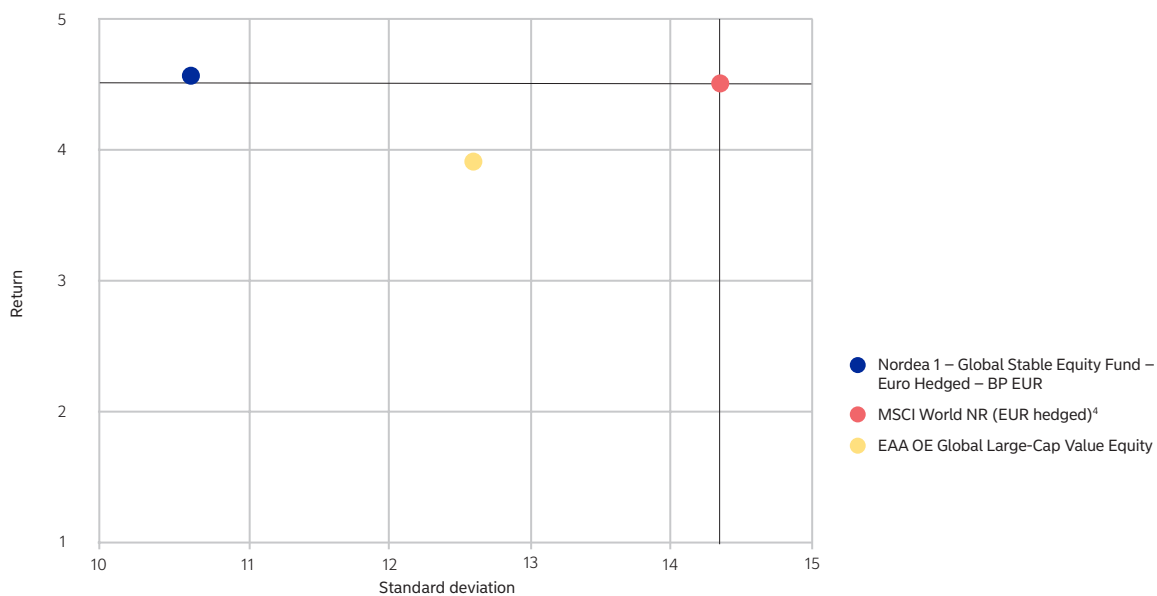
In line with the fund manager's goal

By investing in Stable Equities the fund manager seeks to deliver attractive risk-adjusted returns, with a lower volatility profile compared to peers and to the broader market.

Below you can find a scatter chart showing the risk-return profile of the Nordea 1 – Global Stable Equity Fund – Euro Hedged since its inception compared to its peers in the Morningstar category: Global Large Cap Value and the MSCI World Index (EUR hedged)⁴.

The chart confirms that over the given time period the fund fulfilled its objective and delivered good returns with a lower volatility.

Nordea 1 – Global Stable Equity Fund – Euro Hedged – risk return profile: since inception



Source – © 2019 Morningstar, Inc. All Rights Reserved. Morningstar category: EAA OE Global Large Cap Value. Date: 17.06.2019. Performance in EUR. The performance represented is historical; past performance is not a reliable indicator of future results and investors may not recover the full amount invested. The value of shares can greatly fluctuate as a result of the sub-fund's investment policy and cannot be ensured, you could lose some or all of your invested money. Period under consideration since inception of the N1 – GSEF – EURH, as per the Morningstar slide provided: 01.04.2007 – 30.06.2019.

⁴ The sub-fund does not have any official reference index. However, for comparison purposes, we have shown the MSCI World – Net Total Return Index (EUR hedged) performance which is one of the possible benchmarks for a Global Equity portfolio. This index is hedged in EUR to take into consideration the hedging overlay of the Nordea 1 – Global Stable Equity Fund – Euro Hedged.

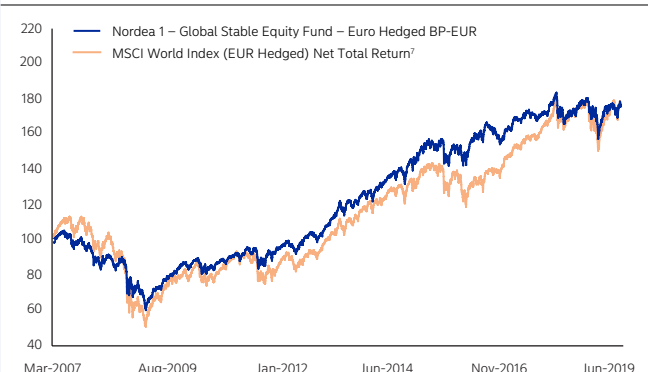
Cumulative returns in % (30.06.2019)	Fund ⁵
YTD	9.47
1 month	3.90
3 months	0.57
6 months	9.47
1 year	2.39
3 years	10.09
5 years	29.29
10 years	139.05
Since launch (05.03.2007)	75.70

Calendar year returns in %	Fund ⁵
2018	-9.22
2017	9.54
2016	5.98

Sector breakdown (top 10) in % (30.06.2019)	
Health Care	28.05
Communication Services	14.99
Information Technology	11.56
Industrials	9.48
Financials	8.71
Consumer Staples	7.12
Consumer Discretionary	6.51
Real Estate	4.24
Other	7.80
Net Liquid Assets	1.54

Nordea 1 – Global Stable Equity Fund – Euro Hedged	
Fund manager	Stable Equities/Multi Assets Team
Fund domicile	Luxembourg
ISIN codes*	LU0278529986 (BP-EUR) LU0351545669 (BI-EUR) ⁶
Annual management fees	1.50 % p.a. (BP-EUR) 0.85 % p.a. (BI-EUR) ⁶
Base currency	EUR
Fund size in millions	997.34
No. of holdings	101
Launch dates	05.03.2007 (BP-EUR) 01.04.2008 (BI-EUR) ⁶

Performance (05.03.2007 – 30.06.2019)



Country breakdown (top 10) in % (30.06.2019)

United States	58.28
Japan	10.92
Canada	7.73
France	5.56
United Kingdom	4.66
Germany	4.34
Hong Kong	2.87
Singapore	1.74
Switzerland	1.21
Italy	0.56

Risks

Please be aware that there are risks associated with investing in this sub-fund. For further details, please refer to the Key Investor Information Document, which is available as described in the disclaimer at the end of this document.

*Other share classes may be available in your jurisdiction. 5) BP–EUR share class. 6) BI–EUR share class: only for distribution towards institutional clients. Minimum investment amount: EUR 75,000 (or the equivalent). 7) The sub-fund does not have any official reference index. However, for comparison purposes, we have shown the MSCI World – Net Total Return Index (EUR hedged) performance which is one of the possible benchmarks for a Global Equity portfolio. This index is hedged in EUR to take into consideration the hedging overlay of the Nordea 1 – Global Stable Equity Fund – Euro Hedged.

Source (unless otherwise stated): Nordea Investment Funds S.A. Period under consideration (unless otherwise stated): 05.03.2007 – 30.06.2019. Performance calculated NAV to NAV (net of fees and Luxembourg taxes) in the currency of the respective share class, gross income and dividends reinvested, excluding initial and exit charges as per 30.06.2019. Initial and exit charges could affect the value of the performance. **The performance represented is historical; past performance is not a reliable indicator of future results and investors may not recover the full amount invested. The value of shares can greatly fluctuate as a result of the sub-fund's investment policy and cannot be ensured, you could lose some or all of your invested money.** If the currency of the respective share class differs from the currency of the country where the investor resides the represented performance might vary due to currency fluctuations. The sub-funds mentioned in this document are part of Nordea 1, SICAV, a Luxembourg Undertaking for Collective Investment in Transferable Securities (UCITS), **validly formed and existing in accordance with the laws of Luxembourg and with European Council Directive 2009/65/EC of 13 July 2009**, registered in the Netherlands in the register kept by the AFM, and as such is allowed to offer its shares in the Netherlands. The AFM register can be consulted via www.afm.nl/register. **This document is advertising material and does not disclose all relevant information concerning the presented sub-funds.** Any investment decision in the sub-funds should be made on the basis of the current prospectus and the Key Investor Information Document (KIID), which are available, along with the current annual and semi-annual reports, electronically in English and in the local language of the market where the mentioned SICAV is authorised for distribution, without charge upon request from Nordea Investment Funds S.A., 562, rue de Neudorf, P.O. Box 782, L-2017 Luxembourg, from the local representatives or information agents, or from our distributors. Investments in derivative and foreign exchange transactions may be subject to significant fluctuations which may affect the value of an investment. **Investments in Emerging Markets involve a higher element of risk. The value of shares can greatly fluctuate as a result of the sub-fund's investment policy and cannot be ensured. Investments in equity and debt instruments issued by banks could bear the risk of being subject to the bail-in mechanism (meaning that equity and debt instruments could be written down in order to ensure that most unsecured creditors of an institution bear appropriate losses) as foreseen in EU Directive 2014/59/EU. For further details of investment risks associated with these sub-funds, please refer to the relevant Key Investor Information Document (KIID), available as described above.** Nordea Investment Funds S.A. has decided to bear the cost for research, i.e. such cost is covered by existing fee arrangements (Management-/Administration-Fee). Nordea Investment Funds S.A. only publishes product-related information and does not make any investment recommendations. Published by Nordea Investment Funds S.A., 562, rue de Neudorf, P.O. Box 782, L-2017 Luxembourg, which is authorized by the Commission de Surveillance du Secteur Financier in Luxembourg. Further information can be obtained from your financial advisor. He/she can advise you independently of Nordea Investment Funds S.A. Source (unless otherwise stated): Nordea Investment Funds S.A. Unless otherwise stated, all views expressed are those of Nordea Investment Funds S.A. This document may not be reproduced or circulated without prior permission and must not be passed to private investors. This document contains information only intended for professional investors and financial advisers and is not intended for general publication. Reference to companies or other investments mentioned within this document should not be construed as a recommendation to the investor to buy or sell the same but is included for the purpose of illustration.