



## Nordea 1 – African Equity Fund

ISIN: LU0390856663 (BP-EUR) / LU0390856580 (BI-EUR)

### Fund highlights

- With declining inflation and interest rates, diminished political risks and decent economic fundamentals, Africa is one of the regions with the highest growth potential of the 21<sup>st</sup> century
- Nordea 1 – African Equity Fund offers a highly diversified investment in emerging African economies
- The low correlation between African and global markets makes the fund an interesting diversification tool for investor portfolios
- The fund is managed in co-operation with STANLIB, one of Africa's largest, most highly rated and experienced asset managers

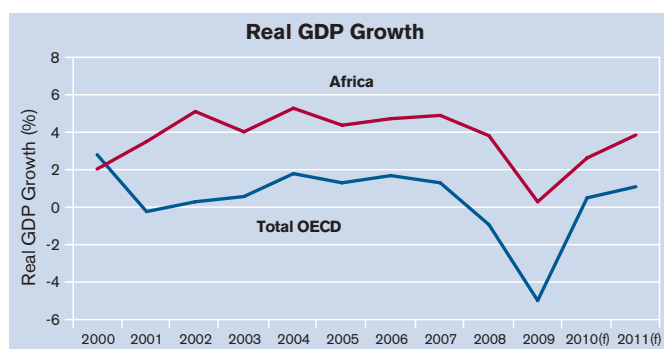


and political reforms implemented by African governments, a growing middle class and the end of hostilities in a number of countries. It comes as no surprise that experts from the International Monetary Fund state that **Africa is now “at its best period of sustainable development and low inflation”**.

### Africa, the undiscovered continent

For years Africa has been known as the continent with beautiful landscapes, exotic animals and rich natural resources. As a region to invest money in, Africa was mostly seen as unexplored territory. Only in the recent past, has the 2<sup>nd</sup> largest continent in the world begun to move into investors focus due to its **interesting investment opportunities**.

Since the new millennium, Africa has witnessed **significant economic growth, strongly outperforming OECD members**. This improvement is largely attributable to high commodity prices, better economic policies



Source: OECD Development Centre/African Development Bank, December 2009.

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## Finding the right path with an experienced local partner

For many investors Africa is still an exotic region with its own rules and philosophies. This makes it vital to have a reliable and experienced partner who knows how to find their way and to track down the most promising investment opportunities.

By identifying and securing the services of the best fund managers in the industry, Nordea is permanently aiming to strengthen its **successful multi-boutique approach**. Entering into a partnership with STANLIB Asset Management Limited, which is part of Standard Bank Group – Africa’s largest banking group (founded in 1862) – Nordea has secured an exclusive cooperation with **the leading domestic asset manager**.

STANLIB’s expertise and performance have been rewarded on numerous occasions, being named “Best Management Company 2007”\* by Standard and Poor’s Micropal as well as picking up Raging Bull’s “Domestic Management Company of the Year 2007”\*\* award. In August 2009 STANLIB won the Global Investor Magazine’s “African Fund Manager 2009 Award”\*\*\*. STANLIB is part of the Standard Bank of South Africa Group, a member of the “Global 500 Largest Companies” list and represented in 38 countries (17 in Africa)\*\*\*. With a team of 9 analysts focusing on South-Africa and 13 analysts dedicated to other African countries, STANLIB is an **experienced pathfinder to successful investments on the African continent**.



## The “All African Fund”

The **investments of the Nordea 1 – African Equity Fund can be divided into two main components**. One part of the portfolio (up to 60%) is invested in South African companies, whereas the other part is widely spread over the rest of the continent.

With its wealth of natural resources and as the world’s leading producer of platinum, chromium, gold and diamonds, **South Africa** is the country which has experienced the most significant economic success on the African continent during recent years. It also has access to financial capital, skilled labor, and first world infrastructure in much of the country. In addition, the South African stock exchange (JSE Securities Exchange) is the 17<sup>th</sup> largest in the world.

But also other African countries like for example Nigeria, Egypt or Mauritius have shown a tremendous growth during recent years and offer a fertile ground for investments.

Being the world’s sixth biggest producer of oil, **Nigeria** is attracting considerable offshore money. But, besides oil business, the financial sector also offers significant growth potential. Following Nigeria’s Central Bank banking reforms a wave of mergers and takeovers took place. The 20 banks that have survived are strong and prospering. As the government is undertaking numerous reforms, it lays strong emphasis on infrastructure improvements by working towards developing stronger public-private partnerships for electricity and roads.

**Egypt** is one of the most diversified and fast growing economies on the continent. The country is attracting investments with a climate characterised by proper legislation, skillful manpower, internal stability, solid transportation and communication infrastructure, trade and market liberalisation, modern industrial communities and a maturing banking system and stock market. Egypt is currently moving steadily towards becoming the largest financial center in the North African and Middle East region.

**Mauritius** has witnessed massive development over the past decade. From an economy depending mainly on sugar, it has diversified its economic activities into textile and apparel industry, tourism and financial services. The country is equipped with a highly skilled labour force and good infrastructure, thereby attracting foreign direct investments.

## Low impact of the global financial crisis

Even though Africa was not entirely immune to the effects of the financial crisis, its impact was limited. This is mainly due to the fact that African banks – concentrating on ordinary but highly profitable savings and loan activities – have had so many opportunities in their own back yard over the last few years that they neither had the inclination nor the time to become involved in US sub-prime investments.

\* Source: Standard & Poor’s. Date: November 2007.

\*\* Source: Personal Finance, People Data, Plexus. Date: 31.12.2007.

\*\*\* Source: The Financial Times Limited 2009.

\*\*\*\* Global Investor Magazine. Date: August 2009.

## Portfolio construction

The fund's investable universe comprises of around 1800 companies listed on 19 African stock exchanges and around 70 companies, which are listed on foreign stock exchanges (e.g. Canada, Great Britain or Australia) having more than 50% of their business residing in Africa. By applying both qualitative and quantitative criteria for a company's assessment, the fund manager on an on-going basis considers the size of the company and the respective market, the existing liquidity as well as the investment restrictions and the valuation of the company.

The fund manager mainly focuses on large, innovative companies:

- whose earnings are expected to grow faster than the overall market.
- whose growth is driven by positive changes in both domestic and global economic fundamentals.
- where prospects will be captured in the earnings of the companies and will be reflected in their share prices.
- where growth prospects are not overpriced.

Given that a company's growth prospects look higher than average and its stock price appears attractive in light of those growth prospects, the 5 key determining criteria for selecting a stock are as follows:

1. **Is the CEO and are the Board the right person/people for the current phase in the company's life cycle?**
2. **Is the company's strategy clearly articulated?**
3. **Does the management team have integrity and depth?**
4. **Does the management team focus on shareholder wealth?**
5. **Is the business environment suitable for the company to generate superior earnings growth?**

In order to make a reliable evaluation of a company, its management and its business, the **fund management team visits every company included in the portfolio at least twice a year**. Only if all of the five questions can be satisfactory answered, will the fund manager include the company on a ranking table, finally selecting only the most promising ones. As the portfolio consists of around 70 different stocks, and as the holding size is limited to a maximum of 5%, the fund offers a **high degree of risk diversification**.

## Excellent Diversification Opportunity

The African markets show a low correlation amongst each other, but also compared to world markets. Looking back at the last five years a composite index of 50% African and 50% South African stocks (corresponding with the overall long-term weighting within the Nordea 1 – African Equity Fund) shows

the relatively weak link between the continent's stock price movements and the ones of major global stock exchanges and other emerging markets. **In terms of portfolio diversification this makes Nordea 1 – African Equity Fund an even more interesting instrument in order to diversify the portfolio.**

**Low correlations** (Comparison from 30.06.2005 until 30.06.2010, based on monthly returns)

Correlation	MSCI World	MSCI Emerging Markets	Nikkei 225	FTSE 100	S&P 500	Composite (50% SA, 50% Africa)*
MSCI World	1.00	0.85	0.74	0.92	0.95	0.44
MSCI Emerging Markets	0.85	1.00	0.79	0.83	0.70	0.50
Nikkei 225	0.74	0.79	1.00	0.70	0.58	0.47
FTSE 100	0.92	0.83	0.70	1.00	0.82	0.50
S&P 500	0.95	0.70	0.58	0.82	1.00	0.32
Composite (50% SA, 50% Africa)*	<b>0.44</b>	<b>0.50</b>	<b>0.47</b>	<b>0.50</b>	<b>0.32</b>	<b>1.00</b>

Source: STANLIB Asset Management. Analysed time period: between 30.06.2005 and 30.06.2010. \* Composite: 50% All Africa Top 100 (excl. South Africa), 50% JSE All Share Index.

# Nordea 1 – African Equity Fund

## Cumulative performance in % (30.06.2010)

Timeframe	Fund *	Index**
YTD	10.66	11.87
1 month	-1.53	-2.65
3 months	-1.75	-2.55
6 months	10.66	11.87
1 year	18.44	24.85
Since inception (17.11.2008)	34.90	33.63

\* ISIN code: LU0390856663 (BP-EUR). \*\* The shown index is a composite of 50% All Africa Top 100 (excl. South Africa) and 50% JSE All Share Index. The sub-fund has no official reference index. This index is only used for performance comparison purpose. Sources: Nordea Investment Funds S.A. and STANLIB Asset Management. Performance calculated NAV to NAV (net of fees and Luxembourg taxes) gross income reinvested, in EUR, excluding initial and exit charges as per 30.06.2010. The performance represented is historical; past performance is not necessarily a guide to the future and investors may not recover the full amount invested.

Country Breakdown in % (30.06.2010)	Weight
South Africa	32.88
United Kingdom	12.39
Egypt	11.66
Nigeria	10.95
Kenya	4.01
Zambia	3.83
Morocco	3.30
Mauritius	2.90
Canada	2.75
Net Liquid Assets	15.30
<b>Total</b>	<b>100.00</b>

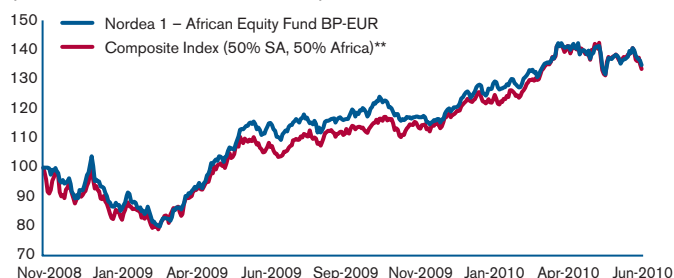
Source: Nordea Investment Funds S.A. Date: 30.06.2010.

Nordea 1 – African Equity Fund	
Fund manager	STANLIB Asset Management
Fund domicile	Luxembourg
ISIN codes	LU0390856663 (BP-EUR) LU0390856580 (BI-EUR)*
Annual management fees	1.95 % (BP-EUR) 1.50 % (BI-EUR)*
Base currency	EUR
Fund size in millions	26.92
Investment universe	Pan-African Equities, South-Africa (app. 50%) and other African markets (app. 50%)
No. of holdings	79
Launch date	17.11.2008

Source: Nordea Investment Funds S.A. Date: 30.06.2010.

\*BI-EUR share class: only for distribution towards institutional clients.  
Minimum investment amount: EUR 75,000 (or the equivalent).

## Performance comparison since launch (17.11.2008 – 30.06.2010)



Nov-2008 Jan-2009 Apr-2009 Jun-2009 Sep-2009 Nov-2009 Jan-2010 Apr-2010 Jun-2010

### Opportunities

- In the long run equities offer above average return potential\*
- In the coming years the African stock markets are expected to offer a higher growth potential compared to those of many developed countries
- The fund offers participation in African stock markets while offering a high level of diversification across countries and sectors

### Risks

- Equity prices, especially the ones of emerging markets stock exchanges, can show significant volatility and may suffer from losses
- By investing in foreign currencies the return can decline due to fluctuations in the currency rates
- Investments made in this sub-fund may be subject to substantial fluctuations. A list of possible factors, which could cause such fluctuations can be found in the latest Nordea 1, SICAV prospectus

\* The performance indication is only indicative and may not be met in the future.

### No investment without social responsibility

As a signatory for the UN Principles for Responsible Investment, Nordea lays emphasis on the fact that the companies Nordea 1 – African Equity Fund invests in adhere to these principles (more information on [www.unpri.org](http://www.unpri.org)).



The sub-funds mentioned are part of Nordea 1, SICAV, an open-ended Luxembourg-based investment company (Société d'Investissement à Capital Variable), validly formed and existing in accordance with the laws of Luxembourg and with European Council Directive 85/611/EEC of 20 December 1985. The custodian of the SICAV's assets is Nordea Bank S.A., Luxembourg. Investments in the Nordea funds should be made on the basis of the current prospectus, which is available, along with the simplified prospectus, current annual and semi-annual reports, free of 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. A transaction involving a foreign exchange transaction may be subject to fluctuations of currency values which may affect the value of an investment. Investments in Emerging Markets involve a higher element of risk. Nordea Investment Funds S.A. only publishes product-related information and does not make any investment recommendations. Further information can be obtained from your financial advisor. He/she can advise you independently of Nordea Investment Funds S.A. Published by Nordea Investment Funds S.A., 562, rue de Neudorf, P.O. Box 782, L-2017 Luxembourg.

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