



Nordea 1 – European Alpha Fund

ISIN: LU0326853404 (BP-EUR)/LU0335105945 (BI-EUR)

Creating high alpha with a distinctive investment approach

By steadily following its multi-boutique approach Nordea is permanently searching for extraordinary asset managers. By choosing Richard Robinson and his team from Ashburton (Jersey) Limited as the sub-manager of the Nordea 1 – European Alpha Fund, Nordea entered into partnership with **one of the most successful investment managers in the European Equity sector**. As managers of the Ashburton European Equity Fund (ISIN: GB0002279403), the team largely outperformed competitors and the reference index over various time periods.

	3 years	5 years	Since launch***
Ashburton European Equity Fund*	-30.39%	31.86%	165.28%
Category average**	-33.96%	-4.06%	55.51%
Overperformance	3.57%	35.92%	109.77%
% of beaten funds in category	74.00%	99.00%	98.00%

Data Source – © 2010 Morningstar, Inc. All Rights Reserved as of 30.06.2010, Offshore Funds database, Morningstar category Europe Large-Cap Blend Equity. Performance is calculated NAV to NAV gross income reinvested, in EUR, excluding initial and exit charges as per 30.06.2010. Past performance is not necessarily a guide to the future and investors may not recover the full amount invested.

*This sub-fund is not authorised for public distribution in Continental Europe.

**Category average: Morningstar Europe Large-Cap Blend Equity.

***From 01.02.1997 (launch date is the 06.01.1997).

With launch on November 13, 2007 of the Nordea 1 – European Alpha Fund, Richard Robinson manages the new fund with the same dedication. He relies on the same successful team, by following the same very distinctive investment approach as with the Ashburton European Equity Fund.

A true top-down approach

Contrary to what is applied by most investment managers, the investment process of the Nordea 1 – European Alpha Fund starts from a **genuine top-down approach**. Richard Robinson is convinced that extraordinary returns come as a result of successfully identifying the most promising equity clusters instead of concentrating on the outlook for particular countries.



Equity cluster:

a group of companies possessing certain common features, e.g. certain product and/or service offering, type of client, location, technology. As an example of equity cluster, the offshore oil deep sea drilling for which a large proportion of the companies are located in Norway.

This focus on **identifying specific equity clusters or sub sectors** is rarely found in competitor funds and represents the **main point of differentiation** in the Nordea 1 – European Alpha Fund compared to others.

Approach based on 'gorilla views' and high conviction equity clusters

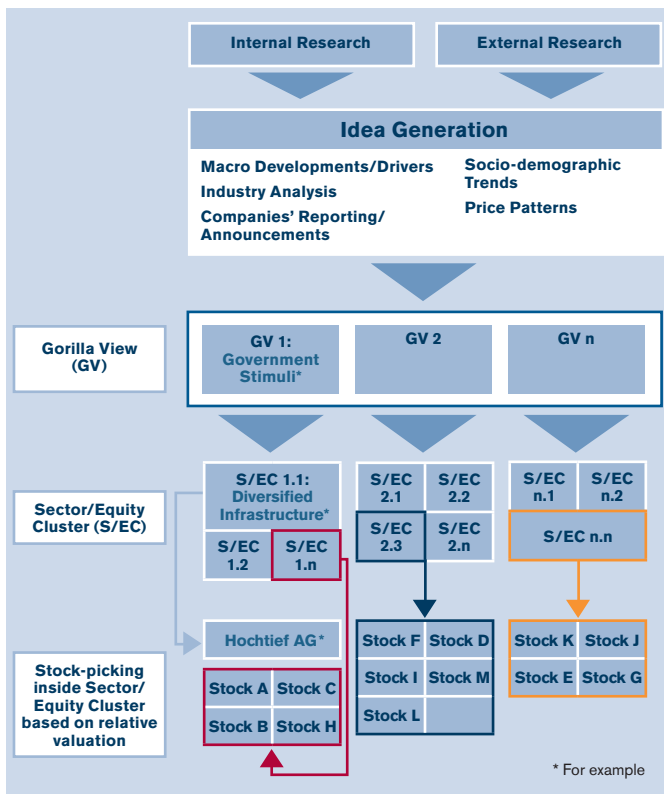
The investment team performs research at a macro and micro level on an on-going basis. This includes economic, socio-demographic, political, technological, industry specific or other factors. Hereby they rely on

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external input (e.g. specialised analysts that focus on particular sub-sectors and niches, e.g. fish, fertiliser, oil rig analysts, etc.) and **internal research** (e.g. in-house analysts).

The outcome of this continuous analysis enables the team to identify upcoming macroeconomic drivers. By evaluating their potential impact on profitability and earnings growth of companies, the investment team **generates ideas** in order to focus on the most promising areas. The goal is to detect growth potential earlier than the rest of the market.

Based on these ideas, the investment team creates concrete **'gorilla' views** (i.e. "Government Stimuli", "Death of Cheap Oil Supply", "Diverging Consumer"). These reflect long- and mid-term views, which not only take into account macroeconomic factors but also allow the identification of the most promising **equity clusters** with the highest growth potential. By investing in specific equity clusters instead of broadly investing in sectors, they follow an investment approach with a very high level of conviction, offering significant potential to create alpha.



The key allocation strategy pivots on the fund managers' conviction for the gorilla views. High conviction views on the prospects of companies are a cornerstone for the managers. At the same time they make sure that they implement the views within the portfolio before the market recognises their growth

potential. To achieve this, the fund manager aims at avoiding themes which could potentially take a number of years to unfold.

The portfolio is reviewed constantly and evolves over time with respect to the choice of equity clusters and single stocks. The gorilla views imply a temporal bias to certain sectors. However, it's still important to be flexible and not to concentrate on a limited number of sectors. It is essential to continuously develop new ideas that enable the manager to identify and invest in the best performing areas of the future.

Playing along with market momentum

Rotation inside an equity cluster and short-term activity

The investment team also engages in **short-term trading** whenever they spot a clear opportunity to add a positive performance contribution. Stocks are sold in the short term, if either their targets are met, or if their story has changed negatively.

This additional source of alpha implies a relatively high portfolio turnover rate since the investment team may buy and sell the same stock several times during a year. However, this does not have any impact on trading related costs. The portfolio is mainly invested in large cap stocks, whose liquidity is high, and which do not have high trading related costs.

As an example, the investment team actively traded Golden Ocean – a dry bulk shipping company that it bought and sold 5 times during 16 months, depending on its thoughts on the dry bulk day rates (driven by specifics, including port congestion, weather factors and Chinese raw material inventory numbers). It returned superior returns for this stock than if it had bought and held it.

Golden Ocean



Source: Bloomberg. Date: 15.02.2008.

* Total return performance, gross of fees, of the Golden Ocean stock held in the portfolio of the Ashburton European Equity Fund. Past performance is not necessarily a guide to the future and investors may not recover the full amount invested.

Another source of alpha is added by complementing the top-down approach with choosing the best companies in one equity cluster based on their valuation. The investment team can **shift regularly among companies within the same equity cluster**. Different companies may react to similar drivers at different times, both in their fundamentals and stock prices. Great attention is given to investing in companies that have maximum price appreciation potential within any given equity cluster. Valuation techniques and the input of sector specialists help to identify these opportunities

Earnings Revision Ratio

The investment team avoids investing where the potential of positive prospects is already largely reflected in market prices. The analysis of **Earnings Revision Ratios** is an important tool in assessing the above. It indicates whether the market confirms, or not, the positive views of the investment team about a particular sector or sub sector. If companies and sectors are attributed high Earnings Revision Ratios, positive momentum is likely to reflect positively in their price patterns. This will happen in response to the drivers which the fund managers' top-down analysis has identified.

Earnings Revision Ratio (ERR):

provides signals about the likely future direction of the share price of a company. The ERR is based on earnings revision released by financial analysts. The changing views of analysts are given numerical values; a Earnings Revision Ratio can be above 1 (high – there are more analysts with positive revisions than analysts with negative revisions) or below 1 (low).

Fund Overview

- **Top-down approach** with concentration on the most promising **equity clusters** instead of a regional focus;
- Portfolio consisting of **60 to 80 European stocks** of **all market capitalisations**;
- **Initial investments between 1% and 2% of NAV** in order to minimise impact of losses from one particular stock;
- **No benchmark orientation**;
- For many years the experienced fund management team has been managing one of the best funds within its peer group¹, achieving a **remarkable track record**.

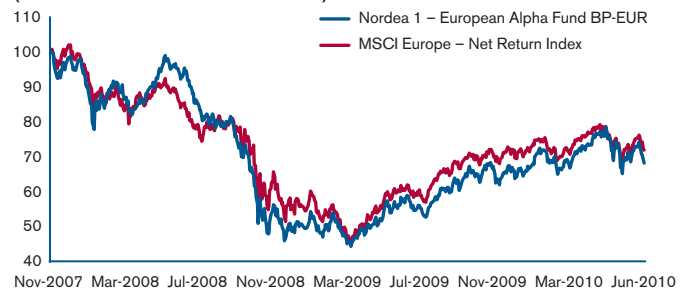
¹ Morningstar Europe Large-Cap Blend Equity category

Nordea 1 – European Alpha Fund

Cumulative performance in % (30.06.2010)

Timeframe	Fund*	Index**
YTD	0.29	-2.15
1 month	-2.44	-0.15
3 months	-7.09	-6.31
6 months	0.29	-2.15
1 year	21.39	21.03
Since inception (13.11.2007)	-31.90	-28.31

Performance comparison since launch (13.11.2007 – 30.06.2010)



* ISIN code: LU0326853404. **MSCI Europe – Net Return Index. Sources: Nordea Investment Funds S.A. and Datastream. 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.

Nordea 1 – European Alpha Fund	
Fund manager	Richard E. Robinson
Fund domicile	Luxembourg
ISIN codes	LU0326853404 (BP-EUR) LU0335105945 (BI-EUR)*
Annual management fees	1.5 % (BP-EUR) 0.85 % (BI-EUR)*
Base currency	EUR
Fund size in millions	94.59
Reference index	MSCI Europe – Net Return Index
No. of holdings	73
Launch dates	13.11.2007 (BP-EUR) 01.01.2008 (BI-EUR)*

Sector Breakdown in % (30.06.2010)	Weight
Energy	25.29
Industrials	20.99
Consumer Discretionary	13.77
Materials	10.71
Health Care	10.18
Information Technology	6.84
Consumer Staples	4.07
Financials	2.82
Net Liquid Assets	5.29
Total	100.00

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).

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

Opportunities

- In the long run, equities offer above average return potential*
- Active European Equity portfolio with a distinctive investment approach and without any benchmark constraints
- Top-down approach concentrating on the most promising equity clusters or sub sectors

Risks

- Equity prices can show significant volatility and may suffer from losses
- The 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 sales prospectus

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

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. 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Fax (+41) 44 421 42 82. **Additional information for investors in Germany:** The Information and Paying Agent in Germany is Nordea Bank Finland Plc, Niederlassung Deutschland, Grüneburgweg 119, D-60323 Frankfurt am Main. A hard copy of the above-mentioned fund documentation is also available from here. **Additional information for investors in Austria:** Sub-paying Agent and Representative in Austria is the Erste Bank der Österreichischen Sparkassen AG, Graben 21, A-1010 Vienna. **Additional information for investors in France:** With the authorisation of the Autorité des Marchés Financiers (AMF) as per 11 March 2003, 13 December 2005, 03 April 2007, 28 September 2007, 29 February 2008, 29 April 2008, 25 November 2008 and 09 June 2009, Nordea 1, SICAV may be distributed to investors in France, as published in the Bulletin des Annonces Légales Obligatoire dated 19 March 2003, 19 December 2005, 18 April 2007, 10 October 2007, 19 March 2008, 28 May 2008, 15 December 2008 and 26 June 2009. Centralising Correspondent in France is CACEIS Bank, located at 1-3, place Valhubert, 75013 Paris. 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The updated list of distribution agents in Italy, grouped by homogenous category, is available from the distributors themselves, at State Street Bank S.p.A. branches (located in the main towns of each region), BNP Paribas Securities Services, Banca Sella Holding S.p.A., Allfunds Bank S.A., Societe Generale Securities Services Sp.A. and on the website www.nordea.it. Any requests for additional information should be sent to the distributors. **Before investing, please read the prospectus carefully.** We recommend that you read the most recent annual financial statement in order to be better informed about the fund's investment policy. For the risk profile of the mentioned sub-funds, please refer to the fund prospectus. **Additional information for investors in the United Kingdom:** Approved by Nordea Bank Finland Plc, London Branch, which is regulated by the FSA in the United Kingdom. **Additional information for investors in Latvia:** The Representative and Paying Agent is Nordea Bank Finland Plc, Latvia Branch, 15, Kalku Street, LV-1050 Riga. **Additional information for investors in Estonia:** The Representative and Paying Agent in Estonia is Nordea Bank Finland Plc, Estonia Branch, Hobujaama 4, 15068 Tallinn. **Additional information for investors in Lithuania:** The Representative and Paying Agent in Lithuania is Nordea Bank Finland Plc, Lithuania Branch, Didžioji str. 18/2, LT-01 128 Vilnius. Shareholders must evaluate possible investment risks and take this into consideration when making investment decisions. Source: Nordea Investment Funds S.A. 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.** The value of shares can fluctuate and is not guaranteed.