Nordea

Investment Funds

4th quarter 2009

Nordea 1 – Emerging Consumer Fund

ISIN: LU0390857471 (BP-EUR) / LU0390857398 (BI-EUR)

A megatrend of the coming decades: urbanisation

- **The economies of India, China, Russia, Brazil and most other Asian, Latin American and Eastern European countries are developing at a frenetic pace – these countries form the next wave of growth markets**
- **70-80 million people are entering the middle class per year in the emerging economic powerhouses**
- **There is a massive potential market of consumers waiting to be tapped**
- **The Nordea 1 – Emerging Consumer Fund aims to harness this opportunity by investing in global and domestic companies best positioned to benefit**

Mexico City, Lagos, Beijing, Instanbul, Kairo, Shanghai, Bombay, Sao Paulo: all these cities are prime examples for the so called "megacities", which became the flagships of the rapid growth in many emerging countries.

In 1950 only one city in the world, New York, had a population of more than 10 million; now there are over 25. World population is growing at an annual rate of 1.3% and more than 90% of that growth is taking place in the cities of developing countries. Since 2007 more than the half of the world's population live in cities. The UNO (United Nations Organisation) forecasts estimate that the share of urban population will grow to 60% in 2030 and 70% in 2050. The rate of this trend has accelerated over the last thirty years with the growing income disparity between urban and rural areas being a key contributor to this pattern of population movement.

The flood is unstoppable.

The rise of a new consumer class

People leaving their rural living environment enter the cities with similar ambitions. They are longing for better living conditions by taking advantage of new employment opportunities fuelled by the industrialization of many emerging markets countries. They find higher paying jobs in the rapidly expanding manufacturing and service sectors.

After having taken the decision to build a new life in the city, these migrants have a high willingness to work hard and do their best to improve the lives of themselves and their families. As they come to the cities with no debts, already their first wages have an immediate impact on their spending patterns. Along with the increased power to spend money comes the willingness to do so.

The emerging consumer class is born.

Nordea 1 – Emerging Consumer Fund

The growing appetite for consumption has many faces

As the consumers in the emerging middle class become more wealthy, and are exposed to new ideas, new products and new markets, their tastes and preferences for goods and services will change. Nordea has identified different levels of emerging consumers with differing demands towards the market:

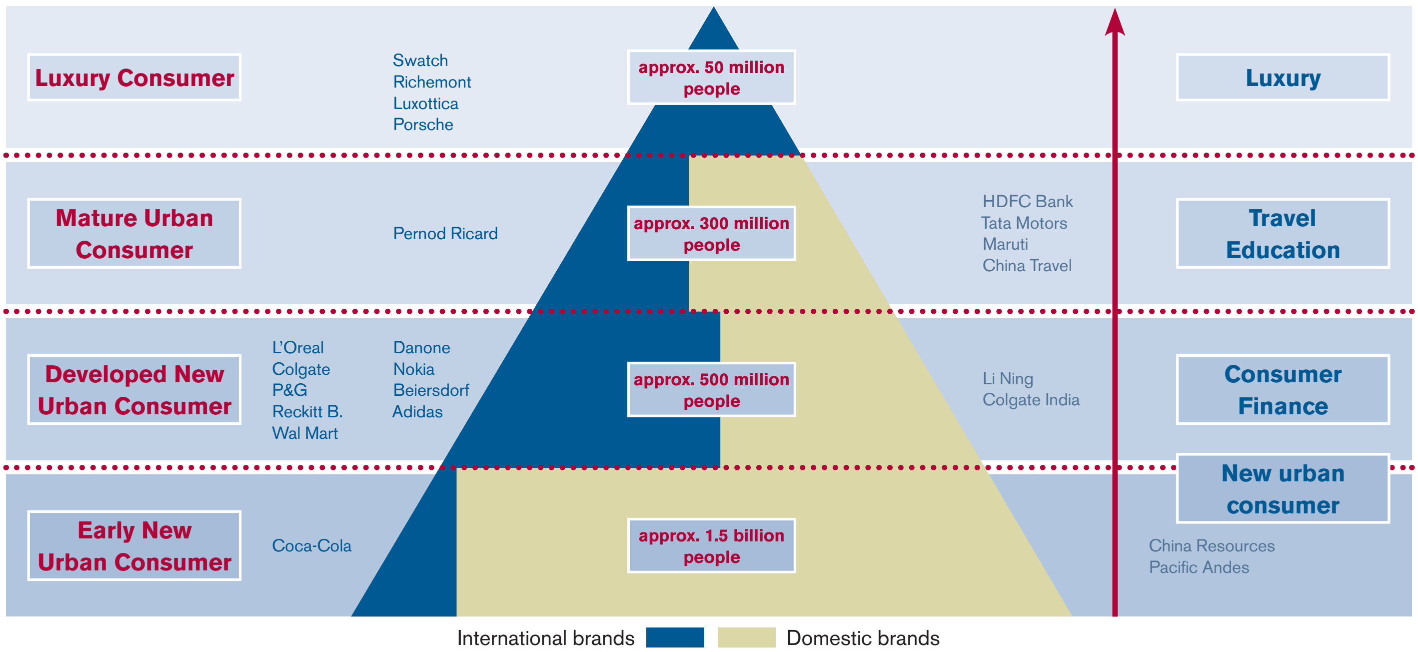
- **Early New Urban Consumer (1.5 billion people)**
  This group resembles neither the city dwellers they have joined nor the rural communities they have left behind. Their overall appetite tends to be strong for certain must-have items like basic food and beverage, as well as basic sanitary products.

- **Developed New Urban Consumer (500 million people)**
  This group already shows a growing demand for discretionary products as its disposable wealth grows: personal care products, processed food, consumer electronics, household products (shampoo, toothpaste, dishwashing tablets, cosmetics etc).

- **Mature Urban Consumer (300 million people)**
  After gaining a certain level of wealth and regular income these consumers start to satisfy their needs for travelling (cars, holidays), education and security (insurances, protection of their property).

- **Luxury Consumer (50 million people)**
  These newly affluent consumers want Western badges of status to signal their arrival into prosperity. Owning luxury brands is the main goal. Here the motto is often "the high-priced, the better". And the potential is huge. So, for example, Russia has already become the world's fourth largest luxury market.

Emerging Consumer framework*



*The companies mentioned above are examples and are not necessarily part of the current Nordea 1 – Emerging Consumer Fund portfolio.

Building a strong portfolio out of global and domestic players

The goal of the Nordea 1 – Emerging Consumer Fund is to make a targeted choice in international and domestic companies which attract the growing emerging consumer class with their products and services.

The combination of successful global and local players is the fund's key to success. By concentrating on the needs of the growing middle class in the developing countries, the Nordea 1 – Emerging Consumer Fund doesn't lay its focus on the origin of the companies it buys. Instead the fund tries to find those companies, which can benefit the most from the rising demand. By taking this broad approach, the portfolio diversifies risk by investing in companies coming from different industries, countries and regions, all of which have the best potential to establish themselves as one of the leaders in their specific field. This makes the Nordea 1 – Emerging Consumer Fund unique in comparison to conventional emerging markets funds.

An example for an above-mentioned global player is Coca-Cola whose products currently account for 35 % of China's carbonated beverage market. However, this is not just the brands we are familiar with: in China Coca-Cola introduced Tianyudi, a line of noncarbonated drinks that includes mango and lychee flavors or jasmine teas. This is typical of their approach across the whole Asian region, with local beverages being developed for each specific market.

Tata Nano: on its way to become the new Volkswagen Beetle

The emerging markets are not merely generating economic growth. They are also breeding companies that are more and more competing and even beating the best of the developed world's multinationals. They do this by becoming increasingly innovative, both in their business models and in their products. Also domestic players are more sensitive to the needs of the local markets. Good examples for such newcomers in the top league are the Chinese sports goods producer Li Ning or India's Tata Motors.

Excellent perspectives

Even though the emerging economies could not decouple from the general downward trend in the global economy, they did show a significantly higher resilience than in the past. In spite of the global downturn, experts expect an average growth rate in GDP of 5 % p.a. during the coming years (in comparison to 1 % in most developed countries).

The reason for this is not only growing exports of emerging economies, but also – and especially – exploding domestic demand. Thus, these countries become less reliant on traditional export partners like the US. Domestic demand, which is mainly fuelled by the emerging consumers in the cities, is expected to grow by 10 % p.a. during the coming years – making these countries less reliant on short- to mid-term economic cycles.

Most economists agree that this is not just restricted to the BRICs (Brazil, Russia, India and China). In 2005, for the first time since the dawning of the industrial age, emerging economies accounted for more than half of global GDP at PPP (purchasing power parity).

In 2030, 16.1 % of the world population will belong to what can be called a "global middle class", up from 7.6 % in 2000. In 2030 more than a billion people in developing countries will buy cars, engage in international tourism, demand world-class products, and require international standards for higher education.

World Bank, Global Economic Prospects 2007

No investment without social responsibility

As a Signatory for the UN Principles for Responsible Investment, Nordea lays a big emphasis on the fact that the companies Nordea 1 – Emerging Consumer Fund invests in adhere to these principles.

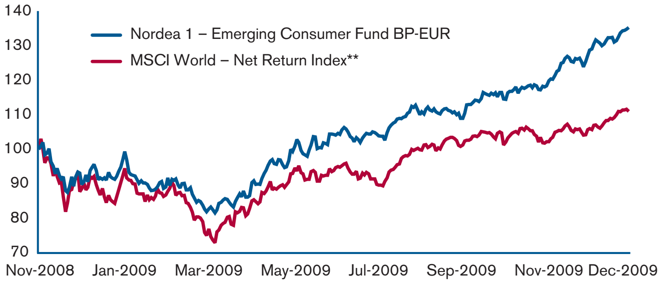
PRI Principles for Responsible Investment

Nordea 1 – Emerging Consumer Fund

Cumulative performance in % (31.12.2009)

Timeframe	Fund*	Index**
YTD	**44.66**	**25.95**
1 month	**7.80**	**6.52**
3 months	**16.12**	**6.03**
6 months	**29.57**	**19.49**
1 year	**44.66**	**29.95**
Since inception (03.11.2008)	**35.40**	**11.09**

Performance comparison since launch
(03.11.2008 – 31.12.2009)



* ISIN code: LU0390857471. ** MSCI World – Net Return Index. The sub-fund has no official reference index. This index is only used for performance comparison purpose. Source: 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 31.12.2009. The performance represented is historical; past performance is not necessarily a guide to the future and investors may not recover the full amount invested.

Top Ten in % (31.12.2009)	Weight
Nestle	**6.18**
Want Want China Holdings	**5.78**
China Resources Enterprise	**5.20**
Colgate-Palmolive	**5.13**
GEA Group AG	**5.01**
China Mengniu Dairy	**4.66**
Tingyi	**4.23**
China Lilang	**4.02**
Coca-Cola	**3.99**
Ctrip Com Intl ADR	**3.92**

Source: Nordea Investment Funds S.A. Date: 31.12.2009.

Nordea 1 – Emerging Consumer Fund	
Fund manager	**Leon Svejgaard Pedersen**
Fund domicile	**Luxembourg**
ISIN codes	**LU0390857471 (BP-EUR)** **LU0390857398 (BI-EUR)***
Annual management fees	**1.5 % p.a. (BP-EUR)** **0.85 % p.a. (BI-EUR)***
Base currency	**EUR**
Fund size in million	**21.78**
No. of holdings	**26**
Launch date	**03.11.2008**

Source: Nordea Investment Funds S.A. Date: 31.12.2009.
* BI-EUR share class: only for distribution towards institutional clients. Minimum investment amount: EUR 75,000 (or the equivalent).

Opportunities

- In the long run equities offer above average return potential*
- The fund offers a participation to global and emerging stock markets and thereby reduces the investment risk by offering a high level of diversification over regions and sectors
- Focus on market leading companies with exposure to specific domestic markets, or emerging consumers across the globe

Risks

- Equity prices can show significant volatility and may suffer from losses
- The investments made in this 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.

FP_ECF_INT_091231_eng