



## Nordea 1 – Global Stable Equity Fund

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

### Fund highlights

- The fund aims to offer equity investors a safety buffer in volatile markets
- Concentration on “stable return stocks” 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)



### Volatile markets demand new solutions

Equities are a risky asset class. This is obvious not only since the beginning of the capital market crisis in 2007. However, investors who are looking for an attractive return on a long-term horizon can hardly avoid them. When entrusting their money to professional asset managers, most investors expect some form of capital protection and in addition – of course – a satisfactory return in relation to the risk they are running. Particularly in a volatile market environment they are looking for an **attractive return combined with a high level of security**.

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*“We are offering an investment alternative which enables investors to benefit from the long-term return opportunities on the global equity markets without the risk of significant capital losses in the short to medium term as is the case with conventional stocks.”*

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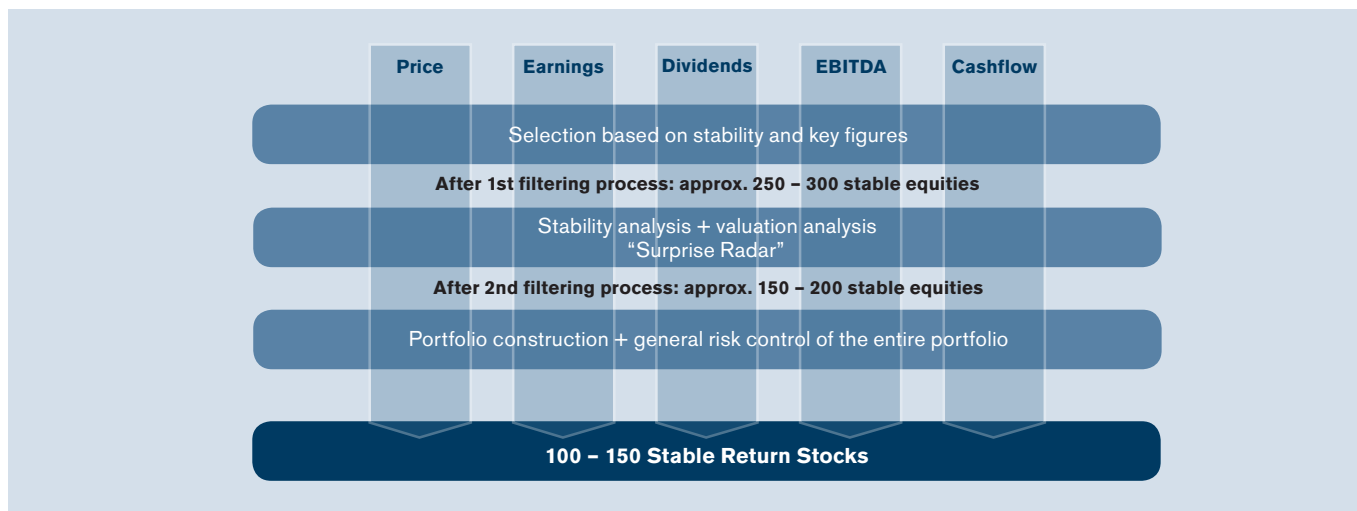
Specifically with these needs in mind Nordea has developed **a unique investment process** designed to construct a portfolio of equities with a stable return. We define this kind of equities as **“Stable Return Stocks”**.

### Stable Return Stocks

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 Return Stocks 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.

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But stocks often tend to behave like people. The more popular they are, the more ups and downs they experience in their lives. Stress is often guaranteed, but not necessarily a happy ending.

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

## Global stable equity investment process

The investment process is based on an **objective computer driven, quantitative model** for stock screening, 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.

After the initial company screening, standardised electronic questionnaires are sent out for each pre-selected stock. These are dispatched to analysts in order to receive input on factors of potential instability, in terms of financial projections, market variables and balance sheet health. In other words, the fund manager gathers forward-looking views offered by experienced human beings – a task the quantitative model cannot perform – and adds them to the analysis.

By applying this **"Surprise Radar"**, 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 a quantitative

risk control process. In the end a portfolio consisting of 100 to 150 Stable Return Stocks is created and permanently monitored.

## Following the markets – but not without a safety belt

Particularly in volatile markets stocks with more stable returns gain in attractiveness for investors.

In many cases, these are the stocks that traditionally have lower beta. The beta coefficient indicates the sensitivity of a stock's returns to changes in the market or reference index.

By definition, the market has a beta of 1.0. Hence, a stock with a beta of 1.0 will move by the same percentage as the reference index. A beta lower than one, indicates a lower sensitivity to the reference index. Thus, a stock with a beta of 0.5 will fall by 5% if the index falls 10%. Low beta stocks tend to be laggards during a bull market, as they are less sensitive to market movements; but they provide the much-needed cushion during times of sharp declines.

Even though the global stable equity investment process does not directly try to identify low beta stocks – its focus is on identifying stable companies – it produces a portfolio whose beta is below that of the market. This is a logical outcome of the proprietary process since most stable companies tend to have low betas; however, low beta companies are not necessarily stable companies.

Finding the most stable companies provides the increased level of security to the portfolio.

## How we built 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 2.5%
- **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)

## In line with the fund's goal

By investing in Stable Return Stocks the GSEF seeks to deliver a performance, which is comparable to the MSCI World Index over the long term. Hereby the **main goal of the fund is to offer the investor a buffer in phases of downward market movements.**

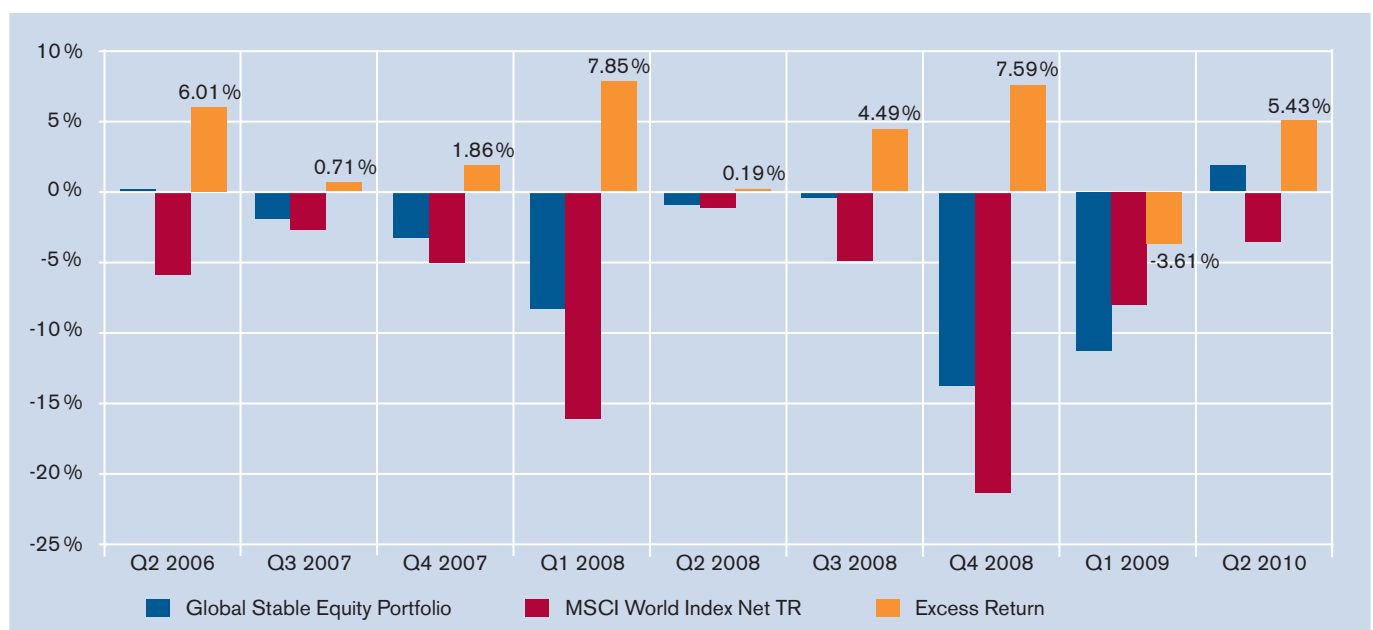
The GSEF is based on a model portfolio named Global Stable Equity Portfolio (GSEP), which is managed in Denmark and has been "live" since beginning of July 2005. Over the following 20 quarters since inception the MSCI World Index Net TR saw nine quarters of negative performance.

**In eight of these nine quarters the GSEP could live up to its promises and outperformed the MSCI World Index during down markets.**

**Since its launch on July 1, 2005 the GSEP outperformed the MSCI World Index Net TR by 4.89%!**

## Investments are hedged into EUR

## Performance comparison Global Stable Equity Portfolio vs. MSCI World Index Net TR in down markets quarters (since inception on 01.07.2005)



Sources: Nordea Investment Management, Datastream. Date: 30.06.2010. Performance is calculated gross of fees by using the closing prices of the securities included in the Nordea Invest Engros Absolute Return Equities Fund, in EUR, excluding initial and exit charges. As the Nordea 1 – Global Stable Equity Fund, the Nordea Invest Engros Absolute Return Equities Fund is managed in Copenhagen. It's domiciled in Denmark, but not authorised for public distribution outside Denmark. Past performance is not necessarily a guide to the future and investors may not recover the full amount invested.

# Nordea 1 – Global Stable Equity Fund

## Cumulative performance in % (30.06.2010)

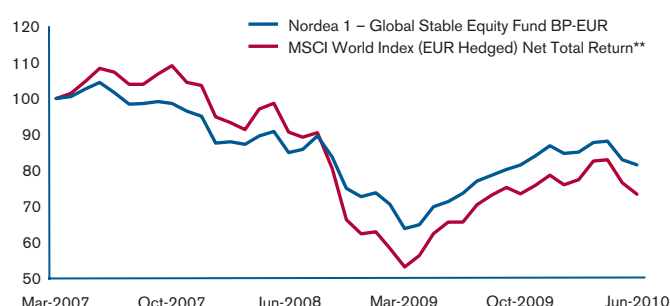
Timeframe	Fund*	Index**
YTD	-6.34	-6.75
1 month	-1.81	-4.13
3 months	-7.30	-11.11
6 months	-6.34	-6.75
1 year	10.61	11.82
3 years	-19.98	-31.74
Since inception	-18.70	-26.73

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

\*BP-EUR share class.

\*\* Source: Bloomberg. The sub-fund does not have any official reference index. However, for comparison purposes, we have shown the MSCI World Index (EUR Hedged) Net TR performance, which is one of the possible benchmarks for a Global Stable Equity Portfolio.

## Performance since launch (05.03.2007 – 30.06.2010)



Nordea 1 – Global Stable Equity Fund	
Fund manager	Multi Asset Team
Fund domicile	Luxembourg
ISIN codes	LU0278529986 (BP-EUR) LU0351545669 (BI-EUR)*
Annual management fees	1.5 % (BP-EUR) 0.85 % (BI-EUR)*
Base currency	EUR
Fund size in millions	134.65
No. of holdings	101
Launch dates	05.03.2007 (BP-EUR) 01.04.2008 (BI-EUR)*

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).

## Opportunities

- In the long run equities offer above average return potential\*
- The fund offers a participation to global stock markets and thereby reduces the investment risk by offering a high level of diversification
- Concentration on liquid and stable international companies

## 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 Nordea 1 – Global Stable Equity Fund is 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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Telephone (+41) 44 421 42 42, 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 Obligatoires 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, Hobujäama 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-01128 Vilnius. Shareholders must evaluate possible investment risks and take this into consideration when making investment decisions. Sources: Nordea Investment Funds S.A. and Bloomberg. 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.