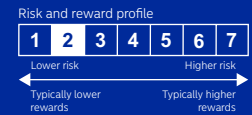




# Fund Portrait



First quarter 2021

## Nordea 1 – Conservative Fixed Income Fund

ISIN: LU2166350277 (BP-EUR) / LU2166350350 (BI-EUR)

### Highlights

- Solution to escape negative returns on cash and money market instruments
- **Diversified and global exposure** across the fixed income universe
- Objectives: cash +0.7–1% p.a. (gross of fees) over a full investment cycle with target volatility of 1.5–2%<sup>1</sup>



### Our approach to asset management

As an active investment manager, Nordea manages asset classes across the full investment spectrum and aims to serve its clients in every market condition. Our success is based on a sustainable approach that delivers alpha in a stable way for the benefit of our clients.<sup>1</sup> Furthermore, we have put a lot of emphasis on creating outcome oriented, rather than benchmark driven, investment solutions designed to meet clients' risk appetite and needs.

Nordea's Multi Assets Team – with more than 15 years experience and more than EUR 100bn<sup>2</sup> managed across various asset classes – has taken advantage of its successful approach to fixed income investments and the highly liquid instruments in the market to launch the Nordea 1 – Conservative Fixed Income Fund (CFIF) in May 2020. This product is designed for investors looking for a solution to avoid the negative returns on cash, as well as for very conservative investors that, due to their low risk profile or short time horizon, have traditionally invested in very low risk assets.

### Put your cash to work!

With negative returns on cash and low risk assets, investors seem to be forced to choose between a guaranteed loss or an increase in their portfolio's risk.

Exploiting an innovative approach to fixed income investment, Nordea's Multi Assets Team has developed this very low risk strategy aiming to offer investors a solution to manage their liquidity without the burden of negative rates. This all-weather

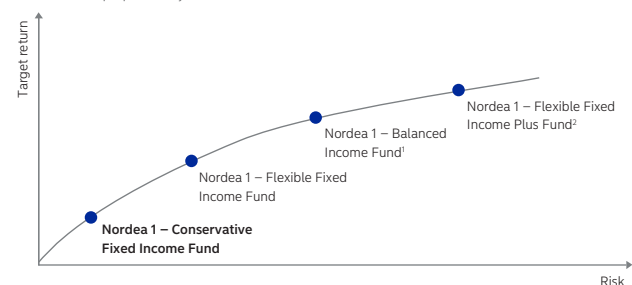
strategy aims to build an optimal **fixed income portfolio** with a **very low level of risk** (normal target volatility 1.5–2%) targeting an annual return of 0.7–1%<sup>1</sup> in excess of cash (gross of fees) over a full investment cycle. As such, from a risk-return perspective, the CFIF is positioned one notch below the Nordea 1 – Flexible Fixed Income Fund (FFIF).

In order to achieve this, Nordea's Multi Assets Team has leveraged the successful investment process and track record of the Flexible Fixed Income Strategy.<sup>3</sup> The resulting new strategy can invest across all fixed income asset classes (Govies, IG, HY, EM, etc.) and it also has access to the proprietary risk mitigating strategies (i.e. FX Strategies). These, internally developed by Nordea's Multi Assets team, strengthen the portfolio's diversification in the current low yield environment.

### Nordea's Multi Assets Low Risk strategies

#### The breadth of our experience

For illustrative purposes only



There can be no warranty that an investment objective, targeted returns and results of an investment structure is achieved. The value of your investment can go up and down, and you could lose some or all of your invested money. 1) On December 16th, 2016 the sub-fund Nordea 1 – Global Short Duration Bond Fund was re-engineered and renamed to Nordea 1 – Flexible Fixed Income Plus Fund. With effect as of 23 October 2017 the sub-fund is renamed from Nordea 1 – Flexible Fixed Income Plus Fund to Nordea 1 – Balanced Income Fund and the investment policy of the sub-fund was modified. 2) Launched the 21.01.2021.

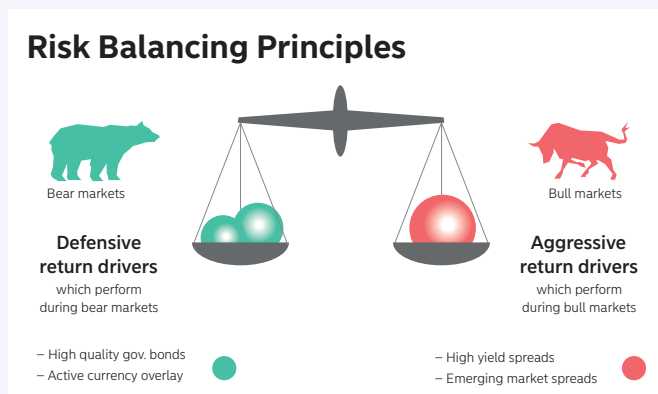
1) There can be no warranty that an investment objective, targeted returns and results of an investment structure is achieved. The value of your investment can go up and down, and you could lose some or all of your invested money. 2) Source: As of 31.03.2021. 3) The performance represented is historical; past performance is not a reliable indicator of future results and investors may not recover the full amount invested. The value of your investment can go up and down, and you could lose some or all of your invested money.

## Investment philosophy

The fund aims to deliver a 0.7–1% return in excess of cash with a **focus on capital preservation**<sup>4</sup>. The cornerstone of the investment approach is controlling risk at all times in order to build a valid alternative to traditional money market instruments and very low risk fixed income investments.

The fund relies on strategies with low to negative correlation. The diversification benefit provides better control of downturns while generating consistent returns in excess of cash over time. More specifically, the portfolio managers attempt to find a structural balance between risk contributions coming from the risky instruments that work well in expansionary markets (e.g. IG spreads or inflations linked securities) and safe instruments that work in downturns (e.g. high quality government bonds). Moreover, to mitigate the risk of a situation where spreads are widening and government bonds are not providing the protection typically expected in such a situation, the fund exploits an active currency management to strengthen risk balance.

The overall objective is to build a portfolio that generates a positive return in excess of cash across the investment cycle, with a very low volatility and without relying on the success of top-down macro calls.



## Investment process

The investment process relies on Strategic Asset Allocation (SAA) positioning based on long-term views and a daily risk monitoring to control risk, volatility and drawdowns in each situation.

### Overview of the investment process:



#### 1. Strategic Asset Allocation (monthly)

Based on internal strategic research, the Multi Assets Team analyses global fixed income and currency markets and compares all segments in terms of yield (expected returns), risk (volatility), diversification (correlation) and risk behaviour in different market environments. The main objective of this first step is to assess the return drivers that perform well in up and down markets, so that they can be combined efficiently to ensure diversification in the portfolio.

#### 2. Optimisation (monthly)

The results of the strategic research is used to build an optimal fixed income portfolio. To create it, the Portfolio Managers balance defensive instruments – such as those relying on duration and currencies – with pro-cyclical risk drivers (credit spreads). This allows to obtain a portfolio with an attractive and consistent risk-adjusted return taking into consideration the volatility target.

#### 3. Implementation (monthly)

Once the optimal portfolio is determined, the managers implement the allocation in the most efficient way between physical positions, synthetic replication (using derivative instruments) or a combination of both. The decision is a trade-off between cost, liquidity and counterparty risk, among others.

#### 4. Risk Monitoring (daily)

Daily risk monitoring is integrated into our investment process in order to control risk at all times and deliver returns paired with low volatility.

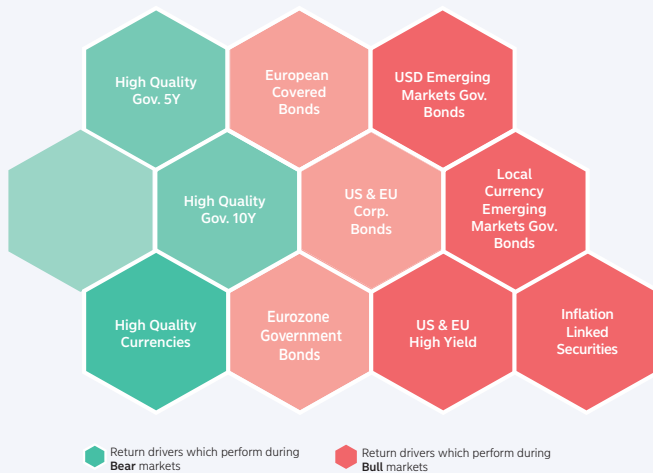
<sup>4</sup> There can be no warranty that an investment objective, targeted returns and results of an investment structure is achieved. The value of your investment can go up and down, and you could lose some or all of your invested money.

## Global and unconstrained

The fund invests globally with no constraints regarding quality, region or issuer type. The focus is on absolute risk and the asset allocation is not constrained by any benchmark. The investment universe includes high quality government bonds, corporate investment grade and high yield bonds (max 25% exposure), emerging market debt, high quality currencies, etc. The chart below shows a sample of assets the fund may invest in and also highlights their expected behaviour, which serves to build and apply the balance of risk principles in the portfolio.

## Investment Universe

Building a global diversified portfolio



The fund mainly invests in highly liquid physical bonds and plain vanilla derivatives (such as government bond futures, CDS indices and FX forwards), used to optimize liquidity and trading costs, resulting in a **highly liquid portfolio**.

## Why invest in the Nordea 1 – Conservative Fixed Income Fund?

A changing market environment requires alternative solutions to meet new needs.

The Nordea 1 – Conservative Fixed Income Fund exploits our unique and proved investment approach to generate positive returns in excess of cash with very low risk.<sup>5</sup> The fund follows a bottom-up, macro agnostic, unconstrained approach that allocates risk globally to the most attractive investment opportunities. The aim is to build a diversified and flexible balanced portfolio able to produce more consistent returns over time and to offer an efficient alternative to traditional low risk assets.

The fund leverages Nordea's Multi Assets Team's long experience developing solutions that meet a diverse set of risk/return profiles with one common denominator: considering risk first and using it as a starting point within asset allocation.

<sup>5</sup> There can be no warranty that an investment objective, targeted returns and results of an investment structure is achieved. The value of your investment can go up and down, and you could lose some or all of your invested money.

Nordea 1 – Conservative Fixed Income Fund	
Fund manager	Multi Assets Team
Fund domicile	Luxembourg
ISIN codes*	LU2166350277 (BP-EUR) LU2166350350 (BI-EUR) <sup>6</sup>
Annual management fees	0.175% (BP-EUR) 0.100% (BI-EUR) <sup>6</sup>
Base currency	EUR
Fund size in millions	127.47
No. of holdings	197
Launch date	14.05.2020

## Risks

Please be aware that there are risks associated with investing in this sub-fund, amongst others in: **ABS/MBS, Convertible securities, Covered bond, Credit, Derivatives, Inflation-linked debt securities, Prepayment and extension.** 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. 6) BI-EUR share class: only for distribution towards institutional clients. Minimum investment amount: EUR 75,000 (or the equivalent).

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