



# Fund Portrait



## Nordea 1 – Global Stable Equity Fund<sup>1</sup>

ISIN: LU0112467450 (BP-EUR) / LU0097890064 (BI-EUR)

### Highlights

- The fund manager aims to offer equity investors a safety buffer in volatile markets
- Focus on “Stable Equities” with moderate stress level and attractive valuation
- Main criteria for the stock selection is stability of all important areas (e.g. price, earnings, dividends, cash flow)



### Asset Management at Nordea

As an active investment manager, Nordea Asset Management manages asset classes across the full investment spectrum and aims to serve its clients in every market condition. Nordea's success is based on a sustainable and unique multi-boutique approach that combines the expertise of specialised internal boutiques with exclusive external competences allowing us to deliver alpha in a stable way for the benefit of our clients. Furthermore, we have put a lot of emphasis on launching outcome – as opposed to benchmark – oriented investment solutions whose basis, “stability investment philosophy”, is designed to meet clients' risk appetite and needs.

Harnessing this stable approach in 2005, Nordea's Multi Assets Team created the concept of “Stable Equities”.

**// We are offering an investment alternative which enables investors to benefit from the long-term return opportunities on the global equity markets with limited exposure to the high volatility which characterises this asset class.**

Since launch, the fund has been managed by the same team, which oversees large assets across various asset classes.

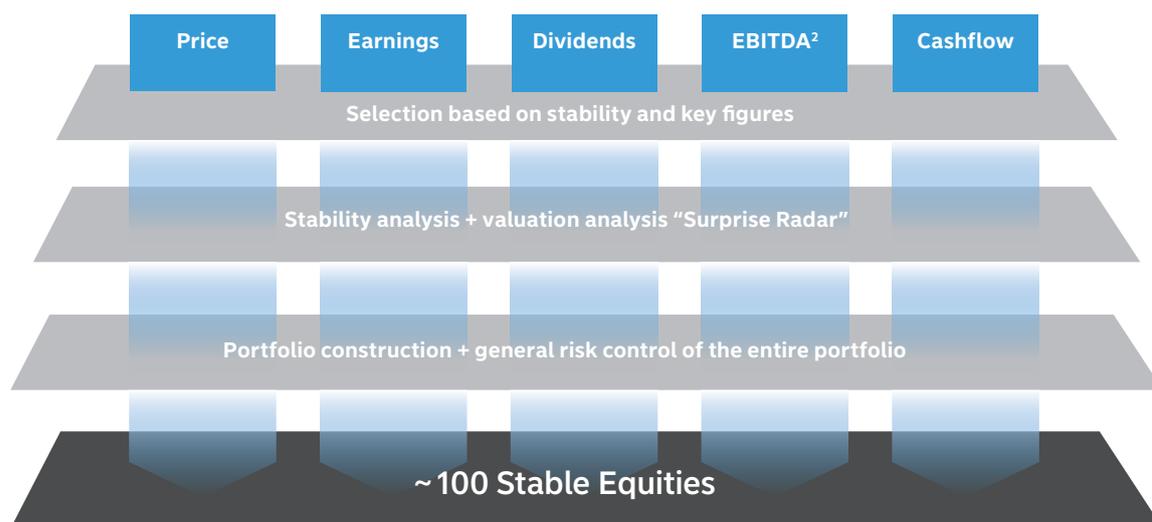
### Stable Equities

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 high level of stability** in these key figures helps dampen price volatility of such companies' stocks, making them less risky than the market.

Stable Equities in many cases can be seen as “boring stocks”, attracting less attention from investors, media, and the public in general. Instead, investors tend to 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.

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

1) In the prospectus dated 15.01.2010, the Nordea 1 – Global Core Equity Fund was renamed to Nordea 1 – Global Stable Equity Fund – Unhedged; the investment policy of the sub-fund was modified and the NAV history prior to this date should not be used for performance measurement. In the prospectus dated 18.03.2016, the Nordea 1 – Global Stable Equity Fund – Unhedged has been renamed to Nordea 1 – Global Stable Equity Fund. The Nordea 1 – Global Stable Equity Fund follows exactly the same investment process and philosophy as the Nordea 1 – Global Stable Equity Fund – Euro Hedged. These two funds only differ from their hedging overlay.



## Global stable equity investment process

The investment process is based on a unique stock selection process, 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. Moreover, to avoid potential liquidity issues, we apply a proprietary liquidity screen to eliminate stocks that may be difficult and/or expensive to trade.

In addition, we consider **valuation** to identify attractively valued-priced stocks offering a good risk/reward ratio. This process prevents us from overpaying for stability.

Following the initial company screening, we apply various types of fundamental oversight to broaden the analytical query and reduce the dependence on historical data. For instance, the portfolio managers regularly discuss company-specific, industry-specific and country-specific aspects related to investments. Such aspects may include valuation and/or overall risk and return factors, risk monitoring and portfolio optimisation.

By applying this **"fundamental oversight"**, the fund manager validates 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 is combined with an in-depth risk control process. In the end a portfolio consisting of around 100 Stable Equities is created and monitored.

## How we build 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** together with the overall risk portfolio diversification
- **High degree of portfolio diversification:** no stock normally has a weighting of more than 3%
- **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)



## Minimum variance, low beta or high dividend?

Recent volatility in financial markets has undoubtedly raised investors' interest in "low volatility" strategies. This term includes a wide range of strategies like: minimum variance, low beta or high dividend, all implemented through different processes. The Nordea 1 – Global Stable Equity Fund could clearly be included in this space as it seeks to outperform global equity markets with roughly 2/3 of its volatility over a full investment cycle.<sup>3</sup>

In addition, while most low volatility strategies rely on a purely quantitative process, our fund includes a qualitative and fundamental oversight. This clearly adds value in the process and helps to incorporate factors that are not necessarily accounted for in a purely quantitative process.

## The best of both worlds: High dividend and low volatility

We do not specifically target low beta or high dividend stocks. However, the investment process results in a portfolio which includes stocks with lower beta and higher dividend yield than the overall market.

## In line with the fund manager's goal

By investing in Stable Equities the fund manager seeks to deliver attractive risk-adjusted returns, with a lower volatility profile compared than peers and the broader market.

The Equity Strategy has existed since 2006, and was first launched in a stand-alone fund in 2007: the Nordea 1 – Global Stable Equity Fund – Euro Hedged (GSEF-EH). The GSEF follows the same investment process and philosophy and is managed by the same team as the Nordea 1 – Global Stable Equity Fund – Euro Hedged. The only difference between the two funds is the hedging overlay. Last but not least, our portfolio management team hasn't suffered any major changes since launch, neither our investment philosophy, making us a very solid and defensive investment solution, with a relevant size in terms of assets.

<sup>3</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 – Global Stable Equity Fund	
Fund manager	Stable Equities/Multi Assets Team
Fund domicile	Luxembourg
ISIN codes*	LU0112467450 (BP-EUR) LU0097890064 (BI-EUR) <sup>4</sup>
Annual management fees	1.50 % p.a. (BP-EUR) 0.85 % p.a. (BI-EUR) <sup>4</sup>
Base currency	EUR
Reference index	70% MSCI World Index (Net Return) and 30%EURIBOR 1M (FX adjusted) <sup>5</sup>
Launch date	02.01.2006

## Risks

Please be aware that there are risks associated with investing in this sub-fund, amongst others in: **Derivatives**. 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.

### To find out more, visit our local microsite:

[nordea.lu/Stability.AlsoInEquities](http://nordea.lu/Stability.AlsoInEquities)  
[nordea.ch/Stability.AlsoInEquities](http://nordea.ch/Stability.AlsoInEquities)



\*Other share classes may be available in your jurisdiction. 4) BI-EUR share class: only for distribution towards institutional clients. Minimum investment amount: EUR 75,000 (or the equivalent). 5) With effect from 14.12.2020, the official reference index of the fund is 70% MSCI World Index (Net Return) and 30% EURIBOR 1M (FX adjusted). Prior to this date, the fund did not have an official reference index.

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