



Fund Portrait

Third quarter 2018

Nordea 1 – Global Stable Equity Fund¹

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 the stability of the development in 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.

The fund is managed by the same team since launch, which oversees more than EUR 100 bn of assets across various asset classes².

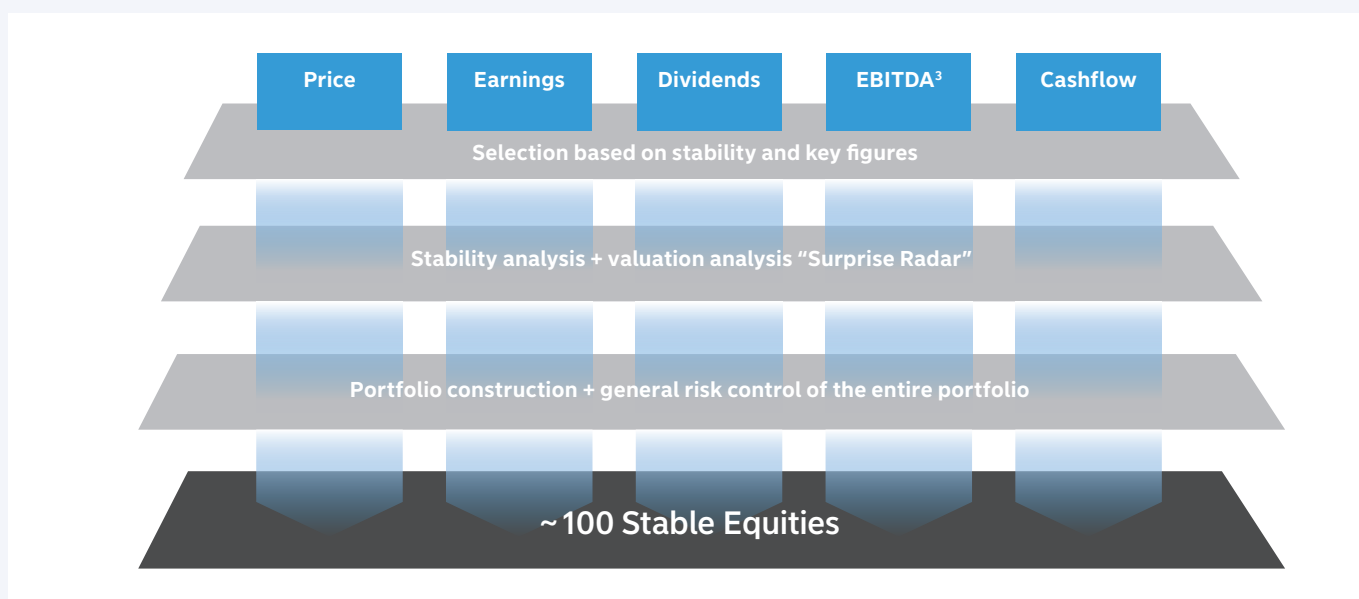
Stable Equities

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 higher 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 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. 2) Source: Nordea Investment Management AB. Date: 30.09.2018.



Global stable equity investment process

The investment process' cornerstone 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.

In addition, we also consider **valuation** to identify attractively valued stocks offering a good risk/reward ratio. Therefore the process prevents to overpay 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/or country specific aspects related to investments. Such aspects may include among others discussions related to valuation and/or overall risk and return factors, risk monitoring and portfolio optimisation.

By applying this **"fundamental oversight"**, 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 an in-depth risk control process. In the end a portfolio consisting of around 100 Stable Equities is created and permanently 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**
- **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 acronym 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.

In addition, while most low volatility strategies rely on a pure 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 pure 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

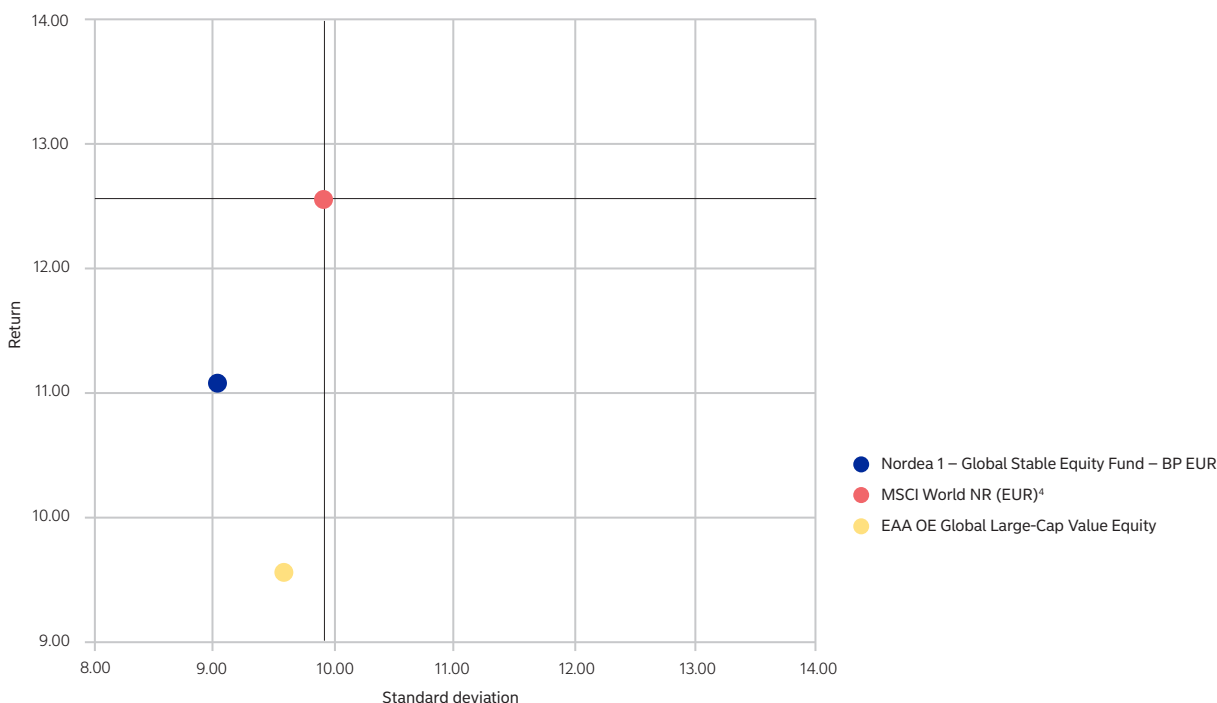
By investing in Stable Equities the fund manager seeks to deliver attractive risk-adjusted returns, with a lower volatility profile compared to peers and to the broader market.

The concept of Stable Equities already exists since 2005, and is implemented in a fund launched in 2007: the Nordea 1 – Global Stable Equity Fund – Euro Hedged (GSEF-EH), which is hedged in EUR. 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.

Below you can find a scatter chart showing the risk-return profile of the GSEF since its inception compared to its peers in the Morningstar category: Global Large Cap Value and the MSCI World Index⁴.

The chart confirms that over the given time period the fund fulfilled its objective and delivered good returns with a lower volatility.

Nordea 1 – Global Stable Equity Fund – risk return profile: since reshuffling



Source – © 2018 Morningstar, Inc. All Rights Reserved. Morningstar category: EAA OE Global Large Cap Value. Date: 30.09.2018. Performance in EUR. The performance represented is historical; past performance is not a reliable indicator of future results and investors may not recover the full amount invested. Period under consideration since inception of the N1 – GSEF, as per the Morningstar slide provided: 01.02.2010 – 30.09.2018.

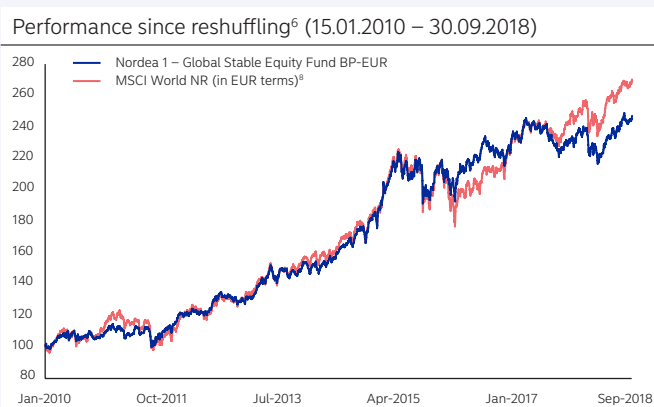
4) The sub-fund does not have any official reference index. However, for comparison purposes, we have shown the MSCI World – Net Total Return Index performance which is one of the possible benchmarks for a Global Equity portfolio.

Cumulative returns in % (30.09.2018)	Fund ⁵
YTD	5.42
1 month	1.27
3 months	5.42
6 months	12.68
1 year	8.22
3 years	26.26
5 years	69.47
Since reshuffling ⁶ (15.01.2010)	147.03

Calendar year returns in %	Fund ⁵
2017	0.94
2016	9.44
2015	12.64

Sector breakdown (top 10) in % (30.09.2018)	
Health Care	27.15
Information Technology	15.93
Communication Services	9.92
Consumer Staples	8.55
Financials	8.25
Consumer Discretionary	8.20
Industrials	6.94
Utilities	5.76
Other	7.52
Net Liquid Assets	1.78

Nordea 1 – Global Stable Equity Fund	
Fund manager	Stable Equities/Multi Assets Team
Fund domicile	Luxembourg
ISIN codes*	LU0112467450 (BP-EUR) LU0097890064 (BI-EUR) ⁷
Annual management fees	1.50% p.a. (BP-EUR) 0.85% p.a. (BI-EUR) ⁷
Base currency	EUR
Fund size in millions	2,633.65
No. of holdings	99
Launch date	02.01.2006



Country breakdown (top 10) in % (30.09.2018)	
United States	60.15
Japan	10.53
Canada	6.80
United Kingdom	4.85
France	3.32
Germany	3.07
Hong Kong	2.02
Switzerland	1.64
Singapore	1.58
Italy	1.08

Risks

Please be aware that there are risks associated with investing in this sub-fund. 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
nordea.ch/stability.alsoinequities

*Other share classes may be available in your jurisdiction. 5) BP-EUR share class. 6) 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. 7) BI-EUR share class: only for distribution towards institutional clients. Minimum investment amount: EUR 75,000 (or the equivalent). 8) The sub-fund does not have any official reference index. However, for comparison purposes, we have shown the MSCI World – Net Total Return Index performance which is one of the possible benchmarks for a Global Equity portfolio.

Source (unless otherwise stated): Nordea Investment Funds S.A. Period under consideration (unless otherwise stated): 02.01.2006 – 30.09.2018. Performance calculated NAV to NAV (net of fees and Luxembourg taxes) in the currency of the respective share class, gross income and dividends reinvested, excluding initial and exit charges as per 30.09.2018. Initial and exit charges could affect the value of the performance. **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 shares can greatly fluctuate as a result of the sub-fund's investment policy and cannot be ensured.** If the currency of the respective share class differs from the currency of the country where the investor resides the represented performance might vary due to currency fluctuations. 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