



Fund Portrait

Second quarter 2018

Nordea 1 – North American All Cap Fund

ISIN: LU0772958525 (BP-USD) / LU0772957808 (BI-USD)

Highlights

- The Eagle US All Cap Equity investment team has over 175 years of combined investment experience
- Investment approach:
 - 1) Value and Reasonable Growth (VARG)
 - 2) High conviction portfolio
 - 3) Focus on downside risk
- The benefit of using VARG is that the classic “value” style protects from paying too much for a company, while the reasonable growth hurdle protects from falling into value traps and unlocks future stock value
- Eagle’s US All Cap Equity strategy has generated superior performance with downside protection since inception in 1999¹

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 specialized internal boutiques with exclusive external competences allowing us to deliver alpha in a stable way for the benefit of our clients. Furthermore, we’ve 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.

Consistent with Nordea’s multi-boutique approach of identifying, managing and securing the services of the best fund managers in the industry, Nordea has appointed **Eagle Asset Management, Inc.**, “Eagle” (Saint Petersburg, USA) as investment sub-manager for the Nordea 1 – North American All Cap Fund launched on May 30, 2012.

Eagle Asset Management, Inc., a wholly-owned subsidiary of Raymond James Financial Inc., has been committed to employing investment managers with extensive experience in the investment management industry since 1976. In fact, Eagle’s managing directors have an average of over 25 years of investment experience and average firm tenure of more than a decade.

Over the years, Eagle has sought and hired portfolio managers who they believe possess the rare talent and insight required to construct portfolios that limit downside risk and add alpha over time.

The team

Started in 1999, the Eagle US All Cap Equity investment team consists of three experienced co-portfolio managers: Ed Cowart, David Blount and Harald Hvideberg.

Using a team-based approach the portfolio managers are supported by four research analysts and one research associate. The portfolio managers are all responsible for performing investment research in their own focused sectors for the product. Collectively, the team has over 175 years of combined investment experience in a variety of market environments.

Investment philosophy

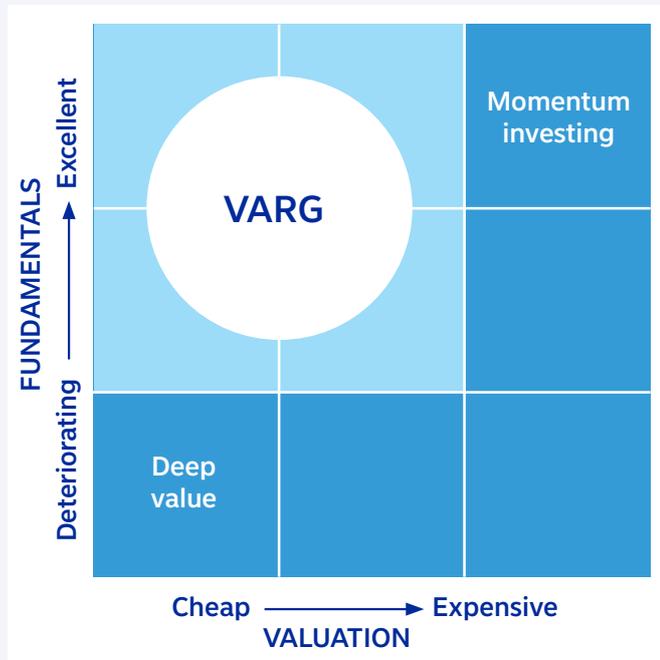
The investment philosophy of Eagle follows a VARG (Value and Reasonable Growth) approach, which entails a classic valuation-oriented style with a focus on growth catalysts.

VARG means compelling valuations but also reasonable growth. The benefit of using VARG is that **the value protects from paying too much for a company, while the reasonable growth hurdle protects from falling into value traps and unlocks future stock value.** The aim is to provide clients with above market investment performance with downside protection over a market cycle.

1) Data Source – © 2018 Morningstar, Inc. All Rights Reserved. Date: 30.04.2012. Based on monthly data expressed in USD. Period under consideration: 01.10.1999 – 30.04.2012. 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 and Reasonable Growth (VARG) investment beliefs that form the foundation of this investment approach are:

- Market misjudgment: companies that are unpopular or oversold
- Well-defined growth catalyst: quality companies with a clear path to unlocking intrinsic value



Investment process

Research approach

Eagle believes that investment opportunities are created when multiple factors center on a single stock. Investment opportunities may come about when a company is:

- Misjudged: future prospects are not widely or accurately recognized
- Oversold: market has overreacted to news or temporary disruption in earnings potential
- Unpopular: industry, sector, or company has fallen out of favour

The investable universe for the Nordea 1 – North American All Cap Fund consists of companies in the Russell 3000 Index. The way in which the initial universe is narrowed down is by using a filter based on both valuation and growth driven criteria.

Depending on prevailing market conditions, the quantitative screening process will typically identify approximately 250 candidate securities. Eagle then employs fundamental research to narrow down this group, in order to identify those selected companies that are likely to realize their upside potential in the relatively near future. All investment ideas are discussed with the team before acted upon.

Selection criteria

The way in which Eagle avoids “relative value” (i.e. high-quality companies that are excessively priced) and “deep value” (i.e. cheap stocks with poor fundamentals) is through their unique and thorough selection process. This process is built upon both valuation and growth driven criteria. In the course of the research, the companies that display many of the following factors are sought after:

- **Valuation-driven criteria** (it is important to remember that individual industries demand different valuation approaches, so not all criteria are followed at the same time):
 - P/E to growth rate < market
 - Price to normalized earnings < industry peers
 - Price/Sales < market
 - Price/Book < market
 - Enterprise value/EBITDA < market
 - Discounted cash flow analysis
- **Growth-driven criteria**
 - Sound businesses that demonstrate a stabilizing or improving earnings growth outlook (e.g. positive earnings revision relative to consensus)
 - Presence of a catalyst to “unlock” unrealized value (e.g. new product or management change)
 - Disciplined capital-allocation model
 - Perceived margin of safety in business models

Risk management

A disciplined risk philosophy underlies the investment approach. This is why the investment team continuously reviews its investment thesis, focuses on quality metrics, holds daily meetings to monitor/review sectors and stocks, and has weekly strategy/risk meetings.

However, at the end of the day, the risk discipline is really centered on four key pillars:

1. “What we don’t own is just as important as what we do own”
2. A bias towards quality
3. Avoid “value traps”
4. Avoid systemic and dominant thematic biases

Portfolio construction

After an extensive fundamental research and security selection process, the final outcome is a focused portfolio with no systemic or dominant thematic biases and ideally with a beta below or equal to that of the Russell 3000 Index.

The Eagle US All Cap Equity portfolios are typically constructed in the following manner:

- Market capitalization: greater than USD 500 million at the time of purchase
- Typical number of holdings: 30 – 50
- Typical position size: 2% to 3% at time of purchase
- Maximum position size: 5%
- Sector weightings: typically $\pm 5\%$, but can go $\pm 10\%$ relative to the benchmark
- Typical cash level: less than 5%
- Anticipated annual turnover: less than 40%

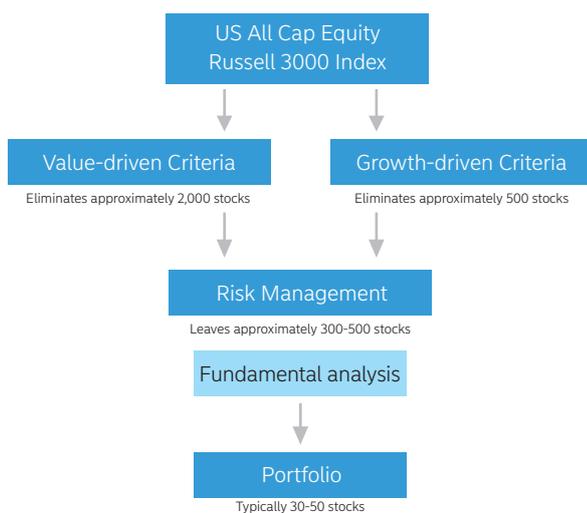
Sell discipline

As part of the bottom-up, fundamental research process, the analysts and portfolio managers develop valuation targets for individual investment ideas, which are updated on a regular basis. They do not keep securities if their price appreciates significantly above what they feel to be a reasonable, sustainable valuation.

A position is sold or trimmed in the following instances:

- Price appreciation to level where valuation case can no longer be made
- Trim position size above 5%
- Trim absolute industry weighting above 25%
- New investment idea is relatively more attractive
- Fundamentals of company or industry deteriorate

An overview of Eagle's investment process

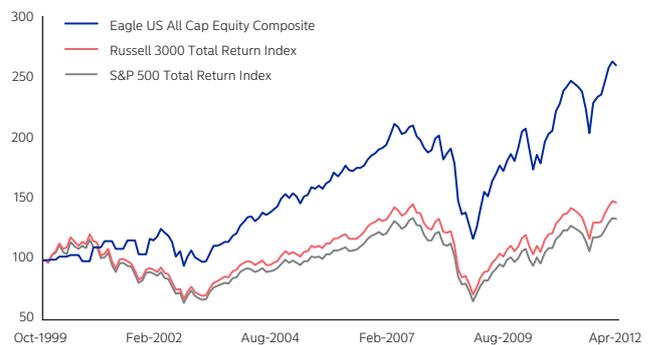


Eagle's competitive edge

A disciplined approach to VARG over time while avoiding short-term momentum driven strategies has ensured, since the strategy's inception (01.10.1999), a clear competitive advantage over the Russell 3000 Total Return Index and the S&P 500 Total Return Index.

The Nordea 1 – North American All Cap Fund is managed by the same investment team, according to the same investment philosophy and investment process, as the Eagle US All Cap Equity Composite.

Historical performance of Eagle's US All Cap Equity Composite²



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 Nordea 1 - North American All Cap Fund uses the same investment process as the Eagle US All Cap Equity Composite. However, there is no guarantee that using the same investment process will produce similar returns since the Nordea 1 sub-fund has specific limits and restrictions, and the result might differ from the composite used for illustration purposes.

The VARG approach is characterized by intensive fundamental research, an integral part of the investment process, that digs beneath the surface to discern whether a company's negative perception is warranted, or whether the company is poised to turn the corner. Eagle, as a research focused investor, is best positioned to make this qualitative distinction and thereby might offer the potential for superior risk-adjusted returns.

Eagle's investment team believes in the continuity of the portfolio management team, the persistence of their Value and Reasonable Growth investment philosophy and process, as well as that their high conviction portfolio and disciplined risk management might allow them to replicate their clients' success in the future².

2) Data Source – © 2018 Morningstar, Inc. All Rights Reserved. Date: 30.04.2012. Based on monthly data expressed in USD. Period under consideration: 01.10.1999 – 30.04.2012. The performance represented is historical; past performance is not a reliable indicator of future results and investors may not recover the full amount invested. There can be no warranty that an investment objective, targeted returns and results of an investment structure is achieved.

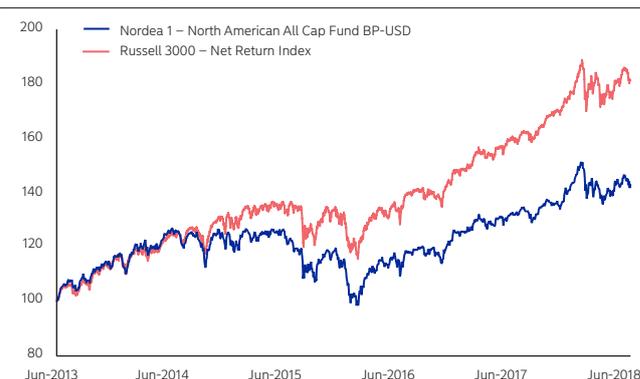
Cumulative returns in % (30.06.2018)	Fund ³	Index ⁴
YTD	-0.40	2.95
1 month	0.54	0.61
3 months	4.38	3.75
6 months	-0.40	2.95
1 year	8.45	14.16
3 years	16.44	36.55
5 years	43.24	81.42
Since launch (30.05.2012)	91.03	126.96

Calendar year returns in %	Fund ³	Index ⁴
2017	16.00	20.46
2016	8.55	12.05
2015	-8.64	-0.10

Holdings (top 10) in % (30.06.2018)	
Microsoft	4.70
Intercontinental Exchange	3.89
AMETEK	3.76
Citigroup	3.67
Apple	3.57
Cisco Systems	3.41
Omnicom Group	3.30
Darling Ingredients	3.28
Union Pacific	3.28
Total System Services	3.26

Nordea 1 – North American All Cap Fund	
Fund manager	Eagle Asset Management, Inc.
Fund domicile	Luxembourg
ISIN codes*	LU0772958525 (BP-USD) LU0772957808 (BI-USD) ⁵
Annual management fees	1.50% p.a. (BP-USD) 0.85% p.a. (BI-USD) ⁵
Base currency	USD
Fund size in millions	655.53
Reference index	Russell 3000 – Net Return Index
No. of holdings	40
Launch date	30.05.2012

Performance (30.06.2013 – 30.06.2018)



Sector breakdown (top 10) in % (30.06.2018)

Information Technology	18.93
Financials	15.97
Industrials	12.58
Health Care	11.89
Energy	11.01
Consumer Discretionary	10.51
Consumer Staples	7.43
Real Estate	3.31
Other	7.34
Net Liquid Assets	1.03

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.

*Other share classes may be available in your jurisdiction. 3) BP-USD share class. 4) Russell 3000 – Net Return Index. 5) BI-USD share class: only for distribution towards institutional clients. Minimum investment amount: EUR 75,000 (or the equivalent).

Source (unless otherwise stated): Nordea Investment Funds S.A. Period under consideration (unless otherwise stated): 30.05.2012 – 30.06.2018. 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 30.06.2018. 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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Any requests for additional information should be sent to the distributors. **Before investing, please read the prospectus and the KIID carefully.** We recommend that you read the most recent annual financial statement in order to be better informed about the fund's investment policy. **The prospectus and KIID for the sub-funds have been published with Consob.** **Additional information for investors in the United Kingdom:** Appointed by Nordea Bank AB, 5 Aldermanbury Square, London EC2V 7AZ, which is regulated by the FCA in the United Kingdom. **Additional information for investors in Sweden:** The Paying Agent is Nordea Bank AB (publ), Smålandsgratan 17, Stockholm SE-105 71. The Representative Agent is Nordea Funds Ltd, Swedish Branch, Mäster Samuelsgatan 21, Stockholm, SE-105 71. **Additional information for investors in Denmark:** The Information and Paying Agent is Nordea Danmark, Filial af Nordea Bank AB (publ), Sverige, Strandgade 3, Christiansbro, DK-1401 Copenhagen K. 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