



Fund Portrait



Nordea 1 – North American High Yield Stars Bond Fund

ISIN: LU1937720214 (BP-USD)¹ / LU1937720487 (BI-USD)²

Highlights

- Responsible investing expertise from **Nordea** and **Aegon**
- Fundamental, **bottom-up** credit and ESG research investment process, complemented by proprietary **top-down** macroeconomic analysis and risk monitoring and management
- **Best-in-class approach**, emphasizing positive screening to identify strong or improving ESG profiles
- **Experienced and dedicated** fixed income investment professionals
- Multi-faceted **engagement**



Asset Management at Nordea

As an active investment manager, Nordea Asset Management (NAM) 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** for the benefit of our clients.³

After having appointed Aegon USA Investment Management, LLC ("AUIM"), as investment sub-manager of the Nordea 1 – North American High Yield Bond Fund and the Nordea 1 – International High Yield Bond Fund – USD Hedged in 2012, Nordea has reiterated its confidence in the company and has entrusted AUIM with the management of further fixed income strategies. In 2019, aligned with Nordea's commitment to ESG and following its continuously effort to strengthen the multi-boutique offering, the **Nordea 1 – North American High Yield Stars Bond Fund** launched as an ESG enhanced solution in the US high yield universe.

This fund is managed by the **Aegon's Fixed Income team** which is comprised of more than 20 highly experienced and dedicated fixed income professionals, including 17 specially dedicated for responsible investing, which lend their expertise to ESG integration initiatives, contribute to responsible investment product development projects and lead active ownership activities to promote understanding of ESG issues and improve company performance. Portfolio managers, traders

and research analysts contribute to idea generation and prioritization, which may be generated from various sources including fundamental and relative value analysis, idiosyncratic ideas and assessment of market flows and new issues.

The ESG STARS concept

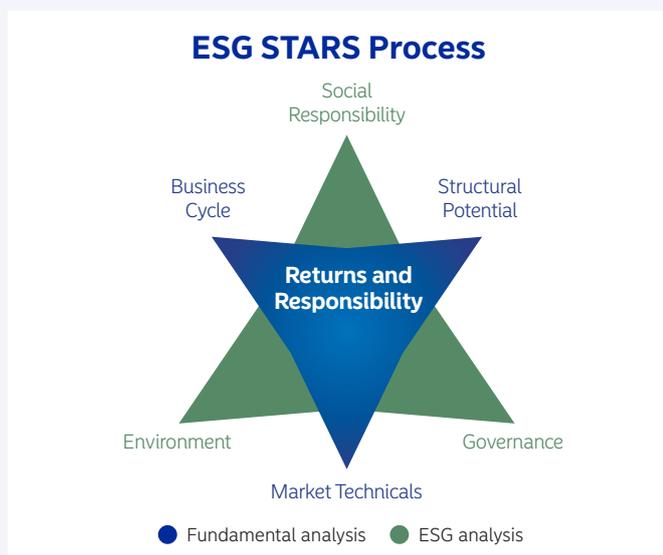
We at NAM consider it our **fiduciary duty** to care about all factors that are material to our clients' investments, **whether financial or non-financial**: responsible investing is part of this. At the Nordea corporate level, we have defined sustainability-related eligibility criteria that apply to all our active funds. We do not, for instance, invest in companies involved in the production of illegal or nuclear weapons or that make more than 10% of their revenues from oil sand. We also exclude companies with large and sustained exposure to coal mining, with a 10% revenue threshold on thermal coal and a 30% revenue threshold on total coal (including metallurgical coal). However, beyond these corporate exclusions, we have developed a **specific range of cutting-edge products** that takes Responsible Investment ("RI") to the next level. We name these the ESG STARS funds.

The **Nordea 1 – North American High Yield Stars Bond Fund** is an ESG STARS fund and has the following objectives:

- **Outperform the benchmark:** alpha generation is a core part of the fund's value proposition. We aim to deliver long-term sustainable returns and responsibility with true ESG integration³

1) The fund and the share class were launched on 17.11.2021 as a result of the merger with Nordea 2, SICAV – US High Yield ESG Bond Fund – BP-USD class (same ISIN) launched on 07.02.2019. 2) The fund and the share class were launched on 17.11.2021 as a result of the merger with Nordea 2, SICAV – US High Yield ESG Bond Fund – BI-USD class (same ISIN) launched on 07.02.2019. 3) 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.

- **Invest in companies living up to ESG standards:** we conduct in-depth ESG analysis and ensure that the fund invests only in issuers that meet our ESG criteria; and
- **Create impact:** we influence and foster change by proactively engaging in dialogues around specific ESG topics and encouraging countries and companies to improve their overall ESG performance



Source: Nordea Investment Management AB.

The fund also complies with Nordea Sensitive Industries Guidelines and the NAM Fossil Fuel Policy available at NAM website.

Combined ESG expertise – NAM and Aegon

The **Nordea 1 – North American High Yield Stars Bond Fund** combines the Nordea ESG expertise with the **specialized ESG knowledge of Aegon** in the US High Yield universe. The Nordea ESG STARS approach works as a **negative screening** setting the investable universe and the ESG integration in the investment process and philosophy is done by Aegon works as a **positive screening** in order to select the **best issuers** in the universe and **eliminate uncompensated ESG risk**.

The consideration of **ESG factors is a core element** of Aegon's investment analysis and decision-making process as well as its stewardship activities. Aegon's Fixed Income team believes that the integration of ESG analysis into the existing rigorous fundamental credit research process is an additional data input to the credit assessment, which helps inform the investment decision-making process. The focus is given to the **materiality of ESG issues** and the **potential economic impact ESG issues** may have on the **issuer's ability and willingness to meet debt obligations**. In addition, the investment team partners with Aegon Asset Management's global Responsible Investment team to engage with issuers, as appropriate, in an effort to achieve greater transparency and clarity on various ESG issues and to mitigate ESG risk and seek alignment with its responsible investing standards.

Aegon's view on responsible investing

Aegon believes that responsible investment practices can generate value over the long term and with that, the consideration of Environmental, Social and Governance (ESG) factors is a core element of its investment analysis and decision-making process as well as its stewardship activities.

As active investors with responsible investing roots dating back over 30 years, Aegon developed a robust responsible investment program consisting of three pillars: **ESG integration, active ownership and investment strategies**. ESG integration and active ownership occurs across Aegon's investment platform, where applicable and provide focused responsible investment strategies.

ESG Integration

- Integrating ESG factors into the investment process may contribute to alpha over the long-term
- ESG factors are essential to comprehensive research
- Proprietary ESG evaluation can help assess risks and identify opportunities

Active Ownership

- Identify opportunities where an engagement could be beneficial
- Partner with Aegon AM's Responsible Investment team to engage
- Encourage change in an effort to generate long-term economic value
- Exercise shareholder voting rights, where applicable
- Leverage Aegon's global scale to influence outcomes

Solutions

- Exclusionary screening
- Best-in-class approach
- Sustainability-themed strategies
- Impact investments

ESG integration by Aegon

Integration of ESG factors into the investment process first occurs as part of the fundamental credit research analysis for issuers. Aegon's research analysts integrate ESG information into their analysis by evaluating **data from various third-party sources** in combination with **internal research** to assign credits into a **proprietary ESG category** for corporate, sovereign and structured credit. Through Aegon's ESG categorization approach, the research team may uncover ESG-related risks or identify companies with favourable ESG profiles and potential investment opportunities. The proprietary analysis incorporates qualitative and quantitative elements to assess the potential materiality of the ESG issues and the effect on an issuer's credit fundamentals.

Although ESG factors are identified and assessed individually, Aegon takes a **holistic approach to integrating ESG-specific factors** along with more traditional credit analysis to understand the overall credit profile and how it affects the investment opportunity as a whole. After determining the potential economic impact, the research team considers various outcomes to help

understand the potential effect on the issuer's creditworthiness. The process includes quantitative and qualitative factors.

ESG integration typically includes four key steps:

1. **Identification.** Research analysts identify important ESG and non-ESG factors specific to the company and the industry they operate within
2. **Assessment.** Research analysts assess if each factor materially affects the issuer's fundamentals
3. **Incorporation.** Research analysts incorporate the fundamental impact into the credit assessment and their credit recommendation to support a discussion with portfolio managers
4. **Integration.** Portfolio managers integrate analysts' recommendations, including ESG factors, into the portfolio construction process as appropriate to the client's mandate

By integrating ESG matters with more traditional economic variables and analytical methodologies, the research team arrives at an **independent view of a credit's overall fundamental value**. Analysts' fundamental assessments are discussed with portfolio managers during the portfolio construction process. Portfolio managers then decide how the analyst's recommendation, including the effect of ESG considerations, fit within the client's investment objective and overall portfolio.

ESG categories	
#1 Responsible Leader	The fundamentals are positively affected by effective ESG practices.
#2 Minimal Risk	Fundamentally low exposure to ESG risks or presence of factors that mitigate most of the ESG risks.
#3 Event Risk Potential	ESG risk exposures could negatively affect the issuer fundamentals, but the effect is not measurable, and timing is uncertain.
#4 Credit Outlook Impact	ESG risks are resulting in pressure on the issuer fundamentals, however we expect limited impact on the credit rating.
#5 Internal Rating Override	ESG factors have resulted in a material effect on the issuer fundamentals, that may or may not be currently reflected in its credit rating.

In addition to integrating ESG factors into the research analysis process, Aegon also identifies issuers where an **engagement could be beneficial** and encourages change in an effort to generate **long-term economic value**.

The Credit Research team's proprietary analysis incorporates qualitative and quantitative elements in an effort to determine and assess the potential materiality of the ESG issues and the impact on an issuer's credit fundamentals. Focus is given to the potential economic impact ESG issues may have on the issuer's ability and willingness to meet debt obligations. Materiality of ESG factors is ultimately defined according to the team's proprietary ESG categories shown in the table below. An ESG category is assigned to each issuer based on the analyst's determination of the materiality of ESG factors.

Unique approach with full ESG integration

The **Nordea 1 – North American High Yield Stars Bond Fund** is a **true ESG solution** within the ESG STARS product range, with complete ESG integration in the investment process. The expert ESG knowledge within the investment team at Aegon is complemented by Nordea's Responsible Investment Team. We offer a **consistent, disciplined ESG integrated investment process, delivering returns with responsibility** by an experienced investment team within the asset class.⁴

- **Investment Grade ESG investing**
 - Best-in-class approach; positive and negative screening
 - Various corporate and product-level ESG requirements
 - Multiple dimensions of ESG risk and business sustainability
- **Combined expertise**
 - Responsible investing expertise from Nordea and Aegon
 - Nordea's ESG research forms the eligible universe
 - Aegon's high yield expertise and proprietary ESG integration
- **Returns and responsibility⁴**
 - Aims to deliver competitive financial returns
 - Emphasize investments with strong ESG profiles
 - Multi-faceted engagement

Corporate Level	
	Active ownership: Engagement
	Corporate-level exclusion list: RI Policy
	Norms-based screening: international norms covering various ESG aspects
	ESG Integration: inclusion of material ESG factors into investment analysis and investment decisions
	Corporate-level PAI Integration

Product Level	
	ESG negative screening: issuer's exclusion – score "C" by Nordea
	ESG positive screening: positive ESG performance by Aegon AM
	Enhanced ESG Filters: avoiding sectors such as tobacco, alcohol, gambling, pornography etc.
	Paris-Aligned Fossil Fuel Policy (PAFF)
	SFDR classification: Article 8

⁴ 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 – North American High Yield Stars Bond Fund	
Fund manager	Aegon USA Investment Management, LLC
Fund domicile	Luxembourg
ISIN codes*	LU1937720214 (BP-USD) LU1937720487 (BI-USD)
Annual management fees	1.00% p.a. (BP-USD) 0.60% p.a. (BI-USD)
Base currency	USD
Reference index	ICE BofA US High Yield Index
Launch date	07.02.2019

Risks

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

The sub-funds mentioned are 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 2009/65/EC of 13 July 2009. **This document is advertising material and does not disclose all relevant information concerning the presented sub-funds.** Any investment decision in the sub-funds should be made on the basis of the current prospectus and the Key Investor Information Document (KIID), which are available, along with the current annual and semi-annual reports, electronically in English and in the local language of the market where the mentioned SICAV is authorised for distribution, without 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 as well as on www.nordea.lu. 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The AFM register can be consulted via www.afm.nl/register. **Additional information for investors in France:** With the authorisation of the AMF the shares of the sub-funds of Nordea 1, SICAV may be distributed in France. Centralising Correspondent in France is CACEIS Bank, located at 1-3, place Valhubert, 75206 Paris cedex 13, France. **Investors are advised to conduct thorough research before making any investment decision. Additional information for investors in Belgium:** The Financial Service Agent in Belgium is BNP Paribas Securities Services S.C.A., Brussels Branch, Rue de Loxum, 25, 1000-Brussels, Belgium. A hard copy of the above-mentioned fund documentation is available upon demand free of charge. **Additional information for investors in Spain:** Nordea 1, SICAV is duly registered in the CNMV official registry of foreign collective investment institutions (entry no. 340) as authorised to be marketed to the public in Spain. The Depository of the SICAV's assets is, J.P. 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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.** For the risk profile of the mentioned sub-funds, please refer to the fund prospectus. **Additional information for investors in the United Kingdom:** The prospectus and KIID for the sub-funds have been published with Consob. For the risk profile of the mentioned sub-funds, please refer to the fund prospectus. **Additional information for investors in the United Kingdom:** The Facilities Agent is Maples Fund Services (Ireland) Limited, 3rd Floor, Hollywood House, Church Street East, Woking GU21 6HJ, United Kingdom. **Additional information for investors in Ireland:** The Facilities Agent is Maples Fund Services (Ireland) Limited, 32 Molesworth Street, D02 Y512 Dublin 2, Ireland. **Additional information for investors in Sweden:** The Paying Agent is Nordea Bank Abp, Swedish Branch, Smålandsgränd 17, 105 71 Stockholm, Sweden. **Additional information for investors in Denmark:** The Representative Agent is Nordea Danmark, Filial of Nordea Bank Abp, Finland, Granjordsvej 10, Postbox 850 0900 Copenhagen C, Denmark. 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