Advertising material for professional investors only*

Nordea ASSET MANAGEMENT

Fund Update – Special Edition

March 2020

Staying the course in the storm!

Nordea 1 – Flexible Fixed Income Fund

ISIN: LU0915365364, BP-EUR / LU0915363070, BI-EUR

- **Strong resilience,** both compared to peers and to the broader market[1]
- **Risk-balanced investment** approach to navigate different market environments
- **Flexibility,** allowing to strengthen capital preservation when risks rise in the markets
- **Proprietary defensive return drivers** represent a **competitive edge** compared to peers and can offer **protection and diversification**
- **Highly liquid portfolio** which can be manoeuvred in all market conditions

The outbreak of the coronavirus triggered a **sharp reduction of risk appetite,** driving yields to historic lows and leading risky assets and volatility to levels not seen since 2008. In this environment, we witnessed strong negative returns in the credit space, while the traditional safer asset classes were not able to protect, leading many portfolios to suffer significant losses.

How did the Nordea 1 – Flexible Fixed Income Fund (FFIF) perform in this environment?

In March the fund protected investors very well, posting a performance equal to –1.06%[1] (BI-EUR) and –1.11%[1] (BP-EUR), continuing what it has been able to deliver since the beginning of the Coronavirus sell-off on February 20th.

Risk Premia Contribution (as per 31.03.2020)

Flexible Fixed Income Strategy	March	20.02.2020 – 31.03.2020
EM Spreads	–2.07%	–2.83%
HY Spreads	–1.92%	–2.80%
Inflation spread	–0.67%	–0.96%
Covered Bonds Spreads	–0.25%	–0.34%
Eurozone Spreads	–0.13%	–0.26%
IG Spreads	–0.06%	–0.41%
FX Valuation & Quality	0.57%	1.14%
HQ Govies	0.40%	1.34%
Cross Assets Anti-Beta	0.19%	0.37%
YC Strategy	0.00%	0.02%
TAA Credit	2.62%	3.61%
TAA Duration	–0.15%	–0.72%
Total (gross of fees)	**–1.48%**	**–1.85%**

Source: Nordea Investment Management AB. Period under consideration: 20.02.2020 – 31.03.2020. Data shown is preliminary and for the Nordea Flexible Fixed Income Strategy (gross of fees). **The performance represented is historical; past performance is not a reliable indicator of future results and investors may not recover the full amount invested.**

Main contributors and detractors in March:

Positive: almost all of our **defensive risk premia strategies** (coloured in green) performed positively, e.g. our **defensive Currencies** (mostly long JPY and USD vs. short commodity-driven FX), our long exposure to **High Quality Government Bonds** and our **Cross Assets Anti-Beta** strategy (short term positions across G10 currencies and high quality government futures). Moreover, important positive contributions posted our short tactical allocation (TAA) to credit which, implemented to reduce the credit risk in the fund, offered protection when markets sold off and credit spreads widened.

Negative: as expected, the aggressive returns drivers suffered in a clear risk-off environment, with the long credit exposure which has been the largest detractor.

It's important to highlight that thanks to our **defensive risk premia,** we showed a **very resilient performance** despite the fund´s low duration (around 1.4 years). Indeed, in this **low/ negative yield environment,** where duration cannot play its diversifying role anymore, it's important to have **other proprietary defensive return drivers** inside the portfolio that can fill this gap. Among them, the fund´s FX Valuation & Quality strategy, the Yield Curve strategy – which aims to exploit the difference in yield curves' steepness through long/short positions, and in doing so is less dependent on the absolute yields' level – and the Cross Assets Anti-Beta strategy.

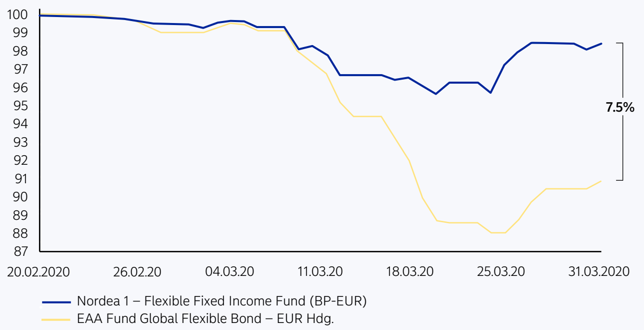
Comparing performance vs. competitors

Our risk balancing approach also worked very well when comparing it to our Morningstar peer group as well as to the broader market (please see chart on the next page).

The fund managed to **protect capital better** than its Morningstar peer group[2] (**outperformance of +7.5%[1] for the BP-EUR** share class and **+7.6%[1] for the BI-EUR**). Indeed, in a more complex environment, many unconstrained fixed income managers, who in previous years chased yields and thus tilted their portfolios to HY and, or EMD, suffered as markets struggled.

1) Source (unless otherwise stated): © 2020 Morningstar, Inc. All Rights Reserved as of 06.04.2020. Period under consideration (unless otherwise stated): 20.02.2020 – 31.03.2020. **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.**
2) EAA Fund Global Flexible Bond Euro Hedged. Comparison with other financial products or benchmarks is only meant for indicative purposes.

Coronavirus Sell-off performances

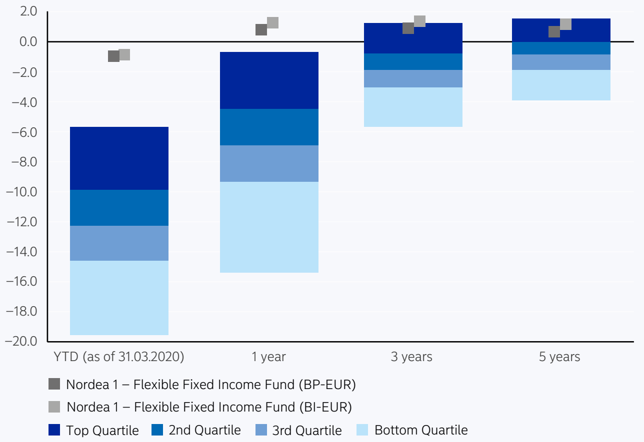


Source: © 2020 Morningstar, Inc. All Rights Reserved as at: 06.04.2020. Period under consideration. 20.02.2020 – 31.03.2020. Performance shown is for Nordea 1 – Flexible Fixed Income Fund (BP-EUR). **The performance represented is historical; past performance is not a reliable indicator of future results and investors may not recover the full amount invested. The value of your investment can go up and down, and you could lose some or all of your invested money.**

This was not the case for the Nordea 1 – Flexible Fixed Income Fund (FFIF), which consistently remains true to its philosophy of risk balance and does not take excessive risk in the search for yields and thus is less exposed to downside risk in fixed income markets.

Indeed, the fund relies on a **risk-balanced investment approach** to achieve **true diversification.** By doing this it logically "lagged" in years like 2017, which was dominated by growth and strong risk appetite. Still, staying true to its philosophy and approach, it managed to navigate much better volatile periods. This resulted in a clear outperformance compared to its Morningstar peers, not only over the last few weeks but also looking at the long term picture (please see below). As such, the FFIF is a top solution in the Fixed Income Multi Asset universe.

Performance relative to peer group[3]



Source: © 2020 Morningstar, Inc. All Rights Reserved as at: 06.04.2020. Period under consideration. 01.04.2015 – 31.03.2020. Performance shown is for Nordea 1 – Flexible Fixed Income Fund (BP-EUR) and Nordea 1 – Flexible Fixed Income Fund (BI-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. The value of your investment can go up and down, and you could lose some or all of your invested money.**

Why invest now in the Nordea 1 – Flexible Fixed Income?

We are in an extreme **low/negative yield environment** and this is likely to persist for longer. This means that **duration** is **much less attractive** and cannot provide the diversification benefits investors are desperately seeking. Secondly, the coronavirus outbreak will most likely have a profoundly **negative effect on expected defaults, leading to an environment characterized by high volatility.**

In this difficult environment for fixed income investors, active risk management and true diversification are keys to protect portfolios against drawdown, without compromising expected returns.

Therefore, we believe there are **four good reasons why now** is a good time for investors to invest into the Flexible Fixed Income Fund (FFIF) or to top-up already existing positions.

1. FFIF´s alternative defensive return drivers

With duration that, as already demonstrated during the last sell-off, is unable to sufficiently protect, having **additional defensive return drivers** in the portfolio to achieve diversification has become vital. This is exactly what the FFIF can offer to its investors: the fund employs a diversified set of **proprietary defensive return drivers** which show an **attractive asymmetric return behaviour,** i.e. protection when needed while still enabling the fund to participate in up-markets, like the fund demonstrated last year!

2. Risk Focused

The **FFIF's long term balanced value proposition** – amid safe and risky assets – **allowed the portfolio to be significantly more resilient during drawdowns** than the ones that, in order to chase return, got too tilted towards EMD or HY, which put investors' capital at risk.

3. Flexibility

The more defensive funds, which performed well when markets sold off, are also now more exposed to market's rebounds and rising yields.

The FFIF's flexible approach allows to adjust the portfolio's exposure to manage downside risk and exploit opportunities, while still keeping the portfolio balanced.

4. Highly liquid portfolio

Markets have experienced liquidity issues in recent weeks and offered a strong reminder for many investors that liquidity is not to be neglected. In sharp contrast, **liquidity has always been of paramount importance** for our Multi Assets Team. The fund does not have any exposure to credit bonds, which were the most affected by liquidity issues, but rather accesses the corporate High Yield and Invest Grade markets through highly liquid plain vanilla derivative instruments. This leads to a portfolio with the required high level of liquidity the Portfolio Management team is looking for **to constantly be able to manoeuvre during all market conditions and face redemptions if needed.**

3) EAA Fund Global Flexible Bond Euro Hedged. Comparison with other financial products or benchmarks is only meant for indicative purposes.

Source (unless otherwise stated): Nordea Investment Funds S.A. Period under consideration (unless otherwise stated): 20.02.2020 – 31.03.2020. 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 31.03.2020. 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, you could lose some or all of your invested money.** 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. 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. Investments in derivative and foreign exchange transactions may be subject to significant fluctuations which may affect the value of an investment**. Investments in Emerging Markets involve a higher element of risk. The value of shares can greatly fluctuate as a result of the sub-fund's investment policy and cannot be ensured. Investments in equity and debt instruments issued by banks could bear the risk of being subject to the bail-in mechanism (meaning that equity and debt instruments could be written down in order to ensure that most unsecured creditors of an institution bear appropriate losses) as foreseen in EU Directive 2014/59/EU. For further details of investment risks associated with these sub-funds, please refer to the relevant Key Investor Information Document (KIID), available as described above.** Nordea Investment Funds S.A. has decided to bear the cost for research, i.e. such cost is covered by existing fee arrangements (Management- /Administration-Fee). Nordea Investment Funds S.A. only publishes product-related information and does not make any investment recommendations. Published by Nordea Investment Funds S.A., 562, rue de Neudorf, P.O. Box 782, L-2017 Luxembourg, which is authorized by the Commission de Surveillance du Secteur Financier in Luxembourg. Further information can be obtained from your financial advisor. He/she can advise you independently of Nordea Investment Funds S.A. **Please note that all sub funds and share classes might not be available in your country of jurisdiction. Additional information for investors in Switzerland:** The Swiss Representative and Paying Agent is BNP Paribas Securities Services, Paris, Succursale de Zurich, Selnaustrasse 16, CH-8002 Zurich, Switzerland. **Additional information for investors in Germany:** The Information Agent in Germany is Société Générale S.A. Frankfurt Branch, Neue Mainzer Straße 46-50, DE-60311 Frankfurt am Main, Germany. A hard copy of the above-mentioned fund documentation is also available here. **Additional information for investors in Austria:** The Information and Paying Agent in Austria is Erste Bank der österreichischen Sparkassen AG, Am Belvedere 1, AT-1100 Vienna, Austria. **Additional information for investors in the Netherlands:** Nordea 1, SICAV is a Luxembourg Undertaking for Collective Investment in Transferable Securities (UCITS) registered in the Netherlands in the register kept by the AFM, and as such is allowed to offer its shares in the Netherlands. 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, FR-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, BE-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 Depositary of the SICAV's assets is, J.P. Morgan Bank Luxembourg S.A. In Spain, any investment must be made through the authorised distributors and on the basis of the information contained in the mandatory documentation that must be received from the SICAV's authorised distributor prior to any subscription. The Representative Agent is Allfunds Bank S.A.U., C/ de los Padres Dominicos, 7, ES-28050 Madrid, Spain. A complete list of the authorised distributors is available in the CNMV's webpage (www.cnmv.es). **Additional information for investors in Portugal:** The Management Company of the SICAV, Nordea Investment Funds S.A., and the Depositary of the SICAV's assets, J.P. Morgan Bank Luxembourg S.A., are validly formed and existing in accordance with the laws of Luxembourg and authorized by the Commission de Surveillance du Secteur Financier in Luxembourg. Our distributor in Portugal is BEST – Banco Electrónico de Serviço Total, S.A., duly incorporated under the laws of Portugal and registered with the CMVM as a financial intermediary. **Additional information for investors in Italy:** Fund documentation as listed above is also available in Italy from the distributors and on the website www.nordea.it. The updated list of distribution agents in Italy, grouped by homogenous category, is available from the distributors themselves or from the Paying Agents: State Street Bank International GmbH – Succursale Italia, BNP Paribas Securities Services – Succursale di Milano, Allfunds Bank S.A.U. Succursale di Milano, Société Générale Securities Services S.p.A., Banca Sella Holding S.p.A, Banca Monte dei Paschi di Siena S.p.A., CACEIS Bank S.A – Succursale Italia and on the website www.nordea.it. 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 Facilities Agent is Financial Express Limited 2nd Floor, Golden House 30 Great Pulteney Street W1F 9NN, London, 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, Smålandsgatan 17, SE-105 71 Stockholm, Sweden. **Additional information for investors in Denmark:** The Representative and Sub-Paying Agent is Nordea Bank Abp, Danish Branch, Grønjordsvej 10, DK-2300 Copenhagen S, Denmark. A hard copy of the above-mentioned fund documentation is available here. **Additional information for investors in Norway:** The Paying Agent is Nordea Bank Abp, Norwegian Branch, Essendrops gate 7, Postboks 1166 Sentrum, NO-0107 Oslo, Norway. The Representative Agent is Nordea Funds Ltd, Norwegian Branch, Essendrops gate 7, Postboks 1166 Sentrum, NO-0107 Oslo, Norway. **Additional information for investors in Finland:** The Paying Agent is Nordea Bank Abp, Satamaradankatu 5, FI-00020, Helsinki, Finland. The Representative Agent is Nordea Funds Ltd, Satamaradankatu 5, FI-00020, Helsinki, Finland. **Additional information for investors in Latvia:** The Representative Agent is Luminor Bank AS, 62 Skanstes iela 12, LV-1013 Riga, Latvia. **Additional information for investors in Estonia:** The Representative Agent in Estonia is Luminor Bank AS, Liivalaia 45, EE-10145 Tallinn, Estonia. **Additional information for investors in Lithuania:** The Representative Agent in Lithuania is Luminor Bank AB, Konstitucijos pr. 21 A, LT-03601 Vilnius, Lithuania. Shareholders must evaluate possible investment risks and take this into consideration when making investment decisions. **Information for investors in Brazil:** This is a strictly privileged and confidential document for the purposes of a potential investment in foreign securities on a one-on-one basis with potential investors with a pre-existing relationship with Nordea Investment Funds S.A. This document contains information addressed only to a specific individual and is not intended for distribution to, or use by, any other person. This document (i) is provided for informational purposes only, (ii) should not be construed in any manner as any solicitation or offer to buy or sell any securities or any related financial instruments, (iii) should not be construed in any manner as a public offer of any securities or any related financial instruments, and (iv) and will be addressed to a potential investor with restrict access of information. Nordea 1, SICAV have not been, and will not be, registered with the Brazilian Securities Commission (Comissão de Valores Mobiliários – CVM), and must not be offered or sold in Brazil except in circumstances which do not constitute a public offering or distribution under Brazilian laws and regulations. Any public offering, placement or distribution, as defined under Brazilian laws and regulations, of securities in Brazil, is not legal without prior registration under Law No. 6,385 of December 7, 1976, as amended. Documents relating to the offering of the Nordea 1, SICAV, as well as information contained therein, must not be supplied to the general public in Brazil (as the offering of the Nordea 1, SICAV is not a public offering of securities in Brazil) or used in connection with any offer for subscription or sale of the Nordea 1, SICAV to the general public in Brazil. Investors within Brazil should consult with their own counsel as to the applicability of these laws and regulations or any exemption there from. Source (unless otherwise stated): Nordea Investment Funds S.A. Unless otherwise stated, all views expressed are those of Nordea Investment Funds S.A. This document may not be reproduced or circulated without prior permission and must not be passed to private investors. This document contains information only intended for professional investors and financial advisers and is not intended for general publication. Reference to companies or other investments mentioned within this document should not be construed as a recommendation to the investor to buy or sell the same but is included for the purpose of illustration.