

September 2020

More flexibility to reach your goal!

Nordea 1 – Balanced Income Fund

ISIN : LU0634509953 (BP-EUR), LU0637308585 (BI-EUR)

Highlights

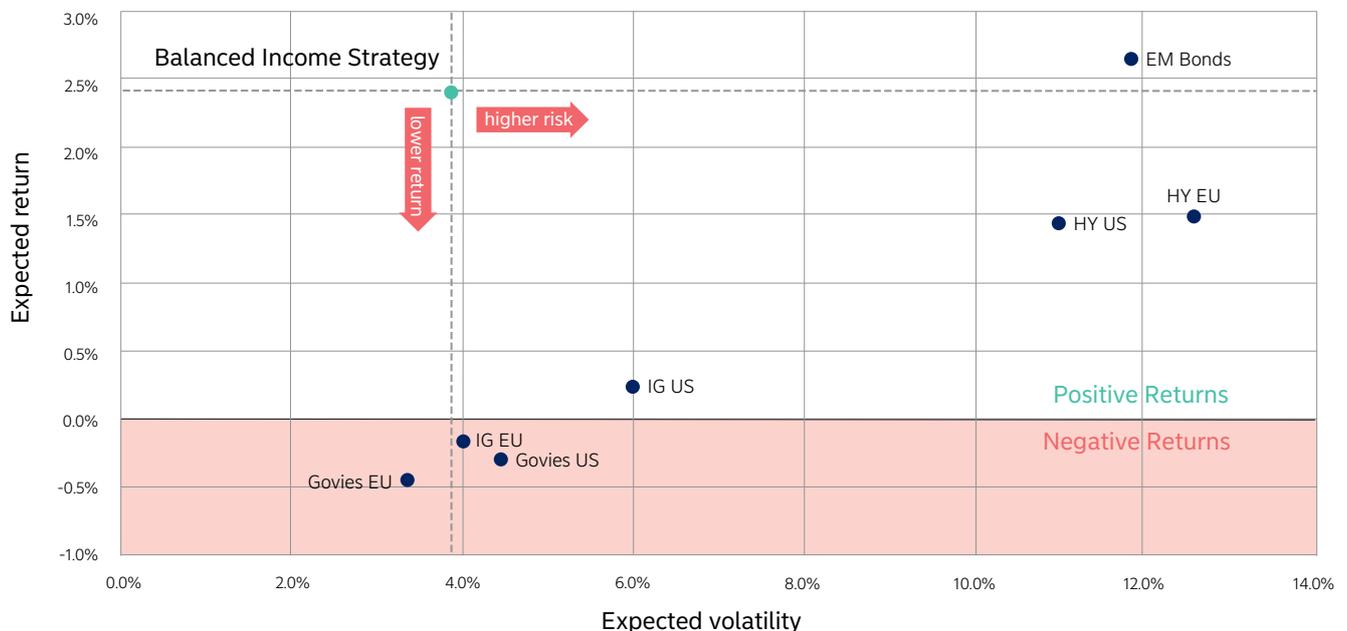
- **A solution to deal with the low yield environment**
- **Diversified and flexible exposure** to several asset classes **to harvest different opportunities across the market**
- **Tactical allocation to further enhance flexibility** and increase protection when most needed
- **Over 3Y strong track record** and above €400m AuM

With the safer fixed income asset classes offering zero to negative expected returns (please see graph below), traditional fixed income investors are considering if it is still possible to harvest returns while containing the portfolio's risk.

Our answer to the challenge is the **Nordea 1 – Balanced Income Fund**.

With a **target return of cash +3%¹** per year over the investment cycle and an expected **volatility in the range 3–6%**, the strategy has been designed to generate the returns investors used to obtain from traditional fixed income, with a low level of risk, and this is what it delivered since its launch.

Expected return and risk (10Y)



Source (unless otherwise stated): Nordea Investment Management AB. Based on NIM assumptions with a 10Y-year horizon as of 31.08.2020 and Euro area as home country. Comparison with other financial products or benchmarks is only meant for indicative purposes. 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.

¹ 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.

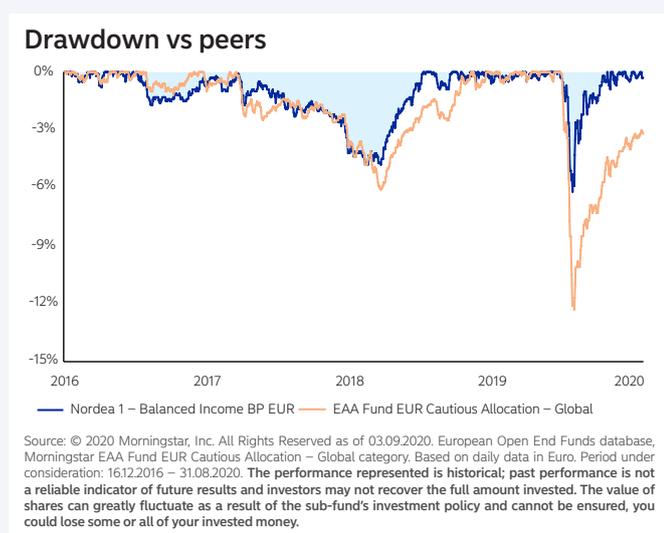
1. How do we deal with low yield environments?

Through **unconstrained and flexible** exposures across global **fixed income, currencies** and with a **limited exposure to global equities** (0–25%).

The Nordea 1 – Balanced Income Fund strategically combines risky instruments (e.g. credit and equity) with safe (e.g. duration related strategies) instead of allocating assets according to a short term macro view.

Moreover, to mitigate a situation where government bonds are not providing enough diversification, the fund exploits a set of **proprietary defensive strategies** that are less dependent on the overall yield level and can offer **protection when needed while still enabling the fund to participate in up-markets**.

This allows the portfolio to have an asymmetric **return pattern and benefit from market rallies**, while being significantly **more resilient during drawdowns** than other strategies that, in order to chase returns, get too tilted towards risky asset classes (please see the chart below).



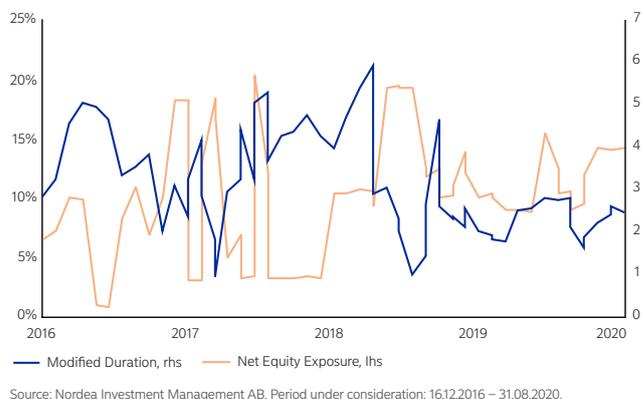
2. More flexibility in a changing environment

Current markets offer several opportunities but also present uncertainties. The new challenge is to benefit from these opportunities while **controlling the effect of adverse and sudden increases in volatility**.

The Nordea 1 – Balanced Income Fund addresses this challenge through an active **Tactical Asset Allocation** overlay, used **for risk management purposes** only to strengthen the fund's capital preservation features.

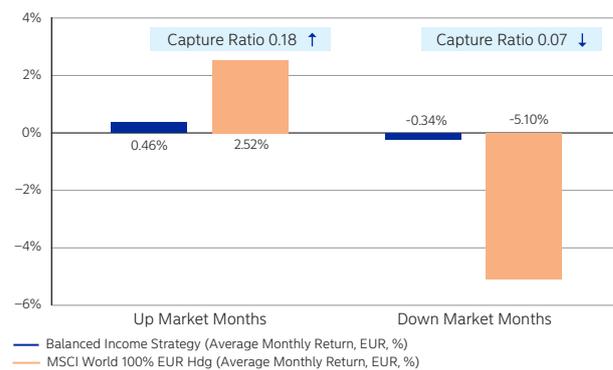
The aim is to actively and quickly reduce the interest rate, equity and credit risk in the portfolio if risks are building up in the markets and results in a flexible allocation (please see the chart below).

Portfolio equity exposure and duration since inception



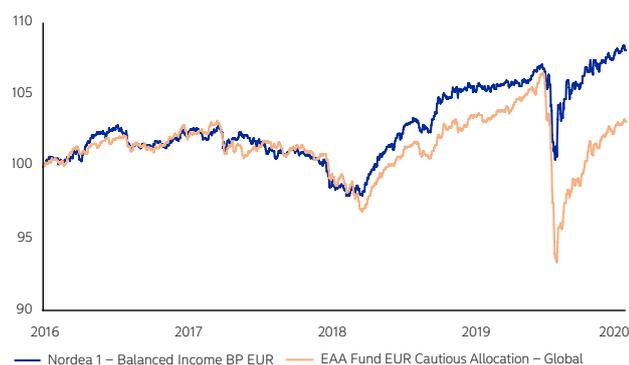
The result of this more diversified and flexible approach is a portfolio with an **attractive asymmetric behaviour**, able to participate in up markets while limiting the downside risk.

Historical monthly return in up and down markets



The ability to **benefit from market rallies and protect against equity sell-offs** has allowed the fund to deliver a consistent performance since inception (please see chart below) and it is a feature that becomes even more sought-after in today's low to negative yield environment.

Performance since inception



Annualized data

	Return	Std Dev	Sharpe Ratio
Nordea 1 – Balanced Income BP EUR	2.11	3.83	0.95
EAA Fund EUR Cautious Allocation – Global	0.83	2.86	0.43

Source: © 2020 Morningstar, Inc. All Rights Reserved as of 03.09.2020. European Open End Funds database, Morningstar EAA Fund EUR Cautious Allocation – Global category. Based on daily data in Euro. Period under consideration: 16.12.2016 – 31.08.2020. **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, you could lose some or all of your invested money.**

3. Never forget liquidity

Markets have recently experienced liquidity issues which offered a strong reminder for many investors that liquidity is never to be neglected. In sharp contrast, **liquidity has always been of paramount importance** for our Portfolio Managers.

The fund is a **very liquid investment vehicle** using only highly liquid physical bonds and the most commonly traded 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 manoeuvre through all market conditions.

Source (unless otherwise stated): Nordea Investment Funds S.A. Period under consideration (unless otherwise stated): 16.12.2016 – 31.08.2020. 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 31.08.2020. 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. 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