



Quarterly Report

First quarter 2018

Nordea 1 – Global Stable Equity Fund - Euro Hedged**

ISIN: LU0278529986 (BP-EUR)

Overview

- During Q1 2018, the fund (Euro hedged) returned -5.32% and underperformed the MSCI World – Net Total Return Index (EUR hedged)² by 2.54%¹. The unhedged version of the fund returned -6.45%¹, underperforming the MSCI World – Net Total Return Index (in EUR)² by 2.77%.
- The market was driven upwards by the strong earnings momentum and continued to favour momentum stocks with the highest expected earnings growth for 2018 where the fund has a relatively low weighting as it is typically invested in the most stable, non-cyclical stocks of a sector.
- Both the absolute and the relative valuation of the portfolio are attractive and we see valuation is building up in the portfolio thereby making it attractive for long-term risk/return.

1) Sources: Nordea Investment Funds S.A. and Bloomberg. Period under consideration: 31.12.2017 – 31.03.2018. The performance represented is historical; past performance is not a reliable indicator of future results and investors may not recover the full amount invested. 2) The sub-fund does not have any official reference index. However, for comparison purposes we have shown the MSCI World – Net Total Return Index (EUR hedged) respectively the MSCI World - Net Total Return Index (in EUR) performance which is one of the possible benchmarks for a Global Stable Equity portfolio. Sources: Nordea Investment Funds S.A. and Bloomberg. Date: 31.03.2018.

Investment strategy

The portfolio manager applies a unique process to construct a portfolio of equities with stable returns based on an objective quantitative stock screening model, with a fundamental overlay. The process identifies companies that operate in established lines of business, generating consistently stable earnings, dividends, cash flows, etc. This stability helps dampen price volatility of such companies' stocks, making them less risky than the broader market. There is also a high degree of portfolio diversification with around 100 stocks typically making up the portfolio, thereby adding a further layer of stability. The goal then is to offer investors the benefits of long-term return opportunities in the global equity markets, without the risk of significant capital losses in the short to medium term as is the case with conventional stocks.

Fund data

Share class	BP-EUR
Fund category	Accumulating
NAV in EUR	16.74
Base Currency	EUR
Fund AUM Million (EUR)	1,393.78
Front end fee in %	Up to 5.00
Annual management fee in %	1.50
Launch date	05.03.2007
ISIN	LU0278529986
Sedol	B1LCPM8
WKN	AOLGS7
Bloomberg ticker	NORSBPE LX
No. of holdings	103

Data as of 31.03.2018.

Portfolio Managers

Nordea Stable Equities / Multi Assets Team



Claus Vorm
Portfolio manager



Robert Næss
Portfolio manager

** In the prospectus dated 30.06.2014 the Nordea 1 – Global Stable Equity Fund was renamed to Nordea 1 – Global Stable Equity Fund - Euro Hedged.

Quarterly commentary Q1 2018

Global equity markets generally suffered over the first quarter of 2018, and the MSCI World – Net Return Index 100% Hedged to Euro returned -2.78%³. In Euro terms the MSCI World – Net Return Index returned -3.68%³. The best performing sectors were information technology, consumer discretionary and healthcare. The worst performing sectors were telecommunication services, energy and consumer staples.

After a very strong start in January higher inflation numbers pushed rates higher, leading to concerns regarding equity valuation. This triggered a sentiment-driven selloff in equity markets and all equities were down regardless of their fundamentals or valuation and no distinction was made with regards to equity sectors or styles.

Towards the end of the first quarter markets were also worried by the end of the recent abnormal low volatility market paradigm and investors were concerned about increasing political risks driven by trade war and tariffs. Hence, equity markets were flat to down in March. Nevertheless, the pro-cycle 'bull-market' that started more than 18 months ago continues to favour high-growth stocks such as Amazon.

During the first quarter 2018, the fund (Euro hedged) returned -5.32%³ and underperformed the MSCI World – Net Total Return Index (EUR hedged) by 2.54%⁴. The unhedged version of the fund returned -6.45%³, underperforming the MSCI World – Net Total Return Index (in EUR)⁴ by 2.77%.

The fund had a negative absolute return and also underperformed the returns of the broader market. The fund saw negative relative performance contributions from both implicit sector allocation and stock selection, while the negative impact of stock selection was greater than the impact of sector positioning.

At the sector level, the most negative relative contributions came from the overweight position in telecommunication services, consumer staples as well as from the underweight position in consumer discretionary. The underweight position in energy and materials as well as the overweight position in utilities was positive at the sector positioning level.

In terms of stock selection consumer discretionary and health care were among the largest negative contributors. One aspect was that the market continued to favour momentum stocks with the highest expected earnings growth for 2018 while the fund is typically invested in the most stable, non-cyclical stocks of a sector. Another thematic factor was the announcement by Amazon, Berkshire Hathaway and JP Morgan Chase to form an independent health care company for their employees in the United States which had a negative impact on the fund's health care holdings.

On the positive side, stock selection with respect to information technology and telecommunication services had the most positive contribution, with stock selection within information technology strong enough to offset the slightly negative impact of the sector positioning here to give an overall positive contribution from the sector.

The fund's bottom-up investment process resulted in a modest increase of utilities in the first quarter. Compared to the MSCI World Index the fund continues to have significant overweight positions in healthcare and telecommunication services, with a more moderate overweight position in utilities. The largest underweight positions of the portfolio include financials, but also consumer discretionary, industrials and energy.

The fund continues to benefit from relatively visible and stable earnings. Both the absolute and the relative valuation of the fund are considered to be attractive and we see valuation is building up in the portfolio thereby making it attractive for long-term risk/return.

3) Sources: Nordea Investment Funds S.A. and Bloomberg. Period under consideration: 31.12.2017 – 31.03.2018. The performance represented is historical; past performance is not a reliable indicator of future results and investors may not recover the full amount invested. 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 (EUR hedged) respectively the MSCI World - Net Total Return Index (in EUR) performance which is one of the possible benchmarks for a Global Stable Equity portfolio. Sources: Nordea Investment Funds S.A. and Bloomberg. Date: 31.03.2018.

Cumulative returns as of 31.03.2018 in %

Time frame	Fund ⁵	Index ⁶
Year to date	-5.32	-2.78
1 month	-3.85	-2.47
3 months	-5.32	-2.78
6 months	-1.88	1.96
1 year	-0.53	8.00
3 years	9.70	19.06
5 years	48.14	59.33
Since launch	67.40	65.31

Calendar year returns in %

Time frame	Fund ⁵	Index ⁶
2017	9.54	16.80
2016	5.98	7.79
2015	4.24	1.75
2014	14.50	9.48
2013	25.47	28.07

Performance of the fund versus a reference index⁷ (since inception)



5) ISIN Code LU0278529986. Inception date: 05.03.2007. 6) MSCI World – Net Total Return Index (EUR hedged). For comparison purposes only. The sub-fund has no official reference index. 7) MSCI World – Net Total Return Index (EUR hedged). For comparison purposes only. The sub-fund has no official reference index. Sources: Nordea Investment Funds S.A. and Bloomberg. Period under consideration: 05.03.2007–31.03.2018. **The performance represented is historical; past performance is not a reliable indicator of future results and investors may not recover the full amount invested.**

Quarterly sector⁸ contribution in %

Sector	Average fund weight	Relative fund weight	Non-weighted		Weighted	
			Index performance	Fund performance	Fund absolute contribution	Fund relative contribution
Consumer Discretionary	8.45	-4.21	-0.60	-9.91	-0.86	-0.75
Consumer Staples	11.12	2.45	-7.52	-10.47	-1.21	-0.55
Energy	2.33	-3.73	-7.64	-11.77	-0.17	0.31
Financials	6.44	-11.49	-4.25	-5.74	-0.38	0.42
Health Care	22.96	11.24	-3.56	-6.21	-1.45	-1.05
Industrials	7.89	-3.75	-3.96	-5.37	-0.45	0.03
Information Technology	15.13	-2.48	0.97	2.34	0.40	0.24
Materials	1.82	-3.26	-6.79	-6.32	-0.12	0.23
Telecommunic. Services	11.19	8.53	-8.07	-4.62	-0.53	-0.32
Real Estate	4.36	1.35	-6.08	-7.26	-0.29	-0.10
Utilities	7.75	4.79	-4.04	-4.88	-0.15	-0.04

8) Period under consideration: 31.12.2017 – 31.03.2018. The contribution and performance figures shown are the ones of the Global Stable Equities Strategy in EUR, unhedged and gross of fees. The Global Stable Equities Strategy does not have any official reference index. However, for comparison purposes we have shown the MSCI World Index performance (in EUR) which is one of the possible benchmarks for a Global Equity portfolio. Source: Nordea Investment Funds S.A. Date: 31.03.2018.

Quarterly region⁸ contribution in %

Country	Average fund weight	Relative fund weight	Non-weighted		Weighted	
			Index performance	Fund performance	Fund absolute contribution	Fund relative contribution
Europe	21.04	-2.47	-35.71	-34.82	-1.48	-0.45
Asia ex-Japan	4.83	2.99	-29.44	-2.36	-0.09	-0.04
Japan	10.96	1.83	-1.55	-1.58	-0.18	-0.02
North America	61.52	-1.33	-12.65	-13.60	-3.29	-1.14
Other	1.65	-1.02	-23.25	-18.67	-0.18	0.06

8) Period under consideration: 31.12.2017 – 31.03.2018. The contribution and performance figures shown are the ones of the Global Stable Equities Strategy in EUR, unhedged and gross of fees. The Global Stable Equities Strategy does not have any official reference index. However, for comparison purposes we have shown the MSCI World Index performance (in EUR) which is one of the possible benchmarks for a Global Equity portfolio. Source: Nordea Investment Funds S.A. Date: 31.03.2018.

Top ten weights contribution during the quarter⁸ in %

Company	Average weight	Performance ⁹	Absolute contrib.
KDDI	2.66	1.55	0.04
Nippon Telegraph & Telephone	2.41	-3.16	-0.08
CVS Health	2.23	-15.87	-0.40
Walgreens Boots Alliance	2.18	-11.63	-0.27
Oracle	2.14	-5.26	-0.13
Cisco Systems	2.11	9.77	0.24
AT&T	2.06	-9.65	-0.21
Zimmer Biomet Holdings	2.03	-11.63	-0.26
Cognizant Technology Solutions	2.02	10.73	0.24
Medtronic	1.98	-2.44	-0.05

8) Period under consideration: 31.12.2017 – 31.03.2018. The contribution and performance figures shown are the ones of the Global Stable Equities Strategy in EUR, unhedged and gross of fees. The Global Stable Equities Strategy does not have any official reference index. However, for comparison purposes we have shown the MSCI World Index performance (in EUR) which is one of the possible benchmarks for a Global Equity portfolio. 9) The performance figures shown are the ones of the Global Stable Equities Strategy in EUR, unhedged and gross of fees, based on the holding period of the stock. **The performance represented is historical; past performance is not a reliable indicator of future results.** Source: Nordea Investment Funds S.A. Period under consideration: 31.12.2017 – 31.03.2018.

Market capitalisation as of 31.03.2018 in %

Mn EUR	Fund
Not classified	0.30
1,000 – 2,000	0.58
2,000 – 5,000	1.46
5,000 – 10,000	6.68
10,000 – 20,000	17.91
>20,000	73.07

Source: Nordea Investment Funds S.A. Date: 31.03.2018

Top ten contributors during the quarter⁸ in %

Company	Average weight	Performance ⁹	Absolute contrib.
Cisco Systems	2.11	9.77	0.24
Cognizant Technology Solutions	2.02	10.73	0.24
Infosys ADR	1.44	7.27	0.10
eBay	1.24	3.96	0.09
Koninklijke Ahold Delhaize	1.50	4.94	0.07
Sumitomo Realty & Development	0.70	10.25	0.06
Thermo Fisher Scientific	0.69	5.90	0.05
PG&E	0.61	-3.75	0.04
KDDI	2.66	1.55	0.04
National Grid	0.66	-3.17	0.03

8) Period under consideration: 31.12.2017 – 31.03.2018. The contribution and performance figures shown are the ones of the Global Stable Equities Strategy in EUR, unhedged and gross of fees. The Global Stable Equities Strategy does not have any official reference index. However, for comparison purposes we have shown the MSCI World Index performance (in EUR) which is one of the possible benchmarks for a Global Equity portfolio. 9) The performance figures shown are the ones of the Global Stable Equities Strategy in EUR, unhedged and gross of fees, based on the holding period of the stock. **The performance represented is historical; past performance is not a reliable indicator of future results.** Source: Nordea Investment Funds S.A. Period under consideration: 31.12.2017 – 31.03.2018.

Bottom ten contributors during the quarter⁸ in %

Company	Average weight	Performance ⁹	Absolute contrib.
CVS Health	2.23	-15.87	-0.40
Imperial Brands	1.19	-20.64	-0.29
Walgreens Boots Alliance	2.18	-11.63	-0.27
Zimmer Biomet Holdings	2.03	-11.63	-0.26
WPP	1.55	-14.48	-0.24
British American Tobacco	1.50	-15.79	-0.22
Bayer	1.71	-11.73	-0.22
AT&T	2.06	-9.65	-0.21
Comcast	0.94	-16.47	-0.18
Verizon Communications	1.47	-11.11	-0.17

8) Period under consideration: 31.12.2017 – 31.03.2018. The contribution and performance figures shown are the ones of the Global Stable Equities Strategy in EUR, unhedged and gross of fees. The Global Stable Equities Strategy does not have any official reference index. However, for comparison purposes we have shown the MSCI World Index performance (in EUR) which is one of the possible benchmarks for a Global Equity portfolio. 9) The performance figures shown are the ones of the Global Stable Equities Strategy in EUR, unhedged and gross of fees, based on the holding period of the stock. **The performance represented is historical; past performance is not a reliable indicator of future results.** Source: Nordea Investment Funds S.A. Period under consideration: 31.12.2017 – 31.03.2018.

Source (unless otherwise stated): Nordea Investment Funds S.A. Period under consideration (unless otherwise stated): 31.12.2017 – 31.03.2018. 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 31.03.2018. 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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