

Nordea 1 - European Covered Bond Fund

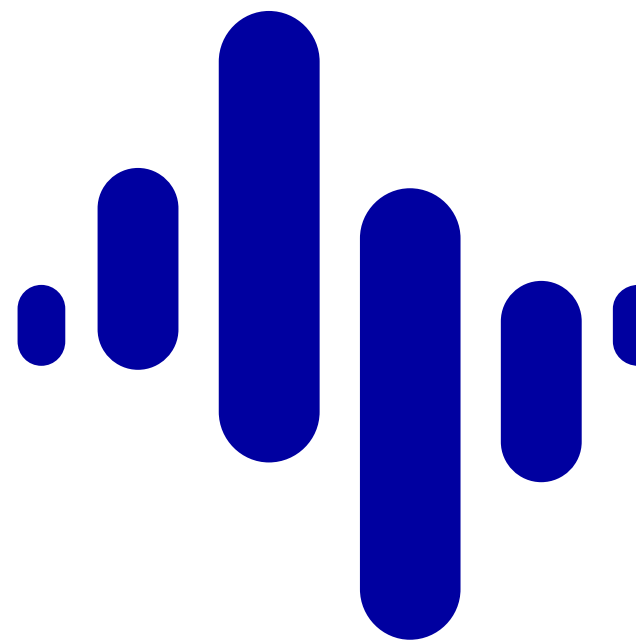
LU0076315455, BP-EUR

September 2018



* Investing for their own account – according to MiFID definition

European covered bonds – a very safe asset class



What is a covered bond?



Definition

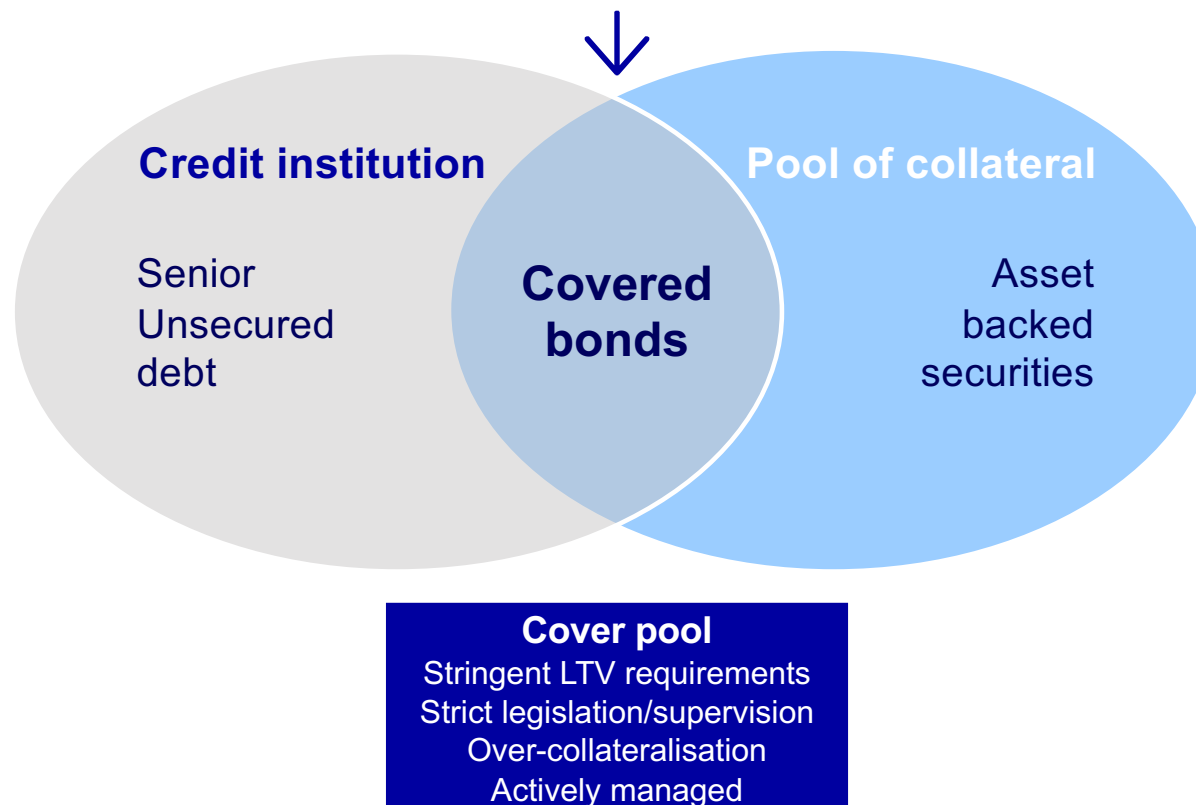
Covered bonds are debt instruments **secured** by a cover pool of mortgage loans (property as collateral) or public-sector debt to which investors have a preferential claim in the event of default.



Market Size

The covered bond market is very large: as of 2016, the volume outstanding was about **EUR 2.5 trillion**. The largest country issuers are Denmark, Germany, France, Spain, and Sweden.

Dual recourse instrument



Source: EMF-ECBC, As of end of 2016

European covered bonds - a very low-risk asset class ...

Two layers of guarantee

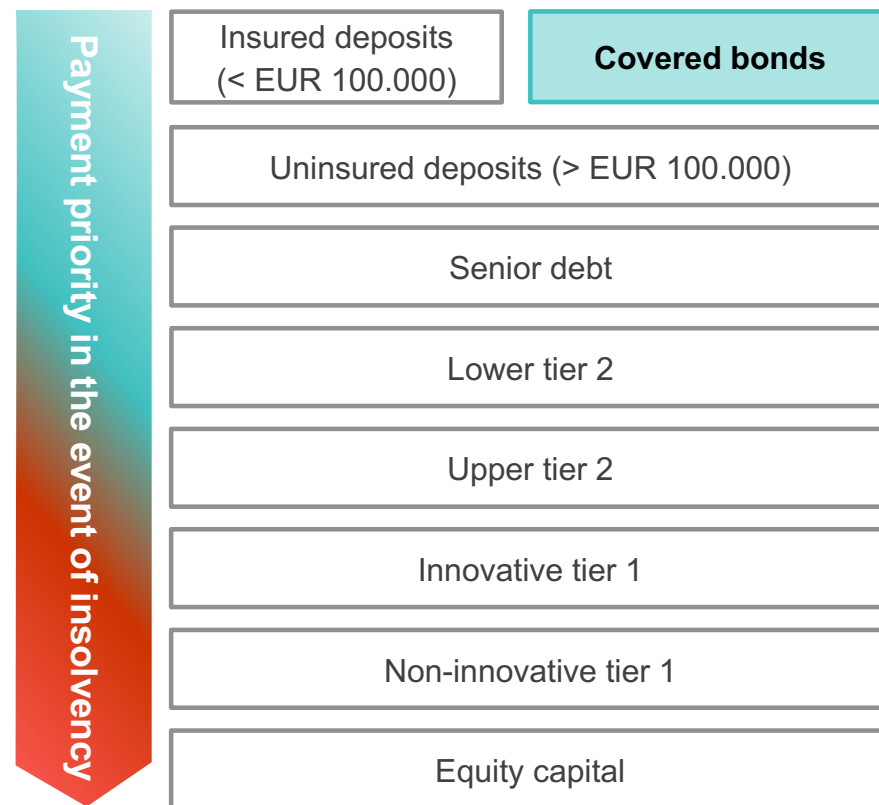
- Issuer
- Pool of assets (cover pool)

Cover Pool

- Strict local legislation and supervision
- Stringent LTV Requirements (Loan To Value)
- Over-collateralized
- Actively managed to ensure a continuous over-collateralization

Favourable Treatment in EU Regulation

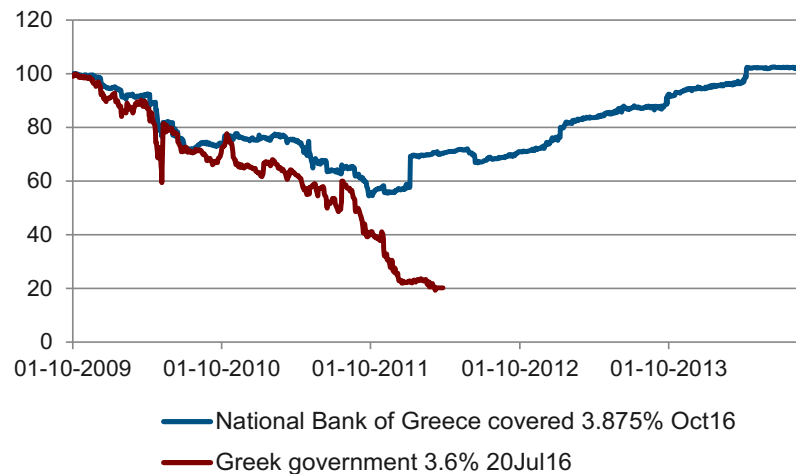
- Under the **Bank Recovery and Resolution Directive (BRRD)**, covered bonds are **exempted from bail-in** (unlike e.g. senior bonds)
- Also treated favourable under **Liquidity Coverage Ratio (LCR)**, **Capital Requirement Regulation (CRR)**, and **Solvency II**.



No covered bond has defaulted in over 200 years

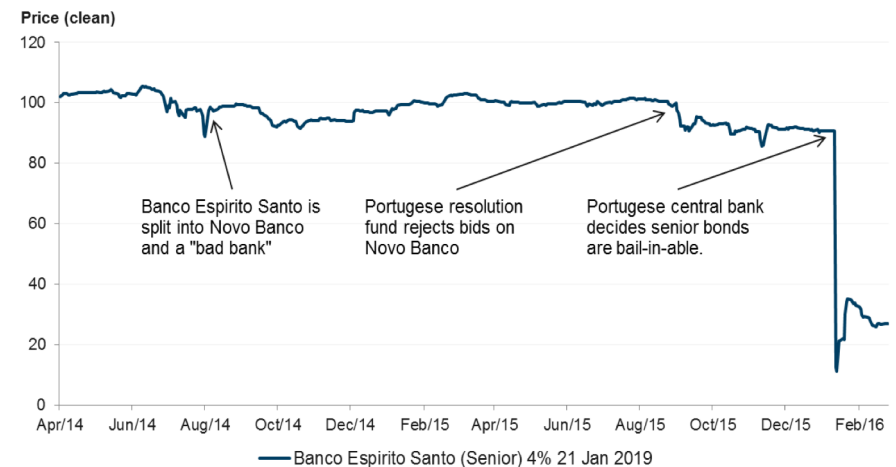
... Even safer than government and senior bonds

Government bond-holders have taken losses...



- When Greek bond-holders had to **take part in the debt restructuring...**
- ...**covered bond-holders saw a full recovery of their investment.**

... and so have senior bond-holders



- **Covered bonds are exempted from bail-in...**
- ... a protection more relevant than ever, as we saw last year Banco Espirito Santo **senior debt's creditors taking large losses.**

Left chart: Source: Bloomberg. September 2014. Right chart: Source: Nordea Analytics and Nordea Investment Management AB, October 31, 2016

Issuers have defaulted...
...But covered bonds investors have not taken a loss

Issuer	Date of default	Subordinated Debt	Senior Unsecured	Deposits > EUR 100,000	Covered Bonds
Bank of Cyprus public company Ltd	Mar-13	Yes	Yes	Yes	No
Cyprus Popular Bank Public Co Ltd	Jun-12	Yes	No	No	No
Cyprus Popular Bank Public Co Ltd	Mar-13	Yes	Yes	Yes	No
Glitnir Banki hf	Oct-08	Yes	Yes	Yes	No
Kaupthing Bank hf	Oct-08	Yes	Yes	Yes	No
Allied Irish Banks Plc	Jan-11	Yes	No	No	No
Bank of Ireland	Dec-10	Yes	No	No	No
EBS Ltd	Feb-11	Yes	No	No	No
Irish Bank Resolution Corporation Ltd	Nov-10	Yes	Yes	No	No
SNS Bank N.V.	Feb-13	Yes	No	No	No
Banco Espirito Santo	Aug-14	Yes	No	No	No
Banco CEISS	May-13	Yes	No	No	No
Banco de Valencia	Mar-13	Yes	No	No	No
Catalunya Banc SA	Jul-13	Yes	No	No	No
Ibercaja Banco SA	Nov-12	Yes	No	No	No
Liberbank	May-13	Yes	No	No	No
NCG Banco S.A.	Jul-13	Yes	No	No	No
Bradford Bingley Plc	Feb-09	Yes	No	No	No
Chelsea Building Society	Apr-10	Yes	No	No	No
Co-Operative Bank Plc	Dec-13	Yes	No	No	No
Washington Mutual Bank	Sep-08	Yes	Yes	No	No

Source: BBV and Moody's. Defaults as per Moody's definition.

Issuer	Date of default	Subordinated Debt	Senior Unsecured	Deposits > EUR 100,000	Covered Bonds
HETA Asset Resolution AG	expected	Yes	Yes	?	No

Source: Nordea Investment Management AB

In the low risk spectrum, expertise is a must to achieve returns!



Nordea's value proposition is closely linked to the **added value of active management**. This is where **the expertise of the Danish Fixed Income & European Covered Bond Team** in the covered bond market plays its full role.

Martin Hagelskjær Nielsen

Head of Danish Fixed Income & European Covered Bonds
24 years of experience

PORTFOLIO MANAGEMENT

Flemming Thestrup, FRM

Portfolio Manager
21 years of experience

Henrik Stille

Portfolio Manager
13 years of experience

Per Bisgaard Jensen

Portfolio Manager
27 years of experience

Christian Birkehøj, CFA

Portfolio Manager
12 years of experience

Johan Kjær Nielsen

Risk Analyst
8 years of experience

Niels Platz Bertelsen

Covered Bond Analyst
3 years of experience

PRODUCT MANAGER

Poul Callesen

30 years of experience

- Nordea has a dedicated team specialised in managing Danish and European covered bonds, with more than **EUR 39bn of assets under management***
- An average of **17 years of experience**, with a stable team of portfolio managers, **working together for more than 10 years**
- The team operates in a complex and inefficient market, a field where informed investors can grasp opportunities by **being active** outside the benchmark

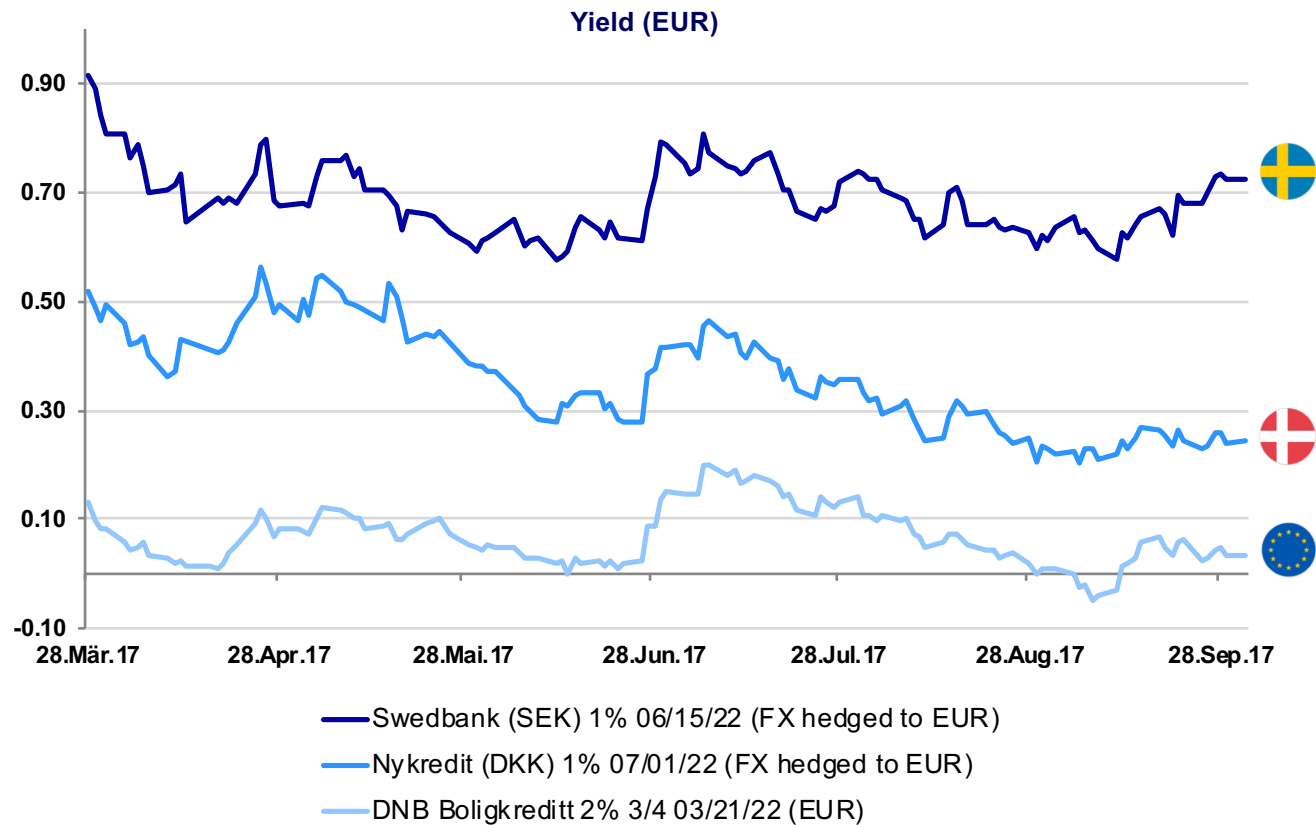
There can be no warranty that an investment objective, targeted returns and results of an investment structure is achieved. *Source: Nordea Investment Management AB. As of 30.06.2018

Investment Cases & Examples



Case: Nordic market in local currency

After currency hedging, Swedish & Danish covered are yielding more than peers



Source: Bloomberg, 02.10.2017

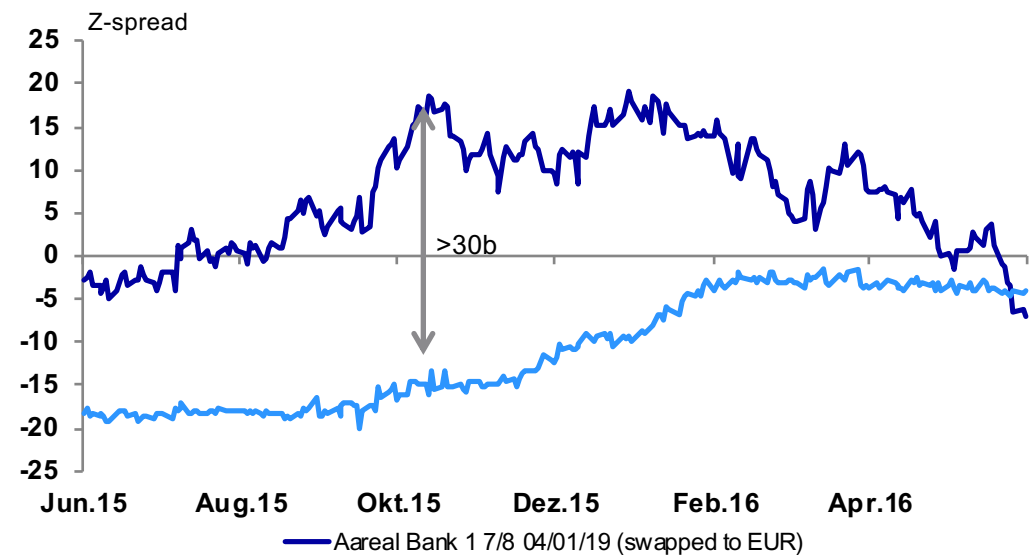
Case: Covered bonds in different currencies

Aareal Bank Pfandbrief

- One bond issued in USD another issued in EUR
- Same bank, same cover pool, similar maturity
- Bonds in different currencies create investment opportunities



Comparison of spread adjusted for EURUSD basis:




Source: Bloomberg, July 2016

Case: Rating inefficiencies

Example with Spanish Multi Cédulas

IM CEDULAS 5, 3.50 % 06/2020

- Rated **BB+** (S&P) back in 2015 
- The multi cédula is backed by six banks all with highly rated covered bonds
- Why was a covered bond backed by these bank only rated BB+?
- Was eventually upgraded to investment grade and the position had a strong performance

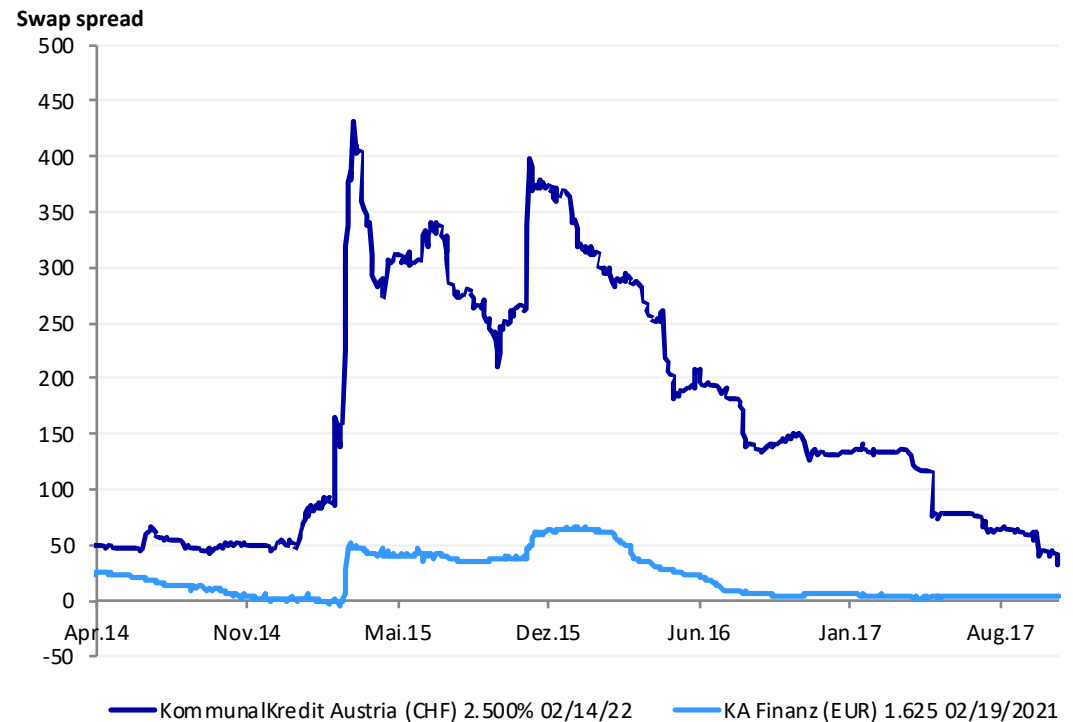
Bank	Share	Rating	
		S&P	Moody's
Caja Laboral	40 %	-	Ba1 (Senior)
Banca March	20 %	-	Aa2 (Covered)
Caixabank	12 %	A+ (Covered)	Aa2 (Covered)
Unicaja	12 %	-	A1 (Covered)
Banco Mare Nostrum	8 %	Fitch: BBB+ (Covered)	
BBVA	8 %		Aa2 (Covered)

Source: Bloomberg, June 2015

Case: Cover pool split

KommunalKredit Austria split into KA New and KA Finanz

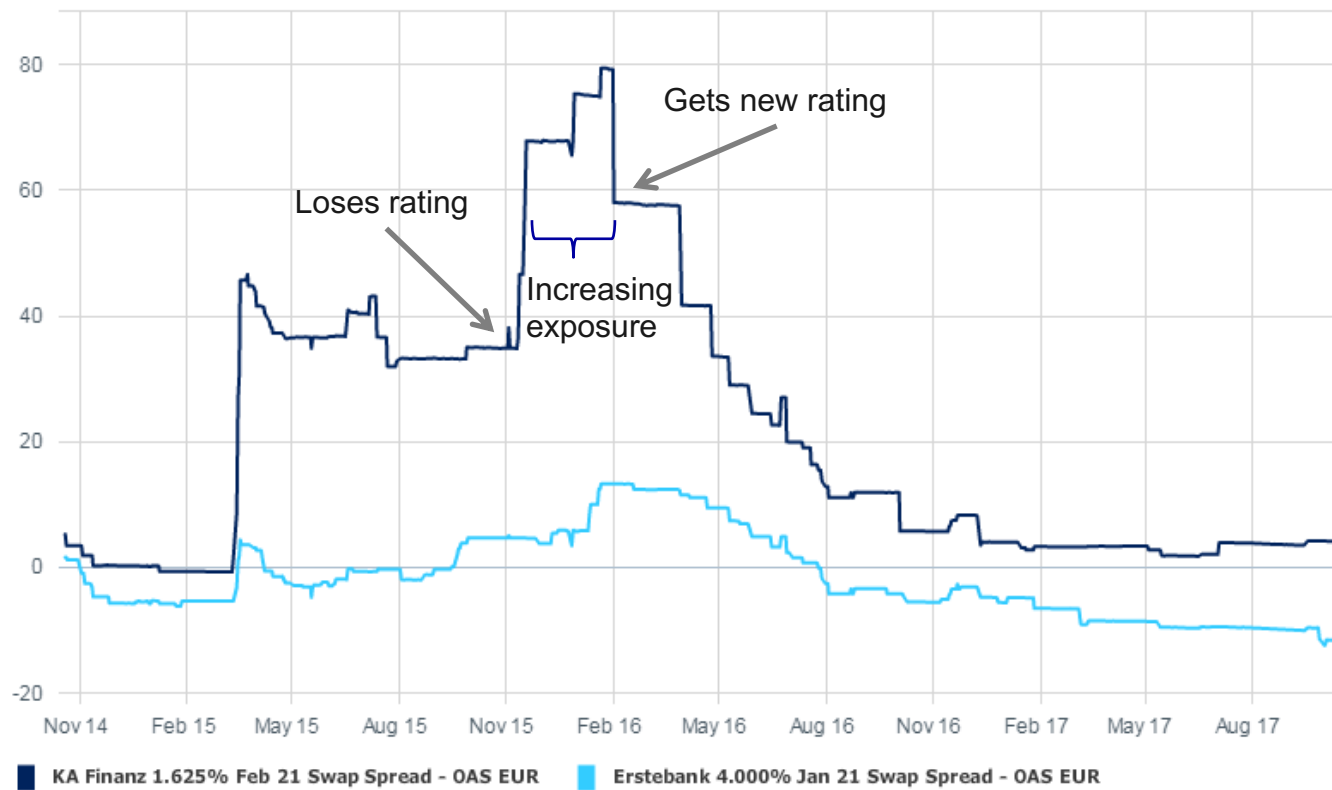
- Bank ran into troubles in 2008
- Taking over by the government conditional on future privatization
- Split of cover pool creates uncertainty – but both pools are strong
- Some investors cannot buy CHF
- Fear of losing the rating on KA New



Source: Bloomberg October 19, 2017

Case: Rating changes

KA Finanz temporarily loses rating when changing from Moody's to S&P



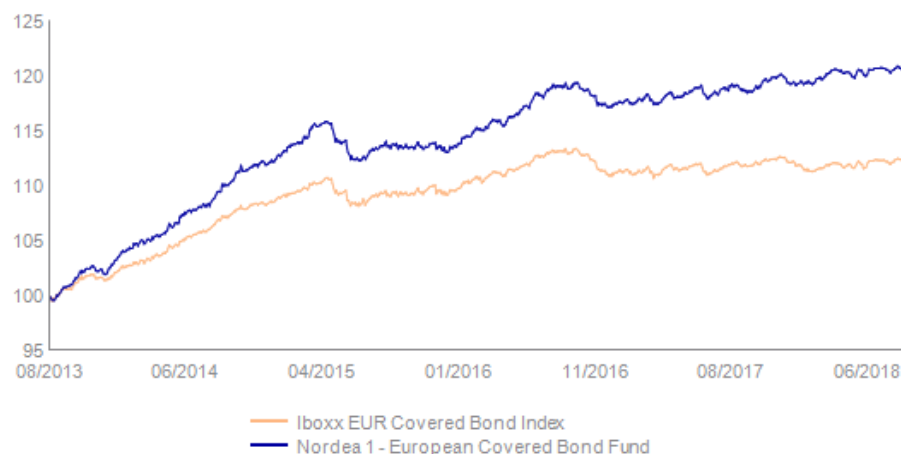
Source: Barclays Live, October 19, 2017

Performance & portfolio positioning



Nordea 1 – European Covered Bond Fund

Performance of the BP-EUR share class



Calendar Year Returns in %	Fund	Reference index
2013	3.07 %	1.88 %
2014	10.34 %	7.23 %
2015	0.51 %	0.41 %
2016	4.11 %	2.06 %
2017	1.37 %	0.59 %
YTD	1.11 %	0.29 %

Cumulative Returns in %	Fund	Reference index
YTD	1.11 %	0.29 %
1 month	0.16 %	0.33 %
3 months	0.08 %	0.32 %
6 months	0.71 %	0.78 %
1 year	1.27 %	0.36 %
3 years	6.18 %	3.06 %
5 years	20.59 %	12.40 %

Source (unless otherwise stated): Nordea Investment Funds S.A.

Period under consideration (unless otherwise stated): 30/08/2013 - 31/08/2018.

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 31/08/2018. 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.

In the prospectus dated 30 January 2012 the Nordea 1 - Euro Bond Fund was renamed to Nordea 1 - European Covered Bond Fund, the investment policy of the sub-fund was modified and the NAV history prior to this date is not used for performance measurement.

Attribution analysis of the alpha generation in the Nordea 1 – European Covered Bond Portfolio

Alpha contribution in bps	2012 (starting 30.01.2012)	2013	2014	2015	2016	2017
Credit spreads	57	149	322	-39	130	184
Duration	26	-16	53	-8	35	-11
Carry	12	58	55	90	83	-3
FX	12	4	-60	55	47	-19
Trading	34	16	13	-2	-17	2
Portfolio	892	403	1144	141	507	211
Benchmark	749	193	728	43	205	60
Alpha	143	210	416	98	302	151

- Credit spreads have historically been the main contributor to alpha (~ 60%)
- Duration exposure only accounted for approx. 6% of the alpha generated

- **The reduction of duration risk does not affect the alpha capabilities of the team**
- **Alpha instead is generated by strong credit selection, which investors in the duration hedged solution still fully benefit from**

Source: Nordea Investment Management AB. Performance calculated gross of fees. Benchmark: Iboxx EUR Covered Bond Index. Period under consideration: 30.01.2012 – 31.12.2017. The performance represented is historical; past performance is not a reliable indicator of future results and investors may not recover the full amount invested.

Nordea 1 – European Covered Bond Fund

Top Ten Holdings and Country Breakdown

Top Ten in %		
Italy Buoni Poliennali Del T 0.35% 15-06-2020	IT0005250946	5.49
Realkredit Danmark 1% 04-01-2021 SDRO A T	DK0009294845	5.01
National Bank of Greece SA 2.75% 19-10-2020	XS1698932925	3.81
Kreditanstalt fuer Wiederauf 2.75% 15-07-2020	US500769HV97	3.78
Westpac Banking Corp 0.5% 16-01-2025	XS1748436190	2.33
PITCH1 5.125% 20-07-2022	ES0334699008	2.33
Kingdom of Belgium Governmen 1.6% 22-06-2047	BE0000338476	2.14
Programa Cedulas TDA Fondo d 4.25% 10-04-2031	ES0371622020	2.14
Cie de Financement Foncier S 0.225% 14-09-2026	FR0013201449	2.14
Nykredit Realkredit 1% 04-01-2021 SDO A H	DK0009509044	1.82
Total		31.00

Country Breakdown in %	
France	13.16
Denmark	12.14
Italy	11.03
Greece	10.43
Spain	8.92
Austria	7.88
Germany	7.64
Norway	4.87
Other	21.99
Net Liquid Assets	1.94
Total	100.00

Source (unless otherwise stated): Nordea Investment Funds S.A. Date: 31.08.2018

Nordea 1 – European Covered Bond Fund

Key Fund Figures and Data (BP-EUR)

Key Figures	
Annualised return in %*	2.02
Volatility in %*	1.74
Average maturity	6.27
Correlation*	0.91
Information ratio*	1.39
Tracking error in %*	0.73

* Annualized 3 year data

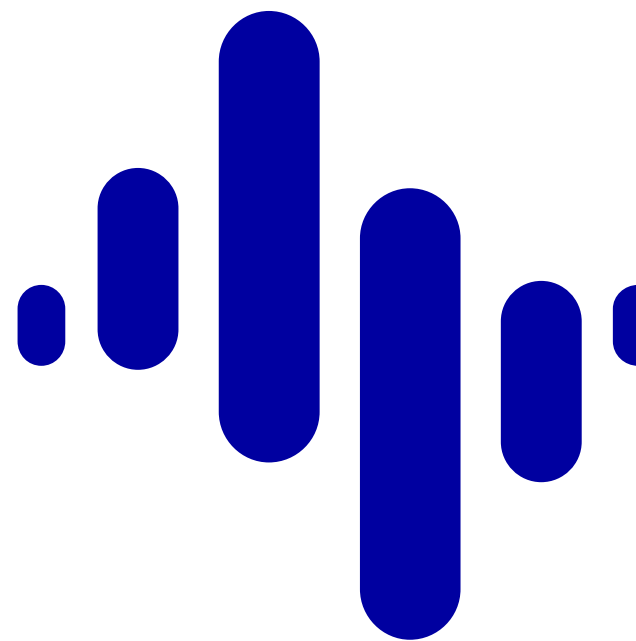
Sub-fund's name	Nordea 1 - European Covered Bond Fund
Fund Manager	Danish Fixed Income & Euro Covered Bond Team
Fund Domicile	562, rue de Neudorf, 2220 Luxembourg, Luxembourg
Share class	BP-EUR
Annual Man. Fee	0.600 %
Security number (ISIN)	LU0076315455
Security number (WKN)	986135
Fund Size in millions	1,519.05
Currency	EUR
Reference index	Iboxx EUR Covered Bond Index
No. of holdings	102
Launch date	05/07/1996
Minimum investment (EUR)	0

Source (unless otherwise stated): Nordea Investment Funds S.A. Date: 31.08.2018

The performance represented is historical; past performance is not a reliable indicator of future results and investors may not recover the full amount invested.

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Appendix



Biographies

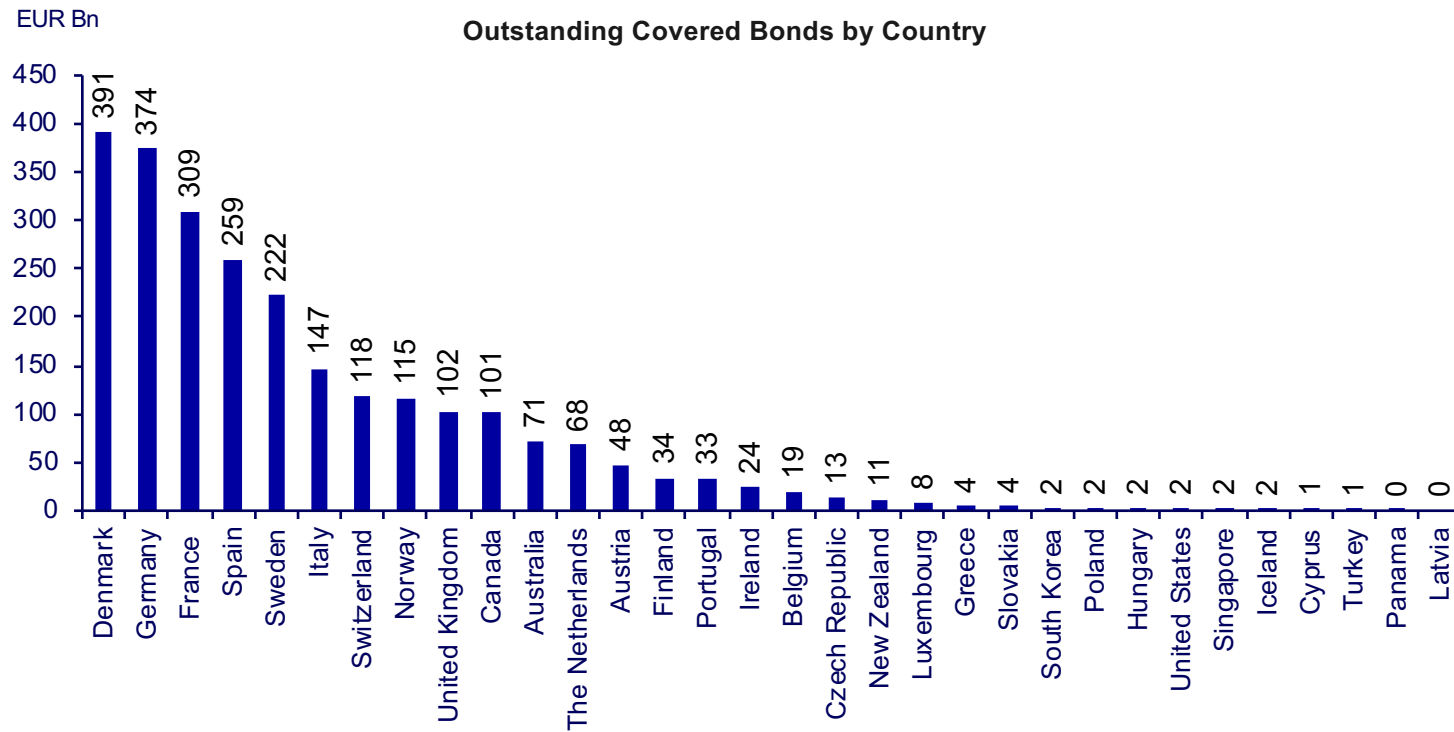
Martin Hagelskjær Nielsen
Head of the Danish Fixed Income &
European Covered Bond Team

Martin is working for Nordea since 2007. Previous to Nordea, Martin was Head of Fixed Income and Derivatives Research at Nykredit Markets (2004 - 2007), responsible for trade recommendations and market analysis – primarily towards the Danish fixed income market and EUR covered bond market. Martin began his career as a consultant at SimCorp Dimension® (1994 - 1997) with focus on Risk Management (Value at Risk). Hereafter he worked as Senior Analyst at Nykredit Markets (1997 - 2000) before he went on to a job as Quantitative Analyst at Nordea Markets (2000 - 2004) with responsibility for Nordea's Danish mortgage model and the development of Nordea Analytics Fixed Income applications. Since 2008 Martin has been managing the Nordea Institutional Investment Fund, Sicav SIF - Covered Bond Fund, which is managed with the same investment process and philosophy as the Nordea 1 – European Covered Bond Fund. Martin holds a MSc from the Technical University of Denmark and a Diploma in Finance from Copenhagen Business School.

Henrik Stille
Portfolio Manager of the Nordea 1 –
European Covered Bond Fund and
Nordea 1 – Low Duration European
Covered Bond Fund

In addition to the Nordea 1 – European Covered Bond Fund and the Nordea 1 - Low Duration European Covered Bond Fund, Henrik has been managing the Nordea 1 – Danish Mortgage Bond Fund since 2008 and has been working in Nordea's Danish Fixed Income Team since 2005. Henrik began his career as assistant Portfolio Manager after he successfully passed his studies at University of Lund, Sweden. He holds a MSc in Economics and Business Administration and participated in Nordea's 2 year graduate program. After working as Assistant Portfolio Manager and completing the Graduate program he took over the responsibility as a Portfolio Manager in the Danish Fixed Income Team in 2007.

Market Size Covered Bonds

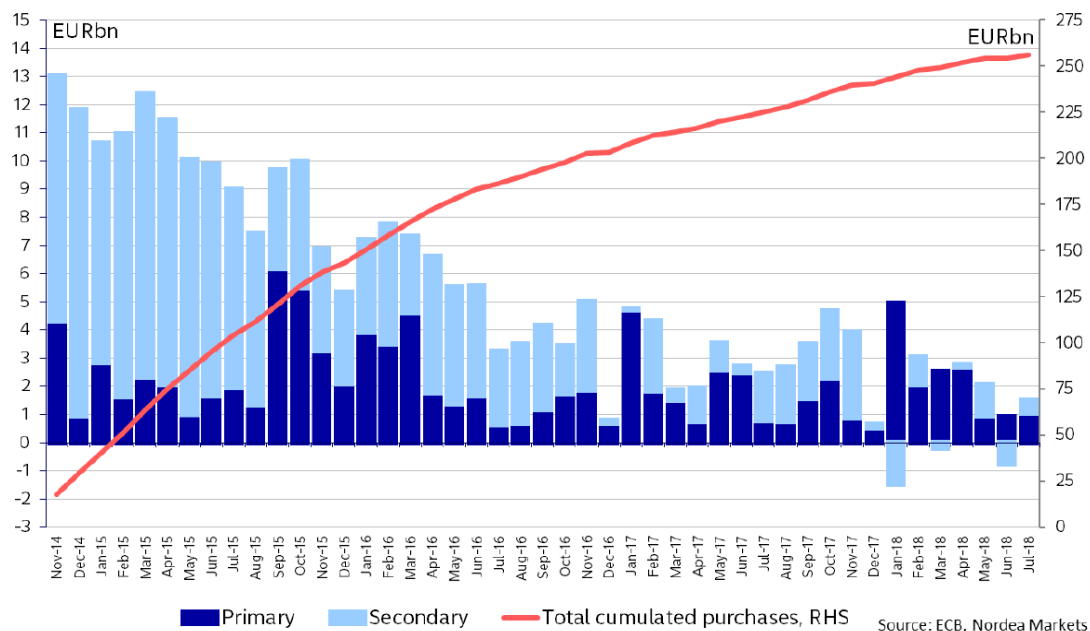


Source: EMF-ECBC, data from end of 2016

Questions on the potential ECB tapering?

ECB primary and secondary market purchases
The ECB portfolio stands at EUR 256.882bn

CBPP3 monthly purchases



Small impact on covered bond spreads

- ECB has already tapered the covered bond programme
- Current monthly support will remain in place through ECB reinvestments

Source: ECB, Nordea Markets, Nordea Investment Management AB. As of 27.08.2018

A favourable treatment with regards to EU regulations on Financial Institutions

- Under the **Bank Recovery and Resolution Directive (BRRD)**, covered bonds are **exempted from bail-in**
 - In case of a defaulting bank, the BRRD excludes covered bonds from absorbing any losses via bail-in (unlike e.g. senior bonds)
- Under the **Liquidity Coverage Ratio (LCR)**, covered bonds are considered a **very liquid asset class**
 - Most covered bonds qualify as Level 1 High Quality Liquid Assets and are subject to a very low haircut
- The **Capital Requirement Regulation (CRR)** assigns **low risk weights** to covered bonds
 - Covered Bonds under Basel III for banks are an obvious low-risk choice as a capital standard.
- Under **Solvency II**, **low spread risk factors** are assigned to covered bonds
 - Especially UCITS compliant covered bonds, rated at least AA-, enjoy a preferential treatment and don't burden further the insurance companies' capital requirement

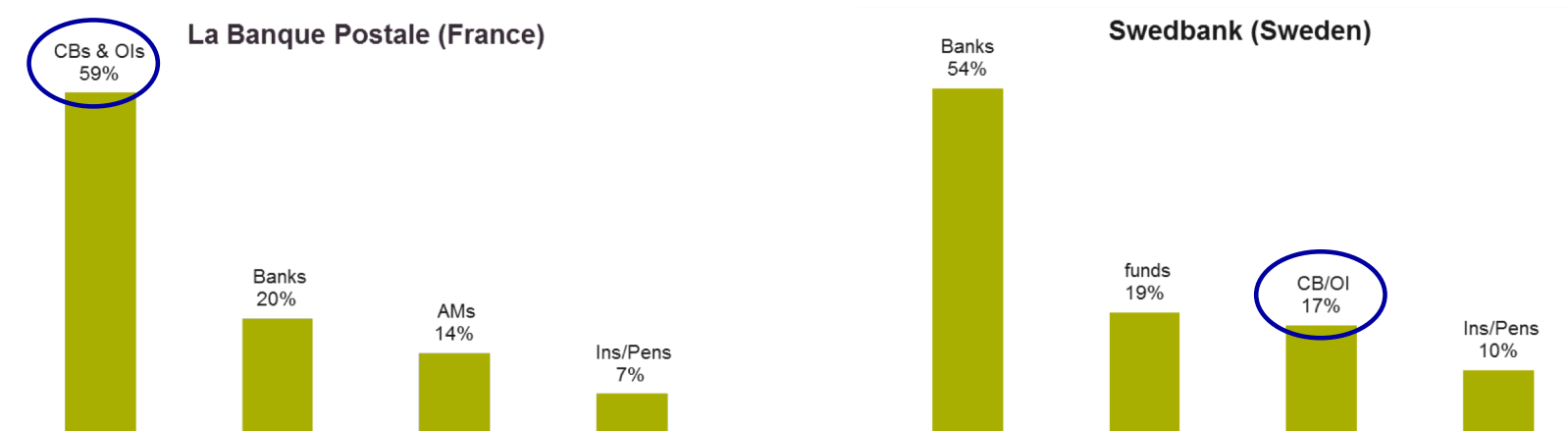
In all regulations, Covered Bonds - together with Sovereign Debt - are seen as the safest asset class.

Market impact of ECB's purchasing programme

Two EUR-deals from 2016:

- 7Y La Banque Postale på MS+5, 30 orders (within CBPP3)
- 5Y Swedbank på MS+14, 130 orders (outside CBPP3)

"Real money"-investors are priced out by the ECB.



Source: The Cover, Nordea Investment Management AB

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. 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A hard copy of the above-mentioned fund documentation is also available from here. **Additional information for investors in Austria:** Sub-paying Agent and Representative in Austria is Erste Bank der Österreichischen Sparkassen AG, Am Belvedere 1, A-1100 Vienna. **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, 75013 Paris. **Investors are advised to conduct thorough research before making any investment decision. Additional information for investors in Belgium:** The Representative Agent in Belgium is BNP Paribas Securities Services S.C.A., Brussels branch, 25 Rue de Loxom, Brussels, B-1000-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., Paseo de la Castellana 9, ES-28046 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, at State Street Bank International GmbH – Succursale Italia, branches (located in the main towns of each region), BNP Paribas Securities Services - Succursale di Milano, Banca Sella Holding S.p.A, Banca Monte dei Paschi di Siena S.p.A., Allfunds Bank S.A. Succursale di Milano, Société Générale Securities Services S.p.A. 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. Additional information for investors in the United Kingdom:** Approved 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), Smålandsgatan 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. A hard copy of the above-mentioned fund documentation is available here. **Additional information for investors in Norway:** The Paying Agent is Nordea Bank AB (publ), Filial i Norge, Essendrops gate 7, Postboks 1166 Sentrum, NO-0107 Oslo. The Representative Agent is Nordea Funds Ltd., Norwegian Branch, Essendrops gate 7, Postboks 1166 Sentrum, NO-0107 Oslo. **Additional information for investors in Finland:** The Paying Agent is Nordea Bank AB (publ), Finnish Branch, Satamaradankatu 5, FI-00020 NORDEA, Helsinki. The Representative Agent is Nordea Funds Ltd, Satamaradankatu 5, FI-00020 NORDEA, Helsinki. **Additional information for investors in Latvia:** The Representative and Paying Agent is Luminor Bank AS, Skanstes iela 12, Riga, LV-1013. **Additional information for investors in Estonia:** The Representative and Paying Agent in Estonia is Luminor Bank AS, Liivalaia 45, 10145 Tallinn. **Additional information for investors in Lithuania:** The Representative and Paying Agent in Lithuania is Luminor Bank AB, Konstitucijos pr. 21A, 03601 Vilnius. Shareholders must evaluate possible investment risks and take this into consideration when making investment decisions. 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Nordea 1 – Stable Return Fund

LU0227384020, BP-EUR

September 2018



Please note that the Nordea 1 – Stable Return Fund was soft closed between 07.09.2016 and 22.05.2018 and that the soft closure has now been lifted.

* Investment on own account, in accordance with the MiFID definition

Investment Committee and Management Structure



Dr. Asbjørn Trolle Hansen



Dr. Claus Vorm



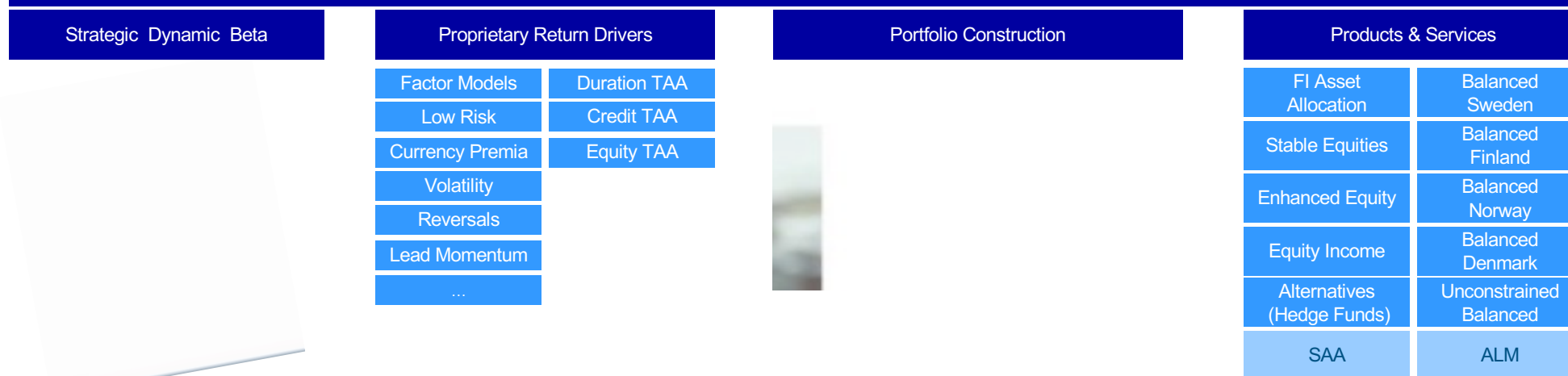
Kurt Kongsted

Multi Assets in short*

- Around 40 professionals
- Total AuM: Around EUR 100 billion, managed across multiple strategies and asset classes

Multi Assets – Research structure:

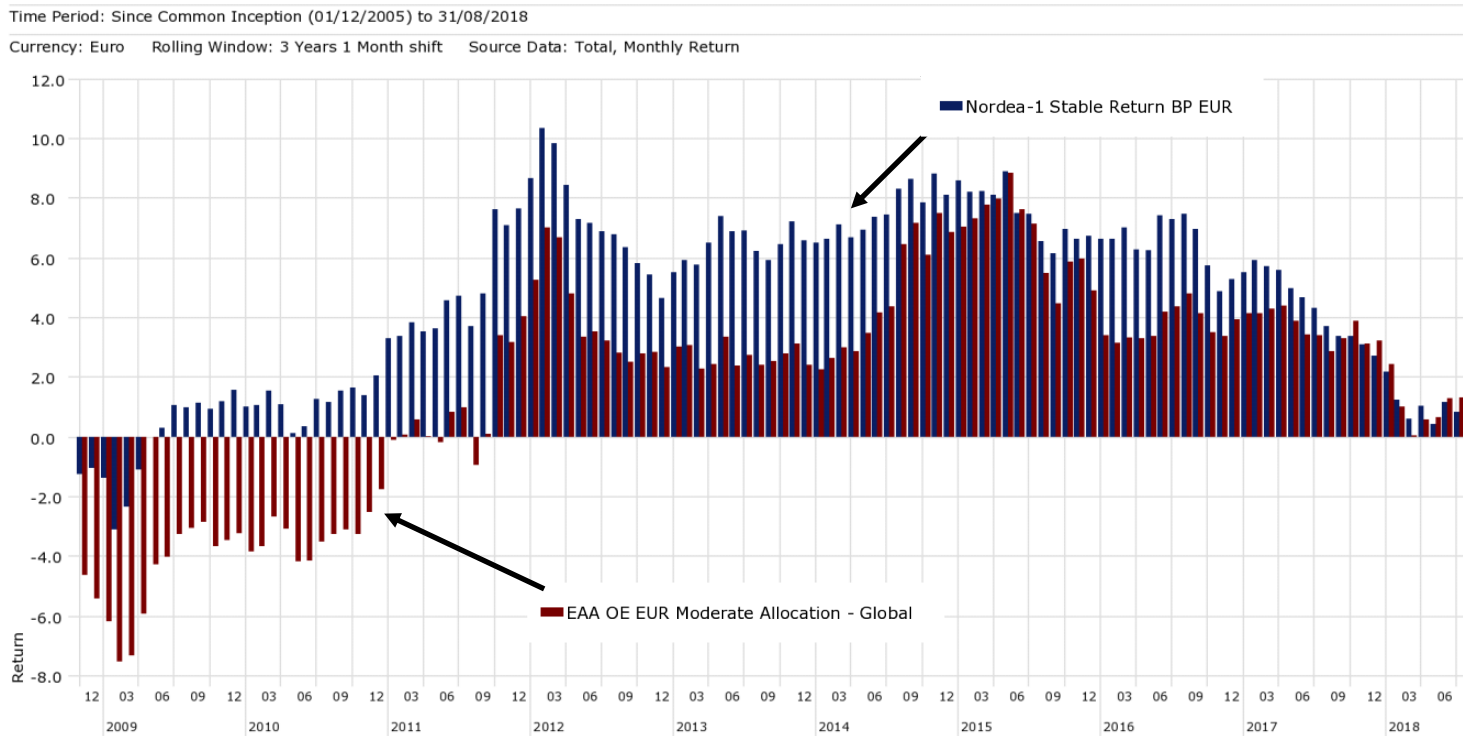
Multi Assets – Process & Products



*Please note that not all MA team members are involved in the management of the sub-fund. Date: 30.06.2018.

A proven and successful investment strategy

3 years rolling performance



Each point of the graph shows the average performance of the Nordea 1 - Stable Return Fund when its investor held the fund for three years. The rolling performance is not necessarily based on calendar years, but is calculated in the following manner: at month-end a NAV is computed and takes into account the past three years, the first time being calculated for the period beginning from fund inception on 01.12.2005 until 30.11.2008. Source: © 2018 Morningstar, Inc. All Rights Reserved as at: 12.09.2018. European Open End Funds database, Morningstar Europe OE EUR Moderate allocation – Global category. Performance in EUR and based on monthly observations. Period under consideration: 01.12.2005 – 31.08.2018. The performance represented is historical; past performance is not a reliable indicator of future results and investors may not recover the full amount invested. The value of shares can greatly fluctuate as a result of the sub-fund's investment policy and cannot be ensured.

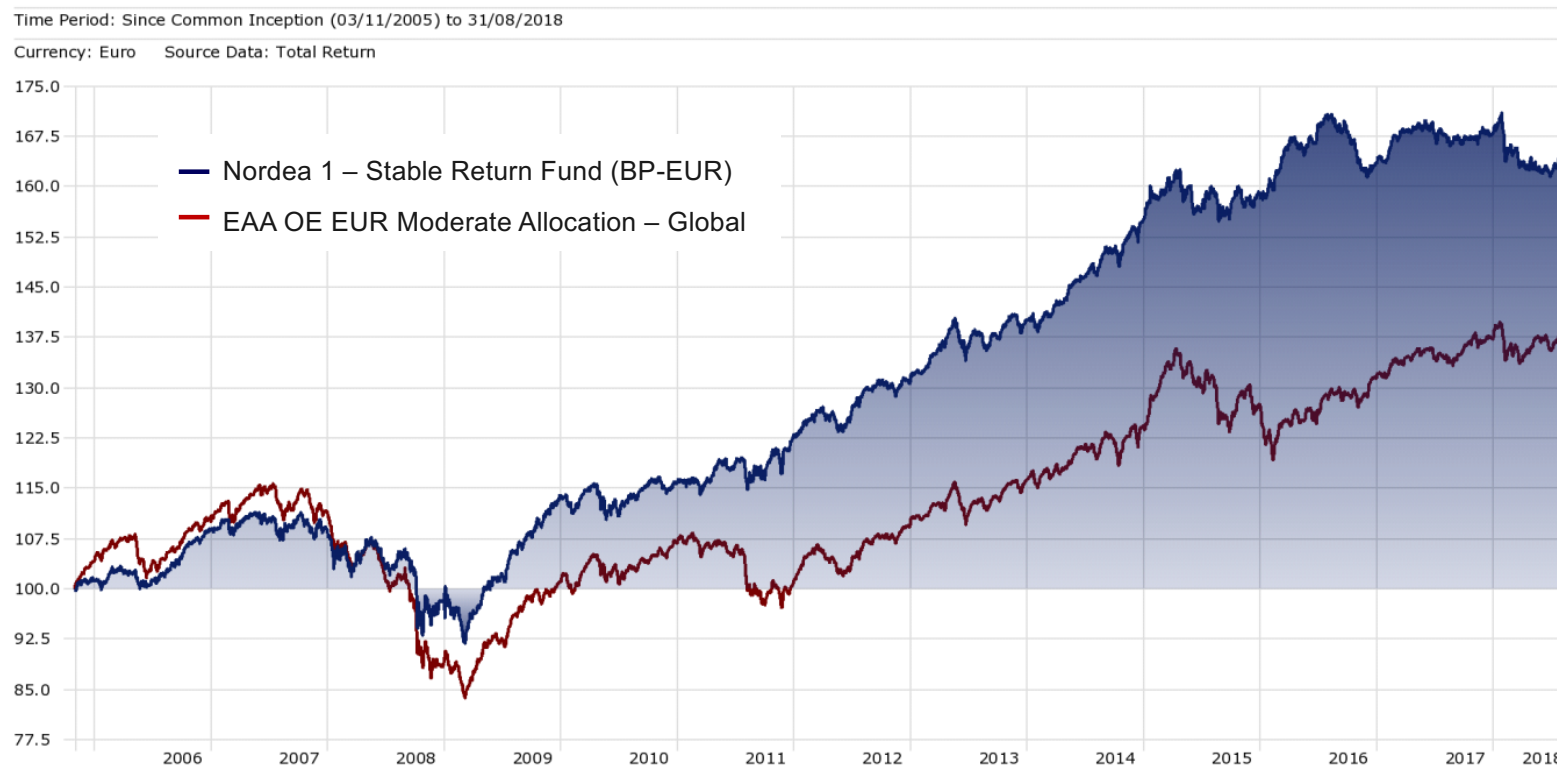
... with a focus on drawdown risk...



Source: © 2018 Morningstar, Inc. All Rights Reserved as at: 12.09.2018. European Open End Funds database, Morningstar EAA OE EUR Moderate allocation - Global category. Performance in EUR and based on daily observations. Period under consideration: 01.09.2013 – 31.08.2018. The performance represented is historical; past performance is not a reliable indicator of future results and investors may not recover the full amount invested. The value of shares can greatly fluctuate as a result of the sub-fund's investment policy and is not guaranteed.

Performance

Nordea 1 – Stable Return Fund (since launch)



Source: © 2018 Morningstar, Inc. All Rights Reserved as at: 12.09.2018. European Open End Funds database, Morningstar EAA OE EUR Moderate allocation - Global category. Period under consideration: 03.11.2005 – 31.08.2018. Performance in EUR and based on daily observations. 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 is not guaranteed.

Investment philosophy

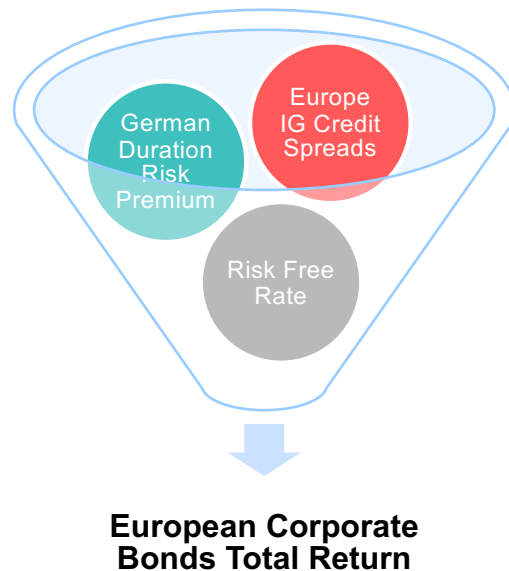


We consider return drivers

Understanding asset class behaviour

Example: European Corporate Bonds

Focus on returns from duration and credit risk rather than total return



- **A return driver** is interpreted as a **risk premium**
- **Definition of a risk premium:** Excess return required for taking a certain risk
- **Risk is easier to identify** when focusing on risk premiums rather than asset classes
- **Correlation analysis is more robust** for risk premiums than for asset classes

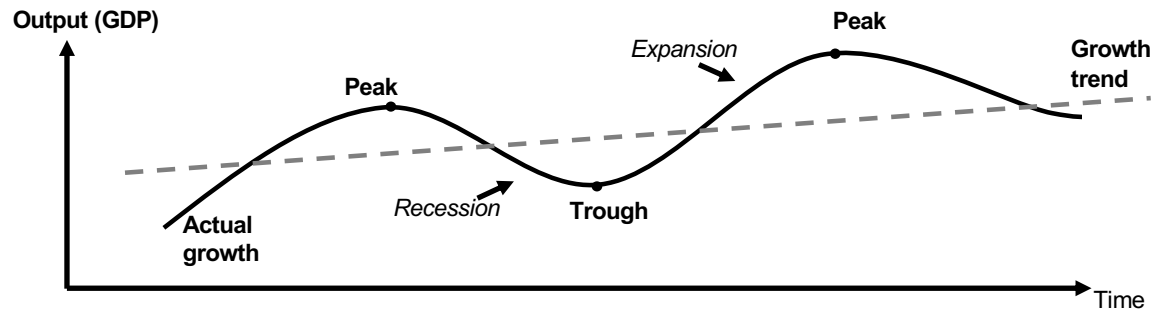
Focus on risk premiums rather than asset classes

Note: For illustrative purposes only.

Risk balancing

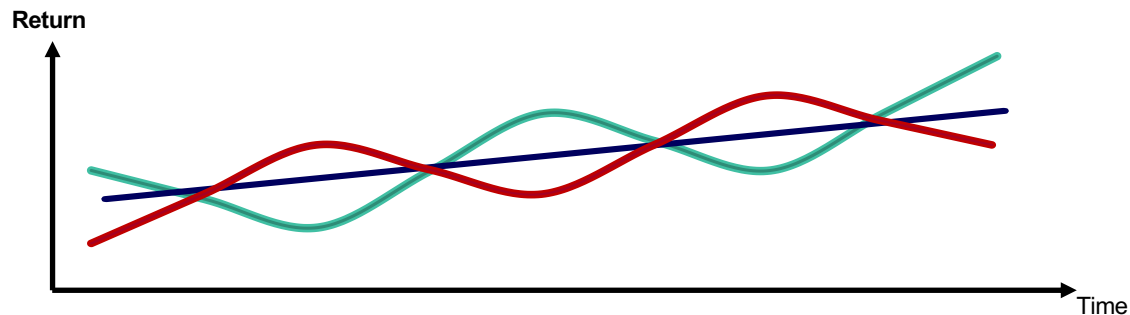
To significantly reduce the overall risk of the portfolio

The Economic Cycle



Illustrative performance

- Return drivers working in periods of recession
- Return drivers working in periods of recovery
- Total performance



No need to make the correct macroeconomic call to achieve a positive total return in all periods of the economic cycle

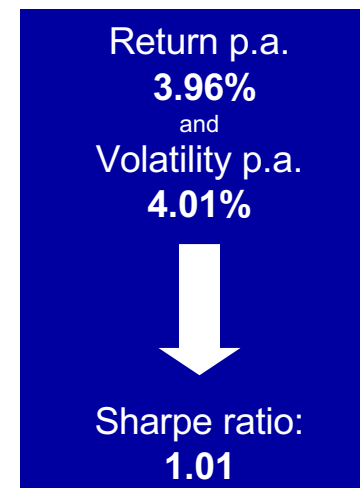
Note: For illustrative purposes only.

Key takeaways



Stability. Always

- Ability to generate **stable** return with **capital preservation**
- **Robust risk management** based on **risk budgeting**
- An **all-weather fund** which brings **peace of mind**
- A **core holding** in a client's portfolio



Visit our microsite!

www.nordea.lu/StabilityAlways

Source: © 2018 Morningstar, Inc. All Rights Reserved as at: 12.09.2018. European Open End Funds database, Morningstar EAA OE EUR Moderate allocation - Global category. Period under consideration: 01.04.2013 – 31.08.2018. Performance of the Nordea 1 - Stable Return Fund (BP) in EUR, based on monthly observations. **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 is not guaranteed.**

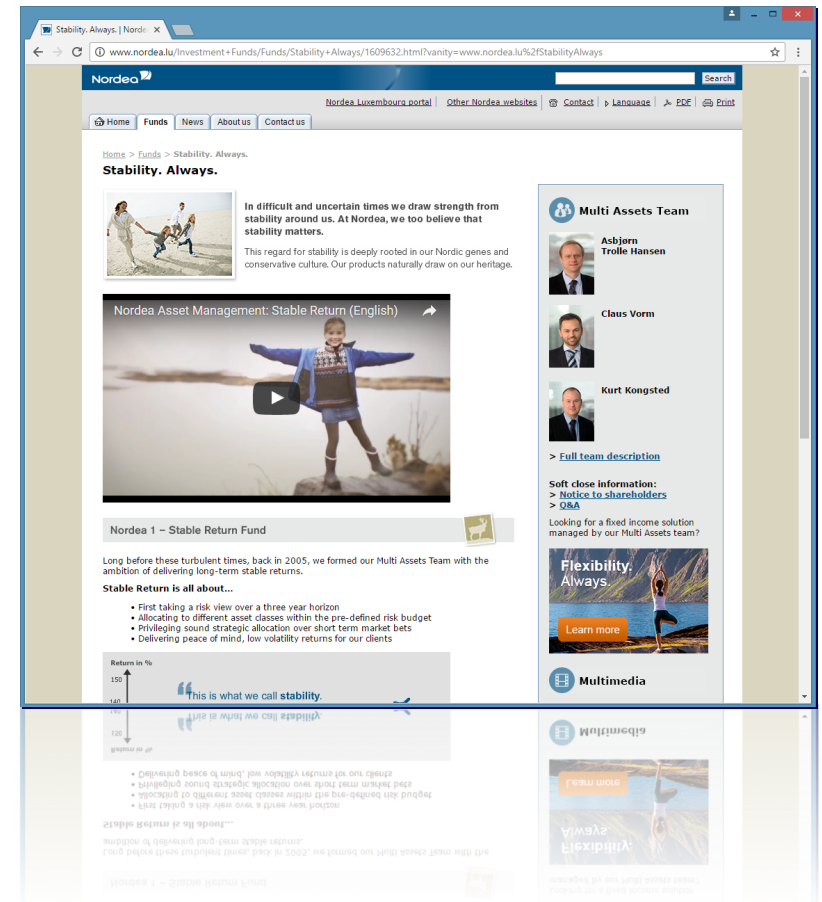
Microsite

Nordea 1 – Stable Return Fund

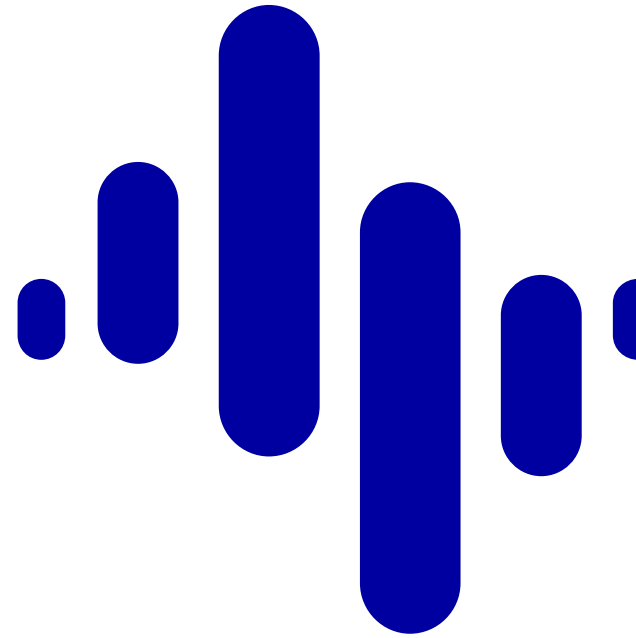
Visit our dedicated microsite, where you can find a large amount of information on this product and get a deeper insight

www.nordea.ch/Stability.Always

www.nordea.ch/Stabilitaet.Immer

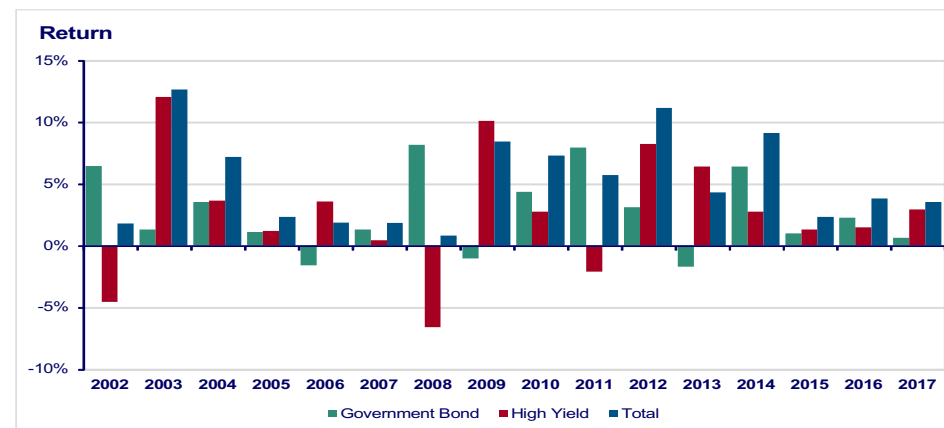
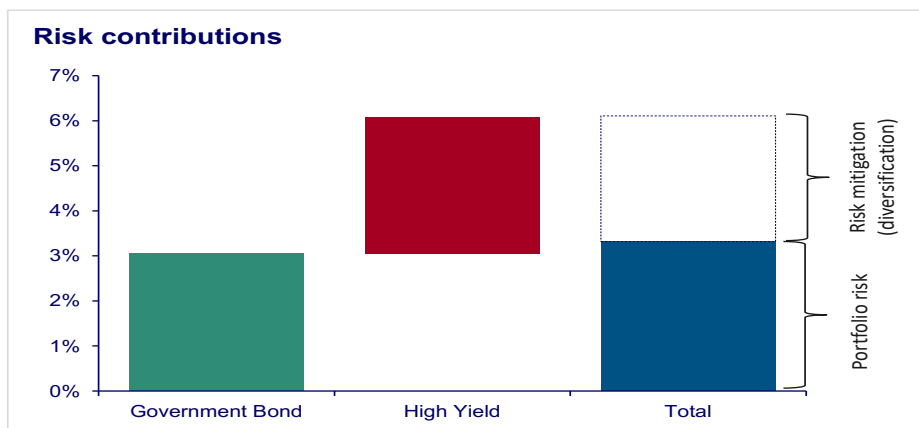


Appendix



Anlagephilosophie

Beispiel für Risikobalancierung: Einfach strukturiertes Portfolio aus Credits und Staatsanleihen

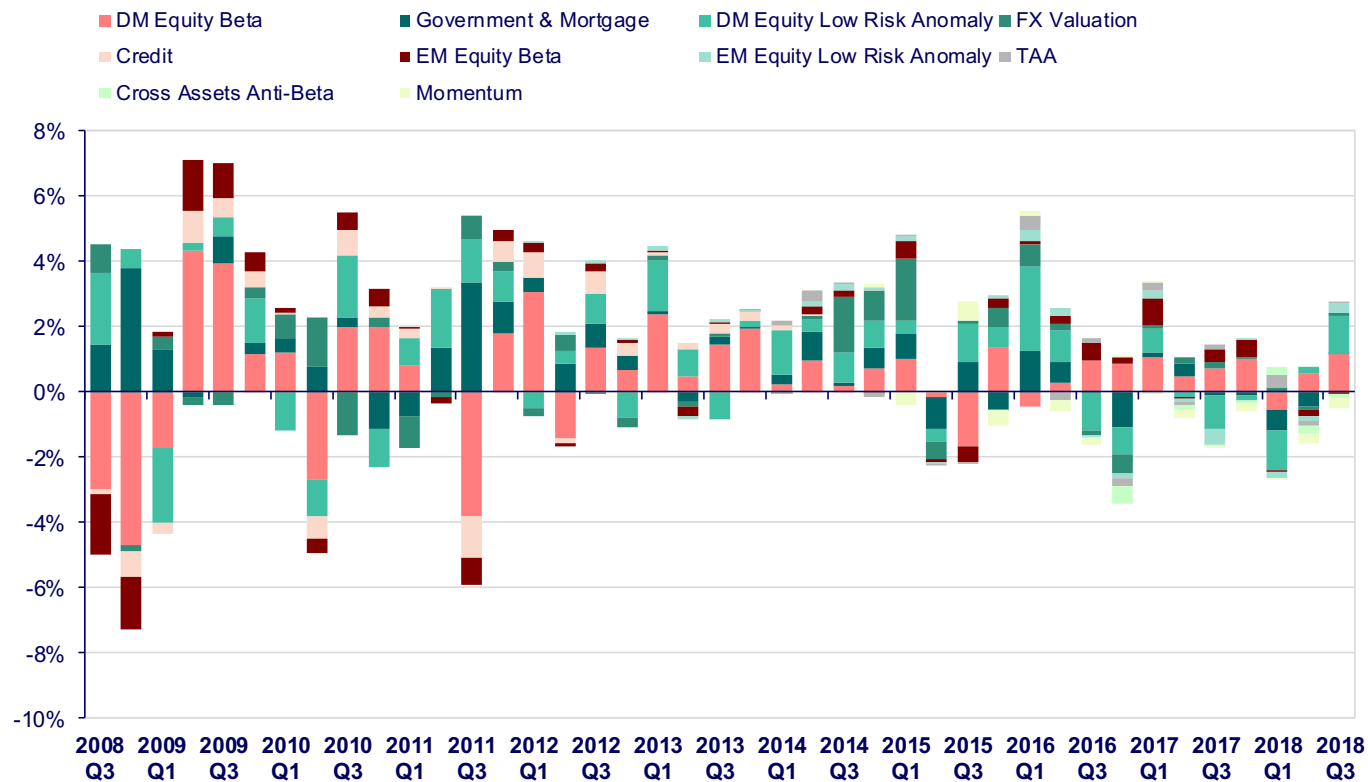


Struktur der Risikobalancierung (bei gleichgewichteter Volatilität)

- Risikoarmer Vermögenswert:**
Zwei Drittel-Anteil in mit AAA eingestuftten deutschen Bundesanleihen mit 10-jähriger Duration
- Riskanter Vermögenswert:**
Ein Drittel-Anteil in Hochzinsanleihen

Quelle: Nordea Investment Management AB. Beobachtungszeitraum: 01.01.2002 – 31.12.2017. Die Wertentwicklung in der Vergangenheit liefert keinen Hinweis auf zukünftige Erträge. Deshalb erhalten Anleger möglicherweise nicht den vollen Anlagebetrag zurück. Berechnungsgrundlage: Erträge von Hochzinsanleihen basieren auf denen des iTraxx European Cross Over-Index, Erträge von Staatsanleihen auf denen des German Bund Futures-Index.

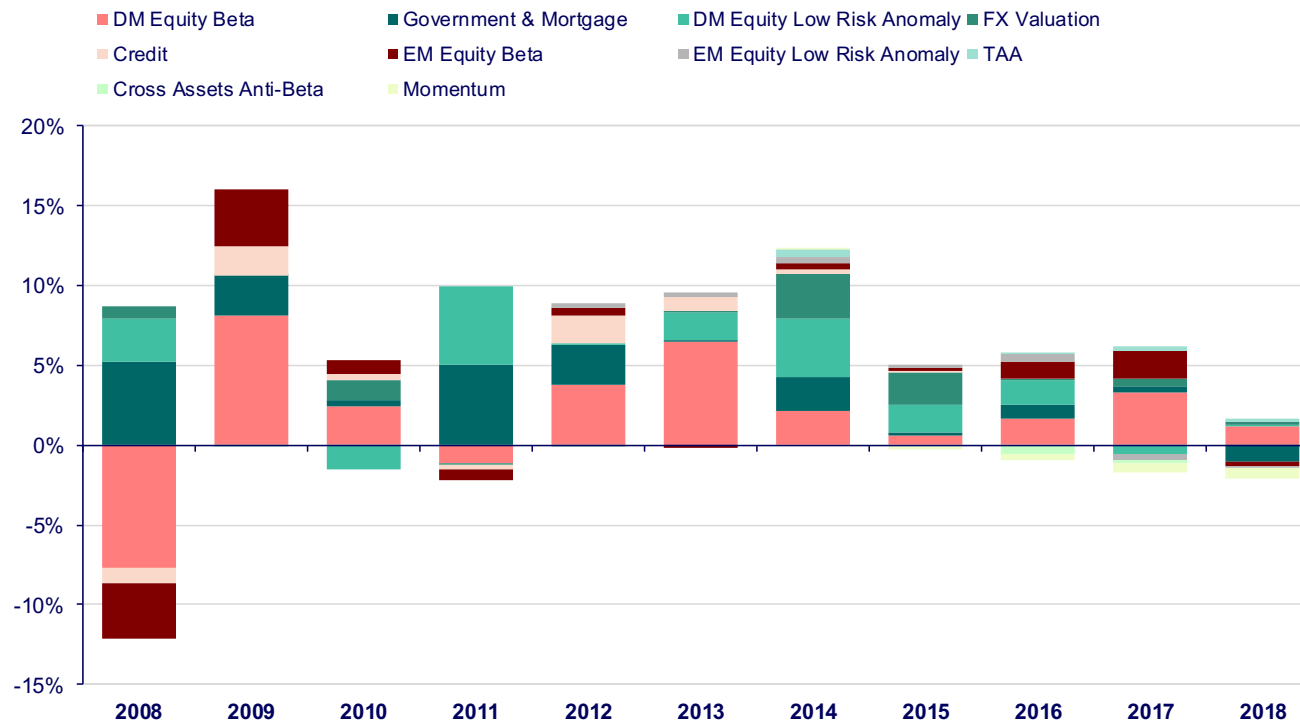
Historical contribution – Quarterly



Source: Nordea Investment Management AB. Performance contributions based on the Nordea Stable Return Diversified Growth 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.**

Period under consideration: 30.06.2008 - 31.08.2018.

Historical contribution – Yearly

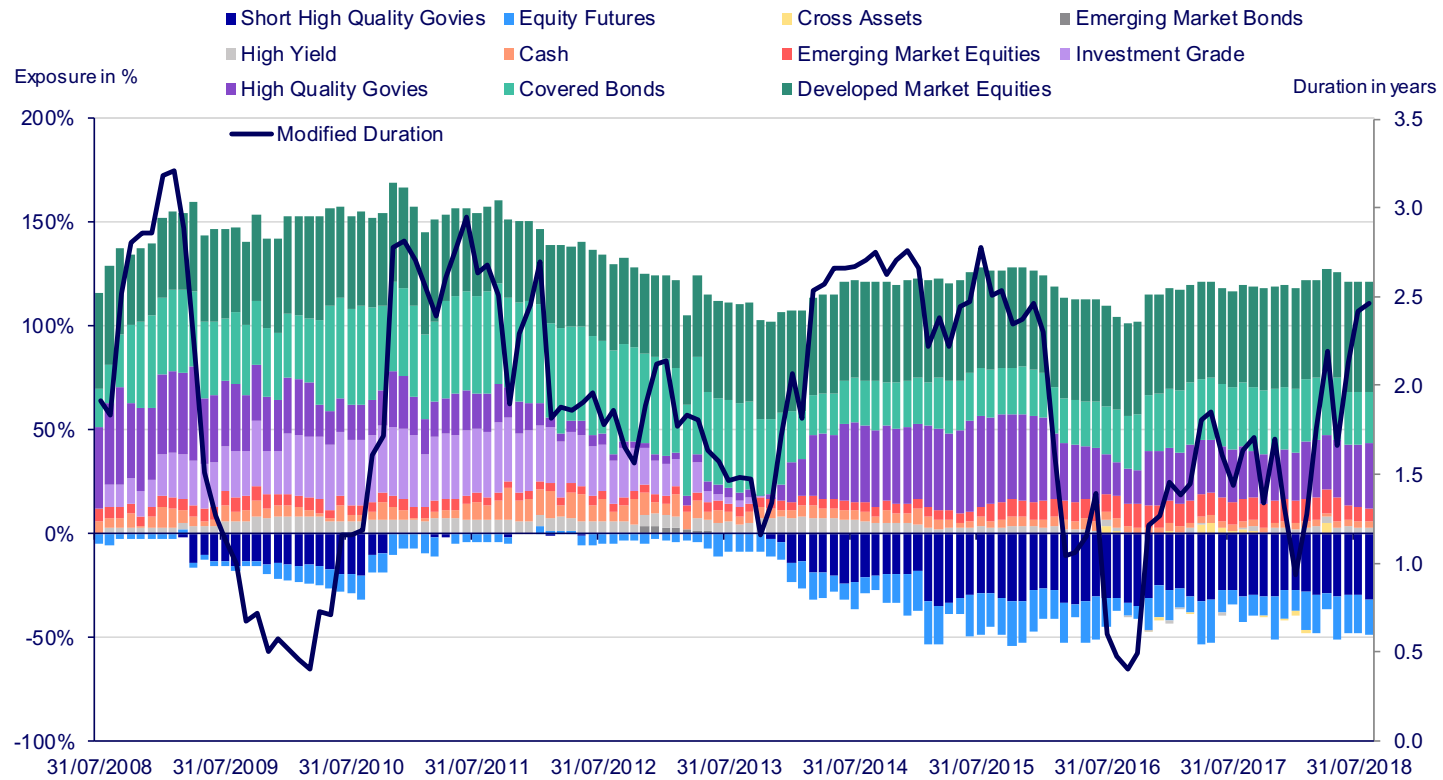


Kindly note that 2008 performance contributions are running from 31.07.2008 - 31.12.2008. Current year performance contributions are on a Year to Date basis.

Source: Nordea Investment Management AB. Performance contributions based on the Nordea Stable Return Diversified Growth 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.**

Period under consideration: 30.06.2008 - 31.08.2018.

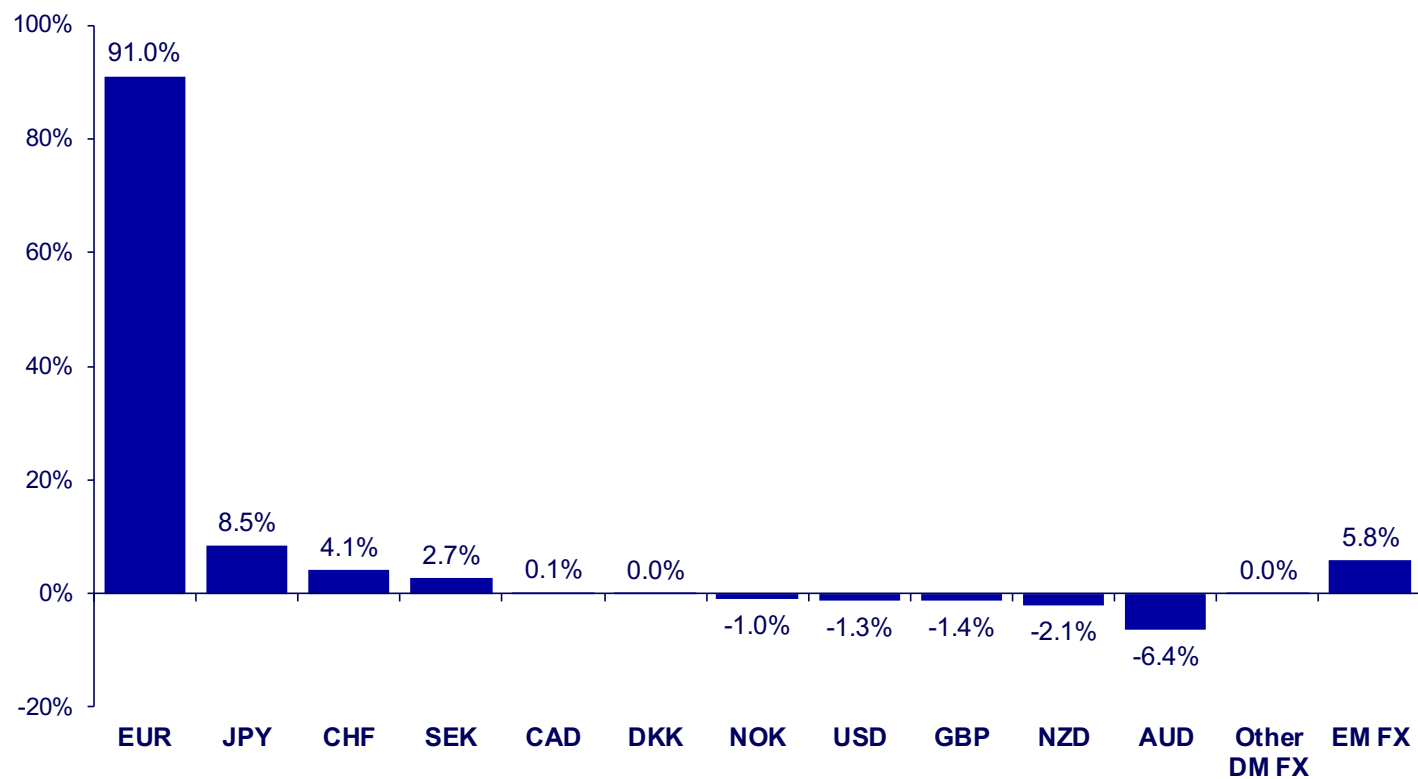
Historical gross asset allocation exposure



Note: Illustrative example based on the Stable Return – Diversified Growth Strategy.
 Source: Nordea Investment Management AB. Period under consideration: 31.07.2008 - 31.08.2018.

Currency positioning

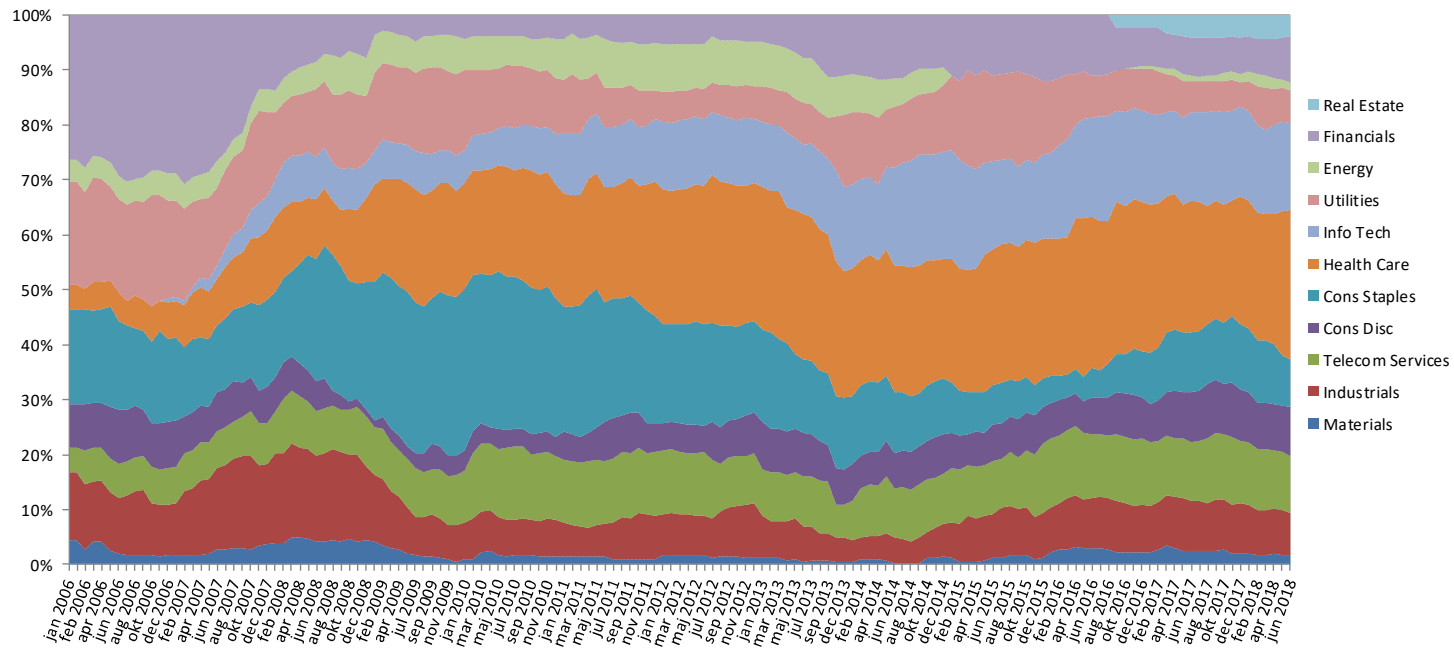
Exposure as of August 31, 2018



Source: Nordea Investment Management AB. Date: 31.08.2018. Note: Illustrative example based on the Stable Return – Diversified Growth Strategy, hence there might be some minor deviations relative to the sub-fund.

Historic sector allocation

Global Stable/Low Risk Equities

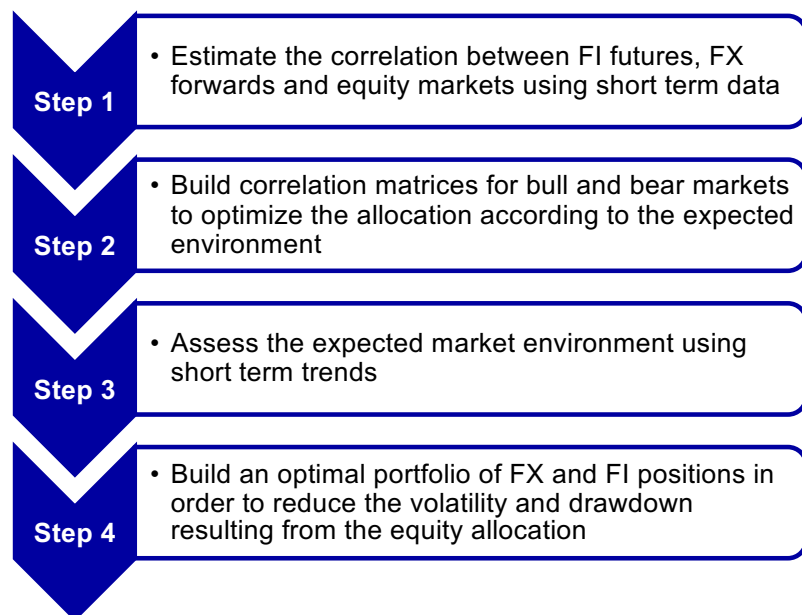


Sources: Style Research and Nordea Investment Management AB. Date: 30.06.2018.

Cross Assets Anti-Beta strategy

Strategy description

- Overall the objective is to utilize tactical positions in FX forwards and FI futures to minimize the drawdown and volatility of equity investments
- The strategy follows a 4 step procedure:



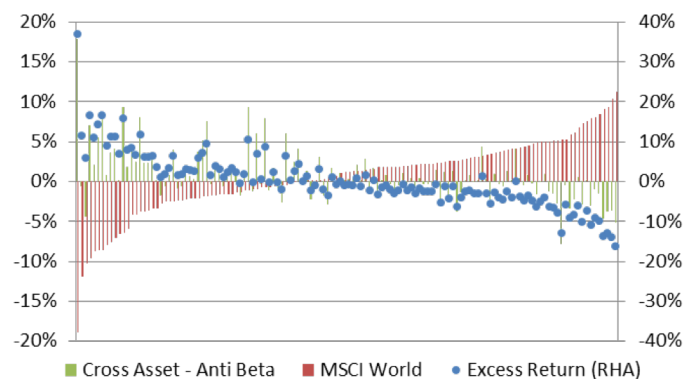
Back test

Historical performance in back test

- Volatility: 11.2%
- Correlation to equities: -0.6
- Sharpe Ratio: 0.4

MSCI World vs Cross Asset – Anti Beta strategy

(Performance sorted MSCI World behavior)



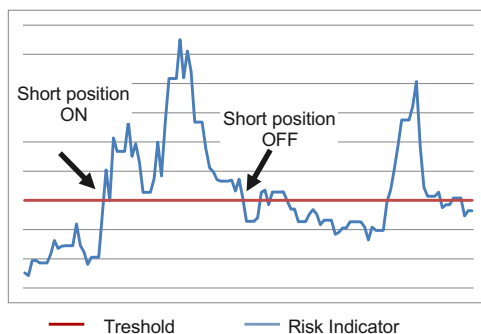
	Monthly Periods	Avg Strategy Perf	Avg MSCI World Perf	Excess Return
Bull markets	75	-0.50%	3.49%	-3.99%
Bear markets	55	2.42%	-3.51%	5.93%

Source: Nordea Investment Management AB. Date: 30.09.2005 - 30.06.2016. For illustrative purposes only. The performance represented is historical; past performance is not a reliable indicator of future results and investors may not recover the full amount invested.

Momentum strategy

Strategy description

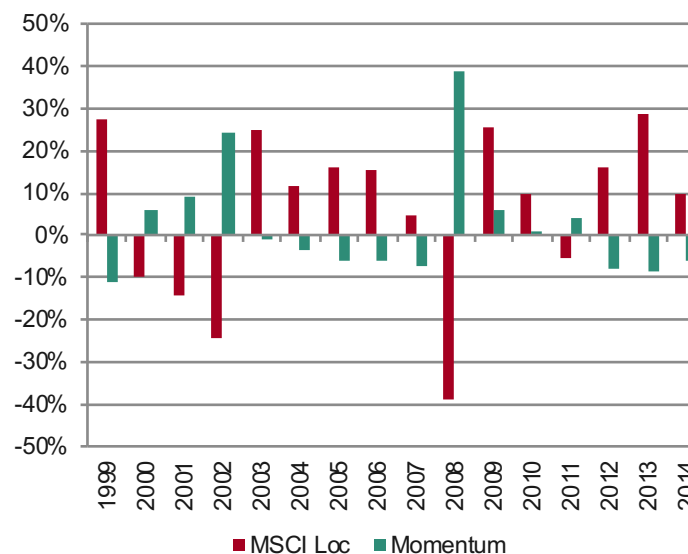
- Overall the momentum strategy takes short positions in the equity market whenever the market sentiment is weak.
- The market sentiment is predicted by a **Risk Indicator** that is based on the following
 - Risk in equity markets
 - Risk in credit markets
 - Risk in FX markets
 - Risk in commodity markets
- When the Risk Indicator exceeds a specific threshold a short position in a future basket tracking MSCI World is implemented



Back test

Historical performance in back test

- Volatility: 9.8%
- Correlation to equities: -0.8
- Information Ratio: 0.2

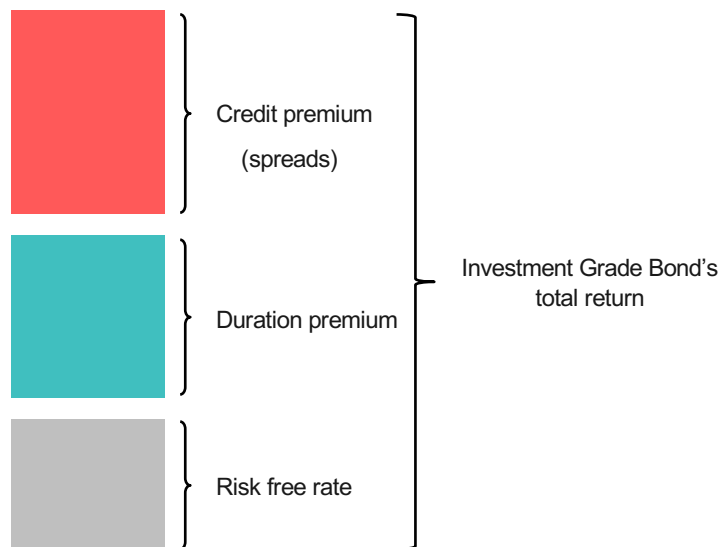


Source : Nordea Investment Management AB.. Date : 31.12.2014. For illustrative purposes only. The performance represented is historical; past performance is not a reliable indicator of future results and investors may not recover the full amount invested.

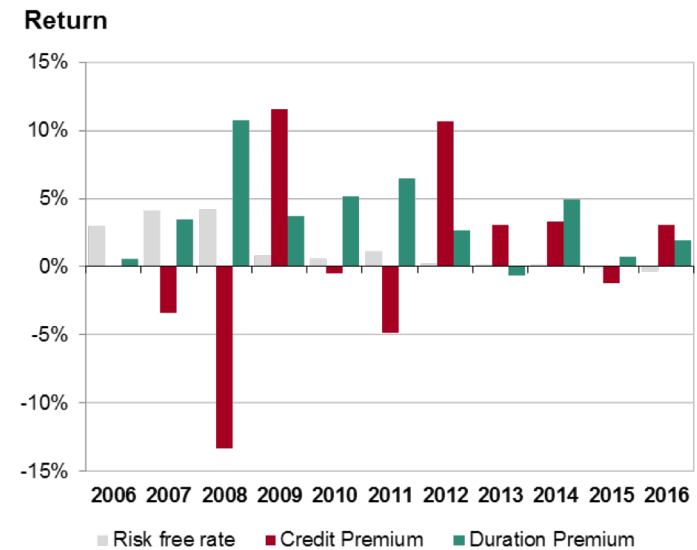
The strategy limits drawdown on equities significantly without limiting the upside too much

1. Finding return drivers in credit bonds

Focus on returns from duration and credit rather than total return



The individual returns perform differently and can be used to obtain true diversification



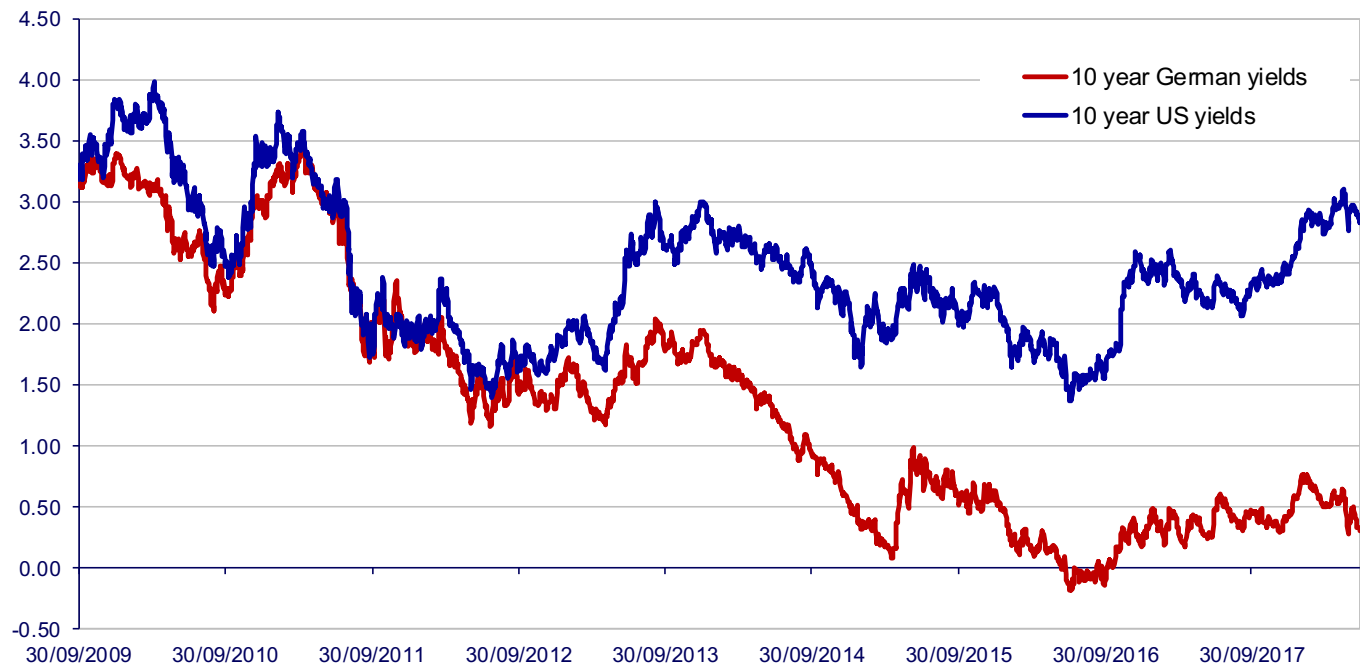
Sources: Nordea Investment Management AB. *Period under consideration: 01.01.2006 – 31.12.2016. **The performance represented is historical; past performance is not a reliable indicator of future results and investors may not recover the full amount invested.** Data for calculation: Credit premiums are based on Barclays Capital Euro Agg Corp, Duration premium is based on German bunds Index returns (3-5y) and the risk free rate is Euribor 3 months.

1. US vs. German duration

US yield curve pricing in more “normalized” yields



Key Government Bond Yields (in %)



Source: Thomson Reuters Datastream. Period under consideration: 30.09.2009 - 30.06.2018.

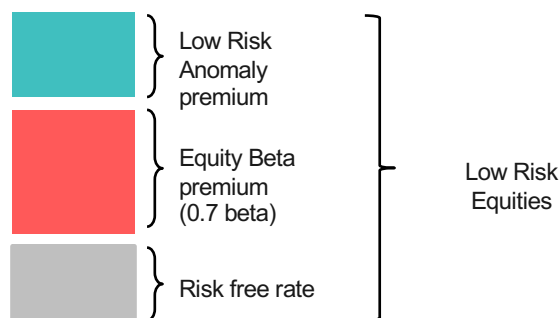
US treasuries more fairly priced than Europe: more attractive duration risk premium

2. Finding return drivers in low risk equities

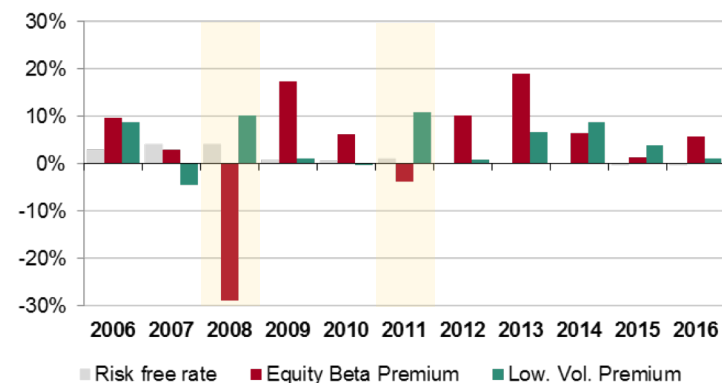
Exploiting the low risk anomaly premium

Theory

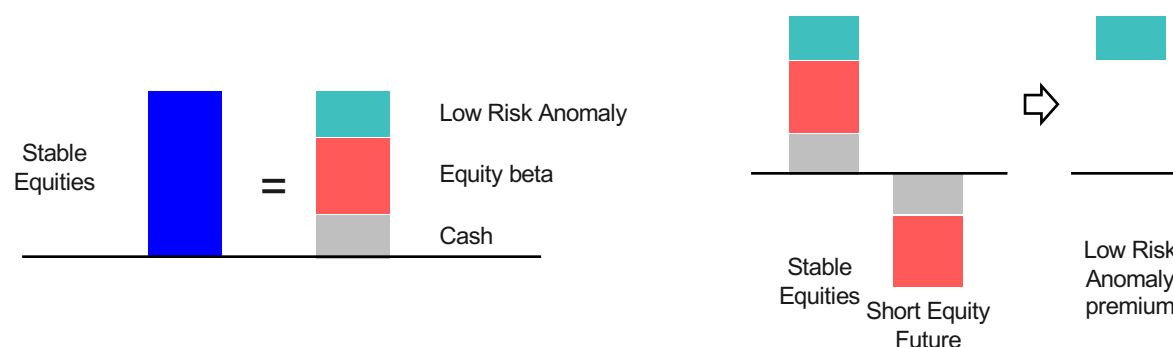
Focus on return from equity beta and low risk anomaly rather than low risk equities



Individual returns perform differently and can be used to obtain true diversification



Example: How to get exposure to low risk anomaly premium



Sources: Nordea Investment Management AB. The performance for this composite represents all portfolios managed as Global Stable Equities. *Period under consideration: 01.01.2006 – 31.12.2016. 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. Global Stable/Low Risk Equities

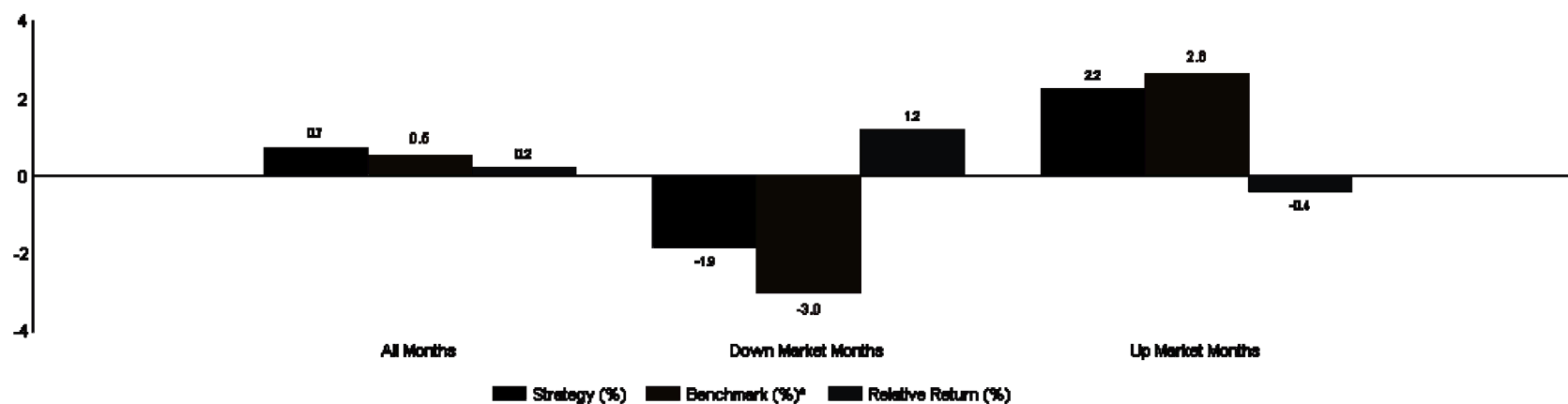
Performance in up and down markets

Practice

As of July 31st, 2018. Currency EUR

	Count of Months	Strategy (%)	Benchmark (%)*	Relative Return (%)	Beta
All Months	151	0.73	0.53	0.19	0.71
Down Market Months	55	-1.85	-3.04	1.18	
Up Market Months	96	2.24	2.64	-0.40	

*MSCI World (NDR)

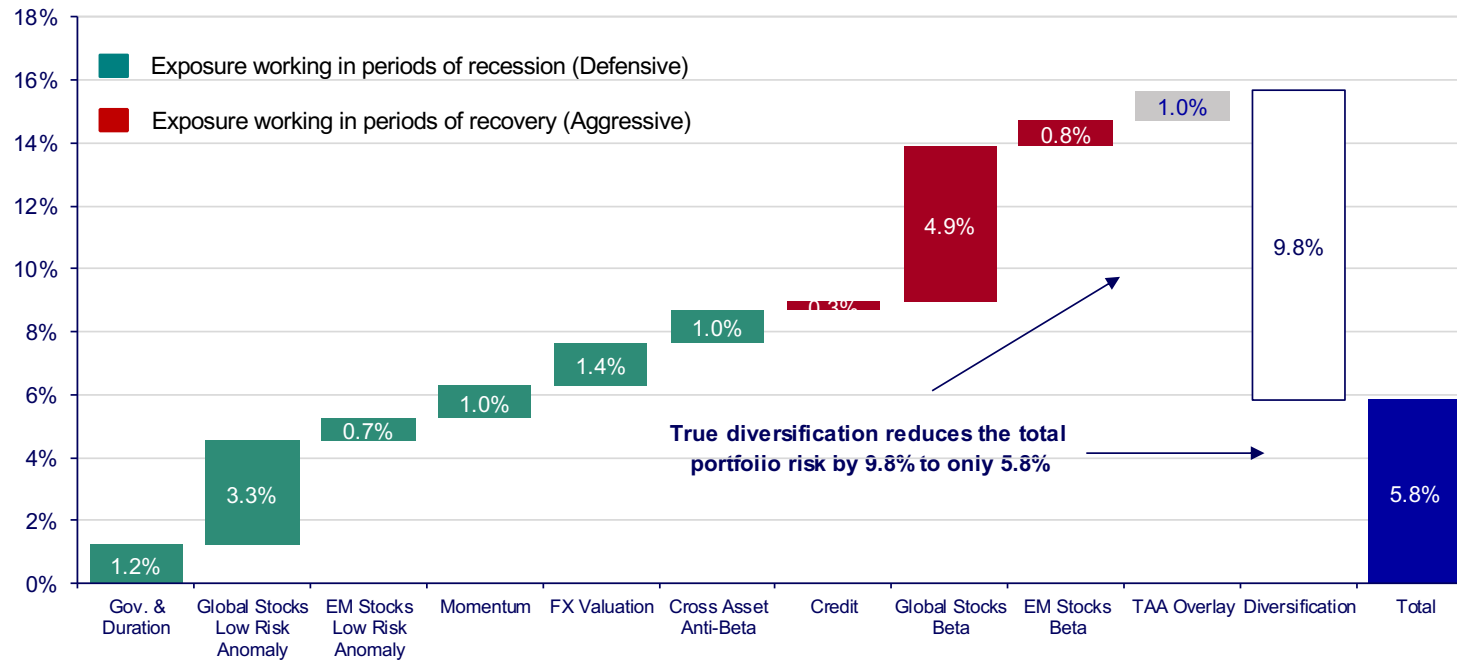


Source: Nordea Investment Management. AB The performance for this composite represents all portfolios managed according to the Global Stable Equity strategy, expressed in EUR, gross of fees. Period under consideration: 31.12.2005 – 31.07.2018. The performance represented is historical; past performance is not a reliable indicator of future results and investors may not recover the full amount invested. The Global Stable Equities Strategy does not have any official reference index. However, for comparison purposes, we are showing the MSCI World – NDR Index performance which is one of the possible benchmarks for a Global Equity portfolio.

Distribution of risk budget

The power of true diversification

Total risk and the individual return drivers' contribution to risk



Note: For illustrative purposes. Sources: Bloomberg and Nordea Investment Management AB. Date: 31.08.2018.

Overall portfolio risk is significantly reduced thanks to truly diversifying return drivers

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The updated list of distribution agents in Italy, grouped by homogenous category, is available from the distributors themselves, at State Street Bank International GmbH – Succursale Italia, branches (located in the main towns of each region), BNP Paribas Securities Services - Succursale di Milano, Banca Sella Holding S.p.A, Banca Monte dei Paschi di Siena S.p.A., Allfunds Bank S.A. Succursale di Milano, Société Générale Securities Services S.p.A. 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. 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Source (unless otherwise stated): Nordea Investment Funds S.A. Period under consideration (unless otherwise stated): 02.11.2005– 31.08.2018. 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 (31.08.2018). 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. Unless otherwise stated, all views expressed are those of Nordea Investment Funds S.A. 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