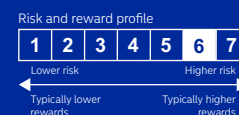




Fund Portrait



Nordea 1 – European Stars Equity Fund

ISIN: LU1706106447 (BP-EUR) / LU1706108732 (BI-EUR)

Highlights

- A European Equities solution where ESG investing meets performance. Leveraging the proven track record of our ESG STARS equity strategies¹
- High conviction portfolio with a long-term fundamental bottom-up approach
- A true ESG-investing solution where our dedicated Responsible Investment team conducts detailed ESG research and aims at engaging actively on all portfolio companies
- Identifies companies with high expectation gaps and combines them in a portfolio with no structural/significant style biases



Asset Management at Nordea

As an active investment manager, Nordea Asset Management 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 which combines the expertise of specialized internal resources with exclusive external competences with the aim to deliver alpha over time for the benefit of our clients².

Investment Management Team

The fund, launched in November 2017, the Nordea 1 – European Stars Equity Fund (EUSEF) is internally managed by René Petersen (Lead Portfolio Manager) and Frederik Weber, CFA (Co-Portfolio Manager). Both portfolio managers are part of Nordea's Fundamental Equities Team (FET). The FET consists of around 30 investment professionals, mainly focusing on sustainability themed strategies, where they apply a fundamental bottom-up investment process in order to identify and analyse mispriced companies relative to their ability to generate future cash flows.

The investment team cooperates with Nordea's Responsible Investment (RI) team which provides company specific and general research regarding Environmental, Social and Governance risks and opportunities. Formed in 2009, the RI Team is

one of the largest and most experienced teams in Europe. It encompasses around 20 analysts working hand in hand with the portfolio managers. This creates synergies by actively integrating ESG research throughout every step of the investment process, from the idea generation stage to the engagement with the company. We believe this set-up of combining a full ESG integration with fundamental analysis is key when it comes to delivering alpha.

Introduction to the ESG STARS concept

Nordea's ESG STARS funds proactively select high-quality companies with the objective to identify tomorrow's winners, which, we believe, have sustainable business models and conduct their businesses responsibly in relation to their stakeholders – employees, suppliers, customers, investors and society at large. The FET works closely with the RI team in order to deliver a solution able to:

- **Outperform the benchmark:** actively managing a concentrated high conviction portfolio²
- **Meet Nordea's ESG standards:** systematically analysing each stock to ensure the fund invests only in businesses which meet our ESG standards. We invest in companies that are either leaders in terms of their ESG profile or alternatively in those with a rising ESG potential, thus avoiding the laggards

1) 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. 2) There can be no guarantee that this strategy and process will produce the intended results and no guarantee that the strategy will achieve its investment objective. The value of your investment can go up and down, and you could lose some or all of your invested money.

- **Active ownership:** proactively engaging with companies and encouraging them to improve on material ESG issues as well as exercising our voting rights

Investment Strategy

The EUSEF objective is to consistently outperform the European equity market by 250 bps p.a. over an investment cycle, while significantly outperforming the benchmark³ on relevant ESG measures⁴. We aim to have an ex-ante tracking error normally ranging between 3% and 5%⁴, vis-à-vis the fund's official benchmark (MSCI Europe – Net Return Index).

The investment universe consists of approximately 500 companies and is based on listed European equity securities with sufficient liquidity (typically at least USD 1–3 billion market capitalisation). The fund has a significantly high hurdle for inclusion, as a stock has to pass our internal ESG scoring process to be allowed into the portfolio. Our research process does not identify whether the stock is in the benchmark, but we monitor off benchmark positions at the portfolio level.

This high conviction and style agnostic European equity solution, follows a bottom-up approach and invests in 35 to 45 companies and focuses on fundamental analysis.



Fundamental analysis

The DNA of the investment process has been in place and has not changed since the inception of the fund on 14.11.2017. The process entails a unique fully integrated strategic financial assessment with ESG analysis to identify attractive long-term investment opportunities through a qualitative selection and due diligence process. This is what we call an **Expectations Gap**, or the **difference between our expectations and the market valuation**.

Some of these attractive Expectations Gap cases steam from structural on-going trends or investment clusters that we see as sources of attractive mispriced opportunities within our idea generation process:

- **European Electrification:** given Europe's structural bias towards Value stocks, we believe companies involved in the electrification value-chain can give us a diversified exposure to other factors, such as growth & momentum, and also increase the positive environmental impact of the portfolio
- **"Glocal Leaders":** high quality companies with fantastic positioning within their global individual niches, that can only be found in Europe. They tend to correlate with higher social responsibility standards, due to their local heritage and footprint
- **De-Conglomeration:** companies that trade below the sum of their different businesses, due to governance issues or lack of strategic and financial focus. Thanks to our enhanced engagement approach we are able to find quality within a market segment which is mostly seen as a source of value stocks only

These are all encompassed into our unique "European Stars 3 x 3 Key Approach", which ensures process discipline and reduce any structural style bias. When an idea is identified we make a thorough fundamental analysis valuation backed with extensive documentation on the investment case. In the strategic assessment we evaluate and score the company's business fundamentals, financial performance and corporate culture and combine it with an analysis of their ESG opportunities and risks.

The analysis is translated into a combined strategic assessment of the company and is captured in a "fade-rate" which reflects the assessed long-term ROIC of a given company in our detailed proprietary DCF-valuation model. We are thus capable of quantifying the long term valuation impact arising from our strategic and ESG analysis.

Importantly, we believe the majority of **active risk for the fund should come from stock selection** as opposed to sector allocation or investment style. We however tolerate some deviations from the benchmark because of stock selection or even long-term views on relative value creation. We look for an appropriate level of active risk as we aim for a tracking error of 3%–5% and an active share above 80%⁴.

ESG research

As an integrated component to the investment process of all our ESG STARS products, a thorough in-house ESG analysis is performed by our independent and seasoned RI team. The team uses multiple sources of information in their proprietary analysis (the most important being the companies themselves) where we aim that each ESG-analysis is achieved through a face-to-face conference with the relevant representatives.

3) Benchmark: MSCI Europe – Net Return Index. 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.

All companies considered for investment are analysed by our RI team. The analysis is performed “bottom-up” and focuses on how the company operates with stakeholders, particularly on potential conflict areas. For each sector we have identified their material ESG issues, which are included in our evaluation. These inputs are used to form our own company view, meaning that we are not bound by any external ESG rating. Moreover, when assessing a company’s ESG risk profile we also focus on specific themes utilising the UN Sustainable Development Goals (SDGs).

Additionally, our ESG research is systematically impacting the valuation model. In the DCF framework, companies with strong ESG profiles tend to generate superior excess returns above their cost of invested capital. Other things being equal, this results in a greater fair value estimate for strong ESG performers.

Engagement & Impact Management

Being a key part of the investment process, Engagement means having a constructive dialogue with the companies we invest in or that we are considering for investment. Such dialogue enables us to understand how a company is thinking about and addressing ESG risks or opportunities that are relevant for its business. The portfolio managers and RI Team together build an engagement roadmap, where they identify the most relevant and material ESG topics for each company. Engagement can take various forms, from conference calls to face-to-face meetings, field visits and even active ownership & voting. While the RI Team typically takes the lead in engagement activities, our portfolio managers often participate as well. We hold upwards of 150 meetings a year. We see engagement as a way to preserve and enhance long-term shareholder value, as well as a great opportunity to create a positive impact for the broader society.

Adhering to Nordea’s Responsible Investment policy, we do not invest in companies involved in the production of illegal or nuclear weapons, including cluster munitions and anti-personnel mines. Moreover, we exclude some companies with exposure to coal mining, oil sands, oil and gas extraction through arctic drilling and Tobacco. The ESG STARS strategies are also subject to a number of formal exclusion criteria and adhere to our PAFF (Paris-Aligned Fossil Fuel Policy). Exclusions will however rarely be triggered as companies subject to exclusion would typically not be selected as potentially investible in the first place. Nonetheless, it is worth noting that the ESG STARS concept aims for positive selection with the objective to influence companies to improve their ESG profiles, that’s why excluding a company from our portfolios is always the last resort for us.

Engagement takes a new dimension with our ESG STARS products. It does not only consist of the traditional forms of engagement, like the exercise of voting rights or entering into a dialogue to encourage companies to improve their management systems, their ESG performance or their reporting. When assessing a company’s ESG risk profile, the RI team pays attention to specific themes utilising the UN Sustainable Development Goals.

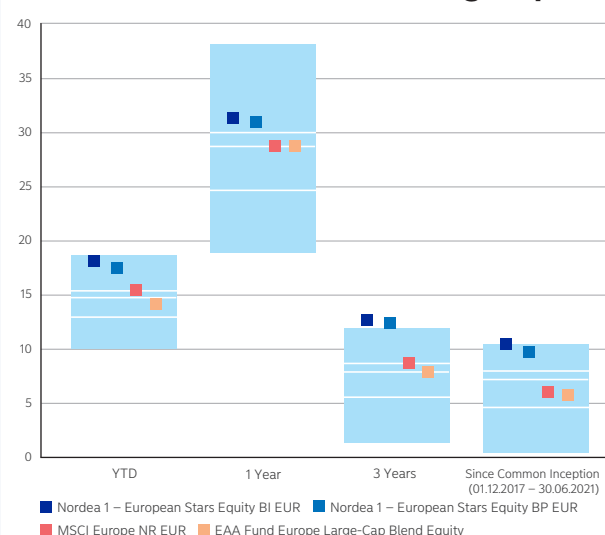
We distinguish between two types of engagement:

- **Risk Engagement:** if a company is not managing its material ESG risks well, the RI team engages with the company on the issue. The ESG risks can be company specific or stem from the country in which the company operates or its industry. Violations of international norms and conventions are also addressed under these Risk Engagements
- **SDGs Engagement:** We believe the UN Sustainable Development Goals (SDGs) form a useful framework for us to understand a company’s strategy in the context of global ESG themes. While companies’ exposure to SDGs varies greatly, these exposures can be both a source of opportunity and risk, and hence a valuable area for engagement

Delivering shareholder value

The fund has delivered strong alpha, relative to its benchmark, the MSCI Europe Index NR, since it was launched in November 2017⁵. Furthermore, according to Morningstar, when compared to the other Europe Large-Cap Blend Equity category funds in the EAA, the EUSEF ranks within the top quartile in terms of absolute performance across different periods⁶.

Performance Relative to Peer group



5) Note: BI-EUR share class. Source: Nordea Investment Funds S.A. Period under consideration: 14.11.2017–30.06.2021. 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 30.06.2021. 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. 6) Source – © 2021 Morningstar, Inc. All Rights Reserved as of 27.07.2021, EAA Fund Europe Large-Cap Blend Equity. Performance in EUR. Period under consideration: 14.11.2017–30.06.2021. 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.

Nordea 1 – European Stars Equity Fund	
Fund manager	Nordea Investment Management AB – Fundamental Equities Team
Fund domicile	Luxembourg
ISIN codes*	LU1706106447 (BP-EUR) LU1706108732 (BI-EUR)
Annual management fees	1.50% (EUR) 0.75% (EUR)
Base currency	EUR
Reference index	MSCI Europe – Net Return Index
Launch date	14.11.2017

Risks

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

To find out more, visit our local microsite:

nordea.lu/STARS
nordea.ch/STARS
nordea.co.uk/STARS



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