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Nordea ASSET MANAGEMENT

Fund Portrait

Risk and reward profile

1	2	3	**4**	5	6	7

Lower risk — Higher risk
Typically lower rewards — Typically higher rewards

Nordea 1 – Flexible Fixed Income Plus Fund

LU2281724992 (BP-EUR) / LU2281724729 (BI-EUR)

Highlights

- A **global, flexible and unconstrained** fixed income solution to deal with the low yield environment
- Diversified and flexible exposure across the fixed income universe to generate positive returns over time
- **Objectives:** Cash +3 – 4% p.a. (gross of fees) over a full investment cycle with target volatility 4 – 10%[1]

Our approach to asset management

As an active investment manager, Nordea manages asset classes across the full investment spectrum and aims to serve its clients in every market condition. Our success is based on a sustainable approach that delivers alpha in a consistent way for the benefit of our clients.[1] Furthermore, we have put a lot of emphasis on creating outcome oriented, rather than benchmark driven, investment solutions designed to meet clients' risk appetite and needs. Nordea's Multi Assets Team – with more than 15 years of experience and more than EUR 100bn[2] managed across various asset classes – has built on the success of our other flexible fixed income strategies to launch the Nordea 1 – Flexible Fixed Income Plus Fund (FFIF+) in January 2021. This product is designed to deliver attractive returns in different environments, using proprietary strategies and flexibility to be less dependent on the overall yields and spreads level.[1]

Fixed income investing does not mean low returns

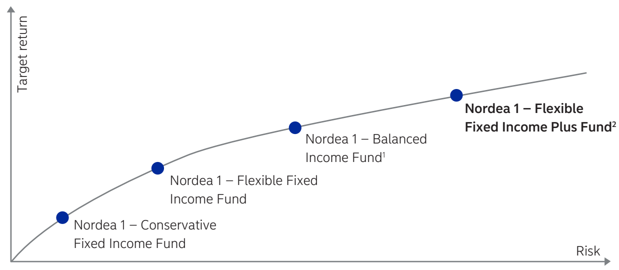
With negative interest rates and buoyant stock markets, fixed income allocation has become a predicament for many investors. The negative returns on cash and sovereign bonds place a burden on low-risk fixed income. Coupled with meagre credit spreads, the expected returns on investment grade corporate bonds are around zero, with high yield bonds providing not much more. From a risk and correlation perspective, ditching the fixed income asset class is not feasible. As fixed income volatility is roughly half that of equities, a balanced portfolio needs exposure to both.

How can investors reap the benefits of fixed income investing without putting the pinch on their portfolio's return? Nordea's Multi Assets Team has long experience in developing fixed income strategies that deliver attractive returns while controlling volatility.[3] We launched Nordea 1 – Flexible Fixed Income Fund (FFIF) in 2013, offering cautious investors a solution with a dynamic duration and credit exposure. The fund's success bred a family of all-weather fixed income solutions with varying risk profiles. Nordea 1 – Flexible Fixed Income Plus Fund (FFIF+) is our latest addition, born from the demand to reinstate returns to fixed income allocations. For those familiar with FFIF, the new FFIF+ is FFIF enhanced by a factor of two. For investors willing to accept higher volatility in returns, the FFIF+ offers an excellent alternative to credit bonds, paired with a lower sensitivity to low yield and spread environments.

Nordea's Multi Assets Low Risk strategies

The breadth of our experience

For illustrative purposes only



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) On December 16th, 2016 the sub-fund Nordea 1 – Global Short Duration Bond Fund was re-engineered and renamed to Nordea 1 – Flexible Fixed Income Plus Fund. With effect as of 23 October 2017 the sub-fund is renamed from Nordea 1 – Flexible Fixed Income Plus Fund to Nordea 1 – Balanced Income Fund and the investment policy of the sub-fund was modified.

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.** 2) Source: Nordea Investment Management AB. Date: 31.03.2021. 3) **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.**

All the proven risk premia, strategies and principles of FFIF have been retained: the fund invests across all fixed income classes (sovereign, IG, HY, EM, etc.) and major currencies. The strategic asset allocation, based on our internal research, is flexible in adapting to changing environments. The tactical strategies are only used to reduce risk, the investment universe contains only liquid instruments and the risk is managed both on strategic (long-term) and tactical (short-term) levels.

The main philosophy of the flexible fixed income family builds on two distinctive concepts: valuation and diversification. These help generate more consistent returns over time. We do not engage in top down calls or bets on macroeconomic data. For us, risk management always targets absolute, not relative risk.

Targeting traditional fixed income returns, FFIF+ aims to provide annual returns of cash +3- 4% (gross of fees) over a full investment cycle, with a contained level of risk.[4]

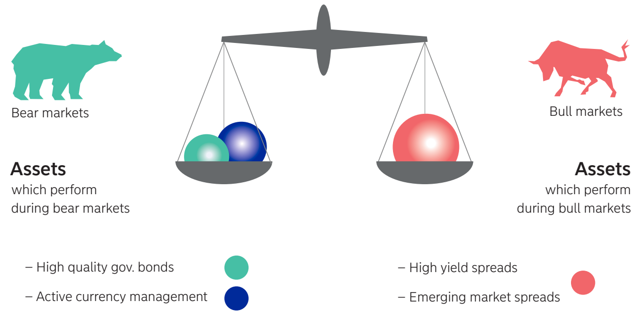
Investment philosophy[4]

The cornerstone of the investment approach is to control risk at all times rather than targeting the highest return. Risk is managed at two levels: strategic (long-term) and tactical (short-term).

The fund relies on strategies with low to negative correlations. The diversification benefits provide better control of downturns while generating consistent returns in excess of cash over time. More specifically, the portfolio managers attempt to find a structural balance between risk contributions coming from the risky instruments that work well in expansionary markets (e.g. IG spreads or inflation linked securities) and safe instruments that work in downturns (e.g. high quality government bonds). Moreover, to alleviate the risk of a situation where spreads are widening and government bonds are not providing the protection typically expected in such situation, the fund exploits an active currency management to strengthen risk balance. In FFIF+, the purpose of the currency exposure is to diversify the risk. The guiding principle is to build a portfolio that generates a positive return in excess of cash across the investment cycle, staying within our volatility target and without relying on the success of top down macro calls.

The tactical level of risk management relies on a robust Tactical Asset Allocation (TAA) overlay. The purpose of the overlay is to reduce risks, not to chase returns. TAA actively reduces the duration and credit risk in the portfolio and results in a flexible allocation.

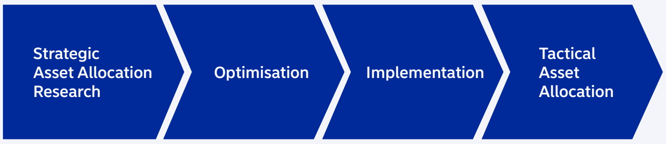
Risk Balancing Principles



Investment process – consistency and simplicity

The investment process focuses on the two following aspects: a **Strategic Asset Allocation (SAA)**, based on long term views, and a **Tactical Asset Allocation (TAA)** overlay, based on short term views, to control the overall risk of the portfolio. It consists of four distinct steps.

Overview of the investment process:



1. Strategic Asset Allocation (monthly)

Based on internal strategic research, the Multi Assets Team screens the global fixed income and currency universe and compares all segments in terms of yield (expected returns), risk (volatility), diversification (correlation) and risk behaviour in different market environments. The **main objective in this first step is to identify assets that perform well in up or down markets,** so that they can be combined efficiently to ensure diversification in the portfolio.

2. Optimisation (monthly)

The outcome from the strategic research is then used as an input for the optimisation process. To build the SAA portfolio, the managers balance defensive strategies (like those relying on duration and currencies) with credit risk (high yield and emerging market debt) to **deliver an optimal portfolio with an attractive and consistent risk-adjusted return given the volatility target[4].**

3. Implementation (monthly)

Once the optimal SAA portfolio is determined, the managers implement the allocation in the most efficient way, and the decision is a trade-off between: cost, liquidity, counterparty risk, etc.

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.**

4. Tactical Asset Allocation (daily)

While the SAA is used mostly to generate returns over time in a balanced way, the **TAA** is used as a risk management tool that can only maintain or reduce the overall risk level of the SAA portfolio, through **active duration and credit management.**

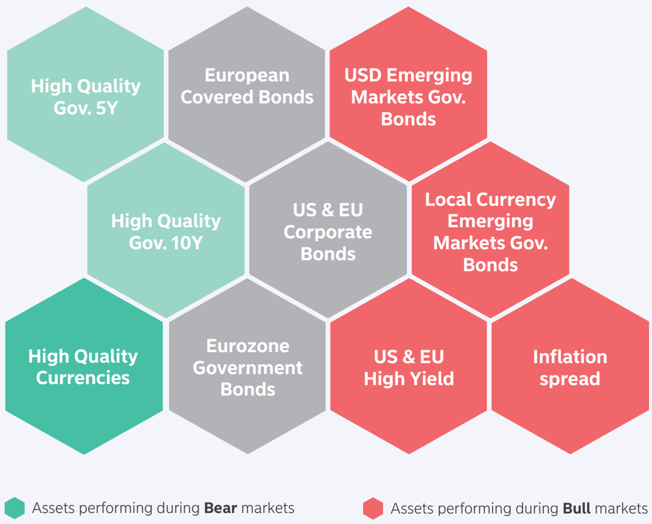
Global and unconstrained

The investment universe of the fund is global with no constraints by quality, region or issuer type. The team seeks opportunities globally, depending on risk, valuation and diversification aspects. Also the focus is on absolute risk and the asset allocation is **not constrained by any benchmark.** The investment universe entails for instance: High Quality Government Bonds, Corporate High Yield, Emerging Market debt, etc. The below chart shows a sample of assets the fund may invest in and also highlights their expected behaviour, which serves to build and apply the balance of risk principles in the portfolio.

The fund mainly invests in highly liquid physical bonds and plain vanilla derivatives (such as government bond futures, CDS indices and FX forwards). We use derivatives actively to ensure liquidity of the portfolio at all times. This helps us to change exposures globally and across the markets. The idea is to select attractive return drivers to exceed the returns offered by simple bond trading. The result is a **highly liquid portfolio** with low trading costs.

Investment Universe

Selected assets performing well in up or down markets



Why invest in the Nordea 1 – Flexible Fixed Income Plus Fund?

Getting decent returns in fixed income does not mean the investor should allocate heavily to high yield, emerging market or illiquid bonds. FFIF+ delivers attractive returns traditionally attached to credit bonds without exposing the investor to a large drawdown risk.[5] We deploy fixed income and currency strategies that are liquid, thoroughly researched and field tested. Our approach is flexible and unconstrained, allocating risk globally to the most attractive investment opportunities – with the focus on absolute, not relative risk.

The fund leverages Nordea´s Multi Assets Team's long experience developing solutions that meet a diverse set of risk/return profiles with one common denominator: considering risk first and using it as a starting point within asset allocation. The same proven concept of the FFIF has been tuned to offer the investor a return pick-up in the higher end of the continuum in our family of flexible fixed income solutions.

Nordea 1 – Flexible Fixed Income Plus Fund	
Fund manager	Multi Assets Team
Fund domicile	Luxembourg
ISIN codes*	LU2281724992 (BP-EUR) LU2281724729 (BI-EUR)[6]
Annual management fees	1.000% p.a. (BP-EUR) 0.50% p.a. (BI-EUR)[6]
Base currency	EUR
Reference index	EURIBOR 1M
Launch date	21.01.2021

Risks

Please be aware that there are risks associated with investing in this sub-fund, amongst others in: **ABS/MBS, Convertible securities, Covered bond, Credit, Derivatives, Inflation-linked debt securities, Prepayment and extension**. 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.

5) **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.** *Other share classes may be available in your jurisdiction. 6) BI-EUR share class: only for distribution towards institutional clients. Minimum investment amount: EUR 75,000 (or the equivalent).

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