



# Quarterly Report

Fourth quarter 2018

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

ISIN: LU0278529986 (BP-EUR)

### Overview

- During Q4 2018, the fund (Euro hedged) returned -10.68%<sup>1</sup> and outperformed the MSCI World – Net Total Return Index (EUR hedged)<sup>2</sup> by +3.05%<sup>1</sup>. The unhedged version of the fund returned -9.26%<sup>1</sup>, outperforming the MSCI World – Net Total Return Index (in EUR)<sup>2</sup> by +2.76%
- The general market tone was negative on the back of the so called-flight to quality, as investors remained concerned about the blossoming trade war and midterms elections. In the last part of the quarter, new headwinds came into the market, with the Dow Jones recording the worst month since 2008
- In this late cycle phase, investors started to come back to high quality stocks that were out of favour since the US election, owed to their lower sensitivity to the economic cycle

1) Sources: Nordea Investment Funds S.A. and Bloomberg. Period under consideration: 30.09.2018 – 31.12.2018. 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: 31.12.2018.

### 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	16.05
Base Currency	EUR
Fund AUM Million (EUR)	1,042.84
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	98

Data as of 31.12.2018.

### 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 Q4 2018

During the fourth quarter 2018, global equity markets delivered overall negative results, with the MSCI World – Net Return Index 100% Hedged to Euro returned -13.73%<sup>3</sup>. In Euro terms the MSCI World – Net Return Index returned -12.03%<sup>3</sup>. The best performing sectors were Utilities, Real Estate and Communication Services. The worst performing sectors were Energy, Information Technology and Industrials.

During October, global equities tumbled, with Developed Markets (DM) slightly outperforming Emerging Markets (EM) due to more resilient macroeconomic support. In addition, the sector rotation continued in both DM and EM equity markets, on the back of the so called-flight to quality, as investors remained concerned about the blossoming trade war and midterms elections. After pre-Halloween's sharp sell-off, which will not improve October's bad reputation, global equities bounced back over November, with Emerging Markets (EM) outperforming Developed Markets (DM) on the back of slightly higher risk appetite and perceived warmer tariffs negotiations with China. Additionally, the sector rotation resumed in both DM and EM equity markets, thanks to the so called-flight to quality in the current trade war environment. Towards the end of the quarter, financial markets ended the year on a turbulent note. Indeed, approaching Christmas new headwinds came into the market, with the Dow Jones recording the worst month since 2008.

The fund had a negative absolute return with a strong outperforming the returns of the broader market.<sup>4</sup> The portfolio saw positive relative performance contributions from implicit sector allocation as well as from stock selection.

At the sector level, the most positive relative contributions came from the overweight position in Healthcare, Communication Services and Utilities. The underweight position in Financials and Materials was contributing negatively at the sector positioning level.

In terms of stock selection, Consumer Discretionary, Financials and Industrials were among the largest positive contributors. On the negative side, stock selection with respect to Utilities, Communication Services and Healthcare had the largest negative contribution.

Compared to the MSCI World Index the portfolio continues to have an implicit overweight to mainly Health Care, Communication Services and Utilities while the portfolio has an implicit underweight allocation to primarily Financials, Consumer Discretionary and Industrials.

In this late cycle phase, investors started to come back to high quality stocks that were out of favour since the US election, owed to their lower sensitivity to the economic cycle. The high conviction we maintained in our portfolio over the last months was rewarded and the underlying quality of our stocks which are delivering a steady earnings growth was visible.

Both the absolute and the relative valuation of the fund are still attractive and we see valuation is building up in the portfolio. The fund is relatively more resilient in a scenario fuelled by increased earnings uncertainty (potential trade war, the increased political risks and the concerns about global growth).

3) Sources: Nordea Investment Funds S.A. and Bloomberg. Period under consideration: 30.09.2018–31.12.2018. 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) It refers to the reference index: MSCI World – Net Return Index 100% Hedged to Euro. The performance represented is historical; past performance is not a reliable indicator of future results and investors may not recover the full amount invested. Sources: Nordea Investment Funds S.A. and Bloomberg. Date: 31.12.2018.

### Cumulative returns as of 31.12.2018 in %

Time frame	Fund <sup>5</sup>	Index <sup>6</sup>
Year to date	-9.22	-9.38
1 month	-7.60	-8.03
3 months	-10.68	-13.73
6 months	-6.47	-9.61
1 year	-9.22	-9.38
3 years	5.38	14.08
5 years	25.78	27.08
Since launch	60.50	54.08

### Calendar year returns in %

Time frame	Fund <sup>5</sup>	Index <sup>6</sup>
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 index<sup>7</sup> (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: 05.03.2007–31.12.2018. 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 sector<sup>8</sup> contribution in %

Sector	Average fund weight	Relative fund weight	Non-weighted		Weighted	
			Index performance	Fund performance	Fund absolute contribution	Fund relative contribution
Communication Services	15.41	7.12	-5.28	-8.72	-1.14	-0.54
Consumer Discretionary	6.46	-3.98	-13.14	-5.45	-0.29	1.16
Consumer Staples	8.04	-0.62	-5.29	-9.20	-0.77	-0.30
Energy	2.76	-3.17	-20.42	-8.44	-0.25	1.07
Financials	8.63	-7.57	-12.47	-7.36	-0.61	1.39
Health Care	24.68	11.33	-7.98	-9.21	-2.38	-1.29
Industrials	7.23	-3.70	-14.95	-8.22	-0.58	1.08
Information Technology	11.66	-3.27	-16.38	-15.40	-2.05	0.76
Materials	1.89	-2.72	-12.54	-10.19	-0.18	0.38
Real Estate	4.36	1.16	-3.13	-0.38	-0.02	0.07
Utilities	5.96	2.51	2.07	-4.77	-0.28	-0.31

8) Period under consideration: 30.09.2018 – 31.12.2018. 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: 31.12.2018.

## Quarterly region<sup>8</sup> contribution in %

Country	Average fund weight	Relative fund weight	Non-weighted		Weighted	
			Index performance	Fund performance	Fund absolute contribution	Fund relative contribution
Europe	19.09	-3.03	-11.21	-3.19	-1.33	1.10
Asia ex-Japan	4.41	2.57	-3.55	-5.94	-0.24	-0.18
Japan	11.08	2.48	-12.86	-5.68	-0.58	0.53
North America	64.91	0.17	-12.52	-9.64	-6.35	1.84
Other	0.52	-2.19	-8.78	-1.81	-0.03	0.19

8) Period under consideration: 30.09.2018 – 31.12.2018. 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: 31.12.2018.

## Top ten weights contribution during the quarter<sup>9</sup> in %

Company	Average weight	Performance <sup>9</sup>	Absolute contrib.
CVS Health	2.64	-15.06	-0.45
KDDI	2.56	-12.05	-0.32
Johnson & Johnson	2.50	-4.80	-0.11
Oracle	2.44	-10.79	-0.27
Nippon Telegraph & Telephone	2.19	-8.13	-0.18
Cisco Systems	2.19	-9.11	-0.20
eBay	2.12	-13.72	-0.30
Amgen	2.06	-4.14	-0.07
Cognizant Technology Solutions	2.04	-16.27	-0.34
Vinci	1.99	-11.42	-0.21

8) Period under consideration: 30.09.2018 – 31.12.2018. 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: 30.09.2018 – 31.12.2018.

## Top ten contributors during the quarter<sup>8</sup> in %

Company	Average weight	Performance <sup>9</sup>	Absolute contrib.
AutoZone	1.57	9.63	0.16
Verizon Communications	1.24	7.80	0.14
Merck	1.11	9.89	0.09
Cigna	1.49	5.46	0.08
Koninklijke Ahold Delhaize	0.39	11.82	0.06
Red Electrica Corp	0.84	8.07	0.05
Daito Trust Construction	0.71	8.07	0.05
Roche Holding	1.84	3.06	0.05
West Japan Railway	1.07	3.06	0.03
Italgas	0.46	6.89	0.03

## Market capitalisation as of 31.12.2018 in %

Mn EUR	Fund
Not classified	1.73
1,000–2,000	0.59
2,000–5,000	1.90
5,000–10,000	6.54
10,000–20,000	14.32
20,000–30,000	12.11
30,000–40,000	9.80
>40,000	53.01

Source: Nordea Investment Funds S.A. Date: 31.12.2018

8) Period under consideration: 30.09.2018–31.12.2018. 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: 30.09.2018–31.12.2018.

## Bottom ten contributors during the quarter<sup>8</sup> in %

Company	Average weight	Performance <sup>9</sup>	Absolute contrib.
Laboratory Corp of America	1.71	-26.14	-0.51
British American Tobacco	1.30	-28.43	-0.48
Apple	1.28	-28.87	-0.47
CVS Health	2.64	-15.06	-0.45
Zimmer Biomet Holdings	1.81	-19.73	-0.42
International Business Machines	1.65	-23.07	-0.35
Cognizant Technology Solutions	2.04	-16.27	-0.34
PG&E	0.42	-47.57	-0.34
KDDI	2.56	-12.05	-0.32
Bayer	1.35	-20.88	-0.30

8) Period under consideration: 30.09.2018–31.12.2018. 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: 30.09.2018–31.12.2018.

Source (unless otherwise stated): Nordea Investment Funds S.A. Period under consideration (unless otherwise stated): 30.09.2018–31.12.2018. 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 31.12.2018. 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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