



Fund Portrait

Fourth quarter 2018

Nordea 1 – US Corporate Bond Fund

ISIN: LU0458979746 (BP-USD) / LU0475887237 (BI-USD)

Highlights

- Experienced and dedicated fixed income investment professionals with proven track record¹
- Well-diversified credit portfolio structured with an enhanced yield potential relative to the index
- Investment process combining top-down and bottom-up investment decisions
- Enhanced returns over a full market cycle with lower-than-market risk¹
- Minimum average credit quality: BBB
- Up to 10% may be invested in BB

Asset Management at Nordea

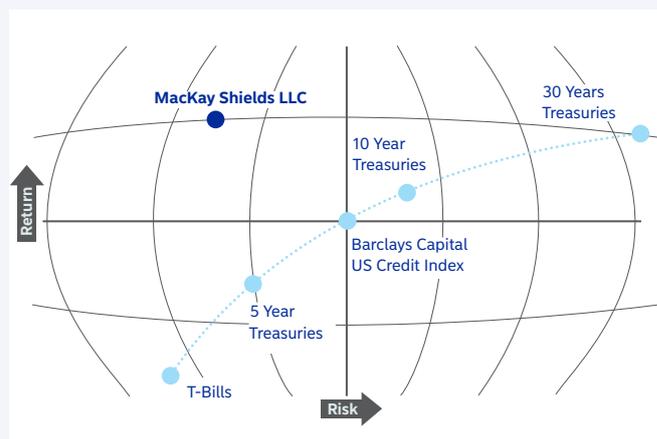
As an active investment manager, Nordea Asset Management manages asset classes across the full investment spectrum and aims to serve its clients in every market condition. Nordea's success is based on a sustainable and unique multi-boutique approach that combines the expertise of specialized internal boutiques with exclusive external competences allowing us to deliver alpha in a stable way for the benefit of our clients. Furthermore, we've put a lot of emphasis on launching outcome – as opposed to benchmark – oriented investment solutions whose basis, "stability investment philosophy", is designed to meet clients' risk appetite and needs.

After having appointed **MacKay Shields LLC** ("MacKay Shields"), New York, as investment sub-manager of the Nordea 1 – US High Yield Bond Fund in mid-2008, Nordea has reiterated its confidence in the company and has entrusted MacKay Shields LLC with the management of a further US fixed income product for its Nordea 1, SICAV.

Nordea is continuously strengthening its multi-boutique offering and launched on the 14th of January 2010, the Nordea 1 – US Corporate Bond Fund.

This fund is managed by the MacKay Shields' Global Fixed Income investment team which is comprised of more than 25 highly experienced and dedicated fixed income professionals.

The same team is responsible for the track record of the MacKay Shields US Credit Composite which encompasses all discretionary credit accounts managed with similar objectives. The Nordea 1 – US Corporate Bond Fund follows the same proven investment philosophy and process².



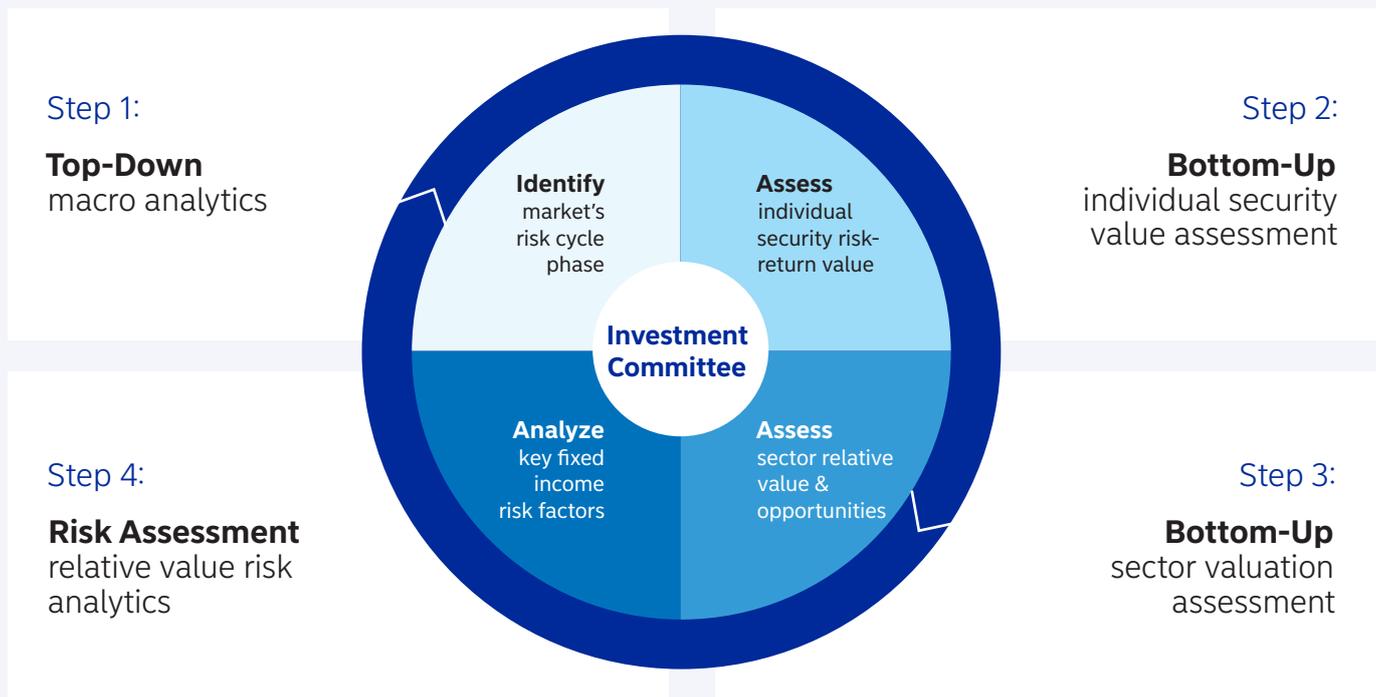
Achieving consistent return with lower volatility

The fund management team perceives itself as being a "North-west quadrant" investor. Its goal is to achieve **risk-adjusted returns by eliminating uncompensated risk**.

The fund managers' constant quest for undervalued securities within bond markets lies on the principle that fixed income markets are highly inefficient and therefore offer attractive investment opportunities. By making use of the substantial experience and product expertise gained by its investment professionals, the management team seeks to capitalise on inefficiencies.

1) Past performance is not a reliable indicator of future results and investors may not recover the full amount invested. 2) There is no guarantee that using the same investment process will produce similar returns since the Nordea 1 sub-fund has specific limits and restrictions, and the result might differ from the composite used for illustration purposes.

Investment process



The investment process is a combination of a top-down and bottom-up investment approach. The team has created a fluid, repeatable four-step investment process which combines a top-down macro economic overlay incorporating the risk cycle as well as an assessment of the economy, while sector valuation and security selection represent the bottom-up elements of the investment process.

Step 1: Macro Analytics

The fund's investment process begins with a top-down assessment of the climate for risk and the outlook for the economy. All team members which include analysts, traders, portfolio managers and a product specialist, are encouraged to participate in this discussion. The analysts are able to share their views from their bottom-up credit analysis, while traders can provide invaluable market intelligence from their interaction with the counterparties. Furthermore, this is complemented by the top-down perspective of the portfolio managers. This ensures that the team is able to "see the forest through the trees".

In continuing with the assessment of the climate for risk, our macroeconomic views are shaped by interest rate and economic trends, broad emerging themes, investor risk appetite and general market tone.

Step 2: Individual Security Value Assessment

Credit Screen

The initial credit screen is the most important filter, as only those bonds that pass this test will be subject to further in-depth analysis. At this initial screen, bonds are run through a 32-factor progression of both quantitative and qualitative characteristics seeking to identify "gross indicators of inappropriate

risk": basic financial and liquidity risk; political risk; regulatory risk; litigation or liability risk; technology risk; and other risks found in areas such as capital structure, footnotes to financials, market capitalization or size of issue.

Approximately 80% of all bonds are excluded at this stage. The team believes that there is no substitute for in-depth analysis or market experience, but the advantage of a highly disciplined initial screen is that these resources can be much more tightly focused on a smaller universe of investment opportunities.

Credit Analysis

Having screened out a large number of candidates on the basis of unacceptable risks, the credit skills of the team can be highly focused. In order to identify companies with high credit worthiness, improving fundamentals, positive outlook, good liquidity, etc., the team will concentrate on the following factors:

- Management and business plan
- Industry environment
- Competitive dynamics
- Cash flow
- Liquidity

Step 3: Sector Valuation Assessment

Active sector rotation is an important element in the fund's investment process. The team seeks to capitalise on inefficiencies in the fixed income markets by leveraging the experience of the investment team to identify sectors that are undervalued (overweight) while avoiding sectors that are overvalued (underweight).

Step 4: Relative Value Risk Analytics

The team is further dedicated to 5 key dimensions of risk that impacts all fixed income portfolios:

- Interest rate risk
- Curve risk
- Volatility risk
- Credit risk
- Global/currency risk

In addition to assessing the fundamental health of each credit, the investment team also evaluates the technical conditions in the market to better assess any mispricing of risk by the market. The technical factors considered include current sentiment, investor perception and liquidity. The result of this process is a well-diversified, bottom-up and top-down driven credit portfolio.

It is also important when outlining the investment process to highlight the deep commitment to risk management in all of MacKay Shields' fixed income portfolios. The investment team defines risk as the expected variability in total return over a given

time horizon, and it can be expressed as an absolute or a relative measure. Risk can also be expressed at the level of a security, industry classes, asset class, or portfolio. In the latter instance, portfolio risk would represent the expected variability in excess return over a given time horizon. MacKay Shields' proprietary risk management reports provide the team with critical information about the portfolio structure, as well as individual holdings and sectors, to help ensure that the portfolio is positioned in accordance with the risk and return parameters agreed.

Sell discipline

The team adheres to a strict "sell discipline". They typically sell a bond for one (or more) of the following four reasons:

- Credit deterioration
- Repositioning caused by a change in the top-down outlook
- Excessive downward price volatility and/or
- Recognition of an alternative superior relative value opportunity

Consistent with the philosophy of loss avoidance, credit deterioration is by far the most important of these sell disciplines.

Performance of the MacKay Shields US Credit Composite³

The below table has the MacKay Shields US Credit Composite's performance stated until the end of 2009. Since the Nordea 1 – US Corporate Bond Fund was launched on 14.01.2010, please refer to the performance of the sub-fund for the period after its launch.

Period	MacKay Shields US Credit Composite ⁴	Barclays Capital US Credit Index	Relative performance
2009	25.0%	16.0%	9.0%
2008	-1.9%	-3.1%	1.2%
2007	4.9%	5.1%	-0.2%
2006	4.8%	4.3%	0.5%
2005	2.5%	2.0%	0.5%
2004	5.7%	5.2%	0.5%
2003	9.1%	7.7%	1.4%
2002	6.4%	10.5%	-4.1%
2001 (since 1 st of October)	1.5%	0.9%	0.6%

Sources: MacKay Shields and Barclays. Date: 31.12.2009.

The MacKay Shields US Credit Composite includes all discretionary credit accounts managed with similar objectives for a full month, including those accounts no longer with the firm. Composite performance reflects reinvestment of income and is a market-weighted average of the time-weighted return, before advisory fees and related expenses, of each account for the period since inception. Policies for valuing portfolios, calculating performance, and preparing compliant presentations are available upon request. Performance is expressed in US Dollars. The composite inception date is 01.10.2001. The composite creation date is 07.04.2003. Advisory fees, which are described in the firm's ADV, Part 2A, and related expenses will reduce returns. All portfolios in the composite are fee-paying portfolios. There can be no assurance that the rate of return for any account within a composite will be the same as that of the composite presented. Past performance is not indicative of future results.

MacKay Shields LLC, an SEC-registered investment adviser, has prepared and presented this report in compliance with the Global Investment Performance Standards (GIPS®). The firm receives a verification from an independent accounting firm on a quarterly basis. An opinion is available on request, as are a complete list and description of the firm's composites. Verification does not ensure the accuracy of any specific composite presentation. Indices do not incur management fees, transaction costs or other operating expenses. Investments cannot be made directly into an index. The Barclays Capital US Credit Index is referred to for comparative purposes only and is not intended to parallel the risk or investment style of the portfolio in the MacKay Shields Composite.

3) The Nordea 1 – US Corporate Bond Fund uses the same investment process as the MacKay Shields US Credit Composite. However, there is no guarantee that using the same investment process will produce similar returns since the Nordea 1 sub-fund has specific limits and restrictions, and the result might differ from the composite used for illustration purposes. 4) Gross of fees. Initial and exit charges could affect the value of the performance.

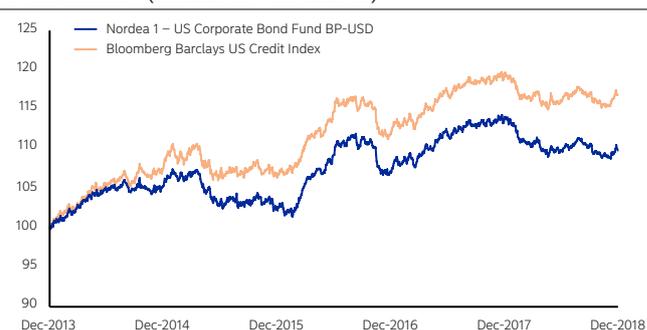
Cumulative returns in % (31.12.2018)	Fund ⁵	Index ⁶
YTD	-3.74	-2.34
1 month	0.87	1.27
3 months	-0.78	-0.22
6 months	0.00	0.67
1 year	-3.74	-2.34
3 years	7.00	9.53
5 years	9.79	16.87
Since launch (14.01.2010)	39.10	45.39

Calendar year returns in %	Fund ⁵	Index ⁶
2018	-3.74	-2.34
2017	6.02	6.18
2016	4.85	5.63

Industry breakdown (top 10) in % (31.12.2018)	
Banking	15.79
Electric	8.57
Consumer Non Cyclical	6.34
Energy	6.14
Communications	6.08
Consumer Cyclical	5.84
REITs	5.71
Technology	4.46
Insurance	3.78
Capital Goods	2.41

Nordea 1 – US Corporate Bond Fund	
Fund manager	MacKay Shields LLC
Fund domicile	Luxembourg
ISIN codes*	LU0458979746 (BP-USD) LU0475887237 (BI-USD) ⁷
Annual management fees	0.70% p.a. (BP-USD) 0.35% p.a. (BI-USD) ⁷
Base currency	USD
Fund size in millions	2,319.99
Reference index	Bloomberg Barclays US Credit Index
No. of holdings	347
Swing factor / Threshold	Yes / Yes
Launch dates	14.01.2010 (BP-USD) 27.01.2010 (BI-USD) ⁷

Performance (31.12.2013 – 31.12.2018)



Rating breakdown in % (31.12.2018)

AAA	0.93
AA	10.68
A	17.74
BBB	63.85
BB	3.36
Net Liquid Assets	3.45

Treasury future exposure in % (31.12.2018)

US 2YR NOTE (CBT) 3/2019	12.03
US 10yr Ultra Fut 3/2019	4.43
US ULTRA BOND CBT 3/2019	2.54
US LONG BOND(CBT) 3/2019	1.71
US 5YR NOTE (CBT) 3/2019	-2.92
US 10YR NOTE (CBT)3/2019	-5.91

Fund characteristics (31.12.2018)

Effective Duration ⁸	6.58
Yield to Worst ⁸	4.25%

Risks

Please be aware that there are risks associated with investing in this sub-fund. 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.

*Other share classes may be available in your jurisdiction. 5) BP-USD: ISIN code: LU0458979746. 6) Bloomberg Barclays US Credit Index. 7) BI-USD share class: only for distribution towards institutional clients. Minimum investment amount: EUR 75,000 (or the equivalent). 8) MacKay Shields LLC. Date: 31.12.2018.

Source (unless otherwise stated): Nordea Investment Funds S.A. Period under consideration (unless otherwise stated): 14.01.2010 – 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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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. 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The Representative Agent is Norda Bank Abp, Christianssbro, DK-1401 Copenhagen K. 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