For Specially Qualified Investors only*

Nordea 1 SICAV - European Small and Mid Cap Equity Fund

ISIN LU0417818316 (BI – EUR)

Marcos Gil Oelmann
Portfolio Specialist

October 2018

* as defined in the CMF General Rule no. 216, Section II nr.1-6

Nordea

A stable bank among the largest European players

Ratings:	
• **Standard & Poor's**	AA-
• **Moody's**	Aa3
• **Fitch**	AA-
Core Tier 1 capital	19.9%
Market Capitalisation	EUR 33.5bn
Total assets	EUR 570.1bn
AuM	EUR 307bn

- Nordea is the largest financial institution in the Nordic region with 450 branch locations serving 10 million personal customers
- The three main business lines are retail banking, wholesale banking and wealth management
- S&P has a stable outlook for Nordea's AA-rating
- Continuous growth in operating income over the last 5 years

Source: Nordea Bank AB. Date: 30.06.2018.

Nordea

A leading European bank

Nordea's market cap vs. European peer group, EUR bn

Ticker	Name	Market Cap	Tier 1 Capital Ratio	Total Return YTD
HSBA LN Equity	HSBC HOLDINGS PLC	160.48	17.60%	-4.45
SAN SM Equity	BANCO SANTANDER SA	74.10	12.87%	-14.39
BNP FP Equity	BNP PARIBAS	66.48	13.00%	-9.80
LLOY LN Equity	LLOYDS BANKING GROUP PLC	51.25	17.00%	-4.49
UBSG SW Equity	UBS GROUP AG-REG	51.00	17.34%	-11.11
INGA NA Equity	ING GROEP NV	47.93	15.90%	-17.08
ISP IM Equity	INTESA SANPAOLO	41.86	15.20%	-3.68
BBVA SM Equity	BANCO BILBAO VIZCAYA ARGENTA	40.50	12.80%	-12.58
BARC LN Equity	BARCLAYS PLC	36.54	16.40%	-6.06
RBS LN Equity	ROYAL BANK OF SCOTLAND GROUP	34.81	20.20%	-7.88
NDA SS Equity	NORDEA BANK AB	33.43	22.30%	-6.44
CSGN SW Equity	CREDIT SUISSE GROUP AG-REG	32.99	18.40%	-12.77
ACA FP Equity	CREDIT AGRICOLE SA	32.62	13.60%	-13.20
UCG IM Equity	UNICREDIT SPA	31.88	14.71%	-6.62
GLE FP Equity	SOCIETE GENERALE SA	29.18	13.60%	-11.18
KBC BB Equity	KBC GROUP NV	27.68	17.38%	-4.35
DNB NO Equity	DNB ASA	27.24	18.00%	10.09
STAN LN Equity	STANDARD CHARTERED PLC	25.86	16.00%	-10.31
DANSKE DC Equity	DANSKE BANK A/S	24.02	18.90%	-13.80
CABK SM Equity	CAIXABANK S.A	22.17	13.30%	-2.76

Source: Bloomberg. Date: 30.06.2018

Nordea Asset Management

Stable partner with focus on delivering alpha and outcome

AUM	EUR 213.4bn
Multi-boutique Approach	AUM
• **Internal Boutiques**	90%
• **External Boutiques**	10%
Global Distribution	AUM
• **Nordea group**	≈ 50%
• **External**	≈ 50%
Team	752
out of which investment team	178

Flat Organisation structure and Global Presence:
Stockholm, Copenhagen, Oslo, Helsinki, Luxembourg, Cologne, Frankfurt, Madrid, Vienna, Zurich, Paris, London, Milan, New York, São Paulo, Singapore

Active Manager:

- Alpha through our multi-boutique approach combining our internal strengths with exclusive external competences
- Outcome built on stability to meet clients' risk appetite and needs

Stable Partner:

- Stable relationship model and large product breadth: reliability and trust
- One platform, many specialists: Alpha and outcome solutions in one platform to serve clients in all weather

Source: Nordea Investment Funds S.A. and Nordea Investment Management AB. Date: 30.06.2018.

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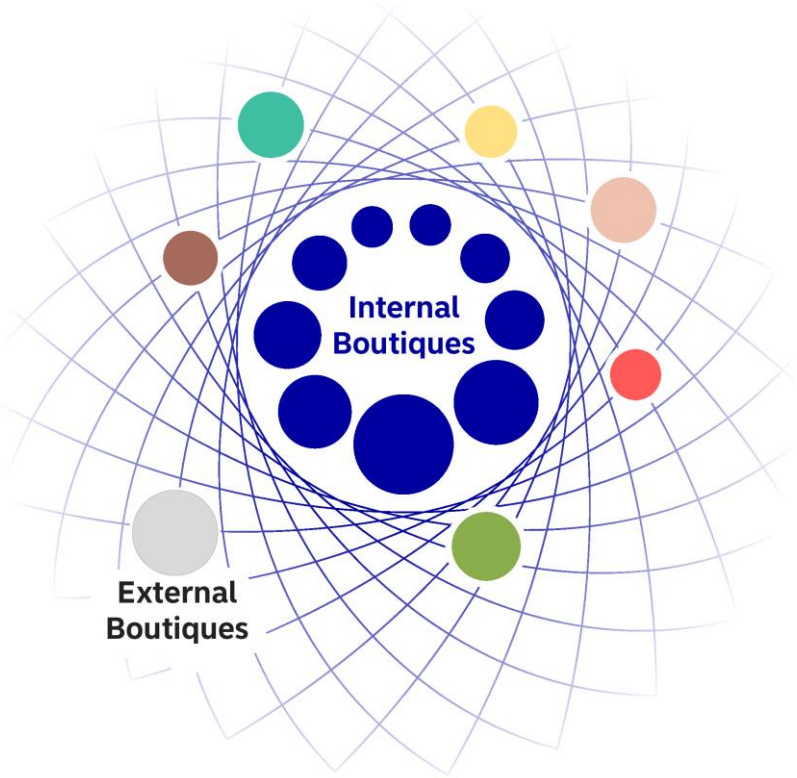
Nordea multi-boutique approach

Combining internal strengths with exclusive external competences to deliver alpha and outcome to our clients



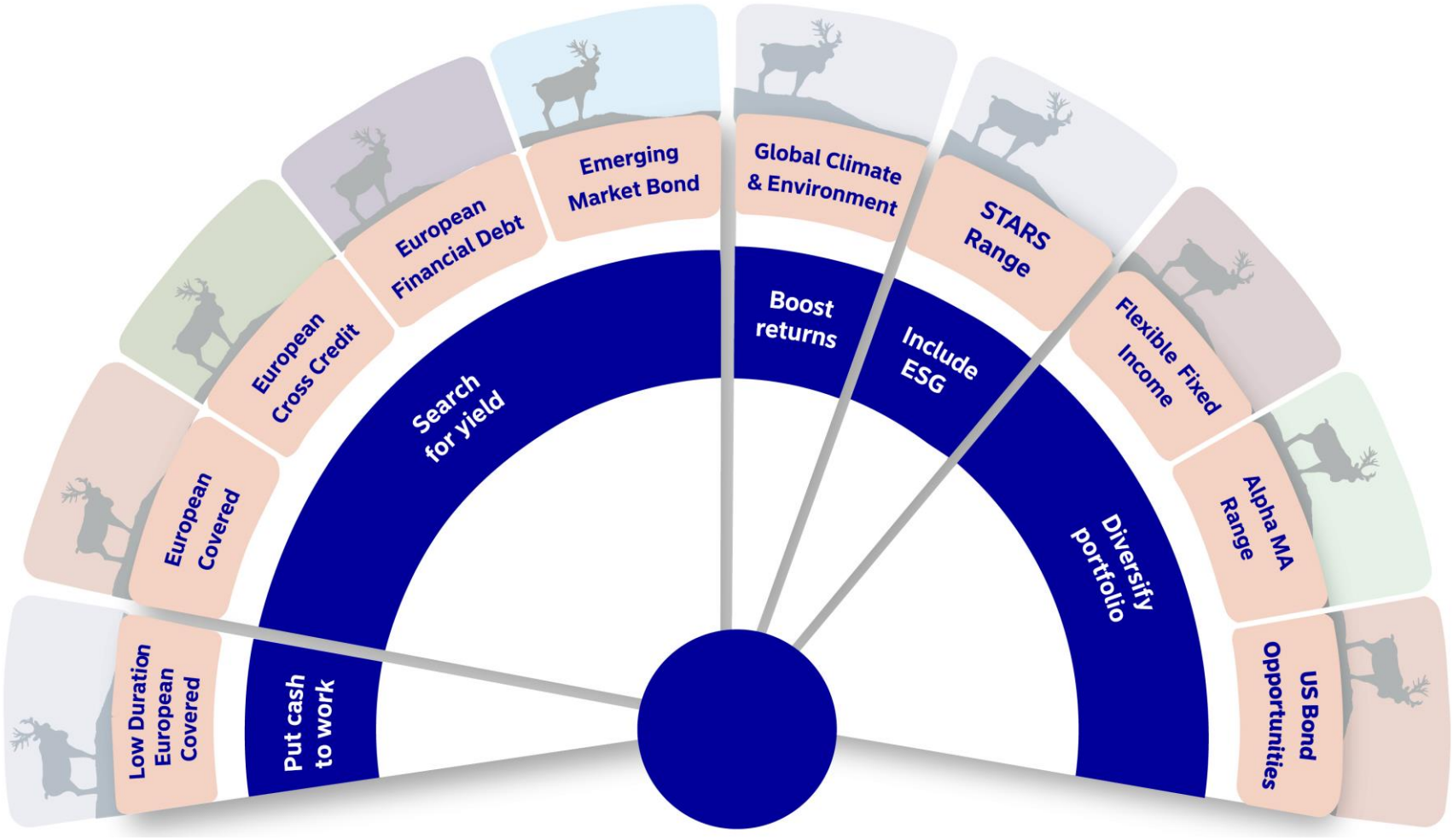
Internal Boutiques
Beta+ Team
Danish Fixed Income & Euro Covered Bond Team
Credit Team
European Small & Mid Cap Equities Team
Fundamental Equities Team
International Fixed Income Team
Multi Assets Team
Nordic, Finnish & Swedish Equities Team
Norwegian Equity Team
Norwegian Fixed Income Team
Swedish Fixed Income Team
Stable Equities Team

External Boutiques
Aegon USA Investment Management LLC
Capital Four Management A/S
ClariVest Asset Management LLC
Cohen & Steers Capital Management, Inc.
DoubleLine Capital L.P.
Eagle Asset Management, Inc.
Income Partners Asset Management (HK) Limited
Itaú USA Asset Management Inc
Loomis, Sayles & Company, LP
MacKay Shields LLC
Mensarius AG
PGIM Fixed Income
STANLIB Asset Management Limited
The London Company of Virginia LLC
Thompson, Siegel & Walmsley LLC
T. Rowe Price International Ltd.

Nordea

Nordea Asset Management

Selected Nordea solutions to meet your needs



Note that some of the strategies listed above are only available as a sub-fund vehicle within the Nordea 1, SICAV. The Nordea 1, SICAV consists of 77 sub-funds covering the full asset spectrum out of which 58 products have more than EUR 100mn AuM and 35 products have more than EUR 250mn AuM. Source: Nordea Investment Funds S.A. Date: 30.06.2018.

Nordea

Nordea 1 - European Small and Mid Cap Equity Fund

Agenda

- Team Composition
- View on European Small and Mid Caps
- Investment process
- Performance and portfolio overview
- Summary

Team Composition

European Small and Mid Cap Equities

Portfolio Management Team

Fundamental Equities Team

Asset Management platform

11 Portfolio Managers

Research Platform

11 Portfolio Managers

European Small & Mid Cap team

Jesper Gulstad
Portfolio Manager

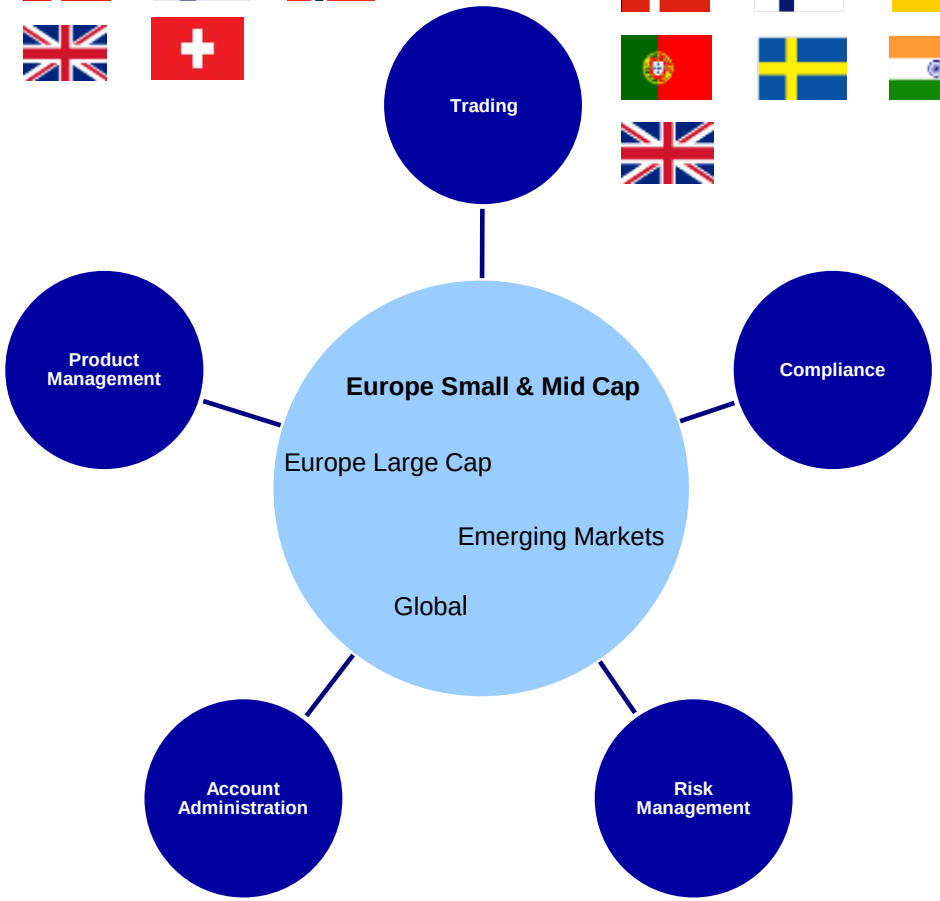
- M.Sc. Economics and Business Administration from Copenhagen Business School
- 31 years of experience; 31 years with Nordea
- Portfolio Manager on Nordea European Small & Mid Cap equities, 2006-
- Analyst and Portfolio Manager (from 1990) covering Danish and European equities, 1988-2006

Kalle Huhdanmäki
Portfolio Manager

- M.Sc. Economics from Copenhagen University
- 20 years of experience; 6 years with Nordea
- Portfolio Manager on Nordea European Small & Mid Cap equities, 2012-
- Portfolio Manager on European Small Cap and Swiss equities at SEB AM, 2005-2012
- Equity Analyst at Dansk Aktie Analyse A/S covering Danish Equities 1998-2005

Nationalities

Languages



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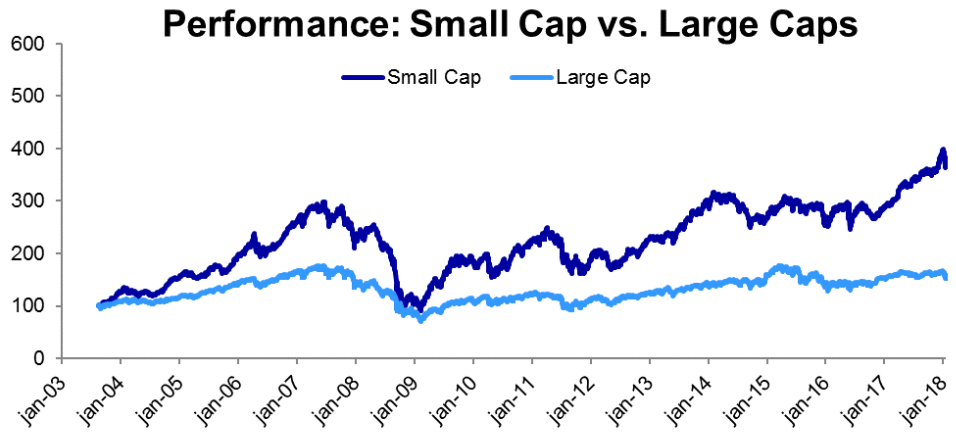
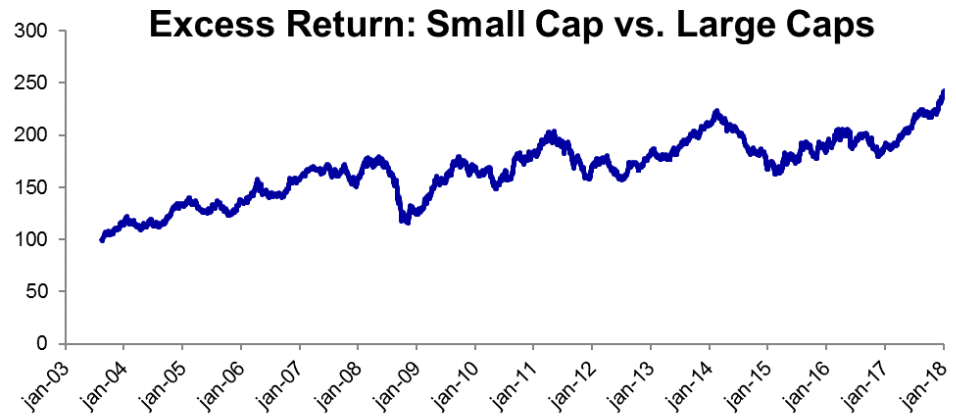
View on European Small and Mid Caps

View on European Small and Mid Caps

Attractive Asset Class





Source: Bloomberg - as of September 2018

Strategic view:

- Historically Small Caps have outpaced Large Caps by ~3%-point higher earnings growth
- Over the past 20 years Small Caps have outperformed Large Caps with 2.5%-points p.a.

Strategic view:

- Diversification benefits ➔ ~ 0.85 correlation with Large Cap Index
- Small Caps less negatively influenced by regulation vs. Large Caps (Telecoms, Financials, Utilities)

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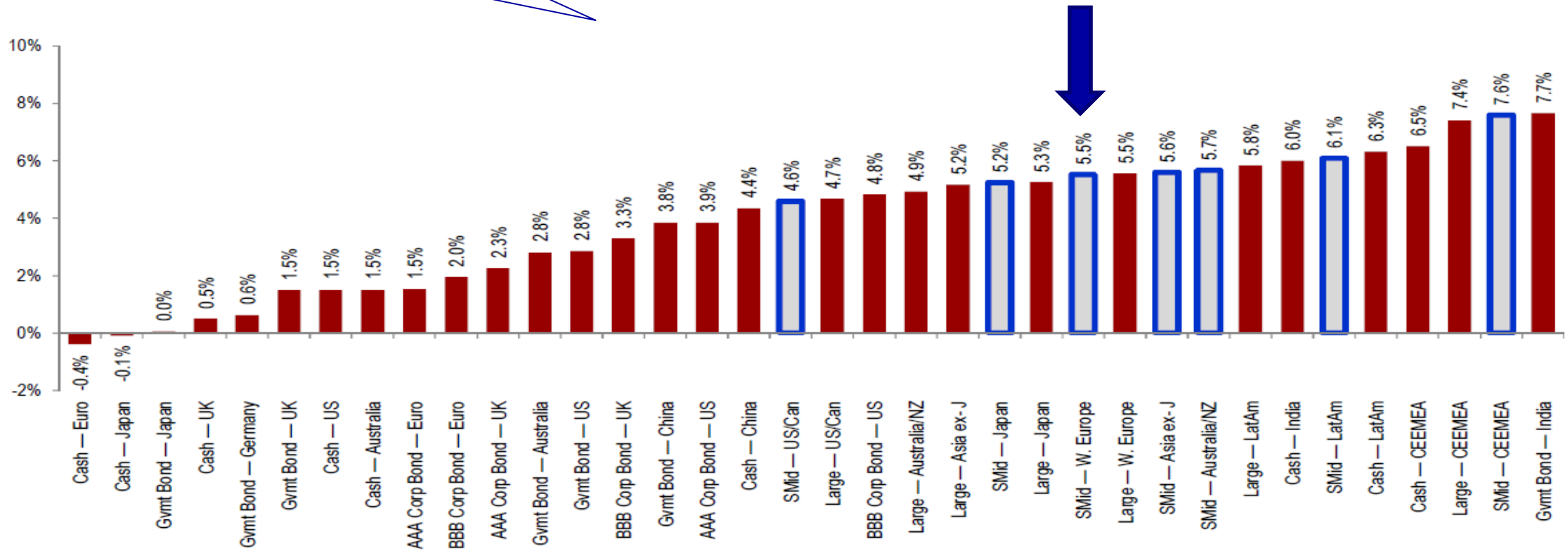
View on European Small and Mid Caps

Attractive Asset Class

Supportive earnings yield from Small Caps relative to alternative asset classes



Source for all figures on page: Bloomberg, FactSet and J.P. Morgan Date: 31.08.2018

Nordea

Investment Process

European Small & Mid Cap Equities

Investment Philosophy

“We believe that the European Small & Mid Cap Equities universe is under-researched and inefficient.
*By applying a disciplined bottom-up investment process we can identify the long term winners and create alpha for our clients” **

**Jesper Gulstad & Kalle Huhdanmäki,*
Managers of the Nordea European Small & Mid Cap Equities product

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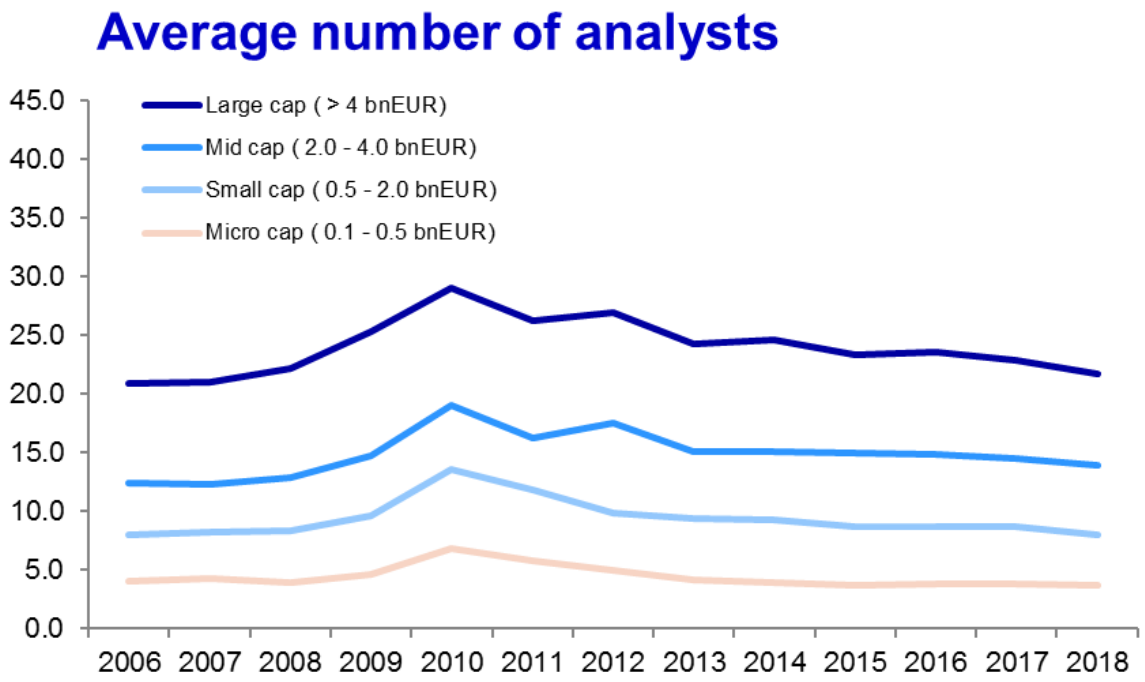
European Small & Mid Cap Equities

Inefficient Asset Class

Inefficient asset class:

- Large universe (~7,000 companies)
- Under-researched companies (coverage by junior analysts that cover many companies)
- Broad benchmarks i.e. no single company exceeds a weight of 1% (only focus on positive bets as negative bets do not matter)
- Good opportunity for alpha generation as asset class is inefficient



Source: Bloomberg – as of September 2018

Opportunity for alpha generation

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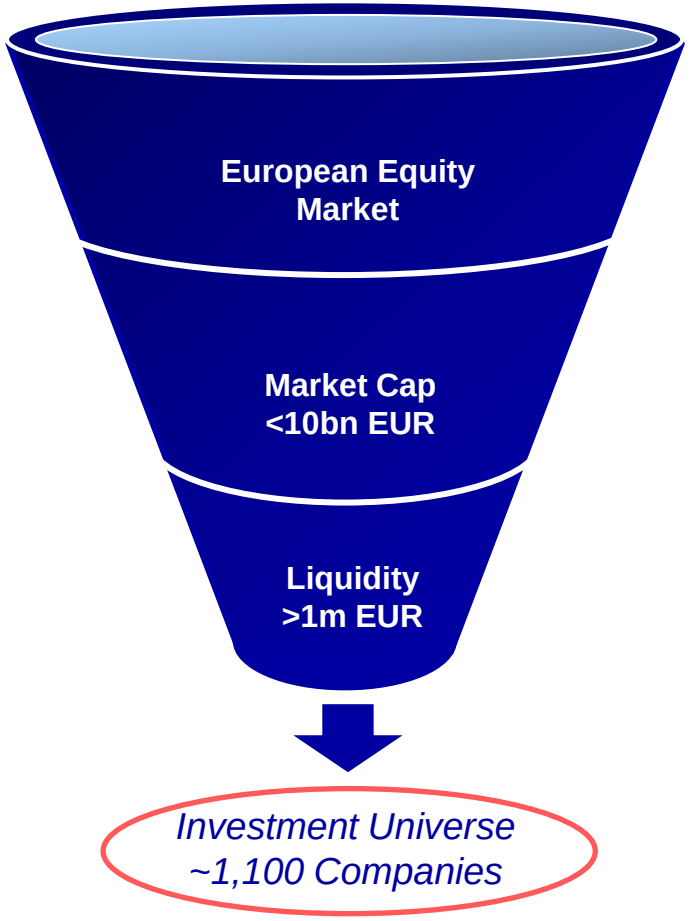
Nordea 1 - European Small and Mid Cap Equity Fund

Investment Universe



Investment Universe

- European Countries ➔ Market Cap < 10bn EUR ➔ Daily Liquidity > 1m EUR ➔ Investment Universe ~ 1,100 Companies
- Benchmark: Stoxx Europe Mid 200 net dividends
- Primary Market Cap range: 500m Euro – 6bn Euro
- Strategy: Bottom-up, high quality, growth companies
- Watch list ~ 200 companies (Dynamic)
- Portfolio holdings: 45-65 companies

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Nordea 1 - European Small and Mid Cap Equity Fund

Investment Objective and Strategy

Objective:

- To outperform the benchmark by 2.5% p.a. over a cycle with a portfolio volatility below market level

Strategy:

- Bottom-up stock picking
- Disciplined in-house scoring model
- Focus on high quality growing companies
- Proprietary valuation model central for “paying discipline”
- To identify and invest in long term structural winners
- Avoid unintentional exposures

Finding companies with the right DNA

Quality companies

- Structurally growing market ✓
- Attractive position within value chain ✓
- Top & bottom line growth ✓
- Sustainable / growing margins ✓
- Strong cash flow generation ✓
- Healthy balance sheet ✓

There can be no warranty that an investment objective, targeted returns and results of an investment structure is achieved.

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Investment Process

Idea Generation

- Company Meetings
- Structural Trends
- Macro Trends
- Quantitative Screening Model

Research & Stock Selection

- 3 Step Conviction Model
- Valuation
- Timing

Portfolio Construction & Risk

- Quantitative Risk
- Risk Budgeting
- Position Management

Streamlined investment process ensures consistency in our decisions

Nordea 1 - European Small and Mid Cap Equity Fund

Idea Generation

Key to idea generation

More than 300 company meetings annually

Enables us to get a better view of the overall economic and technological developments and how they impact different parts of the value chain across sectors

Limited analyst coverage and investor interest

Allows us to get superior access to key management which in turn provides us with new investment ideas

Use of local brokers

Improves local market understanding which supports our idea generation

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Nordea 1 - European Small and Mid Cap Equity Fund

Research & Stock Selection - 3 Step Conviction Model

Evaluation method for conviction:

- We give each factor a score between 1-5 ➔ Total Conviction
- 5 = High score & 1 = Low score

1. Industry Analysis

Key factors we look for:

- Barriers to entry
- Industry Consolidation
- Power over Suppliers & Customers
- Risk of Substitution
- Structural outlook

2. Company Analysis

Key factors we look at:

- Position within Industry
- Intellectual Property
- Management/Corporate Culture
- Corporate Governance
- Returns

3. Risk Analysis

Key factors we investigate:

- P/L
- Balance sheet
- Geopolitical
- Macro
- Regulatory
- ESG

Conviction

Systematic fundamental analysis provides conviction and is key to the investment process

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Nordea 1 - European Small and Mid Cap Equity Fund

Research & Stock Selection - Valuation

Absolute Valuation

- Proprietary DCF model with a strong focus on six value drivers
- Dynamic adjustments for size factors and refinancing cost of debt
- Sensitivity analysis

Relative Valuation

- Comparison of various multiples:
    - Earnings, Book value, Revenue, Cash flow etc.

WACC with size premium

	Base	Model
Risk free rate	3.30%	3.30%
Premium	4.50%	4.50%
Beta	0.96	0.96
Rm	7.80%	7.80%
Size premium	**0.47%**	**0.47%**
Premium	4.97%	4.97%
Cost of equity	**8.09%**	**8.087%**
Risk free rate	3.30%	3.30%
Default spread	2.50%	2.50%
Extra Premium	0.00%	0.00%
CDS	-0.41%	-0.41%
Rd	5.39%	5.39%
Company Tax	21%	21%
Cost of debt	**4.25%**	**4.25%**
E/EV	68%	68%
WACC	**6.86%**	**6.86%**

Sensitivity Analysis

17	9.2%	10.2%	**11.2%**	12.2%	13.2%
17.4%	14	15	16	16	17
18.4%	15	16	17	18	19
19.4%	16	17	18	19	20
20.4%	18	18	20	21	22
21.4%	19	20	21	22	23

Revenue growth (year 5)

Terminal Growth	17	9.2%	10.2%	**11.2%**	12.2%	13.2%
0.0%		19	20	21	22	23
1.0%		20	21	22	23	24
2.0%		21	22	23	25	26
3.0%		23	24	26	27	29
4.0%		25	27	29	31	33

For illustrative purposes only

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Orpea

Business Fundamentals

- Orpea is a leading private operator of long-term and post-acute care facilities in Europe
- With its facilities the company is able to offer care and support, and residential services such as accommodation, meals laundry and room cleaning to its residents
- On top of operating nursing homes, the company's psychiatric care facilities also caters to patients with acute mental pathologies and psychological disorders
- The European nursing home market is highly regulated, which acts as a natural entry barrier

Investment Case

- Strong management with proven business model driven by both organic growth and acquisitions
- High degree of property ownership allows for control of future rent costs and utilization of internal property development skills

Invested since June 2012 (+323%)

Source: Nordea Investment Management AB

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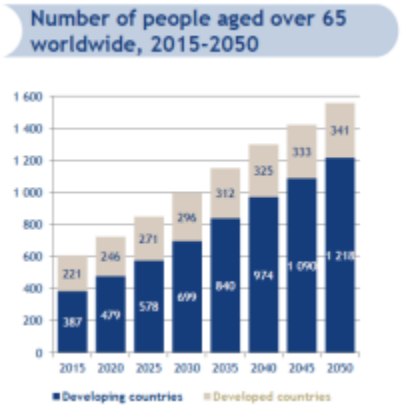
Orpea

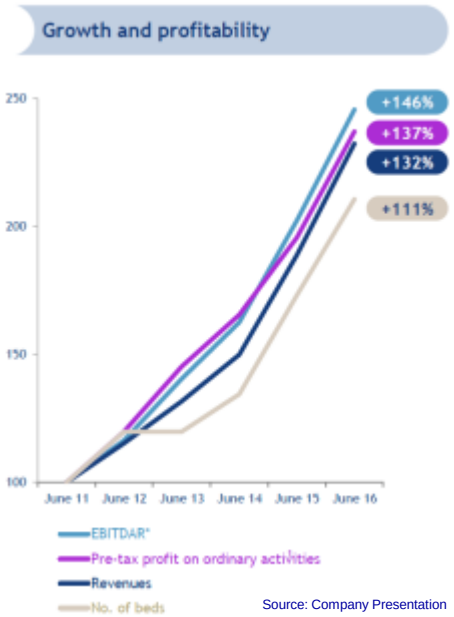
Structural Growth Drivers

- Changing demographics will lead to an ever growing population of elderly
- Demand for premium care homes has risen as wealth of elderly has increased significantly during the last 10-20 years
- High occupancy rates in the public sector force public sector actors to be considerate in their pricing

Valuation and Financial Performance

- A high quality growth stock with a solid performance track record
- High amount of property ownership allowing for a low value to loan ratio
- Growing dividend pay-out ratio
- Growing margins and profitability on the back of a impressive increase in number of beds (up 111% since 2011)





Source: Nordea Investment Management AB

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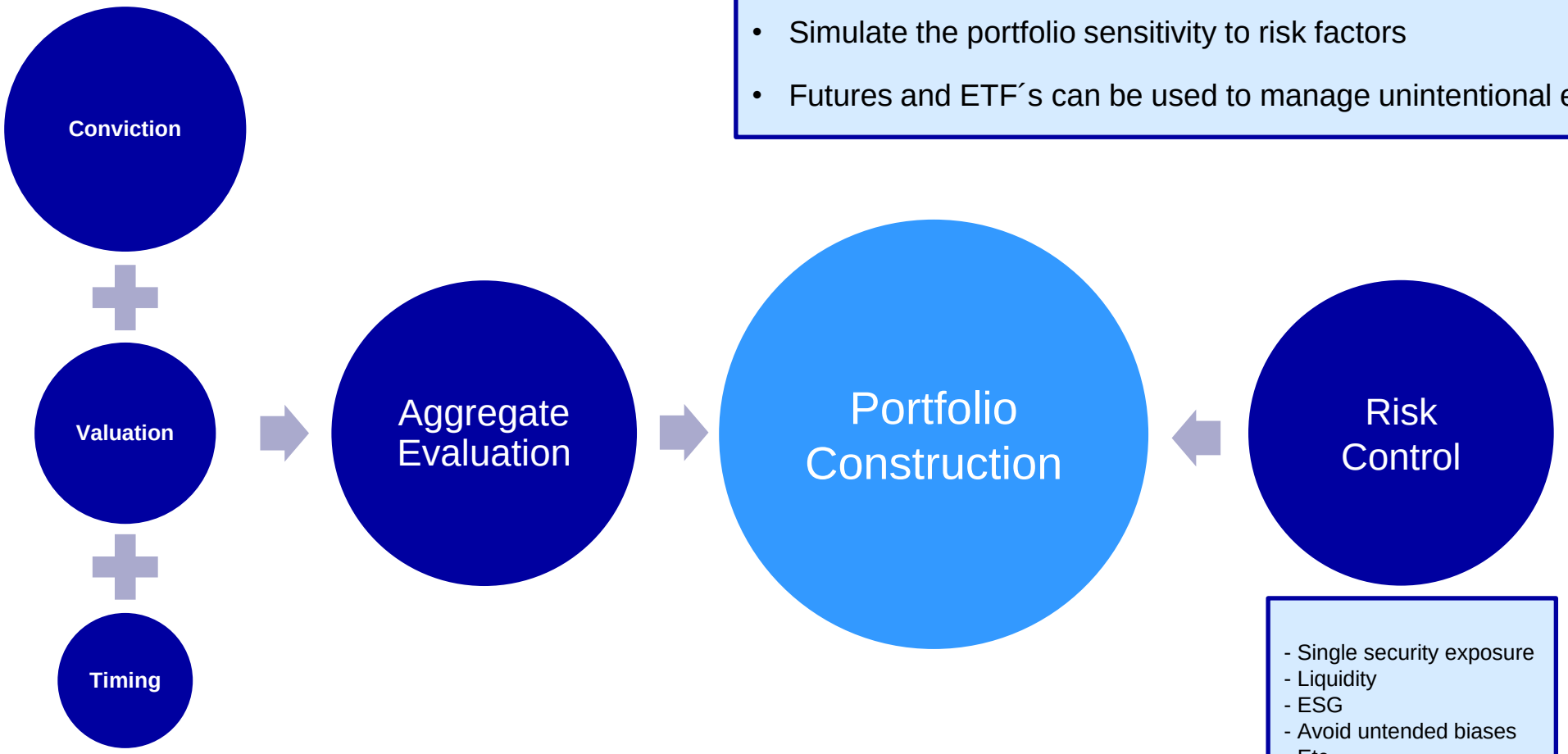
Nordea 1 - European Small and Mid Cap Equity Fund

Portfolio Construction & Risk

- Strong focus on optimal use of risk budget
- Simulate the portfolio sensitivity to risk factors
- Futures and ETF´s can be used to manage unintentional exposure



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Performance & Portfolio overview

Nordea 1 – European Small and Mid Cap Equity Fund

Fund's performance BI-EUR

Calendar Year Returns in %	Fund	Reference index
2013	18.77 %	25.19 %
2014	7.09 %	9.00 %
2015	22.86 %	17.93 %
2016	1.08 %	1.48 %
2017	18.63 %	16.17 %
YTD	1.46 %	3.79 %

Cumulative Returns in %	Fund	Reference index
YTD	1.46 %	3.79 %
1 month	-0.80 %	-0.86 %
3 months	-0.58 %	0.46 %
6 months	6.55 %	6.22 %
1 year	4.84 %	5.84 %
3 years	33.21 %	31.35 %
5 years	71.46 %	67.72 %
Since inception	290.12 %	290.60 %

Inception date: 23.03.2009

Source (unless otherwise stated): Nordea Investment Funds S.A.
Period under consideration (unless otherwise stated): 30/09/2013 - 28/09/2018.
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 28/09/2018. 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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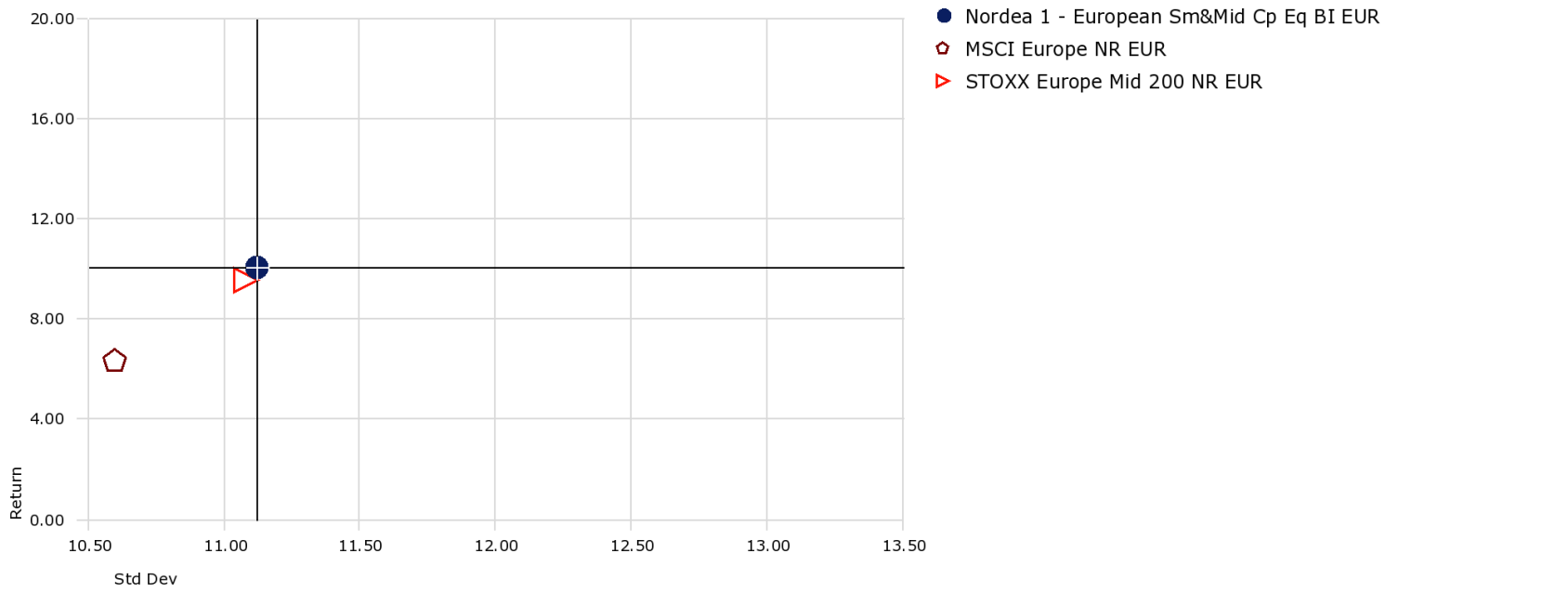
Nordea 1 – European Small and Mid Cap Equity Fund BI - EUR

Attractive Risk-Adjusted Returns (3 Years)

Time Period: 01/10/2015 to 30/09/2018

Currency: Euro Source Data: Total, Monthly Return



Time Period: 01/10/2015 to 30/09/2018 Currency: Euro Source Data: Total, Monthly Return Calculation Benchmark: STOXX Europe Mid 200 NR EUR

	Return	Std Dev	Sharpe Ratio (geo)	Beta	Information Ratio (geo)	Tracking Error
Nordea 1 - European Sm&Mid Cp Eq BI EUR	10.03	11.12	0.93	0.92	0.11	4.42
MSCI Europe NR EUR	6.29	10.60	0.62	0.90	-0.82	3.60
STOXX Europe Mid 200 NR EUR	9.52	11.09	0.88	1.00		0.00

Data Source - © 2018 Morningstar, Inc. All Rights Reserved as of 23.10.2018, Europe Flex Cap Equity. Performance in EUR. Period under consideration: 01.10.2015 – 30.09.2018. **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.**

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Nordea 1 – European Small and Mid Cap Equity Fund

Top 10 holdings and Sector breakdown

Top Ten in %		
iShares STOXX Europe 600 Oil & Gas UCITS ETF DE	DE000A0H08M3	3.84
Teleperformance	FR0000051807	3.66
Phoenix Group	KYG7091M1096	3.59
Orpea	FR0000184798	3.51
Informa	GB00BMJ6DW54	3.17
DS Smith	GB0008220112	3.09
Rubis SCA	FR0013269123	2.86
Helvetia Holding	CH0012271687	2.84
Merlin Properties Socimi	ES0105025003	2.83
Clariant	CH0012142631	2.58
Total		**31.96**

Sector Breakdown in %	
Industrials	24.14
Financials	12.55
Materials	10.90
Health Care	9.05
Consumer Staples	7.01
Consumer Discretionary	6.90
Funds	6.41
Real Estate	4.81
Other	14.89
Net Liquid Assets	3.34
Total	**100.00**

Source (unless otherwise stated): Nordea Investment Funds S.A. Date: 28.09.2018

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Nordea 1 – European Small and Mid Cap Equity Fund

Country and Market capitalisation breakdown

Country Breakdown in %	
United Kingdom	23.30
Switzerland	15.21
France	13.81
Germany	13.63
Italy	11.42
Netherlands	5.53
Spain	5.29
Finland	2.56
Other	5.92
Net Liquid Assets	3.34
Total	**100.00**

Market Capitalisation in % (in mln. EUR)	Cash included	Without cash
[0] - [1000]	3.36	3.47
[1000] - [2000]	12.09	12.51
[2000] - [5000]	37.28	38.56
[5000] - [10000]	38.10	39.42
[10000] - [20000]	5.83	6.03
Net Liquid Assets	3.34	0.00
Total	**100.00**	**100.00**

Source (unless otherwise stated): Nordea Investment Funds S.A. Date: 28.09.2018

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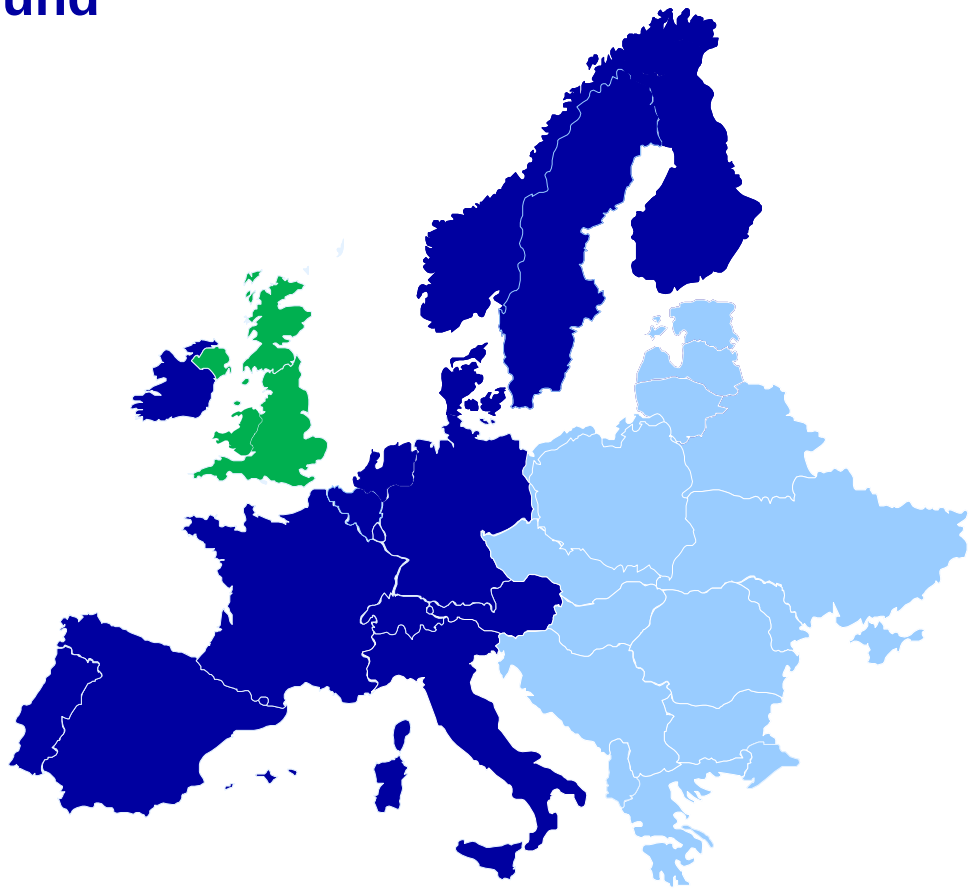
Nordea 1 – European Small and Mid Cap Equity Fund

Why Europe including the UK?

- UK stock market is significant:
  - the largest single European equity market
  - is 27.72%* of the MSCI Europe Index
  - is 30.3%** of the Stoxx Europe Mid 200 Index
  - 5 of the top 10 companies in MSCI Europe Index* are UK listed
- Including the UK adds diversification
  - Consequences of Brexit still unclear
  - A lot of risk is already being priced in on both the equity market and the currency
  - Many British companies do business outside Europe
- Our current UK positioning
  - Underweight relative to the benchmark (fund 23,30% vs benchmark 30.30%)
  - Prefer internationally oriented companies
  - Very limited exposure to domestic plays
  - Ongoing monitoring allows scope to catch opportunities



* As of 28th of September 2018 ** As of 31st of July 2018 *Data Source MSCI Europe Index and STOXX Europe Mid 200 Index*

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Nordea 1 – European Small and Mid Cap Equity Fund

Key fund data

Sub-fund's name	Nordea 1 - European Small and Mid Cap Equity Fund	
Fund Manager	Fundamental Equities Team	Fundamental Equities Team
Fund Domicile	562, rue de Neudorf, 2220 Luxembourg, Luxembourg	562, rue de Neudorf, 2220 Luxembourg, Luxembourg
Share class	BI-EUR	BP-EUR
Annual Man. Fee	0.850 %	1.300 %
Security number (ISIN)	LU0417818316	LU0417818407
Bloomberg Ticker	NOSMBIE LX	NOSMBPE LX
Fund Size in millions	667.00	667.00
Currency	EUR	EUR
Reference index	Dow Jones STOXX Mid 200 - Net Return Index	Dow Jones STOXX Mid 200 - Net Return Index
No. of holdings	47	47
Launch date	23/03/2009	23/03/2009
Minimum investment (EUR)	75,000	0

Source (unless otherwise stated): Nordea Investment Funds S.A. Date: 28.09.2018

Nordea

Summary

European Small & Mid Cap Equities

Keys for Success

Experienced Portfolio Management Team

- Fast and efficient decision making
- Strong track record based on consistent investment process

Attractive asset class

- Excess return vs. Large Cap
- Under-researched asset class

Streamlined, iterative investment process

- Strong value chain and cross sector approach
- Key emphasis on company meetings
- Strong and stringent approach – 3 step conviction model

Portfolio of high quality companies

- Long Term winners
- Lower volatility
- Strong balance sheets
- Cash flow generation covers Capex needs

Nordea

Fund Snapshot

Investment focus
European Small & Mid Cap

Investment universe
Companies domiciled or with main business in Europe

Benchmark
Dow Jones STOXX Mid 200 (Net Return) Index

Target Excess Return
250 bps p.a. relative to benchmark over a cycle

Target Tracking Error
4% to 6% ex-ante per annum relative to benchmark

Number of positions
45-65 positions

Cash position
Maximum 5% of portfolio's value

Individual securities
Positions exceed 5% of weight only in case of special situations (soft limit due to exposure and liquidity risk)

Country exposure restrictions
None within Europe

Currency hedging
None

There can be no warranty that an investment objective, targeted returns and results of an investment structure is achieved.

Fecha de inicio de la oferta: 30.09.2018
(i) La presente oferta se acoge a la Norma de Carácter General N° 336 de la Comisión para el Mercado Financiero de Chile.
(ii) La presente oferta versa sobre valores no inscritos en el Registro de Valores o en el Registro de Valores Extranjeros que lleva la Comisión para el Mercado Financiero, por lo que los valores sobre los cuales ésta versa, no están sujetos a su fiscalización;
(iii) Por tratarse de valores no inscritos, no existe la obligación por parte del emisor de entregar en Chile información pública respecto de estos valores; y
(iv) Estos valores no podrán ser objeto de oferta pública mientras no sean inscritos en el Registro de Valores correspondiente.
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