



Nordea 1 – North American Value Fund

ISIN: LU0076314649 (BP-USD) / LU0229520647 (BI-USD)

Fund highlights

- Focus on companies trading significantly below their fair value (offering a high margin of safety)
- Basis of investment is the strong conviction regarding the undervaluation of the companies, resulting in a significant investment in the selected stocks
- Structured due diligence process including assessment of balance sheet health
- Long-term investment approach with a tendency to hold a stock for 3 to 5 years
- Holdings across all market capitalization ranges
- Since inception, the fund overperformed its reference index considerably¹



The investment manager

In order to provide the best possible investment solutions to our customers, **Private Capital Management, L.P.** (PCM), Naples, Florida, was the first insourced partner to manage a Nordea sub-fund. This happened in 1997 and formed the first stepping stone to our successful Nordea Multi-Boutique approach. Since then, we have gained considerable experience in establishing exclusive partnerships with several external asset management boutiques specialised in specific asset classes for newly launched or existing Nordea products.

In 2001, PCM became a wholly-owned subsidiary of **Legg Mason, Inc.** (headquartered in Baltimore). Legg Mason, Inc. – one of the largest asset management firms in the world – is a financial services holding company that provides asset management, securities brokerage, investment banking and related financial services through its wholly owned subsidiaries.

Durable investment philosophy

In short, PCM sees itself as a value-stock picker. Since inception of the Nordea 1 – North American Value Fund on March 14, 1997, the portfolio manager has not changed its investment philosophy, which is based on a combination of the following features:

Rigorous analysis of discretionary cash flow

PCM believes that a business is ultimately worth the net present value of its future free cash flows adjusted to reflect the risks inherent in the business. To identify the level of free cash that may be utilized to create shareholder value the portfolio manager conducts an exhaustive review of a company's financial statements. Doing so, he looks well beyond earnings per share (which are less reliable than cash flow and dependent on accounting assumptions) and other commonly used financial measures that may be utilized.

¹ Nordea 1 – North American Value Fund BP-USD: 153.00%, S&P 500 Composite – Total Return Index: 63.81%. Source: Nordea Investment Funds S.A. and Datastream. Date: 30.06.2010. Performance calculated NAV to NAV (net of fees and Luxembourg taxes) gross income reinvested, in USD, excluding initial and exit charges as per 30.06.2010. The performance represented is historical; past performance is not necessarily a guide to the future and investors may not recover the full amount invested.

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Owner's mentality

PCM relies on both a quantitative and qualitative analysis in selecting potential investments by applying its due diligence using “an acquisition mindset”. This means that the portfolio manager reviews each potential investment as though he intended to acquire the entire company. This necessitates a long-term focus which can create opportunities to capitalize on promising valuations that may be overlooked by others who focus on the short-term.

PCM only buys companies which are priced at substantial discounts to intrinsic value (the present value of future cash flows). This gives the investment an important margin of safety.

High-conviction investors

PCM is typically a meaningful shareholder in the companies with which it invests. As a consequence, PCM can become a vocal proponent for shareholder-value creation activities which, at the end, benefits the investors in the fund.

The singular focus is on intrinsic value and not on short-term or irrational market price movements.

Operating experience and domain expertise

The investment team focuses on industries where it can leverage the advantages of past operating experience or domain expertise.

Focus on absolute, not relative returns

Relative return objectives against a benchmark index may create inappropriate incentives, which can result in greater risks being taken and longer time horizon opportunities missed. PCM's absolute return objective focuses on capital preservation over the long-term, combined with producing consistent, meaningful appreciation over time.

The portfolio is unconstrained by style box or benchmark index: investments are made across market capitalizations with little consideration given to index weightings in terms of sector allocation.

Five-step investment process

The investment approach to portfolio management is active whereby the portfolio construction is entirely based on a bottom-up stock selection. So the asset allocation is solely a result of stock selection which is based on a five-step investment process.

1 Idea generation

2 Proprietary research

3 Contact with companies

4 Portfolio construction

5 Sell discipline

1. Idea generation

- Criteria-based screening of publicly traded companies in North America to identify businesses that meet investment standards
- Preference for companies that offer a good possibility to identify and analyze discretionary cash flows
- Main attention to appropriate capital structure – avoid excessive financial leverage
- Search for value creation activities; e.g., stock repurchase
- Avoid capital intensive industries or situations where future cash flows are overly dependent on unpredictable factors

2. Proprietary research

- Conduct exhaustive independent financial analysis
- Quantify the company's future discretionary cash flows – cash flows after all expenses including required capital spending
- Discretionary cash flow is a key factor in deriving the true worth of a business and hence the discount to intrinsic value (safety buffer)

3. Contact with companies

- PCM's willingness to establish significant positions and its reputation for long-term commitments facilitate access to senior management of target companies
- Interview management, customers, competitors and suppliers
- Assess competency and motivation of management
- Evaluate corporate governance practices
- Confirm findings of financial analysis – finalize investment decision

4. Portfolio construction

- Target: 30 – 50 securities
- Relatively low turnover of 10 – 20% per year
- Holdings across all market capitalization ranges

5. Sell discipline

- Corporate valuations are established at the time of purchase and continually revaluated to incorporate new information such as:
 - Operational execution
 - Corporate fundamentals and valuations
 - Industry outlook and macro-economic factors
- Reduce exposure in holdings as they approach their fair value or when warranted by a change in a fundamental aspect of the business

We are long-term investors

As a value investor, the portfolio management team approaches companies as business investors rather than as stock market investors. The approach concentrates on long-term investment and does not focus too much on market specific factors and short-term phenomena.

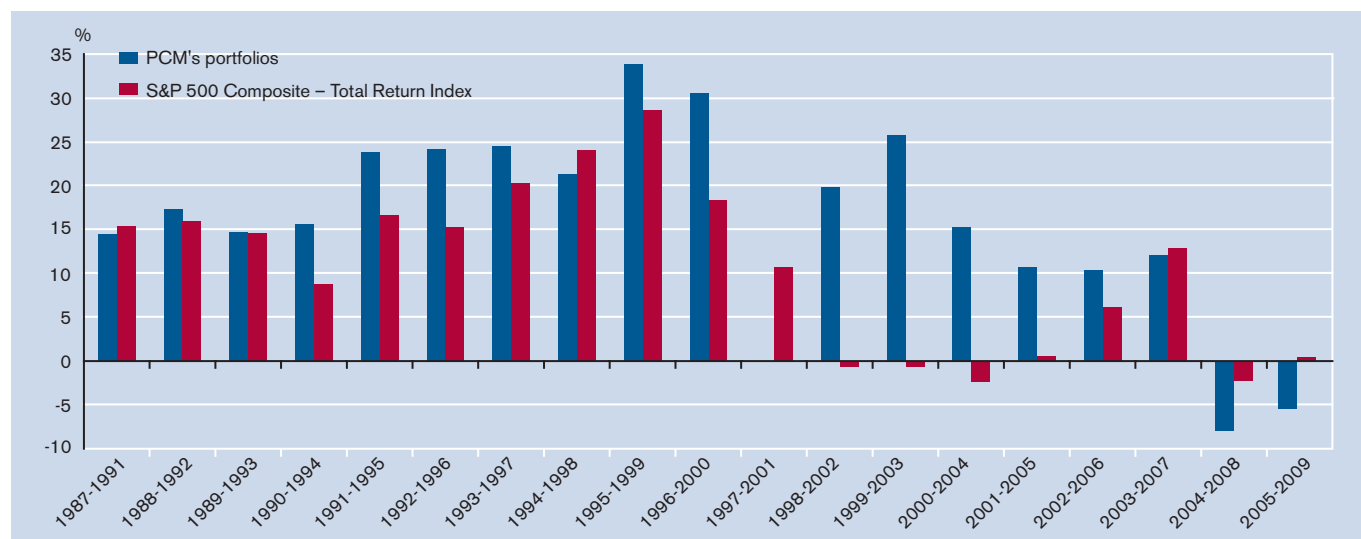
As a conscientious investor, PCM takes note of economic developments in the markets; however these developments do not significantly affect the investment philosophy as they are beyond the control of the team.

Hence, the portfolio management team prefers to focus on what is in fact in its control, selecting businesses that will offer a decent upside potential with a limited downside risk.

This long-term orientated investment approach has not changed since PCM was founded in 1986; this is reflected in the remarkable returns that PCM has generated for its clients. The chart below illustrates the five-year rolling annualised performance of all portfolios managed by PCM since 1987.

The only periods of noticeable underperformance compared to the reference index can be observed in the two latest five-year rolling periods. They were caused by the commodity-driven markets of 2005, 2007, and early 2008, as exploding commodity prices pushed the Energy and Materials sectors in which the fund was strongly underweighted, due to its safety-driven investment approach.

Portfolio Adviser Historical Net Performance: 5-year rolling annualised performance



Source: Private Capital Management. Date: 31.12.2009. Periods of calculation: 1st of January until 31st of December of each five-year period. This chart illustrates five-year rolling annualised performance (net of fees, in USD) of all portfolios managed by PCM since 1987; it cannot be considered as performance of the Nordea 1 – North American Value Fund. The performance represented is historical; past performance is not necessarily a guide to the future and investors may not recover the full amount invested.

Investor profile

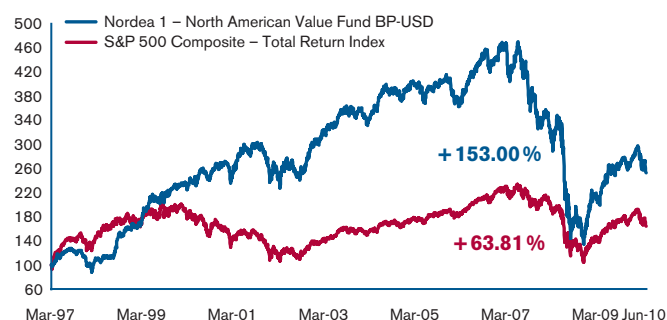
- Having a long-term investment horizon (at least 5 years): the fund is not designed for those investors pursuing short-term relative outperformance
- Understanding the benefits and risks of active investment managers that are unconstrained by a benchmark or style box
- Experienced with volatile products and able to accept significant temporary losses.

Nordea 1 – North American Value Fund

Cumulative performance in % (30.06.2010)

Timeframe	Fund*	Index**
YTD	-7.66	-6.65
1 month	-6.95	-5.23
3 months	-9.90	-11.43
6 months	-7.66	-6.65
1 year	19.28	14.43
3 years	-45.37	-26.65
5 years	-35.95	-3.91
Since inception (14.03.1997)	153.00	63.81

Nordea 1 – North American Value Fund vs. reference index** (14.03.1997 – 30.06.2010)



*ISIN code LU0076314649 (BP-USD). Launch date: 14.03.1997 ** S&P 500 Composite – Total Return Index. Source: Nordea Investment Funds S.A. and Datastream. Date: 30.06.2010. Performance calculated NAV to NAV (net of fees and Luxembourg taxes) gross income reinvested, in USD, excluding initial and exit charges as per 30.06.2010. The performance represented is historical; past performance is not necessarily a guide to the future and investors may not recover the full amount invested.

Nordea 1 – North American Value Fund	
Fund manager	Gregg J. Powers
Fund domicile	Luxembourg
ISIN codes	LU0076314649 (BP-USD) LU0229520647 (BI-USD)*
Annual management fees	1.5 % (BP-USD) 1.0 % (BI-USD)*
Base currency	USD
Fund size in millions	472.12
Reference index	S&P 500 Composite – Total Return Index
No. of holdings	53
Launch dates	14.03.1997 (BP-USD) 02.11.2005 (BI-USD)*

Source: Nordea Investment Funds S.A. Date: 30.06.2010.

*BI-USD share class: only for distribution towards institutional clients. Minimum investment amount: EUR 75,000 (or the equivalent)

Opportunities

- In the long run, equities offer above average return potential*
- Active North American Equity portfolio with a disciplined investment approach and without any benchmark constraints
- By investing in companies trading at significant discounts to their intrinsic value, the fund has a high margin of safety

Risks

- Equity prices can show significant volatility and may suffer from losses
- The investments made in this sub-fund may be subject to substantial fluctuations. A list of possible factors, which could cause such fluctuations, can be found in the latest Nordea 1, SICAV sales prospectus

* The performance indication is only indicative and may not be met in the future.

The sub-funds mentioned are part of Nordea 1, SICAV, an open-ended Luxembourg-based investment company (Société d'Investissement à Capital Variable), validly formed and existing in accordance with the laws of Luxembourg and with European Council Directive 85/611/EEC of 20 December 1985. The custodian of the SICAV's assets is Nordea Bank S.A., Luxembourg. Investments in the Nordea funds should be made on the basis of the current prospectus, which is available, along with the simplified prospectus, current annual and semi-annual reports, free of charge upon request from Nordea Investment Funds S.A., 562, rue de Neudorf, P.O. Box 782, L-2017 Luxembourg, from the local representatives or information agents, or from our distributors. A transaction involving a foreign exchange transaction may be subject to fluctuations of currency values which may affect the value of an investment. Investments in Emerging Markets involve a higher element of risk. 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Luxembourg, Zweigniederlassung Zürich, Mainaustrasse 21-23, CH-8008 Zürich, Telephone (+41) 44 421 42 42, Fax (+41) 44 421 42 82. **Additional information for investors in Germany:** The Information and Paying Agent in Germany is Nordea Bank Finland Plc, Niederlassung Deutschland, Grüneburgweg 119, D-60323 Frankfurt am Main. 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 the Erste Bank der Österreichischen Sparkassen AG, Graben 21, A-1010 Vienna. **Additional information for investors in France:** With the authorisation of the Autorité des Marchés Financiers (AMF) as per 11 March 2003, 13 December 2005, 03 April 2007, 28 September 2007, 29 February 2008, 29 April 2008, 25 November 2008 and 09 June 2009, Nordea 1, SICAV may be distributed to investors in France, as published in the Bulletin des Annonces Légales Obligatoire dated 19 March 2003, 19 December 2005, 18 April 2007, 10 October 2007, 19 March 2008, 28 May 2008, 15 December 2008 and 26 June 2009. 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. **Additional information for investors in Spain:** Nordea 1, SICAV is duly registered in the CNMV official registry of foreign collective investment institutions (entry no. 340) as authorised to be marketed to the public in Spain. In Spain, any investment must be made through the authorised distributors and on the basis of the information contained in the mandatory documentation that must be received from the SICAV's authorised distributor prior to any subscription, or that may be obtained from the CNMV registries. **Additional information for investors in Italy:** Fund documentation as listed above is also available in Italy from the distributors and on the website www.nordea.it. The updated list of distribution agents in Italy, grouped by homogenous category, is available from the distributors themselves, at State Street Bank S.p.A. branches (located in the main towns of each region), BNP Paribas Securities Services, Banca Sella Holding S.p.A., Allfunds Bank S.A., Societe Generale Securities Services Sp.A. and on the website www.nordea.it. Any requests for additional information should be sent to the distributors. **Before investing, please read the prospectus carefully.** We recommend that you read the most recent annual financial statement in order to be better informed about the fund's investment policy. For the risk profile of the mentioned sub-funds, please refer to the fund prospectus. **Additional information for investors in the United Kingdom:** Approved by Nordea Bank Finland Plc, London Branch, which is regulated by the FSA in the United Kingdom. **Additional information for investors in Latvia:** The Representative and Paying Agent is Nordea Bank Finland Plc, Latvia Branch, 15, Kalku Street, LV-1050 Riga. **Additional information for investors in Estonia:** The Representative and Paying Agent in Estonia is Nordea Bank Finland Plc, Estonia Branch, Hobujaama 4, 15068 Tallinn. **Additional information for investors in Lithuania:** The Representative and Paying Agent in Lithuania is Nordea Bank Finland Plc, Lithuania Branch, Didzioji str. 18/2, LT-01128 Vilnius. Shareholders must evaluate possible investment risks and take this into consideration when making investment decisions. Source: Nordea Investment Funds S.A. Performance calculated NAV to NAV (net of fees and Luxembourg taxes) gross income reinvested, in base currency, excluding initial and exit charges as per 30.06.2010. **The performance represented is historical; past performance is not necessarily a guide to the future and investors may not recover the full amount invested.** The value of shares can fluctuate and is not guaranteed.