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**Nordea Markets ETF  
SICAV**

**Investment Company under Luxembourg Law**

**R.C.S. Luxembourg B223977**

**Audited annual report for the period  
from April 18, 2018 (date of incorporation)  
to December 31, 2018**

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# Nordea Markets ETF

## Table of Contents

	Page
Directors and Administration	3
Information to the Shareholders	4
Report on the Activities of the Company	5
Audit Report	6
Statement of Net Assets	10
Key Figures	11
Statement of Operations and Changes in Net Assets	12
Statement of Investments	
Nordea Smart Beta Eurozone Equity UCITS ETF	13
Notes to the Financial Statements	15
Unaudited Information	18

No subscription can be accepted on the basis of the financial reports. Subscriptions are only valid if they are made on the basis of the Key Investor Information Documents, the prospectus accompanied by the latest annual report and the latest semi-annual report, if published thereafter.

# Nordea Markets ETF

## Directors and Administration

### **Registered Office**

11-13, Boulevard de la Foire  
L-1528 Luxembourg  
Grand Duchy of Luxembourg

### **Board of Directors of the Company**

#### **Peter Seippel**

Member of the Board of Directors  
Nordea Bank Abp

#### **Krister Alvelius**

Member of the Board of Directors  
Nordea Bank Abp

#### **Carl Christenson**

Chairman of the Board of Directors  
Nordea Bank Abp

#### **Revel Wood**

Member of the Board of Directors  
FundRock Management Company S.A.

### **Management Company**

FundRock Management Company S.A.  
33, Rue de Gasperich  
L-5826 Hesperange  
Grand Duchy of Luxembourg

### **Investment Manager**

Assenagon Asset Management S.A.  
Aerogolf Center  
1B Heienhaff  
L-1736 Senningerberg  
Grand Duchy of Luxembourg

### **Depository and Paying Agent**

RBC Investor Services Bank S.A.  
14, Porte de France  
L-4360 Esch-sur-Alzette  
Grand Duchy of Luxembourg

### **Administrator, Registrar and Transfer Agent of the Company**

RBC Investor Services Bank S.A.  
14, Porte de France  
L-4360 Esch-sur-Alzette  
Grand Duchy of Luxembourg

### **Auditor**

PricewaterhouseCoopers, Société coopérative  
2, rue Gerhard Mercator,  
L-2182 Luxembourg  
Grand Duchy of Luxembourg

### **Distributor**

Nordea Bank Abp  
Smålandsgatan 17  
SE-105 71 Stockholm  
Sweden

### **Legal adviser**

Clifford Chance  
10, Boulevard Grande Duchesse Charlotte  
L-1011 Luxembourg  
Grand Duchy of Luxembourg

# Nordea Markets ETF

## Information to the Shareholders

Copies of the following documents will be available for inspection on Business Days free of charge at the Company's registered office or at the Representatives outside Luxembourg, where copies of this Prospectus, all key investor information documents and the financial reports will also be available free of charge:

- (a) the Articles of the Company,
- (b) the articles of incorporation of the Management Company,
- (c) the contract with the Depositary,
- (d) the contract entered into by and between the Company, the Management Company and the Administrator, and
- (e) the contract entered into by and between the Company, the Management Company and the Investment Manager.

### **ALFI code of conduct:**

The Board is responsible for ensuring that a high level of corporate governance is met and considers that the Fund has complied with the best practices in the Luxembourg funds industry. In particular, the Board has adopted the ALFI Code of Conduct (the "Code") which sets out principles of corporate governance. The Board considers that the Fund has been in compliance with the principles of the Code in all material aspects throughout the financial year ended December 31, 2018.

# Nordea Markets ETF

## Report on the Activities of the Company

Reporting period: August 13, 2018 – December 28, 2018

### Investment Objective

The investment objective of the Nordea Markets ETF – Nordea Smart Beta Eurozone Equity UCITS ETF is to track the performance of the Nasdaq Nordea SmartBeta Multifactor ESG Eurozone NR Index. The Nasdaq Nordea SmartBeta Multifactor ESG Eurozone NR Index once every quarter selects 30 securities from the Eurozone countries which have the highest weighted high dividend, high momentum and low beta factors. The Nordea Smart Beta Eurozone Equity UCITS ETF was launched as at August 13, 2018.

### Tracking Difference

Tracking difference is defined as the difference in returns between a fund and its benchmark index. The investment management approach is to fully replicate the index via a physical equity portfolio. Any difference in the composition of this equity portfolio versus the index composition as well as broker fees, transaction taxes and taxes on dividend income may result in additional tracking difference (gross of TER).

### Tracking Error

The tracking error for each Sub-fund represents the annualised volatility of the daily differences between the returns of the Sub-fund and the returns of its benchmark index for the period from August 13, 2018 until December 28, 2018.

The table below compares the Sub-funds' performance against the performance of the relevant benchmark index during the abovementioned period. An explanation for the difference gross of the Total Expense Ratio ("TER") is provided as well. The table also shows the annualised tracking error for the period from August 13, 2018 until December 28, 2018.

Sub-Fund	Class	Ccy	ETF perf.	Benchmark Index perf.	Tracking Difference Net of TER	TER (p.a.)	Tracking Difference Gross of TER	Annualised Tracking Error	Explanation of the Tracking Difference
Nordea Smart Beta Eurozone Equity UCITS ETF	I	EUR	-11.99%	-11.89%	-0.10%	0.40%	0.03%	0.06%	The fund launched with a small cash amount (EUR 30,000). As a result, the basket could not perfectly match the index composition for a few weeks.
Nordea Smart Beta Eurozone Equity UCITS ETF	R	EUR	-11.54%	-11.30%	-0.24%	0.65%	0.01%	0.07%	

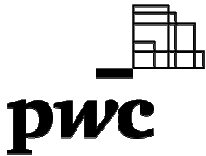
### Performance

The Nordea Smart Beta Eurozone Equity UCITS ETF (Share Class R) net asset value ("NAV") returned -11.54% for the period from August 13, 2018 until December 28, 2018.

**Assenagon Asset Management S.A.**  
**Aerogolf Center**  
**1B, Heienhaff**  
**1736 Senningerberg**  
**Luxembourg**

Luxembourg, April 1, 2019

Note: Indications and comparisons are historical and are not necessarily an indication of future results.



## Audit report

To the Shareholders of  
**Nordea Markets ETF**

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## Report on the audit of the financial statements

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### Our opinion

In our opinion, the accompanying financial statements give a true and fair view of the financial position of Nordea Markets ETF (the “Fund”) as at December 31, 2018, and of the results of its operations and changes in its net assets for the period from April 18, 2018 (date of incorporation) to December 31, 2018 in accordance with Luxembourg legal and regulatory requirements relating to the preparation and presentation of the financial statements.

#### *What we have audited*

The Fund’s financial statements comprise:

- the Statement of Net Assets as at December 31, 2018;
- the Statement of Investments as at December 31, 2018;
- the Statement of Operations and Changes in Net Assets for the period from April 18, 2018 (date of incorporation) to December 31, 2018;
- the Notes to the Financial Statements, which include a summary of significant accounting policies.

### Basis for opinion

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We conducted our audit in accordance with the EU Regulation No 537/2014, the Law of July 23, 2016 on the audit profession (Law of July 23, 2016) and with International Standards on Auditing (ISAs) as adopted for Luxembourg by the “Commission de Surveillance du Secteur Financier” (CSSF). Our responsibilities under the EU Regulation No 537/2014, the Law of July 23, 2016 and ISAs as adopted for Luxembourg by the CSSF are further described in the “Responsibilities of the “Réviseur d’entreprises agréé” for the audit of the financial statements” section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

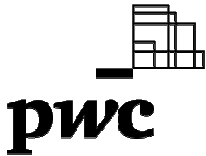
We are independent of the Fund in accordance with the International Ethics Standards Board for Accountants’ Code of Ethics for Professional Accountants (IESBA Code) as adopted for Luxembourg by the CSSF together with the ethical requirements that are relevant to our audit of the financial statements. We have fulfilled our other ethical responsibilities under those ethical requirements.

To the best of our knowledge and belief, we declare that we have not provided non-audit services that are prohibited under Article 5(1) of Regulation (EU) No 537/2014.

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*PricewaterhouseCoopers, Société coopérative, 2 rue Gerhard Mercator, B.P. 1443, L-1014 Luxembourg T : +352 494848 1, F : +352 494848 2900, [www.pwc.lu](http://www.pwc.lu)*

*Cabinet de révision agréé. Expert-comptable (autorisation gouvernementale n°10028256)  
R.C.S. Luxembourg B 65 477 - TVA LU25482518*



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## **Key audit matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period, and include the most significant assessed risks of material misstatement (whether or not due to fraud). These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Based on our understanding of the Fund and its activities, its controls environment, our continuous assessment of the risk of material misstatement due to error or fraud and the results of our procedures, we have not identified any key audit matters to be communicated to those charged with governance. In forming this judgment, we have considered in particular the following characteristics:

- The Fund invests substantially in investments with quoted prices in active markets. Such prices, readily observable, provide a reliable evidence of fair value.
- All of the Fund's investments are held in custody with its appointed depositary bank reducing both the risk of misappropriation and risk of material misstatements at the level of the existence assertion;
- None of the Fund's assets, liabilities, revenues and expenses are subject to accounting estimates that are subject to significant estimation uncertainties.
- The Fund has not entered into complex transactions and transactions outside the normal course of business and;
- In performing the audit, we have not encountered any significant challenges in obtaining sufficient appropriate audit evidence or forming our opinion.

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## **Other information**

The Board of Directors of the Fund is responsible for the other information. The other information comprises the information stated in the annual report but does not include the financial statements and our audit report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

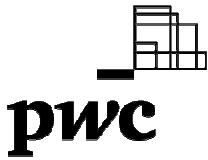
In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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## **Responsibilities of the Board of Directors of the Fund for the financial statements**

The Board of Directors of the Fund is responsible for the preparation and fair presentation of the financial statements in accordance with Luxembourg legal and regulatory requirements relating to the preparation and presentation of the financial statements, and for such internal control as the Board of Directors of the Fund determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors of the Fund is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors of the Fund either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.



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## **Responsibilities of the “Réviseur d’entreprises agréé” for the audit of the financial statements**

The objectives of our audit are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an audit report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the EU Regulation No 537/2014, the Law of July 23, 2016 and with ISAs as adopted for Luxembourg by the CSSF will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the EU Regulation No 537/2014, the Law of July 23, 2016 and with ISAs as adopted for Luxembourg by the CSSF, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund’s internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors of the Fund;
- conclude on the appropriateness of the Board of Directors of the Fund’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our audit report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our audit report. However, future events or conditions may cause the Fund to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.





We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our audit report unless law or regulation precludes public disclosure about the matter.

#### **Report on other legal and regulatory requirements**

We have been appointed as “Réviseur d’entreprises agréé” of the Fund by the General Meeting of the Shareholders on April 18, 2018 and the duration of our uninterrupted engagement is 1 year.

PricewaterhouseCoopers, Société coopérative  
Represented by

Luxembourg, April 15, 2019

A handwritten signature in blue ink, appearing to read 'C. Crépin', is written over the printed name.

Christelle Crépin

# Nordea Markets ETF

## Statement of Net Assets as at December 31, 2018

### Nordea Smart Beta Eurozone Equity UCITS ETF

	Note	EUR
<b>ASSETS</b>		
Investment portfolio at market value	(2b)	19,653,237.63
Cash at bank		12,757.38
Other assets		750.78
<b>TOTAL ASSETS</b>		<b>19,666,745.79</b>
<b>LIABILITIES</b>		
Interest payable		3.61
All-In fees payable	(6)	6,657.55
<b>TOTAL LIABILITIES</b>		<b>6,661.16</b>
<b>TOTAL NET ASSETS</b>		<b>19,660,084.63</b>

The notes form an integral part of these financial statements.

# Nordea Markets ETF

Key Figures as at December 31, 2018

**Nordea Smart Beta  
Eurozone Equity  
UCITS ETF**

**EUR**

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**Net asset value per share**

Class I	88.5756
Class R	88.4633

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**Number of shares outstanding**

Class I	189,149.93
Class R	32,850.00

# Nordea Markets ETF

## Statement of Operations and Changes in Net Assets

for the Period from April 18, 2018 (date of incorporation) to December 31, 2018

**Nordea Smart Beta  
Eurozone Equity  
UCITS ETF**

	<b>Note</b>	<b>EUR</b>
<b>NET ASSETS AT THE BEGINNING OF THE PERIOD</b>		<b>0.00</b>
<b>INCOME</b>		
Dividends, net	(2f)	26,870.72
Other income	(2g)	34,081.35
<b>TOTAL INCOME</b>		<b>60,952.07</b>
<b>EXPENSES</b>		
Interest paid		50.35
All-In fees	(6)	13,375.74
Other fees	(7)	3,243.74
<b>TOTAL EXPENSES</b>		<b>16,669.83</b>
<b>NET INCOME / (LOSS) FROM INVESTMENTS</b>		<b>44,282.24</b>
Net realised gain / (loss) on sales of investments		(90,491.72)
<b>NET REALISED GAIN / (LOSS)</b>		<b>(46,209.48)</b>
Change in net unrealised appreciation / (depreciation) on investments		(982,759.21)
<b>NET INCREASE / (DECREASE) IN NET ASSETS AS A RESULT OF OPERATIONS</b>		<b>(1,028,968.69)</b>
<b>EVOLUTION OF THE CAPITAL</b>		
Subscriptions of shares		21,611,832.46
Redemptions of shares		(922,779.14)
<b>NET ASSETS AT THE END OF THE PERIOD</b>		<b>19,660,084.63</b>

The notes form an integral part of these financial statements.

# Nordea Markets ETF

## Nordea Smart Beta Eurozone Equity UCITS ETF

### Statement of Investments

as at December 31, 2018

(expressed in EUR)

Description	Quantity	Currency	Cost	Evaluation	% net assets
<b>Transferable securities and money market instruments admitted to an official stock exchange or dealt in on another regulated market</b>					
<b>Shares</b>					
<b>Finland</b>					
AMER SPORTS CORPORATION A	21,032.00	EUR	707,831.06	806,997.84	4.10
			<b>707,831.06</b>	<b>806,997.84</b>	<b>4.10</b>
<b>France</b>					
AEROPORTS DE PARIS ADP	3,734.00	EUR	661,495.37	612,376.00	3.11
CNP ASSURANCES	35,049.00	EUR	688,886.86	641,747.19	3.26
COVIVIO ACT	7,780.00	EUR	676,178.87	635,626.00	3.23
DASSAULT SYSTEMES SA	6,229.00	EUR	677,406.86	634,423.65	3.23
GECINA /ACT.NOM.	5,324.00	EUR	689,173.54	596,820.40	3.04
GETLINK SE	62,120.00	EUR	694,792.13	724,008.60	3.69
HERMES INTERNATIONAL	1,367.00	EUR	674,950.91	651,785.60	3.32
KLEPIERRE	23,016.00	EUR	679,219.03	616,138.32	3.13
TELEPERFORM.SE	4,742.00	EUR	688,271.80	654,396.00	3.34
			<b>6,130,375.37</b>	<b>5,767,321.76</b>	<b>29.35</b>
<b>Germany</b>					
BMW-BAYER.MOTORENWERKE	9,058.00	EUR	684,135.87	640,400.60	3.26
CARL ZEISS MEDITEC AG	9,530.00	EUR	641,987.42	650,899.00	3.31
DEUTSCHE LUFTHANSA/NAM.	38,878.00	EUR	786,895.96	765,896.60	3.90
DEUTSCHE WOHNEN SE	17,074.00	EUR	699,040.92	682,960.00	3.47
HANNOVER RUECKVERSICHERUNG SE	5,797.00	EUR	695,925.61	682,306.90	3.47
LEG IMMOBILIEN	7,143.00	EUR	700,615.55	650,870.16	3.31
VONOVIA SE /NAMEN	17,082.00	EUR	706,717.74	676,276.38	3.44
WIRECARD AG/APRES RED.CAP	4,175.00	EUR	615,774.69	554,440.00	2.82
			<b>5,531,093.76</b>	<b>5,304,049.64</b>	<b>26.98</b>
<b>Ireland</b>					
GLANBIA PLC /-A-	44,204.00	EUR	682,898.01	722,735.40	3.68
			<b>682,898.01</b>	<b>722,735.40</b>	<b>3.68</b>
<b>Italy</b>					
MEDIOBANCA BCA CREDITO FINANZ.	89,070.00	EUR	694,871.35	656,980.32	3.34
MONCLER S.P.A.	22,491.00	EUR	702,778.21	650,664.63	3.31
			<b>1,397,649.56</b>	<b>1,307,644.95</b>	<b>6.65</b>
<b>Luxembourg</b>					
GRAND CITY PROPERTIES	32,295.00	EUR	674,417.38	611,990.25	3.11
			<b>674,417.38</b>	<b>611,990.25</b>	<b>3.11</b>
<b>Netherlands</b>					
AEGON NV	127,205.00	EUR	652,543.69	515,307.46	2.62
ASR NEDERLAND NV	17,193.00	EUR	668,127.45	594,533.94	3.02
KONINKLIJKE AHOLD DELHAIZE N.V.	34,131.00	EUR	721,195.68	753,100.52	3.83

The notes form an integral part of these financial statements.

# Nordea Markets ETF

## Nordea Smart Beta Eurozone Equity UCITS ETF

### Statement of Investments (continued)

as at December 31, 2018

(expressed in EUR)

Description	Quantity	Currency	Cost	Evaluation	% net assets
<b>Transferable securities and money market instruments admitted to an official stock exchange or dealt in on another regulated market (continued)</b>					
<b>Shares (continued)</b>					
<b>Netherlands (continued)</b>					
NN GROUP N.V.	18,170.00	EUR	681,861.32	625,048.00	3.18
WOLTERS KLUWER NV	13,765.00	EUR	709,794.23	705,593.90	3.59
			<b>3,433,522.37</b>	<b>3,193,583.82</b>	<b>16.24</b>
<b>Spain</b>					
BANKINTER SA	95,316.00	EUR	701,383.59	654,249.02	3.33
INMOB COL /REIT	77,799.00	EUR	679,491.81	623,169.99	3.17
MERL SOCIMI /REIT	62,317.00	EUR	697,333.93	661,494.96	3.36
			<b>2,078,209.33</b>	<b>1,938,913.97</b>	<b>9.86</b>
<b>Total - Shares</b>			<b>20,635,996.84</b>	<b>19,653,237.63</b>	<b>99.97</b>
<b>Total - Transferable securities and money market instruments admitted to an official stock exchange or dealt in on another regulated market</b>			<b>20,635,996.84</b>	<b>19,653,237.63</b>	<b>99.97</b>
<b>TOTAL INVESTMENT PORTFOLIO</b>			<b>20,635,996.84</b>	<b>19,653,237.63</b>	<b>99.97</b>

The notes form an integral part of these financial statements.

# Nordea Markets ETF

## Notes to the Financial Statements as at December 31, 2018

### **1 - General**

Nordea Markets ETF (the "Company") is registered in the Grand Duchy of Luxembourg as an undertaking for collective investments in transferable securities in accordance with Part I of the law of December 17, 2010 concerning undertakings for collective investments, as amended (the "2010 Law").

The Company qualifies as an undertaking for collective investments in transferable securities ("UCITS") pursuant to article 1(2) of Directive 2009/65/EC of the European Parliament and of the Council of July 13, 2009 on the coordination of laws, regulations and administrative provisions relating to undertakings for collective investments in transferable securities (the "UCITS Directive").

The Company is listed in the Luxembourg Register of Trade and Companies under number B223977. Its original Articles of incorporation have been published in the RESA on May 4, 2018.

The Company is currently structured as an umbrella fund, so that both institutional and retail investors are able to choose from different Sub-funds whose performance may be fully or partially linked to the performance of an underlying index, a basket consisting of securities or selected equities or equity-type securities via derivatives.

FundRock Management Company S.A. acts as the Company's Management Company.

As at December 31, 2018, the following Sub-fund is open:

- Nordea Smart Beta Eurozone Equity UCITS ETF, denominated in EUR (launched as at August 13, 2018)

The capitalisation classes available are as follows:

- Class I available to institutional investors
- Class R available for retail investors and advisory concept investors.

### **2 - Summary of Significant Accounting Policies**

#### *a) Presentation of financial statements*

The financial statements of the Company have been presented in accordance with Luxembourg legal and regulatory requirements and prepared in accordance with generally accepted accounting principles in Luxembourg relating to Undertakings For Collective Investment In Transferable Securities, including the following significant policies.

#### *b) Valuation of the investment securities*

The transferable securities or money market instruments that are listed on a recognised stock exchange or traded on any other regulated market will be valued at their last available official closing prices or, in the case of several such markets, based on their last available closing prices on the most important market for the relevant security, so long as these prices are normally the same as the prices used by the index offeror in the calculation of the index of the relevant Sub-fund; if the last available price does not accurately reflect the fair market value of the relevant securities, the value of such securities shall be determined by the Board of Directors on the basis of their reasonable foreseeable realisation prices determined subject to due deliberations and in good faith.

The transferable securities or money market instruments that are not traded on a regulated market will be valued on the basis of their likely realisation price, as determined by the Board of Directors subject to due deliberations and in good faith.

# Nordea Markets ETF

## Notes to the Financial Statements (continued) as at December 31, 2018

### **2 - Summary of Significant Accounting Policies (continued)**

#### *c) Net realised result on sales of investments*

Net realised result on sales of investments are calculated on the basis of average cost of the investments sold.

#### *d) Conversion of foreign currencies*

The accounting records and the financial statements of the Company are expressed in EUR. Cash at sight, other net assets and market value of the investments in securities expressed in currencies other than EUR are converted into EUR at the exchange rates prevailing on the date of valuation. Income and expenses in currencies other than EUR are converted into EUR at the rate of exchange prevailing at transaction date. The resulting gain/loss is included in the statement of operations and changes in net assets.

#### *e) Cost of investments in securities*

Cost of investment in securities in currencies other than EUR is converted into EUR at the exchange rate applicable at purchase date.

#### *f) Income and expenses recognition*

Dividends are recorded net at ex-date. Interest are accounted net on a prorated basis.

#### *g) Other income*

Other income consists of commissions on subscriptions and redemptions.

### **3 - Management Company**

The Board of Directors of the Company has appointed FundRock Management Company S.A. as the Management Company of the Company.

FundRock Management Company S.A. is approved as a management company regulated by chapter 15 of the 2010 Law and has also been authorised as Alternative Investment Fund Manager ("AIFM") under the amended Law of July 12, 2013 on alternative investment fund managers.

### **4 - Investment Manager**

The Management Company, upon recommendation and with the consent of the Company, has appointed Assenagon Asset Management S.A. as Investment Manager of the Sub-fund Nordea Smart Beta Eurozone Equity UCITS ETF.

### **5 - Administrator, Depositary and Paying Agent, Registrar and Transfer Agent of the Company**

RBC Investor Services Bank S.A. has been appointed as depositary bank and principal paying agent of the Company with responsibility for:

- The safekeeping of the assets;
- The oversight duties;
- The cash flow monitoring; and
- The principal paying agent functions.

RBC Investor Services Bank S.A. has also been appointed as central administrative agent, registrar and transfer agent.



# Nordea Markets ETF

## Notes to the Financial Statements (continued)

as at December 31, 2018

### 6 - All-In fees

Each Sub-fund will pay an All-In fee including in particular the fees for the Management Company, the Investment Manager of the Sub-fund, the Depository and paying Agent, as well as the fees for the Registrar and Transfer Agent of the Company and the Administrator.

The All-In fee is paid by the Company and paid directly to the Depository and/or the relevant service providers. The All-In fee is calculated on the basis of the average daily NAV of the share class of the relevant Sub-fund and is payable in arrears on a monthly basis, as follows:

<u>Sub-fund</u>	<u>Share Class</u>	<u>% p.a.</u>
Nordea Smart Beta Eurozone Equity UCITS ETF	Class I	0.40
	Class R	0.65

### 7 - Other fees

Other fees are composed of Stamp fees.

### 8 - Subscription tax

According to current Luxembourg Law and practice, the Company must pay an annual subscription tax (*taxe d'abonnement*) in Luxembourg which is calculated as a rate of 0.05% of the NAV of all its Sub-funds. The rate of taxation is 0.01% for all share classes reserved for institutional investors. The subscription tax is payable quarterly on the basis of the NAV of the Sub-funds at the end of the quarter to which the tax relates. Sub-funds (i) whose Shares are listed or traded on at least one stock exchange or another regulated market operating regularly, recognised and open to the public; and (ii) whose exclusive object is to replicate the performance of one or more indices, are exempt from the *taxe d'abonnement*. If several Share Classes exist within a Sub-fund, the exemption only applies to the share class fulfilling the condition (i) above. Without prejudice to additional or alternative criteria that may be determined by regulations, the index referred to under condition (ii) above must represent an adequate benchmark for the market to which it refers and must be published in an appropriate manner.

### 9 - Changes in the Securities Portfolio

A copy of the changes in the securities portfolio of the Company for the period from April 18, 2018 (date of incorporation) to December 31, 2018 is available free of charge at the Registered Office of the Company.

### 10 - Transaction Costs

For the period ended December 31, 2018, the Nordea Smart Beta Eurozone Equity UCITS ETF incurred transaction costs of EUR 35,024.19 relating to purchase or sale of transferable securities or other eligible assets. Transaction costs consist of brokerage, stock exchange and other fees and are included in the cost of investments.

### 11 - Subsequent Event

The Director Revel Wood resigned as of January 17, 2019 from the Board of Nordea Markets ETF.

# Nordea Markets ETF

## Unaudited Information

### **Risk Management**

The global exposure is calculated using the commitment approach as determined by the Management Company in accordance with the UCITS (Undertakings for Collective Investment in Transferable Securities) regulation, methodology described in the ESMA's guidelines 10.788.

### **Securities Financing Transactions and of Reuse Regulation ("SFTR")**

The Company does not use any instruments falling into the scope of SFTR.

### **Remuneration Policy**

FundRock Management Company S.A. ("FundRock") has established and applies a remuneration policy in accordance with the principles laid out under the AIFMD and UCITS V directive, and any related legal & regulatory provisions applicable in Luxembourg. The remuneration policy is aligned with the business strategy, objectives, values and interests of the Management Company and the Funds that it manages and of the investors in such Funds, and which includes, inter alia, measures to avoid conflicts of interest; and it is consistent with and promotes sound and effective risk management and does not encourage risk taking which is inconsistent with the risk profiles, rules or instruments of incorporation of the Funds that the Management Company manages.

As an independent management company relying on a full-delegation model (i.e. delegation of the collective portfolio management function), FundRock ensures that its remuneration policy adequately reflects the predominance of its oversight activity within its core activities. As such, it should be noted that FundRock's employees who are identified as risk-takers under UCITS V are not remunerated based on the performance of the funds under management.

A paper version of the remuneration policy is made available free of charge to investors at FundRock's registered office.

The amount of remuneration, including social charges and benefits, for the financial year ending December 31, 2018 was: EUR 6,459,595.00

Fixed remuneration: EUR 6,271,345.00

Variable remuneration: EUR 188,250.00

This does not include the remuneration to SEB Fund Services/FundRock Nordics for the period from January 1, 2018 till December 21, 2018 prior to the merger of SEB Fund Services/FundRock Nordics with FundRock Management Company on December 21, 2018.

Number of beneficiaries: 64

The aggregated amount of remuneration for the financial year ending December 31, 2018 of Identified staff/risk takers is as follows:

Identified staff/risk takers: EUR 1,069,358.00

Other risk takers: EUR Nil

The remuneration to SEB Fund Services/FundRock Nordics for the period from January 1, 2018 till December 21, 2018 prior to the merger of SEB Fund Services/FundRock Nordics with FundRock Management Company on December 21, 2018, including social charges and benefits was: EUR 2,286,192.83

Fixed remuneration: EUR 2,245,970.33

Variable remuneration: EUR 40,222.50

Number of beneficiaries: 19

# Nordea Markets ETF

## Unaudited Information (continued)

### **Remuneration Policy (continued)**

The aggregated amount of remuneration for the period from January 1, 2018 till December 31, 2018 prior to the merger of SEB Fund Services/Fund Rock Nordics with Fund Rock Management Company of Identified staff/risk takers is as follows:

Identified staff/risk takers: EUR 489,625.06

Other risk takers: EUR Nil

The total amount of remuneration is based on a combination of the assessment of the performance of the individual, the overall results of FundRock, and when assessing individual performance, financial as well as non-financial criteria are taken into account.

The Policy is subject to annual review by the Compliance Officer and the update is performed by HR department of FundRock and is presented for review to the Remuneration Committee and approval by the Board of FundRock.

The policy was last updated in February 2019, to reflect the additional requirements of the "UCITS V" Directive.