

# Fund Portrait

2025

## Nordea 1 – European Covered Bond Fund

LU0076315455 (BP-EUR) / LU0539144625 (BI-EUR)

## Nordea 1 – Low Duration European Covered Bond Fund

LU1694212348 (BP-EUR) / LU1694214633 (BI-EUR)

SFDR classification

 ARTICLE **8**

### Highlights<sup>1</sup>

- An asset class that aims to meet the highest standards of safety
- Managed by a **specialised and experienced** investment team
- An **active relative value based management to create alpha** in this **inefficient and complex market**
- Three portfolios with tailored duration and spread risks to best answer investors' needs



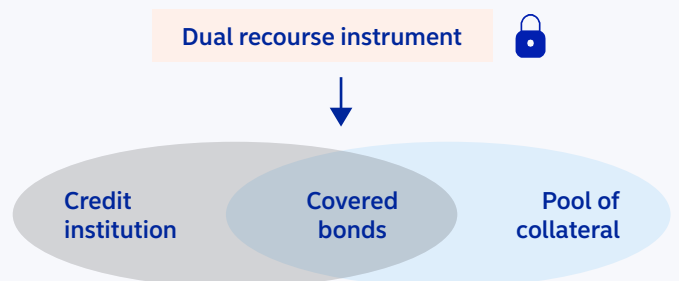
### Asset Management at Nordea

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 extraordinary multi-boutique approach that combines the expertise of specialized internal boutiques with exclusive external competences allowing us to potentially deliver alpha in a stable way for the benefit of our clients.<sup>1</sup>

Nordea Asset Management has **considerable expertise in the covered bonds space**, with a dedicated investment team managing several funds and mandates across Danish and European Covered Bonds strategies. **Our investment strategy is the common ground of our covered bond solutions:** two portfolios that adapt the exposures of the strategy, providing **solutions with tailored duration**. The Nordea 1 – European Covered Bond Fund has been a compelling story of alpha generation since 2012; then Nordea launched in October 2017 the Nordea 1 – Low Duration European Covered Bond Fund, a solution with a limited duration risk.<sup>2</sup> Nordea firmly **believes skill, experience and active management** are required to navigate the intricacies of the vast European covered bond market, which even in today's markets remains a complex and inefficient universe.

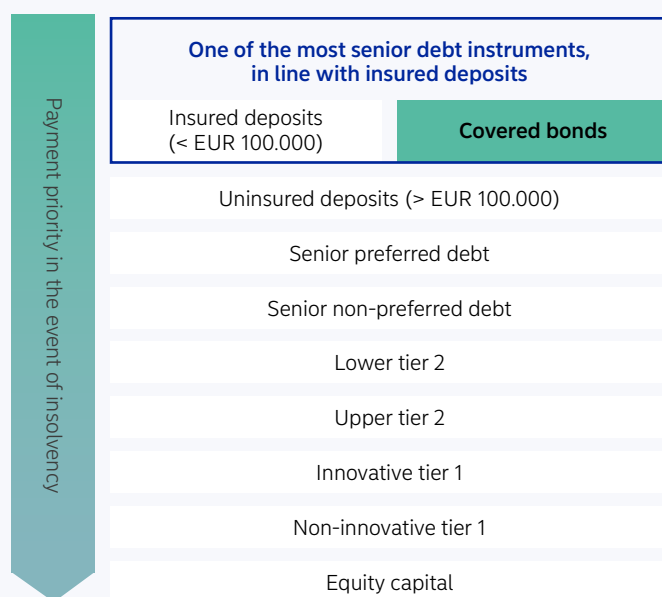
### Covered Bonds: a Very Low-Risk Asset Class

A covered bond is a debt instrument issued by a mortgage institution or a bank, which is backed by a cover pool of assets. Covered bond's investors benefit from a **dual protection**. The first recourse is a full claim on the issuer's assets – which means should the issuer becomes insolvent, covered bond investors have creditor rights on the assets. The second recourse is a preferential access to the cover pool. The cash flows of the cover pool, and on the further level of its collateral, back the covered bonds. These cash flows will be used to service the bonds in the event the issuer is insolvent, providing the timely payment of coupons and principal when the issuer can no longer afford them.



1) There can be no warranty that an investment objective, targeted returns and results of an investment structure is achieved. The value of your investment can go up and down, and you could lose some or all of your invested money. 2) 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 your investment can go up and down, and you could lose some or all of your invested money.

Recent EU regulatory enhancements have granted covered bonds preferential treatment: the asset class benefits from both banking and insurance regulation frameworks. In addition to being **one of the most senior debts on financial institutions' balance sheet**, an extra layer of investor protection is added by **covered bonds' exemption from the EU bail-in mechanism**. Under the Bank Recovery and Resolution Directive (BRRD), a resolution authority is allowed to intervene and restructure a bank, when one is considered in a close-to-failure situation. As covered bonds are excluded from absorbing any losses via bail-in, they cannot be written down in the process, unlike non-preferred senior debt and the remaining debt with a more junior position.



As a result, **covered bonds have not witnessed a default in more than 200 years of history**. In contrast, the “typical” safe bonds have taken investors by surprise: e.g. Greek government bonds were restructured earlier in the 2010s, while Greek covered bonds did not take a loss; another example would be Banco Espírito Santo's senior debt creditors who suffered sharp losses in 2016 as part of the bail-in mechanism of the bank.

Finding an **attractive low-risk home** for investors in today's market environment is a difficult proposition. Nordea offers you both the asset class and the expertise: a very **high quality** investment delivering **returns that only an active and experienced manager** can bring to your portfolio.<sup>3</sup>

## Creating alpha in a complex and inefficient market

Nordea's value proposition is closely linked to the added value of active management. This is where **the expertise of the Fixed Income Rates Team in the covered bond market plays its full role**. With an average of over 25 years of experience, the team consist of a stable team of portfolio managers, who have worked together for more than 15 years.

As covered bonds are very secure and highly regulated investments, many consider the asset class rather “boring” generally turning to passive allocation or buy-and-hold strategies. Although investing in covered bonds looks rather straightforward at first sight, this is a huge fallacy. **The covered bond market is inefficient in many ways:** from new issuers that pay a premium to attract investors, to the effect of rating methodologies that do not fully capture the business model of certain issuers. The inefficiencies and complexities of the market offer a wide range of opportunities to our investment team, who are truly active and dynamic in their allocation: e.g. their flexibility to invest outside of the EUR-denominated universe (with no currency risk as the portfolio is hedged to EUR), to leverage on their expertise in the Nordic markets, or to take advantage of ratings inefficiencies and market players' constraints.



Portfolio Manager,  
Henrik Stille

**We aim to create alpha by identifying relative value opportunities across the investment universe, with strong focus on optimising portfolio risk.**

The actively managed portfolio **identifies relative value opportunities by a risk based approach** focusing on quantitative research. We seek to invest in covered bonds that offer attractive relative value compared to investment alternatives with similar risk characteristics.<sup>3</sup>

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## Investment Process

### I. Define Country Views

- Analyse current covered bond pricing in different jurisdictions
- Should allow us to pick countries to overweight/underweight

### II. Analyse Issuers

- Understand strengths/weaknesses of relevant issuers
- Compare pricing curves across issuer
- Find fair value spreads across issuers
- Compare ESG factors across issuers

### III. Select Individual Securities

- Analysing pricing curves leads to the selection of most attractive bonds
- Understand and exploit market opportunities
- Decide where to be on the chosen issuer's curve

### IV. Portfolio Construction & Risk Management

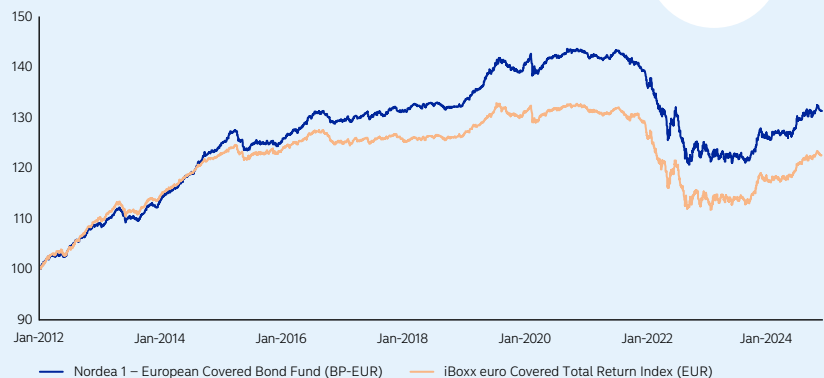
- Use risk model to simulate implementation of different investments
- Is the risk-level in line with expected return given current spreads?

## Nordea 1 – European Covered Bond Fund

Active management at play!

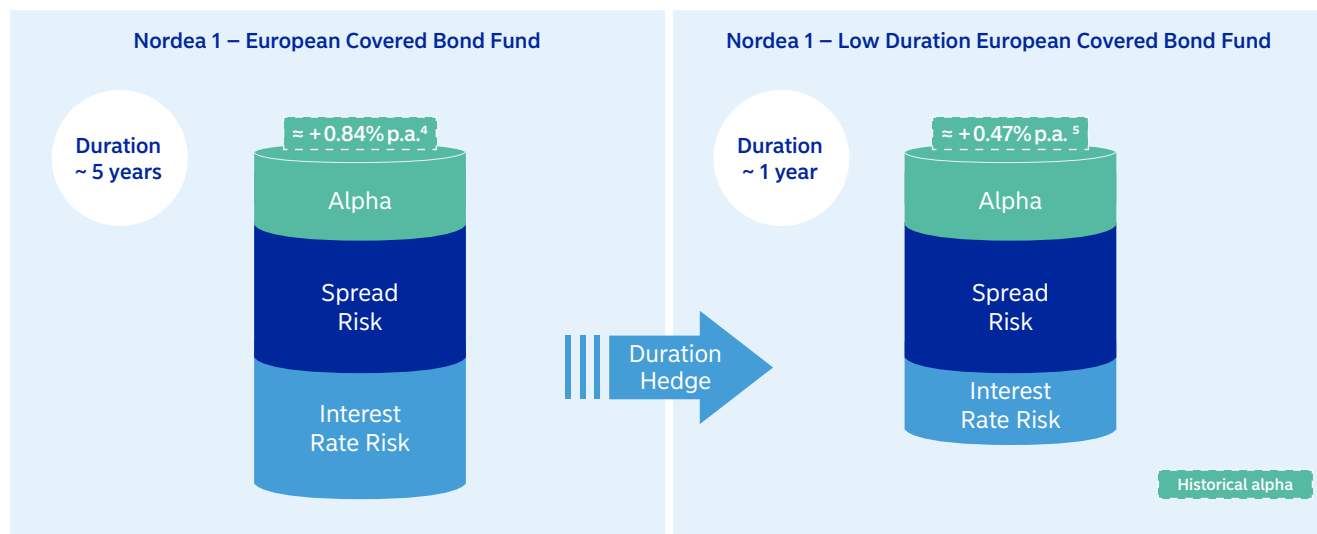
Duration  
~ 5 years

- Covered Bonds are a very safe asset class, never defaulted in 200+ years of history
- The NAM FI Rates Team has a proven capability and experience to create alpha, with more than 40bn EUR of AuM accross Rates strategies
- NAM built a strong and solid track-record – applying a relative value approach – where credit selection is the main driver of alpha



Source (unless otherwise stated): Nordea Investment Funds S.A. Period under consideration (unless otherwise stated): 30.01.2012 – 31.12.2024. 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 31.12.2024. Initial and exit charges could affect the value of the performance. If the currency of the respective share differs from the currency of the country where the investor resides the represented performance might vary due to currency fluctuations.

## Risk/return exposure of our solutions



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4) The Nordea 1 – European Covered Bond Fund BP-EUR over the iBoxx euro Covered Total Return Index (31.12.2012 – 31.12.2024). 5) The Nordea 1 – Low Duration European Covered Bond Fund BP-EUR over iBoxx Euro Covered Interest Rate 1Y Duration Hedged (31.12.2018 – 31.12.2024).

### Nordea 1 – European Covered Bond Fund (ECVBF)

Fund manager	Fixed Income Rates Team
Fund domicile	Luxembourg
ISIN codes*	LU0076315455 (BP-EUR) LU0539144625 (BI-EUR) <sup>6</sup>
Annual management fees	0.60% (BP-EUR) 0.30% (BI-EUR) <sup>6</sup>
Base currency	EUR
Reference index	iBoxx euro Covered Total Return Index
Launch date	05.07.1996 (BP-EUR) 09.12.2011 (BI-EUR) <sup>6</sup>

### Nordea 1 – Low Duration European Covered Bond Fund (LDECVBF)

Fund manager	Fixed Income Rates Team
Fund domicile	Luxembourg
ISIN codes	LU1694212348 (BP-EUR) LU1694214633 (BI-EUR) <sup>6</sup>
Annual management fees	0.50% (BP-EUR) 0.25% (BI-EUR) <sup>6</sup>
Base currency	EUR
Reference index	iBoxx Euro Covered Interest Rate 1Y Duration Hedged
Launch date	24.10.2017 (BP-EUR, BI-EUR)

To find out more, visit our local microsite:

[nordea.ch/StayCovered](https://nordea.ch/StayCovered)

[nordea.lu/StayCovered](https://nordea.lu/StayCovered)

[nordea.co.uk/StayCovered](https://nordea.co.uk/StayCovered)

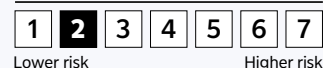


\*Other share classes may be available in your jurisdiction. 6) BI-EUR share class: only for distribution towards institutional clients. Minimum investment amount: EUR 75,000 (or the equivalent).

# Nordea 1 – European Covered Bond Fund

LU0076315455 (BP-EUR) / LU0539144625 (BI-EUR)

## Risk indicator



## Risks

The summary risk indicator is a guide to the level of risk of this product compared to other products.

For more information on risks the fund is exposed to, please refer to the section "Risk Descriptions" of the prospectus.

Other risks materially relevant to the PRIIP not included in the summary risk indicator:

**Covered bond risk:** Covered bonds are bonds usually issued by financial institutions, backed by a pool of assets (typically, but not exclusively, mortgages and public sector debt) that secure or "cover" the bond if the issuer becomes insolvent. With covered bonds the assets being used as collateral remain on the issuer's balance sheet, giving bondholders additional recourse against the issuer in case of default. In addition to carrying credit, default and interest rate risks, covered bonds could face the risk that the collateral set aside to secure bond principal could decline in value.

**Credit risk:** A bond or money market security, whether from a public or private issuer, could lose value if the issuer's financial health deteriorates.

**Derivatives risk:** Small movements in the value of an underlying asset can create large changes in the value of a derivative, making derivatives highly volatile in general, and exposing the fund to potential losses significantly greater than the cost of the derivative.

**Hedging risk:** Any attempts to reduce or eliminate certain risks may not work as intended, and to the extent that they do work, they will generally eliminate potentials for gain along with risks of loss.

**Prepayment and extension risk:** Any unexpected behaviour in interest rates could hurt the performance of callable debt securities (securities whose issuers have the right to pay off the security's principal before the maturity date).

**For UK investors, please refer to the SRRI and risks as per the Key Investor Information Document (KIID) and Prospectus, which are available on [nordea.co.uk](https://nordea.co.uk).**

## Investment policy

The fund mainly invests in European covered bonds. Specifically, the fund invests at least two thirds of total assets in covered bonds that are denominated in European currencies or that are issued by companies or financial institutions that are domiciled, or conduct the majority of their business, in Europe. The fund also invests at least two thirds of total assets in debt securities with a rating of AAA/Aaa or lower, but not lower than A-/A3, or equivalent. The fund may invest in, or be exposed to up to 10% in debt securities rated BB+/Ba1 or lower, including unrated securities. The fund's major part of currency exposure is hedged to the base currency, although it may also be exposed (through investments or cash) to other currencies. The fund is actively managed.

## SFDR classification

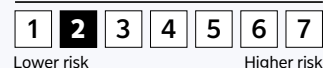
The fund has been classified as an article 8 fund under SFDR. The fund has environmental and/or social characteristics but does not have sustainable investment as its objective.

For more information on sustainability-related aspects of the fund, please visit:

# Nordea 1 – Low Duration European Covered Bond Fund

LU1694212348 (BP-EUR) / LU1694214633 (BI-EUR)

## Risk indicator



## Risks

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Nordea Asset Management is the functional name of the asset management business conducted by the legal entities Nordea Investment Funds S.A., Nordea Investment Management AB, and Nordea Funds Ltd and their branches and subsidiaries. The funds mentioned are part of Nordea 1, SICAV, an open-ended Luxembourg-based investment company. The prospectus, the Key Information Document (KID) and the Key Investor Information Document (KIID) for UK investors, and the annual and semi-annual reports are available electronically in English and/or in the local language of the market where the mentioned SICAV is authorised for distribution, without charge upon request from the management company 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 as well as on [www.nordeaassetmanagement.com](#). This material is intended to provide the reader with information on Nordea Asset Management specific capabilities, general market activity or industry trends and is not intended to be relied upon as a forecast or research. This material, or any views or opinions expressed herein, does not amount to an investment advice nor does it constitute a recommendation to buy, sell or invest in any financial product, investment structure or instrument, to enter into or unwind any transaction or to participate in any particular trading strategy. Unless otherwise stated, all views expressed are those of Nordea Asset Management. Views and opinions reflect the current economic market conditions, and are subject to change. While the information herein is considered to be correct, no representation or warranty can be given on the ultimate accuracy or completeness of such information. Prospective investors or counterparties should discuss with their professional tax, legal, accounting and other adviser(s) with regards to the potential effect of any investment that they may enter into, including the possible risks and benefits of such investment, and independently evaluate the tax implications, suitability and appropriateness of such potential investments. Please note that all funds and share classes might not be available in your country of jurisdiction. All investments involve risks; losses may be made. For details on risks associated with these funds, please refer to the prospectus and the relevant KID or KIID. The investments promoted concern the acquisition of units or shares in a fund, not in any given underlying asset such as shares of a company, as these are only the underlying assets owned by the fund. For information on sustainability-related aspects of the funds, please visit [www.nordeaassetmanagement.com](#). Published by Nordea Investment Funds S.A. Nordea Investment Management AB and Nordea Investment Funds S.A. are licensed and supervised by the Financial Supervisory Authority in Sweden and Luxembourg respectively. Nordea Funds Ltd is a management company incorporated in Finland and supervised by the Finnish Financial Supervisory Authority. A summary of investor rights is available in English through the following link: [www.nordeaassetmanagement.com/investor-rights](#). Nordea Investment Funds S.A. may decide to terminate the arrangements

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