



# Fund Flash

## Nordea 1 - Balanced Income Fund

ISIN: LU0634509953 (BP-EUR) / LU0637308585 (BI-EUR)

The objective of the fund is to build an optimal fixed income portfolio with a fairly low level of risk (normal target volatility of 3-6%) and to generate an annualized return of 3% gross of fees in excess of cash rate over a full investment cycle<sup>1</sup>.

### Portfolio comment as of 31/07/2019

During July, risky assets resumed their rally, but to a slower and more diverging way. Once again, Developed Markets' performance dwarfed the one from Emerging Markets, thanks to US strong outcome. This was triggered by the support from the central banks, with the Federal Reserve's interest rate cut and the ECB's accommodative stance with the perspective of a cut too. As a result, yield curves flattened but with diverging patterns on both sides of the Atlantic, as the US one was owed to short term rates increase, meanwhile the European one was mainly due to long term yields' decrease. Finally, credit spreads continued to tighten this month, except for European High Yield segment.

In this context, the fund delivered a monthly return equal to 0.79%, bringing YTD performance to 7.14% (BP-EUR).

The main positive contributions came from our high-quality government bonds, as the long duration exposure profited from yields' reduction over the month. Strong positive contributions posted also the credit exposure of the fund, especially the allocation to Emerging Markets Spreads, which benefitted from spreads' tightening.

On the negative side, our defensive currencies posted negligible negative contributions, slightly detracting but without having a significant impact on the overall performance. Once again, this portrays the attractive asymmetric behaviour of our defensive strategies, designed to protect the fund when markets turn sour – as happened in May - without detracting too much when markets rally.

Regarding the portfolio positioning:

- Duration exposure slightly decreased during the month due to unattractive risk adjusted valuation.
- Credit exposure remained unaltered, once again owed to less attractive risk adjusted valuation, as spreads continued to tighten.
- Equity exposure remained fairly stable during the month, as expensive valuation almost completely offset relatively high risk appetite.

Portfolio Positioning	30/06/2019	31/07/2019
Duration	2.66 years	2.42 years
HY Credit Exposure	0.82%	0.82%
Net Equity Exposure	10.00%	11.10%

Cumulative Performance	1M	YTD	3 Years
Fund (BP-EUR)	0.79%	7.14%	4.68%

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\* investing in their own account - according to MIFID definition

Source (unless otherwise stated): Nordea Investment Funds S.A. Period under consideration (unless otherwise stated): 30/06/2019 to 31/07/2019. 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 31/07/2019.

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