



# 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 31/10/2018

During October, global equities tumbled, with Developed Markets (DM) slightly outperforming Emerging Markets (EM) due to more resilient macroeconomic support, especially in the US where we witnessed high GDP growth and the lowest unemployment rate in 49 years. In addition, the recent sector rotation continued in both DM and EM equity markets, on the back of the so called-flight to quality, as investors remained concerned about the blossoming trade war and midterms elections. From a sector standpoint, Consumer Staples, Telecommunication Services and Healthcare outperformed more cyclical segments. These behavioural discrepancies were also reflected amidst the FAANG, as the stocks with more stretched valuations experienced a new swan dive, with Amazon and Netflix losing around 20% in October. Within the fixed income space, investors digested the recent Fed short term interest rates hike. In this environment, yields patterns diverged on both sides of the Atlantic, as US curve steepened to some extent, meanwhile Europe curve flattened over the month. Finally, spreads widened during the month, especially in High Yield (HY) and EM.

In this context, the fund delivered a negative return of -1.83% over the month and it now accumulates a performance of -3.23% YTD (BP-EUR).

-The main positive contribution over the month was coming from our allocation to TAA Equity & Momentum, which is only implemented to reduce the overall equity risk, while they tumbled. Our defensive currencies also delivered positive outcome as they benefited from their attractive valuation and negative correlation feature with equities, managing to provide some diversification while equity markets toppled.

- On the negative side, the main detractor was our Equity beta exposure, as global equities tumbled over the month. In the meantime, our credit spreads exposure was the second largest impact, especially HY, as spreads globally widened.

Regarding the portfolio positioning:

- Credit exposure increased to some extent, on the back of the still low default risk and attractive valuation.
- Duration decreased to some extent owed to our Tactical Asset Allocation.
- Equity exposure increased over the month, essentially on the back of more attractive risk-return profile in developed markets.

Portfolio Positioning	30/09/2018	31/10/2018
Duration	4.24 years	3.95 years
HY Credit Exposure	15.4%	15.6%
Net Equity Exposure	3.3%	10.3%

Cumulative Performance <sup>2</sup>	1M	YTD	3 years
Fund <sup>3</sup>	-1.83%	-3.23%	-0.49%

1) There can be no warranty that investment objectives, targeted returns and results of an investment structure are achieved.

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. 3) BP-EUR Share class.

Source (unless otherwise stated): Nordea Investment Funds S.A. Period under consideration (unless otherwise stated): 30/09/2018 to 31/10/2018. 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 31/10/2018.

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