



Fund Flash

Nordea 1 - Danish Covered Bond Fund

ISIN: LU0076315968 (BP-DKK)

The fund's objective is to provide a return on the investment, primarily consisting of interest income and long-term capital appreciation.¹

Portfolio comment as of 31/03/2020

Danish government yields rose in March despite massive price declines in the equity and credit markets. Moreover, the prospect of increased issuance of government bonds due to rescue packages and weaker government finances put upward pressure on yields. Danish 10- and 20-year government yields rose by 36bp and 43bp to -0.25% and 0.04%, respectively.

Like the credit markets, the Danish mortgage market was hit by significant spread widening, and some days market liquidity was sharply reduced. However, as opposed to many corporate bonds, it was possible to trade Danish mortgage bonds – only at significantly wider-than-usual trading spreads. The option-adjusted spreads between callable mortgage bonds and government bonds widened to around 130bp at one point but ended around 64bp for the 1% 2050 and the 1½% 2050 bonds.

Overall, this led to major negative returns in the Danish bond market, and mortgage bonds generally yielded significantly lower returns than comparable-duration government bonds. The callable market underperformed by up to 250bp. The first part of the yield rise and spread widening in fact benefited high-yield bonds as they reduced the prepayment risk. However, at one point movements were too wide, and 2% bonds were pushed below par. But with decent price rises towards the end of the month, 2% bonds overall yielded an acceptable return compared to short government bonds and ARM-backed.

In this context, the fund delivered a monthly return equal to -2.63%, bringing YTD performance to -0.97% (BP-DKK).

Portfolio Positioning	28/02/2020	31/03/2020
Effective Duration*	4.30 years	3.94 years
12m horizon return**	0.16%	0.90%

Cumulative Performance	1M	YTD	3 Years
Fund (BP-DKK)	-2.63%	-0.97%	3.75%

With effect as of 19 June 2019 the sub-fund is renamed from Nordea 1 - Danish Mortgage Bond Fund to Nordea 1 – Danish Covered Bond Fund. The performance represented is historical; past performance is not a reliable indicator of future results and investors may not recover the whole amount invested. The value of shares can greatly fluctuate as a result of the sub-fund's investment policy and cannot be ensured, you could lose some or all of your invested money. *Based on model portfolio. **Estimated yield over the next twelve months, based on current model portfolio and market conditions, assuming no change in portfolio holdings and no movement in interest rates and spreads. 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.

* investing in their own account - according to MIFID definition

Source (unless otherwise stated): Nordea Investment Funds S.A. Period under consideration (unless otherwise stated): 29/02/2020 to 31/03/2020. 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 31/03/2020.

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