



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 30/09/2019

High expectations of monetary policy easing by the ECB were not fully met at the bank's meeting in early September, and yields consequently rose some 10bp across the maturity spectrum. The market had anticipated a rate cut of 10-20bps at the meeting but the bank only sanctioned 10bps.

The pick-up in yields reduced the need to buy duration in the callable market. Coupled with continued high issuance activity, this was instrumental in putting downward pressure on prices of low coupons. The 30-year bonds with ½% and 1% coupons thus yielded returns that were some 50bp lower than those of comparable-duration government bonds. Conversely, higher-coupon bonds outperformed short government bonds given a slightly lower prepayment risk and decelerating selling pressures from investors who were previously looking for lower coupons and higher duration.

ARM-backed bonds yielded returns on a par with government bonds, except for the 5-year segment where the yield spread to government bonds widened by some 5bp due to lower demand for long duration and large-scale issuance towards the end of the month.

In this context, the fund delivered a monthly return equal to -0.61%, bringing YTD performance to 3.93% (BP-DKK).

Portfolio Positioning	31/08/2019	30/09/2019
Effective Duration*	3.94 years	4.08 years
12m horizon return**	0.04%	0.11%

Cumulative Performance	1M	YTD	3 Years
Fund (BP-DKK)	-0.61%	3.93%	6.84%

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): 31/08/2019 to 30/09/2019. 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 30/09/2019.

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