



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 31/07/2022

While Danish government bond yields declined by around 55bps in the 4- to 30-year maturities, yields in the shorter maturities declined somewhat less. Inflation prints are still high with medium- and long-term inflation expectations fairly unchanged in July. As a result, real rates plunged. The ECB and the Federal Reserve hiked short rates by 50bps and 75bps to 0% and 2.5%, respectively, in July to counter the uptick in inflation. However, neither of the central banks gave any guidance to the market as to the size and pace of further rate hikes. This will depend on economic trends. The Federal Reserve indicated that short-term interest rates had reached a more neutral level. Combined with weak economic data, this dampened market expectations of further rate hikes. The ECB is now expected to raise short-term rates to around 1% while expectations in June were briefly above 2%.

The sharp decline in yields led to high absolute returns especially on long government bonds. The yield spread between non-callable bonds and government bonds widened around 5bps, and 4- to 5-year non-callables consequently underperformed equivalent government bonds slightly. Callable mortgage bonds rose by around 4 points in the lower coupons, and 3½% and 4% coupons were up by 2½ to 3 points. Within the individual coupons, prices almost rose by the same magnitude irrespective of maturity. Consequently, short maturities did relatively better whereas bonds with an interest-only option underperformed in relative terms. While the price of the 4% 2053 bond with principal payments rose from 98.18 to 100.65, the price of the 4% 2053 bond with an up to 10-year interest-only option went from 96.78 to 99.73. This meant that the 4% 2053 bond with principal payments was closed for new loan offers at the end of July and that issuance shifted to 3½% 2053 and 3% 2053 bonds. Only Nykredit/Totalkredit has opened for the 3½% 2053 bond. At the other mortgage lenders, the 3% 2053 bonds have taken over. In the callable mortgage bond segment, borrowers' buyback of low coupons is still decent and net issuance is negative, but activity has been slightly lower over the summer.

In this context, the fund delivered a monthly return equal to 2.36%, bringing YTD performance to -6.50% (BP-dkk).

Positioning	30/06/2022	31/07/2022
Duration ²	4.8 years	5.0 years
12m yield ³	2.60%	2.20%

Cumulative Performance	1M	YTD	3 Years	10 Years
Fund (BP-dkk)	2.36%	-6.50%	-10.19%	5.72%
Benchmark	2.52%	-4.28%	-6.44%	2.74%
Alpha	-0.16%	-2.21%	-3.75%	2.98%

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. With effect from 14.12.2020, the official reference index of the fund is 75% Nordea DK Govt CM 5Y and 25% Nordea DK Govt CM 3Y. Prior to this date, the fund did not have an official reference index. The performance of the reference index before this date is provided for convenience purposes. This reference index is used for performance comparison purposes. 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) Based on model portfolio. 3) 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. The presented figures are estimations of Nordea Investment Management AB and are based on assumptions and on information currently available. No guarantee can be given for the accuracy of the data and these estimations might not be met in the future.

Any investment decision in the sub-funds should be made on the basis of the current prospectus and the Key Investor Information Document (KIID).

The fund invests a minimum of two-thirds of its net assets in fixed-income and floating rate debt securities issued by private borrowers and public authorities domiciled in Denmark. Investments are made primarily in callable Danish mortgage backed bonds listed on the Copenhagen Stock Exchange. The holdings of Danish mortgage backed bonds in the Sub-fund will typically have high coupons in comparison with the general yield level of bonds with similar durations. Investments in Danish government bonds listed on the Copenhagen Stock Exchange are also permitted. Actively managed. Benchmark used for performance comparison only. Risk characteristics of the fund's portfolio may bear some resemblance to those of the benchmark. Benchmark: 75% NDA Govt CM5 and 25% NDA Govt CM3

Source (unless otherwise stated): Nordea Investment Funds S.A. Period under consideration (unless otherwise stated): 30/06/2022 to 31/07/2022. 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 31/07/2022.

Initial and exit charges could affect the value of the performance. **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 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.** If the currency of the respective share class differs from the currency of the country where the investor resides the represented performance might vary due to currency fluctuations. 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