



# Fund Flash

## Nordea 1 - Danish Mortgage 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.<sup>1</sup>

### Portfolio comment as of 31/12/2018

In December, Danish 10-year government yields dropped 4bp to 0.22%, with a 25bp decline for the year overall. Danish short-dated government yields rose a few basis points in December given a weak Danish krone and speculation about an independent Danish rate hike. The yield spread between Danish and German government bonds widened a few basis points at the long end and somewhat more at the shorter end.

Danish mortgage bonds had a hard time tracking the price increases in long-dated Danish government bonds, and the option-adjusted spread between 2% 2050 bonds and Danish government bonds widened 3bp to 82bp in December. Over the year the spread widened by a whopping 31bp, but the 2% 2050 bonds still yielded returns close to Danish government bonds with comparable duration due to higher current returns, low interest rate volatility and a decline in implied interest rate volatility.

Looking closer at the performance of the individual segments of the Danish covered bond market, over the month

- long low-coupon callable bonds yielded slightly lower returns than comparable Danish government bonds, whereas the opposite was true of higher-coupon bonds.
- ARM-backed covered bonds yielded returns close to Danish government bonds in December but overall generated slightly higher returns over the year despite spread widening.

In this context, the fund delivered a monthly return equal to 0.07%, bringing YTD performance to 0.50% (BP-DKK).

Portfolio Positioning	30/11/2018	31/12/2018
Effective Duration*	4.52 years	4.58 years
12m horizon return**	1.49%	1.59%
Average credit rating	AAA	AAA

Cumulative Performance	1M	YTD	3 Years
Fund (BP-DKK)	0.07%	0.50%	8.40%

The performance represented is historical; past performance is not a reliable indicator of future results and investors may not recover the whole amount invested. \*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 is no guarantee that investment objectives will actually be achieved in the future.

Source (unless otherwise stated): Nordea Investment Funds S.A. Period under consideration (unless otherwise stated): 30/11/2018 to 31/12/2018. 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 31/12/2018.

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