



Fund Flash

Nordea 1 - European Covered Bond Fund

ISIN: LU0076315455 (BP-EUR)

The fund's objective is to outperform the benchmark (Iboxx EUR Covered Bond Index) by mainly investing in European covered bonds.¹

Nordea 1 - Low Duration European Covered Bond Fund

ISIN: LU1694212348 (BP-EUR)

The fund's objective is to provide an attractive low risk option by mainly investing in European covered bonds with a targeted duration of around 1 year.¹

Portfolio Comment as of 31/12/2018

In December, there were no new deals at all. Issuers were reluctant about issuing in the very unsure market we saw, as spread were widening in all jurisdictions towards the end of the year. Furthermore, the last deals in November suggested that there was not much appetite from the investors to absorb supply.

Overall, the spread of the iBoxx EUR Covered Bond index widened by 2bps. Most jurisdictions widened versus swaps. The learning from November was that a new issue dragged the secondary curve wider, and since there were no new issues in December, the widening has been more or less uniform in all jurisdictions. Among the main contributors, Greek covered bonds widened around 10-20bps which was a negative relative driver. With that said, it should be mentioned that the overweight on Greek covered bonds over Italy have had a massive contribution to the overall positive performance in 2018.

In this context, the Nordea 1 - European Covered Bond Fund delivered a positive return of +0.0008 over the month and it now accumulates a performance of +0.008 YTD (BP-EUR).

With a more or less closed covered bond market in December, we are ready for the large number of issuances that will hit the market. Historically, January is the busiest month for new issuances, and 2019 will be no exemption. We will therefore look for opportunities to position ourselves in covered bonds where we find them attractive versus alternatives. We expect to see limited spread widening in the beginning of the new year when new deals hit the market. However, we expect this correction to happen fast and with minor impact for the general covered bond market.

Regarding the portfolio positioning:

- We find the core (and semi-core) covered bond spreads vs the underlying sovereigns too wide at the moment and would like to take on more exposure.
- We are still more reluctant on issuers from the periphery. Given the headline risk, uncertainty about a new TLTRO and the relative pricing versus the underlying sovereigns still isn't that attractive, we would like to see on what level new issuances from these countries will trade.

Nordea 1 - European Covered Bond Fund

| Portfolio Positioning | 30/11/2018 | 31/12/2018 |
|-------------------------|------------|------------|
| Effective Duration* | 5.46 years | 5.14 years |
| 12m horizon return** | 1.00% | 1.01% |
| Average weighted rating | A+ | A+ |

| Cumulative Performance ² | MTD | YTD | 3 years |
|-------------------------------------|--------|-------|---------|
| Fund ³ | 0.08% | 0.80% | 6.29% |
| Benchmark ⁴ | 0.26% | 0.24% | 2.74% |
| Alpha | -0.18% | 0.55% | 3.55% |

Nordea 1 - Low Duration European Covered Bond Fund

| Portfolio Positioning | 30/11/2018 | 31/12/2018 |
|-------------------------|------------|------------|
| Effective Duration* | 1.97 years | 1.82 years |
| 12m horizon return** | 0.61% | 0.70% |
| Average weighted rating | AA- | AA- |

| Cumulative Performance ² | 1M | YTD | Sine launch |
|-------------------------------------|--------|--------|-------------|
| Fund ⁵ | -0.19% | -0.47% | -1.16% |

1) There can be no warranty that investment objectives, targeted returns and results of an investment structure are achieved. *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. 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) Nordea 1 - European Covered Bond Fund (BP-EUR) 4) The Nordea 1 - European Covered Bond Fund's official benchmark is the Iboxx EUR Covered Bond Index. 5) Nordea 1 - Low Duration European Covered Bond Fund (BP-EUR)

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.

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.** 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. The sub-funds mentioned are part of Nordea 1, SICAV, an open-ended Luxembourg-based investment company (Société d'Investissement à Capital Variable), validly formed and existing in accordance with the laws of Luxembourg and with European Council Directive 2009/65/EC of 13 July 2009. **This document is advertising material** and does not disclose all relevant information concerning the presented sub-funds. Any investment decision in the sub-funds should be made on the basis of the current prospectus and the Key Investor Information Document (KIID), which are available, along with the current annual and semi-annual reports, electronically in English and in the local language of the market where the mentioned SICAV is authorised for distribution, without charge upon request from Nordea Investment Funds S.A., 562, rue de Neudorf, P.O. Box 782, L-2017 Luxembourg, from the local representatives or information agents, or from our distributors. Investments in derivative and foreign exchange transactions may be subject to significant fluctuations which may affect the value of an investment. **Investments in Emerging Markets involve a higher element of risk. The value of shares can greatly fluctuate as a result of the sub-fund's investment policy and cannot be ensured. Investments in equity and debt instruments issued by banks could bear the risk of being subject to the bail-in mechanism (meaning that equity and debt instruments could be written down in order to ensure that most unsecured creditors of an institution bear appropriate losses) as foreseen in EU Directive 2014/59/EU. For further details of investment risks associated with these sub-funds, please refer to the relevant Key Investor Information Document (KIID), available as described above.** Nordea Investment Funds S.A. has decided to bear the cost for research, i.e. such cost is covered by existing fee arrangements (Management/Administration-Fee). Nordea Investment Funds S.A. only publishes product-related information and does not make any investment recommendations. Published by Nordea Investment Funds S.A., 562, rue de Neudorf, P.O. Box 782, L-2017 Luxembourg, which is authorized by the Commission de Surveillance du Secteur Financier in Luxembourg. Further information can be obtained from your financial advisor. He/she can advise you independently of Nordea Investment Funds S.A. **Additional information for investors in Switzerland:** The Swiss Representative and Paying Agent is BNP Paribas Securities Services, Paris, succursale de Zurich, Selnaustrasse 16, CH-8002 Zurich, Switzerland. **Additional information for investors in Germany:** The Information Agent in Germany is Société Générale S.A. Frankfurt Branch, Neue Mainzer Straße 46-50, D-60311 Frankfurt am Main. A hard copy of the above-mentioned fund documentation is also available from here. **Additional information for investors in Austria:** Sub-paying Agent and Representative in Austria is Erste Bank der Österreichischen Sparkassen AG, Am Belvedere 1, A-1100 Vienna. **Additional information for investors in the Netherlands:** Nordea 1, SICAV is a Luxembourg Undertaking for Collective Investment in Transferable Securities (UCITS) registered in the Netherlands in the register kept by the AFM, and as such is allowed to offer its shares in the Netherlands. The AFM register can be consulted via www.afm.nl/register. **Additional information for investors in France:** With the authorisation of the AMF the shares of the sub-funds of Nordea 1, SICAV may be distributed in France. Centralising Correspondent in France is CACEIS Bank, located at 1-3, place Valhubert, 75013 Paris. **Investors are advised to conduct thorough research before making any investment decision. Additional information for investors in Belgium:** The Representative Agent in Belgium is BNP Paribas Securities Services S.C.A., Brussels branch, 25 Rue de Loxum, Brussels, B-1000-Belgium. A hard copy of the above-mentioned fund documentation is available upon demand free of charge. **Additional information for investors in Spain:** Nordea 1, SICAV is duly registered in the CNMV official registry of foreign collective investment institutions (entry no. 340) as authorised to be marketed to the public in Spain. The Depositary of the SICAV's assets is, J.P. Morgan Bank Luxembourg S.A. In Spain, any investment must be made through the authorised distributors and on the basis of the information contained in the mandatory documentation that must be received from the SICAV's authorised distributor prior to any subscription. The Representative Agent is Allfunds Bank S.A., Paseo de la Castellana 9, ES-28046 Madrid, Spain. A complete list of the authorised distributors is available in the CNMV's webpage (www.cnmv.es). **Additional information for investors in Portugal:** The Management Company of the SICAV, Nordea Investment Funds, S.A., and the Depositary of the SICAV's assets, J.P. Morgan Bank Luxembourg S.A., are validly formed and existing in accordance with the laws of Luxembourg and authorized by the Commission de Surveillance du Secteur Financier in Luxembourg. Our distributor in Portugal is BEST - Banco Electrónico de Serviço Total, S.A., duly incorporated under the laws of Portugal and registered with the CMVM as a financial intermediary. **Additional information for investors in Italy:** Fund documentation as listed above is also available in Italy from the distributors and on the website www.nordea.it. The updated list of distribution agents in Italy, grouped by homogenous category, is available from the distributors themselves, at State Street Bank International GmbH – Succursale Italia, branches (located in the main towns of each region), BNP Paribas Securities Services - Succursale di Milano, Banca Sella Holding S.p.A, Banca Monte dei Paschi di Siena S.p.A., Allfunds Bank S.A. Succursale di Milano, Société Générale Securities Services S.p.A. and on the website www.nordea.it. Any requests for additional information should be sent to the distributors. **Before investing, please read the prospectus and the KIID carefully.** We recommend that you read the most recent annual financial statement in order to be better informed about the fund's investment policy. **The prospectus and KIID for the sub-funds have been published with Consob. Additional information for investors in the United Kingdom:** Approved by Nordea Bank AB, 5 Aldermanbury Square, London EC2V 7AZ, which is regulated by the FCA in the United Kingdom. **Additional information for investors in Sweden:** The Paying Agent is Nordea Bank AB (publ), Smålandsgatan 17, Stockholm SE-105 71. The Representative Agent is Nordea Funds Ltd, Swedish Branch, Mäster Samuelsgatan 21, Stockholm, SE-105 71. **Additional information for investors in Denmark:** The Information and Paying Agent is Nordea Danmark, filial af Nordea Bank AB (publ), Sverige, Strandgade 3, Christiansbro, DK-1401 Copenhagen K. A hard copy of the above-mentioned fund documentation is available here. **Additional information for investors in Norway:** The Paying Agent is Nordea Bank AB (publ), Filial i Norge, Essendrops gate 7, Postboks 1166 Sentrum, NO-0107 Oslo. The Representative Agent is Nordea Funds Ltd., Norwegian Branch, Essendrops gate 7, Postboks 1166 Sentrum, NO-0107 Oslo. **Additional information for investors in Finland:** The Paying Agent is Nordea Bank AB (publ), Finnish Branch, Satamaradankatu 5, FI-00020 NORDEA, Helsinki. The Representative Agent is Nordea Funds Ltd, Satamaradankatu 5, FI-00020 NORDEA, Helsinki. **Additional information for investors in Latvia:** The Representative and Paying Agent is Luminor Bank AS, Skanstes iela 12, Riga, LV-1013. **Additional information for investors in Estonia:** The Representative and Paying Agent in Estonia is Luminor Bank AS, Liivalaia 45, 10145 Tallinn. **Additional information for investors in Lithuania:** The Representative and Paying Agent in Lithuania is Luminor Bank AB, Konstitucijos pr. 21A, 03601 Vilnius. Shareholders must evaluate possible investment risks and take this into consideration when making investment decisions. Source (unless otherwise stated): Nordea Investment Funds S.A. Unless otherwise stated, all views expressed are those of Nordea Investment Funds S.A. This document may not be reproduced or circulated without prior permission and must not be passed to private investors. This document contains information only intended for professional investors and independent financial advisers and is not intended for general publication. Reference to companies or other investments mentioned within this document should not be construed as a recommendation to the investor to buy or sell the same, but is included for the purpose of illustration.