



Fund Flash

Nordea 1 - European Covered Bond Fund

ISIN: LU0076315455 (BP-EUR) / LU0539144625 (BI-EUR)

The fund's objective is to outperform the benchmark (Iboxx EUR Covered Bond Index) by mainly investing in European covered bonds¹.

Portfolio comment as of 30/09/2019

The EUR swap yields widened in September, mostly in the short end of the curve. The outcome of the ECB meeting was more or less anticipated, but some of the elements did however 'disappoint' the market. The 5Y point widened 11bps, and the curve flattened by 4bps in the short end (2-10Y) and 3bps in the long end (10-30Y).

The spread on the index tightened by 1.24bps against swaps in September. During the month, our peripheral positions outperformed the market, both the covered and sovereign allocations. We have increased our position in Italian Tier2 banks, and together with Monte dei Paschi and Banca Carige, we keep seeing this Italian segment outperforming. On the other hand, we have reduced our covered bond exposure in Spain: the overweight in Italy/Greece and underweight in Spain have been quite profitable for some time now.

In this context, the fund delivered a monthly return equal to -0.37%, bringing YTD performance to 6.71% (BP-EUR).

We expect the primary market to be a bit slow for the rest of 2019, as most issuers have already met their funding target through an active first half of the year. We prefer the shorter end/belly of the curve (5-7Y), as we don't think we get compensated enough for the longer duration given the flatness of the curve.

We still see some countries giving a few bps pickup. In the AAA-rated space we prefer Norwegian covered bonds. We are still overweighted Italy and Greece. DKK covered bonds are still attractive compared to other Aaa EUR covered bonds in the short end of the curve and we are comfortable with our relatively large allocation into these.

Portfolio Positioning	31/08/2019	30/09/2019
Effective Duration*	5.33 years	5.07 years
12m horizon return**	-0.08%	0.05%

Cumulative Performance	1M	YTD	3 Years
Fund (BP-EUR)	-0.37%	6.71%	7.47%
Benchmark	-0.61%	4.33%	3.49%
Alpha	0.24%	2.38%	3.98%

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. The official benchmark of the fund is the Iboxx EUR Covered Bond Index. 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.*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.

* 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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