



# Fund Flash

## Nordea 1 - Low Duration European Covered Bond Fund

ISIN: LU1694212348 (BP-EUR) / LU1694214633 (BI-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<sup>1</sup>.

### Portfolio comment as of 30/04/2019

April was a relative slow month in the primary European covered bond market. New issuances were 45% lower in April 2019 compared to the same period last year. However, the strong start of the year means we are still up 9% YTD compared to 2018. The market sentiment is still very strong, and all deals have massive oversubscriptions. This forces investors to meet their demand in the secondary market resulting in the curve tightening.

Overall, the covered bond universe continued to perform in April. The iBoxx EUR covered bond index tightened 3bps versus swaps. All jurisdictions tightened, where Spain, Italy, Greece, Norway and the Netherlands outperformed. Especially Greece have had a strong performance. National Bank of Greece and Eurobank – which are now all investment grade and therefore part of the benchmark – tightened 23bps in April. National Bank of Greece already tightened 120bps against swaps YTD.

The fund also has part of its periphery risk in the sovereign space which contributed positively in April.

In this context, the fund delivered a monthly return equal to 0.42%, bringing YTD performance to 1.41% (BP-EUR).

The positive sentiment in the covered bond market seems to continue. We have seen general tightening in all jurisdictions, and the supply in the primary market is well absorbed with highly oversubscribed books and almost no new issue premium. We find most jurisdictions expensive at the moment, and are not looking to add additional covered bond risk unless we see issuances from e.g. Greece or some of the Southeast Asian countries that haven't been active yet this year.

Portfolio Positioning	31/03/2019	30/04/2019
Effective Duration*	1.08 years	1.88 years
12m horizon return**	0.27%	0.27%
Average credit rating	A+	A+

Cumulative Performance	1M	YTD	3 Years
Fund (BP-EUR)	0.42%	1.41%	NA

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. 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.

Source (unless otherwise stated): Nordea Investment Funds S.A. Period under consideration (unless otherwise stated): 31/03/2019 to 30/04/2019. 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 30/04/2019.

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