



Fund Update

May 2018

Nordea 1 – European Cross Credit Fund

ISIN: LU0733673288 (BP-EUR)

Market commentary

Sentiment deteriorated and volatility increased amid increasing trade tension, the government-building process in Italy and the on and off nature of the meeting between the US and North Korea have also brought geopolitical concerns back to the center of attention.

Trade concerns were at large, as US-tariffs on auto imports were being considered and steel and aluminum tariff exemptions for the EU, Canada, and Mexico expired.

At the same time the political situation in Italy led to tensions in the market as a populist government was formed, which yet again raised concerns over the stability of the Euro. The government leader later communicated that Italy would continue to support the Euro which stabilized the market somewhat.

The new issue took a bit of a breather in May particularly in High Yield.

Over the month Investment Grade spreads widened by 22bps¹ and High Yield spreads widened by 59bps².

Fund commentary

The fund generated a return equal to -0.95%³ in May.

The top performing bonds in May were TVO (Utility), Greif (Capital Goods) and AT&T (Telecom).

The bottom performers were Novafives (Services), which widened after reporting results below estimates and Volkswagen (Automotive).

We did not participate in any new issues during the month.

Central Banks across the globe have fought to nourish economic growth with easy monetary policy. They have come a long way and the major economies are showing steady progress leading Central Banks reduce fiscal stimulus, which could slow down economic growth.

With this backdrop we favour companies with low cyclicity and stable operations even in an economic downturn or cyclical companies with a capital structure that enables them to weather economic downturns.

1) Source Bloomberg: EN00 Index – including rebalancing. 2) Source Bloomberg: HPID Index – including rebalancing. 3) Source (unless otherwise stated): Nordea Investment Funds S.A. Period under consideration (unless otherwise stated): 30.04.2018 – 31.05.2018. 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 31.05.2018. 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.**

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