

April 2021

Opportunities? Yes please!

Nordea 1 – European Covered Bond Opportunities Fund

ISIN: LU1915690595 (BP-EUR) / LU1915690835 (BI-EUR)

What is it?

A portfolio of covered bonds with a duration of **about one year** and characterised by a **dynamic** management, which is achieved through extended exposure to the asset class spreads.

Fully hedged to EUR, the result is a **high credit quality** (A-) portfolio whose performance is minimally affected by rate changes, yet with greater potential compared to more traditional fixed income solutions focused on this asset class and defensive securities in general.

We focus on our exposure towards covered bond spreads, the selection of which underpins our **alpha generation** since many years as we look for relative value in this vast asset class rich of opportunities.

The Nordea 1 – European Covered Bond Opportunities Fund has its roots firmly anchored in the universe of **covered bonds** and its characteristics (high credit ratings, double recourse and security). However, thanks to its duration hedge (to around 1 year), it is able to efficiently navigate rising yield environments.

At the same time, an increased exposure to covered bond spreads translates into the ability to capitalise on **relative value** opportunities on the market and amplify our alpha potential.

The portfolio is therefore well positioned to take **advantage of the opportunities** from an uncertain market environment on the yield side, with a potential for an **attractive performance** regardless of interest rate movements.

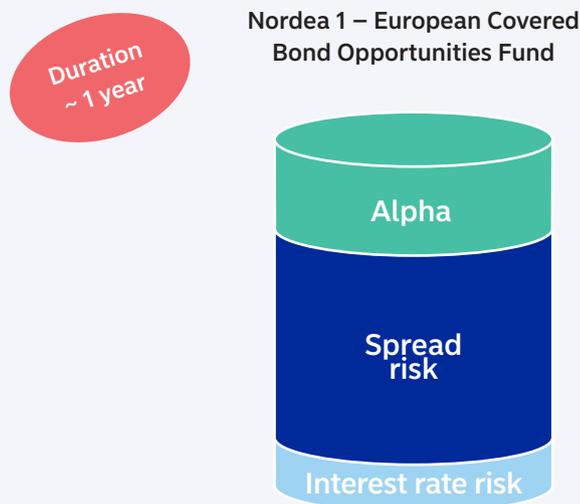
Portfolio characteristics and historical data (as at 31.03.2021, BP-EUR)¹

- Year-to-date performance: +2.24%
- Annualised performance since inception: +4.46%
- Volatility since inception: 2.95%
- Average rating: A-
- Duration: 1.27

Relative value and alpha: a return engine

The portfolio manager seeks to capture the relative value inherent in various **market inefficiencies**, with increased exposure to covered bond spreads allowing the **generation of accelerated alpha** from which the portfolio benefits by virtue of its particularly dynamic allocation.

March 2021 is the perfect example of this dynamic. In a still uncertain context for future rate developments, the fund has enjoyed one of the best performing months since its launch, totalling a return net of fees (BP-EUR) above 1.5%, even though market rates and spreads have remained largely unchanged in the same period.

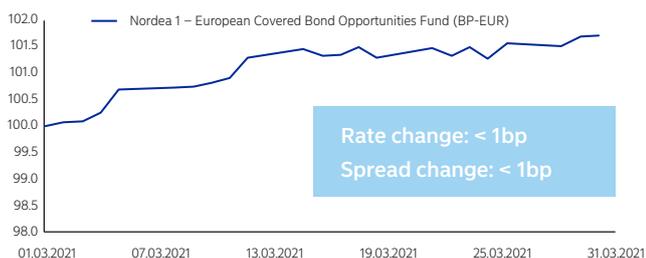


Why now?

The recent **rise in yields** has put a heavy strain on much of the fixed income world, where the duration component has affected results. This is a theme that is particularly reflected in safer securities, not least government bonds and covered bonds.

¹) 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, you could lose some or all of your invested money. Launch date of Nordea 1 – European Covered Bond Opportunities Fund: January 2019.

March 2021 (01.03 – 31.03)



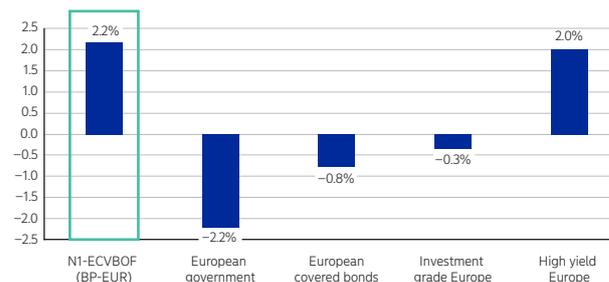
The sources of relative value contributing to alpha generation in March 2021, and since inception in general, are **diverse and manifold**:

- We dynamically allocate to **different countries** depending on assessments and opportunities
- We are looking for value in the **local Scandinavian covered bond markets**, which is one of our areas of great expertise
- We assess the relative **attractiveness** of covered bonds in relation to government bonds as market developments unfold, with flexibility to invest into government bonds should we deem it appropriate
- We identify and select securities that are linked to **technical inefficiencies**, whether resulting from a denomination in a different currency or technical aspects linked to collateral ratings
- We increase exposure by investing in securities with a **longer maturity** (but always covering duration at around one year) and using **moderate leverage**

Historically, this has enabled the fund to deliver an **attractive performance** to our investors,² difficult to access otherwise by investing in securities of such high credit quality.

Since the beginning of the year, the fund has generated a competitive performance net of fees (BP-EUR)², which rivals also those of other market indices with a far greater risk. This demonstrates the effectiveness of our approach even in uncertain rates scenarios, which put bond investors under pressure.

Year-to-date performance (as at 8 April 2021)



²⁾ Source (unless otherwise stated): Nordea Investment Funds S.A. Period under consideration (unless otherwise stated): January 2019 – March 2021. 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 31.03.2021. 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, you could lose some or all of your invested money.** 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.

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