



Fund Flash



Nordea 1 - Danish Covered Bond Fund

ISIN: LU0076315968 (BP-DKK)

The fund's objective is to provide a return on the investment, primarily consisting of interest income and long-term capital appreciation.¹

Portfolio comment as of 31/08/2019

Yields fell even further in August from their record lows. The market now expects the ECB to cut rates by around 30bp within the next six months and to resume its purchase programs.

The sharp yield declines and the flatter yield curve have had a significant impact on the callable market. New low coupons have been launched at short intervals in 2019, and in August the price of the 1% 2050 bond rose from 98.68 to 101.75 and the new 0.5% 2050 bond ended at 98.60. Homeowners can take out a 30-year fixed-rate loan at an effective interest rate of 0.6% before administration and reserve fees. It thus seems that the record-high prepayments for the October payment date will be exceeded at the January payment date.

The increased prepayment risk and switches into lower coupons caused the prices of high-coupon bonds to drop. The duration in the callable market thus stayed at a record low of 1 despite major switches into lower coupons. The lack of duration and the hunt for yield supported the new low-coupon mortgage bonds, which have generated significantly higher returns than comparable government bonds. The return on higher coupons was generally significantly lower compared to government bonds. ARM-backed covered bonds, on the other hand, yielded a return in line with government bonds. The refinancing auctions for the October payment date did not give rise to any major surprises, but the volumes auctioned were relatively limited.

In this context, the fund delivered a monthly return equal to 0.98%, bringing YTD performance to 4.57% (BP-DKK).

Portfolio Positioning	31/07/2019	31/08/2019
Effective Duration*	4.02 years	3.94 years
12m horizon return**	0.36%	0.04%

Cumulative Performance	1M	YTD	3 Years
Fund (BP-DKK)	0.98%	4.57%	7.94%

With effect as of 19 June 2019 the sub-fund is renamed from Nordea 1 - Danish Mortgage Bond Fund to Nordea 1 – Danish Covered Bond Fund. 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. *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. 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.

* investing in their own account - according to MIFID definition

Source (unless otherwise stated): Nordea Investment Funds S.A. Period under consideration (unless otherwise stated): 31/07/2019 to 31/08/2019. 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 31/08/2019.

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. The sub-funds mentioned in this document are part of Nordea 1, SICAV, a Luxembourg Undertaking for Collective Investment in Transferable Securities (UCITS), **validly formed and existing in accordance with the laws of Luxembourg and with European Council Directive 2009/65/EC of 13 July 2009**, 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. **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. 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 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.