



Fund Flash

Nordea 1 - European Covered Bond Opportunities Fund

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

The fund's objective is to provide attractive returns by mainly investing in European covered bonds and government bonds with a targeted duration of around 1 year¹.

Portfolio comment as of 31/10/2021

Inflation is still the main topic and all eyes are on central banks. During October the market priced in two hikes (20bps) in the short end and flattened the curve quite dramatically. The market will probably continue to be volatile, as we expect inflation figures to be high going into 2022. This is in line with what the ECB is expecting, and they then expect the inflation expectations for the medium term to go back below the 2%. After the ECB press conference in October, where President Lagarde did not push back on market expectations, spreads widened significantly the following two-three days (especially in the periphery), which also had a minor spill over to the covered bond market.

The strategy underperformed over the month. The last few days of October saw spreads on the periphery to widen. Our exposure in Greece was a negative contributor to performance. The 2-10Y flattening of the curve also contributed negatively, while the 10-30Y flattening was a positive contributor to performance. Our covered bonds' country and security selection was a positive contributor.

In this context, the fund delivered a monthly return equal to -0.64%, bringing YTD performance to 1.89% (BP-EUR).

We expect the primary market in covered bonds to be quieter for the rest of the year. We could see some pressure on spreads. However, we see covered bonds as attractive against government bonds in the semi-core space. We have been selective in the deals we have participated in the primary market. We participated in the a Tier2 Italian bank (Banca Carige) covered bond issue which printed above BTPS. This is a very large pickup in the European covered bond space.

Portfolio Positioning	30/09/2021	31/10/2021
Effective Duration*	-0.11 years	1.2 years
12m horizon return**	-0.20%	0.70%

Cumulative Performance	1M	YTD	3 Years
Fund (BP-EUR)	-0.64%	1.89%	NA
Benchmark	-0.24%	-1.02%	NA
Alpha	-0.40%	2.91%	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. With effect from December 2020, the official reference index of the fund is the Iboxx Euro Covered Interest Rate 1Y Duration Hedged. Prior to this date, the fund did not have an official reference 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): 30/09/2021 to 31/10/2021. 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 31/10/2021.

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