



# Fund Flash

## Nordea 1 - Emerging Market Bond Fund

ISIN: LU0772926670 (BP-USD) / LU0772925789 (BI-USD)

The fund's objective is to outperform its benchmark after fees over a full market cycle (5 to 7 years).<sup>1</sup>

### Portfolio comment as of 30/09/2020

Emerging Markets Hard Currency underperformed given the weaker backdrop of an uncertain Fed, a nearing US election and sentiment surrounding COVID-19. The EM hard currency return for the month, as measured by the JPM EMBI Global Diversified, was -1.72%. This was the first month EM Hard Currency experienced a backup in spreads since the drawdown in March. The spread on the index widened +10 bps to 432 bps. Emerging Market corporates measured by the CEMBI Broad Diversified Index returned -0.48% with spreads widening +16 bps. EM Corporate returns were modestly negative in September, driven by high yield. Argentina corporates were the significant underperformer due to the new restrictions on accessing foreign currency.

The top performers for the month were Venezuela +9.95%, Suriname +6.93%, Romania +1.93%, Georgia +1.08% and Philippines +0.47%. The bottom performers were Sri Lanka -15.76%, Argentina -11.49%, El Salvador -6.56%, Ecuador -6.13% and Gabon -5.62%. Moody's downgraded Sri Lanka by two notches to Caa1 on concerns of the COVID shock and debt service payments over the next few years; an IMF program, with commitment on fiscal and other reforms will help significantly with roll overs. While Argentina's recovery was around mid-50's, it has since fallen due to technical headwinds given the size of the deal and negative economic developments.

In this context, the fund delivered a monthly return equal to -2.73%, bringing YTD performance to -3.87% (BP-USD).

We continue to believe current market dynamics present an attractive opportunity to actively add alpha generating trades. While we remain focused on the long term, we believe there are certain high conviction trades likely to perform in the near term. Over the past month we increased spread risk.

We continue to see value in high-quality issuers. We are adding long duration investment grade EM issuers with market access and substantial room for spread compression. Our focus has been adding selectively to higher-quality new issuance coming with concessions, such as Dubai and Bulgaria. We have been trimming higher-beta names, such as Egypt, Ghana and Ukraine, where we have seen substantial recovery since March. We continue with the overweight in the single-Bs despite uncertainty surrounding growth, commodities and market access as we think current prices reflect this uncertainty. We see select opportunities in EM corporates given their generally high credit ratings and spreads that have widened relative to sovereigns.

Period	Performance (BP-USD)
Year 2019	14.35%
Year 2018	-6.19%
Year 2017	12.13%

Cumulative Performance	1M	YTD	3 Years
Fund (BP-USD)	-2.73%	-3.87%	4.76%
Benchmark	-1.72%	-0.50%	10.85%
Alpha	-1.01%	-3.37%	-6.09%

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. The official benchmark of the fund is the JP Morgan Emerging Markets Bond Index Global Diversified. 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): 31/08/2020 to 30/09/2020. 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 30/09/2020.

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