



Fund Flash

Nordea 1 - European Covered Bond Fund

ISIN: LU0076315455 (BP-EUR) / LU0539144625 (BI-EUR)

The fund's objective is to outperform the benchmark (Iboxx EUR Covered Bond Index) by mainly investing in European covered bonds¹.

Portfolio comment as of 31/12/2021

December has been a more quiet month than we have been used to this year. This is quite normal for December, but given the situation (covid, inflation, central bank actions etc) we have seen for the last years, it has been a relatively stable month. Rates have been moving steadily upwards, and the EUR swaps widened all over the curve. The 5Y point widened about 13bps, while the short end/belly of the curve (2-10Y) steepened 10bps and the long end (10-30Y) steepened 8bps.

The strategy performed in line with the reference index in December. DKK covered bonds have performed very well, also relative EUR covered bonds. Italian issuer Banca Carige performed on merger talks and Italian government bonds were also a positive contributor, as the Italian curve flattened.

In this context, the fund delivered a monthly return equal to -0.81%, bringing YTD performance to -2.41% (BP-EUR).

We still think covered bonds looks attractive versus other asset classes, especially in the short end (5Y) where a French covered bond pays around 25bps pickup to a French government bond. This is the widest spreads between the two in a long time.

In January we are able to be selective in the covered bond issues we would like to participate. We like the covered bonds against government bonds, where the spread between them have been widening in the last months of 2021. We also like jurisdictions as Japan, South Korea and CEE. These tends to pay a bit more New issue premia.

Portfolio Positioning	30/11/2021	31/12/2021
Effective Duration*	5.96 years	4.9
12m horizon return**	0.10%	0.46%

Cumulative Performance	1M	YTD	3 Years
Fund (BP-EUR)	-0.81%	-2.41%	5.68%
Benchmark	-0.78%	-2.12%	2.54%
Alpha	0.03%	-0.29%	3.14%

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* investing in their own account - according to MIFID definition

Source (unless otherwise stated): Nordea Investment Funds S.A. Period under consideration (unless otherwise stated): 30/11/2021 to 31/12/2021. 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 31/12/2021.

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