



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 31/10/2022

After the very volatile month of September with the market sentiment worsening significantly, the situation calmed down a bit in October. Not, that it seems like inflation prints are softening, but markets have already priced in several interest hikes. The ECB hiked yet another 75bps, but the initial takeaway from the press conference was rather dovish. The ECB also tightened the refinancing operations that creates liquidity to the banking system – the TLTRO III. This can have an impact on the amount of wholesale market funding banks will have to issue next year.

The EUR covered bond market has been a bit slower for the last part of October. With EUR covered bond supply hitting a surprisingly high number this year, it seems as if the market needed a break. We expect EUR covered bonds to face some upwards pressure on spreads going forward. The high pickup versus government bonds has decreased a little. However, the supply is higher than expected while credit spreads have tightened over the last weeks, which should give some support for covered bonds.

In general the Italian election has gone surprisingly undramatic with the new prime minister Meloni sounding more consensus seeking than anticipated before. We have seen a general tightening of Italian spreads. At these levels it seems that all the good news are already priced in and we are looking to increase the Italian exposure should spreads widen a bit from here.

In this context, the fund delivered a monthly return equal to -0.48%, bringing YTD performance to -1.25% (BP-EUR).

The CDS protection against spread widening have detracted some performance. The longer dated positions have also underperformed while the 2s10s flattener have been contributed a bit to performance. DKK covered bonds have performed relative EUR covered bonds adding positively to performance as well. Peripheral government bonds also performed and we managed to remove our short position in Italian government bonds in time.

Portfolio	30/09/2022	31/10/2022	Cumulative Performance	1M	YTD	3 Years	Since inception*
Duration*	0.47 years	1.13 years	Fund (BP-EUR)	-0.48%	-1.25%	1.18%	6.66%
12m hor. yield**	3.40%	2.60%	Benchmark	0.30%	-5.13%	-5.94%	-4.36%
			Alpha	-0.78%	3.88%	7.12%	11.02%

*1/29/2019

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.

The fund mainly invests, directly or through derivatives, in European bonds. Specifically, the fund invests at least two thirds of total assets in government bonds and covered bonds that are issued by public authorities, or by companies or financial institutions that are domiciled, or conduct the majority of their business, in Europe. Objective: To provide shareholders with investment growth in the medium to long term. The fund's investment philosophy builds on a quantitative and risk-based approach. In actively managing the fund's portfolio, the management team selects securities that appear to offer superior investment opportunities. Actively managed. Benchmark used for performance comparison only. Risk characteristics of the fund's portfolio may bear some resemblance to those of the benchmark. Benchmark: Iboxx Euro Covered Interest Rate 1Y Duration Hedged

Source (unless otherwise stated): Nordea Investment Funds S.A. Period under consideration (unless otherwise stated): 30/09/2022 to 31/10/2022. 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 31/10/2022.

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