



Fund Flash

Nordea 1 - Danish Mortgage 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 31/07/2018

Danish government bond yields stayed stable close to this year's lows for most of the month and only started rising slightly over the last few trading days. Over the month Danish yields rose by 8-9bp for maturities beyond the 2-year point, whereas yields on shorter-dated maturities were largely unchanged.

The low interest rate levels provided good opportunities for borrowers to refinance fixed-rate callable loans into lower coupons ahead of the redemption deadline end of July. But despite these historically favourable conditions, prepayments for the October payment date only totalled DKK 36.1bn, with around DKK 8bn stemming from mandatory refinancings of subsidised loans.

Looking closer at the performance of the individual segments of the Danish covered bond market, over the month

- Return on ARM-backed bonds was around 20-30bps better than corresponding Danish government bonds due to lower issuance activity.
- Fixed-rate callable bonds outperformed Danish government bonds despite a spread widening due to positive contributions from carry and a decline in implied volatility.

In this context, the fund delivered a negative return of -0.28% over the month and it now accumulates a performance of +0.14% YTD (BP-DKK).

Portfolio Positioning	30/06/2018	31/07/2018
Effective Duration*	4.43 years	4.48 years
12m horizon return**	1.52%	1.58%
Average weighted rating	AAA	AAA

Cumulative Performance ²	1M	YTD	3 years
Nordea 1 - Danish Mortgage Bond Fund	-0.28%	0.14%	8.44%

1) There can be no warranty that investment objectives, targeted returns and results of an investment structure are achieved. *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. 2) The performance represented is historical; past performance is not a reliable indicator of future results and investors may not recover the full amount invested.

Source (unless otherwise stated): Nordea Investment Funds S.A. Period under consideration (unless otherwise stated): 30/06/2018 to 31/07/2018. 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 31/07/2018.

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