



## Fund Flash

### Nordea 1 - Balanced Income Fund

ISIN: LU0634509953 (BP-EUR) / LU0637308585 (BI-EUR)

The objective of the fund is to build an optimal fixed income portfolio with a fairly low level of risk (normal target volatility of 3-6%) and to generate an annualized return of 3% gross of fees in excess of cash rate over a full investment cycle<sup>1</sup>.

#### Portfolio Comment as of 31/07/2018

During July, global equities delivered overall steady positive returns, with US indices' performance dwarfing those of emerging markets' (EM), on the back of stellar reporting season and macroeconomic support in the US, including historical high GDP growth and low unemployment rate. At the same time, EM also lagged as the White House tried to overtrump China even more with new tariffs threats and as this nascent trade war could impact global growth. Within the fixed income space, the Fed was expected to keep its short term interest rates unchanged. Globally, we saw higher yields especially in the front end in the US and in the middle of the curve for Europe. Meanwhile, spreads globally tightened over the month, as credit recovered owed to macro support and higher risk appetite.

In this context, the fund delivered a positive return of +0.23% over the month and it now accumulates a performance of -0.83% YTD (BP-EUR).

- The main positive contributor over the month was our Global Equity Beta exposure and our High Yield Spreads exposures, as they benefited from higher risk appetite, positive global equities return and spreads tightening.

- On the negative side, the main detractor was our momentum strategy, which is only implemented to reduce the overall equity risk, in a context where equity markets performed well. Our duration exposure also detracted from performance mainly owed to negative impact from US Treasuries yields' rise.

Regarding the portfolio positioning:

- Credit exposure decreased to some extent, while risk appetite remained almost unaltered.
- Duration increased moderately, partly due to our Cross Asset Anti-Beta strategy, as bonds offered higher decorrelation potential versus equities.
- Equity exposure remained unchanged, on the back of unchanged risk appetite.

Portfolio Positioning	30/06/2018	31/07/2018
Duration	4.21 years	4.32 years
HY Credit Exposure	16.1%	15.1%
Net Equity Exposure	3.3%	3.3%

Cumulative Performance <sup>2</sup>	1M	YTD	3 years
Fund <sup>3</sup>	0.23%	-0.83%	2.03%

1) There can be no warranty that investment objectives, targeted returns and results of an investment structure are achieved.

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. 3) BP-EUR Share class.

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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