



# Fund Flash

## Nordea 1 - Norwegian Bond Fund

ISIN: LU0087209911 (BP-NOK) / LU0500137822 (BI-NOK)

The fund aims to provide a rate of return which exceeds the return of the reference index without taking on excessive risk levels.<sup>1</sup>

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

The coronavirus has affected the Norwegian economy as it has every other economy. The Norwegian government responded resolutely to the corona virus pandemic. The economy is almost fully reopened, and now local restrictions are imposed when infections increase in a given area. It is unlikely to see a new national lockdown like what we saw earlier this year.

Credit spreads in the Norwegian fixed income market has paused in September after tightening back to pre-Covid levels. The spread widening in March was primarily driven by risk-off and limited liquidity, while the spread tightening that started in April and has lasted through August has been driven by central bank action and improved global risk sentiment as well as significantly improved macro-economic outlook for the Norwegian economy. We note, however, that spread dispersion is wider now than before the crisis, and that the credit spreads for some sectors and issuers is still elevated vis-à-vis the levels we observed before Covid.

We believe the spread tightening was a bit too much too fast. However, we do not envision a new massive spread widening unless we get a massive global risk off situation. We have reduced our credit risk somewhat. We see very elevated chances of rating migration and remain very cautious about which issuers we include in our portfolios. In the current environment, we prefer adjusting credit duration to our existing issuer universe over adding more risky issuers.

In this context, the fund delivered a monthly return equal to 0.92%, bringing YTD performance to 6.83% (BP-NOK).

The money market rate measured by the 3 month NIBOR averaged around 0.27 % during the month, while the 3 year NOK swap rate started at 0.56 % and ended at 0.49 %. The 5 year NOK swap rate fell back in September. It started at 0.74 % and ended the month at 0.61 % while the 10 year NOK swap rate started at 1.05 % and ended at 0.89 %.

The credit spread tightening we've seen since early April paused in September. Some sectors even widened marginally. Spread tightening still contributed marginally positively to the fund performance. Credit spread carry and roll, and falling interest rates also contributed positively, leading to positive performance in September.

Portfolio Positioning	31/08/2020	30/09/2020
Average Rating <sup>2</sup>	A+	A+

Cumulative Performance	1M	YTD	3 Years
Fund (BP-NOK)	0.92%	6.83%	9.74%
Benchmark	0.92%	5.51%	8.71%
Alpha	0.01%	1.31%	1.03%

The performance represented is historical; past performance is not a reliable indicator of future results and investors may not recover the full 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 OB (Oslo Stock Exchange) Government Bonds All 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. 2) Source : Nordea Investment Management A.B. A specificity of the Norwegian Fixed Income market is that many NOK bonds and bond issuers do not have an official rating from S&P, Moody's or Fitch. The main reason for this is that there are many smaller issuers (and issues) in the market, and small issuers usually don't have an official rating. This is why the fund's management team thoroughly carry out a credit analysis and place an internal rating on all issuers without an official rating. All issuers, both those with and those without an official rating will be subject to a credit analysis by the fund's management team credit analyst. Please note that investments can take place in both certificates and bonds, subject to the prevailing credit lines available to the fund management team, as well as their proprietary analysis of high quality bonds. The proprietary analysis is conducted on a quantitative and qualitative basis, but does not contain any statistics regarding the probabilities of default. The ratings shown above are calculated as an average of officially rated issuers and issuers rated by Nordea Investment Management.

\* 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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