



# 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 31/08/2019

Norges Bank's Q2 Regional Network indicates 3.0% YoY GDP growth, which was above market expectations. This reflects a bright domestic outlook and accelerating growth. The upswing is driven by oil services and related businesses, but most other sectors also report higher growth. The survey indicates stable employment growth going forward, and somewhat higher wage growth expectations from 3.0 to 3.2%. Norwegian PMI came out at 53.8 in August after falling to 48.7 in July. We have seen that the July readings have been very uncertain a few years now, probably due to many respondents being on vacation.

Being a small, open commodity exporting economy, the Norwegian economy has nowhere to hide when global growth is waning and the big central banks restart their stimulus programs. Therefore, although businesses expect higher growth in the second half of 2019, we still believe there is 40/50% chance that Norges Bank will deliver a September hike which will be the last one for now.

Both government and swap rates fell markedly in the beginning of August as international interest rates fell. The short end fell somewhat less than the long end in August, and government rates fell somewhat less than swap rates, causing swap spreads to tighten from 3 years and out.

In this context, the fund delivered a monthly return equal to 1.28%, bringing YTD performance to 3.70% (BP-NOK).

Credit spread carry and roll contributed positively to the fund performance in August. Credit spreads tightened somewhat in August, and the spread tightening contributed positively to the fund performance. Lower interest rates contributed positively to the fund performance, and in sum the fund saw positive performance in absolute terms in August.

Portfolio Positioning	31/07/2019	31/08/2019
Average Rating <sup>2</sup>	A+	A+

Cumulative Performance	1M	YTD	3 Years
Fund (BP-NOK)	1.28%	3.70%	4.69%
Benchmark	1.08%	3.19%	3.88%
Alpha	0.20%	0.52%	0.81%

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 3 Month NIBOR - Total Return 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): 31/07/2019 to 31/08/2019. 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 31/08/2019.

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