



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.¹

Portfolio comment as of 31/10/2022

Norges Bank raised its deposit rate by 25 bps in early November, after hiking by 50 bps both in June, August and September. The deposit rate is now 2,50%, up from 0,5% in the start of the year. The November rate hike was in line with domestic market expectations, but less than the foreign market participants expected.

House prices are starting to adjust to higher rates, and seasonally adjusted house prices fell by 0.8% in September, while nominal prices fell by 1,9%. House prices are still up 2.8% over the last 12 months – and 15.0% since the start of 2020.

We expect another rate hike in December, most likely 25 bps, but 50 bps is also certainly a possibility if incoming data surprises on the upside. We saw credit spreads widening in the Norwegian fixed income market in October.

We believe that credit spreads are likely to continue moving sideways over the next few months, albeit with a widening bias.

In this context, the fund delivered a monthly return equal to -1.29%, bringing YTD performance to -8.31% (BP-NOK).

The money market rate measured by the 3 month NIBOR averaged around 3,24 % during the month, while the 3 year NOK swap rate started at 3,61 % and ended at 3,9 %.

The 5 year NOK swap rate rose in October. It started at 3,5 % and ended the month at 3,82 % while the 10 year NOK swap rate started at 3,52 % and ended at 3,75 %.

Credit spreads have moved wider in October, while swap yields moved higher. Higher interest rates and wider credit spreads have been the most important negative performance drivers for both the portfolio and its benchmark. In sum, the fund saw negative absolute performance, but positive relative performance in October.

Portfolio Positioning	31/10/2022	30/09/2022	Cumulative Performance	1M	YTD	3 Years	10 Years
Average Rating ²	A+	A+	Fund (BP-NOK)	-1.29%	-8.31%	-5.89%	12.12%
			Benchmark	-1.05%	-6.15%	-5.50%	10.64%
			Alpha	-0.24%	-2.16%	-0.39%	1.48%

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. From 21/04/2015 the fund's reference index for performance comparison was the OB (Oslo Stock Exchange) Government Bonds All Index. Since 01/01/2021 the fund's reference index for performance comparison is the Bloomberg Barclays Series-E Norway Govt All > 1 Yr Bond 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 AB. 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 AB.

The fund invests a minimum of two-thirds of its net assets in fixed-income and floating rate debt securities issued by private borrowers and public authorities domiciled in Norway. The Sub-fund invests in bonds denominated in NOK. Invested are government bonds or bonds issued by local authorities or agencies, mortgage bonds, corporate bonds with a good rating, and bonds issued by supranational institutions. The Fund may further use derivative instruments to reduce risks. The Fund aims to exploit market movements as well as the yield spreads between various credit risk segments. 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: Bloomberg Barclays Series-E Norway Govt All 1+ Yr Bond Index

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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