



# 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 31/03/2019

Norwegian housing prices seem to have stabilized and are actually edging higher. Seasonally adjusted housing prices gained 0.3% in March after being unchanged in February. House prices are now about 3.2% higher than one year ago. Looking at the fundamental macroeconomic indicators, we expect a moderate development going forward as overall economic growth will keep up, wage growth is set to rise, and unemployment should continue to trend downwards. We still expect an increased supply of new homes, combined with one more rate hike from Norges Bank in 2019 and muted population growth to constrain house price growth going forward.

Oil investments have hit bottom, and we expect them to rise substantially this year, spurring growth in the economy. We believe overall growth in the mainland economy will end above normal levels in 2019.

Norges Bank increased the policy rate again by 25bp to 1.00% in March. This was highly anticipated, but Norges Bank was more hawkish in the front end than the market had expected, lifting its rate-path until early 2021. After the rate decision, we see that market pricing indicates a higher probability of one more rate hike in 2019, even implying a slight chance of two more hikes in 2019, even though this is not our main scenario. The bank concluded: "Our current assessment of the outlook and balance of risks suggests that the policy rate will most likely be increased further in the course of the next half-year".

In this context, the fund delivered a monthly return equal to 0.66%, bringing YTD performance to 1.15% (BP-NOK).

Both government and swap rates widened somewhat in the short end in March, while tightening from 5 years and out on the back of global rates movements. Government rates tightened in tandem with swap rates in 3 and 5 years, causing swap spreads for those tenors to remain unchanged. In the long end we saw swap spreads widening 6-7 basis points. The money market rate measured by the 3-month NIBOR averaged around 1.34 % during the month, while the 3-year NOK swap rate widened slightly, starting at 1.68% and ending at 1.71%.

Credit spread carry and roll contributed positively to the fund performance in March. Credit spreads also tightened. This, together with the level of the 3-month NIBOR during the month, supported the fund in its positive performance in absolute and relative terms.

Portfolio Positioning	28/02/2019	31/03/2019	Cumulative Performance			
Effective Duration	4.40 years	4.67 years	1M	YTD	3 Years	
YTM	2.48%	2.42%	Fund (BP-NOK)	0.66%	1.15%	3.52%
Average Rating <sup>2</sup>	AA-	AA-	Benchmark	0.49%	0.94%	2.37%
			Alpha	0.17%	0.21%	1.15%

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.

Source (unless otherwise stated): Nordea Investment Funds S.A. Period under consideration (unless otherwise stated): 28/02/2019 to 31/03/2019. 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 31/03/2019.

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