



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 30/09/2019

Norwegian housing prices seem to have stabilised and are now edging higher. Seasonally adjusted housing prices gained 0.2% in September after adding 0.9% in August. House prices are now about 2.6% higher than one year ago.

Norges Bank raised the signal deposit rate by 25bps to 1.50% as we expected in September. This is the third hike in 2019, and the interest rate path now suggests no additional hikes going forward. Solid domestic development combined with increased wage growth and inflation are some of the reasons for Norges Bank's hawkish stance, in contrast to most other central banks who express a softer tone on the back of continued low inflation and moderating global growth.

To sum up the environment signals that we will see somewhat slower growth momentum ahead. The direction indicates growth in mainland GDP of approximately 3.0% y/y throughout 2019, which is slightly higher than Norges Bank's forecast of approximately 2.5% y/y. We believe the latest hike in September will be the last one for now. Being a small, open commodity exporting economy, the Norwegian economy has nowhere to hide when global growth is waning.

Both government and swap rates rose markedly in September, following international interest rates. In mid-September rates fell back again in tandem with US rates. The short end came up after Norges Bank hiked. Government rates rose somewhat less than swap rates, causing swap spreads to widen from 3 years and out.

In this context, the fund delivered a monthly return equal to -0.74%, bringing YTD performance to 2.94% (BP-NOK).

Credit spread carry and roll contributed positively to the fund performance in September. Credit spreads tightened somewhat, and this contributed positively to the fund performance. Higher interest rates and swap spreads contributed negatively to the fund performance, and in sum the fund saw negative performance in absolute and relative terms in September.

Portfolio Positioning	31/08/2019	30/09/2019	Cumulative Performance			
Average Rating ²	A+	AA-	1M	YTD	3 Years	
			Fund (BP-NOK)	-0.74%	2.94%	4.45%
			Benchmark	-0.55%	2.61%	4.08%
			Alpha	-0.19%	0.32%	0.37%

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): 31/08/2019 to 30/09/2019. 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 30/09/2019.

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