



# 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 30/04/2021

In early April, the Norwegian Government launched a 4-phase-reopening-plan. This will be subjected to certain criteria, while the full reopening may take some time. We believe the Norwegian economy will rebound relatively fast which will likely lead Norges Bank to hike the policy rate as early as September 2021, although some analysts believe this could come in H2 2021.

Credit spreads in the Norwegian fixed income market have moved sideways, with select names tightening somewhat further in April after tightening significantly earlier this year. We are now more or less back to pre-Covid levels for most issuers.

We believe continued central bank support and further financial stimulus will probably be keep credit spreads range bound with a tightening bias in the first few half year of 2021, but we remain cautious in terms of adding riskier issuers. Even after the substantial moves we've seen so far this year we believe Norwegian interest rates have potential to rise further. We are therefore still underweight duration.

We do not envision a massive spread widening over the next months, unless a massive global risk-off situation realises. We are selectively adding credit risk to our portfolios, although we still observe elevated chances of negative rating migration over the next months. As a result, we remain rather cautious when including issuers to our portfolios, especially in terms of lower rated IG credits. In the current environment we prefer adjusting credit duration to our existing issuer universe over adding riskier issuers.

In this context, the fund delivered a monthly return equal to 0.46%, bringing YTD performance to -1.16% (BP-NOK).

The money market rate measured by the 3-month NIBOR remained at around 0.32% on average during the course of the month. On the other hand, the 3-year NOK swap rate decreased, starting at 1.13% and ending at 1.03%. In a similar manner, the 5-year NOK swap rate dropped, starting at 1.46% reaching 1.39% towards the month-end. The 10-year NOK swap rate started at 1.85% and ended at 1.79%.

Credit spreads moved broadly sideways in April, while swap spreads tightened a tad. The latter development contributed positively to the fund performance. On the same note, falling bond yields were the greatest contributor to the performance, and credit carry and roll spreads contributed positively to the fund performance in April. On aggregate, the fund experienced a positive performance both in absolute and relative terms.

Portfolio Positioning	31/03/2021	30/04/2021	Cumulative Performance			
Average Rating <sup>2</sup>	A+	A+	1M	YTD	3 Years	
			Fund (BP-NOK)	0.46%	-1.16%	7.54%
			Benchmark	0.32%	-1.50%	6.19%
			Alpha	0.14%	0.34%	1.35%

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\* investing in their own account - according to MIFID definition

Source (unless otherwise stated): Nordea Investment Funds S.A. Period under consideration (unless otherwise stated): 31/03/2021 to 30/04/2021. 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 30/04/2021.

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