



# Fund Flash

## Nordea 1 - Swedish Short-Term Bond Fund

ISIN: LU0064321663 (BP-SEK) / LU0772963442 (BI-SEK)

This fund aims to provide attractive risk-adjusted returns by investing in investment grade SEK denominated (e.g. floating rates notes, commercial papers and covered bonds) with low duration risk.<sup>1</sup>

### Portfolio comment as of 30/09/2019

September featured a sharp upswing on the equity market, together with a rebound for bond yields. The Swedish 10-year government bond yield surged approximately 10bps, reaching -0.25% at the end of the month. Covered bond yields rose approximately 15bps, and the spread between government and covered bonds consequently widened. Moreover, credit risk premiums on Swedish corporate bonds were relatively stable despite a rise in European credit risk premiums.

After several years of high growth, the Swedish economy has, akin to economies abroad, entered into a calmer phase. The latest data shows a poorer progression in the economy in the first six months of the year, coupled with a worrying weakening of the labour market. At the beginning of September the Riksbank presented its interest-rate projection and, in line with the previous forecast, a hike in the interest rate is expected towards the end of this year or the beginning of next. The interest rate hikes are, however, expected to occur at a slower pace than previously anticipated, due to low rates abroad and poorer sentiment. Based on this, our opinion puts now forth a scenario in which the likelihood of an even longer period of low interest rates remains high.

In this context, the fund delivered a monthly return equal to -0.08%, bringing YTD performance to 0.51% (BP-SEK).

Whilst the fund reported sound performance in general, the market trend in September was somewhat negative for the fund return in absolute terms. We invested in Skanska FRN and Latour FRN maturing in 2020 and 2022, respectively. Moreover we increased holdings in covered bonds maturing in 2022. Through these investments, we have increased both credit and rate durations.

We still observe that Swedish covered bonds and Nordic corporate bonds offer sound risk-adjusted returns in the current low-rate environment. We also expect the low-rate environment to persist for a prolonged period of time, which in turn ought to benefit fund returns.

Period	Performance (BP-SEK)
Year 2018	-0.26%
Year 2017	0.03%
Year 2016	0.43%

Cumulative Performance	1M	YTD	3 Years
Fund (BP-SEK)	-0.08%	0.51%	0.27%

With effect as of November 19th, 2018 the sub-fund is renamed from Nordea 1 – Swedish Kroner Reserve to Nordea 1 – Swedish Short-Term Bond Fund and the investment policy of the sub-fund was modified. **The performance represented is historical; past performance is not a reliable indicator of future results and investors may not recover the whole 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.** 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.

\* 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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