



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.¹

Portfolio comment as of 31/12/2019

The upswing in long bond yields continued in December. The Swedish 10-year government bond yields surged 15 bps, reaching 0.15% toward the year-end. On the other hand, yields on shorter maturities, from 2 to 5 years, remained largely unchanged and the yield curve steepened. Covered bond yields showed similar movements and the spread between government and covered bonds remained stable. In a similar manner, alike their peers in Europe, credit risk premia on Swedish corporate bonds remained unchanged.

Whilst the Swedish economy experienced a sanguine growth path accompanying a strong labour market over the past years, it has now slowed down, as the global macroeconomic environment shows. Swedish inflation has been close to the 2% target since the beginning of 2017, and the Riksbank's view is that it should remain as such going forward. In line with its view in October, the Riksbank therefore decided to revise its repo rate up to 25bps reaching the 0%-level. Its repo rate forecast remains also unchanged and the rate is expected to stay flat over the next few years. Based on this, we believe that the likelihood of a longer period of low interest rates remains high.

In this context, the fund delivered a monthly return equal to -0.02%, bringing YTD performance to 0.29% (BP-SEK).

The fund returned negative results, in absolute terms. During the month we recalibrated the fund positioning by selling both commercial papers and covered bonds. Moreover, market movements also contributed to the negative performance of the fund.

In December our new investments included Lifco FRN maturing in 2021 while we sold short-term Swedbank Hypotek and short-term Scania maturing in 2020. Through these investments, we increased both credit and rate durations.

We still find that Swedish covered and Nordic corporate bonds offer sound risk-adjusted returns in the current low-rate environment. We also expect this environment to persist for some time yet, which in turn ought to benefit fund returns.

Period	Performance (BP-SEK)
Year 2018	1.38%
Year 2017	-0.06%
Year 2016	3.83%

Cumulative Performance	1M	YTD	3 Years
Fund (BP-SEK)	-0.02%	0.29%	0.06%

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): 30/11/2019 to 31/12/2019. 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 31/12/2019.

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