

January 2017

## Nordea 1 – Norwegian Bond Fund

ISIN: LU0087209911 (BP-NOK)

### Market commentary

Credit spreads fell markedly in January, particularly for senior financials. All other sectors except covered bonds also tightened, but less pronounced than senior financials. There is some uncertainty in the market on how MREL will be implemented in Norway, probably causing some additional demand for senior issues that may end up being exempt from MREL, thus gaining preference in the capital structure on the expense of the new non-preferred instruments that may come to market. There was very high activity in the primary market in January – with almost 35 billion issued over the month. A lower CPI reading also added to the positive market sentiment.

The money market rate measured by the 3 month NIBOR fell from 1.17% to 1.01% in January. In sum the fund saw positive performance both in absolute and relative terms in January.

### Fund commentary

In January, the Nordea 1 – Norwegian Bond Fund returned 0.09%<sup>1</sup>, while its reference index, the OB (Oslo Stock Exchange) Government Bonds All Index returned 0.04%.

The fund invests in investment grade credit- and government bonds. At the end of January, the fund had 18.8 % of the assets in government and government-guaranteed bonds and 29.8 % in covered bonds. Furthermore, the fund was invested 12.3 % in senior unsecured bank, 5.6 % in subordinated bonds, 7.5 % in municipalities and 24.5 % in non-financial corporate bonds. The fund benchmark consists solely of Norwegian government bonds, and by the end of January the benchmark duration was 4.96 years. The Fund had a duration of 4.35 years, and is thus underweight duration against its benchmark. The average rating of the issues in the fund stands at AA-1 in January.

The return of the fund's benchmark is influenced by developments in government bond yields, while the fund's investments to a large degree are priced against swap rates. Norwegian government rates rose in January, while yields on credit bonds rose somewhat less. The outperformance of credit vis-à-vis government bonds is due to credit spread tightening outweighing the change in swaps spread. Swaps spreads widened slightly causing swap benchmarks to underperform government bonds.

1) Source (unless otherwise stated): Nordea Investment Funds S.A.. Period under consideration (unless otherwise stated): 30.12.2016- 31.1.2017 Performance calculated NAV to NAV (net of fees and Luxembourg taxes) gross income and dividends reinvested, in the base currency of the respective sub-fund, excluding initial and exit charges as per (31.1.2017). Initial and exit charges could affect the value of the performance. **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.**

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