



Fund Flash

Nordea 1 - Swedish Bond Fund

ISIN: LU0064320186 (BP-SEK) / LU0539147305 (BI-SEK)

The fund aims to provide a stable, high yield exceeding the average interest level in Sweden.¹

Portfolio comment as of 31/08/2019

In August, the financial market turbulence continued. The escalation of the trade war between the US and China and a deteriorating economic outlook for both Sweden and the global economy sent both the stock markets and bond yields tumbling. Swedish 10-year yields dropped by about 0.2% point to -0.35% by the end of the month. The chase for yield in the interest rate markets boosted the performance of both covered and corporate bonds. Risk premiums declined, and investors showed good appetite for new issues of corporate bonds during the month.

Weaker sentiment indicators, a deteriorating economic outlook for both Sweden and the global economy as well as low inflation readings will likely prompt central banks around the world to ease their policies further. At the end of the month the Economic Tendency Indicator of the National Institute of Economic Research (which measures the combined sentiment among businesses and households) was at a post-2013 low and the data now begins to approach levels indicating contraction. This will affect the views of the Riksbank. We expect the Riksbank to lower its interest rate path at its next monetary policy meeting and set the likelihood of a rate hike this year to zero. We believe that the likelihood of an even longer period of low interest rates is high.

In this context, the fund delivered a monthly return equal to 1.33%, bringing YTD performance to 5.89% (BP-SEK).

The fund had a positive return in absolute terms, thanks to the sustained decline in long yields. The yield curve has flattened out as Swedish long yields tracked their European equivalents down to new record lows, driven by more signs of an economic slowdown in the US, Germany and Sweden. The turbulent markets reflect the increased political risk in long yields globally. The fund slightly outperformed its benchmark thanks to declining risk premiums. We also find that both Swedish covered and corporate bonds offer sound risk-adjusted returns. We expect long yields to keep trading on the side still for some time in this environment, which ought to benefit the fund's return both in absolute terms and relative to its benchmark.

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)	1.33%	5.89%	4.25%
Benchmark	1.19%	5.65%	4.80%
Alpha	0.14%	0.24%	-0.55%

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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): 31/07/2019 to 31/08/2019. 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 31/08/2019.

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