

September 2016

Nordea 1 – Swedish Kroner Reserve

ISIN: LU0064321663 (BP-SEK)

Market commentary

The Fed left its policy rate unchanged, in line with expectations. The market is currently pricing in some probability of an initial hike in December. Economic outlook is described as “balanced” following the meeting, while GDP and inflation forecasts were largely unchanged.

The Riksbank and ECB also decided to leave their policy rates unchanged and no further stimulus measures were announced. The Riksbank is still anxious to maintain a weak SEK to maintain inflation at current levels. However, minutes from the Riksbank showed that Executive Board members might consider increased stimulus if inflation were to surprise on the downside again. Swedish bond yields with maturities up to 5 years were practically unchanged in September. However, the longest government bond yields inched up, making the yield curve somewhat steeper.

Credit risk premiums in Sweden are still relatively high compared to those in the Eurozone, and still offer attractive risk-adjusted return.

Fund commentary

In September, the fund returned 0.05%¹, while its reference index, the Sweden Interbank 3 Month – Total Return Index, returned -0.04%.

Swedish corporate bonds continued to perform strongly in September, both subordinated bank bonds and senior corporate bonds. During the month we invested in commercial paper from Hufvudstaden, Industrivärden and Castellum, as well as corporate bonds issued by Scania and Sparbanken Skåne. This was done in order to extend credit duration, achieve sound diversification and improve expected return.

As of the end of September, the fund's average rating was BBB and modified duration stood at 0.18².

The figures mentioned in this text, unless specified otherwise, are referring to the time period from 31.08.2016 to 30.09.2016. ¹Past performance is not necessarily a guide to the future and investors may not recover the full amount invested. Sources: Nordea Investment Funds S.A. and Datastream. ²Sources: Nordea Investment Funds S.A. and Datastream.



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Source (unless otherwise stated): Nordea Investment Funds S.A. Period under consideration (unless otherwise stated): 31.08.2016 to 30.09.2016. 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 30.09.2016. 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.** If the base currency of the respective sub-fund differs from the currency of the country where the investor resides the represented performance might vary due to currency fluctuations.

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