

January 2017

Nordea 1 – European Cross Credit Fund

ISIN: LU0733673288 (BP-EUR)

Market Commentary

The New Year brought optimism to the European Credit market with strong spread tightening from the beginning of the month. Despite some uncertainty coming from the new US administration, which caused a bit of volatility, the market was strong throughout the month and spreads ended tighter despite strong supply from the primary market – particularly in Investment Grade.

Over the month Investment Grade spreads tightened by 3bp¹ and High Yield spreads tightened by 25bps².

We participated in two new issues during the month from Fresenius (Health Care), the German health care group and from Virgin Media (Media), which issued senior secured bonds at an attractive level.

Fund Commentary

The fund returned +0.02% in January³ as the negative impact of rates was offset by the spread tightening in lower rated bonds.

The top performing bonds in January were Tesco (Retail), Ball (Capital Goods) and Hurtigruten (Leisure). The bottom performing bonds were Verizon (Telecom) and Snam (Utility).

Central Banks across the globe have fought to nourish economic growth with easy monetary policy. They have come a long way, but idiosyncratic risk is now sneaking into certain sectors and specific companies. Idiosyncratic risk emphasises the need for bottom up analysis which is a cornerstone to the strategy. The portfolio is exposed to non-cyclical companies which have stable operations even in an economic downturn or cyclical companies with a capital structure that enables them to weather economic downturns.

1) Source Bloomberg: EN00 Index 2) Source Bloomberg: HPID Index

3) Source (unless otherwise stated): Nordea Investment Funds S.A.. Period under consideration (unless otherwise stated): 31.12.2016 – 31.01.2017 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 31.01.2017. 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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