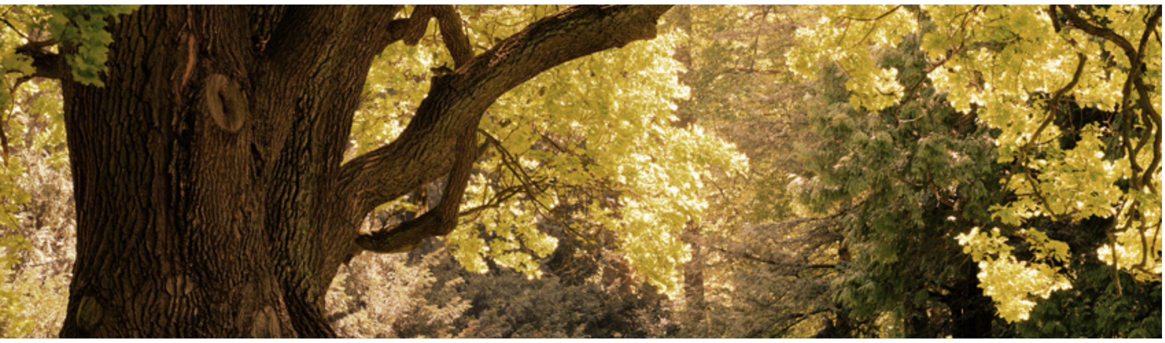
# Coeli



Gustav Fransson,
Portfolio Manager
Coeli Nordic Corporate Bond Fund

## Coeli Nordic Corporate Bond Fund - Fund manager comment as of 31 October, 2018

Nordic Corporate Bond Fund (Class I) advanced during October with 0.22 percent. Since year-end, the NAV per share has consequently increased by 1.89 percent. The development in the Nordic corporate bond market was challenging with slightly increasing credit spreads. However, the portfolio showed resilience and benefited from the reduction of exposure to cyclical companies carried out during the year.

The biggest contributor of the month was the pharmaceutical company Orexo, whose bonds developed well after the company presented a strong quarterly report that showed a sales increase of about 30 percent. The company's financial position is deemed to be solid with cash holdings that far exceed interest-bearing liabilities. In addition, Orexo won a patent dispute which provides protection for the company's most important drug for another 13 years.

Icelandair, which burdened performance earlier in the autumn, traded slightly higher after presenting a quarterly report that was in line with the revised profit guidance. Despite a falling operating profit, the company's balance sheet is still strong. As a result of the lower earnings, Icelandair broke against certain bond covenants at the end of the third quarter and has now begun negotiations with the bond investors to adjust the terms. The secured bonds from Mariefjärd also yielded a significant contribution after the company submitted a request for changes of the bond terms in exchange for an unconditional guarantee from the principal owner.

On the negative side was Dometic Group with other funds, which deteriorated in line with the weakness of European credits. For the portfolio as a whole, price declines for several bonds were offset by interest coupons, resulting in limited impact on the fund's performance.

During the month, a number of portfolio changes were made, in which mainly exposure to property companies was reduced through divestments of bonds from Klövern, Hemfosa and CIBUS. Additional investments were made in EUR-denominated bonds from Sagax, Marine Harvest and Dometic. The changes during the month resulted in a somewhat higher average credit quality and an assessed improvement in the portfolio's liquidity.

October was characterized by significant turbulence in the financial markets with sharp declines on the leading stock exchanges. In many cases, stock indices were down about 10 percent before a modest recovery took place during the last trading days of the month. The trend reflects growing concerns about a weakening of the global economy and worries about the effects of rising interest rates in the U.S.

The stock market turbulence contributed to increased demand for less risky assets; however the ten-year US government bond yields rose slightly and traded at the end of the month with a yield of approximately 3.15 percent.

Both the Riksbank and the ECB chose to leave their key rates unchanged in October. In support of the Riksbank's signals of an interest rate hike in December or February, an increase in underlying inflation in Sweden was reported, CPIF excluding energy rose by 1.6 percent year-on-year, which corresponds to the Riksbank's forecast. From the Federal Reserve, the minutes of the September meeting were released, indicating that there is consensus on continued interest rate hikes. The protocol was interpreted as "hawkish" and probably contributed to the fall in risky assets.

In Europe, the Italian budget remained in focus after the European Commission for the first time chose not to approve a national state budget. During the month, Moody's announced that they downgraded Italy's rating, while Standard & Poor's chose to lower the outlook from stable to negative. As a result, the euro was under pressure and the yield gap between Italian and German government rates continued to increase.

The negative sentiment in the equity markets spilled over to the credit market with generally rising spreads and falling bond prices. In addition, significant outflows were reported from both European and US high yield funds, which contributed to less demand for corporate bonds. The reporting season for the third quarter is coming to an end, overall cyclical companies have shown positive earnings growth, and most have lived up to expectations. However, the outlook for the coming quarter has been revised down in many cases, which can be seen as a sign that the business cycle is now moving into a calmer phase with lower growth.

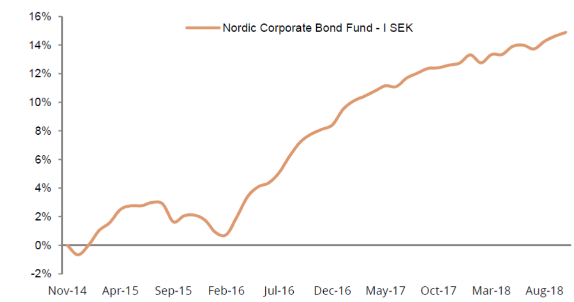
### Fund Overview

| | |
|---|---|
| Inception Date | 2014-06-18 |
| Management Fee | 0.5 % |
| Performance Fee | N/A |
| Risk category | 2 of 7 |

### Top Holdings (%)

| | |
|---|---|
| LANSBK 1.25% 16-20.09.23 | 4,5% |
| WHITE MOUNT FRN 17-22.09.47 | 3,9% |
| MARINE HARV FRN 18-12.06.23 | 3,5% |
| SWEDBK 1% 15-15.06.22 | 3,3% |
| SAGAX 2% 18-17.01.24 | 2,9% |

Performance
Performance in Share Class Currency (SEK) *




| Performance in Share Class Currency | 1 Mth | YTD | 3 Yrs | Since Incep |
|---|---|---|---|---|
| Coeli Nordic Corporate Bond Fund - I SEK | 0.22% | 1.89% | 12.57% | 14.88% |



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