



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

Nordic Corporate Bond Fund (Class I) declined during December with 0.10 percent. Since year-end, NAV per share has consequently increased by 1.61 percent. The trend in the Nordic corporate bond market was once again negative in December, with increasing credit spreads and falling bond prices. The activity in the market was low in general, with few new issues and low liquidity in the secondary market.

The largest contributor of the month was the telecom operator Lebara, which after a long delay finally delivered a revised annual report for 2017 and submitted reports for the first three quarters of 2018. The reports contained a few weak items with relatively large write-downs of goodwill. However, the operating profit for the mobile operations, which is the company's core business, has improved during the current year and is developing in line with expectations.

Bonds from the airline Icelandair also rose in value after the company reached an agreement with the bond investors after previous violations of certain covenants. The agreement entails, among other things, that the bond will be repaid during 2019. In addition, Icelandair reported that financing was secured for a couple of new ordered aircraft, which immediately strengthens the company's liquidity.

The majority of the fund's holdings of corporate bonds fell in value due to the generally increasing credit spreads. The biggest downturns were seen for bonds from Ocean Yield, which fell by just over 3% in value. The bonds from Ocean Yield have previously resisted the market turbulence well; however, now prices were adjusted downwards, but without any meaningful volume being traded. On the loser list, Intrum Justitia also was noted as its bonds continued to trade weakly with selling pressure from European investors.

Relatively few changes were made in the portfolio during the month, the exposure to a handful of companies whose bonds have withstood the market turbulence was reduced. An exchange of bonds from Intrum Justitia took place where one FRN in SEK was replaced by a fixed-rate bond in EUR, both with maturity in July 2022. The change took place at attractive levels with a credit spread pick-up of about 0.70 percent.

During December both the Federal Reserve (Fed) and the Riksbank chose to raise their respective policy rates. The Fed's decision to raise the policy rate by 25 basis points to the range 2.25 - 2.5 percent was broadly expected; instead, the market's focus was on the expected hikes in 2019. It was shown that there probably will be two hikes during next year, a decrease from the previously indicated three hikes. The market responded in a somewhat negative manner sending S&P 500 down by 1.5 percent on the same day, while long-term interest rates fell slightly. This suggests that the market had hoped for a slightly softer tone.

Simultaneously, the Riksbank chose for the first time since July 2011, to raise the repo rate by 25 basis points, to -0.25 percent. The hike was reasonably expected, since a hike in either December or February was announced earlier in the autumn. The Riksbank also lowered the growth forecast for 2019 from 1.9 to 1.5 percent and inflation expectations slightly lowered to just under 2 percent (excluding energy). According to the forecast, the next hike is likely to occur in the second half of 2019, with two increases per year thereafter. The Riksbank, however, emphasized that, "The pace of the interest rate hikes going forward will be adjusted to how the economic and inflation prospects develop."

On the other hand, the ECB chose to leave its policy rate unchanged at the same time as the program for bonds purchase ended at the turn of the year. However, the ECB intends to maintain its extensive bond portfolio and indicates that reinvestments will continue until an interest rate hike is in place, which the market prizes in 2020.

In the credit markets, the gloomy tone of previous months continued with rising credit spreads and falling bond prices. However, long-term government bonds fell slightly, with returns on US ten-year government bonds falling to 2.65 percent from levels around 3 percent at the end of November, while the Swedish was marginally combined from 0.5 to around 0.46 percent.

The three major challenges that have affected the market during October and November, trade disputes between the United States and China, Brexit, and Italy's budget negotiations, have started to loosen up. The United States and China have decided on a halt to increased tariffs until March and, meanwhile, to negotiate a trade agreement. In Italy a budget was voted through Parliament. However, Brexit remains in negotiations for the new year.



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Coeli Nordic Corporate Bond
Fund

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	5.0%
WHITE MOUNT FRN	17-22.09.47	4.3%	
MARINE HARV FRN	18-12.06.23	3.8%	
SAGAX	2%	18-17.01.24	3.2%
SWEDBK	1%	17-20.12.23	3.1%

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	-0.10%	1.61%	12.61%	14.57%

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