

Arctic Nordic Investment Grade Monthly Report August 2019

ARCTIC
FUND MANAGEMENT

FUND COMMENTS

Arctic Nordic Investment Grade (Class B) returned 0.27% in September, and 1.96% year to date. The 3-month government certificate index (ST1X) returned 0.10% and 0.68% during the same periods.

Despite volatile markets internationally, BBB spreads ended at a similar level to where they started in August. While US BBB spreads were flat, European and Norwegian ended c5bps lower.

Short-term Norwegian interest rates were relatively flat during August, with three month NIBOR ending at 1.64%.

New issue activity was relatively high in August. But with funds having excess liquidity after quiet summer months, competition in the primary market was high and we were therefore selective. In August, Arctic Nordic Investment Grade invested in five primary offerings. While we think the new 5-year T2 from Jernbanepersonalets Sparebank at NIBOR+175bp and 4-year Samhallsbyggnadsbolaget I Norden at NIBOR+115bp offered good value, we also invested excess liquidity in senior bank loans from Nordea Bank (STIBOR+63bp) and Sparbanken Västra Mälardalen (STIBOR+65bp) while waiting for more interesting opportunities. We continue to perceive bonds with a duration of around three years to offer the most attractive risk/reward.

Arctic Nordic Investment Grade has a running yield of 2.3% going into September.

Oslo, September 2019

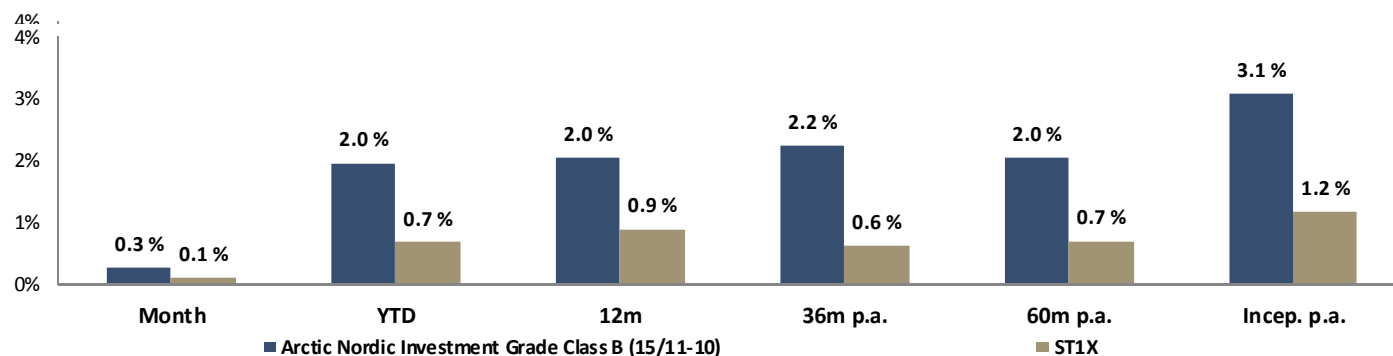
Trond Tømmerås
Portfolio Manager

Cathrine Foyn
Portfolio Manager

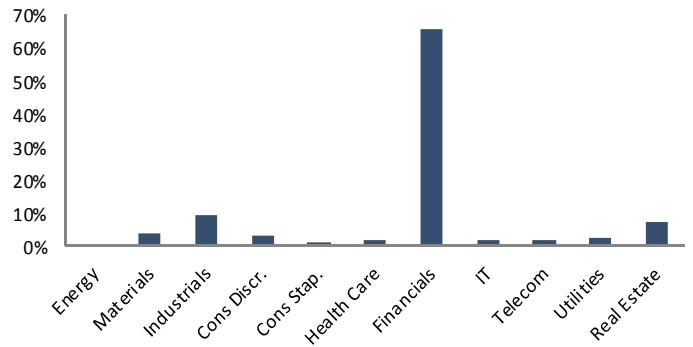
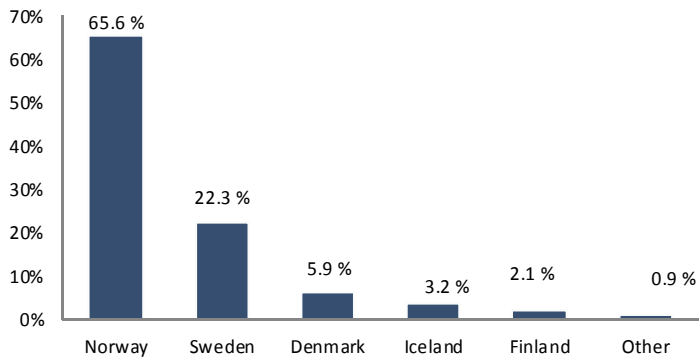
Vegard Kjølhamar
Analyst

ABOUT THE FUND

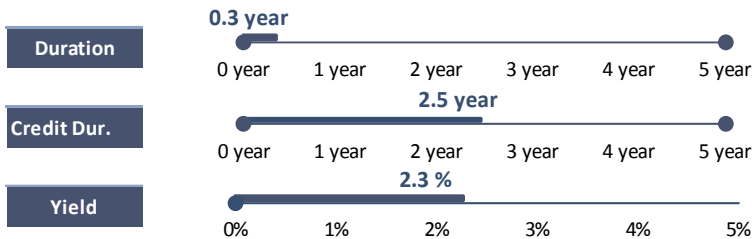
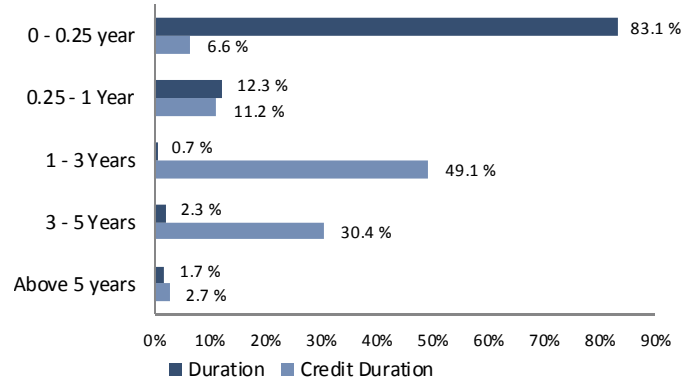
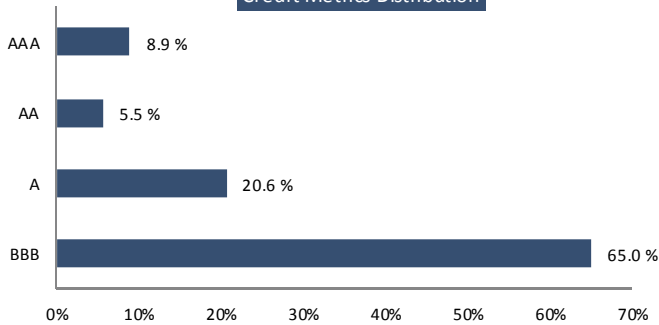
The Fund's objective is to achieve an attractive capital appreciation compared to Norwegian Money Market rates by investing in Investment Grade or Investment Grade equivalent bonds and money market instruments. The Funds benchmark index is Oslo Stock Exchange 3-month T-bill index (ST1X). By using this benchmark the Fund will measure its performance against an index return which on a yearly basis will be positive. The Fund will invest in fixed income instruments along the entire yield curve. The average modified duration and the average credit duration of the Fund's portfolio of assets shall be within the range of 0-5 years. The fund is a UCITS fund.



FUND COMPOSITION END OF MONTH



Credit Metrics Distribution



Risk weight / % of portf.	Rating	Credit dur.
0 % / 0.0 %	AAA / 8.9 %	3.5 år
10 % / 8.8 %	AA / 5.5 %	1.0 år
20 % / 40.2 %	A / 13.4 %	2.7 år
50 % / 0.0 %	BBB / 23.7 %	2.4 år
100 % / 51.0 %	BB / 0.0 %	2.4 år
	IR / 48.5 %	2.4 år

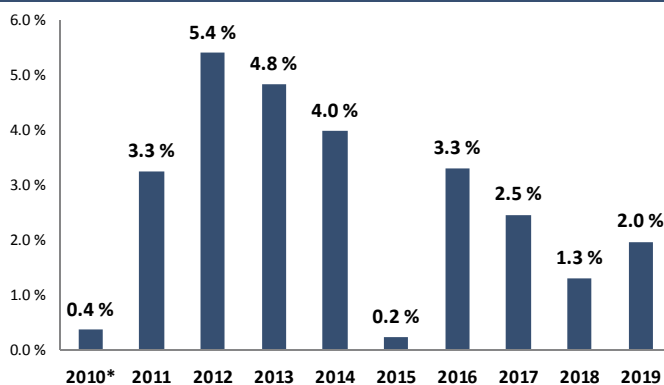
10 largest positions

Danske Bank A/S	2.4 %	SpareBank 1 Østlandet	1.9 %
SpareBank 1 SMN	2.3 %	DNB Bank ASA	1.9 %
Scania CV AB	2.2 %	BKK AS	1.9 %
Protector Forsikring AS	2.1 %	Nordea Eiendomskredi	1.9 %
Norwegian Property AS	2.0 %	Landsbankinn hf.	1.9 %

Portfolio Characteristics	Standard Deviation	Sharpe Ratio
Arctic Nordic Investment C	0.3 %	5.2
Benchmark	0.1 %	

*) Based on 36 months rolling performance

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2019	0.25 %	0.27 %	0.25 %	0.33 %	0.19 %	0.13 %	0.27 %	0.27 %					1.96 %
2018	0.27 %	0.14 %	0.14 %	0.11 %	0.15 %	0.12 %	0.12 %	0.17 %	-0.02 %	0.11 %	-0.04 %	0.02 %	1.30 %
2017	0.39 %	0.25 %	0.26 %	0.23 %	0.22 %	0.11 %	0.20 %	0.17 %	0.13 %	0.19 %	0.14 %	0.14 %	2.46 %
2016	0.23 %	-0.35 %	0.45 %	0.51 %	0.41 %	0.10 %	0.36 %	0.59 %	0.23 %	0.30 %	0.22 %	0.20 %	3.31 %
2015	0.27 %	0.15 %	0.12 %	0.17 %	0.27 %	0.10 %	0.19 %	0.13 %	-0.93 %	0.09 %	-0.14 %	-0.19 %	0.22 %
2014	0.32 %	0.39 %	0.46 %	0.34 %	0.39 %	0.51 %	0.27 %	0.24 %	0.44 %	0.19 %	0.16 %	0.21 %	3.98 %
2013	0.68 %	0.42 %	0.52 %	0.35 %	0.48 %	0.34 %	0.26 %	0.21 %	0.49 %	0.41 %	0.26 %	0.33 %	4.84 %
2012	0.48 %	0.51 %	0.71 %	0.37 %	0.17 %	0.18 %	0.43 %	0.54 %	0.60 %	0.50 %	0.40 %	0.38 %	5.40 %
2011	0.39 %	0.28 %	0.36 %	0.32 %	0.43 %	0.30 %	0.29 %	0.04 %	0.05 %	0.20 %	0.29 %	0.26 %	3.25 %
2010*											0.11 %	0.25 %	0.36 %



*) 15.11.10 - 31.12.10

Disclaimer: Historical returns are no guarantee for future returns. Future returns will depend, inter alia, on market developments, the fund manager's skill, the fund's risk profile and subscription and management fees. The return may become negative as a result of negative price developments. Arctic Fund Management AS seeks to the best of its ability to ensure that all information given in this report is correct, however, makes reservations regarding possible errors and omissions. Statements in the report reflect the portfolio managers' viewpoint at a given time, and this viewpoint may be changed without notice. The report should not be perceived as an offer or recommendation to buy or sell financial instruments. Arctic Fund Management AS does not assume responsibility for direct or indirect loss or expenses incurred through use or understanding of the report. Employees of Arctic Fund Management AS may be owners of securities issued by companies that are either referred to in this rapport or are part of the fund's portfolio.