

# Lannebo Sustainable Corporate Bond

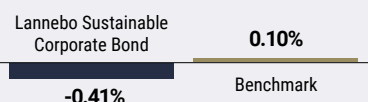
Swedish-registered fixed income fund, SEK

Monthly report October 2022

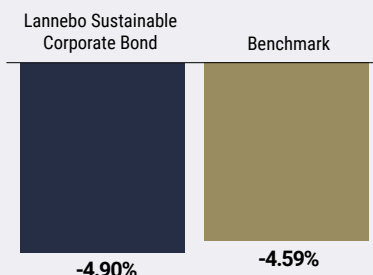
The money you invest in a fund can both increase and decrease in value and it is not certain that you will get back the full amount invested.

Jan 2022	Feb 2022	Mar 2022	Apr 2022	May 2022	Jun 2022	Jul 2022	Aug 2022	Sep 2022	<b>Oct 2022</b>	Nov 2022	Dec 2022
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## Monthly performance



## Performance YTD



**Katarina Ponsbach Carlsson and Karin Haraldsson**

## Performance\*

Performance (%)	Lannebo S. C. B.	Benchmark <sup>1</sup>
October 2022	-0.4	0.1
Year-to-date 2022	-4.9	-4.6
Since launch (02/18/20)	-0.7	-3.2
Average annual return 24 months	-0.7	-3.2
2021 <sup>2</sup>	2.6	0.1
2020 <sup>2</sup>	1.8 <sup>3</sup>	1.3 <sup>3</sup>

<sup>1</sup> Before 06/01/20 the benchmark of the fund was Nasdaq OMX Credit SEK TR Index.

<sup>2</sup> The performance is based on closing prices.  
\*Net of fees

<sup>3</sup> Refers to the period 02/18/20 - 12/31/20.

## Financial markets continue to worry

### Invested in Volvofinans Bank's green bond

The negative sentiment on the credit market continued during October with inflation still in focus. The ECB raised interest rates by 0.75 percentage points to 2 per cent and it will continue to raise rates until inflation has fallen back. The US FED will make its interest rate announcement at the beginning of November, where an increase of 75 points for a rate of 4 per cent is on the cards.

During September, the Riksbank raised the repo rate by 1 percentage point to 1.75 per cent, which was expected by the market following the recent inflation data that indicated continued high inflation. The Riksbank guided for further rate increases later this year and forecasts that the policy rate will be around 2.3 per cent at the beginning of 2023 and will peak around 2.5 per cent later in 2023. Even larger increases than what the Riksbank has signaled are priced-in on market rates. The 3-month Stibor, which is the basis for setting interest rates on our Swedish floating-rate bonds, increased during October from 1.7 to 2.1 per cent.

## Monthly performance %

Jan	Feb	Mar	Apr	May	Jun
0.0	-1.6	0.0	-0.2	-1.2	-2.9
Jul	Aug	Sep	Oct	Nov	Dec
1.0	0.6	-1.5	-0.4	-	-

Long-term market rates, which rose sharply during the year, were unchanged during the month. The Swedish 5-year government bond was 2.3 per cent. Currently, 2-year interest rates are higher than the 5-year, which indicates a belief in a recession and lower interest rates in the future. Basically, we think it is healthy to have interest rates that are not too low. We maintain a low interest duration by investing in floating rate bonds in order to protect the fund against rising interest rates.

The Q3 reporting season kicked-off for our holdings, but the lion's-share of them will report earnings during November. A consistent theme was that companies with manufacturing and industrial exposure partially succeeded in offsetting cost increases at the supplier level - but not fully - which resulted in increased turnover but lower margins. For companies with direct consumer exposure, Q3 results have so far been in line with already low expectations; however, many companies see a weaker period ahead. The holding in Ekornes, which manufactures Stressless armchairs, communicated that they see a slightly weaker market going forward, driven by lower demand in Europe. So far, the Nordic banks are responsible for the positive earnings releases, driven by a strengthened net interest income given market interest rates have gone up, while interest rates on deposits have not increased at the same rate.

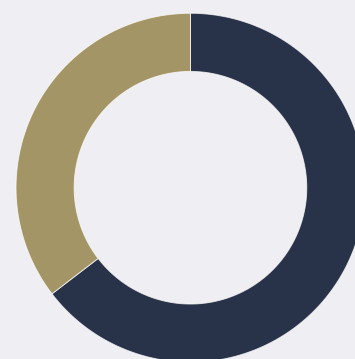
Bonds issued by real estate companies have traded down during the year over concerns of how they will cope as the cost of financing increases - a trend that continued in October. Some of the large listed real estate companies released their quarterly earnings and they are writing-down some of their holdings, which they will need to continue with in the coming quarters. Several of these companies that hold an official credit rating received downgraded outlooks and they are under pressure to improve their key ratios, such as debt, to avoid having their ratings downgraded. We continue to keep a low exposure to the real estate sector.

It was relatively calm on the Swedish corporate bonds primary market; however, despite the market's concerns, several companies with higher credit ratings issued new debt. We invested in Volvofinans Bank's green bond, where the proceeds will finance fossil-free vehicles such as electric cars.

Our strategy is to maintain a low interest rate duration in order to protect the fund against rising interest rates. We do this by primarily investing in FRN loans, which are variable rate bonds. We hedge all foreign currency exposure to the Swedish kronor. At the end of the period, the average credit duration was 2.7 years and the interest rate duration was 0.5 years.

Given increasing interest rates and credit spreads, the rate of return increased to approximately 6.0 per cent before fees, given an unchanged interest rate situation.

## Credit rating distribution



	Credit scoring securities	% of the fund
<b>Investment grade</b>	AAA	0.4
	AA+/AA/AA-	0.0
	A+/A/A-	6.3
	BBB+/BBB/BBB-	54.6
<b>High yield</b>	BB+/BB/BB-	32.5
	B+/B/B-	1.1
	CCC/CC/C	0.0
<b>Default</b>	D	0.0
<b>Cash/other</b>		4.9

The share of the fund with an official credit rating amounted to 44.8 per cent.

## 10 largest holdings

Holding	% of the fund
Tryg Forsikring A/S	4.9
Storebrand Livsforsikring	4.7
Småkraft As	4.6
Velliv	4.5
Vattenfall	3.5
Mowi	3.3
Open Infra	3.2
Aker Horizons	3.1
Castellum	3.0
European Energy	2.9
<b>Total 10 largest issuers</b>	<b>37.7</b>
Cash	4.9
<b>Total number of issuers</b>	<b>59</b>

## Major changes during the month

Buy

Volvofinans Bank

Sell

-

## Risk and reward profile

Lower risk Higher risk



## Financial ratios

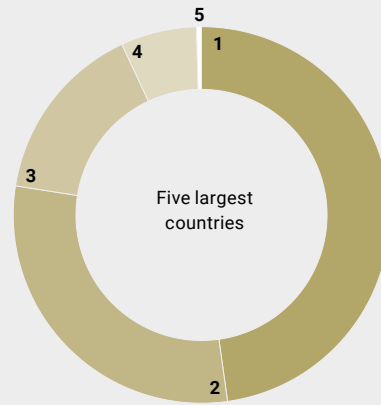
	Lannebo S. C. B.	Benchmark
Total risk (%)	2.5	1.5
Interest-rate duration (years)	0.5	
Credit duration (years)	2.7	
Portfolio turnover ratio (06/30/22)	0.3	

## Maturity profile\*

	% of the fund
< 1 year	7
1-3 years	47
3-5 years	38
> 5 years	3

\*The maturity profile of the fund excludes cash.

## Country allocation



#	Country	% of the fund
1	Sweden	45.4
2	Norway	28.2
3	Denmark	14.8
4	Finland	6.2
5	Supranational	0.4
6	Cash	4.9

## Fund facts

Fund manager	<b>Karin Haraldsson &amp; Katarina Ponsbach Carlsson</b>
Launch date	<b>02/18/20</b>
NAV per unit (SEK)	<b>99.28</b>
Fund size (SEKm)	<b>525</b>
Ongoing charges	<b>0.92%</b>
Bankgiro	<b>5441-9569</b>
ISIN	<b>SE0013646866</b>
Trading frequency	<b>Daily</b>
Minimum investment amount	<b>SEK 100</b>
Supervisory authority	<b>Finansinspektionen</b>
LEI	<b>549300VD1CKLHX5LM106</b>

## Risk information

Past returns are no guarantee of future returns. The money invested in the fund may increase or decrease in value and it is not certain that you will get back all the capital you have invested. The key investor information document and prospectus can be found at [en.lannebo.se](http://en.lannebo.se). Please note that Lannebo does not produce investment recommendations or other information recommending or suggesting an investment strategy. Information in this monthly report should not be seen as anything other than a statement of the fund's trading activities and holdings.

## The fund is suitable for those who

- Want a higher return than traditional fixed income funds but at a lower risk than equity funds.
- Want an actively managed fund where a thorough company analysis creates long-term returns.
- Want to invest sustainably for a better environment and future.

## The fund's investment policy

Lannebo Sustainable Corporate Bond is an actively managed fixed income fund that invests mainly in corporate bonds issued by companies in the Nordic region, and to some extent in the rest of Europe. The fund invests in green bonds, bonds issued by companies that considered sustainable or that produce goods or services that aim to solve sustainability challenges. The average rating of the Fund's investments is at least investment grade, BBB-.

## Explanations

### Benchmark

Solactive SEK IG Credit Index.

### Interest-rate duration

Weighted average life.

All financial ratios are calculated according to guidelines of the Swedish Investment Fund Association.

### Total risk

Given as the standard deviation of variations in the total return of the fund or index.

### Credit duration

Weighted average maturity.



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