

Monthly report October 2023

# Lannebo Sustainable Corporate Bond

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.



## The fund continued to develop strongly

### Increased the holding in Balder



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The fund's positive return during the month was largely due to the fund's high running yield.

The primary market remained active and we participated in several new issues. Norwegian NRC Group is a new holding – a company active in railway construction, both new construction and maintenance. NRC is the market leader in the Nordics, where the Swedish Transport Administration is their primary customer in Sweden. We value the less cyclically sensitive sector the company operates in, together with the company's stable customers. NRC issued a green bond with a four-year maturity and a coupon of Nibor 3 months +4.4 per cent, which currently yields just over 9 per cent. During the period we also increased our holding in the Swedish property company Balder. We consider the risk-adjusted yield on Balder's bonds attractive with yield between 8 and 9 per cent, depending on the maturity, for an investment grade rated company. We divested the last of our holding in Heimstaden during the period.

Inflation remained high, although it is falling back, and the market believes we are starting to approach the peak interest rate. During the month, the ECB, during its meeting, left its policy rate unchanged. Neither the Riksbank nor the American FED made any interest rate announcements. Our Swedish key interest rate is 4 per cent and the Riksbank has not ruled out a further increase in November.

The interest rate on Swedish 5-year government bonds fell back slightly during the period from 3.1 to 3.0 per cent. The 2-year yields continued to trade higher than 5-year yields, which indicates a belief in a coming recession and lower interest rates further down the line. The Stibor 3-month interest rate, which is the basis for the interest rate setting on our Swedish floating-rate bonds, was unchanged at 4.1 per cent.

## The fund's performance\*

■ 1 month  
■ 1 year



Performance (%)	Fund	Index <sup>1</sup>
October 2023	0.1	0.6
YTD 2023	5.8	3.7
1 year	7.9	4.4
3 years	6.4	0.0
Since launch (02/18/20)	7.1	1.1
Average 24 months	1.3	-0.1
2022 <sup>2</sup>	-3.0	-3.9
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.

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

\* Net of fees

Jan	Feb	Mar	Apr	May	Jun
1.4	1.3	-0.6	0.8	0.8	0.4
Jul	Aug	Sep	Oct	Nov	Dec
0.5	0.6	0.5	0.1	-	-

Higher interest rates and wide credit spreads are now leading to historically high yields on corporate bonds. Given an unchanged interest rate, the fund's running yield is currently around 6.5 per cent after fees.

Our strategy is to maintain the interest duration low in order to protect the fund against rising interest rates. We do this by investing mostly in FRN loans, which are bonds with a variable interest rate. We hedge all foreign currency exposure to the Swedish kronor. At the end of the period, the average credit duration was 2.4 years and the interest duration was 0.6 years.

## Largest holdings

Holding	Share of the fund (%)
DNB Bank	3.9
Storebrand Livsforsikring	3.4
Tryg Forsikring	3.4
Castellum	3.3
Mowi	3.2
Terveystalo	2.9
Bewi	2.7
Balder	2.7
European Energy	2.6
Vattenfall	2.4
<b>Total ten largest issuers</b>	<b>30.5</b>
Cash	10.3
Total number of issuers	54

## Main changes

Bought	Sold
Balder	Heimstaden AB
NRC Group	-
-	-

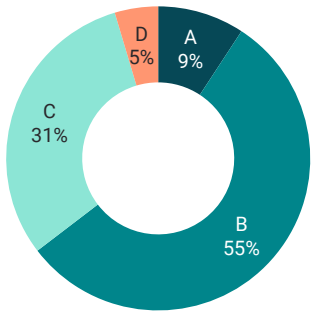
## Sector allocation

Sector	Share of the fund (%)
Real estate	20.6
Financials	20.0
Industrials	15.5
Energy	7.5
Consumer staples	5.7
Material	4.9
Healthcare	4.5
Consumer discretionary	4.2
Information technology	3.9
Communication services	2.8

We work actively to take advantage of business opportunities and avoid risks related to the environment, social sustainability and corporate governance.

Sustainability grade

Lannebo’s sustainability analysis identifies and grades the portfolio holdings’ management of sustainability risks, environmental impact, and sustainability in the business model. A is the highest grade and E the lowest.



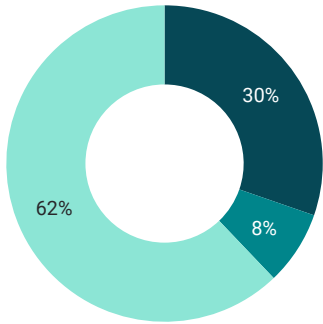
Share of the fund (%)

A	9
B	55
C	31
D	5
E	0

Climate target

Lannebo has committed to a climate target that requires the companies in material sectors within its portfolios to establish science-based emissions reduction targets, SBT.

Year 2040: 100%    Year 2030: 50%



Share of the fund (%)

Validated SBT	30
Committed SBT	8
No SBT	62

Gender equality on boards

The objective is to ensure greater gender representation by aiming for a minimum of 40 percent representation of the under-represented gender among board members on average.

	Share (%)
Women	40
Men	60

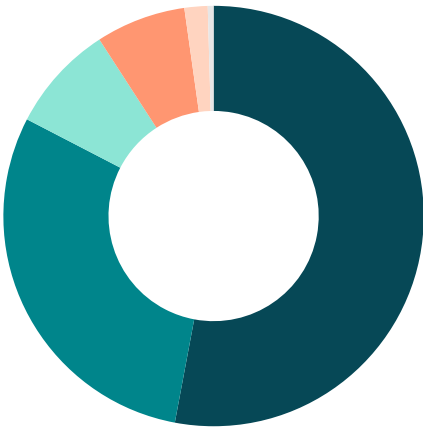
Financial ratios

	Fund	Index
Total risk (%)	3.1	2.1
Interest-rate duration (years)	0.6	
Credit duration (years)	2.5	
Portfolio turnover ratio	0.3	

Credit rating distribution

	Credit rating	% of the fund
Investment grade	AAA	0.4
	AA+/AA/AA-	0.0
	A+/A/A-	6.7
	BBB+/BBB/BBB-	40.9
High yield	BB+/BB/BB-	40.5
	B+/B/B-	1.3
	CCC/CC/C	0.0
Default	D	0.0
Cash		10.3
Total official credit rating		42.7

Country allocation



Country	% of the fund
Sweden	47.5
Norway	26.6
Denmark	7.4
Finland	6.2
Luxembourg	1.6
Other	0.4

Fund facts

Fund managers	Karin Haraldsson & Katarina Carlsson
Launch date	02/18/20
NAV per unit	SEK 107.11
Fund size	SEKm 626
Ongoing charges*	0.9%
ISIN	SE0013646866
Trading frequency	Daily
Minimum investment amount	SEK 100
Supervisory authority	Finansinspektionen
LEI	549300VD1CKLHX5LM106

\* Ongoing costs consist of management fees and other administrative or operating costs (an estimate based on actual costs over the past year) and transaction costs (an estimate of costs incurred when a fund buys and sells securities).

Maturity profile

	% of the fund
< 1 år	6
1-3 år	47
3-5 år	35
> 5 år	2

The maturity profile of the fund excludes cash.

Risk indicator

1	2	3	4	5	6	7
Lower risk						Higher risk

## Explanations\*

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### Benchmark

Solactive SEK IG Credit Index. The unit price of the fund is set before the price of the index is calculated. This can sometimes result in a misleading comparison between the two.

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### Interest-rate duration

Weighted average life.

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### Credit duration

Weighted average maturity.

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### 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](https://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.

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### Green bond

A bond where the capital is being used exclusively for environmental projects and certified by a third party.

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### Total risk

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

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