

# Sustainable Corporate Bond 2XL

## PROFILE

NCP Sustainable Corporate Bond 2XL invests in Nordic corporate bonds from issuers with an integrated sustainability strategy. The fund maintains a portfolio of c.25 holdings and has a target return of 6-9% p.a. Each investment undergoes thorough commercial, financial and sustainability due diligence and is approved by NCP's Investment Committee. The fund applies up to 2x leverage to enhance the risk-adjusted return.

## SUSTAINABILITY

NCP integrates sustainability into the investment thesis to benefit our investors and contribute to the development of sustainability in society at large. We focus on companies that has a thorough understanding of the exposure to and impact on its specific sustainability factors and risks, thus futureproofing the portfolio and investing in long-term frontrunners. The fund is a SFDR article 8.

Signatory of:



## INVESTMENT TEAM

**Jakob Eliasson**

Founder & Chief Investment Officer

**Cecilia Bevik-Cronqvist**

Portfolio manager, Sustainable Investing

**Emil Ahlin**

Assistant Portfolio manager

## CONTACT

**Nordic Credit Partners AB**

(Investment advisor)

Cecil Coworking

Norrlandsgatan 10,

SE-111 43 Stockholm, Sweden

www.ncpgroup.se

**Nordic Credit Partners SICAV-RAIF**

(Umbrella fund)

60 avenue J.F. Kennedy

L-1855 Luxembourg,

Grand Duchy of Luxembourg



Nordic Credit Partners

## MARKET & PORTFOLIO COMMENTARY

December finished off rather quiet as seasonally expected with a stabilisation of the market following the November spree. And what a year this has been! With the outbreak of war in Ukraine and energy crisis, inflation and rate hikes as a consequence, 2022 marks the toughest year in the history of the Nordic high yield market. Many funds erased returns earned in the previous handful of years and bond fund outflows added up to EUR 1bn (Nov YTD). Having that said, thanks to the floating rate regime and relatively short duration, the Nordic high yield market significantly outperformed both EUR and US high yield (both with double digit declines). In turn, the 2XL portfolio outperformed the market – despite the leverage – thanks to credit quality, liquidity limitations and a robust risk management framework. Going into 2023, the scepticism to Swedish real estate is likely to remain with sentiment likely to start altering only after inflation and interest rates peak and fund flows turn positive.

The fund yielded 0.79% during the month (-5.03% YTD). We were pleased to see the three months strike of negative return indeed broken, as forecasted in our previous report. The performance was driven by a slightly more positive sentiment overall and, in particular, an expected price rebound in Momox (discussed in our previous reports) which contributed 0.4% to monthly return. It is too early to say if the turn-around is sustainable; the Q4 report including the holiday season will be an important indicator for the longer-term trend. The overall negative momentum in real estate persisted and weighted negatively on monthly return. We are underweight in the sector and have met with the management teams of all our real estate holdings in the last quarter and continue to monitor the situation closely.

With average price of the portfolio around 92% of par, and a YTW at a whopping 16%, we are likely approaching an attractive entry point in the market. Having that said, we expect the market default level to increase during the 2023 and a concentrated portfolio with good credit quality and experience and staffing to handle restructurings will be essential in minimising credit losses during these volatile times. We look forward to a continued supply of opportunistic investment opportunities and a gradually more positive sentiment as the new year advances.

*Cecilia, Emil and Jakob*

## CUMULATIVE PERFORMANCE (%)

| 1 month | YTD   | 1 year | 3 years | Since inception | NAV    |
|---------|-------|--------|---------|-----------------|--------|
| 0.79    | -5.03 | -5.03  | NA      | 4.88            | 104.88 |

## MONTHLY PERFORMANCE (%)

| Year | Jan  | Feb   | Mar  | Apr  | May   | Jun   | Jul  | Aug  | Sep   | Oct   | Nov   | Dec  | YTD   |
|------|------|-------|------|------|-------|-------|------|------|-------|-------|-------|------|-------|
| 2022 | 0.80 | -0.86 | 0.60 | 1.17 | -0.73 | -2.42 | 1.09 | 0.91 | -2.80 | -2.83 | -0.74 | 0.79 | -5.03 |
| 2021 | 0.59 | 0.73  | 0.85 | 0.89 | 0.58  | 0.27  | 0.33 | 1.30 | 0.39  | 0.12  | 1.57  | 0.49 | 8.39  |
| 2020 |      |       |      |      |       |       |      | 0.17 | 0.25  | 0.59  | 0.24  | 0.61 | 1.88  |

## THE FUND

|                           |  |                   |                                 |
|---------------------------|--|-------------------|---------------------------------|
| <b>Fund name</b>          | Nordic Credit Partners SICAV-RAIF Sustainable Corporate Bond 2XL |                   |                                 |
| <b>Target instruments</b> | Nordic corporate bonds   | <b>AIFM</b>       | Carne Global Fund Managers      |
| <b>Target return</b>      | 6-9% p.a. net of fees  | <b>Depository</b> | BNP Paribas Securities Services |
| <b>Inception date</b>     | 5 August 2020  | <b>Auditor</b>    | PWC Luxembourg                  |

Historical returns are no guarantee of future returns. Capital invested in the fund may both increase or decrease in value and there is no guarantee that you will be repaid your invested capital. Complete prospectus and fund statutes are available at [www.ncpgroup.se](http://www.ncpgroup.se). The information in this document is proprietary to Nordic Credit Partners AB and is intended only as general information. It should not be construed as investment advice or recommendation. The information may prove to be inaccurate, incomplete or out of date. Nordic Credit Partners AB is not responsible for the damage, whether direct or indirect result of any defects or errors in the information.

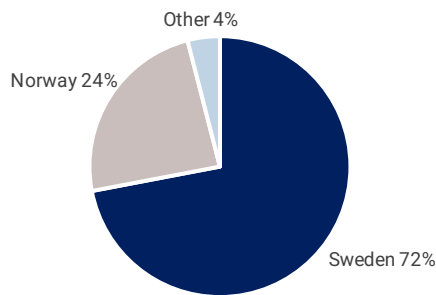
## KEY RATIOS

| Ratio                                     |            |
|---|------------|
| Yield to maturity                         | 16.1%      |
| Yield to worst                            | 16.1%      |
| Average coupon                            | 8.2%       |
| Credit duration                           | 1.84 years |
| Duration                                  | 0.35 years |
| Modified duration                         | 0.32%      |
| Standard deviation p.a. (since inception) | 3.93%      |
| Average credit rating                     | Non-rated  |

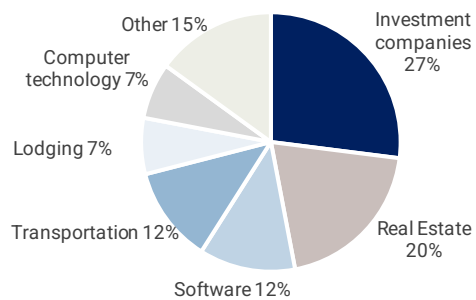
## KEY RATIOS CONT.

| Ratio                             |        |
|-----------------------------------|--------|
| Sharpe Ratio since inception      | 0.51   |
| Additional names to the portfolio | -      |
| Leavers of the portfolio          | 1      |
| Positive months since inception   | 79%    |
| Risk level                        | ●●●○○○ |

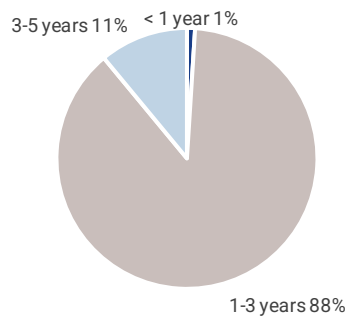
## BREAKDOWN BY GEOGRAPHY



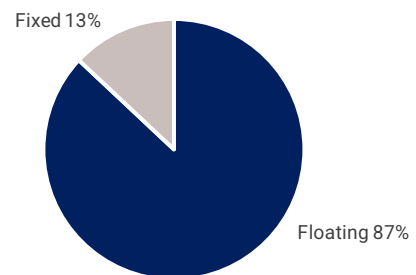
## BREAKDOWN BY SECTOR



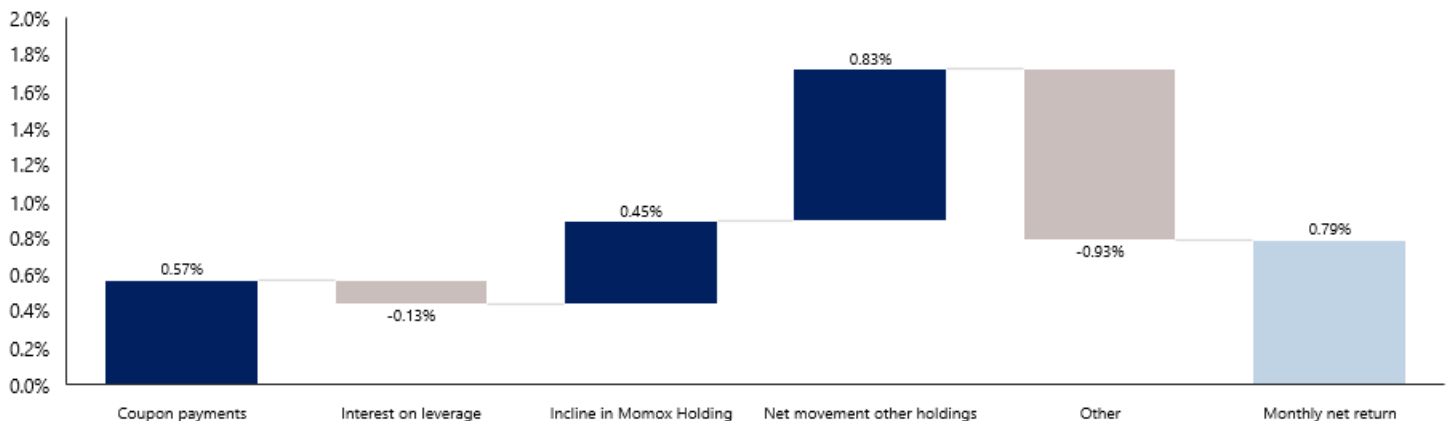
## BREAKDOWN BY MATURITY



## BREAKDOWN BY COUPON



## MONTHLY RETURN BREAKDOWN



Others include unrealised profit and losses, accrued fees and rounding differences

Historical returns are no guarantee of future returns. Capital invested in the fund may both increase or decrease in value and there is no guarantee that you will be repaid your invested capital. Complete prospectus and fund statutes are available at [www.ncpgroup.se](http://www.ncpgroup.se). The information in this document is proprietary to Nordic Credit Partners AB and is intended only as general information. It should not be construed as investment advice or recommendation. The information may prove to be inaccurate, incomplete or out of date. Nordic Credit Partners AB is not responsible for the damage, whether direct or indirect result of any defects or errors in the information.

## TOP HOLDINGS

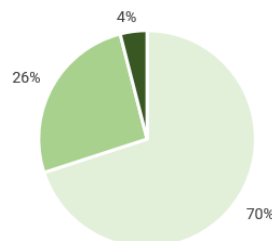
| Issuer                   | %   |
|--------------------------|-----|
| Azerion Holdings BV      | 6.8 |
| Novedo Holding AB        | 6.6 |
| MGI Media & Games Invest | 6.5 |
| Sunborn Finance Oyj      | 4.9 |
| Magnolia Bostad AB       | 4.8 |

## MAIN MOVERS FOR THE PERIOD

| Issuer               | %-points |
|----------------------|----------|
| Heimstaden Bostad AB | -13.4    |
| Cabonline Group AB   | -4.5     |
| Momox Holding        | 9.8      |
| Azerion Holding BV   | 2.3      |

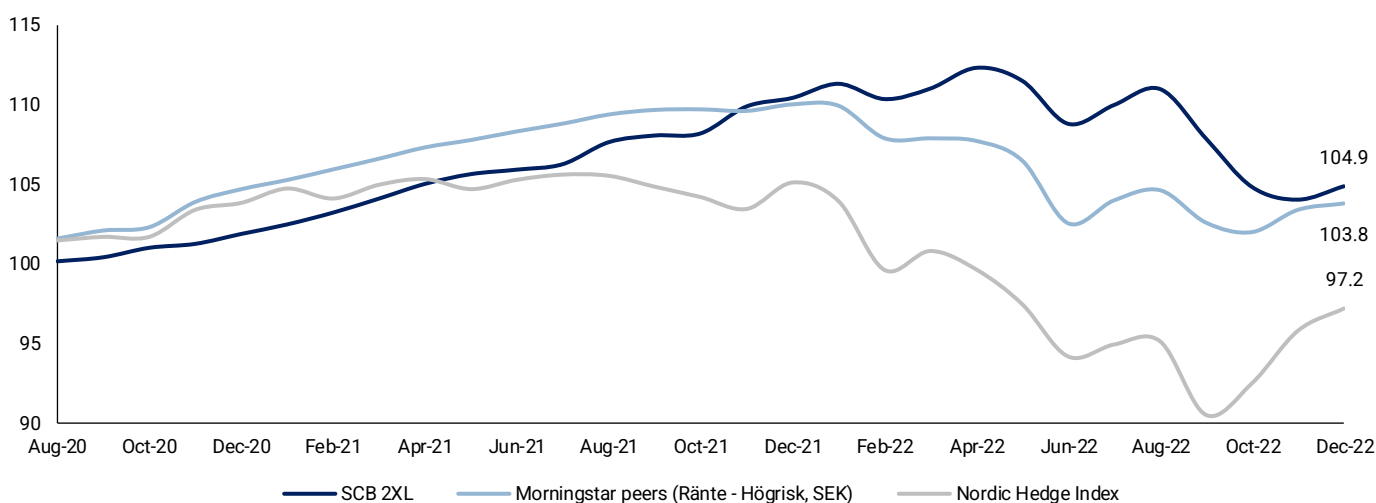
## BREAKDOWN BY INTERNAL SUSTAINABILITY RATING

| Issuer                   | ESG rating |
|--------------------------|------------|
| Azerion Holdings BV      |            |
| Novedo Holding AB        |            |
| MGI Media & Games Invest |            |
| Sunborn Finance Oyj      |            |
| Magnolia Bostad AB       |            |



Acceptable ESG integration Well developed ESG integration Comprehensive ESG integration

## TOTAL RETURN SINCE INCEPTION<sup>1</sup>



Source: Bloomberg & Nordic Hedge, 1) Inception August 2020.

## SHARE CLASS INFORMATION

| Share class             | Institutional (SEK)                      | Partner (SEK)                            | Institutional (EUR)                      | Partner (EUR)                            |
|-------------------------|--|--|--|--|
| <b>ISIN</b>             | Acc: LU2180877446<br>Distr: LU2180877792 | Acc: LU2180877529<br>Distr: LU2180877875 | Acc: LU2257616636<br>Distr: LU2257617014 | Acc: LU2257616719<br>Distr: LU2257617105 |
| <b>Target client</b>    | Inst. & Well-informed                    | Inst. & Well-informed                    | Inst. & Well-informed                    | Inst. & Well-informed                    |
| <b>Currency</b>         | SEK                                      | SEK                                      | EUR                                      | EUR                                      |
| <b>Income</b>           | Acc./Distr.                              | Acc./Distr.                              | Acc./Distr.                              | Acc./Distr.                              |
| <b>Distr. frequency</b> | Annually                                 | Annually                                 | Annually                                 | Annually                                 |
| <b>Min investment</b>   | SEK 1.5m                                 | SEK 50m                                  | EUR 125 000                              | EUR 5m                                   |
| <b>Subscriptions</b>    | Monthly                                  | Monthly                                  | Monthly                                  | Monthly                                  |
| <b>Redemptions</b>      | Quarterly                                | Quarterly                                | Quarterly                                | Quarterly                                |
| <b>Management fee</b>   | 0.90% p.a.                               | 0.60% p.a.                               | 0.90% p.a.                               | 0.60% p.a.                               |
| <b>Performance fee</b>  | 20% over Hurdle                          | 20% over Hurdle                          | 20% over Hurdle                          | 20% over Hurdle                          |
| <b>Hurdle</b>           | 3M Stibor+2%                             | 3M Stibor+2%                             | 3M Stibor+2%                             | 3M Stibor+2%                             |

Historical returns are no guarantee of future returns. Capital invested in the fund may both increase or decrease in value and there is no guarantee that you will be repaid your invested capital. Complete prospectus and fund statutes are available at [www.ncpgroup.se](http://www.ncpgroup.se). The information in this document is proprietary to Nordic Credit Partners AB and is intended only as general information. It should not be construed as investment advice or recommendation. The information may prove to be inaccurate, incomplete or out of date. Nordic Credit Partners AB is not responsible for the damage, whether direct or indirect result of any defects or errors in the information.