

Nordkinn Fixed Income Macro Fund

Discusses August Performance

Stockholm (HedgeNordic) – Nordkinn Fixed Income Macro Fund, a global macro fixed income fund run by fixed income specialist Nordkinn Asset Management, retreated 0.68% in August, with the fund's year-to-date gains diminishing to 1.93%. With North Korea stepping up military provocations and geopolitical tensions on the rise, investors channeled capital into safe haven bonds, which had a negative impact on the fund's August performance.

In fact, the August performance of Nordkinn Fixed Income Macro Fund, which manages SEK 9.52 billion in assets under management as of the end of August, reflects a diversified distribution of profits and losses across the fund's investment theses. The following four investment themes had the largest impact on the fund's performance in August:

a) "USA: Interest rate normalization." The following theme is designed to benefit from the process of gradually removing nearly a decade of monetary accommodation in the United States. The theme led Nordkinn Fixed Income Macro Fund's "biggest detractors" list in August, as U.S. bond yields fell and the U.S. dollar weakened amid subdued inflation readings, growing pessimism about the Trump tax reform effort, and a seemingly never-ending barrage of negative news surrounding the U.S. President.

b) "EMU: QE tapering." According to a fresh letter to investors, the team behind Nordkinn Fixed Income Macro Fund anticipates the European Central Bank to taper asset purchases in the first half of the next year and put an end to these purchases in 2018. This will lead to steeper Eurozone yield curves, which will have a spillover effect on yields in the Scandinavian region. As yield curves flattened due to rising global geopolitical risks, the so-called "EMU: QE tapering" investment theme hurt the fund's performance in August.

c) "Norway: Inflation convergence." The following investment theme was originally designed to capitalize on an anticipated sharp decline in Norway's inflation rate in 2017, which already took place. Nonetheless, the Nordkinn team continues to anticipate a tightening between Norwegian and German government bonds, as the team believes the market underestimates the probability of a reduction in the inflation target. But given the rally in the value of German Bunds, coupled with higher-than-expected inflation readings in Norway recently, the aforementioned theme also hurt performance during the last month of the summer.

d) "Scandies: Basis effects from US debt ceiling." The U.S. Treasury Borrowing Advisory Committee projects massive issuance activity in the fourth quarter of the year should the U.S. debt ceiling be raised. The Nordkinn team is confident the debt ceiling will be raised, which will result in the widening of the EUR/USD basis swap spread before the end of the year. The ripples triggered by the move in the basis swap will put downward pressure on the Stockholm Interbank Offered Rate (STIBOR) and upward pressure on the Norwegian Interbank Offered Rate (NIBOR). The following theme was the largest contributor to Nordkinn Fixed Income Macro Fund's performance in August.

Nordkinn Fixed Income Macro Fund generated a net cumulative return of 16.19% over the 50 months since the fund's launch with a realized volatility of 1.98%, which corresponds to an annualized Sharpe ratio of 1.96. The Nordkinn team believes market dislocations caused by current market distress offer appealing investing opportunities, with the fund's investment strategy seeking to capitalize on altering economic conditions.