



MONTHLY REPORT

# Sustainable Return

December 2023

## A strong month concluding a balanced year

The Nordic credit market ended the year with a positive sentiment thanks to a strong rebound in the mood-setting local equity markets and the global trend of declining long-term interest rates. The fund yielded +1.42% during the month (+5.74% full year). The main drivers behind the return are (i) price increases in the real estate and investment company portfolio; and (ii) coupon payments driven by the high underlying base rates.

The declining long term interest rates (reduced by more than 100bps since October for a Swedish 5-year government bond) and the market now factoring in several rate cuts by the Riksbank in 2024, have resulted in a more positive sentiment around Swedish real estate. Liquidity in many real estate bonds has improved and our real estate portfolio contributed ~75 bps to the fund's December performance.

Similarly, our investment company holdings, which are sensitive to the overall risk sentiment, traded up during the month and contributed 25bps to the fund's December performance. Despite this, many of them continue to offer attractive risk-adjusted return with yields 15-18% which should continue to positively impact return going forward.

In summary, we conclude a balanced year for the fund. On the one side, real estate and macro concerns remain, leaving additional upside to be harvested in 2024 & 2025. For example, the real estate portfolio (18% of the fund's total portfolio) trades at a cash price of 70% of par although the majority is expected to be repaid in the next 18 months. Similarly, the Swedish investment company portfolio (20% of the total portfolio) trades at a cash price of 96% with only 12 months to maturity. We recognise that it from the outside indicates an elevated default risk. However, our investment process which now has been applied for over a decade and includes thorough due diligence, advisor input and investment committee approval should continue to reduce defaults (also in tougher markets) as it has done in the past. We look forward to continue to apply this investment philosophy during 2024 and harvest the capitalised yield.

*Emil & Jakob*



**Nordic Credit Partners**

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.

### Cumulative performance (%)

| 1 Month | YTD  | 1 Year | 3 Years | Since inception | NAV A  | NAV B  | NAV C  |
|---------|------|--------|---------|-----------------|--------|--------|--------|
| 1.42    | 5.74 | 5.74   | 12.35   | 14.78           | 102.17 | 102.02 | 101.86 |

### Monthly performance (%)

| Year | Jan  | Feb   | Mar   | Apr  | May   | Jun   | Jul  | Aug  | Sep   | Oct   | Nov   | Dec   | YTD   |
|------|------|-------|-------|------|-------|-------|------|------|-------|-------|-------|-------|-------|
| 2023 | 1.27 | 1.56  | -0.09 | 0.58 | 0.68  | -0.37 | 0.04 | 1.48 | -0.47 | -0.12 | -0.14 | 1.42  | 5.74  |
| 2022 | 0.77 | -0.47 | 0.69  | 0.28 | -0.51 | -1.27 | 0.41 | 0.76 | -0.18 | -1.95 | 0.03  | -0.32 | -1.79 |
| 2021 | 0.84 | 0.44  | 0.72  | 0.98 | 0.47  | 1.00  | 0.98 | 1.06 | 0.39  | 0.26  | 0.41  | 0.37  | 8.19  |

### Key fund facts

|                           |   |                   |                             |
|---------------------------|---|-------------------|-----------------------------|
| <b>Fund name</b>          | Nordic Credit Opportunities SICAV-RAIF Sustainable Return |                   |                             |
| <b>Target instruments</b> | Nordic corporate bonds                                    | <b>AIFM</b>       | Fuchs Asset Management      |
| <b>Target return</b>      | 6-9% p.a. net of fees                                     | <b>Depository</b> | Société Générale Luxembourg |
| <b>Inception date</b>     | 25 June 2020  | <b>Auditor</b>    | PWC Luxembourg              |

## PROFILE

Nordic Credit Opportunities Sustainable Return invests in Nordic corporate bonds from issuers with an integrated sustainability strategy. The fund maintains a portfolio of c.25 holdings and has a return target of 6-9% p.a. Each investment undergoes thorough commercial, financial and ESG due diligence and is subject to final approval by NCP's Investment Committee.

## 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.

Signatory of:



### Portfolio and performance ratios

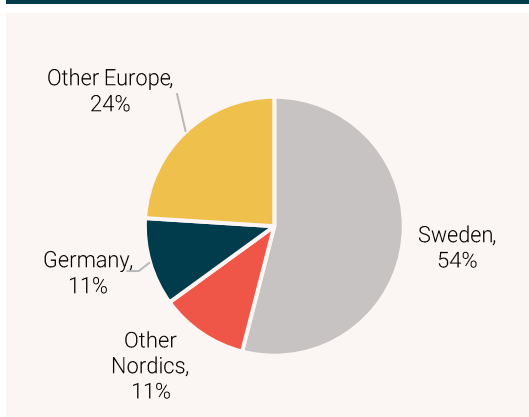
| Ratio                          |            |
|--------------------------------|------------|
| Yield to maturity <sup>1</sup> | 15.3%      |
| Yield to worst <sup>1</sup>    | 15.3%      |
| Average coupon                 | 10.4%      |
| Credit duration                | 1.5 years  |
| Duration                       | 0.26 years |
| Modified duration              | 0.23%      |
| Weighted average bond price    | 93.7       |
| Average credit rating          | Non-rated  |

<sup>1</sup> Excl. two near-term maturities which impacts the YTM

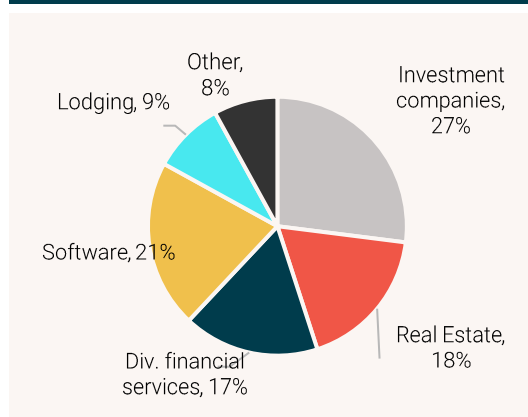
### cont.

| Ratio                                   |            |
|---|------------|
| Investments during the month            | 1          |
| Divestments during the month            | 1          |
| Positive months since inception         | 70%        |
| Annualised return since inception       | 3.9%       |
| Standard deviation p.a. since inception | 2.5%       |
| Sharpe ratio since inception            | 1.2        |
| Sortino ratio since inception           | 0.84       |
| Risk level                              | 3 out of 7 |

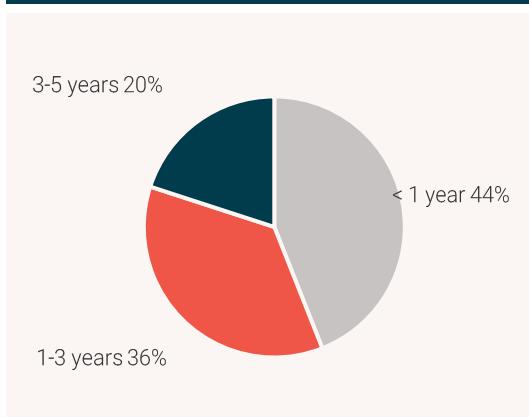
### Breakdown by geography (issuer)



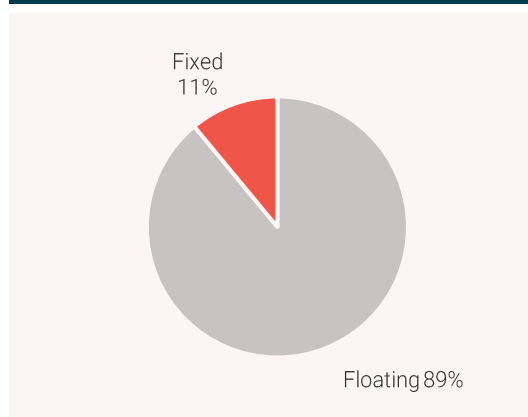
### Breakdown by sector



### Breakdown by maturity



### Breakdown by coupon

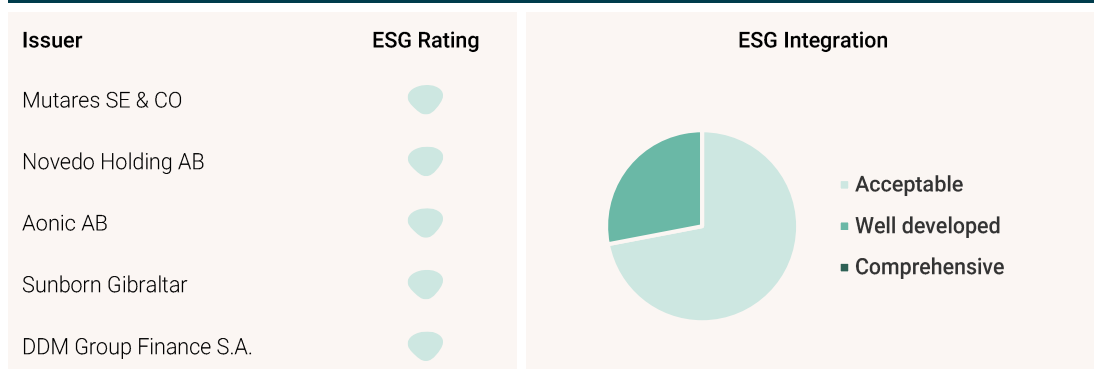


## Top holdings

| Issuer                 | ISIN         | Country                 | Maturity | Coupon                 | % Portfolio |
|------------------------|--------------|-------------------------|----------|------------------------|-------------|
| Mutares SE & CO        | N00012530965 | Germany <sup>1</sup>    | Mar 2027 | Euribor+8.50%          | 6.1%        |
| Novedo Holding AB      | SE0017070980 | Sweden                  | Nov 2024 | Stibor+6.50%           | 6.0%        |
| Aonic AB               | SE0020975449 | Sweden                  | Oct 2027 | Stibor+8.50%           | 5.6%        |
| Sunborn Gibraltar      | SE0010296632 | Gibraltar <sup>1</sup>  | Mar 2024 | Euribor+5.00%          | 4.9%        |
| DDM Group Finance S.A. | LU2570106943 | Luxembourg <sup>1</sup> | Dec 2024 | 10.0% PIK <sup>2</sup> | 4.9%        |

<sup>1</sup>Issuers with significant operations in Europe but with a Nordic listing or ISIN. <sup>2</sup>With a convertible feature.

## Breakdown by internal sustainability rating



## Monthly performance since inception (%)

| Year | Jan  | Feb   | Mar   | Apr  | May   | Jun   | Jul  | Aug   | Sep   | Oct   | Nov   | Dec   | YTD   |
|------|------|-------|-------|------|-------|-------|------|-------|-------|-------|-------|-------|-------|
| 2023 | 1.27 | 1.56  | -0.09 | 0.58 | 0.68  | -0.37 | 0.04 | 1.48  | -0.47 | -0.12 | -0.14 | 1.42  | 5.74  |
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| 2021 | 0.84 | 0.44  | 0.72  | 0.98 | 0.47  | 1.00  | 0.98 | 1.06  | 0.39  | 0.26  | 0.41  | 0.37  | 8.19  |
| 2020 | -    | -     | -     | -    | -     | -     | 0.33 | -0.02 | 0.11  | 0.06  | 1.55  | 0.13  | 2.16  |

| Share class information |                       |                       |                       |
|-------------------------|-----------------------|-----------------------|-----------------------|
| Share class             | Class A               | Class B               | Class C               |
| <b>ISIN</b>             | LU2173402418          | LU2173402509          | LU2173402681          |
| <b>Target client</b>    | Inst. & Well-informed | Inst. & Well-informed | Inst. & Well-informed |
| <b>Currency</b>         | EUR                   | EUR                   | EUR                   |
| <b>Income</b>           | Distributing          | Distributing          | Distributing          |
| <b>Distr. frequency</b> | Annually              | Annually              | Annually              |
| <b>Min investment</b>   | EUR 20,000,000        | EUR 500,000           | EUR 500,000           |
| <b>Subscriptions</b>    | Monthly               | Monthly               | Monthly               |
| <b>Redemptions</b>      | Annually / 3.0%       | Annually/ 3.0%        | Monthly / 7.0%        |
| <b>Management fee</b>   | 0.50% p.a.            | 0.55% p.a.            | 0.55% p.a.            |
| <b>Performance fee</b>  | 20% over Hurdle       | 20% over Hurdle       | 20% over Hurdle       |
| <b>Hurdle</b>           | 3M Stibor+3%          | 3M Stibor             | 3M Stibor             |

## INVESTMENT TEAM

**Jakob Eliasson** 

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