

24.3.2020

Simplicity.

Status report fixed income funds

The grip that the coronavirus's momentum has on the financial markets has continued also initially this week, although we are seeing some recovery in the stock market today. A mix of strained liquidity in the market together with outflows has especially affected the corporate bond market, where we have seen a negative price correction. In our funds, we have managed to meet the recent outflows, while the yields in the funds have increased sharply.

Resolute actions by the central banks

During the strained market conditions for all asset classes in recent weeks, the central banks have acted vigorously with interest rate cuts and announcements of asset purchase packages of very large formats. For Sweden, the Riksbank announced on March 16 and 19 it will increase purchases of securities during the year by up to SEK 300 billion including government bonds, municipal bonds, covered bonds and securities issued by non-financial corporations. As a next step in the decided programme, the Riksbank has announced that, as of March 25, it will purchase covered bonds issued in Swedish kronor by Swedish institutions for a nominal amount of SEK 10 billion. After our communication with the Riksbank, we expect further details and operational efforts directed towards corporate bonds in order to stabilize the credit market and its liquidity.

On an international note, the ECB announced on March 18 a gigantic asset purchase programme involving €750 billion in bond purchases involving corporate bonds. In addition to interest rate cuts already implemented, on March 15 the Fed announced additional support measures of USD 700 billion, coordinated with the ECB and the central banks of the United Kingdom, Canada, Japan and Switzerland. Fed further announced that "it will do whatever it takes" to support financial markets. Furthermore, the political parties in the United States are currently negotiating a fiscal support effort that is likely to be of an unprecedented level. Additional positive support signals have come from the IMF, announcing it will support countries in need of financial support. At the time of writing, some 80 countries have indicated that they need help.

At the time of writing as of 2020-03-23, maturities and key figures are as below (net of fees):

Simplicity Likviditet

Interest rate duration	0.23
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Credit duration	1.18
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Current yield	2.45%
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Average rating	BBB
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Investment grade / High Yield (%)	92 / 8
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Number of holdings	152
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Simplicity Företagsobligationer

Interest rate duration	1.12
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Credit duration	3
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Current yield	5.64%
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Average rating	BBB
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Investment grade / High Yield (%)	65 / 35
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Number of holdings	180
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Simplicity Global Corporate Bond

Interest rate duration	1.18
Credit duration	3.14
Current yield	8.32%
Average rating	BBB
Investment grade / High Yield (%)	57 / 43
Number of holdings	115