

# Fixed Income Absolute Return

## Investment Focus

The fund is an actively managed bond fund. The fund is a special fund whereby it may sell securities borrowed by the fund and may have significant holdings in individual government securities. The objective of the fund is to generate positive returns irrespective of the rise or fall of market rates. The fund invests fixed income securities issued by states, municipalities and companies. Durations of up to one year shall have a credit rating of no less than A3 according to Standard & Poor's or P3 according to Moody's rating scale. Durations exceeding one year shall have a credit rating of BBB- according to Standard & Poor's or Baa3 according to Moody's rating scale. The fund also invests in interest rate derivatives, such as forwards contracts, repurchase agreements and swap contracts.

## Portfolio

Fixed Income Absolute Return rose 0.3% in H1 2014\*. Returns underperformed the benchmark rate by approximately 0.1 percentage points. In line with the fund's strategy, positions have fluctuated in the short term, although the basic view has been for rising rates. Duration in the fund varied during the year between -1.2 years to +1.5 years. The active duration positions had a negative impact on returns, given the declining interest rate levels. The duration positions were primarily in the Swedish and German fixed income markets. Fund holdings in corporate credits also contributed positively in H1.

\*) The fund may have additional share classes, the concerned share class is stated in the Fund facts. Refer to fund statistics for fund performance compared to category average at Morningstar.

## Outlook

Although growth and inflation were unexpectedly on the downside, we believe the potential for returns on long-term bonds in general is too low relative to the risk. We continue to believe that long-term government bonds are over-valued in light of the growth and inflation outlooks. However, low inflation and uncertainty about the stability of growth prevent a sharp upturn in the short term. Consequently, the fund's overall

strategy ahead remains with a short duration in government bonds. As previously, duration will also vary with short-term market movements.

## Trading with derivatives

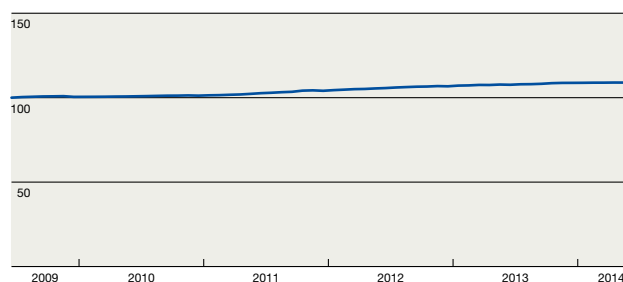
According to fund rules, the fund may trade with derivatives. The fund may use derivatives to quickly and cost-effectively increase or decrease exposure to one or more markets or types of assets. The advantage with derivative instruments is that it is possible to change the fund's exposure in different types of assets or in different markets in a simple and controlled way with a limited number of transactions. The fund used this option extensively in H1 2014.

According to fund rules, the fund has the option of lending securities. The fund did not use this option in H1 2014.

The fund may also use short-selling, which the fund used extensively in H1 2014. Short-selling occurred through derivatives.

- Highest leverage during the financial year 43.9%
- Lowest leverage during the financial year 0.0%
- Average leverage during the financial year 14.4%

## Fund performance



## Fund facts - history

|  | 1/1-30/6<br>2014 | 2013   | 2012   | 2011   | 2010   | 2009   | 2008   | 2007   | 2006   | 2005   |
|--|------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| Net asset value, SEK   | 102.66           | 102.39 | 100.47 | 100.50 | 99.27  | 99.26  | 101.94 | 104.15 | 102.62 | 100.57 |
| The fund's total net flow, mSEK <sup>1)</sup>                        | -172             | -82    | -383   | -      | -      | -      | -      | -      | -      | -      |
| Fund capital, mSEK   | 1,145            | 1,313  | 1,370  | 1,755  | 2,331  | 2,490  | 1,651  | 1,751  | 2,212  | 2,023  |
| Average fund capital, mSEK   | 1,316            | 1,348  | 1,696  | 2,250  | 2,459  | 1,803  | 1,741  | 2,271  | 2,309  | 735    |
| Number of units, 1000's  | 11,157           | 12,828 | 13,638 | 17,460 | 23,482 | 25,081 | 16,197 | 16,815 | 21,558 | 20,113 |
| Total returns in %, SEK  | +0.3             | +1.9   | +2.5   | +2.8   | +0.7   | +2.3   | +3.8   | +4.0   | +2.2   | +0.5   |
| Benchmark rate in %, kr <sup>2)</sup>                                | +0.4             | +0.9   | +1.2   | +1.6   | +0.3   | +0.6   | +4.2   | +3.3   | +2.0   | -      |
| Performance compared to Morningstar's category mean, % <sup>3)</sup> | -6.0             | -3.4   | -6.5   | +0.2   | -8.1   | -9.1   | +3.3   | -1.7   | +2.1   | -      |
| Morningstar Rating™ (1-5) <sup>4)</sup>                              | 2                | 3      | 2      | 2      | 3      | 3      | 3      | -      | -      | -      |
| Average yearly return, 2 yrs. %                                      | +1.6             | +2.2   | +2.7   | +1.8   | +1.5   | +3.1   | +3.9   | +3.1   | +1.3   | -      |
| Comparison to benchmark rate in %, kr                                | +0.9             | +1.1   | +1.4   | +0.9   | +0.4   | +2.3   | +3.7   | +2.6   | -      | -      |
| Average yearly return, 5 yrs. %                                      | +1.7             | +2.1   | +2.5   | +2.7   | +2.6   | +2.6   | -      | -      | -      | -      |
| Comparison to benchmark rate in %                                    | +0.9             | +0.9   | +1.6   | +2.0   | +2.1   | +2.5   | -      | -      | -      | -      |
| Average yearly return, 10 yrs. %                                     | +2.2             | -      | -      | -      | -      | -      | -      | -      | -      | -      |
| Dividends per unit, SEK  | -                | -      | 2.55   | 1.56   | 0.69   | 5.00   | 6.06   | 2.46   | 0.14   | 1.04   |

1) The fund's total net inflow does not include reinvested dividends. New information has been provided as of the full-year 2012.

2) The fund's benchmark rate is defined as the Riksbank's geometric average for 3-month Treasury bills on the last banking day of the calendar quarter.

3) Shows fund performance in SEK compared to the average for all funds in the same category according to Morningstar's category breakdown.

4) The fund's rating per 31 May 2014, based on historical performance over 3 years as compared to funds in the same Morningstar category.

The fund's benchmark represents a comparable reference with regard to the fund's investment focus, types of assets, markets or relevant sectors. In the event the fund issues dividends, performance is calculated with distributions added back. Refer to the last page for definitions.

## Fund facts

|   | 2014 |
|---|------|
| Max. allowed mgmt. costs in % according to fund rules                             | 0.30 |
| Collected mgmt. costs in % of average fund capital <sup>1)</sup>                  | 0.10 |
| Collected performance-based fee in % of average fund capital <sup>2)</sup>        | 0.24 |
| Annual fees in %  | 0.10 |
| Turnover rate   | 0.7  |
| Share of turnover conducted via closely-related securities companies in %         | 18.0 |
| Trading in financial instruments with closely-related funds/securities companies. | 0.0  |
| Duration, months  | -2.0 |

1) A performance-related management fee will be added if the fund outperforms the benchmark.

2) A performance-related management fee is charged each full-year if the fund outperforms the fund's benchmark. A maximum annual fixed fee of 3% may be charged for the management of the underlying funds in which the fund invests. Any applicable performance-based fee for the management of the underlying funds may not exceed 30% of the excess yields for the respective period measured relative to each fund's benchmark (index or equivalent).

## Key figures for risk follow-up\*

|                            |     |                                       |     |
|----------------------------|-----|---------------------------------------|-----|
| Total risk %               | 0.5 | Highest VaR during the financial year | 0.6 |
| Sharpe ratio               | 1.4 | Lowest VaR during the financial year  | 0.0 |
| VaR as of the closing date | 0.1 | Average VaR during the financial year | 0.1 |

\* Risk statistics are based on historical monthly returns over two years. Refer to the last page for definitions. Total exposure in the fund is calculated in accordance with an absolute Value at Risk method.

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## Other information

|                    | 2014       |
|--------------------|------------|
| Fund launch date   | 2004-03-30 |
| Minimum investment | 1,000,000  |
| Risk*              | 2          |

\* A risk level of 1 represents a low risk, while a risk level of 7 is a high risk.

## Balance Sheet, tSEK

|  | 30 jun 2014      | % of fund capital | 31 dec 2013      | % of fund capital |
|--|------------------|-------------------|------------------|-------------------|
| <b>ASSETS</b>  |                  |                   |                  |                   |
| Transferable securities  | 1,155,151        | 100.9             | 1,111,669        | 84.6              |
| Money market instruments   | -                | -                 | 144,855          | 11.1              |
| OTC derivative instruments with positive market value                  | 0                | 0.0               | 428              | 0.0               |
| Other derivative instruments with positive market value                | 0                | 0.0               | 0                | 0.0               |
| <b>Total financial instruments with positive market value</b> (Note 1) | <b>1,155,151</b> | <b>100.9</b>      | <b>1,256,952</b> | <b>95.7</b>       |
| Bank assets and other liquid assets                                    | -19,328          | -1.7              | 43,322           | 3.3               |
| Prepaid expenses and accrued income                                    | 8,149            | 0.7               | 13,039           | 1.0               |
| Other assets   | 3,350            | 0.3               | 3,515            | 0.3               |
| <b>Total assets</b>  | <b>1,147,322</b> | <b>100.2</b>      | <b>1,316,828</b> | <b>100.3</b>      |
| <b>LIABILITIES</b>   |                  |                   |                  |                   |
| OTC derivative instruments with negative market value                  | 1,880            | 0.2               | -                | -                 |
| Other derivative instruments with negative market value                | 0                | 0.0               | -                | -                 |
| <b>Total financial instruments with negative market value</b> (Note 1) | <b>1,880</b>     | <b>0.2</b>        | <b>-</b>         | <b>-</b>          |
| Accrued expenses and prepaid income                                    | 47               | 0.0               | 3,340            | 0.3               |
| Other liabilities  | 0                | 0.0               | -                | -                 |
| <b>Total liabilities</b>   | <b>1,927</b>     | <b>0.2</b>        | <b>3,340</b>     | <b>0.3</b>        |
| <b>Fund capital</b>  | <b>1,145,395</b> | <b>100.0</b>      | <b>1,313,488</b> | <b>100.0</b>      |
| Other derivative instruments with negative market value <sup>1)</sup>  | 23,483           | 0.4               | 25,653           | 2.0               |

1) Cash 25 653 tkr.

Note 1) for Balance Sheet

## Fund holdings in financial instruments

### TRANSFERABLE SECURITIES\*

|   | Nominal amount in tSEK | Market value tSEK | % of fund capital |
|---|------------------------|-------------------|-------------------|
| <b>LISTED FIXED-INCOME SECURITIES</b>       |                        |                   |                   |
| <b>FOREGIN ISSUER, OTHERS</b>               |                        |                   |                   |
| Bundessobligation 0,25% 2015-03-13          | 10                     | 92                | 0.0               |
| Bundessobligation 2,50% 2014-10-10          | 10                     | 92                | 0.0               |
| Bundessobligation 2,50% 2015-02-27          | 10                     | 93                | 0.0               |
| Fortum 3,125% 2015-09-14                    | 50,000                 | 51,278            | 4.5               |
| GE Capital 3,875 2015-09-21                 | 18,000                 | 18,597            | 1.6               |
| Realkredit Danmark FRN 2016-10-01           | 52,000                 | 52,055            | 4.5               |
|   |                        | <b>122,206</b>    | <b>10.7</b>       |
| <b>MORTGAGE</b>                             |                        |                   |                   |
| SBAB 3,00% 2018-10-11                       | 50,000                 | 52,291            | 4.6               |
| SBAB FRN 2014-07-19                         | 70,000                 | 70,047            | 6.1               |
| Stadshypotek 1576 6,00% 2015-03-18          | 80,000                 | 83,024            | 7.2               |
| Swedbank Hypotek 184 3,75% 2016-06-15       | 155,000                | 163,758           | 14.3              |
|   |                        | <b>369,119</b>    | <b>32.2</b>       |
| <b>OTHER</b>                                |                        |                   |                   |
| Framtiden FRN 2015-04-07                    | 50,000                 | 50,344            | 4.4               |
| Framtiden FRN 2017-06-20                    | 65,000                 | 66,859            | 5.8               |
| Handelsbanken FRN 2022-10-12                | 50,000                 | 52,817            | 4.6               |
| Länsförsäkringar FRN 2015-12-03             | 50,000                 | 50,316            | 4.4               |
| LeasePlan 3,95% 2015-08-31                  | 32,000                 | 32,983            | 2.9               |
| Nordea FRN 2018-05-08                       | 50,000                 | 50,387            | 4.4               |
| Nordea USD FRN 2015-04-20                   | 5,500                  | 37,436            | 3.3               |
| Sandvik FRN 2015-10-01                      | 35,000                 | 35,343            | 3.1               |
| SCBC FRN 2016-07-22                         | 85,000                 | 85,312            | 7.4               |
| SEB FRN 2015-07-03                          | 40,000                 | 40,038            | 3.5               |
| TeliaSonera FRN 2016-09-02                  | 40,000                 | 40,656            | 3.5               |
| Uppsalahem FRN 2015-03-18                   | 60,000                 | 60,205            | 5.3               |
| Volvo Treasury FRN 2014-11-20               | 30,000                 | 30,038            | 2.6               |
| Volvofinans 5.35% 2015-05-05                | 30,000                 | 31,092            | 2.7               |
|   |                        | <b>663,826</b>    | <b>58.0</b>       |
| <b>Total listed fixed-income securities</b> |                        | <b>1,155,151</b>  | <b>100.9</b>      |
| <b>Total transferable securities</b>        |                        | <b>1,155,151</b>  | <b>100.9</b>      |

### EXCHANGE-TRADED DERIVATIVES\*\*

|  | Number  | Market value tSEK | % of fund capital |
|--|---------|-------------------|-------------------|
| <b>INTEREST RATE FUTURES</b>               |         |                   |                   |
| Eurodollar EDZ5 3M <sup>1)</sup>           | 200,000 | 0                 | 0.0               |
| Statstermin 10 år 2014-09-17 <sup>2)</sup> | -60,000 | 0                 | 0.0               |
| <b>Total interest rate futures</b>         |         | <b>0</b>          | <b>0.0</b>        |
| <b>Total exchange-traded derivatives</b>   |         | <b>0</b>          | <b>0.0</b>        |

### OTHER FINANCIAL INSTRUMENTS\*\*\*

|  | Market value tSEK | % of fund capital |
|--|-------------------|-------------------|
| <b>OTC DERIVATIVE INSTRUMENTS</b>              |                   |                   |
| <b>CURRENCY FUTURES</b>                        |                   |                   |
| EUR/SEK <sup>3)</sup>                          | -69               | 0.0               |
| SEK/EUR <sup>4)</sup>                          | -333              | 0.0               |
| SEK/USD <sup>5)</sup>                          | -1,432            | -0.1              |
| USD/SEK <sup>6)</sup>                          | -46               | 0.0               |
|  | <b>-1,880</b>     | <b>-0.2</b>       |
| <b>Total OTC derivative instruments</b>        | <b>-1,880</b>     | <b>-0.2</b>       |
| <b>Total other financial instruments</b>       | <b>-1,880</b>     | <b>-0.2</b>       |
| <b>Total holdings in financial instruments</b> | <b>1,153,271</b>  | <b>100.7</b>      |
| <b>Net, other assets and liabilities</b>       | <b>-7,876</b>     | <b>-0.7</b>       |
| <b>Total fund capital</b>                      | <b>1,145,395</b>  | <b>100.0</b>      |

1) Interest rate futures with underlying exposure of -331,142 tSEK, which is equivalent to 28.9% of fund capital. Counterparty UBS Ltd.

2) Interest rate futures with underlying exposure of -82,306 tSEK, which is equivalent to 7.2% of fund capital. Counterparty Nasdaq OMX.

3) tEUR 2,000/tSEK 18,377, counterparty J.P. Morgan Securities Plc.

4) tSEK 36,321/tEUR 4,000, counterparty J.P. Morgan Securities Plc.

5) tSEK 37,565/tUSD 5,800, counterparty Svenska Handelsbanken AB (Publ) and

tSEK 6,741/tUSD 1,000, counterparty J.P. Morgan Securities Plc.

6) tUSD 1,000/tSEK 6,731, counterparty J.P. Morgan Securities Plc.

The figures in the column under the heading % of fund value are rounded to the nearest tenth of a percent.

\* Refers to transferable securities admitted to trading on a regulated market or equivalent market outside EEA, or are the subject of regular trading in other markets that are regulated and open to the general public.

100.9

\*\* Refers to other financial instruments admitted to trading on a regulated market or equivalent market outside EEA, or are the subject of regular trading in other markets that are regulated and open to the general public and in the case of money market instruments or such money market instruments referred to in Chapter 5, §4 of the Swedish Investment Funds Act (2004:46).

\*\*\* Refers to other financial instruments.

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## Compilation, Company and Group exposure\*

| Company/Group | % of fund capital | Company/Group | % of fund capital |
|---------------|-------------------|---------------|-------------------|
| Handelsbanken | 11.8              | Framtiden     | 10.2              |
| SBAB          | 10.6              | Nordea        | 7.6               |
|               |                   | Volvo         | 5.3               |

\* The table provides the combined units of fund capital per issuer in percent, where the fund has holdings in more than one type of securities issued by the same issuer. Underlying securities are shown within parentheses.