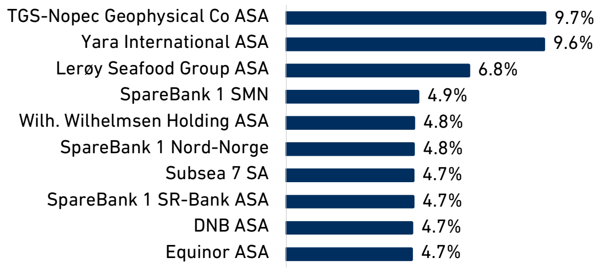
Report date: 30 June 2019

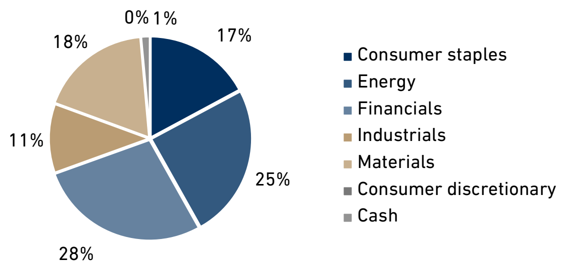
Fund: Pareto Aksje Norge	Category: equity fund	Unit class A	
Inception date: 6 September 2001	Legal structure: UCITS	NAV as at 30. June 2019: 6 807.2686	Minimum investment: NOK 500
AUM: NOK 5.0 billion	Domicile: Norway	NAV currency: NOK	ISIN: NO0010160575
Benchmark: Oslo Børs Mutual Fund Index (OSEFX)	Dealing days: all Norwegian business days	Inception date: 6. sept. 2001	Bloomberg ticker: POAKTNY NO

20–30 Norwegian companies with global competitive advantages

Investment criteria
- sound balance sheets
- strong historical returns on equity
- reasonable pricing

Top ten holdings and sector allocation





Key figures since inception

	Fund	Index
Accumulated returns	531.2%	369.5%
Annualised returns	10.9%	9.1%

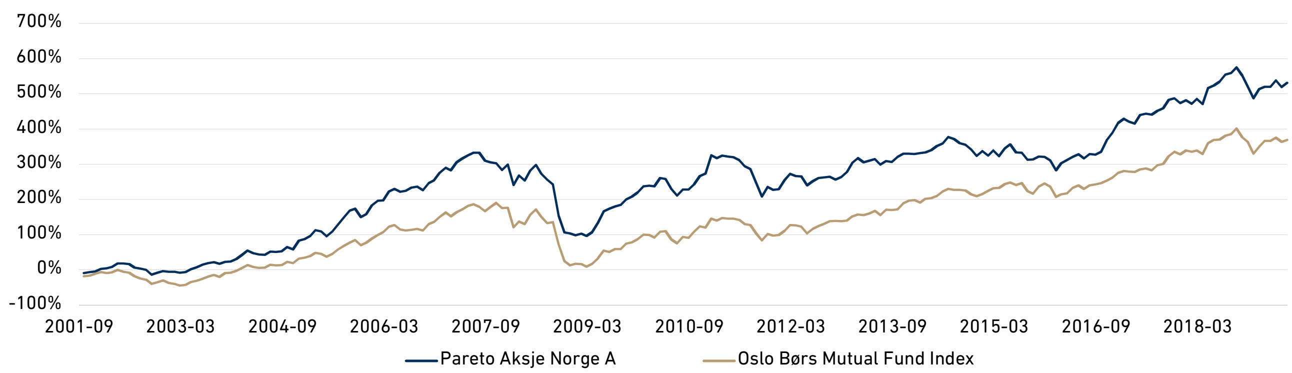
Risk figures since inception

	Fund	Index
Standard deviation (ann.)	18.2%	21.3%
Tracking error (annualised)	9.2%	n.a.
Information ratio	0.6	n.a.
Sharpe ratio (ST1X)	0.46	0.31
Beta	0.8	n.a.

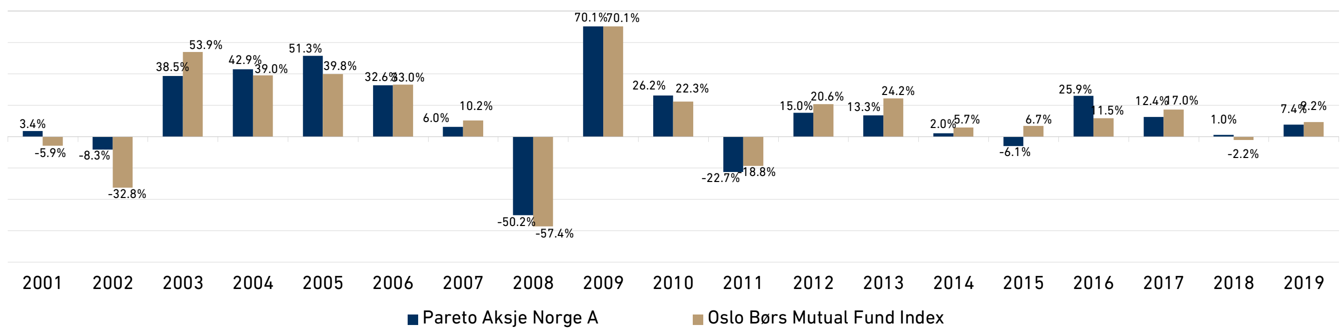
Performance by periods

	Fund	Index
Last month	1.9%	1.2%
Year to date	7.4%	9.2%
Last 12 months	-0.6%	-0.2%
Three years (annualised)	14.9%	12.5%
Five years (annualised)	5.7%	7.3%
Ten years (annualised)	7.5%	12.0%
Since inception (annualised)	10.9%	9.1%

Performance history



Annual returns



*Returns until 10.07.2015 are achieved in Pareto Aktiv. The fund continues as unit class A in Pareto Aksje Norge. All figures are based on internationally recognised standards for publishing performance data. Historical returns are no guarantee for future returns. Future returns will depend, inter alia, on market developments, the portfolio manager's skill, the fund's risk profile, as well as fees for subscription, management and redemption. Returns may become negative as a result of negative price developments. The performance data do not take account of the fees incurred on subscription and redemption of units/shares. Pareto Asset Management seeks to the best of its ability to ensure that all information given in this report is correct, however, makes reservations regarding possible errors and omissions. Statements in the report may reflect the portfolio managers' viewpoint at a given time, and this viewpoint may be changed without notice. The distribution of this information may be restricted by law in certain jurisdictions and this information is not intended for distribution to any person or entity in such jurisdiction. The report should not be perceived as an offer or recommendation to buy or sell financial instruments. Pareto Asset Management does not assume responsibility for direct or indirect loss or expenses incurred through use or understanding of the report. Fund prospectus, KIID, annual and semi-annual reports are available at www.paretoam.com/en/fund-reports. Other information is available at www.paretoam.com/en/client-information.

Monthly commentary – June 2019

By Torbjørn Frønningen

Despite much uncertainty, the first half of the year has been good for stocks, with two thirds of the portfolio contributing to positive returns. We have received the largest contribution from our financial investments with 4.6 percentage points of the total half-year return. Oil and oil services contributed almost as much, half of which came from Bonheur. The seafood companies have had a weak half year in the stock market despite record results in the first quarter of the year. Overall, our consumer stocks pulled down the return by one percentage point.

As we round off the first half of 2019, Fred.Olsen-controlled Bonheur lights up at the top of the return list. Shareholders have almost doubled their money this year – and since the autumn of 2016 they have quadrupled their money.

We have been owners in Bonheur for over ten years, as we have seen great underlying values in this conglomerate's many businesses. This is nothing new. Already in the first edition of the book "Aksjeskolen", from the 1990s, the company's chronically low valuation was commented on. Family-controlled conglomerates rarely achieve the highest multiples in the stock market. Turnover in such shares also often remains low, as they tend to attract long-term investors focusing on underlying assets.

Lately, however, the large "discount" in Bonheur has shrunk. Why? We believe some of the answer lies in investors' focus on ESG (the Environment, Social conditions and corporate Governance) – and especially the E. As for the G, some believe family-controlled Bonheur still has a way to go, and with regard to S, the company has no employees to consider. E is another story.

On January 25 this year, there came a stock market notification that Bonheur's subsidiary Dolphin Drilling would no longer be consolidated on a 100 per cent basis in the company's accounts, as it was not considered likely that Bonheur would inject new capital into the possibly bankrupt rig company. Bonheur rose 11% that very day. A month later, in Bonheur's investor presentation for the fourth quarter of 2018, the otherwise ever-present images of drilling rigs were removed. The only pictures left were of the three other most important business areas in the conglomerate: wind turbines, installation ships for wind turbines and cruise ships.

Despite the sharp rise in prices, we still see excess values in excess of the current share price. However, we do respect the fact that there may be other types of investors who are now driving the share price. The market for a share, like all other markets, are driven by supply and demand, and with a high proportion of long-term investors, the supply of shares is limited. Capital in search of "E", however, including speculative money trying trying to anticipate that same hunt, appears to be considerable and growing. If demand continues to drive up the price, we risk having to sell our shares in Bonheur.

The next two shares on the list of half-year returns are Borregaard and Yara, respectively. Borregaard extracts its products from renewable forest and thus represents a sustainable alternative in a market dominated by petroleum-based products. Yara is the world's leading company in the manufacture of nitrogen-based fertilisers, an energy-intensive business where Yara is outstanding in terms of low carbon footprint per tonne of product.

The portfolio is priced at eleven times the year's earnings and just under ten times next year's expected earnings. This means a current earnings yield of 9 per cent for the current year and 10 per cent for next year, corresponding to a risk premium of eight and nine percentage points, respectively, over ten-year government bond yields. The combination of low debt in the balance sheets, a gradual improvement in the return on equity and attractive pricing means that we believe the portfolio can be purchased with a considerable margin of safety.

Portfolio management team: Einar Løvoll, Torbjørn Frønningen and Besim Zekiri