

Annual report 2018

Mutual funds



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Directors' report



Directors' report 2018

Market summary

For a long time, it seemed that 2018 would be another good year in the positive long-term trend ever since the end of the global financial crisis. Tax cuts for US companies raised earnings on Wall Street, which, by far, is still the world's major stock exchange. Global growth forecasts were upgraded and markets seemed to shake off fears of a trade war – despite incessant news reports on new initiatives by US President Donald Trump and his administration.

One month into 2018, a new world index record was set: The MSCI World Index had recorded consecutive months of positive returns. That series was broken in February, whereupon the markets continued to rise. In the course of the year, record-long bull runs were recorded in the US economy as well as the US stock market.

By the end of August, close to ten years after the Lehman Brothers bankruptcy sent the world's markets spinning, we were able to note that the return over these ten years had been more than satisfactory – even though this period started just before the historic fall in the autumn of 2008.

Then the market winds shifted. The last quarter of 2018 offered falling oil prices, falling stock prices and falling bond prices. While Brent Blend was trading at \$ 86 a barrel in early October, on New Year's Eve oil prices had fallen to 53.80. The Oslo Børs benchmark index, in which oil-related stocks have a notable weight, lost almost 16 per cent from its peak at the end of September. After rising earlier in the year, the benchmark index ended just below the zero

line. At the same time, spreads on global high-yield bonds increased by somewhere between 1.6 and 2.2 percentage points, particularly in the US – where, in addition, the Fed funds rate was raised by half a percentage point.

In the Nordic countries, the bond market got off more easily. Here, credit spreads were higher in the first place, and a significant proportion of floating-rate bonds meant that the modest increase in interest rates in the last quarter – Norwegian money market rates rose by a quarter percentage point – did not have much of an impact.

In addition, the fall in oil prices contributed to the NOK weakening throughout the year. Securities in dollars and euros thus received an additional contribution to returns from the exchange rate for Norwegian investors.

All in all, despite the final turmoil, 2018 became a year of challenging but acceptable conditions for our funds.

Outlook

At the beginning of 2019, the market is characterised by greater uncertainty than we have seen for quite a while. Many years have passed since the last recession, many years have passed since the last market fall of some magnitude, and there is considerable uncertainty associated with the transition from quantitative easing to quantitative tightening of monetary policy.

When the US Federal Reserve ended its massive bond purchases in October 2014, its balance sheet had

Fashion house in trouble

In February 2017, Pareto Global bought a substantial position in the American fashion house Ralph Lauren. At the time, the investment looked like a credible restructuring case with several specific areas of possible improvement. In a nutshell, we bought the stock because it was obvious that the company was in trouble. The portfolio managers' assessment was that the company had to, and would, deal with these problems – and succeed.

Two key figures speak volumes: Over the last five years, sales had fallen by three per cent, while inventory was up by 39 per cent. Seasonal goods had to be sold off at a heavy discount and a lot of capital was tied up. The company therefore implemented measures to reduce inventory and to shorten the lead time from production to finished product. Several stores were closed down.

Towards the end of May 2018, Ralph Lauren released the fourth quarter and full-year 2017 report. The market cheered and sent the stock up by 15 per cent, much because the problems seemed to be under control. Inventories had fallen sharply, while lead time was down from 15 to 9 months. This increased the turnover of capital and not least the gross margin, which reached a historic peak. In other words, our investment hypothesis had actually already played out.

Then what do you do? You sell. Ordinarily, stocks may stay in our portfolio for several years, but there was good reason to sell: The share had reached the managers' estimate of underlying value and hence, in their assessment, there was little more to be gained – and after all, they had already collected quite a bit. Adjusted for dividends, the share had risen by about 70 per cent and contributed to 2.5 percentage points of the fund's return. Apparently, they were not alone in their assessment that much of the potential had been taken out. The share ended the year almost 20 per cent below the fund's exit price.

reached nearly \$ 4,500 billion. In June 2017, the Federal Reserve began selling and by the end 2018, its balance was reduced by nearly 400 billion dollars. However, a considerable amount remains, which creates uncertainty.

The same goes for the even slightly larger bond portfolio in the European Central Bank, which, admittedly, has not yet started any quantitative tightening. With a deposit rate of minus 0.4% there is obviously more room for tightening than for further easing.

Uncertainty also applies to the economic situation in China, where increasingly higher debt is linked with gradual downgrades of the official GDP growth figures – to which the market seems to attach limited confidence. Doubts about growth are, of course, nourished by the lack of clarification on negotiations with the United States and the menace of trade war.

However, this is not unique. At the beginning of each year, there are normally a number of factors that fuel uncertainty. And it must be added that major market falls are rarely set in motion without securities being valued unusually high. At the beginning of 2019, not least after the fall towards the end of 2018, this is hardly the case for any relevant asset classes. Hence, it is by no means improbable that 2019 will be a year of good returns in many of our mandates, even though the trend may not be as linear or as it has been for some years now.

In a slightly longer-term perspective, it is nevertheless

the case that the trend return in the stock market is a considerable force. Over time, experience clearly shows that fighting this trend is an expensive pursuit, and, historically, our own mandates have shown good ability to harvest this trend return and then some. This inspires confidence in future returns.

The Board of Directors of Pareto Asset Management acknowledges that there is always a significant element of uncertainty in securities management. However, we fully believe that our portfolios of equities and fixed income instruments are well equipped to withstand troubled markets and well positioned to generate further returns for our customers.

Current status in the firm

2018 was a year characterised by international expansion. In January 2018, our newly established branch in Frankfurt received official approval. We added staff in our Stockholm branch and we stepped up the international sales activity. For Continental customers, Nordic corporate bonds in particular piqued their interest.

In September, Pareto Global Corporate Bond was approved as the first Swan-labeled credit fund in Norway, Sweden and Finland. The Swan label places strict requirements on the Fund's portfolio selection process.

In October, the company launched a new fund, Pareto Nordic Equity, based on the successful equity management in the Pareto Nordic Return combination fund.

Seismic patience

Geoscience company TGS-NOPEC has been in the portfolio of Pareto Aksje Norge ever since inception of the fund in September 2001. Throughout these years, the share price has fluctuated sharply, despite very robust earnings. Annual returns range from minus 56 per cent in 2002 to more than a tripling of the share price in 2009. Perhaps the fund should have exited and bought anew along the way?

Well, the fund has, in some ways, done just that – although not entirely. When the oil price fell in 2014 and 2015, TGS was dragged down with it. This allowed the fund to buy more shares at very agreeable prices over the next few years. The managers knew the company very well and were confident that this was a good investment. In such circumstances, it is easier to jump when you see a good opportunity.

In 2018, TGS reached a new all-time high of just over NOK 350. At that point, the price had more than doubled since the previous years' investments, and the managers began to sell instead. During 2018, Pareto Aksje Norge reduced its position in TGS by about three percentage points.

This trade has been demonstrably profitable. Over the past three years, the fund has reaped an effective (money-weighted) return on its TGS investment that is one percentage point above the share's annual average return on the stock exchange. Over time, such figures do make a difference.

Still, perhaps the fund should have stayed clear of TGS for long periods at a time?

Hardly. For the fund, TGS has been a fantastic share. In fact, since this stock was included in the portfolio, the value has increased more than tenfold (including dividends). We dare say a ten-fold increase is a fair reward for a bit of disciplined patience.

The company has entered into an agreement to acquire the Swedish fund management company Enter Fonder AB. The deal is effective on January 1, 2019. This acquisition gives us a stronger Nordic presence, especially in Swedish equities and crossover bonds – i.e. bonds in the investment universe between investment grade and high yield. Enter Fonder has total assets in excess of SEK 8 billion.

Pareto Asset Management now has 58 employees, the acquisition not included. This includes four employees in Stockholm and one in Frankfurt.

Assets under management

At the end of 2018, Pareto Asset Management had total assets of NOK 33.6 billion, NOK 14.4 billion of which in Norwegian-registered securities funds, distributed as follows (difference due to rounding):

- Norwegian equities funds NOK 7.0 billion
- Global equity fund NOK 4.1 billion
- Hybrid fund NOK 1.0 billion
- Fixed income funds NOK 2.3 billion

In addition, the company had NOK 6.6 billion in discretionary management of stocks and fixed income instruments for individual customers and NOK 12.6 billion in other mutual funds / investment companies registered in Luxembourg or Ireland. A total of almost NOK 7 billion of assets under management is now owned by foreign clients.

Combined, companies, partners and employees of the Pareto Group are our largest "customer", with NOK 4.7 billion of total assets. Comprehensive investments

in our own products demonstrates strong belief in our investment prowess, our work processes and our management philosophy.

Fund performance

The equity fund with the longest history for the current portfolio manager, Pareto Aksje Norge, is also our largest equity fund. This fund had a good year in 2018. All share classes had a positive return, while the benchmark index OSEFX delivered -2.2 per cent. Over both one and three years, the fund is now among the very best Norwegian equity funds as listed on the Oslo Børs website, which also holds true when risk-adjusted.

Our other Norwegian stock fund, Pareto Investment Fund, had a weak year. During the year, performance fluctuated from a strong excess return to clear underperformance. The high fluctuations in relative returns are a result of the Fund's high active share. Over both five and ten years, the fund is still among the best on the Norwegian stock exchange.

Pareto Global had a weak year in 2018, with significant underperformance measured against a world index which, measured in Norwegian kroner, delivered a return of minus three per cent. Part of the explanation was that the fund does not invest in the kind of companies that contributed the most to index returns last year, such as Netflix and Amazon. A further cause was weak performance for some of the companies in the portfolio. As a weighted average, however, earnings in the portfolio companies rose by a full 14 per cent. Measured against earnings, the portfolio thus became significantly lower priced through the year, reflecting a long-standing headwind for value and quality shares.

Wonderfully unpopular issue

Scatec Solar develops, builds, owns and operates solar power plants in cooperation with local government on several continents. The company was founded by Alf Bjørseth, who made a substantial profit from selling his REC shares, and listed in October 2014.

The listing was not particularly successful. Scatec Solar was a young company losing money on decidedly long-term projects in high-risk countries. Prior to the listing, the company had a share issue with an expected price range of NOK 28 to NOK 36. The final price was considerably lower, only NOK 19.

Pareto Nordic Return was among those which nevertheless took a chance on subscribing to the share issue, and the fund has been a shareholder since. The stock has always looked expensive on traditional key figures, but the managers have been more concerned with understanding the business model and project plans – where there has been good progress.

At the time of the issue, Scatec Solar produced 220 MW of solar power in three countries. Four years later, 584 MW is produced in seven countries. About double this capacity is under construction and the company has a total pipeline and backlog of 4,700 MW.

The pace of development means that earnings seem to develop erratically, and profits fell in 2018, but the market is no longer concerned. On the contrary. Now there are speculations that Equinor will acquire the company, after the oil giant in November bought ten per cent of the shares. The parties were already collaborating on projects in South America.

And the stock market rejoices. In 2018 alone, Scatec Solar delivered a return of almost 50 per cent, and, adjusted for dividends, the share has more than quadrupled since the issue.

Despite this, the fund has still delivered an excess return since the current management team took the reins.

On the fixed income side, much work has been done on risk management and systematic diversification of the portfolio. We see results of this in Pareto Høyrente, which, with a return of 1.9 per cent, ended the year just below the previous year's 2.0 per cent, albeit with a measurably lower standard deviation.

In general, the board wishes to emphasise that the performance of our mutual funds in 2018 was in line with the funds' risk profile; that is, performance is within the range to be expected in a long-term perspective.

Corporate responsibility

Pareto Asset Management has ethical guidelines to ensure that we avoid contributing to human rights abuses, labor rights violations, corruption, environmental damage or other unethical acts. Furthermore, we believe that responsible investments are important for achieving the best possible risk-adjusted return for our unit holders and customers. Sustainability and sound corporate governance can provide companies with competitive advantages and contribute to long-term value creation.

In practice, this entails, among other things, that we do not invest in companies on the exclusion list of the Norwegian Government Pension Fund Global. In addition, we may exclude companies on our own

initiative and engage in dialogue with the companies' management or government bodies if we believe it is necessary to resolve critical issues or change their behavior.

Pareto Asset Management has signed the UN principles for responsible investment (PRI). We have also signed up for membership in Norsif, an independent association of asset owners and asset managers, service providers and industry associations with interest in, and activities related to, responsible and sustainable investments, where the company's chief investment officer is now a board member.

The Nordic Swan eco-labeling of the Pareto Global Corporate Bond fund is part of this work. A dedicated analyst monitors the investments in this fund to ensure they are in line with the fund's objectives and the Swan label's requirements.

Risk management

To deliver returns in excess of the risk-free interest rate, one must assume some risk. This means that the returns in the individual funds can be both higher and lower than expected; the unitholders may make a loss on their investment. In turn, this entails risk for Pareto Asset Management, placing demands on risk management.

The Board of Directors of Pareto Asset Management has approved the risk profile for each fund we manage. The risk profile for each fund is regulated by its respective prospectus and statutes. The risk

classification, as defined in relevant EU regulations, can be found in the specific pages for each fund in this annual report. The risk indicator is based on weekly fluctuations in the Fund's price over the past five years.

Pareto Asset Management has compliance and risk management functions that control the risk profiles of the funds. These are independent functions that regularly report to management and the board on compliance of the current risk level for each fund to its established risk profile. Regular analyses are made of the correspondence between the funds' risk profiles and actual risk.

The company manages Norwegian-registered equity funds, fixed income funds and hybrid funds. Investing in equities is typically characterised by relatively high volatility. The risk in fixed income funds will vary, based on e.g. credit risk and interest rate risk. For hybrid funds, the risk will also vary with the proportion of the fund invested in equities.

Market risk

Market risk is defined as the risk that the value of a portfolio falls due to changes in financial markets or macroeconomic conditions.

This may be changes in e.g. interest rates and exchange rates or general corrections in the stock market, as well as unique exposure to factors such as oil prices and salmon prices.

Other key risks to which the funds are exposed,

and which are not sufficiently taken into account by historical fluctuation risk / market risk, are as follows:

Credit risk

The issuer may get into a situation where it cannot meet its payment obligations when the debt matures. Uncertainty about the issuer's solvency may cause temporary or persistent loss of value in the security. The credit risk in Pareto Likviditet and Pareto Obligasjon is low. Pareto Høyrente has moderate credit risk, while the bond portfolio of Pareto Nordic Return has high credit risk.

Our fixed income management is based on fundamental analysis of the companies we invest in, and the managers spend a lot of time following up existing loans in the portfolio. Good diversification of the portfolios should limit the impact of any credit events that may occur.

Liquidity risk

Insufficient liquidity in a security could make the valuation or sale of such security at a given time difficult. Liquidity risk is most relevant in the fixed income fund Pareto Høyrente, but may also apply to the fixed income part of the Pareto Nordic Return hybrid fund.

The company bases its NAV calculations on the daily bond prices set by Nordic Bond Pricing. At times, the price of shares in smaller companies

can also be affected by liquidity. This applies to some investments in our Norwegian equity portfolios.

Operational risk

Operational risk is the risk of errors occurring due to inadequate procedures or systems, human error or the fund not being managed in accordance with its investment strategy and risk profile. Pareto Asset Management has developed IT systems and internal procedures to reduce the probability of operational errors, and we focus constantly on quality assurance through communication, training and documentation.

Financial risk

None of our Norwegian registered stock funds utilise financial leverage. All funds have the opportunity to use financial derivatives.

In 2018, only Pareto Investment Fund has used derivatives. This has been done as currency hedging of two shares that are listed and bought in another currency (USD). The NAV of the fund is calculated in NOK, while the fund's investments can be bought in other currencies.

In order to reduce this type of currency exposure, currency derivatives (forward contracts) can be used as part of the risk management in the fund. Currency derivatives can only be used to hedge the fund's investments.

Fund performance in 2018

	Return	Net increase ¹
Pareto Aksje Norge A	1.0%	-138 120
Pareto Aksje Norge B	0.8%	21 950
Pareto Aksje Norge C	1.5%	13 141
Pareto Aksje Norge D	2.0%	474
Pareto Aksje Norge I	2.3%	451 947
Pareto Investment Fund A	-7.7%	28 004
Pareto Investment Fund B	-6.9%	- 148 542
Pareto Investment Fund C	-6.5%	399 788
Oslo Børs Fondsindeks	-2.2%	
Pareto Global A	-13.0%	- 241 390
Pareto Global B	-14.5%	-228 448
Pareto Global C	-14.2%	-195 893
Pareto Global D	-13.7%	-125 212
Pareto Global I	-13.5%	-1 087 771
MSCI World	-3.3%	
Pareto Nordic Return A	-10.7%	-176 996
Pareto Nordic Return B	-10.5%	-122 370
Pareto Nordic Return C	-10.1%	-268 353
Pareto Høyrente	1.9%	-518 061
Statsobligasjonsind. 1.00 (ST3X)	0.4%	
Pareto Obligasjon	0.8%	-20 950
Statsobligasjonsind. 3.00 (ST4X)	0.5%	
Pareto Likviditet	1.1%	-91 417
Statobligasjonsind. 0.25 (ST1X)	0.5%	

¹Net income + subscription/redemption

Redemptions

During the period, there have been no extraordinarily large redemptions that have affected the market values and thereby the unit values.

Administration

Our Norwegian registered mutual funds have no employees of their own. They are managed through contracts with the management company Pareto Asset Management, which is also the business manager. DNB

Bank ASA is the custodian of all funds. Pareto Asset Management has its head office in Oslo. The business does not pollute the external environment.

Going concern

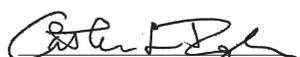
The Board is of the opinion that the accounts give a true picture of the mutual funds' assets and liabilities, financial position and results. The funds' statements have been prepared under the going concern assumptions.

Allocation of profits

The Board proposes the allocation of profits from the funds as stated in the overview below (see Allocation of Profits). The Board believes that the income statements, balance sheets and portfolio reports with accompanying notes offer sufficient information about this year's activities and the mutual funds' positions at year end.

	Profit	Allocation to unitholders	To/from retained earnings	Equity 31.12.18
Pareto Aksje Norge	57 077 956		57 077 956	4 462 400 546
Pareto Investment Fund	-237 132 843		-237 132 843	2 567 947 348
Pareto Global	-743 031 630		-743 031 630	4 097 901 883
Pareto Nordic Return	-140 508 655		-140 508 655	1 019 520 930
Pareto Høyrente	36 836 411		36 836 411	1 554 633 470
Pareto Obligasjon	697 017	767 105	-70 088	82 512 090
Pareto Likviditet	7 078 270	8 357 129	-1 278 859	638 522 622

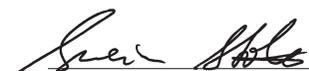
Board of directors Pareto Asset Management AS Oslo, 13 March 2019



Cathrine Lofterød Fegth
Chairman



Erik Bartnes
Board member



Svein Støle
Board member



Christopher M. Bjerke
Board member
(elected by unitholders)



Liv Monica Stubholt
Board member
(elected by unitholders)



Lasse Ruud
CEO

The trend trumps an unlucky start

Imagine that you bought Norwegian shares at the very end of August 2008 – two weeks before Lehman Brothers went bankrupt. Less than three months later, on 21 November, you would have lost a whopping 56 per cent of your bet. Is it in fact possible to imagine poorer timing? If you had put the money in the bank instead, you would have appeared as a clairvoyant genius.

And yet: If indeed you had invested in the Norwegian stock market just before the crash and stayed the course for ten years, you would have doubled your bet. This corresponds to an annual average return of 7.5 per cent, which is hardly a poor reward for lousy timing. Who's the loser now?

The end result is of course not independent of how you invested in Norwegian shares. If you had chosen one of our Norwegian mutual funds, you would have come out even better – up to 11.3 per cent in the Pareto Investment Fund.

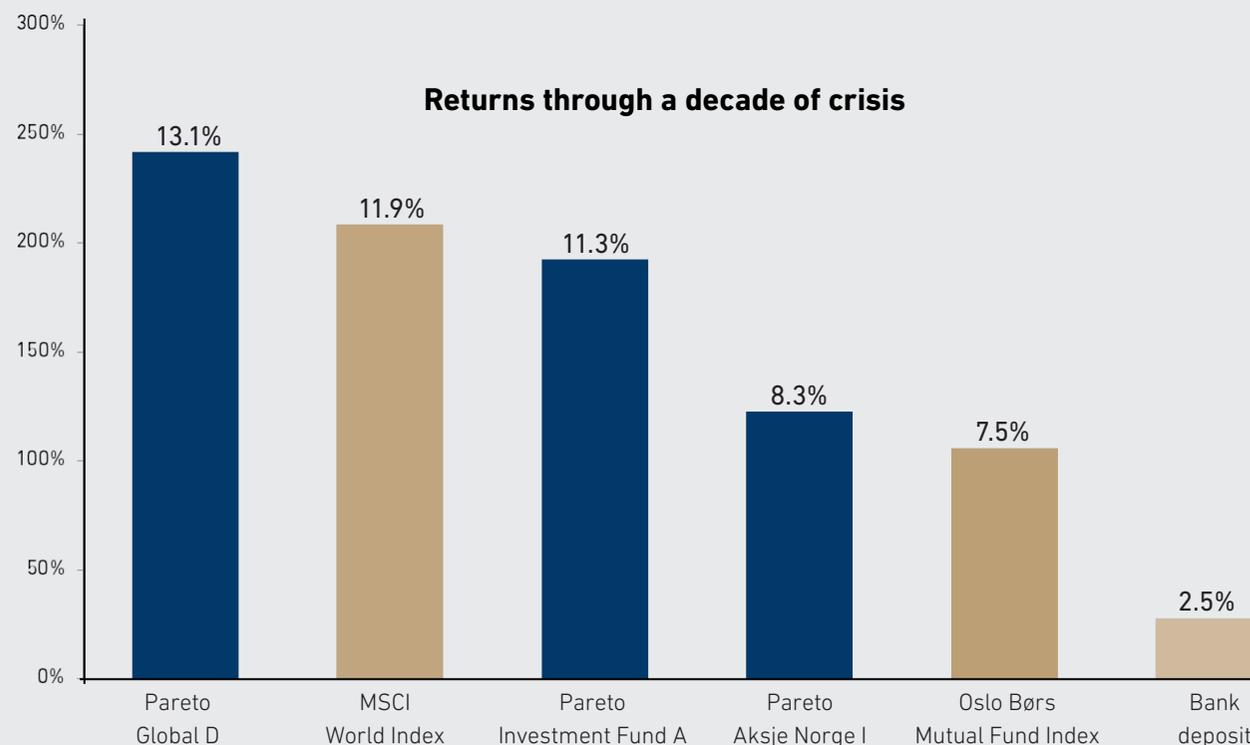
If instead you had chosen the global stock market, you would in fact have tripled your money and then some. In this case, the average return would have increased to 11.9 per cent. And again, our unitholders would have reaped a premium. Pareto Global D is on record with a 13.1 per cent annual average return, so that NOK 100 would have grown to NOK 342.

Hindsight? Not really. This is all about the functioning of the market. About the fact that, sooner or later, you will make a profit on your stocks and equity funds as long as the companies in the portfolio keep making money. About the fact that capitalists make

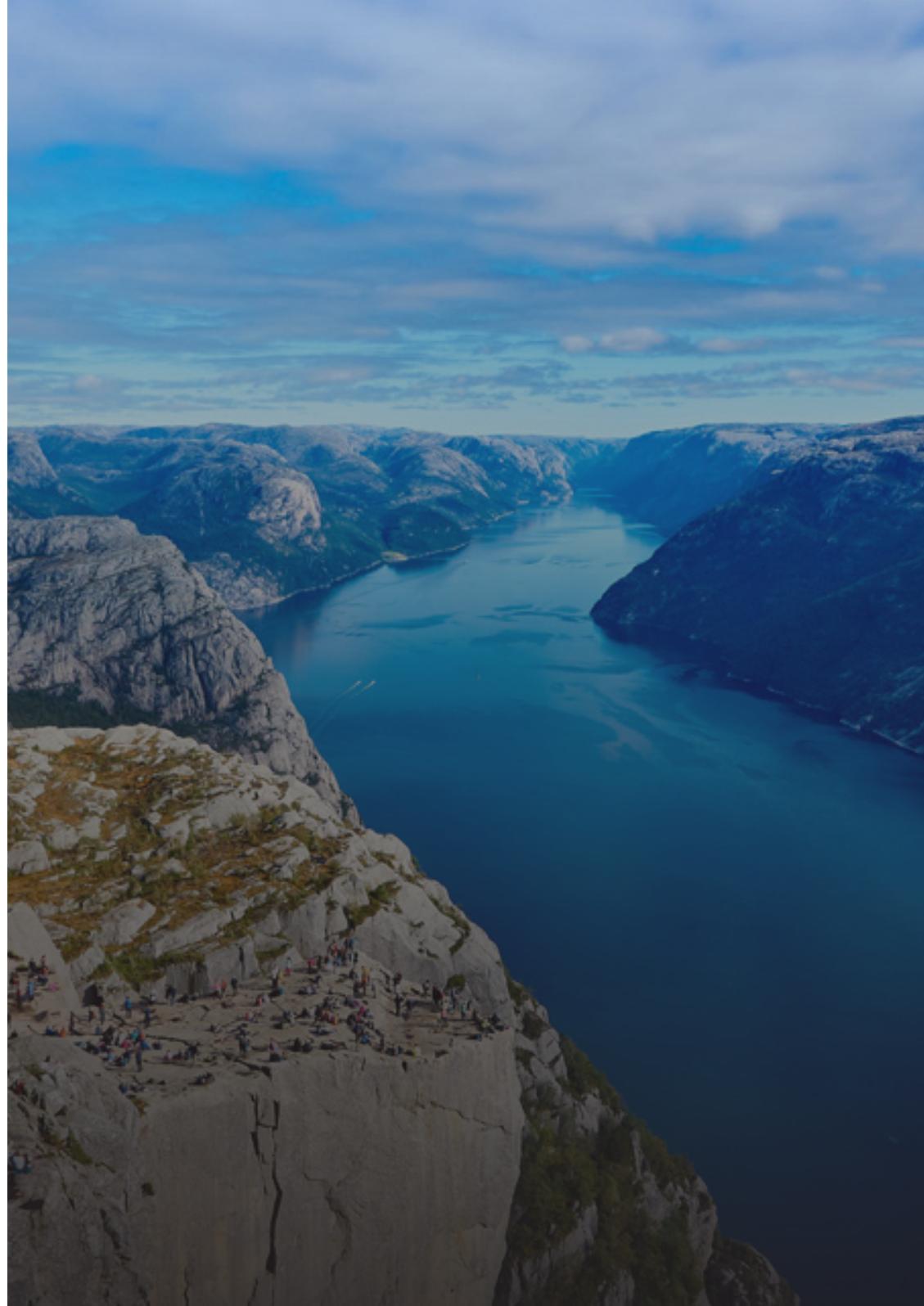
money – at least in the long run. And that patient endurance pays off.

Honestly: If you had quit the stock market in 2008, when would you have had the guts to go back in?

If you had been in our funds when the crisis came ... from the end of August 2008



Pareto Aksje Norge



Ended in plus

For the full year, the market ended down 2.2 per cent, while the portfolio showed a solid excess return and ended the year in positive territory.

The year started off somewhat bumpy before we got six months in a row with a rise in the Norwegian market. It all peaked at the end of September and was replaced by the biggest three-month fall we have seen since the great financial crisis in the autumn of 2008.

The seafood companies delivered another year of strong value creation, which was also rewarded by the stock market. SalMar performed well, with an increase of 83 per cent, followed closely by Lerøy and Austevoll, with an increase of 54 and 61 per cent, respectively. Overall, our seafood investments contributed 8.3 percentage points to the fund's return.

Our financial investments overall contributed well to the year's return with a total contribution of 0.6 percentage points. The Sparebank 1 banks in our portfolio could show an increase of between six and seven per cent, while Sparebanken Møre held the lead with an increase of almost 14 per cent. DNB and Storebrand had a somewhat rougher ride and fell in excess of four per cent. We added to the latter position during 2018.

Retail had a demanding year, which also affected the share prices of KID Interiør and Orkla, which fell by 14 and 19 per cent respectively. We accepted the bid for Ekornes, which meant that a company we have owned for 17 years disappeared from the portfolio. Total contribution from our consumption investments other than seafood ended at minus 0.1 percentage point.

Our oil and oil service investments experienced emerging optimism at the beginning of 2018, with improved conditions and rising oil prices until it peaked in October. Expectations of Iran sanctions and solid demand growth were important contributors to the rise in prices. But the sanctions did not materialise and US production increased ahead of the midterm election in the US. This helped push down oil prices from \$ 86 to just over \$ 50 on Christmas Eve.

Both TGS NOPEC and Equinor managed relatively well through 2018, with a return of ten and nine per cent respectively. But Subsea 7 fell by 28 per cent, even though the company has net cash on its balance sheet and is priced very low relative to the book value of equity in the company. Overall, our oil and oil service investments contributed 0.45 percentage points.



Photo: SalMar

Industrial giants Yara and Hydro had a demanding 2018. Both were adversely affected by higher energy prices. Yara's challenges are more market-related, with clear tendencies towards a market tightening in 2019, while Hydro's challenges are rather Brazil-related. The companies fell by ten and 35 per cent, respectively, in 2018. The bright spot here is Veidekke, which after a demanding 2017 showed signs of improvement and rose by ten per cent. Overall, our industrial investments contributed minus 2.7 percentage points.

Our shipping companies experienced a lot of macroeconomic uncertainty and trade war through 2018, which characterised investors' willingness to pay. Both Wilh. Wilhelmsen Holding and Wallenius Wilhelmsen were severely affected, with a decrease of 33 and 50 per cent respectively. Overall, our shipping companies contributed minus 3.8 percentage points.

The portfolio is priced at 9.8 times earnings for the current year and just over 8 times the earnings for 2020. If we are fairly right in our earnings estimates for 2019, the portfolio can be purchased at book equity after the owners have received a 4.3 per cent dividend yield. In comparison to the Oslo Børs Mutual Fund Index, which is priced at 13.1 times expected earnings for the current year and 1.5 times the expected book values for 2019, this represents a very attractive pricing and a significant safety margin for a value investor.



Photo: Equinor

Pareto Aksje Norge

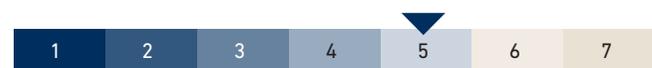
Typically invest in sectors where Norwegian companies have global competitive advantages. Long term, actively managed, based on fundamental advantages.

Inception date: 06.09.2001

Benchmark: Oslo Børs Mutual Fund Index (OSEFX)

Legal structure: UCITS

Dealing days: all Norwegian banking days except 31.12.



Lower risk
Typically lower rewards

Higher risk
Typically higher rewards

The risk indicator was calculated using historical data and may not be a reliable indication of the future risk profile of the fund.

Performance by periods

Name	2018	2017	2016	2015	2014
Pareto Aksje Norge A ¹	1.0%	12.4%	25.9%	-6.1%	2.0%
Pareto Aksje Norge B ²	0.8%	13.3%	26.5%	-8.2%	1.5%
Pareto Aksje Norge C	1.5%	14.2%	27.4%	-6.2%*	
Pareto Aksje Norge D	2.0%	14.7%	28.0%	-5.9%*	
Pareto Aksje Norge I	2.3%	15.0%	28.4%	-7.0%	3.1%
Oslo Børs Mutual Fund Index	-2.2%	17.0%	11.5%	6.7%	5.7%

Annualised return

Name	Inception date	3 years	5 years	10 years	From start
Pareto Aksje Norge A ¹	09.09.2002	12.6%	6.5%	11.5%	12.0%
Pareto Aksje Norge B ²	31.12.2005	13.0%	6.1%	11.5%	5.7%
Pareto Aksje Norge C	13.07.2015	13.9%			9.9%
Pareto Aksje Norge D	13.07.2015	14.4%			10.4%
Pareto Aksje Norge I	06.09.2001	14.7%	7.7%	13.2%	12.4%
Oslo Børs Mutual Fund Index		8.5%	7.6%	13.8%	

Other information

Name	Minimum initial subscription amount (NOK)	ISIN	Bloomberg
Pareto Aksje Norge A	500	NO0010160575	POAKTNY NO
Pareto Aksje Norge B	500	NO0010297898	PRVERDI NO
Pareto Aksje Norge C	20 million	NO0010740590	PAAKNOC NO
Pareto Aksje Norge D	50 million	NO0010740608	PAAKNOD NO
Pareto Aksje Norge I	100 million	NO0010110968	POAKTIV NO

¹Returns until 13.07.2015 are achieved in Pareto Aktiv. The fund continues as unit class A in Pareto Aksje Norge.

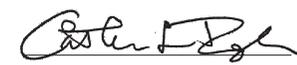
²Returns until 13.07.2015 are achieved in Pareto Verdi. The fund continues as unit class B in Pareto Aksje Norge.

*Inception date 13.07.2015

Pareto Aksje Norge

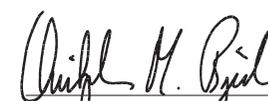
Income statement	Notes	2018 01.01-31.12	2017 01.01-31.12
Portfolio income and expenses			
Interest received		1 241 910	328 129
Dividends		154 858 685	176 792 915
Realised capital gain/loss	4	314 621 971	36 453 437
Net unrealised capital gain/loss	4	-365 153 725	368 262 155
Portfolio profit		105 568 841	581 836 635
Management revenue and costs			
Subscription/redemption fees	8	2 191 897	2 493 350
Custodian charges on purchases and sales of securities		-34 050	-57 180
Management fees	5	-48 660 789	-61 111 209
Subscription/redemption fees to the management company	8	-1 987 944	-2 077 732
Other income/expenses		0	0
Management earnings		-48 490 886	-60 752 772
Profit before taxation		57 077 956	521 083 863
Income tax	6	0	0
Profit for the financial year		57 077 956	521 083 863
Allocation of profit			
Transferred to/from equity		57 077 956	521 083 863
Total allocations and equity transfers		57 077 956	521 083 863
Balance sheet			
		31.12.2018	31.12.2017
Assets			
Securities at market value	2,3,4,9	4 392 207 495	4 076 753 773
Cash and cash equivalents		153 346 342	57 109 799
Other assets		2 906 380	28 769 346
Total assets		4 548 460 217	4 162 632 919
Equity and liabilities			
Equity			
Unit capital at par value		1 160 987 459	1 119 148 621
Premium		-3 507 177 973	-3 757 654 315
Retained earnings		6 808 591 060	6 751 513 105
Total equity	7,8	4 462 400 546	4 113 007 410
Liabilities			
Accrued management fees		23 439 352	38 595 419
Other liabilities		62 620 320	11 030 090
Total liabilities		86 059 671	49 625 509
Total equity and liabilities		4 548 460 217	4 162 632 919

Board of directors Pareto Asset Management AS Oslo, 13 March 2019


Cathrine Lofterød Fegth
Chairman


Erik Bartnes
Board member


Svein Støle
Board member


Christopher M. Bjerke
Board member
(elected by unitholders)


Liv Monica Stubholt
Board member
(elected by unitholders)


Lasse Ruud
CEO

Pareto Aksje Norge

Notes

1 Accounting policies

The financial statements have been prepared in accordance with the Norwegian Accounting Act and the regulations relating to Annual financial statements for mutual funds.

Financial instruments

Securities are recognised at fair value (market price) as at 31.12.2018. For securities where no exchange rate information from stock exchanges or any other official sources are available, the valuation will be based on either the last trading price, valuations made by leading brokerage houses, and/or internal valuations. Dividends from shares are recognized as income when the share price is quoted exclusive of dividends. Accrued non-accrued interest income is recognized in the accounts.

Foreign currency

The funds accounting currency is NOK. Investments in foreign currency is converted into NOK at the market exchange rate as at 31.12.2018.

Transaction fees

Transaction fees to the custodian are expended on a monthly basis. Other expences to the custodian is covered by the management company. Management fees are registered at the time of transaction, and will thus be included in the security cost at acquisition, and selling price at realisation.

Tax related issues

Securities funds are exempt from tax on profit and are not entitled to deduct for loss, upon the realization of shares in companies domestically resident within and outside the EEA. Change in unrealised gain/loss for all inventories is not taxable but may be subject to deferred tax calculation. 3% of

the net dividend on shares in companies domiciled within the EEA is taxable. Other income and expenses are respectively taxable and deductible.

Allocated for distribution to unitholders

Verdipapirfond Mutual funds with less than 80% taxable share exposure has deductibility rights for taxable profit from non-stock securities, if this are to be distributed to unitholders in the fiscal year. The distribution will reduce the NAV equivalent to dividend per unit at the day of distribution. For funds that have distributed taxable income per 31.12.2018, this is distributed in the allocation of the profit for the year.

All dividends to unitholders are treated as surplus exposures in accordance with the regulations on financial statements for mutual funds. Dividends are reinvested as new shares in the fund during the fiscal year and are accounted accordingly.

2 Financial market risk and use of derivatives

Verdipapirfond Investments in Norwegian companies are exposed to stock price and liquidity risk. Investments in foreign companies are exposed to stock price, currency and liquidity risk. Investments in fixed income instruments are exposed to interest rate, credit and liquidity risk. If an interestbearing paper is issued in foreign currency, then the fund is also exposed to currency risk, although hedging can be undertaken to reduce this risk. Bank deposits in foreign currency are also exposed to currency and credit risk.

Pareto Aksje Norge has not used any derivatives in 2018.

3 Turnover ratio

The portfolio's turnover ratio is 0.15.

The turnover rate is a measure of the average duration of the fund's investments.

The turnover rate is calculated by dividing the lesser of total purchases or total sales of securities in the portfolio during the year by the average total net assets during the year. The formula is an approximation to calculating the fund's turnover rate.

4 Brokerage fees

Brokerage fees are included in the securities cost price. Total fee in 2018 is NOK 1 409 743.

5 Management fees

The fund is charged a daily management fee per annum of the total portfolio. Rates apply per unit class.

- Pareto Aksje Norge A: 1.50% per annum. At a percentual higher performance than ST1X (Government Bond Index 0.25). the management company will charge a 20 per cent remuneration of this difference. Total management fee shall not exceed 3.0 per cent per annum. At a percentual lower performance than ST1X (Government Bond Index 0.25) the management company will deduct 20 per cent of this difference from the management fee. The total management fee shall not be less than 0.0 per cent per annum.
- Pareto Aksje Norge B: 2.00% per annum
- Pareto Aksje Norge C: 1.25% per annum
- Pareto Aksje Norge D: 0.75% per annum
- Pareto Aksje Norge I: 0.50% per annum

Pareto Aksje Norge

6 Tax

	2018
Profit before taxation	57 077 956
Permanent differences	
Realised capital gains	-314 680 783
Unrealised capital gains (change)	365 153 725
Dividends within EEA (gross)	-154 858 685
3% of dividends within EEA (net)	4 645 761
<u>Withholding tax outside the EEA</u>	<u>0</u>
Total taxable income	-42 662 027
Use of losses carried forward	0
Tax base	0
Assessed tax in Norway	0
Specification of tax expense	
Income tax Norway	0
Withholding tax within the EEA	0
Withholding tax outside the EEA	0
<u>Total recognised tax expense</u>	<u>0</u>

7 Equity

	2018
Equity 1.1	4 113 007 410
+ subscription/redemption	292 315 180
+ profit for the financial year	57 077 956
Equity 31.12	4 462 400 546

8 Issued units

Unit class A	31.12.2018	31.12.2017	31.12.2016
Number of units	170 803.88	194 497.09	206 239.04
Net asset value	6 337.17	6 275.33	5 580.87
Redemption price	6 305.48	6 243.95	5 552.96
Unit class B	31.12.2018	31.12.2017	31.12.2016
Number of units	235 364.06	226 395.26	290 425.94
Net asset value	2 056.47	2 040.98	1 800.81
Redemption price	2 046.18	2 030.78	1 791.80
Unit class C	31.12.2018	31.12.2017	31.12.2016
Number of units	287 536.04	282 274.86	161 402.96
Net asset value	1 385.78	1 365.05	1 195.51
Redemption price	1 378.85	1 358.23	1 189.53
Unit class D	31.12.2018	31.12.2017	31.12.2016
Number of units	168 032.09	171 091.04	185 456.13
Net asset value	1 409.89	1 381.91	1 204.28
Redemption price	1 402.84	1 375.00	1 198.26
Unit class I	31.12.2018	31.12.2017	31.12.2016
Number of units	299 251.39	244 890.37	270 975.66
Net asset value	7 554.19	7 385.57	6 420.99
Redemption price	7 516.42	7 348.64	6 388.89

Net asset value (NAV) is the market value per unit after deductions of the fund's costs.

NAV at subscription is NAV including a maximum subscription fee of 1.0 per cent. NAV at redemption is NAV less a maximum redemption fee of 0.5 per cent. A maximum of 0.2 per cent in subscription/redemption fees accrues to the fund.

9 Securities portfolio as at 31.12.2018

See next page.

Pareto Aksje Norge

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Securities portfolio as at 31 December 2018

Securities	ISIN	Listing	No. of shares	Cost price NOK	Market value NOK	Unrealised gain/loss ¹	Share in % of portfolio	Share in % of company	Currency
Financials									
DNB ASA	NO0010031479	Oslo	1 386 495	150 111 201	191 544 284	41 433 083	4.3	0.1	NOK
SpareBank 1 Nord-Norge	NO0006000801	Oslo	3 317 063	133 799 264	208 311 556	74 512 292	4.6	3.3	NOK
SpareBank 1 SMN	NO0006390301	Oslo	2 578 447	155 751 024	217 105 237	61 354 214	4.8	2.0	NOK
SpareBank 1 SR-Bank ASA	NO0010631567	Oslo	2 448 097	145 929 758	218 370 252	72 440 495	4.9	1.0	NOK
SpareBank 1 Østfold Akershus	NO0010285562	Oslo	190 956	35 742 325	37 236 420	1 494 095	0.8	1.5	NOK
Sparebanken Møre	NO0006390004	Oslo	419 467	85 936 926	118 709 161	32 772 235	2.6	4.2	NOK
Storebrand ASA	NO0003053605	Oslo	3 406 821	241 211 005	209 996 446	- 31 214 559	4.7	0.7	NOK
Total financials				948 481 503	1 201 273 356	252 791 855	26.7		
Energy									
Bonheur ASA	NO0003110603	Oslo	1 143 485	167 792 306	107 030 196	- 60 762 110	2.4	2.7	NOK
Eidesvik Offshore ASA	NO0010263023	Oslo	3 120 995	67 320 124	14 294 157	- 53 025 967	0.3	5.0	NOK
Equinor ASA	NO0010096985	Oslo	1 160 888	171 355 241	213 313 170	41 957 929	4.8	0.0	NOK
Prosafe SE ser. Ord	CY0100470919	Oslo	2 785 660	71 113 595	37 494 984	- 33 618 612	0.8	3.4	NOK
Subsea 7 SA	LU0075646355	Oslo	2 460 708	231 020 282	207 388 470	- 23 631 812	4.6	0.8	NOK
TGS-Nopec Geophysical Co ASA	NO0003078800	Oslo	1 949 649	308 069 864	407 086 711	99 016 847	9.1	1.9	NOK
Total energy				1 016 671 412	986 607 688	- 30 063 725	22.0		
Materials									
Borregaard ASA	NO0010657505	Oslo	1 497 329	92 805 933	112 000 209	19 194 276	2.5	1.5	NOK
Norsk Hydro ASA	NO0005052605	Oslo	4 642 060	177 555 429	182 015 173	4 459 743	4.1	0.2	NOK
Yara International ASA	NO0010208051	Oslo	1 181 357	328 986 661	393 982 560	64 995 899	8.8	0.4	NOK
Total materials				599 348 023	687 997 942	88 649 918	15.4		

Pareto Aksje Norge

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Securities	ISIN	Listing	No. of shares	Cost price NOK	Market value NOK	Unrealised gain/loss ¹	Share in % of portfolio	Share in % of company	Currency
Industrials									
GC Rieber Shipping ASA	NO0010262686	Oslo	1 633 179	31 800 513	11 432 253	- 20 368 260	0.3	2.9	NOK
Odfjell SE ser. A	NO0003399909	Oslo	1 918 258	104 958 040	56 588 611	- 48 369 429	1.3	2.9	NOK
Odfjell SE ser. B	NO0003399917	Oslo	1 343 351	72 985 293	38 151 168	- 34 834 125	0.9	6.4	NOK
Veidekke ASA	NO0005806802	Oslo	1 275 981	131 167 985	123 642 559	- 7 525 426	2.8	1.0	NOK
Wallenius Wilhelmsen ASA	NO0010571680	Oslo	2 179 000	88 392 757	64 716 300	- 23 676 457	1.4	0.5	NOK
With. Wilhelmsen Holding ASA ser. A	NO0010571698	Oslo	971 815	159 569 429	156 656 578	- 2 912 851	3.5	2.8	NOK
With. Wilhelmsen Holding ASA ser. B	NO0010576010	Oslo	617 576	89 298 173	98 194 584	8 896 411	2.2	5.2	NOK
Wilson ASA	NO0010252356	Oslo	295 849	5 561 566	5 473 207	- 88 359	0.1	0.7	NOK
Total industrials				683 733 756	554 855 260	- 128 878 496	12.5		
Consumer staples									
Austevoll Seafood ASA	NO0010073489	Oslo	1 734 276	67 437 609	185 220 677	117 783 068	4.1	0.9	NOK
Lerøy Seafood Group ASA	NO0003096208	Oslo	5 698 909	96 360 568	375 786 059	279 425 491	8.4	1.0	NOK
Orkla ASA	NO0003733800	Oslo	1 782 497	98 461 079	121 281 096	22 820 016	2.7	0.2	NOK
SalMar ASA	NO0010310956	Oslo	470 102	60 973 639	201 203 656	140 230 017	4.5	0.4	NOK
Total consumer staples				323 232 895	883 491 488	560 258 592	19.7		
Consumer discretionary									
Kid ASA	NO0010743545	Oslo	2 166 160	64 862 253	77 981 760	13 119 507	1.7	5.3	NOK
Total consumer discretionary				64 862 253	77 981 760	13 119 507	1.7		
Total securities portfolio				3 636 329 842	4 392 207 495	755 877 651	98.0		

¹Does not include received dividends

Pareto Investment Fund



Exposure to the oil price tide

From the bottom in February to the beginning of October, the market rose more than 20 per cent. And then the market fell, wiping out the entire return for the year.

For the fund, the end of the year was even more dramatic, as a significant outperformance in the first nine months of the year was turned into an underperformance. While Pareto Investment Fund has a very high active share and it must therefore be expected that the fund's return can deviate significantly from that of the benchmark, ending the year in such a manner is of course not satisfactory.

Expectations of economic growth have weakened over the past few months. For our part, we put more emphasis on the long-term outlook. Even though growth expectations have been revised down somewhat, measured against earnings or book values, equities are not expensive.

The recent market correction has much to do with political uncertainty, especially the menace of an escalating "trade war" that would most definitely affect trade and growth worldwide. However, when politics pulls the market down, history shows that it is almost without exception an opportunity to buy.

The fund's strong performance in the first half of 2018 is partly attributable to a significant overweight in oil and

oil services. This advantage was more than reversed after the oil price peaked in October and fell 40 per cent. Measured from the beginning of 2018, the fall was 22 per cent. The significant increase in US oil production in the autumn lead to an unexpectedly weak market balance, whilst President Trump put pressure on Saudi Arabia to increase its production to the highest level ever.

We expect the market balance to improve through 2019 due to cutbacks from OPEC and much lower drilling activity by US companies, and choose to retain a significant overweight in the sector. Several of the shares we have in this sector, DNO, Subsea 7, BW Offshore to name a few, have seen share prices fall significantly due to a momentum-driven market, which opens up opportunities for the patient.

An old favourite, Bank Norwegian, contributed to the fund's weak relative return in 2018 as the share price fell more than 25 per cent. Lending growth and earnings declined somewhat during the year, but there is still good profitability and strong growth. The bank is in an early phase in Denmark and Finland and will expand to the markets where Norwegian Air Shuttle operates. Thus, even though stricter capital requirements and tighter constraints as to how loans are granted have led to a negative sentiment, we believe the stock is a clear buy.

Finally, we would like to highlight two stocks, Grieg Seafood and Austevoll, which had a very positive relative contribution in 2018, but were fairly weak in the last two months of the year. We have a positive view of the sea food and salmon farming market, and if we are right, our two stocks have great potential. They are both priced significantly lower than peers in the sector.

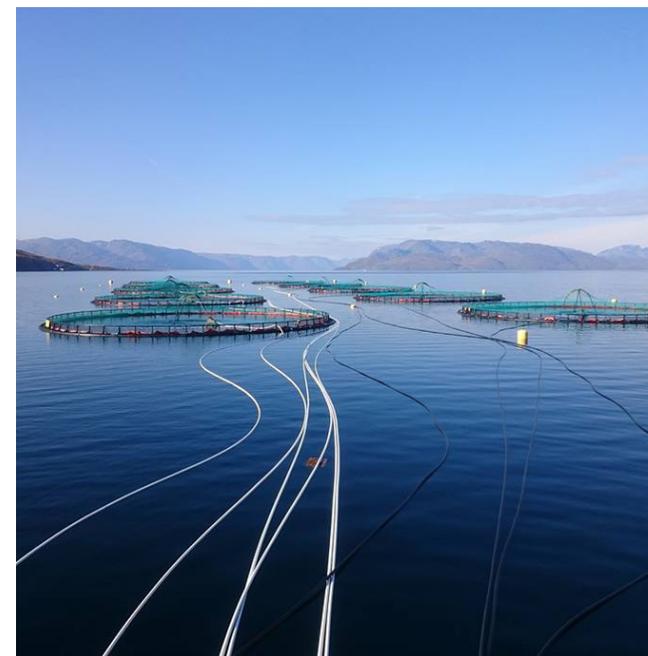


Photo: Grieg Seafood

Portfolio management team

Tore Været, Patrick Meum, Hans-Marius Lee Ludvigsen (analyst)

Performance history

Norwegian companies with sound and solid business models. Actively managed, seeks undervalued companies with good growth prospects.

Inception date: 1985

Benchmark: Oslo Børs Mutual Fund Index (OSEFX)

Legal structure: UCITS

Dealing days: all Norwegian banking days except 31.12.



Lower risk
Typically lower rewards

Higher risk
Typically higher rewards

The risk indicator was calculated using historical data and may not be a reliable indication of the future risk profile of the fund.

Performance by periods

Name	2018	2017	2016	2015	2014
Pareto Investment Fund A	-7.7%	9.1%	14.7%	20.6%	18.1%
Pareto Investment Fund B	-6.9%	10.0%	15.7%	21.7%	19.1%
Pareto Investment Fund C	-6.5%	10.5%	16.2%	22.2%	19.6%
Oslo Børs Mutual Fund Index	-2.2%	17.0%	11.5%	6.7%	5.7%

Annualised return

Name	Inception date	3 years	5 years	10 years	From start
Pareto Investment Fund A	Etablert i 1985	4.9%	10.5%	15.9%	7.0%*
Pareto Investment Fund B	29.11.2013	5.8%	11.4%		11.4%
Pareto Investment Fund C	29.11.2013	6.3%	11.9%		11.9%
Oslo Børs Mutual Fund Index		8.5%	7.6%	13.8%	

Other information

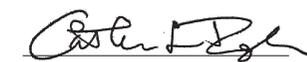
Name	Minimum initial subscription amount (NOK)	ISIN	Bloomberg
Pareto Investment Fund A	500	NO0010040496	ORFINF NO
Pareto Investment Fund B	10 million	NO0010694771	ORFINBB NO
Pareto Investment Fund C	50 million	NO0010694789	ORFINBC NO

*From start with current portfolio manager 01.01.2007

Pareto Investment Fund

Income statement	Notes	2018 01.01-31.12	2017 01.01-31.12
Portfolio income and expenses			
Interest received		674 559	373 246
Dividends		56 737 216	47 471 236
Realised capital gain/loss	4	111 168 452	110 996 808
Net unrealised capital gain/loss	4	-379 035 587	76 764 890
Portfolio profit		-210 455 361	235 606 180
Management revenue and costs			
Subscription/redemption fees	8	2 493 391	1 963 972
Custodian charges on purchases and sales of securities		-8 310	-21 438
Management fees	5	-29 127 233	-25 777 663
Subscription/redemption fees to the management company	8	-35 330	-38 920
Other income/expenses		0	0
Management earnings		-26 677 482	-23 874 050
Profit before taxation		-237 132 843	211 732 130
Income tax	6	0	0
Profit for the financial year		-237 132 843	211 732 130
Allocation of profit			
Transferred to/from equity		-237 132 843	211 732 130
Total allocations and equity transfers		-237 132 843	211 732 130
Balance sheet			
		31.12.2018	31.12.2017
Assets			
Securities at market value	2,3,4,9	2 510 376 579	2 249 834 362
Accrued dividend		1 127 949	593 962
Cash and cash equivalents		58 579 426	38 222 994
Other assets		1 003 303	17 252 246
Total assets		2 571 087 257	2 305 903 565
Equity and liabilities			
Equity			
Unit capital at par value		933 551 588	739 739 785
Premium		325 033 242	2 462 518
Retained earnings		1 309 362 519	1 546 495 362
Total equity	7,8	2 567 947 348	2 288 697 665
Liabilities			
Accrued management fees		2 377 430	2 178 091
Other liabilities		762 479	15 027 809
Total liabilities		3 139 909	17 205 900
Total equity and liabilities		2 571 087 257	2 305 903 565

Board of directors Pareto Asset Management AS Oslo, 13 March 2019



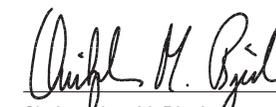
Cathrine Lofterød Fegth
Chairman



Erik Bartnes
Board member



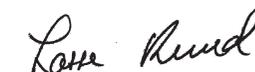
Svein Støle
Board member



Christopher M. Bjerke
Board member
(elected by unitholders)



Liv Monica Stubholt
Board member
(elected by unitholders)



Lasse Ruud
CEO

Pareto Investment Fund

Notes

1 Accounting policies

The financial statements have been prepared in accordance with the Norwegian Accounting Act and the regulations relating to Annual financial statements for mutual funds.

Financial instruments

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Foreign currency

The funds accounting currency is NOK. Investments in foreign currency is converted into NOK at the market exchange rate as at 31.12.2018.

Transaction fees

Transaction fees to the custodian are expended on a monthly basis. Other expences to the custodian is covered by the management company. Management fees are registered at the time of transaction, and will thus be included in the security cost at acquisition, and selling price at realisation.

Tax related issues

Securities funds are exempt from tax on profit and are not entitled to deduct for loss, upon the realization of shares in companies domestically resident within and outside the EEA. Change in unrealised gain/loss for all inventories is not taxable but may be subject to deferred tax calculation. 3% of the net dividend on shares in companies domiciled within the EEA is taxable. Other income and expenses are respectively taxable and deductible.

Allocated for distribution to unitholders

Mutual funds with less than 80% taxable share exposure has deductibility rights for taxable profit from non-stock securities, if this are to be distributed to unitholders in the fiscal year. The distribution will reduce the NAV equivalent to dividend per unit at the day of distribution. For funds that have distributed taxable income per. 31.12.2018, this is distributed in the allocation of the profit for the year.

All dividends to unitholders are treated as surplus exposures in accordance with the regulations on financial statements for mutual funds. Dividends are reinvested as new shares in the fund during the fiscal year and are accounted accordingly.

2 Financial market risk and use of derivatives

Investments in Norwegian companies are exposed to stock price and liquidity risk. Investments in foreign companies are exposed to stock price, currency and liquidity risk. Investments in fixed income instruments are exposed to interest rate, credit and liquidity risk. If an interestbearing paper is issued in foreign currency, then the fund is also exposed to currency risk, although hedging can be undertaken to reduce this risk. Bank deposits in foreign currency are also exposed to currency and credit risk.

Pareto Investment Fund has been granted purchase options for shares (Warrants) which are in the portfolio at year-end. Throughout the year, the Fund also used currency derivatives (futures) to reduce the risk associated with currency fluctuations on a stock quoted in the US Dollar.

3 Turnover ratio

The portfolio's turnover ratio is 0.11.

The turnover rate is a measure of the average duration of the fund's investments.

The turnover rate is calculated by dividing the lesser of total purchases or total sales of securities in the portfolio during the year by the average total net assets during the year. The formula is an approximation to calculating the fund's turnover rate.

Pareto Investment Fund

4 Brokerage fees

Brokerage fees are included in the securities cost price. Total fee in 2018 is NOK 915 933.

5 Management fees

The fund is charged a daily management fee per annum of the total portfolio. Rates apply per unit class.

- Pareto Investment Fund A: 1.80% per annum
- Pareto Investment Fund B: 0.95% per annum
- Pareto Investment Fund C: 0.50% per annum

6 Tax

	2018
Profit before taxation	-237 132 843
Permanent differences	
Realised capital gains	-130 456 379
Unrealised capital gains (change)	379 035 587
Dividends within EEA (gross)	-53 322 004
3% of dividends within EEA (net)	1 599 660
<u>Withholding tax outside the EEA</u>	<u>0</u>
Total taxable income	-40 275 979
Use of losses carried forward	0
Tax base	0
Assessed tax in Norway	0

Specification of tax expense

Income tax Norway	0
Withholding tax within the EEA	0
Withholding tax outside the EEA	0
<u>Total recognised tax expense</u>	<u>0</u>

7 Equity

	2018
Equity 1.1	2 288 697 665
+ subscription/redemption	516 382 527
+ profit for the financial year	-237 132 843
<u>Equity 31.12</u>	<u>2 567 947 348</u>

8 Issued units

Unit class A	31.12.2018	31.12.2017	31.12.2016
Number of units	3 556.33	3 189.21	3 163.68
Net asset value	276 910.16	300 005.04	275 043.44
Redemption price	275 525.61	298 505.01	273 668.22

Unit class B	31.12.2018	31.12.2017	31.12.2016
Number of units	19 190.69	25 852.30	31 613.20
Net asset value	17 319.40	18 602.34	16 911.03
Redemption price	17 232.80	18 509.33	16 826.47

Unit class C	31.12.2018	31.12.2017	31.12.2016
Number of units	70 608.14	44 932.47	37 212.32
Net asset value	17 714.57	18 939.64	17 142.44
Redemption price	17 626.00	18 844.94	17 056.73

Net asset value (NAV) is the market value per unit after deductions of the fund's costs.

NAV at subscription is NAV including a maximum subscription fee of 1.0 per cent. NAV at redemption is NAV less a maximum redemption fee of 0.5 per cent. A maximum of 0.2 per cent in subscription/redemption fees accrues to the fund.

9 Securities portfolio as at 31.12.2018

See next page.

Pareto Investment Fund

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Securities portfolio as at 31 December 2018

Securities	ISIN	Listing	No. of shares	Cost price NOK	Market value NOK	Unrealised gain/loss ¹	Share in % of portfolio	Share in % of company	Currency
Energy									
Aker BP ASA	NO0010345853	Oslo	481 000	40 883 788	104 858 000	63 974 212	4.1	0.1	NOK
Aker Solutions ASA	NO0010716582	Oslo	2 327 000	93 563 051	92 288 820	- 1 274 231	3.6	0.9	NOK
Archer Ltd	BMG0451H1170	Oslo	3 656 855	40 594 605	15 889 035	- 24 705 570	0.6	2.5	NOK
BW Offshore Ltd	BMG1738J1247	Oslo	2 116 000	61 445 162	66 971 400	5 526 238	2.6	1.1	NOK
DNO ASA	NO0003921009	Oslo	9 364 591	98 937 886	117 525 617	18 587 731	4.6	0.9	NOK
EnSCO plc	GB00B4VLR192	New York	2 020 000	94 453 317	62 298 804	- 32 154 514	2.4	0.5	USD
Flex LNG Ltd	BMG359471031	Oslo	5 750 000	81 921 063	71 012 500	- 10 908 563	2.8	1.1	NOK
Höegh LNG Holdings Ltd	BMG454221059	Oslo	442 548	43 934 718	16 883 206	- 27 051 512	0.7	0.6	NOK
Magseis ASA	NO0010663669	Oslo Axess	2 252 659	38 196 336	33 564 619	- 4 631 717	1.3	2.9	NOK
Spectrum ASA	NO0010429145	Oslo	1 815 439	54 672 996	66 263 524	11 590 527	2.6	3.3	NOK
Subsea 7 SA	LU0075646355	Oslo	1 286 000	144 274 350	108 384 080	- 35 890 270	4.2	0.4	NOK
Total energy				792 877 272	755 939 605	- 36 937 669	29.5		
Financials									
ABG Sundal Collier Holding ASA	NO0003021909	Oslo	8 666 830	43 395 794	39 434 077	- 3 961 717	1.5	1.8	NOK
B2Holding ASA	NO0010633951	Oslo	6 381 405	93 904 867	78 491 282	- 15 413 586	3.1	1.6	NOK
Norwegian Finans Holding ASA	NO0010387004	Oslo	1 977 823	86 850 756	132 514 141	45 663 385	5.2	1.1	NOK
Protector Forsikring ASA	NO0010209331	Oslo	1 124 231	70 341 902	53 738 242	- 16 603 660	2.1	1.3	NOK
Total financials				294 493 319	304 177 742	9 684 422	11.9		
Industrials									
Multiconsult ASA	NO0010734338	Oslo	776 223	74 314 477	47 039 114	- 27 275 363	1.8	2.9	NOK
Norwegian Air Shuttle ASA	NO0010196140	Oslo	696 752	176 598 534	120 851 634	- 55 746 900	4.7	1.5	NOK
Tomra Systems ASA	NO0005668905	Oslo	100 000	7 111 554	19 480 000	12 368 446	0.8	0.1	NOK
Total industrials				258 024 565	187 370 748	- 70 653 817	7.3		
Consumer discretionary									
Europris ASA	NO0010735343	Oslo	3 862 504	110 796 969	89 416 968	- 21 380 002	3.5	2.3	NOK
Kid ASA	NO0010743545	Oslo	1 801 000	53 672 720	64 836 000	11 163 280	2.5	4.4	NOK
Kongsberg Automotive ASA	NO0003033102	Oslo	6 401 118	41 137 270	48 968 553	7 831 283	1.9	1.4	NOK
Royal Caribbean Cruises Ltd	LR0008862868	New York	186 000	127 275 953	157 574 425	30 298 472	6.1	0.1	USD
Total consumer discretionary				332 882 912	360 795 946	27 913 033	14.0		

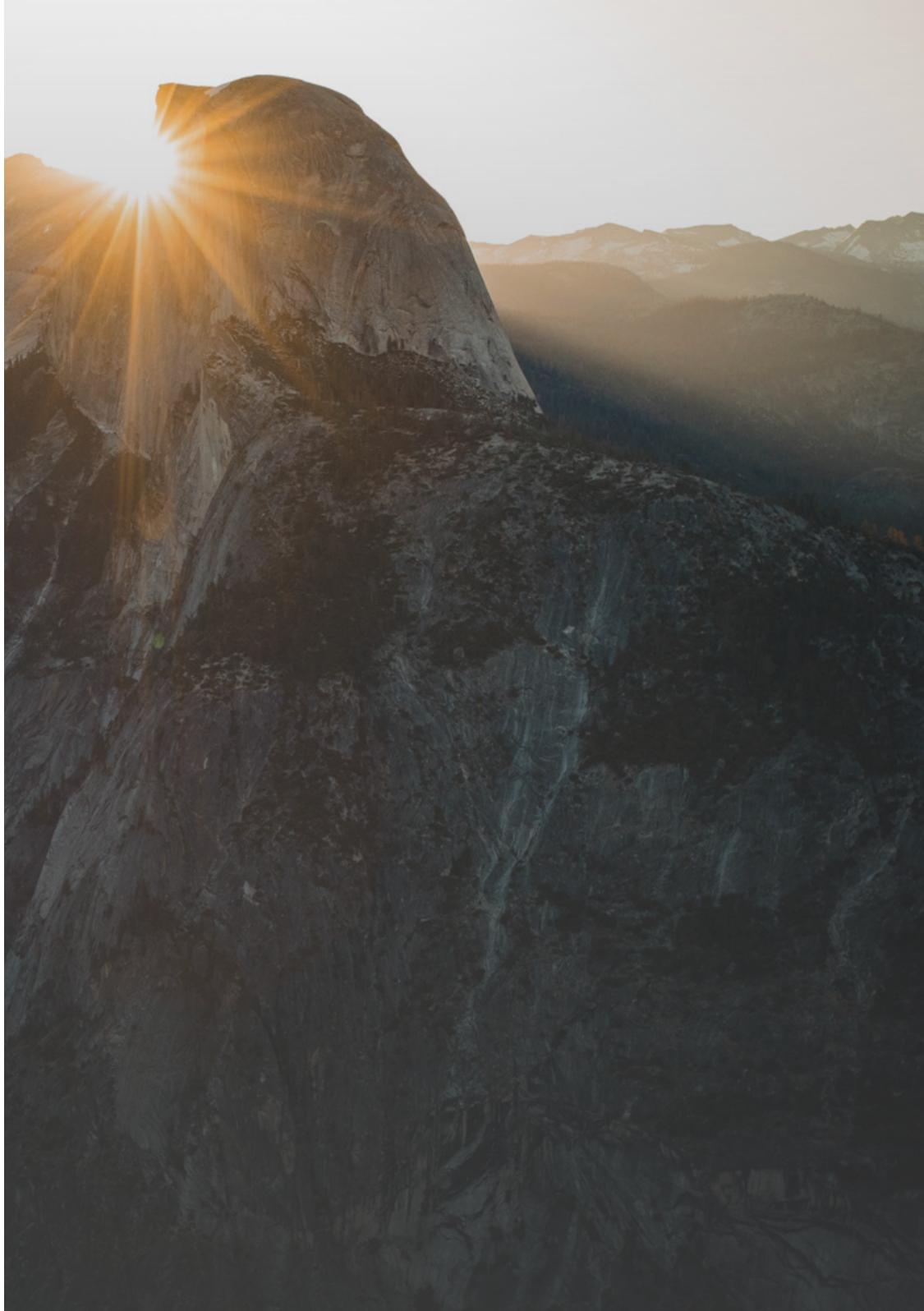
Pareto Investment Fund

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Securities	ISIN	Listing	No. of shares	Cost price NOK	Market value NOK	Unrealised gain/loss ¹	Share in % of portfolio	Share in % of company	Currency
Consumer staples									
Arnarlax AS	N00010724701	Unlisted	727 757	43 665 420	43 665 420		1.7	2.7	NOK
Austevoll Seafood ASA	N00010073489	Oslo	432 000	19 807 661	46 137 600	26 329 939	1.8	0.2	NOK
Grieg Seafood ASA	N00010365521	Oslo	1 926 457	95 259 957	197 076 551	101 816 594	7.7	1.7	NOK
Total consumer staples				158 733 038	286 879 571	128 146 533	11.2		
Information technology									
Elliptic Laboratories AS	N00010722283	Unlisted	147 000	23 039 650	29 400 000	6 360 350	1.1	1.7	NOK
Evry ASA	N00010019649	Oslo	2 869 461	86 979 916	90 244 548	3 264 633	3.5	0.8	NOK
Nordic Semiconductor ASA	N00003055501	Oslo	3 211 000	115 718 119	92 797 900	- 22 920 219	3.6	1.8	NOK
Norwegian Crystals AS	N00010827934	Unlisted	257 000	23 570 741	5 140 000	- 18 430 741	0.2	3.7	NOK
poLight ASA	N00010341712	Oslo	124 458	14 000 000	3 858 198	- 10 141 802	0.2	1.6	NOK
Total information technology				263 308 426	221 440 646	- 41 867 779	8.6		
Materials									
Borregaard ASA	N00010657505	Oslo	800 000	40 263 244	59 840 000	19 576 756	2.3	0.8	NOK
Yara International ASA	N00010208051	Oslo	451 419	155 908 507	150 548 237	- 5 360 271	5.9	0.2	NOK
Total materials				196 171 751	210 388 237	14 216 485	8.2		
Real estate									
Selvaag Bolig ASA	N00010612450	Oslo	1 596 366	37 361 539	64 573 005	27 211 466	2.5	1.7	NOK
Utilities									
Scatec Solar ASA	N00010715139	Oslo	1 613 161	63 953 689	119 051 282	55 097 593	4.6	1.4	NOK
Currency futures									
NOK Forward 18. januar 2019			228 816 900	228 816 900	228 816 900		8.9		NOK
USD Forward 18. januar 2019			-26 500 000	- 228 816 900	- 229 373 606	- 556 706	-8.9		USD
Warrants									
Norwegian Crystals AS Warrant 3 31/12/2019		Unlisted	4 242	0	72 114	72 114	0.0		NOK
Norwegian Crystals AS Warrant 3 ADL 2017		Unlisted	1	0	244 392	244 392	0.0		NOK
Norwegian Crystals AS Warrant 3 ADL 2018		Unlisted	1	0	0	0	0.0		NOK
Total warrants				0	316 506	316 506	0.0		
Total securities portfolio)				2 397 806 511	2 510 376 579	112 570 067	97.8		

¹Does not include received dividends

Pareto Global



Stronger earnings, lower pricing

After nine consecutive years of positive returns, 2018 ended in the red. Although it was largely a very good year for our portfolio companies, with an average increase in earnings per share of as much as 14 per cent, it was characterised by major price corrections, especially towards the end of the year. The market simply priced our portfolio lower, despite increasing earnings.

The vigorous price movements were driven by general fears of recession, Brexit, US protectionism, rising US government rates, and the halt of ECB bond-buying programmes.

The top five contributors in 2018 were software company Microsoft, clothing brand Ralph Lauren, healthcare company Abbott, health insurance company Anthem and measuring instrument company Keysight Technologies. All five could show a price increase of between 25 and 58 per cent measured in NOK.

Microsoft delivered another year of solid returns. Since our first investment in the company in November 2012, the return is a full 561 per cent measured in NOK. The company's commitment to online services aimed at business and industry has been very successful. For 2018, we expect earnings per share will have increased by as much as 26 per cent.

Since the fund invested in Ralph Lauren in February 2017, the company has been through a restructuring process where the focus has shifted from revenue growth to profitability and profit growth. The number of products has been reduced, inventory has been reduced, lead time from production to goods in the store has been reduced from 15 to nine months, and unprofitable stores have been closed down. The measures had a significant positive effect on the gross margin, which has reached record levels. Since our thesis played out, while the stock was repriced, we chose to sell.

The companies with the largest drag on performance were asset manager AMG, jewellery company Pandora, gaming company Playtech, insurance company Prudential and chemical company BASF.

For the first nine months of the year, AMG increased its earnings per share by 10 per cent. While many competitors are struggling with falling total assets, AMG had, at the end of September, increased its capital base by three per cent from the previous year. The company's fund products generally have good long-term returns. Nevertheless, AMG's share price was hit hard in 2018, with a drop of 52 per cent. The company is valued at a modest 6.5 times the 2018 earnings and 6.1 for 2019.



Photo: Ralph Lauren

Pandora has been through a turbulent year, and the share price fell 59 per cent. Throughout the year, the company downgraded its expectations of income growth and margins. In the last quarter, revenues fell by three per cent in local currency to five billion Danish kroner, while important markets such as the USA, China and Germany could show sales growth per store. For the year, revenues are expected to grow by two to four per cent measured in local currency. After pressure from the investor community, CEO Anders Colding Friis resigned. The new management has taken steps to slow down the expansion rate and instead focus more on profitability in the existing stores. We support the new strategy, but believe that 2019 will still be a year of headwinds and that it will get worse before it gets better. We have gradually reduced our exposure and have chosen to sell us out as we see better opportunities elsewhere in the portfolio.

New positions throughout the year are BASF, Lennar, Compass, Michelin and Schneider Electric, while Nestlé, Roche, Shire, Ralph Lauren, IWG, Compass and McKesson were sold.

We expect the strong profit growth to continue in 2019, but at a somewhat weaker rate of around 10 per cent. The combination of strong earnings growth and falling stock prices has led to a considerable drop in pricing. For 2019, the portfolio is valued at modest 12 times expected earnings – in our eyes very attractive both in absolute terms and relative to the market.

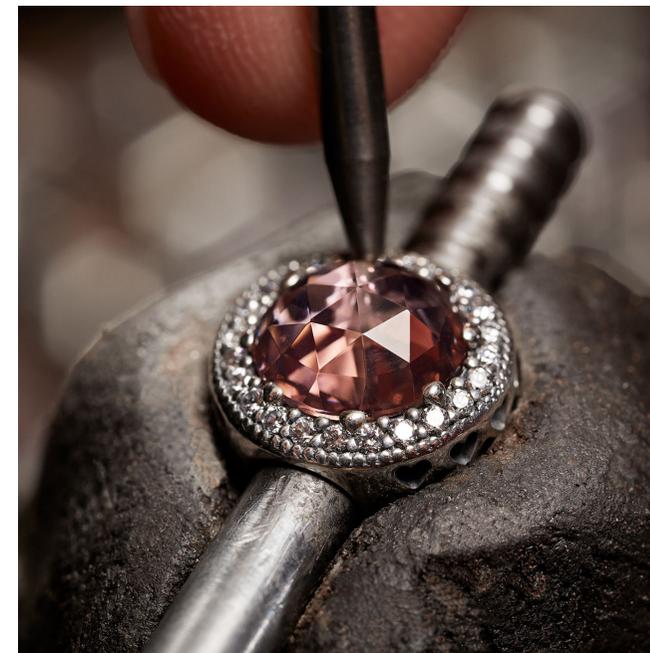


Photo: Pandora

Portfolio management team

Andreas Sørbye, Ole Jørgen Grøneng Nilsen, Johnar Håland

Performance history

Global, well-run companies in developed markets. Actively managed, seeks solid companies with strong earnings power.

Inception date: 12.08.2005

Benchmark: MSCI World (NOK)

Legal structure: UCITS

Dealing days: Norwegian banking days except 31.12 and days when local markets are closed



The risk indicator was calculated using historical data and may not be a reliable indication of the future risk profile of the fund.

Performance by periods

Name	2018	2017	2016	2015	2014
Pareto Global A	-13.0%	16.0%	0.9%	17.2%	16.6%
Pareto Global B	-14.5%	17.3%	0.0%	18.7%	17.6%
Pareto Global C	-14.2%	17.7%	0.3%	19.4%	18.4%
Pareto Global D ¹	-13.7%	18.3%	0.8%	20.0%	18.8%
Pareto Global I	-13.5%	18.6%	1.1%	7.0%*	
MSCI World (NOK)	-3.3%	5.0%	17.2%	28.8%	38.4%

Annualised return

Name	Inception date	3 years	5 years	10 years	From start
Pareto Global A	12.08.2005	0.6%	6.8%	10.7%	7.0%**
Pareto Global B	01.11.2012	0.1%	6.9%		10.9%
Pareto Global C	01.11.2012	0.5%	7.5%		11.5%
Pareto Global D ¹	22.11.2006	1.0%	8.0%	12.3%	8.4%**
Pareto Global I	13.07.2015	1.2%			3.0%
MSCI World (NOK)		5.7%	12.2%	12.0%	

Other information

Name	Minimum initial subscription amount (NOK)	ISIN	Bloomberg
Pareto Global A	500	NO0010279979	PAAKTGL NO
Pareto Global B	500	NO0010660434	PAAKTGB NO
Pareto Global C	20 million	NO0010660459	PAAKTGC NO
Pareto Global D	50 million	NO0010342892	PARAKSJ NO
Pareto Global I	100 million	NO0010740624	PAAKTGI NO

¹ Returns until 13.07.2015 are achieved in Pareto Global I (formerly Pareto Aksje Global). Unit class D is a continuation of Pareto Global I and was established after the merger of Pareto Global and Pareto Global I as at 13.07.2015.

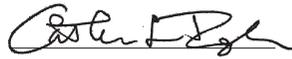
*Inception date 13.07.2015

**From start with current portfolio manager 01.01.2008

Pareto Global

Income statement	Notes	2018 01.01-31.12	2017 01.01-31.12
Portfolio income and expenses			
Interest received		2 763 194	430 950
Dividends		113 574 779	119 666 504
Realised capital gain/loss	4	271 960 193	644 489 963
Net unrealised capital gain/loss	4	-1 079 273 534	256 593 649
Portfolio profit		-690 975 368	1 021 181 066
Management revenue and costs			
Subscription/redemption fees	8	2 186 907	2 611 702
Custodian charges on purchases and sales of securities		-59 070	-95 381
Management fees	5	-38 986 016	-60 890 873
Subscription/redemption fees to the management company	8	-1 884 929	-1 719 752
Other income/expenses		-58	291
Management earnings		-38 743 166	-60 094 014
Profit before taxation		-729 718 534	961 087 053
Income tax	6	-13 313 096	-7 507 251
Profit for the financial year		-743 031 630	953 579 802
Allocation of profit			
Transferred to/from equity		-743 031 630	953 579 802
Total allocations and equity transfers		-743 031 630	953 579 802
Balance sheet			
		31.12.2018	31.12.2017
Assets			
Securities at market value	2,3,4,9	3 991 865 556	5 741 081 385
Accrued dividend		0	1 373 846
Cash and cash equivalents		80 203 602	281 633 279
Other assets		29 796 376	0
Total assets		4 101 865 534	6 024 088 511
Equity and liabilities			
Equity			
Unit capital at par value		2 981 475 248	3 756 610 456
Premium		-1 718 254 137	-1 357 706 868
Retained earnings		2 834 680 772	3 577 712 403
Total equity	7,8	4 097 901 883	5 976 615 990
Liabilities			
Accrued management fees		2 647 421	24 215 486
Other liabilities		1 316 230	23 257 035
Total liabilities		3 963 651	47 472 520
Total equity and liabilities		4 101 865 534	6 024 088 511

Board of directors Pareto Asset Management AS Oslo, 13 March 2019


Cathrine Lofterød Fegth
Chairman


Erik Bartnes
Board member


Svein Støle
Board member


Christopher M. Bjerke
Board member
(elected by unitholders)


Liv Monica Stubholt
Board member
(elected by unitholders)


Lasse Ruud
CEO

Pareto Global

Notes

1 Accounting policies

The financial statements have been prepared in accordance with the Norwegian Accounting Act and the regulations relating to Annual financial statements for mutual funds.

Financial instruments

Securities are recognised at fair value (market price) as at 31.12.2018. For securities where no exchange rate information from stock exchanges or any other official sources are available, the valuation will be based on either the last trading price, valuations made by leading brokerage houses, and/or internal valuations. Dividends from shares are recognized as income when the share price is quoted exclusive of dividends. Accrued non-accrued interest income is recognized in the accounts.

Foreign currency

The funds accounting currency is NOK. Investments in foreign currency is converted into NOK at the market exchange rate as at 31.12.2018.

Transaction fees

Transaction fees to the custodian are expended on a monthly basis. Other expences to the custodian is covered by the management company. Management fees are registered at the time of transaction, and will thus be included in the security cost at acquisition, and selling price at realisation.

Tax related issues

Securities funds are exempt from tax on profit and are not entitled to deduct for loss, upon the realization of shares in companies domestically resident within and outside the EEA. Change in unrealised gain/loss for all inventories is not taxable but may be subject to deferred tax calculation. 3 % of the net dividend on shares in companies domiciled within the

EEA is taxable. Other income and expenses are respectively taxable and deductible.

Allocated for distribution to unitholders

Mutual funds with less than 80 % taxable share exposure has deductibility rights for taxable profit from non-stock securities, if this are to be distributed to unitholders in the fiscal year. The distribution will reduce the NAV equivalent to dividend per unit at the day of distribution. For funds that have distributed taxable income per 31.12.2018, this is distributed in the allocation of the profit for the year.

All dividends to unitholders are treated as surplus exposures in accordance with the regulations on financial statements for mutual funds. Dividends are reinvested as new shares in the fund during the fiscal year and are accounted accordingly.

2 Financial market risk and use of derivatives

Investments in Norwegian companies are exposed to stock price and liquidity risk. Investments in foreign companies are exposed to stock price, currency and liquidity risk. Investments in fixed income instruments are exposed to interest rate, credit and liquidity risk. If an interestbearing paper is issued in foreign currency, then the fund is also exposed to currency risk, although hedging can be undertaken to reduce this risk. Bank deposits in foreign currency are also exposed to currency and credit risk.

Pareto Global has not used any derivatives in 2018.

3 Turnover ratio

The portfolio's turnover ratio is 0.50.

The turnover rate is a measure of the average duration of the fund's investments.

The turnover rate is calculated by dividing the lesser of total purchases or total sales of securities in the portfolio during the year by the average total net assets during the year. The formula is an approximation to calculating the fund's turnover rate.

4 Brokerage fees

Brokerage fees are included in the securities cost price. Total fee this year is NOK 1 729 471.

5 Management fees

The fund is charged a daily management fee per annum of the total portfolio. Rates apply per unit class.

- Pareto Global A: 1,50 % per annum.
At a percentual higher performance than ST1X (Government Bond Index 0.25) the management company will charge a 20 per cent remuneration of this difference. Total management fee shall not exceed 3.0 per cent per annum. At a percentual lower performance than ST1X (Government Bond Index 0.25) the management company will deduct 20 per cent of this difference from the management fee. The total management fee shall not be less than 0.0 per cent per annum.
- Pareto Global B: 1.60% per annum
- Pareto Global C: 1.25% per annum
- Pareto Global D: 0.75% per annum
- Pareto Global I: 0.50% per annum

Pareto Global

6 Tax

	2018
Profit before taxation	-729 718 534
Realised capital gains	-269 484 891
Unrealised capital gains (change)	1 079 273 534
Dividends within EEA (gross)	-56 238 588
3% of dividends within EEA (net)	1 501 380
Total taxable income	25 332 900
Use of losses carried forward	-3 725 142
Tax base	21 607 758
Calculated payable tax	4 969 784
Credit deduction withholding tax outside the EEA	-7 120 493
Assessed tax in Norway	0
Specification of tax expense	
Income tax Norway	0
Withholding tax within the EEA	6 192 603
Withholding tax outside the EEA	7 120 493
Total recognised tax expense	13 313 096

7 Equity

	2018
Equity 1.1	5 976 615 990
+ subscription/redemption	-1 135 682 477
+ profit for the financial year	-743 031 630
Equity 31.12	4 097 901 883

8 Issued units

Unit class A	31.12.2018	31.12.2017	31.12.2016
Number of units	185 515.00	253 662.03	285 984.58
Net asset value	2 274.25	2 614.88	2 254.70
Redemption price	2 262.88	2 601.81	2 243.43
Unit class B	31.12.2018	31.12.2017	31.12.2016
Number of units	390 580.77	436 990.78	449 738.08
Net asset value	1 899.11	2 220.27	1 892.61
Redemption price	1 889.61	2 209.17	1 883.15
Unit class C	31.12.2018	31.12.2017	31.12.2016
Number of units	207 208.33	263 637.31	271 045.60
Net asset value	1 960.65	2 284.04	1 940.41
Redemption price	1 950.85	2 272.62	1 930.71
Unit class D	31.12.2018	31.12.2017	31.12.2016
Number of units	96 617.60	136 561.68	254 863.75
Net asset value	2 030.42	2 353.42	1 989.50
Redemption price	2 020.27	2 341.65	1 979.55
Unit class I	31.12.2018	31.12.2017	31.12.2016
Number of units	2 101 553.55	2 665 758.65	2 673 581.87
Net asset value	1 109.56	1 282.78	1 081.73
Redemption price	1 104.01	1 276.36	1 076.32

Net asset value (NAV) is the market value per unit after deductions of the fund's costs.

NAV at subscription is NAV including a maximum subscription fee of 1.0 per cent. NAV at redemption is NAV less a maximum redemption fee of 0.5 per cent. A maximum of 0.2 per cent in subscription/redemption fees accrues to the fund.

9 Securities portfolio as at 31.12.2018

See next page.

Pareto Global

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Securities portfolio as at 31 December 2018

Securities	ISIN	Listing	No. of shares	Cost price NOK	Market value NOK	Unrealised gain/loss ¹	Share in % of portfolio	Share in % of company	Currency
Information technology									
Keysight Technologies Inc	US49338L1035	New York	61 826	17 999 905	33 250 731	15 250 826	0.8	0.0	USD
Microsoft Corp	US5949181045	New York Nasdaq GS	374 800	126 341 137	329 794 475	203 453 338	8.0	0.0	USD
Oracle Corp	US68389X1054	New York	430 907	144 247 588	168 546 464	24 298 876	4.1	0.0	USD
Playtech Plc	IM00B7S9G985	London	2 210 671	187 233 452	93 980 233	- 93 253 218	2.3	0.7	GBP
SAP SE	DE0007164600	Xetra	185 977	127 076 332	160 142 026	33 065 694	3.9	0.0	EUR
Total information technology				602 898 414	785 713 929	182 815 516	19.1		
Consumer staples									
Reckitt Benckiser Group Plc	GB00B24CGK77	London	145 121	109 493 463	96 354 753	- 13 138 710	2.3	0.0	GBP
Unilever NV	NL0000009355		236 791	74 561 140	111 225 187	36 664 047	2.7	0.0	EUR
Total consumer staples				184 054 603	207 579 940	23 525 337	5.0		
Health care									
Abbott Laboratories	US0028241000	New York	294 552	98 266 652	184 569 010	86 302 357	4.5	0.0	USD
Anthem Inc	US0367521038	New York	77 600	127 240 446	176 556 778	49 316 332	4.3	0.0	USD
Attendo AB	SE0007666110	Stockholm	1 753 288	148 924 602	134 810 139	- 14 114 463	3.3	1.1	SEK
CVS Health Corp	US1266501006	New York	336 600	210 066 470	191 058 490	- 19 007 980	4.7	0.0	USD
Total health care				584 498 170	686 994 417	102 496 246	16.8		
Financials									
Affiliated Managers Group Inc	US0082521081	New York	183 400	225 883 456	154 815 681	- 71 067 775	3.8	0.3	USD
Discover Financial Services Inc	US2547091080	New York	467 050	240 877 155	238 641 783	- 2 235 372	5.8	0.1	USD
Goldman Sachs Group Inc	US38141G1040	New York	99 123	174 259 759	143 449 573	- 30 810 187	3.5	0.0	USD
Prudential Plc	GB0007099541	London	1 842 128	288 865 515	285 180 281	- 3 685 234	7.0	0.1	GBP
Wells Fargo & Co	US9497461015	New York	355 500	119 273 390	141 915 691	22 642 301	3.5	0.0	USD
Total financials				1 049 159 275	964 003 009	- 85 156 267	23.6		

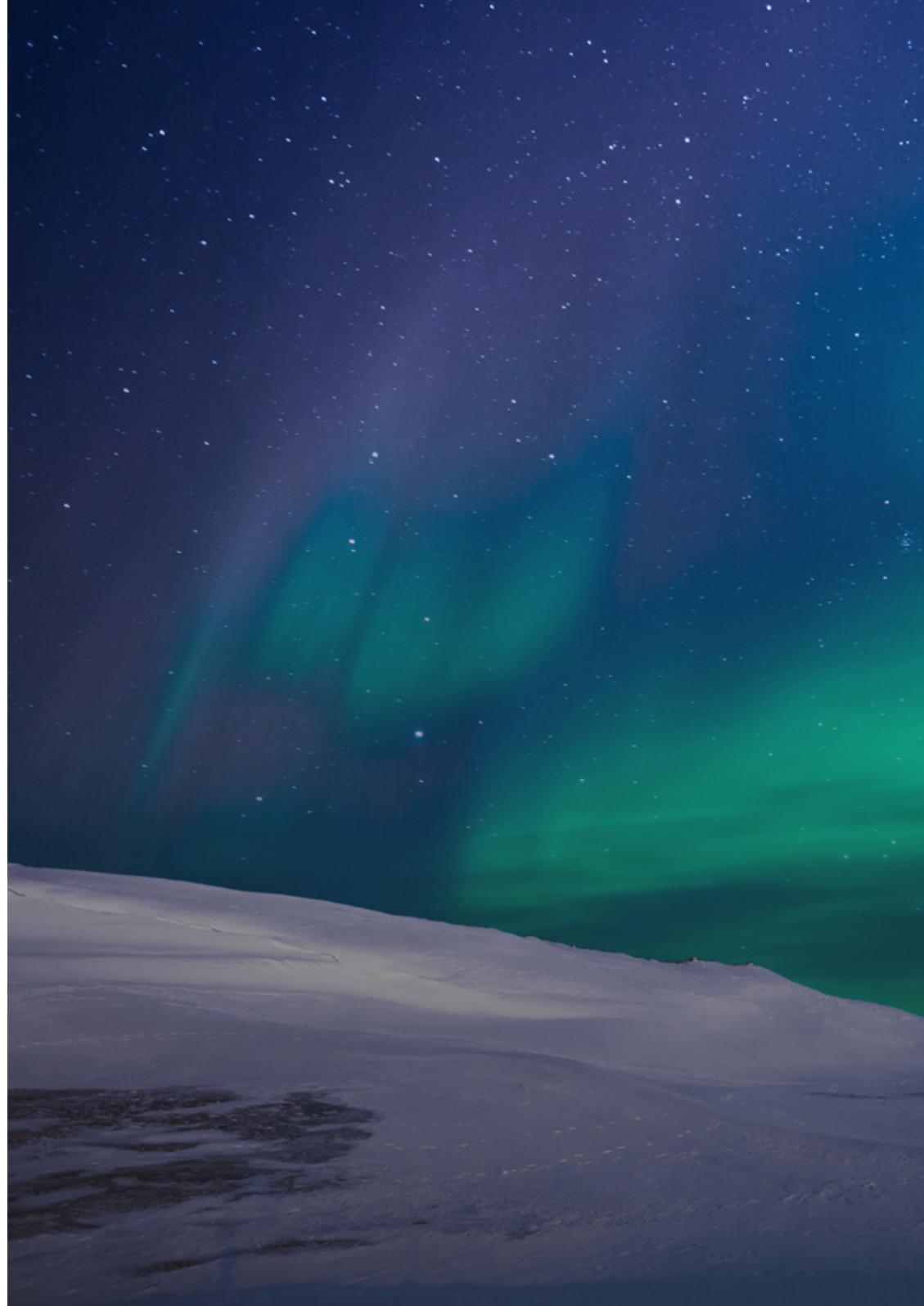
Pareto Global

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Securities	ISIN	Listing	No. of shares	Cost price NOK	Market value NOK	Unrealised gain/loss ¹	Share in % of portfolio	Share in % of company	Currency
Industrials									
Ryanair Holdings Plc	IE00BYTBXV33	Dublin	2 106 466	288 961 038	224 305 189	- 64 655 849	5.5	0.2	EUR
Schneider Electric SE	FR0000121972	New York	311 500	187 762 125	184 269 837	- 3 492 288	4.5	0.1	EUR
ÅF AB ser. B	SE0005999836	Stockholm	892 201	87 515 328	139 817 532	52 302 204	3.4	1.2	SEK
Total industrials				564 238 491	548 392 558	- 15 845 933	13.4		
Consumer discretionary									
Lennar Corp ser. A	US5260571048	New York	479 300	204 842 407	162 561 439	- 42 280 967	4.0	0.2	USD
Michelin CGdE	FR0000121261	New York Euronext	231 000	233 088 008	198 384 382	- 34 703 625	4.8	0.1	EUR
Nokian Renkaat Oyj	FI0009005318	Helsinki	353 606	105 738 670	93 940 918	- 11 797 752	2.3	0.3	EUR
Pandora A/S	DK0060252690	København	74 835	59 734 916	26 347 879	- 33 387 037	0.6	0.1	DKK
Polaris Industries Inc	US7310681025	New York	165 200	126 308 984	109 741 398	- 16 567 586	2.7	0.3	USD
Total consumer discretionary				729 712 985	590 976 016	- 138 736 967	14.4		
Materialer									
BASF SE	DE000BASF111	Xetra	348 000	286 217 027	208 205 686	- 78 011 342	5.1	0.0	EUR
Total securities portfolio				4 000 778 965	3 991 865 555	- 8 913 410	97.4		

¹Does not include received dividends

Pareto Nordic Return



A year characterised by increased volatility

Nordic equities declined around six per cent in 2018, making the Nordic stock market somewhat weaker than the Norwegian market. The fund declined just over 10 per cent.

From February, which was this year's worst performing month, until the end of September, the market increased more than five per cent. In this respect, it was correct to maintain the high stock exposure we had at the beginning of the year. However, stock prices have fluctuated more than we like these last few months, and in December, the market nearly reached the bottom level from February. There is no doubt we made a mistake in our overall view of the stock market this year.

Expectations of economic growth have weakened over the past few months. The short-term stock market is more affected by momentum than by valuations, and so lower earnings for the companies will result in lower share prices. We place more emphasis on the long-term development. In today's situation, where growth admittedly is coming down but is still good, we find shares not particularly expensive, measured in terms of earnings or book value.

The recent big drop in the market has a lot to do with politics. President Trump's persistent tweets and the on-going chaos in US politics creates uncertainty, especially in view of the escalating trade measures that will continue to affect trade and growth worldwide. However, when politics pulls the market down, history shows that it is, almost without exception, a buying opportunity.

Pandora (Danish jewellery manufacturer and distributor) fell more than 60 per cent in 2018. A drop this size makes a large impact on both relative and absolute returns. The share price fall was due to company-specific problems and a very negative sentiment for everything retail. The outcome was disappointing results, a dismissed CEO and shelved performance targets.

The company is, however, still able to generate high margins and dividends, and at the current price the stock appears cheap. Still, 2019 will probably be a tough year, as it takes time to reverse sliding sales. Private equity companies may find it interesting to take over the company.

Instalco comprises a group of Nordic installation companies within plumbing, electricity, ventilation,

cooling and other related industries. The companies have strong local roots and expertise, while sharing important group functions, such as purchasing. This results in economy of scale and at the same time local anchoring. The Instalco share rose by 30 per cent in 2018. Strong organic growth and even stronger profit growth have offset the low number of new housing projects. The latter is important for the future, but we consider the share as low priced regardless.

Danske Bank has had a weak price trend after we included it in our portfolio. The money laundering scandal has proven to be more complex and unclear than initially thought. In addition, lower activity in the bond market has led to somewhat disappointing short-term earnings. It will take time before we know for certain how large the fines will be as a result of the money laundering case, but we nevertheless believe the market has overreacted in regards to the share price.

Portfolio management team

Tore Været, Patrick Meum, Hans-Marius Lee Ludvigsen (analyst)

Performance history

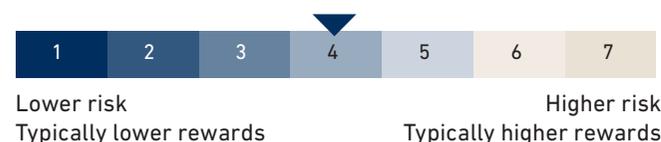
Nordic balanced fund. Seeks solid company management, strong balance sheets and good earnings power.

Inception date: 1987

Benchmark: n.a

Legal structure: UCITS

Dealing days: all Norwegian banking days except 31.12.



The risk indicator was calculated using historical data and may not be a reliable indication of the future risk profile of the fund.

Performance by periods

Name	2018	2017	2016	2015	2014
Pareto Nordic Return A	-10.7%	11.3%	5.3%	21.9%	17.8%
Pareto Nordic Return B	-10.5%	11.6%	5.5%	22.2%	
Pareto Nordic Return C	-10.1%	12.1%	6.0%	19.2%*	

Annualised return

Name	Inception date	3 years	5 years	10 years	From start
Pareto Nordic Return A	Launched 1987	1.5%	8.5%	13.6%	8.4%**
Pareto Nordic Return B	31.12.2014	1.8%			6.5%
Pareto Nordic Return C	12.02.2015	2.2%			6.4%

Other information

Name	Minimum initial subscription amount (NOK)	ISIN	Bloomberg
Pareto Nordic Return A	2 000	NO0010040504	ORKOMBI NO
Pareto Nordic Return B	10 million	NO0010727670	PANOREB NO
Pareto Nordic Return C	50 million	NO0010694797	PANOREC NO

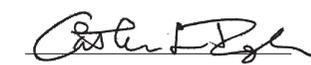
*Inception date 12.02.2015

**From start with current portfolio manager 01.01.2007

Pareto Nordic Return

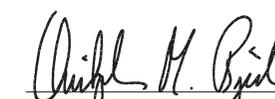
Income statement	Notes	2018 01.01-31.12	2017 01.01-31.12
Portfolio income and expenses			
Interest received		6 241 482	8 521 441
Dividends		31 592 587	25 080 328
Realised capital gain/loss	4	82 756 305	105 919 815
Net unrealised capital gain/loss	4	-245 783 457	48 386 106
Portfolio profit		-125 193 084	187 907 690
Management revenue and costs			
Subscription/redemption fees	8	730 486	900 625
Custodian charges on purchases and sales of securities		-9 705	-43 500
Management fees	5	-14 691 011	-15 631 697
Subscription/redemption fees to the management company	8	-26 927	-54 721
Other income/expenses		0	-8
Management earnings		-13 997 157	-14 829 303
Profit before taxation		-139 190 241	173 078 387
Income tax	6	-1 318 414	-1 456 336
Profit for the financial year		-140 508 655	171 622 051
Allocation of profit			
Transferred to/from equity		-140 508 655	171 622 051
Total allocations and equity transfers		-140 508 655	171 622 051
Balance sheet			
		31.12.2018	31.12.2017
Assets			
Securities at market value	2,3,4,9	942 683 551	1 390 845 204
Accrued interests	9	330 700	455 859
Cash and cash equivalents		77 477 029	241 875 778
Other assets		0	0
Total assets		1 020 491 280	1 633 176 842
Equity and liabilities			
Equity			
Unit capital at par value		284 662 745	537 314 717
Premium		-183 342 158	-8 783 731
Retained earnings		918 200 343	1 058 708 998
Total equity	7,8	1 019 520 930	1 587 239 983
Liabilities			
Accrued management fees		965 298	1 332 081
Other liabilities		5 052	44 604 777
Total liabilities		970 350	45 936 858
Total equity and liabilities		1 020 491 280	1 633 176 842

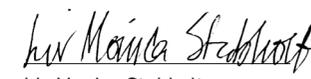
Board of directors Pareto Asset Management AS Oslo, 13 March 2019


Cathrine Lofterød Fegth
Chairman


Erik Bartnes
Board member


Svein Støle
Board member


Christopher M. Bjerke
Board member
(elected by unitholders)


Liv Monica Stubholt
Board member
(elected by unitholders)


Lasse Ruud
CEO

Pareto Nordic Return

Notes

1 Accounting policies

The financial statements have been prepared in accordance with the Norwegian Accounting Act and the regulations relating to Annual financial statements for mutual funds.

Financial instruments

Securities are recognised at fair value (market price) as at 31.12.2018. For securities where no exchange rate information from stock exchanges or any other official sources are available, the valuation will be based on either the last trading price, valuations made by leading brokerage houses, and/or internal valuations. Dividends from shares are recognized as income when the share price is quoted exclusive of dividends. Accrued non-accrued interest income is recognized in the accounts.

Foreign currency

The funds accounting currency is NOK. Investments in foreign currency is converted into NOK at the market exchange rate as at 31.12.2018.

Transaction fees

Transaction fees to the custodian are expended on a monthly basis. Other expences to the custodian is covered by the management company. Management fees are registered at the time of transaction, and will thus be included in the security cost at acquisition, and selling price at realisation.

Tax related issues

Securities funds are exempt from tax on profit and are not entitled to deduct for loss, upon the realization of shares in companies domestically resident within and outside the EEA. Change in unrealised gain/loss for all inventories is not taxable but may be subject to deferred tax calculation. 3% of the net dividend on shares in companies domiciled within the EEA is taxable. Other income and expenses are respectively taxable and deductible.

Allocated for distribution to unitholders

Mutual funds with less than 80 per cent taxable share exposure has deductibility rights for taxable profit from non-stock securities, if this are to be distributed to unitholders in the fiscal year. The distribution will reduce the NAV equivalent to dividend per unit at the day of distribution. For funds that have distributed taxable income per. 31.12.2018, this is distributed in the allocation of the profit for the year.

All dividends to unitholders are treated as surplus exposures in accordance with the regulations on financial statements for mutual funds. Dividends are reinvested as new shares in the fund during the fiscal year and are accounted accordingly.

2 Financial market risk and use of derivatives

Investments in Norwegian companies are exposed to stock price and liquidity risk. Investments in foreign companies are exposed to stock price, currency and liquidity risk. Investments in fixed income instruments are exposed to interest rate, credit and liquidity risk. If an interestbearing paper is issued in foreign currency, then the fund is also exposed to currency risk, although hedging can be undertaken to reduce this risk. Bank deposits in foreign currency are also exposed to currency and credit risk.

Pareto Nordic Return has not used any derivatives in 2018.

3 Turnover ratio

The portfolio's turnover ratio is 0.16.

The turnover rate is a measure of the average duration of the fund's investments.

The turnover rate is calculated by dividing the lesser of total purchases or total sales of securities in the portfolio during the year by the average total net assets during the year. The formula is an approximation to calculating the fund's turnover rate.

4 Brokerage fees

Brokerage fees are included in the securities cost price. Total fee this year is NOK 306 331.

Pareto Nordic Return

5 Management fees

The fund is charged a daily management fee per annum of the total portfolio. Rates apply per unit class.

- Pareto Nordic Return A: 1.20% per annum
- Pareto Nordic Return B: 0.95% per annum
- Pareto Nordic Return C: 0.50% per annum

6 Tax

	2018
Profit before taxation	-139 190 241
Permanent differences	
Realised capital gains	-84 210 017
Unrealised capital gains (change)	245 783 457
Dividends within EEA (gross)	-30 033 660
3% of dividends within EEA (net)	876 233
<u>Withholding tax outside the EEA</u>	<u>-492 533</u>
Total taxable income	-7 266 760
Use of losses carried forward	0
Tax base	0
Assessed tax in Norway	0
Specification of tax expense	
Income tax Norway	0
Withholding tax within the EEA	825 881
Withholding tax outside the EEA	492 533
<u>Total recognised tax expense</u>	<u>1 318 414</u>

7 Equity

	2018
Equity 1.1	1 587 239 983
+ subscription/redemption	-427 210 399
+ profit for the financial year	-140 508 655
<u>Equity 31.12</u>	<u>1 019 520 930</u>

8 Issued units

Unit class A	31.12.2018	31.12.2017	31.12.2016
Number of units	7 090.53	7 932.19	8 571.19
Net asset value	98 603.71	110 454.80	99 197.03
Redemption price	98 110.69	109 902.53	98 701.04
Unit class B	31.12.2018	31.12.2017	31.12.2016
Number of units	40 404.95	53 162.28	62 208.82
Net asset value	6 441.47	7 197.54	6 447.99
Redemption price	6 409.26	7 161.55	6 415.75
Unit class C	31.12.2018	31.12.2017	31.12.2016
Number of units	9 437.07	46 368.47	46 368.47
Net asset value	6 368.63	7 083.56	6 317.59
Redemption price	6 336.79	7 048.14	6 286.00

Net asset value (NAV) is the market value per unit after deductions of the fund's costs.

NAV at subscription is NAV including a maximum subscription fee of 1.0 per cent. NAV at redemption is NAV less a maximum redemption fee of 0.5 per cent. A maximum of 0.2 per cent in subscription/redemption fees accrues to the fund.

9 Securities portfolio as at 31.12.2018

See next page.

Pareto Nordic Return

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Securities portfolio as at 31 December 2018

Securities	ISIN	Listing	No. of shares	Cost price NOK	Market value NOK	Unrealised gain/loss ¹	Share in % of portfolio	Share in % of company	Currency
Consumer discretionary									
Autoliv Inc ser. SDR	SE0000382335	Stockholm	41 249	24 126 016	25 381 112	1 255 096	2.5	0.0	SEK
Betsson AB ser. B	SE0011089259	Stockholm	384 016	30 029 635	27 388 405	- 2 641 230	2.7	0.3	SEK
Europris ASA	NO0010735343	Oslo	843 229	30 745 300	19 520 751	- 11 224 549	1.9	0.5	NOK
Hennes & Mauritz AB ser. B	SE0000106270	Stockholm	80 308	22 848 854	9 887 645	- 12 961 210	1.0	0.0	SEK
Kongsberg Automotive ASA	NO0003033102	Oslo	2 268 323	12 316 363	17 352 671	5 036 308	1.7	0.5	NOK
Nokian Renkaat Oyj	FI0009005318	Helsinki	68 626	18 531 041	18 231 561	- 299 480	1.8	0.0	EUR
Pandora A/S	DK0060252690	København	59 866	59 025 036	21 077 599	- 37 947 437	2.1	0.1	DKK
Veoneer Inc ser. SDR	SE0011115963	Stockholm	41 249	8 130 129	9 053 456	923 327	0.9	0.0	SEK
Total consumer discretionary				205 752 374	147 893 200	- 57 859 175	14.6		
Financials									
Danske Bank A/S	DK0010274414	København	273 776	65 517 999	46 832 996	- 18 685 003	4.6	0.0	DKK
Nordic Capital Partners II AS	NO0003112401	Unlisted	5 000	4 345 000	23 950	- 4 321 050	0.0	0.0	NOK
Norwegian Finans Holding ASA	NO0010387004	Oslo	648 126	25 698 279	43 424 442	17 726 163	4.3	0.3	NOK
Protector Forsikring ASA	NO0010209331	Oslo	257 190	13 141 245	12 293 682	- 847 563	1.2	0.3	NOK
TF Bank AB	SE0007331608	Stockholm	264 343	21 136 013	18 594 944	- 2 541 069	1.8	1.2	SEK
Total financials				129 838 536	121 170 014	- 8 668 522	11.9		
Consumer staples									
Carlsberg A/S ser. B	DK0010181759	København	33 218	21 841 015	30 532 307	8 691 292	3.0	0.0	DKK
Essity AB ser. B	SE0009922164	Stockholm	63 516	10 251 481	13 503 197	3 251 716	1.3	0.0	SEK
Grieg Seafood ASA	NO0010365521	Oslo	413 646	13 474 471	42 315 986	28 841 515	4.1	0.4	NOK
Schouw & Co A/S	DK0010253921	København	34 678	13 680 847	22 347 882	8 667 035	2.2	0.1	DKK
Total consumer staples				59 247 814	108 699 372	49 451 558	10.6		
Utilities									
Scatec Solar ASA	NO0010715139	Oslo	665 084	25 516 513	49 083 199	23 566 686	4.8	0.6	NOK
Health care									
Novo Nordisk A/S ser. B	DK0060534915	København	88 338	32 184 877	34 923 818	2 738 941	3.4	0.0	DKK
Pihlajalinna Oyj	FI4000092556	Helsinki	181 057	17 953 876	15 459 626	- 2 494 250	1.5	0.8	EUR
Total health care				50 138 753	50 383 444	244 691	4.9		

Pareto Nordic Return

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Securities	ISIN	Listing	No. of shares	Cost price NOK	Market value NOK	Unrealised gain/loss ¹	Share in % of portfolio	Share in % of company	Currency
Industrials									
ABB Ltd	CH0012221716	Stockholm	56 945	8 357 696	9 494 158	1 136 462	0,9	0,0	SEK
Alimak Group AB	SE0007158910	Stockholm	79 361	9 355 957	8 528 927	- 827 030	0,8	0,1	SEK
Coor Service Management Holding AB	SE0007158829	Stockholm	605 227	23 948 721	41 627 997	17 679 277	4,1	0,6	SEK
Fjord1 ASA	NO0010792625	Oslo	606 689	17 593 981	26 087 627	8 493 646	2,6	0,6	NOK
Instalco Intressenter AB	SE0009664253	Stockholm	581 358	30 887 551	39 191 087	8 303 536	3,8	1,2	SEK
Norwegian Air Shuttle ASA	NO0010196140	Oslo	186 356	43 842 803	32 323 448	- 11 519 355	3,2	0,4	NOK
Troax Group AB	SE0006732392	Stockholm	190 148	16 201 681	47 279 635	31 077 954	4,6	1,0	SEK
Total industrials				150 188 390	204 532 879	54 344 490	20,0		
Information technology									
Elliptic Laboratories AS	NO0010722283	Unlisted	74 570	11 718 118	14 914 000	3 195 882	1,5	0,9	NOK
Evry ASA	NO0010019649	Oslo	997 274	30 446 133	31 364 267	918 135	3,1	0,3	NOK
Kitron ASA	NO0003079709	Oslo	3 534 623	19 125 225	30 751 220	11 625 996	3,0	2,0	NOK
Nordic Semiconductor ASA	NO0003055501	Oslo	773 957	28 583 489	22 367 357	- 6 216 132	2,2	0,4	NOK
Total information technology				89 872 965	99 396 844	9 523 881	9,8		
Energy									
Akastor ASA	NO0010215684	Oslo	1 436 045	22 891 327	18 754 748	- 4 136 579	1,8	0,5	NOK
Archer Ltd	BMG0451H1170	Oslo	1 183 895	11 838 950	5 144 024	- 6 694 926	0,5	0,8	NOK
BW Offshore Ltd	BMG1738J1247	Oslo	354 083	14 612 790	11 206 727	- 3 406 063	1,1	0,2	NOK
Flex LNG Ltd	BMG359471031	Oslo	1 368 879	19 506 526	16 905 656	- 2 600 870	1,7	0,3	NOK
Mageeis ASA	NO0010663669	Oslo Axxess	737 319	12 502 034	10 986 053	- 1 515 981	1,1	1,0	NOK
Seadrill Ltd	BMG7998G1069	Oslo	5 501	880 246	440 300	- 439 946	0,0	0,0	NOK
Subsea 7 SA	LU0075646355	Oslo	353 353	42 712 074	29 780 591	- 12 931 484	2,9	0,1	NOK
Total energy				124 943 947	93 218 099	- 31 725 849	9,1		
Total equities				835 499 292	874 377 051	38 877 760	85,7		

¹Does not include received dividends

Pareto Nordic Return

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Securities	ISIN	Listing	Maturity	Coupon rate in %	Interest adj. date ¹	Principal	Cost price NOK	Yield ² +acc. interest NOK	Market value	Unrealised gain/loss	Share in % of portfolio	Currency	Risk-class ³
Energy													
BW Offshore Limited 12/20 FRN STEP C	NO0010638075	Oslo	15.03.2020	5.79	15.03.2019	1 080 000	1 080 000	6.39	1 078 016	- 4 590	0.1	NOK	100
Dof Subsea AS 13/20 FRN STEP	NO0010670144	Oslo	22.05.2020	8.08	22.01.2019	3 917 749	3 565 152	8.99	3 948 349	320 766	0.4	NOK	100
Dolphin Group ASA konv. forfalt beholdning	NO0010838139	Unlisted	14.02.2020	0.00	14.02.2020	1 000 000	1 017 500	11061.06	5 010	- 1 012 490	0.0	NOK	100
Dolphin Group ASA konv. forfalt rente	NO0010838238	Unlisted	14.02.2020	0.00	14.02.2020	22 522					0.0	NOK	100
Seadrill Ltd 18/25 12.00% C	USG8000AAA19	Dublin	15.07.2025	12.00	15.07.2025	27 988	224 804	12.52	255 288	16 016	0.0	USD	100
Total energy							5 887 456		5 286 663	- 680 298	0.5		
Financials													
Advanzia Bank S.A. 15/PERP FRN C HYBRID	NO0010740228	Nordisk ABM	31.12.2099	5.79		5 000 000	5 000 000	5.82	5 024 563	12 500	0.5	NOK	100
Aker ASA 15/20 FRN	NO0010737158	Oslo	29.05.2020	4.72	28.02.2019	5 000 000	5 000 000	3.3	5 126 948	105 315	0.5	NOK	100
Sbanken ASA 15/PERP FRN C HYBRID	NO0010746456	Nordisk ABM	31.12.2099	5.18		10 000 000	10 000 000	4.29	10 293 776	177 226	1.0	NOK	100
Total financials							20 000 000		20 445 287	295 041	2.0		
Materials													
Bergvik Skog AB 04/34 ADJ C SUB	SE0001182155	Unlisted	24.03.2034	8.50	24.03.2034	15 000 000	18 140 006	1.6	16 878 579	- 1 271 808	1.7	SEK	100
Industrials													
Cembrit Group A/S 17/21 FRN EUR C	SE0009722887	Stockholm	20.03.2021	5.50	20.03.2019	200 000	1 834 680	15.89	1 800 242	- 38 070	0.2	EUR	100
Norwegian Air Shuttle ASA 17/20 FRN	NO0010809940	Oslo	23.11.2020	5.15	21.02.2019	8 000 000	8 000 000	6.37	7 890 256	- 156 666	0.8	NOK	100
Total industrials							9 834 680		9 690 498	- 194 736	1.0		
Information technology													
Consilium AB 15/20 FRN FLOOR C	SE0006800397	Stockholm	25.03.2020	5.75	25.03.2020	2 000 000	1 922 000	4.76	1 982 428	58 868	0.2	SEK	100
DigiPlex Fet AS 14/19 FRN STEP C	NO0010712870	Oslo	11.06.2019	5.03	11.03.2019	7 000 000	6 930 000	3.72	7 064 307	113 768	0.7	NOK	100
Total information technology							8 852 000		9 046 735	172 636	0.9		

Pareto Nordic Return

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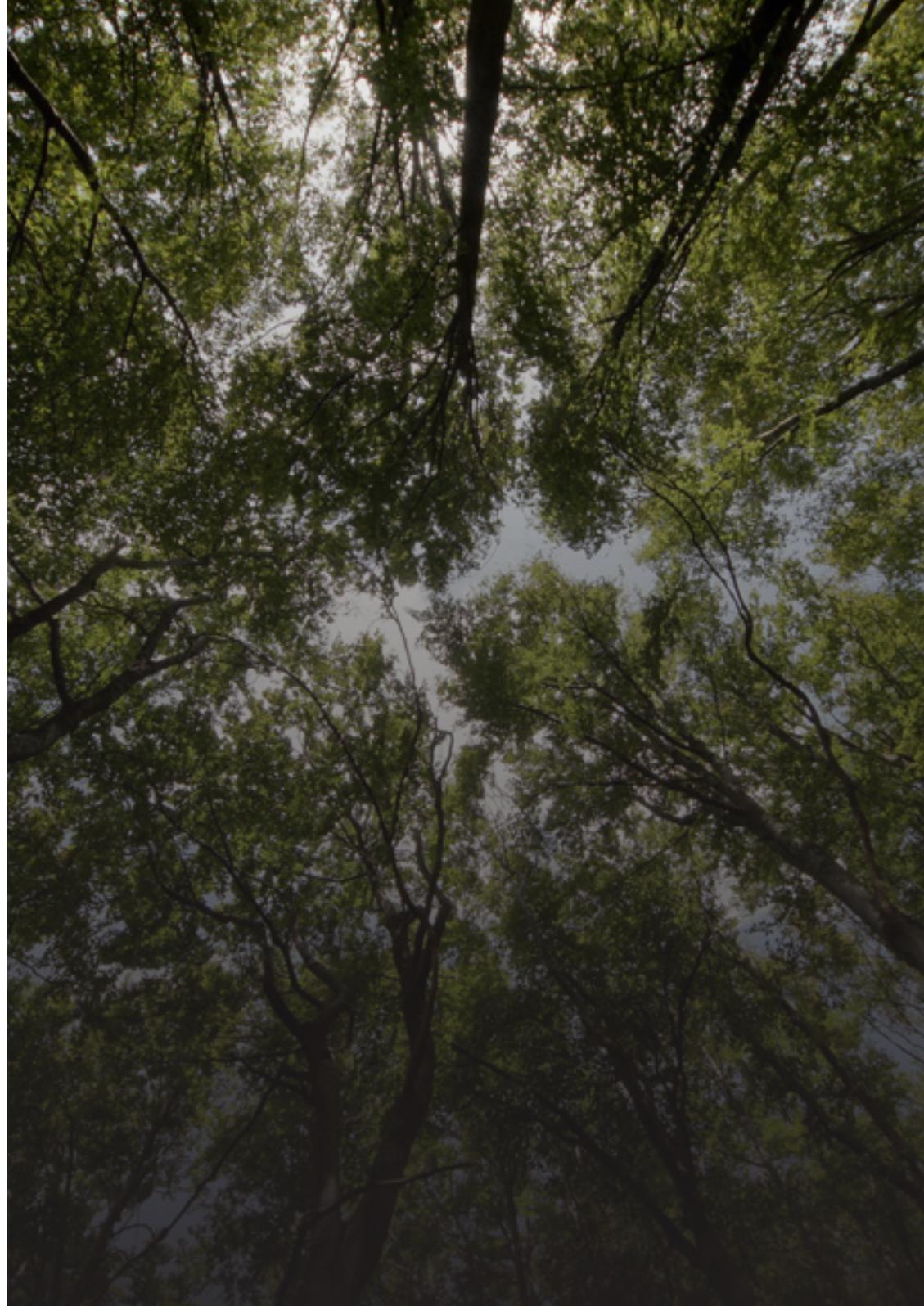
Securities	ISIN	Listing	Maturity	Coupon rate in %	Interest adj. date ¹	Principal	Cost price NOK	Yield ² +acc. interest NOK	Market value	Unrealised gain/loss	Share in % of portfolio	Currency	Risk-class ³
Real estate													
Bulk Industrier AS 18/21 FRN	NO0010824188	Oslo	26.05.2021	7.79	18.03.2019	5 000 000	5 000 000	8.14	5 015 147		0.5	NOK	100
Consumer discretionary													
Global Scanning A/S 15/19 FRN	SE0007783949	Stockholm	09.12.2019	8.50	29.03.2019	3 000 000	3 002 100	44.16	2 274 293	- 730 575	0.2	SEK	100
Total bonds							70 716 242		68 637 202	- 2 409 740	6.8		
Total securities portfolio							906 215 534		943 014 251	36 468 020	92.5		

1. Applicable only to floating rate bonds.

2. Yield to maturity is the average annual rate of return of a bond held to maturity. The yield to maturity will change from day to day, and is no guarantee of performance in the period.

3. The risk classes refer to the risk weighting of various issuers in accordance with the capital adequacy regulations and the Bank of International Settlements (BIS).

Pareto Høyrente



Delivering returns despite unrest

After several years of stable upturn and low volatility, 2018 became a year characterised by turmoil and significantly increased volatility in the world's capital markets, especially in the second half. Most equity and credit markets have experienced a decline during the year. The headlines have been dominated by trade war, interest rate increases in the US and central banks being in the process of liquidating substantial bond-buying programmes, most recently in Europe and over a somewhat longer period in the US. This has contributed to weakened liquidity and increased uncertainty in the markets.

Pareto Høyrente delivered a positive return for the year, though with a return last month slightly below zero. One of the explanations for the relatively good development in 2018 is that the Nordic bond market has an overweight of floating rate bonds. The market is thus less exposed to the interest rate increases we have experienced in the US and partly in Norway. In addition, the local Nordic market has been outside the buyback programmes of the European Central Bank, so that it is less directly affected by the fact that these programmes are now being wound up.

Three-month money market rates, NIBOR 3m, continue to move upwards and were close to 1.3% at year-end. The year started at 0.8%. All other things being equal, this means that our bonds pay an around 0.50 percentage points higher coupon than at the beginning of the year. In the market the bonds are now priced so that they have a yield of 3.9% to maturity.

Our goal is to hold, at all times, a portfolio of solid credits, each providing a good risk-adjusted return, while being liquid and having a low vulnerability to industry-specific risk factors and idiosyncratic risk.

The current situation, with relatively high credit margins for Norwegian businesses and banks as well as slightly rising interest rates, should form a good backdrop for our fund. We are optimistic about the return opportunities for investors who want a fixed income fund like ours, with moderate credit risk and short interest rate duration.



Foto: Sparebank 1 SR-Bank

Portfolio management team:

Eric von Koss Torkildsen, Christian Weldingh

Performance history

Fundamental and actively managed corporate bond fund with an average rating equivalent to BBB-.

Inception date: 25.07.2001

Benchmark: Government Bond Index 1.00 (ST3X)

Legal structure: UCITS

Dealing days: all Norwegian banking days except 31.12.



Lower risk
Typically lower rewards

Higher risk
Typically higher rewards

The risk indicator was calculated using historical data and may not be a reliable indication of the future risk profile of the fund.

Performance by periods

Name	2018	2017	2016	2015	2014
Pareto Høyrente	1.9%	2.0%	-0.2%	-1.1%	1.8%
Government Bond Index 1.00	0.4%	0.7%	0.5%	1.0%	1.9%

Annualised return

Name	Inception date	3 years	5 years	10 years	From start
Pareto Høyrente	25.07.2001	1.2%	0.9%	3.3%	2.9%*
Government Bond Index 1.00		0.6%	0.9%	1.6%	2.3%*

Other information

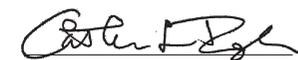
Name	Minimum initial subscription amount (NOK)	ISIN	Bloomberg
Pareto Høyrente	100 000	NO0010106230	POHIYLD NO

*Inception date 30.04.2004 as a result of change in benchmark.

Pareto Høyrente

Income statement	Notes	2018 01.01-31.12	2017 01.01-31.12
Portfolio income and expenses			
Interest received		65 695 144	88 203 296
Realised capital gain/loss	4	-39 769 294	-201 075 265
Net unrealised capital gain/loss	4	23 030 880	185 358 988
Portfolio profit		48 956 730	72 487 019
Management revenue and costs			
Subscription/redemption fees	8	0	0
Custodian charges on purchases and sales of securities		-9 180	-15 120
Management fees	5	-12 111 140	-15 988 860
Subscription/redemption fees to the management company	8	0	0
Other income/expenses		1	-1
Management earnings		-12 120 319	-16 003 981
Profit before taxation		36 836 411	56 483 038
Income tax	6	0	0
Profit for the financial year		36 836 411	56 483 038
Allocation of profit			
Net distributed to unitholders during the year		0	0
Allocated for distribution to unitholders		0	0
Transferred to/from equity		36 836 411	56 483 038
Total allocations and equity transfers		36 836 411	56 483 038
Balance sheet		31.12.2018	31.12.2017
Assets			
Securities at market value	2,3,4,9	1 493 295 712	2 049 879 686
Accrued interests	9	7 169 394	9 479 245
Other assets		0	0
Cash and cash equivalents		58 537 506	15 836 595
Total assets		1 559 002 613	2 075 195 526
Equity and liabilities			
Equity			
Unit capital at par value		1 499 853 310	2 037 709 726
Premium		382 122 768	399 163 946
Retained earnings		-327 342 608	-364 179 019
Total equity	7,8	1 554 633 470	2 072 694 652
Liabilities			
Accrued management fees		869 143	1 182 784
Other liabilities		3 500 000	1 318 090
Total liabilities		4 369 143	2 500 874
Total equity and liabilities		1 559 002 613	2 075 195 526

Board of directors Pareto Asset Management AS Oslo, 13 March 2019



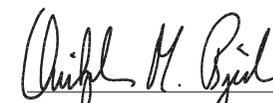
Cathrine Lofterød Fegth
Chairman



Erik Bartnes
Board member



Svein Støle
Board member



Christopher M. Bjerke
Board member
(elected by unitholders)



Liv Monica Stubholt
Board member
(elected by unitholders)



Lasse Ruud
CEO

Pareto Høyrente

Notes

1 Accounting policies

The financial statements have been prepared in accordance with the Norwegian Accounting Act and the regulations relating to Annual financial statements for mutual funds.

Financial instruments

Securities are recognised at fair value (market price) as at 31.12.2018. For securities where no exchange rate information from stock exchanges or any other official sources are available, the valuation will be based on either the last trading price, valuations made by leading brokerage houses, and/or internal valuations. Dividends from shares are recognized as income when the share price is quoted exclusive of dividends. Accrued non-accrued interest income is recognized in the accounts.

Foreign currency

The funds accounting currency is NOK. Investments in foreign currency is converted into NOK at the market exchange rate as at 31.12.2018.

Transaction fees

Transaction fees to the custodian are expended on a monthly basis. Other expences to the custodian is covered by the management company. Management fees are registered at the time of transaction, and will thus be included in the security cost at acquisition, and selling price at realisation.

Tax related issues

Securities funds are exempt from tax on profit and are not entitled to deduct for loss, upon the realization of shares in companies domestically resident within and outside the EEA. Change in unrealised gain/loss for all inventories is not taxable but may be subject to deferred tax calculation. 3% of the net dividend on shares in companies domiciled within the EEA is taxable. Other income and expenses are respectively taxable and deductible.

Allocated for distribution to unitholders

Mutual funds with less than 80 per cent taxable share exposure has deductibility rights for taxable profit from non-stock securities, if this are to be distributed to unitholders in the fiscal year. The distribution will reduce the NAV equivalent to dividend per unit at the day of distribution. For funds that have distributed taxable income per. 31.12.2018, this is distributed in the allocation of the profit for the year.

All dividends to unitholders are treated as surplus exposures in accordance with the regulations on financial statements for mutual funds. Dividends are reinvested as new shares in the fund during the fiscal year and are accounted accordingly.

2 Financial market risk and use of derivatives

Investments in Norwegian companies are exposed to stock price and liquidity risk. Investments in foreign companies are exposed to stock price, currency and liquidity risk. Investments in fixed income instruments are exposed to interest rate, credit and liquidity risk. If an interestbearing paper is issued in foreign currency, then the fund is also exposed to currency risk, although hedging can be undertaken to reduce this risk. Bank deposits in foreign currency are also exposed to currency and credit risk.

Pareto Høyrente has not used any derivatives in 2018.

3 Turnover ratio

The portfolio's turnover ratio is 0.49.

The turnover rate is a measure of the average duration of the fund's investments.

The turnover rate is calculated by dividing the lesser of total purchases or total sales of securities in the portfolio during the year by the average total net assets during the year. The formula is an approximation to calculating the fund's turnover rate.

4 Brokerage fees

Brokerage fees are included in the securities cost price. Total fee this year is NOK 6 409.

Pareto Høyrente

5 Management fees

The fund is charged a daily management fee of 0.65 per cent per annum of the total portfolio.

Subscriptions of more than 20 000 units are given a discounted management fee.

6 Tax

	2018
Profit before taxation	36 836 411
Permanent differences	
Distribution to unitholders	0
Realised capital gains	660 836
Unrealised capital gains (change)	-23 030 880
Dividends within EEA (gross)	0
3% of dividends within EEA (net)	0
Withholding tax outside the EEA	0
Total taxable income	14 466 367
Use of losses carried forward	-14 466 367
Tax base	0
Assessed tax in Norway	0
Specification of tax expense	
Income tax Norway	0
Withholding tax within the EEA	0
Withholding tax outside the EEA	0
Total recognised tax expense	0

7 Equity

	2018
Equity 1.1	2 072 694 652
+ subscription/redemption	-554 897 593
- distribution to unitholders	0
- allocated for distribution	0
+ reinvested in the fund	0
+ profit for the financial year	36 836 411
Equity 31.12	1 554 633 470

8 Issued units

	31.12.2018	31.12.2017	31.12.2016
Number of units	1 499 853.31	2 037 709.73	2 918 645.71
Net asset value	1 036.52	1 017.17	997.05
Redemption price	1 031.34	1 012.08	992.07

Net asset value (NAV) is the market value per unit after deductions of the fund's costs.

NAV at subscription is NAV including a maximum subscription fee of 0.50 per cent. NAV at redemption is NAV less a maximum redemption fee of 0.50 per cent. A maximum of 0.0 per cent in subscription/redemption fees accrues to the fund.

9 Securities portfolio as at 31.12.2018

See next page.

Pareto Høyrente

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Securities portfolio as at 31 December 2018

Securities	ISIN	Listing	Maturity	Coupon rate in %	Interest adj. date ¹	Principal	Cost price NOK	Yield ² +acc. interest NOK	Market value	Unrealised gain/loss	Share in % of portfolio	Currency	Risk-class ³
Financials													
Aurskog Spb 14/PERP FRN C HYBRID	NO0010721699	Nordisk ABM	31.12.2099	4.07		5 000 000	5 035 000	3.95	5 053 231	- 25 861	0.3	NOK	100
BN Bank ASA 14/PERP FRN C HYBRID	NO0010703879	Nordisk ABM	31.12.2099	4.95		5 000 000	5 021 000	3.39	5 037 091	- 8 660	0.3	NOK	100
DNB Bank ASA 15/PERP FRN C HYBRID	NO0010730708	Oslo	31.12.2099	4.45		30 000 000	30 040 000	3.85	30 372 273	198 773	1.9	NOK	100
Eika Boligkreditt AS 18/28 FRN C SUB	NO0010814916	Nordisk ABM	02.02.2028	2.56	04.02.2019	60 000 000	60 000 000	2.71	59 446 912	- 809 088	3.8	NOK	100
Gjensidige Bank ASA 15/PERP FRN C HYB.	NO0010735707	Nordisk ABM	31.12.2099	4.35		20 000 000	19 930 000	4.08	20 200 137	171 054	1.3	NOK	100
Gjensidige Fors ASA 14/44 FRN STEP C SUB	NO0010720378	Oslo	03.10.2044	2.60	02.01.2019	76 000 000	75 280 000	2.86	74 896 117	- 883 372	4.8	NOK	100
Helgeland Spb 15/20 FRN	NO0010744923	Nordisk ABM	09.03.2020	2.08	11.03.2019	11 000 000	11 109 230	1.56	11 085 428	- 37 784	0.7	NOK	20
Helgeland Spb 16/PERP FRN C HYBRID	NO0010778780	Nordisk ABM	31.12.2099	5.60		29 600 000	30 676 250	4.36	30 673 358	- 136 420	2.0	NOK	100
Hjelmeland Spb 14/PERP FRN C HYBRID	NO0010713787	Nordisk ABM	31.12.2099	5.08		5 000 000	5 027 500	4.4	5 023 328	- 7 700	0.3	NOK	100
Indre Sogn Spb 14/24 FRN C SUB	NO0010720907	Nordisk ABM	03.10.2024	2.79	03.01.2019	23 000 000	23 034 500	2.67	23 192 818	- 2 107	1.5	NOK	100
Kistefos AS 16/19 FRN C	NO0010779291	Nordisk ABM	05.12.2019	8.72	05.03.2019	23 500 000	24 746 250	5.16	24 527 596	- 372 344	1.6	NOK	100
OBOS-banken AS 15/PERP FRN C HYBRID	NO0010740178	Nordisk ABM	31.12.2099	4.44		23 000 000	23 230 000	4.31	23 112 652	- 159 898	1.5	NOK	100
Sbanken ASA 15/PERP FRN C HYBRID	NO0010746456	Nordisk ABM	31.12.2099	5.18		20 000 000	20 522 350	4.29	20 587 552	- 167 898	1.3	NOK	100
Skudenes & Aakr Spb 16/PERP FRN C HYB.	NO0010779358	Nordisk ABM	31.12.2099	6.00		8 500 000	8 797 500	4.73	8 811 722	- 26 862	0.6	NOK	100
Skue Spb 16/PERP FRN C HYBRID	NO0010775554	Nordisk ABM	31.12.2099	6.28		8 000 000	8 332 000	4.79	8 292 978	- 40 418	0.5	NOK	100
Spb 1 Boligkredi AS 15/PERP FRN C HYBRID	NO0010745920	Nordisk ABM	31.12.2099	4.88		11 000 000	11 212 500	4.25	11 135 421	- 84 535	0.7	NOK	100
Spb 1 Boligkredi AS 16/PERP FRN C HYBRID	NO0010767643	Nordisk ABM	31.12.2099	5.78		2 000 000	2 072 000	4.38	2 066 268	- 7 338	0.1	NOK	100
Spb 1 BV 17/21 FRN	NO0010808926	Nordisk ABM	26.04.2021	1.65	28.01.2019	40 000 000	40 090 400	1.56	40 218 697	5 464	2.6	NOK	20
Spb 1 Nordvest 16/PERP FRN C HYBRID	NO0010760358	Nordisk ABM	31.12.2099	6.57		5 000 000	5 271 000	4.4	5 306 557	- 35 618	0.3	NOK	100
Spb 1 Ringerike Hadeland 18/22 FRN	NO0010819808	Nordisk ABM	22.06.2022	1.80	22.03.2019	50 000 000	50 000 000	1.9	49 848 885	- 163 615	3.2	NOK	20
Spb 1 SMN 18/PERP FRN C HYBRID	NO0010814676	Nordisk ABM	31.12.2099	4.22		32 000 000	32 000 000	4.43	31 766 931	- 484 394	2.0	NOK	100
Spb 1 SR-Bank ASA 09/PERP ADJ C HYBRID	NO0010552672	Oslo	09.12.2099	9.35	09.12.2099	25 500 000	27 307 000	1.46	26 881 659	- 571 046	1.7	NOK	100
Spb 1 SR-Bank ASA 17/20 FRN	NO0010785702	Oslo	04.05.2020	1.70	04.02.2019	25 000 000	25 135 000	1.46	25 158 332	- 43 960	1.6	NOK	20
Spb 1 Østlandet 13/19 FRN	NO0010679723	Nordisk ABM	22.11.2019	2.10	22.02.2019	30 000 000	30 405 000	1.41	30 263 950	- 211 050	1.9	NOK	100
Spb 1 Østlandet 14/PERP FRN C HYBRID	NO0010705585	Nordisk ABM	31.12.2099	4.79		3 500 000	3 542 000	3.34	3 517 612	- 30 908	0.2	NOK	20
Spb 1 Østlandet 14/PERP FRN C HYBRID	NO0010724826	Nordisk ABM	31.12.2099	4.33		3 000 000	3 035 400	3.97	3 020 964	- 22 375	0.2	NOK	100
Spb 1 Østlandet 17/27 FRN C SUB	NO0010810088	Nordisk ABM	16.11.2027	2.63	18.02.2019	10 000 000	10 000 000	2.8	9 948 274	- 85 332	0.6	NOK	100
Spb Møre 17/27 FRN C SUB	NO0010791692	Oslo	03.05.2027	2.63	04.02.2019	10 000 000	10 000 000	2.69	10 011 231	- 30 411	0.6	NOK	100
Spb Møre 17/PERP FRN C HYBRID	NO0010796154	Oslo	31.12.2099	4.54		6 000 000	5 997 500	4.5	5 989 188	- 19 662	0.4	NOK	100
Spb Sør 15/PERP FRN C HYBRID	NO0010748908	Nordisk ABM	31.12.2099	5.32		15 000 000	15 305 400	4.24	15 405 677	4 961	1.0	NOK	100
Spb Vest 16/PERP FRN C HYBRID	NO0010771603	Nordisk ABM	31.12.2099	5.78		25 000 000	25 000 000	4.4	25 928 396	840 090	1.7	NOK	100
Spb Øst 14/PERP FRN C HYBRID	NO0010720436	Oslo	31.12.2099	4.08		5 500 000	5 527 500	3.84	5 516 959	- 13 658	0.4	NOK	100

Pareto Høyrente

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Securities	ISIN	Listing	Maturity	Coupon rate in %	Interest. adj. date ¹	Principal	Cost price NOK	Yield ² +acc. interest NOK	Market value	Unrealised gain/loss	Share in % of portfolio	Currency	Risk-class ³
Spb Øst 16/19 FRN	NO0010767189	Nordisk ABM	09.09.2019	2.06	11.03.2019	10 000 000	10 103 000	1.44	10 057 477	- 58 112	0.6	NOK	20
Storebrand Bank ASA 14/24 FRN C SUB	NO0010714314	Nordisk ABM	09.07.2024	2.65	09.01.2019	25 000 000	25 000 000	2.02	25 242 036	87 453	1.6	NOK	100
Storebrand Liv AS 14/PERP FRN STEP C SUB	NO0010706021	Oslo	31.12.2099	3.98		44 000 000	44 000 000	3.95	43 584 322	- 440 000	2.8	NOK	100
Totens Spb 14/PERP FRN C HYBRID	NO0010721343	Nordisk ABM	31.12.2099	3.98		17 900 000	17 968 820	3.82	18 078 013	- 31 312	1.2	NOK	100
Total financials							749 754 100		749 260 042	- 3 703 943	47.8		
Energy													
BAker BP ASA 13/20 FRN FLOOR P	NO0010684145	Oslo	02.07.2020	7.60	02.01.2019	30 000 000	34 906 250	3.47	34 447 857	- 1 034 726	2.2	NOK	100
Bonheur ASA 17/20 FRN	NO0010809577	Oslo	09.11.2020	4.31	11.02.2019	35 000 000	35 000 000	4.27	35 287 710	65 625	2.3	NOK	100
BW Offshore Limited 15/22 FRN STEP C	NO0010740111	Oslo	16.03.2022	5.54	18.03.2019	32 000 000	27 168 914	6.82	31 577 867	4 335 086	2.0	NOK	100
Ocean Yield ASA 16/21 FRN C	NO0010774417	Oslo	23.09.2021	5.78	25.03.2019	29 000 000	29 000 000	6.27	29 101 821	78 541	1.9	NOK	100
Ship Finance International L 14/19 FRN C	NO0010705742	Oslo	19.03.2019	5.38	19.03.2019	25 000 000	25 265 000	4.1	25 119 839	- 193 730	1.6	NOK	100
Total energy							151 340 164		155 535 094	3 250 796	10.0		
Industrials													
Klaveness Combination Ca ASA 16/21 FRN C	NO0010779549	Nordisk ABM	27.05.2021	6.46	27.02.2019	21 500 000	21 500 000	6.46	21 753 282	118 250	1.4	NOK	100
Odfjell SE 16/19 FRN	NO0010774276	Oslo	20.09.2019	7.28	20.03.2019	5 000 000	5 172 917	3.67	5 145 267	- 39 783	0.3	NOK	100
Odfjell SE 17/21 FRN	NO0010782584	Oslo	25.01.2021	6.35	25.01.2019	25 000 000	25 425 000	5.99	25 499 861	- 225 000	1.6	NOK	100
Oslo Børs VPS Holding ASA 18/23 FRN	NO0010822455	Dublin	23.05.2023	2.01	25.02.2019	12 000 000	12 000 000	2.06	11 993 108	- 33 022	0.8	NOK	100
Stolt-Nielsen Limited 14/21 FRN	NO0010705551	Oslo	18.03.2021	4.64	18.03.2019	29 000 000	28 900 397	5.05	28 820 329	- 132 397	1.9	NOK	100
Stolt-Nielsen Limited 15/20 FRN	NO0010733819	Oslo	08.04.2020	5.16	08.01.2019	38 000 000	38 000 000	4.62	38 780 520	323 000	2.5	NOK	100
Veidekke ASA 18/23 FRN	NO0010823388	Oslo	05.06.2023	2.10	05.03.2019	13 000 000	13 000 000	2.57	12 745 793	- 274 682	0.8	NOK	100
VV Holding AS 14/19 FRN P/C	NO0010714033	Oslo	10.07.2019	6.31	10.01.2019	22 041 887	22 391 270	6.83	22 332 246	- 379 690	1.4	NOK	100
Wallenius Wilhelmsen ASA 18/21 FRN	NO0010831654	Oslo	13.09.2021	4.30	13.03.2019	40 000 000	40 000 000	4.48	39 890 778	- 200 000	2.6	NOK	100
Total industrials							206 389 584		206 961 184	- 843 324	13.3		
Consumer staples													
Austevoll Seafood ASA 17/23 FRN	NO0010797491	Oslo	21.06.2023	3.62	21.03.2019	11 000 000	11 000 000	3.37	11 078 167	66 000	0.7	NOK	100
Nortura SA 18/78 FRN STEP C SUB	NO0010822893	Nordisk ABM	25.05.2078	5.45	25.02.2019	20 000 000	20 000 000	5.67	19 659 000	- 450 000	1.3	NOK	100
Total consumer staples							31 000 000		30 737 167	- 384 000	2.0		

Pareto Høyrente

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Securities	ISIN	Listing	Maturity	Coupon rate in %	Interest adj. date ¹	Principal	Cost price NOK	Yield ² +acc. interest NOK	Market value	Unrealised gain/loss	Share in % of portfolio	Currency	Risk-class ³
Real estate													
Norwegian Property ASA 14/19 FRN P	NO0010720600	Oslo	07.10.2019	2.06	07.01.2019	40 000 000	39 958 360	1.81	40 289 130	129 348	2.6	NOK	100
Pioneer Public Properties AS 16/21 FRN C	NO0010767619	Oslo	28.05.2021	6.36	02.01.2019	25 000 000	25 848 214	6.2	25 500 083	- 754 464	1.6	NOK	100
Tveten Park AS 17/20 FRN C	NO0010790579	Oslo	27.04.2020	4.38	28.01.2019	35 000 000	35 000 000	5.12	35 447 533	175 000	2.3	NOK	100
Total real estate							100 806 574		101 236 746	- 450 116	6.5		
Consumer discretionary													
Felleskjøpet Agri SA 17/20 FRN	NO0010797327	Nordisk ABM	22.06.2020	2.73	22.03.2019	35 000 000	35 235 550	2.46	35 173 879	- 74 942	2.3	NOK	100
Læringsverkstedet AS 17/22 FRN C	NO0010794274	Nordisk ABM	01.06.2022	5.20	01.03.2019	37 500 000	37 500 000	6.14	37 188 333	- 468 750	2.4	NOK	100
Møller Mobility Group AS 17/22 FRN	NO0010789787	Nordisk ABM	28.03.2022	2.28	28.03.2019	40 000 000	40 000 000	2.44	39 809 037	- 201 096	2.6	NOK	100
Schibsted ASA 14/21 FRN	NO0010710569	Oslo	06.05.2021	2.27	06.02.2019	40 000 000	40 000 000	2.18	40 244 572	103 328	2.6	NOK	100
Total consumer discretionary							152 735 550		152 415 821	- 641 460	9.9		
Utilities													
Hafslund AS 14/19 FRN	NO0010719727	Oslo	17.09.2019	1.82	18.03.2019	7 000 000	7 023 730	1.68	7 013 991	- 15 047	0.5	NOK	100
Hafslund AS 15/20 FRN	NO0010735087	Oslo	13.02.2020	1.73	13.02.2019	10 000 000	10 041 500	1.68	10 033 173	- 31 874	0.6	NOK	100
Statkraft AS 15/20 FRN	NO0010729452	Oslo	21.01.2020	1.60	21.01.2019	6 000 000	6 026 940	1.52	6 026 174	- 19 699	0.4	NOK	100
Statkraft AS 15/20 FRN	NO0010741150	Oslo	08.07.2020	1.66	08.01.2019	20 000 000	20 126 600	1.55	20 120 133	- 84 856	1.3	NOK	100
Total utilities							43 218 770		43 193 471	- 151 476	2.8		
Information technology													
DigiPlex Fet AS 14/19 FRN STEP C	NO0010712870	Oslo	11.06.2019	5.03	11.03.2019	47 000 000	47 142 679	3.72	47 431 773	151 189	3.0	NOK	100
Health care													
Care Bidco AS 17/21 FRN C	NO0010788961	Oslo	24.03.2021	6.78	25.03.2019	14 000 000	14 000 000	8.93	13 693 808	- 319 375	0.9	NOK	100
Total securities portfolio							1 496 387 421		1 500 465 107	- 3 091 709	96.2		

1. Applicable only to floating rate bonds.

2. Yield to maturity is the average annual rate of return of a bond held to maturity. The yield to maturity will change from day to day, and is no guarantee of performance in the period.

3. The risk classes refer to the risk weighting of various issuers in accordance with the capital adequacy regulations and the Bank of International Settlements (BIS).

Other fixed income funds



Other fixed income funds

Legal structure: UCITS

Dealing days: all Norwegian banking days except 31.12.

Pareto Obligasjon

This fund invests in securities issued or guaranteed by the Norwegian government, municipalities or financial institutions, including senior loans and covered bonds. The average duration of the fund shall be between 1 and 5 years.

Benchmark: Government Bond Index 3.00 (ST4X)

Other relevant information: The fund has authorisation from Finanstilsynet to invest up to 100 per cent of the Fund's assets in transferable securities or money market instruments as mentioned in the Norwegian Act on Securities Funds § 6–6, second paragraph no. 3. The investments must include at least six different issues, and investments from one and the same issue must not exceed 30 per cent of the fund's total assets.



Pareto Likviditet

The fund invests in senior loans to financial institutions and covered bonds.

Benchmark: Government Bond Index 0.25 (ST1X)

Other relevant information: The fund has authorisation from Finanstilsynet to invest up to 100 per cent of the fund's assets in transferable securities or money market instruments issued by Den norske stat. The investments must include at least six different issues, and investments from one and the same issue must not exceed 30 per cent of the fund's total assets.



The risk indicator was calculated using historical data and may not be a reliable indication of the future risk profile of the fund.

Performance by periods

Name	2018	2017	2016	2015	2014
Pareto Obligasjon	0.8%	1.3%	1.3%	0.7%	2.8%
Government Bond Index 3.00	0.5%	1.4%	0.4%	1.6%	5.1%
Pareto Likviditet	1.1%	1.3%	1.9%	1.0%	2.1%
Government Bond Index 0.25	0.5%	0.5%	0.5%	0.9%	1.3%

Annualised return

Name	Inception date	3 years	5 years	10 years	From start
Pareto Obligasjon	02.11.1999	1.1%	1.4%	2.7%	4.0%
Government Bond Index 3.00		0.8%	1.8%	2.6%	4.2%
Pareto Likviditet	27.09.1999	1.4%	1.5%	2.3%	3.4%
Government Bond Index 0.25		0.5%	0.8%	1.4%	3.0%

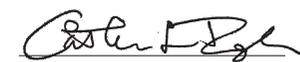
Other information

Name	Minimum initial subscription amount (NOK)	ISIN	Bloomberg
Pareto Obligasjon	100 000	N00010025190	POOBLII NO
Pareto Likviditet	2 million	N00010025174	POLIKV NO

Pareto Obligasjon

Income statement	Notes	2018 01.01-31.12	2017 01.01-31.12
Portfolio income and expenses			
Interest received		2 836 675	3 690 582
Realised capital gain/loss	4	-1 645 080	-1 650 678
Net unrealised capital gain/loss	4	-70 087	183 388
Portfolio profit		1 121 509	2 223 292
Management revenue and costs			
Custodian charges on purchases and sales of securities		-1 500	-1 950
Management fees	5	-422 992	-556 052
Other income/expenses		0	0
Management earnings		-424 492	-558 002
Profit before taxation		697 017	1 665 290
Income tax	6	0	0
Profit for the financial year		697 017	1 665 290
Allocation of profit			
Net distributed to unitholders during the year		102 607	251 978
Allocated for distribution to unitholders		664 498	1 218 768
Transferred to/from equity		-70 089	194 543
Total allocations and equity transfers		697 017	1 665 290
Balance sheet			
		31.12.2018	31.12.2017
Assets			
Securities at market value	2,3,4,9	80 350 273	100 804 057
Accrued interests	9	1 143 284	1 432 794
Cash and cash equivalents		1 051 891	1 265 140
Total assets		82 545 447	103 501 991
Equity and liabilities			
Equity			
Unit capital at par value		82 594 117	103 503 541
Premium		2 180 533	2 151 339
Retained earnings		-2 262 560	-2 192 472
Total equity	7,8	82 512 090	103 462 409
Liabilities			
Accrued management fees		31 666	39 582
Other liabilities		1 692	0
Total liabilities		33 357	39 582
Total equity and liabilities		82 545 447	103 501 991

Board of directors Pareto Asset Management AS Oslo, 13 March 2019



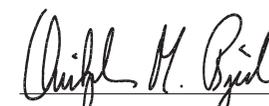
Cathrine Lofterød Fegth
Chairman



Erik Bartnes
Board member



Svein Støle
Board member



Christopher M. Bjerke
Board member
(elected by unitholders)



Liv Monica Stubholt
Board member
(elected by unitholders)



Lasse Ruud
CEO

Pareto Obligasjon

Notes

1 Accounting policies

The financial statements have been prepared in accordance with the Norwegian Accounting Act and the regulations relating to Annual financial statements for mutual funds.

Financial instruments

Securities are recognised at fair value (market price) as at 31.12.2018. For securities where no exchange rate information from stock exchanges or any other official sources are available, the valuation will be based on either the last trading price, valuations made by leading brokerage houses, and/or internal valuations. Dividends from shares are recognized as income when the share price is quoted exclusive of dividends. Accrued non-accrued interest income is recognized in the accounts.

Foreign currency

The funds accounting currency is NOK. Investments in foreign currency is converted into NOK at the market exchange rate as at 31.12.2018.

Transaction fees

Transaction fees to the custodian are expended on a monthly basis. Other expences to the custodian is covered by the management company. Management fees are registered at the time of transaction, and will thus be included in the security cost at acquisition, and selling price at realisation.

Tax related issues

Securities funds are exempt from tax on profit and are not entitled to deduct for loss, upon the realization of shares in companies domestically resident within and outside the EEA. Change in unrealised gain/loss for all inventories is not taxable but may be subject to deferred tax calculation. 3% of the net dividend on shares in companies domiciled within the EEA is taxable. Other income and expenses are respectively taxable and deductible.

Allocated for distribution to unitholders

Mutual funds with less than 80 per cent taxable share exposure has deductibility rights for taxable profit from non-stock securities, if this are to be distributed to unitholders in the fiscal year. The distribution will reduce the NAV equivalent to dividend per unit at the day of distribution. For funds that have distributed taxable income per. 31.12.2018, this is distributed in the allocation of the profit for the year.

All dividends to unitholders are treated as surplus exposures in accordance with the regulations on financial statements for mutual funds. Dividends are reinvested as new shares in the fund during the fiscal year and are accounted accordingly.

2 Financial market risk and use of derivatives

Investments in Norwegian companies are exposed to stock price and liquidity risk. Investments in foreign companies are exposed to stock price, currency and liquidity risk. Investments in fixed income instruments are exposed to interest rate, credit and liquidity risk. If an interestbearing paper is issued in foreign currency, then the fund is also exposed to currency risk, although hedging can be undertaken to reduce this risk. Bank deposits in foreign currency are also exposed to currency and credit risk.

Pareto Obligasjon has not used any derivatives in 2018.

3 Turnover ratio

The portfolio's turnover ratio is 0.43.

The turnover rate is a measure of the average duration of the fund's investments.

The turnover rate is calculated by dividing the lesser of total purchases or total sales of securities in the portfolio during the year by the average total net assets during the year. The formula is an approximation to calculating the fund's turnover rate.

4 Brokerage fees

Brokerage fees are included in the securities cost price. Total fee this year is NOK 0.

Pareto Obligasjon

5 Management fees

The fund is charged a daily management fee of 0.45 per cent per annum of the total portfolio.

Subscriptions of more than 20 000 units are given a discounted management fee.

6 Tax

	2018
Profit before taxation	697 017
Permanent differences	
Distribution to unitholders	-767 105
Realised capital gains	0
Unrealised capital gains (change)	70 087
Dividends within EEA (gross)	0
3% of dividends within EEA (net)	0
Withholding tax outside the EEA	0
Total taxable income	-2
Use of losses carried forward	0
Tax base	0
Assessed tax in Norway	0

Specification of tax expense

Income tax Norway	0
Withholding tax within the EEA	0
Withholding tax outside the EEA	0
Total recognised tax expense	0

7 Equity

	2018
Equity 1.1	103 462 409
+ subscription/redemption	-21 543 037
- distribution to unitholders	-102 607
- allocated for distribution	-664 498
+ reinvested in the fund	662 807
+ profit for the financial year	697 017
Equity 31.12	82 512 090

8 Issued units

	31.12.2018	31.12.2017	31.12.2016
Number of units	82 594.12	103 503.54	127 666.19
Net asset value	999.01	999.60	998.20
Redemption price	999.01	999.60	998.20

Net asset value (NAV) is the market value per unit after deductions of the fund's costs.

Redemption of units is made at net asset value. No transaction fees are charged when redeeming units.

9 Securities portfolio as at 31.12.2018

See next page.

Pareto Obligasjon

Securities portfolio as at 31 December 2018

Securities	ISIN	Listing	Maturity	Coupon rate %	Interest adj. date ¹	Principal	Cost price NOK	Yield ² +acc. interest NOK	Market value +acc. interest NOK	Unrealised gain/loss	Share in % of portfolio	Currency	Risk-class ³
Financials													
BN Bank ASA 14/20 2.85%	NO0010714603	Nordisk ABM	07.07.2020	2.85	07.07.2020	1 000 000	1 016 030	1.72	1 030 556	751	1.2	NOK	20
Eika Boligkreditt AS 09/19 ADJ C COVD	NO0010561103	Oslo	16.12.2019	5.00	16.12.2019	4 000 000	4 398 000	1.38	4 144 973	- 261 360	5.0	NOK	10
Gjensidige Bank Boli AS 13/20 ADJ C COVD	NO0010687429	Nordisk ABM	11.09.2020	3.65	11.09.2020	4 000 000	4 264 400	1.59	4 181 104	- 127 907	5.0	NOK	10
Helgeland Spb 15/20 2.30%	NO0010735442	Nordisk ABM	11.11.2020	2.30	11.11.2020	4 000 000	4 048 000	1.81	4 048 355	- 12 423	4.9	NOK	20
KLP kommekreditt AS 16/21 ADJ C COVD	NO0010756711	Oslo	28.10.2021	1.79	28.10.2021	5 000 000	5 001 500	1.71	5 026 461	9 298	6.1	NOK	10
Nordea Bank Abp 14/19 3.00%	NO0010704067	Oslo	21.08.2019	3.00	21.08.2019	4 000 000	4 140 000	1.49	4 081 319	- 102 014	4.9	NOK	20
Spb 1 BV 13/19 3.85%	NO0010687460	Nordisk ABM	18.09.2019	3.85	18.09.2019	4 000 000	4 165 680	1.52	4 109 540	- 100 202	4.9	NOK	20
Spb 1 Nord-Norge 14/20 2.33%	NO0010723455	Nordisk ABM	17.11.2020	2.33	17.11.2020	4 000 000	3 987 200	1.78	4 051 669	53 078	4.9	NOK	20
Spb 1 Næringskreditt AS 13/21 ADJ C COVD	NO0010673858	Nordisk ABM	16.06.2021	3.72	16.06.2021	4 000 000	4 367 200	1.75	4 268 374	- 179 426	5.1	NOK	10
Spb 1 SMN 12/19 5.17%	NO0010635782	Nordisk ABM	08.02.2019	5.17	08.02.2019	5 000 000	5 340 000	1.2	5 251 804	- 320 128	6.1	NOK	20
Spb 1 SR-Bank ASA 16/22 2.04%	NO0010778483	Oslo	11.02.2022	2.04	11.02.2022	4 000 000	3 980 920	2.09	4 066 341	12 888	4.8	NOK	20
Spb 1 Østlandet 15/21 2.36%	NO0010740004	Nordisk ABM	17.08.2021	2.36	17.08.2021	5 000 000	5 047 500	1.97	5 092 728	1 306	6.1	NOK	20
Spb Sør 13/19 3.40%	NO0010675358	Nordisk ABM	17.06.2019	3.40	17.06.2019	4 000 000	4 218 000	1.53	4 107 282	- 184 007	4.9	NOK	20
Spb Øst 14/19 3.00%	NO0010708340	Nordisk ABM	26.03.2019	3.00	26.03.2019	4 000 000	4 116 400	1.45	4 106 220	- 101 846	4.9	NOK	20
Storebrand ASA 17/20 FRN	NO0010792567	Nordisk ABM	11.05.2020	2.67	11.02.2019	5 000 000	5 035 500	1.88	5 074 397	20 355	6.1	NOK	20
Total financials							63 126 330		62 641 123	- 1 291 637	74.9		
State/County													
Den norske stat 08/19 4.50%	NO0010429913	Oslo	22.05.2019	4.50	22.05.2019	8 000 000	9 092 000	0.91	8 330 536	- 980 464	9.8	NOK	0
Eidsvoll komm 15/22 1.98%	NO0010735004	Unotert	25.04.2022	1.98	25.04.2022	5 000 000	4 996 500	1.94	5 074 895	10 470	6.1	NOK	20
Sande komm Larsne 1.18% CERT 365 210319	NO0010819642	Unotert	21.03.2019	1.18	21.03.2019	5 400 000	5 398 002	1.42	5 447 003	- 927	6.5	NOK	20
Total State/County							19 486 502		18 852 434	- 970 921	22.4		
Total securities portfolio							82 612 832		81 493 557	- 2 262 558	97.3		

1. Applicable only to floating rate bonds.

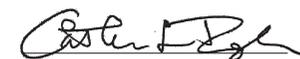
2. Yield to maturity is the average annual rate of return of a bond held to maturity. The yield to maturity will change from day to day, and is no guarantee of performance in the period.

3. The risk classes refer to the risk weighting of various issuers in accordance with the capital adequacy regulations and the Bank of International Settlements (BIS).

Pareto Likviditet

Income statement	Notes	2018 01.01-31.12	2017 01.01-31.12
Portfolio income and expenses			
Interest received		11 195 831	10 618 569
Realised capital gain/loss	4	-740 849	-820 957
Net unrealised capital gain/loss	4	-1 705 705	-793 766
Portfolio profit		8 749 277	9 003 846
Management revenue and costs			
Custodian charges on purchases and sales of securities		-4 440	-14 250
Management fees	5	-1 666 568	-1 584 911
Other income/expenses		0	1
Management earnings		-1 671 008	-1 599 160
Profit before taxation		7 078 270	7 404 686
Income tax	6	0	0
Profit for the financial year		7 078 270	7 404 686
Allocation of profit			
Net distributed to unitholders during the year		299 501	-1 085 457
Allocated for distribution to unitholders		8 057 628	8 743 766
Transferred to/from equity		-1 278 860	-253 623
Total allocations and equity transfers		7 078 270	7 404 686
Balance sheet			
		31.12.2018	31.12.2017
Assets			
Securities at market value	2,3,4,9	630 696 810	722 975 189
Accrued interests	9	1 305 944	1 400 109
Cash and cash equivalents		12 906 570	6 081 908
Total assets		644 909 324	730 457 206
Equity and liabilities			
Equity			
Unit capital at par value		645 860 205	736 782 791
Premium		1 543 151	759 079
Retained earnings		-8 880 734	-7 601 874
Total equity	7,8	638 522 622	729 939 996
Liabilities			
Accrued management fees		136 027	156 857
Other liabilities		6 250 675	360 352
Total liabilities		6 386 702	517 210
Total equity and liabilities		644 909 324	730 457 206

Board of directors Pareto Asset Management AS Oslo, 13 March 2019



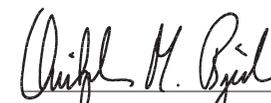
Cathrine Lofterød Fegth
Chairman



Erik Bartnes
Board member



Svein Støle
Board member



Christopher M. Bjerke
Board member
(elected by unitholders)



Liv Monica Stubholt
Board member
(elected by unitholders)



Lasse Ruud
CEO

Pareto Likviditet

Notes

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Transaction fees

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Tax related issues

Securities funds are exempt from tax on profit and are not entitled to deduct for loss, upon the realization of shares in companies domestically resident within and outside the EEA. Change in unrealised gain/loss for all inventories is not taxable but may be subject to deferred tax calculation. 3% of

the net dividend on shares in companies domiciled within the EEA is taxable. Other income and expenses are respectively taxable and deductible.

Allocated for distribution to unitholders

Mutual funds with less than 80 per cent taxable share exposure has deductibility rights for taxable profit from non-stock securities, if this are to be distributed to unitholders in the fiscal year. The distribution will reduce the NAV equivalent to dividend per unit at the day of distribution. For funds that have distributed taxable income per. 31.12.2018, this is distributed in the allocation of the profit for the year.

All dividends to unitholders are treated as surplus exposures in accordance with the regulations on financial statements for mutual funds. Dividends are reinvested as new shares in the fund during the fiscal year and are accounted accordingly.

2 Financial market risk and use of derivatives

Investments in Norwegian companies are exposed to stock price and liquidity risk. Investments in foreign companies are exposed to stock price, currency and liquidity risk. Investments in fixed income instruments are exposed to interest rate, credit and liquidity risk. If an interestbearing paper is issued in foreign currency, then the fund is also exposed to currency risk, although hedging can be undertaken to reduce this risk. Bank deposits in foreign currency are also exposed to currency and credit risk.

Pareto Likviditet has not used any derivatives in 2018.

3 Turnover ratio

The portfolio's turnover ratio is 0.70.

The turnover rate is a measure of the average duration of the fund's investments.

The turnover rate is calculated by dividing the lesser of total purchases or total sales of securities in the portfolio during the year by the average total net assets during the year. The formula is an approximation to calculating the fund's turnover rate.

4 Brokerage fees

Brokerage fees are included in the securities cost price. Total fee this year is NOK 0.

5 Management fees

The fund is charged a daily management fee of 0.25 per cent per annum of the total portfolio.

Subscriptions of more than 25 000 units are given a discounted management fee.

Pareto Likviditet

<p>6 Tax</p> <table border="0"> <tr> <td></td> <td style="text-align: right;">2018</td> </tr> <tr> <td>Profit before taxation</td> <td style="text-align: right;">7 078 270</td> </tr> <tr> <td>Permanent differences</td> <td></td> </tr> <tr> <td>Distribution to unitholders</td> <td style="text-align: right;">-8 357 129</td> </tr> <tr> <td>Realised capital gains</td> <td style="text-align: right;">0</td> </tr> <tr> <td>Unrealised capital gains (change)</td> <td style="text-align: right;">1 705 705</td> </tr> <tr> <td>Dividends within EEA (gross)</td> <td style="text-align: right;">0</td> </tr> <tr> <td>3% of dividends within EEA (net)</td> <td style="text-align: right;">0</td> </tr> <tr> <td>Withholding tax outside the EEA</td> <td style="text-align: right;">0</td> </tr> <tr> <td>Temporary differences</td> <td></td> </tr> <tr> <td>Unrealised gains/losses after merger</td> <td style="text-align: right;">-426 871</td> </tr> <tr> <td>Total taxable income</td> <td style="text-align: right;">-25</td> </tr> <tr> <td>Use of losses carried forward</td> <td style="text-align: right;">-0</td> </tr> <tr> <td>Tax base</td> <td style="text-align: right;">0</td> </tr> <tr> <td>Assessed tax in Norway</td> <td style="text-align: right;">0</td> </tr> <tr> <td>Specification of tax expense</td> <td></td> </tr> <tr> <td>Income tax Norway</td> <td style="text-align: right;">0</td> </tr> <tr> <td>Withholding tax within the EEA</td> <td style="text-align: right;">0</td> </tr> <tr> <td>Withholding tax outside the EEA</td> <td style="text-align: right;">0</td> </tr> <tr> <td>Total recognised tax expense</td> <td style="text-align: right;">0</td> </tr> </table>		2018	Profit before taxation	7 078 270	Permanent differences		Distribution to unitholders	-8 357 129	Realised capital gains	0	Unrealised capital gains (change)	1 705 705	Dividends within EEA (gross)	0	3% of dividends within EEA (net)	0	Withholding tax outside the EEA	0	Temporary differences		Unrealised gains/losses after merger	-426 871	Total taxable income	-25	Use of losses carried forward	-0	Tax base	0	Assessed tax in Norway	0	Specification of tax expense		Income tax Norway	0	Withholding tax within the EEA	0	Withholding tax outside the EEA	0	Total recognised tax expense	0	<p>7 Equity</p> <table border="0"> <tr> <td></td> <td style="text-align: right;">2018</td> </tr> <tr> <td>Equity 1.1</td> <td style="text-align: right;">729 939 996</td> </tr> <tr> <td>+ subscription/redemption</td> <td style="text-align: right;">-97 948 810</td> </tr> <tr> <td>- distribution to unitholders</td> <td style="text-align: right;">-299 501</td> </tr> <tr> <td>- allocated for distribution</td> <td style="text-align: right;">-8 057 628</td> </tr> <tr> <td>+ reinvested in the fund</td> <td style="text-align: right;">7 810 296</td> </tr> <tr> <td>+ profit for the financial year</td> <td style="text-align: right;">7 078 270</td> </tr> <tr> <td>Equity 31.12</td> <td style="text-align: right;">638 522 622</td> </tr> </table> <p>8 Issued units</p> <table border="0"> <thead> <tr> <th></th> <th style="text-align: right;">31.12.2018</th> <th style="text-align: right;">31.12.2017</th> <th style="text-align: right;">31.12.2016</th> </tr> </thead> <tbody> <tr> <td>Number of units</td> <td style="text-align: right;">645 860,20</td> <td style="text-align: right;">736 782,79</td> <td style="text-align: right;">565 039,22</td> </tr> <tr> <td>Net asset value</td> <td style="text-align: right;">988,64</td> <td style="text-align: right;">990,71</td> <td style="text-align: right;">990,33</td> </tr> <tr> <td>Redemption price</td> <td style="text-align: right;">988,64</td> <td style="text-align: right;">990,71</td> <td style="text-align: right;">990,33</td> </tr> </tbody> </table> <p>Net asset value (NAV) is the market value per unit after deductions of the fund's costs.</p> <p>Redemption of units is made at net asset value. No transaction fees are charged when redeeming units.</p>		2018	Equity 1.1	729 939 996	+ subscription/redemption	-97 948 810	- distribution to unitholders	-299 501	- allocated for distribution	-8 057 628	+ reinvested in the fund	7 810 296	+ profit for the financial year	7 078 270	Equity 31.12	638 522 622		31.12.2018	31.12.2017	31.12.2016	Number of units	645 860,20	736 782,79	565 039,22	Net asset value	988,64	990,71	990,33	Redemption price	988,64	990,71	990,33	<p>9 Securities portfolio as at 31.12.2018</p> <p>See next page.</p>
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Pareto Likviditet

1/2

Securities portfolio as at 31 December 2018

Securities	ISIN	Listing	Maturity	Coupon rate in %	Interest adj. date ¹	Principal	Cost price NOK	Yield ² +acc. interest NOK	Market value	Unrealised gain/loss	Share in % of portfolio	Currency	Risk-class ³
Financials													
Eika Boligkreditt AS 15/20 FRN	NO0010739287	Nordic ABM	04.06.2020	1.92	04.03.2019	25 000 000	25 182 450	1.61	25 156 708	- 63 075	3.9	NOK	20
Fana Spb 16/19 FRN	NO0010778855	Nordic ABM	18.09.2019	1.91	18.03.2019	29 000 000	29 126 950	1.49	29 115 013	- 33 477	4.6	NOK	20
Gjensidige Bank ASA 15/19 FRN	NO0010741218	Nordic ABM	29.11.2019	1.84	28.02.2019	40 000 000	40 260 100	1.43	40 229 379	- 98 188	6.3	NOK	20
Jæren Spb 16/20 FRN	NO0010763576	Nordic ABM	21.04.2020	2.33	21.01.2019	10 000 000	10 140 700	1.44	10 166 274	- 20 379	1.6	NOK	20
Kredittforeningen for Spb 14/19 FRN	NO0010703762	Nordic ABM	12.02.2019	1.99	12.02.2019	20 000 000	20 142 000	1.34	20 071 040	- 126 238	3.1	NOK	20
Landkreditt Bank AS 15/20 FRN	NO0010742422	Nordic ABM	30.07.2020	1.79	30.01.2019	20 000 000	20 149 000	1.50	20 161 426	- 50 224	3.1	NOK	20
Landkreditt Boligkre AS 15/20 FRN C COVID	NO0010743206	Nordic ABM	13.11.2020	1.69	13.02.2019	5 000 000	5 029 600	1.43	5 037 524	- 3 578	0.8	NOK	10
Melhus Spb 16/20 FRN	NO0010764657	Nordic ABM	02.06.2020	2.30	04.03.2019	15 000 000	15 190 550	1.61	15 180 144	- 38 198	2.4	NOK	20
Møre Boligkreditt AS 14/20 FRN C COVID	NO0010720204	Oslo	23.09.2020	1.52	25.03.2019	21 000 000	21 058 800	1.43	21 044 136	- 19 097	3.3	NOK	10
Orkla Spb 16/20 FRN	NO0010775778	Nordic ABM	30.09.2020	2.30	29.03.2019	10 000 000	10 126 200	1.76	10 099 011	- 27 828	1.6	NOK	20
Pareto Bank ASA 14/19 FRN	NO0010722804	Nordic ABM	04.11.2019	2.17	04.02.2019	10 000 000	10 076 500	1.66	10 080 410	- 30 448	1.6	NOK	20
Pareto Bank ASA 18/21 FRN	NO0010815467	Nordic ABM	02.02.2021	1.99	04.02.2019	15 000 000	15 000 000	1.90	15 085 174	35 424	2.4	NOK	20
Sbanken ASA 17/20 FRN	NO0010782527	Nordic ABM	17.01.2020	1.67	17.01.2019	10 000 000	10 060 500	1.36	10 070 290	- 25 466	1.6	NOK	20
Spb 1 Hallingdal Valdres 14/19 FRN	NO0010708423	Nordic ABM	25.03.2019	2.00	25.03.2019	25 000 000	25 148 750	1.41	25 042 224	- 113 470	3.9	NOK	20
Spb 1 Nord-Norge 14/19 FRN	NO0010716434	Nordic ABM	21.08.2019	1.66	21.02.2019	40 000 000	40 092 000	1.36	40 159 090	- 8 532	6.3	NOK	20
Spb 1 Nordvest 15/20 FRN	NO0010733488	Nordic ABM	26.03.2020	1.90	26.03.2019	10 000 000	10 040 000	1.62	10 041 383	- 1 256	1.6	NOK	20
Spb 1 Nordvest 16/21 FRN	NO0010774268	Nordic ABM	13.09.2021	2.26	13.03.2019	10 000 000	10 152 000	1.87	10 118 588	- 45 340	1.6	NOK	20
Spb 1 Ringerike Hadeland 16/20 FRN	NO0010763949	Nordic ABM	29.04.2020	2.11	29.01.2019	10 000 000	10 092 200	1.45	10 128 710	- 1 001	1.6	NOK	20
Spb 1 Ringerike Hadeland 18/22 FRN	NO0010819808	Nordic ABM	22.06.2022	1.80	22.03.2019	10 000 000	10 010 000	1.90	9 969 777	- 42 723	1.6	NOK	20
Spb 1 SMN 17/20 FRN	NO0010781966	Nordic ABM	13.01.2020	1.64	14.01.2019	45 000 000	45 260 800	1.31	45 326 607	- 94 093	7.1	NOK	20
Spb 1 Østfold Akershus 14/19 FRN	NO0010724115	Nordic ABM	18.11.2019	1.77	18.02.2019	5 000 000	5 022 650	1.45	5 025 897	- 7 324	0.8	NOK	20
Spb 1 Østfold Akershus 16/21 FRN	NO0010769912	Nordic ABM	11.08.2021	2.09	11.02.2019	20 000 000	20 304 000	1.68	20 273 752	- 88 304	3.2	NOK	20
Spb 1 Østlandet 15/20 FRN	NO0010732274	Nordic ABM	16.04.2020	1.61	16.01.2019	21 000 000	21 093 660	1.37	21 143 838	- 22 138	3.3	NOK	20
Spb Møre 17/21 FRN	NO0010803034	Oslo	25.02.2021	1.67	25.02.2019	25 000 000	25 131 000	1.62	25 080 818	- 91 933	3.9	NOK	20
Spb Narvik 15/20 FRN	NO0010751399	Nordic ABM	09.11.2020	2.42	11.02.2019	5 000 000	5 092 900	1.61	5 094 645	- 16 069	0.8	NOK	20
Spb Sogn og Fjordane 14/19 FRN	NO0010720899	Nordic ABM	29.10.2019	1.60	29.01.2019	25 000 000	25 088 750	1.33	25 132 191	- 27 670	3.9	NOK	20
Spb Sør 14/20 FRN	NO0010708019	Nordic ABM	19.03.2020	1.93	19.03.2019	19 000 000	19 121 220	1.54	19 110 094	- 24 368	3.0	NOK	20
Spb Telemark 16/21 FRN	NO0010756422	Nordic ABM	22.01.2021	2.43	22.01.2019	15 000 000	15 000 000	1.52	15 356 448	284 561	2.4	NOK	20
Spb Vest 14/19 FRN	NO0010708472	Nordic ABM	25.03.2019	1.86	25.03.2019	15 000 000	15 068 100	1.36	15 022 051	- 49 925	2.4	NOK	20
Spb Vest 15/20 FRN	NO0010743008	Nordic ABM	12.02.2020	1.76	12.02.2019	10 000 000	10 061 700	1.42	10 065 994	- 20 150	1.6	NOK	20
Spb Øst 16/19 FRN	NO0010767189	Nordic ABM	09.09.2019	2.06	11.03.2019	23 000 000	23 217 400	1.44	23 132 197	- 114 158	3.6	NOK	20

Pareto Likviditet

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Securities	ISIN	Listing	Maturity	Coupon rate in %	Interest adj. date ¹	Principal	Cost price NOK	Yield ² +acc. interest NOK	Market value +acc. interest NOK	Unrealised gain/loss	Share in % of portfolio	Currency	Risk-class ³
Storebrand Bank ASA 16/19 FRN	N00010758980	Nordic ABM	04.03.2019	2,38	04.03.2019	10 000 000	10 139 000	1,3	10 037 589	- 119 922	1,6	NOK	20
Storebrand Boligkred AS 16/21 FRN C COVD	N00010760192	Oslo	16.06.2021	2,07	20.03.2019	5 000 000	5 077 600	1,5	5 074 701	- 6 637	0,8	NOK	10
Total financials							581 757 080		581 833 123	- 1 111 224	91,3		
State/County													
Sandefjord komm 1.116% CERT 181 070319	N00010832017	Unlisted	07.03.2019	1,12	07.03.2019	30 000 000	30 002 340	1,31	30 095 803	- 12 939	4,7	NOK	20
Trondheim komm 15/20 FRN	N00010741002	Oslo	19.06.2020	1,70	19.03.2019	20 000 000	20 082 400	1,52	20 073 830	- 20 848	3,1	NOK	20
Total State/County							50 084 740		50 169 633	- 33 787	7,8		
Total securities portfolio							631 841 820		632 002 754	- 1 145 011	99,1		

1. Applicable only to floating rate bonds.

2. Yield to maturity is the average annual rate of return of a bond held to maturity. The yield to maturity will change from day to day, and is no guarantee of performance in the period.

3. The risk classes refer to the risk weighting of various issuers in accordance with the capital adequacy regulations and the Bank of International Settlements (BIS).

Auditor's report

Deloitte.

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To the General Meeting of Pareto Asset Management AS

INDEPENDENT AUDITOR'S REPORT

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the mutual funds managed by Pareto Asset Management AS showing the following financial results;

Pareto Aksje Norge	kr	57 077 956	Pareto Investment Fund	kr	-237 132 843
Pareto Hayrente	kr	36 836 411	Pareto Global	kr	-743 031 630
Pareto Likviditet	kr	7 078 270	Pareto Nordic Return	kr	-140 508 655
Pareto Obligasjon	kr	697 017			

The financial statements comprise the balance sheet as at 31 December 2018, the income statement and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements are prepared in accordance with law and regulations and give a true and fair view of the financial position of the Company as at 31 December 2018, and its financial performance and its cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway.

Basis for Opinion

We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company as required by laws and regulations, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

Management is responsible for the other information. The other information comprises the Board of Directors' report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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Responsibilities of The Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director (management) are responsible for the preparation of the financial statements in accordance with law and regulations, including fair presentation of the financial statements in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern. The financial statements use the going concern basis of accounting insofar as it is not likely that the enterprise will cease operations.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing (ISAs), we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error. We design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit

Auditor's report

Deloitte.

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Report on Other Legal and Regulatory Requirements

Opinion on the Board of Directors' report

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors' report concerning the financial statements, the going concern assumption, and the proposal for the allocation of the profit is consistent with the financial statements and complies with the law and regulations.

Opinion on Registration and Documentation

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements (ISAE) 3000, Assurance Engagements Other than Audits or Reviews of Historical Financial Information, it is our opinion that management has fulfilled its duty to produce a proper and clearly set out registration and documentation of the company's accounting information in accordance with the law and bookkeeping standards and practices generally accepted in Norway.

Oslo, 13 March 2019
Deloitte

Jørn Borchgrevink
State Authorised Public Accountant

Note: This translation from Norwegian has been prepared for information purposes only

Remuneration policy

Pareto Asset Management has adopted a remuneration policy that aims to promote good governance of the company's risk in accordance with the company and the funds' strategy, objectives, risk tolerance and long-term interests.

The remuneration policy shall discourage risk taking which is inconsistent with the risk profiles, articles of association or other constitutional documents of the securities fund under management, as well as measures to avoid conflicts of interest.

The remuneration policy applies to all employees of Pareto Asset Management. All employees shall have a commercial total remuneration and may in addition to the fixed salary receive a discretionary variable remuneration.

The remuneration policy shall promote long-term interests and accountability among employees.

Discretionary compensation is determined by certain specified quantitative and qualitative criteria.

Certain employees, "identified staff" are subject to special requirements of a proper balance of variable to fixed remuneration and retention of variable remuneration. For identified staff, at least half of the variable remuneration is subject to deferral. The deferred capital is withheld by the company as contingent capital and invested in the company's securities funds. Deferred capital is paid in equal portions over a three year period, adjusted for profits and losses in the period. The chief executive officer, head of sales, chief investment officer, head of operations, chief financial officer, chief compliance officer, chief risk officer, branch manager and portfolio managers are subject to the special provisions of the remuneration policy.

The management company has a remuneration committee appointed by the Board of Directors. The

committee shall prepare all matters concerning the remuneration policy to be determined by the Board. The committee consists of the Chairman of the Board, as well as one shareholder-elected director and one director elected by the unit-holders who is independent of the management of the company. The committee proposes the variable remuneration for the CEO and identified staff to the Board of Directors, and supervises the CEO's decisions concerning variable remuneration for other employees.

The remuneration policy is revised annually, including updating which individuals are covered by the remuneration policy as identified staff. It has also been clarified that owner income (dividends from Pareto Asset Management AS or share of profit from Pareto Asset Management's internal company) that employees may receive, is not considered variable remuneration in accordance with the remuneration policy.

Remuneration for 2018

	Number of beneficiaries	Total remuneration paid NOK	Fixed remuneration paid NOK	Variable remuneration paid* NOK
Total remuneration (sum all employees)	54	72 324 111	39 498 944	32 825 167
Remuneration paid to employees of PAM categorized as identified staff	16	25 110 248	12 173 592	12 936 656
Senior management	7	12 360 248	6 423 592	5 936 656
Risk takers	9	12 750 000	5 750 000	7 000 000

*50% is subject to malus, with a deferral period of 3 years, and vested pro rata on a yearly basis.

Ethical framework, returns and risk

Ethical framework

Pareto Asset Management AS [PAM] works systematically with ethical considerations in the management of their funds. PAM shall not make investments which constitute an unacceptable risk of investments contributing to unethical acts or omissions. Such contributions could reduce the sustainability and long-term value creation of our funds.

In September 2014, the company decided to formalise our ethical commitment further through signing UNPRI (United Nations Principles for Responsible Investment). The principles were signed in November 2015 and PAM will present its first report in 2017.

In 2017, PAM joined Norsif, the Norwegian forum for responsible and sustainable investments, and the Swedish sister organization, Swesif.

Due to our fundamental investment philosophy and a limited number of investments with low turnover, managed by 17 different investment professionals, we can provide solid evidence of actual exercise of investment management according to the established ethical framework.

In addition, as a member of the Norwegian Fund and Asset Management Association we abide by the principles of the Norwegian Code of Practice for Corporate Governance. This recommendation has been prepared by a broad-based working group with representatives from nine organisations with close ties to the Norwegian stock market, including the

Norwegian Fund and Asset Management Association.

The OECD Guidelines for Multinational Enterprises are recommendations from OECD countries to businesses in all sectors. Norwegian authorities are committed to promote the guidelines. In 2011, the guidelines were changed to include a new chapter on human rights, which correspond to the UN Guiding Principles on Human Rights, also known as the "Ruggie Framework".

The majority of the companies we are invested in are either domiciled or traded on a regulated market in OECD countries.

Considerations regarding returns and risk

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 fund's KIIDs, prospectuses, annual and semiannual reports are available from www.paretoam.com/en/fund-reports. Other information is available at www.paretoam.com/en/client-information.

Subscription and redemption fees are not taken into account in the historical performance given for our funds, this could affect the return adversely. Unless otherwise stated, the performance information given does not take into account any tax that may be

incumbent on the product and/or customer. The tax impact depends on the individual client's situation and may change.

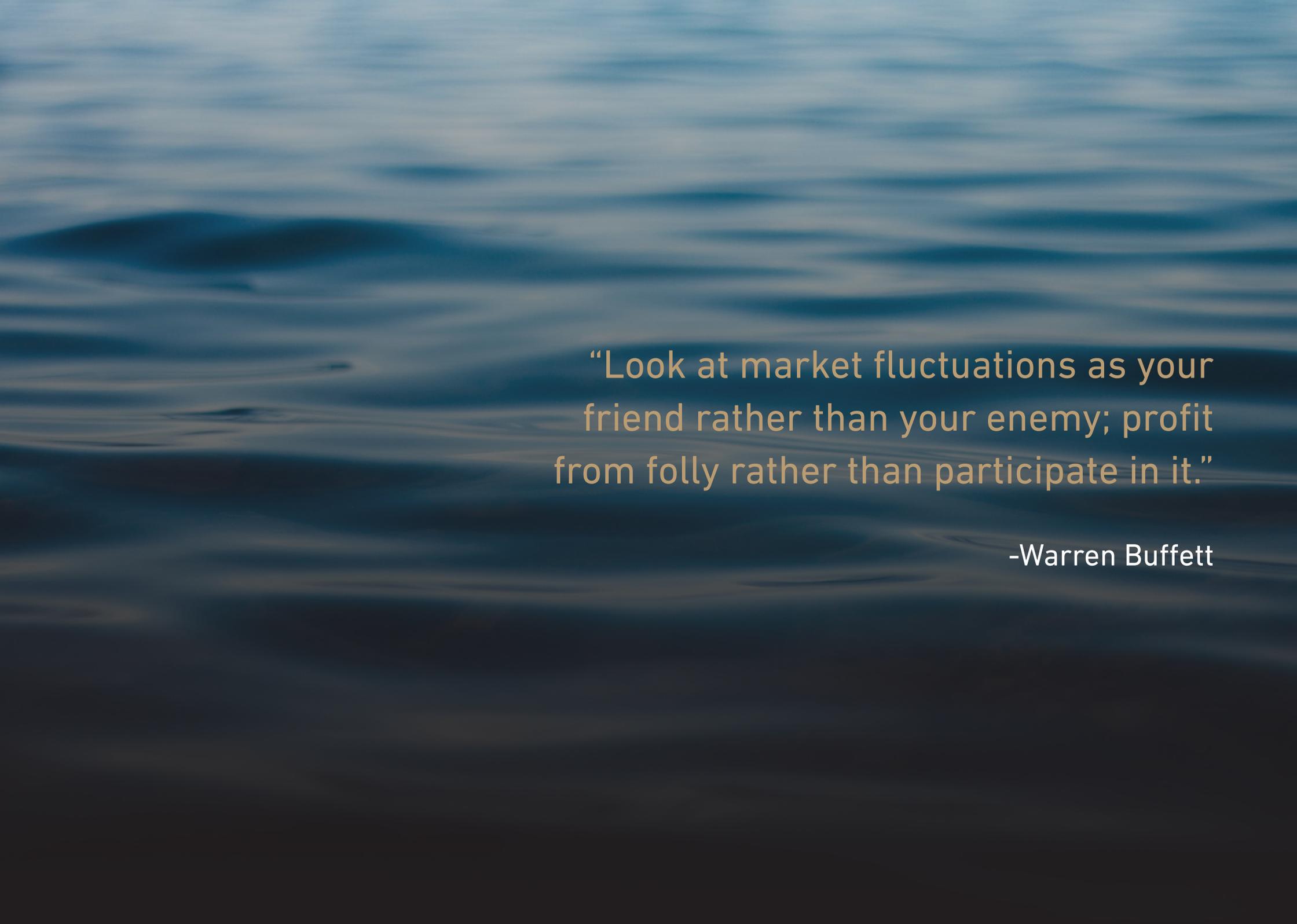
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“Look at market fluctuations as your friend rather than your enemy; profit from folly rather than participate in it.”

-Warren Buffett

