

# Semiannual report 2018 | Mutual funds

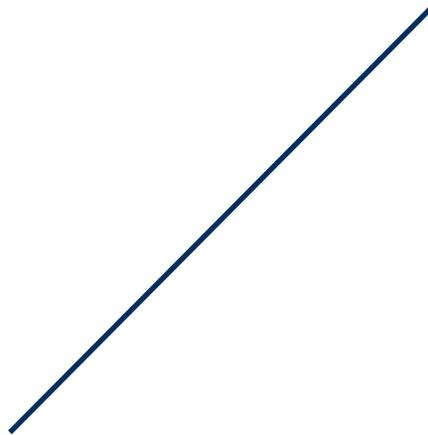
**Pareto**  
Asset Management





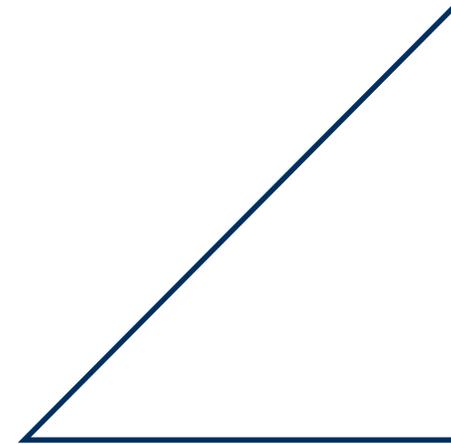
## Long-term approach

Our company has been devoted to the same philosophy since it was founded in 1995, fundamental analysis of the companies we invest in. We apply an owner's perspective: when a company does well, the share price will eventually follow.



## Growth

In our experience, substantial returns are attainable through long-term ownership in high quality, value creating companies. Such companies will year after year generate high returns on invested capital. Over time, our approach has proved to be profitable for our clients.



## Asset Management

With us you not only get strong returns over time, you will also find that we will invest your assets in an understandable and predictable way. Our investment management philosophy is based on thorough analysis of individual companies that we buy when they are reasonably priced and often own for long periods of time.

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We seek to invest in companies with strong operations and high quality management, as well as focus on ethics in both attitudes and actions



Signatory of:



## Environment

- Climate changes
- Emissions of greenhouse gases
- Resource extraction
- Waste management and pollution
- Deforestation



## Society

- Responsible working conditions
- Child labour and slavery
- Local and indigenous communities
- Conflicts
- Health and safety



## Corporate Governance

- Corruption
- Lobby activities and donations
- Board composition and diversity
- Tax strategy
- Management salary

# Pareto Aksje Norge

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## Interesting movements in our portfolio

Even if the fund return during the first half of 2018 may seem uninterestingly close to that rare creature average or normal return, we see interesting movements in our portfolio.

Oil and oil service have seen an impressive development so far, up close to 30 per cent. Our largest holding, TGS, has led the way with an increase of 50 per cent. There is an ever increasing consumption of oil, and oil inventories are declining. The oil price decline three years ago, with subsequent reductions in the oil exploration and production companies' investment budgets, now emerges as a cyclical downturn which will be replaced by a cyclical upswing. TGS has invested heavily in seismic data throughout the downturn, and revenues during Q1 were already double what they were a couple of years back. When the oil companies now increase their operating expenses, it is only natural to assume that TGS will increase sales even more.

Our seafood holdings have returned between 30 and 50 per cent so far this year, driven by a strong demand for salmon and a somewhat lower supply growth than initially anticipated. This has increased prices. Our largest seafood holding is Lerøy Seafood Group, which we find to be moderately priced. Lerøy is one of Norway's leading exporters of seafood. In addition to fish farming, the company has a comprehensive business in white fish catch plus processing and sale of own labels worldwide. Lerøy has seen a rapid development and invests billions every year in domestic smolt facilities and automated slaughterhouses, as well as production lines close to markets on the continent.

This is nothing new for Lerøy; the company has had an incredible development the 13 years we have been invested with it, increasing revenues fivefold.

Among the heavyweights which have contributed negatively this year we find Wilh. Wilhelmsen and Yara. Wilh. Wilhelmsen struggles with a sluggish market, and reported disappointing results during its first quarter. Increased focus on a possible trade war is also a concern weighing on the world's largest logistics company within rolling cargo. Yara is struggling with the most difficult fertiliser market in over a decade, in addition to relatively high European gas prices.

A common denominator for Yara and Wilh. Wilhelmsen is clear signs of tightening markets. We are pleased that these companies, in addition to TGS, have used this trough to build increased capacity and competitiveness.

The shares of our banks are practically flat so far this year; the return pretty much equals the dividend of about five per cent. Swedish banks have declined on fear of pressure on attractive loan margins combined with increased capital requirements, which during the spring dampened expectations for our portfolio banks as well. We note that the Norwegian capital requirements are already fairly stringent, and that loan margins in Norway are considerably lower than in Sweden. Hence, Norwegian banks are well equipped to withstand the negative impulses that have influenced the Swedish market.

The revenues of the regional banks from capital light products are good and show satisfactory growth. A

couple of important events during the second quarter confirmed this and contributed to easing the worries during the spring: The property/casualty insurance unit of the regional banks is merging with DNB's insurance unit with an exchange ratio of 80/20. The merger of Vipps, BankID and BankAxept was accepted by the competition authorities, which gives a great opportunity to continue the development of a world leading Norwegian platform within mobile payments. This is important in order to secure revenue sources from this business area in the future.

Our portfolio is fairly priced. You now pay 1.1 times the book value of equity, 12 times the companies' aggregated revenues for 2018 and 10 times next year's expected revenues. This is at the low end in a historic context for this portfolio. The combination of low pricing and increasing return on equity towards 2020 makes us convinced that this portfolio has a high long-term margin of safety.

### Portfolio management team

Einar Løvoll, Torbjørn Frønningen, Besim Zekiri

# Pareto Aksje Norge

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

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.

## Return by periods

Name	YTD	2017	2016	2015	2014	2013
Pareto Aksje Norge A <sup>1</sup>	7.69 %	12.40 %	25.90 %	-6.10 %	2.00 %	13.30 %
Pareto Aksje Norge B <sup>2</sup>	9.54 %	13.30 %	26.50 %	-8.20 %	1.50 %	14.50 %
Pareto Aksje Norge C	9.94 %	14.20 %	27.40 %	-6.2 %*		
Pareto Aksje Norge D	10.21 %	14.70 %	28.00 %	-5.9 %*		
Pareto Aksje Norge I	10.35 %	15.00 %	28.40 %	-7.00 %	3.10 %	16.10 %
Oslo Børs Mutual Fund Index	7.00 %	17.00 %	11.50 %	6.70 %	5.70 %	24.20 %

## Annualised return

Name	Inception date	3 years	5 years	10 years	Since inc.
Pareto Aksje Norge A <sup>1</sup>	09.09.2002	13.06 %	9.41 %	5.33 %	12.85 %
Pareto Aksje Norge B <sup>2</sup>	31.12.2005	13.59 %	9.57 %	5.49 %	6.65 %
Pareto Aksje Norge C	13.07.2015	-	-	-	14.66 %
Pareto Aksje Norge D	13.07.2015	-	-	-	15.23 %
Pareto Aksje Norge I	06.09.2001	15.27 %	11.17 %	6.95 %	13.29 %
Oslo Børs Mutual Fund Index		11.34 %	12.96 %		

## Other information

Name	Minimum initial subscription amount NOK	ISIN	Bloomberg
Pareto Aksje Norge A	500	N00010160575	POAKTNY NO
Pareto Aksje Norge B	500	N00010297898	PRVERDI NO
Pareto Aksje Norge C	20 million	N00010740590	PAAKNOC NO
Pareto Aksje Norge D	50 million	N00010740608	PAAKNOD NO
Pareto Aksje Norge I	100 million	N00010110968	POAKTIV NO

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

<sup>2</sup>Returns 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

## Units issued and management fees

### NAV and units issued as at 30 June 2018

<b>Unit class A</b>	
Number of units	178 220.55
Net asset value	6 845.65
Redemption price after maximum fee	6 811.43
<b>Unit class B</b>	
Number of units	220 537.71
Net asset value	2 235.59
Redemption price after maximum fee	2 224.41
<b>Unit class C</b>	
Number of units	269 082.43
Net asset value	1 500.75
Redemption price after maximum fee	1 493.24
<b>Unit class D</b>	
Number of units	116 560.75
Net asset value	1 523.04
Redemption price after maximum fee	1 515.42
<b>Unit class I</b>	
Number of units	287 430.48
Net asset value	8 149.80
Redemption price after maximum fee	8 109.05

### Management fee

	<b>Subscription fee*</b>	<b>Redemption fee</b>	<b>Management fee</b>
Unit class A	Up to 1.00 %	Up to 0.50 %	1.50 % p.a.**
Unit class B	Up to 1.00 %	Up to 0.50 %	2.00 % p.a.
Unit class C	Up to 1.00 %	Up to 0.50 %	1.25 % p.a.
Unit class D	Up to 1.00 %	Up to 0.50 %	0.75 % p.a.
Unit class I	Up to 1.00 %	Up to 0.50 %	0.50 % p.a.

\*The Board of Directors of Pareto Asset Management AS may decide that the charges shall increase by up to 5.00 per cent of the subscription amount. The difference between 1.00 per cent and the adopted increased subscription fee of up to 5.00 per cent shall accrue to the fund. The Board may set an increased subscription fee for a certain period with the possibility of extension or shortening by board resolution.

### \*\*Pareto Aksje Norge A

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

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## Securities portfolio as at 30 June 2018

Securities	Listing	Number of shares	Cost price NOK	Market value NOK	Unrealised gain/loss	Share in % of portfolio
<b>Consumer discretionary</b>						
Ekornes ASA	Oslo	1 426 028	148 235 488	196 221 453	47 985 965	4.2
Kid ASA	Oslo	2 100 909	62 528 983	77 733 633	15 204 650	1.7
<b>Sum consumer discretionary</b>			<b>210 764 471</b>	<b>273 955 086</b>	<b>63 190 615</b>	<b>5.9</b>
<b>Consumer Staples</b>						
Austevoll Seafood ASA	Oslo	1 843 073	64 375 270	180 252 539	115 877 270	3.9
Lerøy Seafood Group ASA	Oslo	5 992 698	88 254 327	328 879 266	240 624 940	7.1
Orkla ASA	Oslo	1 655 497	89 726 440	118 202 486	28 476 046	2.5
SalMar ASA	Oslo	552 312	64 657 115	188 780 242	124 123 126	4.1
<b>Sum consumer staples</b>			<b>307 013 152</b>	<b>816 114 533</b>	<b>509 101 382</b>	<b>17.6</b>
<b>Energy</b>						
Bonheur ASA	Oslo	1 089 870	162 575 494	120 321 648	- 42 253 846	2.6
Eidesvik Offshore ASA	Oslo	3 120 995	67 320 124	21 534 866	- 45 785 258	0.5
Equinor ASA	Oslo	1 034 182	141 645 766	223 796 985	82 151 219	4.8
Prosafe SE ser. Ord	Oslo	2 541 947	66 285 499	47 534 409	- 18 751 090	1.0
Subsea 7 SA	Oslo	1 746 708	155 908 104	227 683 388	71 775 284	4.9
TGS-NOPEC Geophysical Co ASA	Oslo	1 525 162	186 231 784	457 548 600	271 316 816	9.8
<b>Sum energy</b>			<b>779 966 771</b>	<b>1 098 419 896</b>	<b>318 453 125</b>	<b>23.6</b>
<b>Financials</b>						
DNB ASA	Oslo	1 259 895	130 771 600	200 701 274	69 929 673	4.3
SpareBank 1 Nord-Norge	Oslo	3 053 156	116 456 300	185 937 200	69 480 901	4.0
SpareBank 1 SMN	Oslo	2 688 015	158 482 883	227 137 268	68 654 384	4.9
SpareBank 1 SR-Bank ASA	Oslo	2 534 197	145 626 748	218 954 621	73 327 873	4.7
SpareBank 1 Østfold Akershus	Oslo	187 167	35 000 229	36 497 565	1 497 336	0.8
Sparebanken Møre	Oslo	399 032	80 174 867	108 935 736	28 760 869	2.3

# Pareto Aksje Norge

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## Securities portfolio as at 30 June 2018

Securities	Listing	Number of shares	Cost price NOK	Market value NOK	Unrealised gain/loss	Share in % of portfolio
Storebrand ASA	Oslo	1 791 321	122 969 637	117 761 443	- 5 208 194	2.5
<b>Sum financials</b>			<b>789 482 264</b>	<b>1 095 925 107</b>	<b>306 442 842</b>	<b>23.5</b>
<b>Industrials</b>						
GC Rieber Shipping ASA	Oslo	1 079 852	27 104 699	8 746 801	- 18 357 898	0.2
Odfjell SE ser. A	Oslo	1 833 497	102 416 613	61 605 499	- 40 811 114	1.3
Odfjell SE ser. B	Oslo	1 278 930	71 115 181	40 925 760	- 30 189 421	0.9
Veidekke ASA	Oslo	1 181 681	122 455 462	96 779 674	- 25 675 788	2.1
Wallenius Wilhelmsen Logistics ASA	Oslo	2 017 400	83 376 681	76 661 200	- 6 715 481	1.6
Wilh. Wilhelmsen Holding ASA ser. A	Oslo	896 797	146 846 057	182 946 588	36 100 531	3.9
Wilh. Wilhelmsen Holding ASA ser. B	Oslo	597 851	85 923 660	121 363 753	35 440 093	2.6
Wilson ASA	Oslo	745 849	14 020 965	16 110 338	2 089 374	0.3
<b>Sum industrials</b>			<b>653 259 318</b>	<b>605 139 613</b>	<b>- 48 119 704</b>	<b>12.9</b>
<b>Materials</b>						
Borregaard ASA	Oslo	1 393 729	84 657 809	122 648 152	37 990 343	2.6
Norsk Hydro ASA	Oslo	3 293 060	115 193 929	160 668 397	45 474 468	3.5
Yara International ASA	Oslo	1 042 707	280 355 696	352 434 966	72 079 270	7.6
<b>Sum materials</b>			<b>480 207 434</b>	<b>635 751 515</b>	<b>155 544 081</b>	<b>13.7</b>
<b>Total securities portfolio</b>			<b>3 220 693 410</b>	<b>4 525 305 750</b>	<b>1 304 612 341</b>	<b>97.2</b>
Cash and cash equivalents			129 038 392	129 038 392	0	2.8
<b>Total</b>			<b>3 349 731 802</b>	<b>4 654 344 142</b>	<b>1 304 612 341</b>	<b>100</b>

# Pareto Investment Fund

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## Way ahead of the market

Halfway through 2018 the Oslo Børs mutual fund index has delivered a return of seven per cent. The fund is still way ahead of the market, despite a minor decline this past month.

June is not part of earnings season, but we have seen some profit warnings from foreign companies that earnings in the second quarter won't live up to expectations. All the noise from Trump and the new American trade policy has made markets shiver on a couple of occasions during the month. An escalation of the trade war would have negative consequences for world trade, which together with investments is fueling the growth in the global economy. On a side note, economic development is strong in all world regions, even if there are reports of slower development in China.

We have had an expansive monetary policy ever since the financial crisis, but we are now entering a new paradigm where this policy is reversed and the key interest rate will see several rate hikes. Increased interest rates are a result of a strong economy, which in turn supports corporate earnings. We believe this speaks for a continuation of increasing share prices. If the interest rates are hiked too much, it will be negative considering the debt ratio in both the private and the public sector globally. One should especially keep an eye on short-term interest rates not surpassing long-term interest rates.

The pricing of shares has not yet reached a level where it would be reasonable to throw in the towel. A market

correction might be probable, but historically, steep declines have only taken place in considerably more expensive markets than what we see today. An exception could be the US, where the share price to book value ratio currently is at a historic high level. One should, however, keep in mind that seven of the ten companies with the largest market cap are technology companies which tend to be substantially more expensive than the average company.

Pareto Investment Fund has 35 per cent of the fund invested in oil and oil service. The oil price has been swinging between 72 and 79 dollar this month. There was some uncertainty in relation to the OPEC meeting, where it was decided to increase production by one million barrels. The actual increase will be of a lesser magnitude due to lack of production capacity after the breakdown in Venezuela and the sanctions the US has enforced against Iran.

Since the fund entered the sector in 2016, the balance in the oil market has tightened, even if it took longer than what we had expected. The strong world growth is increasing demand, while little has been done to explore new oil fields. This should facilitate for a high oil price in the months to come, and we maintain our exposure. However, we believe there is more potential in oil service than in oil production. In this regard, we see DNO as an exception. The share is currently trading at a low price compared to its cash flow. Even though the share price has doubled since 2016, DNO is likely to continue its ascension.

Europris had a weak development in June, probably down to expectations of a weak spring because of the good weather. The highlight in June was the acquisition of 20 per cent of the shares in the Swedish retailer Överskottsbolaget (ÖoB), which operates 94 stores in Sweden. We believe the acquisition is strategically sensible and that the acquisition is accretive despite the low valuation of Europris. The option of buying the remaining 80 per cent of the shares significantly reduces the risk. The companies will still operate as individual concepts, but the combined company sees an opportunity to cut costs by 60-80 million kroner per year as a result of a stronger negotiation position towards suppliers.

### 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: established in 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.

### Return by periods

Name	YTD	2017	2016	2015	2014	2013
Pareto Investment Fund A	10.88 %	9.10 %	14.70 %	20.60 %	18.10 %	27.30 %
Pareto Investment Fund B	11.34 %	10.00 %	15.70 %	21.70 %	19.10 %	1.2%*
Pareto Investment Fund C	11.58 %	10.50 %	16.20 %	22.20 %	19.60 %	1.2%*
Oslo Børs Mutual Fund Index	7.00 %	17.00 %	11.50 %	6.70 %	5.70 %	24.20 %

### Annualised return

Name	Inception date	3 years	5 years	10 years	Since inception
Pareto Investment Fund A	1985	13.98 %	18.31 %	10.34 %	10.94 %
Pareto Investment Fund B	29.11.2013	14.95 %	-	-	17.22 %
Pareto Investment Fund C	29.11.2013	15.46 %	-	-	17.73 %

Oslo Børs Mutual Fund Index	11.34 %	12.96 %
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### 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

\*Inception date 29.11.2013

\*\*From start with current portfolio manager 01.01.2007

## Units issued and management fees

### NAV and units issued as at 30 June 2018

<b>Unit class A</b>	
Number of units	3 336.46
Net asset value	335 990.89
Redemption price after maximum fee	334 310.94
<b>Unit class B</b>	
Number of units	21 330.36
Net asset value	20 920.83
Redemption price after maximum fee	20 816.23
<b>Unit class C</b>	
Number of units	59 988.99
Net asset value	21 347.49
Redemption price after maximum fee	21 240.75

### Management fee

	<b>Subscription fee*</b>	<b>Redemption fee</b>	<b>Management fee</b>
Unit class A	Up to 1.00 %	Up to 0.50 %	1.80 % p.a.
Unit class B	Up to 1.00 %	Up to 0.50 %	0.95 % p.a.
Unit class C	Up to 1.00 %	Up to 0.50 %	0.50 % p.a.

\*The Board of Directors of Pareto Asset Management AS may decide that the charges shall increase by up to 5.00 per cent of the subscription amount. The difference between 1.00 per cent and the adopted increased subscription fee of up to 5.00 per cent shall accrue to the fund. The Board may set an increased subscription fee for a certain period with the possibility of extension or shortening by board resolution.

# Pareto Investment Fund

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## Securities portfolio as at 30 June 2018

Securities	Listing	Number of shares	Cost price NOK	Market value NOK	Unrealised gain/loss	Share in % of portfolio
<b>Consumer discretionary</b>						
Europris ASA	Oslo	1 749 000	61 957 241	42 588 150	- 19 369 091	1.5
Kid ASA	Oslo	1 801 000	53 672 720	66 637 000	12 964 280	2.3
Kongsberg Automotive ASA	Oslo	5 586 000	33 509 140	52 284 960	18 775 820	1.8
Royal Caribbean Cruises Ltd	New York	138 000	84 685 965	116 543 225	31 857 260	4.1
<b>Sum consumer discretionary</b>			<b>233 825 066</b>	<b>278 053 335</b>	<b>44 228 269</b>	<b>9.7</b>
<b>Consumer staples</b>						
Austevoll Seafood ASA	Oslo	472 000	21 641 703	46 161 600	24 519 897	1.6
Grieg Seafood ASA	Oslo	1 915 000	92 790 934	164 498 500	71 707 566	5.8
<b>Sum consumer staples</b>			<b>114 432 637</b>	<b>210 660 100</b>	<b>96 227 463</b>	<b>7.4</b>
<b>Energy</b>						
Aker BP ASA	Oslo	693 000	55 806 927	208 454 400	152 647 473	7.3
Aker Solutions ASA	Oslo	2 367 200	95 002 430	134 977 744	39 975 314	4.7
Archer Ltd	Oslo	3 656 855	40 594 605	39 128 349	- 1 466 256	1.4
BW Offshore Ltd	Oslo	2 703 000	78 204 630	112 715 100	34 510 470	4.0
DNO ASA	Oslo	7 061 292	62 720 304	106 413 670	43 693 366	3.7
EnSCO plc	New York	1 620 000	73 589 950	95 873 774	22 283 824	3.4
Höegh LNG Holdings Ltd	Oslo	406 000	42 212 230	18 310 600	- 23 901 630	0.6
Magseis ASA	Oslo	422 049	5 411 847	7 090 423	1 678 576	0.2
Spectrum ASA	Oslo	1 798 000	53 975 629	111 476 000	57 500 371	3.9
Subsea 7 SA	Oslo	1 254 000	141 470 910	163 458 900	21 987 990	5.7
<b>Sum energy</b>			<b>648 989 462</b>	<b>997 898 960</b>	<b>348 909 498</b>	<b>34.9</b>
<b>Financials</b>						
ABG Sundal Collier Holding ASA	Oslo	8 666 830	45 129 160	51 740 975	6 611 815	1.8
B2Holding ASA	Oslo	3 790 370	51 897 981	64 512 097	12 614 117	2.3

# Pareto Investment Fund

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## Securities portfolio as at 30 June 2018

Securities	Listing	Number of shares	Cost price NOK	Market value NOK	Unrealised gain/loss	Share in % of portfolio
Norwegian Finans Holding ASA	Oslo	1 634 700	61 576 191	147 940 350	86 364 159	5.2
Protector Forsikring ASA	Oslo	1 102 731	69 350 665	73 221 338	3 870 674	2.6
<b>Sum financials</b>			<b>227 953 997</b>	<b>337 414 760</b>	<b>109 460 765</b>	<b>11.9</b>
<b>Industrials</b>						
Multiconsult ASA	Oslo	776 223	74 314 477	49 988 761	- 24 325 716	1.8
Norwegian Air Shuttle ASA	Oslo	682 752	173 893 912	169 595 597	- 4 298 316	6.0
Tomra Systems ASA	Oslo	150 000	10 667 331	25 650 000	14 982 669	0.9
Veidekke ASA	Oslo	38 250	3 296 140	3 132 675	- 163 465	0.1
<b>Sum industrials</b>			<b>262 171 860</b>	<b>248 367 033</b>	<b>- 13 804 828</b>	<b>8.8</b>
<b>Information technology</b>						
Elliptic Laboratories AS	Unlisted	147 000	23 039 650	29 400 000	6 360 350	1.0
Evry ASA	Oslo	2 824 000	85 615 300	83 308 000	- 2 307 300	2.9
Nordic Semiconductor ASA	Oslo	2 255 517	79 138 515	117 737 987	38 599 472	4.1
Norwegian Crystals AS	Unlisted	237 500	23 512 241	19 000 000	- 4 512 241	0.7
poLight AS	Unlisted	124 457 946	14 000 000	9 956 636	- 4 043 364	0.3
<b>Sum information technology</b>			<b>225 305 706</b>	<b>259 402 623</b>	<b>34 096 917</b>	<b>9.0</b>
<b>Materials</b>						
Borregaard ASA	Oslo	787 000	39 265 950	69 256 000	29 990 050	2.4
Yara International ASA	Oslo	441 419	152 453 055	149 199 622	- 3 253 433	5.2
<b>Sum materials</b>			<b>191 719 005</b>	<b>218 455 622</b>	<b>26 736 617</b>	<b>7.6</b>
<b>Real estate</b>						
Selvaag Bolig ASA	Oslo	1 596 366	37 361 539	66 728 099	29 366 560	2.3

# Pareto Investment Fund

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## Securities portfolio as at 30 June 2018

Securities	Listing	Number of shares	Cost price NOK	Market value NOK	Unrealised gain/loss	Share in % of portfolio
<b>Utilities</b>						
Scatec Solar ASA	Oslo	1 809 903	70 797 383	99 725 655	28 928 272	3.5
<b>Sum common stock</b>			<b>2 012 556 655</b>	<b>2 716 706 187</b>	<b>704 149 533</b>	<b>95.1</b>
<b>Foreign exchange forwards</b>						
NOK Forward 17. juli 2018		198 280 950	198 280 950	198 280 950	0	7.0
USD Forward 17. juli 2018		(24 500 000)	- 198 280 950	- 199 576 877	- 1 295 927	-7.0
<b>Warrants</b>						
Norwegian Crystals AS Warrant 3 31/12/2018	Unlisted	19 500	0	1 501 500	1 501 500	0.1
Norwegian Crystals AS Warrant 3 31/12/2019	Unlisted	4 242	0	326 634	326 634	0.0
Norwegian Crystals AS Warrant 3 ADL 2017	Unlisted	1	0	1 106 952	1 106 952	0.0
Norwegian Crystals AS Warrant 3 ADL 2018	Unlisted	1	0	0	0	0.0
Cash and cash equivalents			131 528 296	131 463 149	- 65 146	4.6
<b>Total</b>			<b>2 144 084 951</b>	<b>2 849 808 495</b>	<b>705 723 546</b>	<b>100</b>

# Pareto Global

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## Good earnings growth

The positive trend from the past months was broken in June, as returns took a small step backwards. Fear has been growing in the equity markets as the American president has been threatening to increase import tariffs. The portfolio companies which contributed the most in a positive direction were Anthem, CVS Health and Reckitt Benckiser (RB), whilst Pandora, Prudential and Discover Financial Services were among the companies with the weakest development.

We sold our holdings in the airline Ryanair in June. The investment was made just after Brexit in June 2016. At that time the share price was down on fears that Britons would cut down on holiday travels to Europe after the referendum on leaving the EU. So far we have not seen less interest in flying and Ryanair has filled their seats. During the investment period the share has increased by 54 per cent measured in Norwegian kroner.

The reason we decided to sell the share is reduced safety margins after the share price increase. We also believe that the market has not fully taken into account a possible scenario of increased costs, mainly wages and benefits, as a consequence of the company now recognising labor unions. For instance, Ryanair has never experienced a strike, but this is now something that is likely to occur in the future. In addition, the company will have higher fuel costs due to an increased oil price. We still believe Ryanair will be one of the winners in the airline industry, but we also believe that their margins will be reduced in the years to come. We believe the market to a lesser degree has taken this fact into consideration when pricing the share.

After a weak price development so far this year, the French tyre producer Michelin was initiated as a new investment with a weight of 2.8 per cent of the fund. They have activities in 170 countries and a global market share of 14 per cent. The Michelin brand has been built up over more than a century and the tyres are price leading. Car tyres represent 60 per cent of revenues, whilst truck tyres and special tyres account for the rest. Tyre sales grow at two to three per cent per year, in line with the global car park. An increasing share of large tyres for SUVs and electric cars, in addition to increasing commodity prices, contributes to additional top line growth. The company will be able to increase margins through efficiency measures in overhead and production, in addition to increased capacity utilisation in growth markets. After several years of heavy capacity investments in growth markets we expect free cash flow to improve significantly. The share is priced at a modest P/E 10 for 2018 and P/E 9 for 2019.

Oracle published its annual report in June. Revenues grew by six per cent and EBITDA by six per cent. Buoyed by share buybacks equalling six per cent of the market cap, earnings per share increased by 14 per cent from the previous year. The company has strong growth in cloud based services, especially ERP, where they are industry leaders. Even if the company beat both top line and bottom line expectations for the fourth quarter, the market did not applaud a regrouping of the financial reporting and sent the share down by eight per cent. We used the opportunity to increase our exposure to Oracle.

Our American homebuilder Lennar was mentioned in the April report. Lennar reported the first complete quarter after the acquisition of CalAtlantic. Prior to the report the market feared that increased interest rates and building costs would reduce the interest in buying new homes. However, unemployment at historic low levels and an increasing wage level have contributed to sustaining homebuyer confidence. Revenues increased by 67 per cent, or 11 per cent organically adjusted for the acquisition, and the order book increased correspondingly. The merger of the two companies has gone better than expected and expected cost synergies for this year and next year were revised upwards. Adjusted earnings per share were 1.58 dollars, which was far above expectations of 0.45 dollars. Expectations continue to be low as the share is valued at P/E 10 for 2018 and P/E 8 for 2019.

Our three banks Goldman Sachs, Wells Fargo and Discover Financial Services all passed the Fed's annual assessment CCAR – Comprehensive Capital Analysis and Review – with flying colours. This test approves, inter alia, the banks' plans for capital distribution to shareholders. Both Wells Fargo and Discover Financial Services have an aggressive policy with regards to this. Dividends and share buybacks add up to a total cash return to shareholders of 13 per cent in Wells Fargo and 10 per cent in Discover Financial Services. For Goldman Sachs, the number is seven per cent.

So far this year the negative return in the fund is almost equal to the depreciation of foreign currencies against the Norwegian krone. On average share prices have not moved, but the companies continue to deliver

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satisfactory revenue growth. The portfolio is now priced to a modest 13 times estimated earnings for 2019. The equivalent number for Oslo Børs is 17. This difference has not been larger in the lifetime of the fund. Even if the pricing of our portfolio companies has come down, there is still a strong growth outlook. On average, our portfolio companies will increase their earnings per share by 14 per cent from last year to 2018, and an additional 10 per cent from 2018 to 2019. This is promising for future returns.

#### 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 in NOK, dividend adjusted

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.

### Return by periods

Name	YTD	2017	2016	2015	2014	2013
Pareto Global A	-4.02 %	16.00 %	0.90 %	17.20 %	16.60 %	32.50 %
Pareto Global B	-4.79 %	17.30 %	0.00 %	18.70 %	17.60 %	33.60 %
Pareto Global C	-4.62 %	17.70 %	0.30 %	19.40 %	18.40 %	34.60 %
Pareto Global D1	-4.38 %	18.30 %	0.80 %	20.00 %	18.80 %	35.20 %
Pareto Global I	-4.27 %	18.60 %	1.10 %	7.0%**		
MSCI World in NOK	0.07 %	16.30 %	5.00 %	17.20 %	28.80 %	38.40 %

### Annualised return

Name	Inception date	3 years	5 years	10 years	Since inception
Pareto Global A	12.08.2005	6.86 %	11.92 %	11.04 %	7.40 %
Pareto Global B	01.11.2012	6.96 %	12.35 %	-	14.13 %
Pareto Global C	01.11.2012	7.33 %	12.92 %	-	14.74 %
Pareto Global D1	22.11.2006	7.86 %	13.40 %	12.64 %	7.24 %
Pareto Global I	13.07.2015	-	-	-	7.17 %

MSCI World in NOK 9.89 % 16.61 %

### Other information

Name	Minimum initial subscription amount in 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

<sup>1</sup>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

## Units issued and management fees

### NAV and units issued as at 30 June 2018

<b>Unit class A</b>	
Number of units	210 716.77
Net asset value	2 516.52
Redemption price after maximum fee	2 503.94
<b>Unit class B</b>	
Number of units	426 211.16
Net asset value	2 119.56
Redemption price after maximum fee	2 108.96
<b>Unit class C</b>	
Number of units	239 880.63
Net asset value	2 184.36
Redemption price after maximum fee	2 173.44
<b>Unit class D</b>	
Number of units	136 561.68
Net asset value	2 256.30
Redemption price after maximum fee	2 245.02
<b>Unit class I</b>	
Number of units	264 213.96
Net asset value	1 231.37
Redemption price after maximum fee	1 225.22

### Management fee

	<b>Subscription fee*</b>	<b>Redemption fee</b>	<b>Management fee</b>
Unit class A	Up to 1.00%	Up to 0.50%	1.50% p.a.**
Unit class B	Up to 1.00%	Up to 0.50%	1.60% p.a.
Unit class C	Up to 1.00%	Up to 0.50%	1.25% p.a.
Unit class D	Up to 1.00%	Up to 0.50%	0.75% p.a.
Unit class I	Up to 1.00%	Up to 0.50%	0.50% p.a.

\*The Board of Directors of Pareto Asset Management AS may decide that the charges shall increase by up to 5.00 per cent of the subscription amount. The difference between 1.00 per cent and the adopted increased subscription fee of up to 5.00 per cent shall accrue to the fund. The Board may set an increased subscription fee for a certain period with the possibility of extension or shortening by board resolution.

### \*\*Pareto Global A

The unit class charges a contingent management fees of 1.50 per cent per annum. At a higher percentual performance in unit class A than ST1X, the management company will charge a 20 per cent remuneration of this difference. The total management fees in unit class A shall not exceed 3.00 per cent. At a lower percentual performance in unit class A than ST1X, the management company will deduct 20 per cent of this difference from the management fees. The total management fees in unit class A shall not be less than 0.00 per cent.

# Pareto Global

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## Securities portfolio as at 30 June 2018

Securities	Listing	Number of shares	Cost price NOK	Market value NOK	Unrealised gain/loss	Share in % of portfolio
<b>Consumer discretionary</b>						
Compass Group plc	London	189 788	31 553 424	33 053 537	1 500 113	0.6
Lennar Corp ser. A	New York	423 400	183 824 754	181 200 063	- 2 624 690	3.3
Michelin CGdE	New York	158 000	163 740 926	156 826 210	- 6 914 716	2.8
Nokian Renkaat Oyj	Helsinki	604 820	182 755 195	194 775 241	12 020 045	3.5
Pandora A/S	Copenhagen	317 331	267 761 100	180 680 579	- 87 080 521	3.3
<b>Sum consumer discretionary</b>			<b>829 635 399</b>	<b>746 535 630</b>	<b>- 83 099 769</b>	<b>13.5</b>
<b>Consumer staples</b>						
CVS Health Corp	New York	406 900	250 135 668	213 444 235	- 36 691 433	3.9
Reckitt Benckiser Group Plc	London	132 221	102 707 763	88 767 075	- 13 940 687	1.6
Unilever NV		443 791	139 741 640	201 812 161	62 070 521	3.7
<b>Sum consumer staples</b>			<b>492 585 071</b>	<b>504 023 471</b>	<b>11 438 401</b>	<b>9.2</b>
<b>Financials</b>						
Affiliated Managers Group Inc	New York	215 400	265 296 054	261 046 112	- 4 249 943	4.7
Discover Financial Services Inc	New York	548 950	283 116 399	315 075 999	31 959 600	5.7
Goldman Sachs Group Inc	New York	116 323	204 497 624	209 151 135	4 653 511	3.8
Prudential Plc	London	2 165 228	339 531 076	404 123 799	64 592 723	7.3
Wells Fargo & Co	New York	545 200	182 919 415	246 392 371	63 472 956	4.5
<b>Sum financials</b>			<b>1 275 360 568</b>	<b>1 435 789 416</b>	<b>160 428 847</b>	<b>26.0</b>
<b>Health care</b>						
Abbott Laboratories	New York	445 052	148 475 549	221 267 474	72 791 925	4.0
Anthem Inc	New York	98 600	152 701 173	191 318 426	38 617 253	3.5
Attendo AB	Stockholm	2 051 255	174 233 973	148 065 494	- 26 168 480	2.7

# Pareto Global

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## Securities portfolio as at 30 June 2018

Securities	Listing	Number of shares	Cost price NOK	Market value NOK	Unrealised gain/loss	Share in % of portfolio
McKesson Corp	New York	36 000	50 043 490	39 147 724	- 10 895 766	0.7
<b>Sum health care</b>			<b>525 454 185</b>	<b>599 799 118</b>	<b>74 344 932</b>	<b>10.9</b>
<b>Industrials</b>						
IWG Plc	London	2 955 796	91 040 606	101 652 418	10 611 812	1.8
ÅF AB ser. B	Stockholm	1 069 283	102 059 835	199 586 719	97 526 884	3.6
<b>Sum industrials</b>			<b>193 100 441</b>	<b>301 239 137</b>	<b>108 138 696</b>	<b>5.4</b>
<b>Information technology</b>						
Keysight Technologies Inc	New York	72 426	21 085 969	34 851 018	13 765 049	0.6
Microsoft Corp	New York	440 700	148 555 334	354 251 908	205 696 574	6.4
Oracle Corp	New York	878 600	294 114 346	315 561 404	21 447 058	5.7
Playtech Plc	London	2 393 091	212 199 156	193 905 745	- 18 293 410	3.5
SAP SE	Xetra	271 477	185 497 677	255 638 401	70 140 723	4.6
<b>Sum information technology</b>			<b>861 452 482</b>	<b>1 154 208 476</b>	<b>292 755 994</b>	<b>20.8</b>
<b>Materials</b>						
BASF SE	Xetra	371 000	307 774 454	289 193 207	- 18 581 247	5.2
<b>Total securities portfolio</b>			<b>4 485 362 600</b>	<b>5 030 788 455</b>	<b>545 425 854</b>	<b>91.0</b>
Cash and cash equivalents			491 332 748	496 956 985	5 624 241	9.0
<b>Total</b>			<b>4 976 695 348</b>	<b>5 527 745 440</b>	<b>551 050 095</b>	<b>100</b>

# Pareto Nordic Return

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## Still high allocation to equities

Pareto Nordic Return ended the first half of 2018 just about where it started, after a decline of two per cent in June, much due to a weak Nordic equity market this month.

June is not part of earnings season, but we have seen some profit warnings from foreign companies that earnings in the second quarter won't live up to expectations. All the noise from Trump and the new American trade policy has made markets shiver on a couple of occasions during the month. An escalation of the trade war would have negative consequences for world trade, which together with investments is fueling the growth in the global economy. On a side note, economic development is strong in all world regions, even if there are reports of slower development in China.

We have had an expansive monetary policy ever since the financial crisis, but we are now entering a new paradigm where this policy is reversed and the key interest rate will see several rate hikes. Increased interest rates are a result of a strong economy, which in turn supports corporate earnings. We believe this speaks for a continuation of increasing share prices. If the interest rates are hiked too much, it will be negative considering the debt ratio in both the private and the public sector globally. One should especially keep an eye on short-term interest rates not surpassing long-term interest rates.

We continue to have a high allocation to equities: Equities have become significantly more expensive

since 2009, but pricing has not yet reached a level where it would be reasonable to throw in the towel. A market correction might be probable, but historically, steep declines have only taken place in considerably more expensive markets than what we see today. An exception could be the US, where the share price to book value ratio currently is at a historic high level. One should, however, keep in mind that seven of the ten companies with the largest market cap are technology companies which tend to be substantially more expensive than the average company.

The Pandora share price continued to decline in June following lowered expectations for the current quarter and the fact that investors believe the future has become more uncertain for the company. The appetite for a physical store is declining in a situation where online shopping continues to gain ground. There is also a fear that Pandora has to keep selling their products in promotional campaigns to maintain volume – representing a risk for both margins and brand. The underlying development in important markets such as the US, UK, Italy and China is weak, making it harder for the share to gain some ground. We won't claim that the share has bottomed out, but we are not in doubt that the share price has taken into account a whole lot of potential adversity ahead.

Hennes & Mauritz, which has become victim to the same underlying development as Pandora, published second quarter results more or less in line with what was expected. The share immediately shot up in relief of fulfilling expectations for the first time in a long time, but

then fell back on worries of excess inventories and a risk of discounts and low gross margins in the upcoming months. However, the underlying trends in Sweden and China show clear signs of improvement, whilst there is currently no light at the end of the tunnel for their American sales.

Europris had a weak development in June, probably down to expectations of a weak spring because of the good weather. The highlight in June was the acquisition of 20 per cent of the shares in the Swedish retailer Överskottsbolaget(ÖoB), which operates 94 stores in Sweden. We believe the acquisition is strategically sensible and that the acquisition is accretive despite the low valuation of Europris. The option of buying the remaining 80 per cent of the shares significantly reduces the risk. The companies will still operate as individual concepts, but the combined company sees an opportunity to cut costs by 60-80 million kroner per year as a result of a stronger negotiation position towards suppliers.

### 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: established in 1987

Benchmark: n.a.

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.

### Return by periods

Name	YTD	2017	2016	2015	2014	2013
Pareto Nordic Return A	-0.96 %	11.30 %	5.30 %	21.90 %	17.80 %	32.30 %
Pareto Nordic Return B	-0.84 %	11.60 %	5.50 %	22.20 %		
Pareto Nordic Return C	-0.62 %	12.10 %	6.00 %	19.2%*		

### Annualised return

Name	Inception date	3 years	5 years	10 years	Since inception
Pareto Nordic Return A	1987	8.06 %	15.35 %	11.11 %	10.27 %
Pareto Nordic Return B	31.12.2014	8.33 %	-	-	10.72 %
Pareto Nordic Return C	12.02.2015	8.82 %	-	-	10.66 %

### Other information

Name	Minimum initial subscription amount in 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

## Units issued and management fees

### NAV and units issued as at 30 June 2018

<b>Unit class A</b>	
Number of units	7 774.56
Net asset value	110 272.36
Redemption price after maximum fee	109 721.00
<b>Unit class B</b>	
Number of units	50 771.40
Net asset value	7 194.59
Redemption price after maximum fee	7 158.62
<b>Unit class C</b>	
Number of units	46 368.47
Net asset value	7 096.45
Redemption price after maximum fee	7 060.97

### Management fee

	<b>Subscription fee*</b>	<b>Redemption fee</b>	<b>Management fee</b>
Unit class A	Up to 1.00 %	Up to 0.50 %	1.20 % p.a.
Unit class B	Up to 1.00 %	Up to 0.50 %	0.95 % p.a.
Unit class C	Up to 1.00 %	Up to 0.50 %	0.50 % p.a.

\*The Board of Directors of Pareto Asset Management AS may decide that the charges shall increase by up to 5.00 per cent of the subscription amount. The difference between 1.00 per cent and the adopted increased subscription fee of up to 5.00 per cent shall accrue to the fund. The Board may set an increased subscription fee for a certain period with the possibility of extension or shortening by board resolution.

# Pareto Nordic Return

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## Securities portfolio as at 30 June 2018

Securities	Listing	Number of shares	Cost price NOK	Market value NOK	Unrealised gain/loss	Share in % of portfolio
<b>Consumer discretionary</b>						
Autoliv Inc ser. SDR	Stockholm	56 500	33 046 132	47 467 261	14 421 129	3.1
Betsson AB ser. B	Stockholm	526 000	41 132 630	26 069 576	- 15 063 053	1.7
Europris ASA	Oslo	1 155 000	42 112 904	28 124 250	- 13 988 654	1.8
Hennes & Mauritz AB ser. B	Stockholm	110 000	31 296 682	13 383 909	- 17 912 773	0.9
Kongsberg Automotive ASA	Oslo	3 107 000	16 870 145	29 081 520	12 211 375	1.9
Nokian Renkaat Oyj	Helsinki	94 000	25 382 768	30 271 606	4 888 838	1.9
Pandora A/S	Copenhagen	97 000	95 637 398	55 229 449	- 40 407 949	3.6
Veoneer Inc ser. SDR	Stockholm	56 500	11 136 083	16 308 181	5 172 098	1.0
<b>Sum consumer discretionary</b>			<b>296 614 742</b>	<b>245 935 752</b>	<b>- 50 678 989</b>	<b>15.9</b>
<b>Consumer staples</b>						
Carlsberg A/S ser. B	Copenhagen	45 500	29 916 497	43 677 430	13 760 933	2.8
Essity AB ser. B	Stockholm	87 000	14 041 798	17 539 346	3 497 548	1.1
Grieg Seafood ASA	Oslo	799 000	26 027 334	68 634 100	42 606 766	4.4
Schouw & Co	Copenhagen	47 500	18 739 265	34 185 855	15 446 589	2.2
<b>Sum consumer staples</b>			<b>88 724 894</b>	<b>164 036 731</b>	<b>75 311 836</b>	<b>10.5</b>
<b>Energy</b>						
Akastor ASA	Oslo	1 967 000	31 355 035	35 209 300	3 854 265	2.3
Archer Ltd	Oslo	1 621 622	16 216 220	17 351 355	1 135 135	1.1
BW Offshore Ltd	Oslo	485 000	20 015 655	20 224 500	208 845	1.3
Seadrill Ltd New Common Shares	New York	1 601	108 266	109 901	1 635	0.0
Subsea 7 SA	Oslo	484 000	58 504 227	63 089 400	4 585 173	4.1
<b>Sum energy</b>			<b>126 199 403</b>	<b>135 984 456</b>	<b>9 785 053</b>	<b>8.8</b>
<b>Financials</b>						
Jyske Bank A/S	Copenhagen	158 500	50 655 620	70 852 670	20 197 050	4.6

# Pareto Nordic Return

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## Securities portfolio as at 30 June 2018

Securities	Listing	Number of shares	Cost price NOK	Market value NOK	Unrealised gain/loss	Share in % of portfolio
Nordic Capital Partners II AS	Unlisted	5 000	4 350 000	16 050	- 4 333 950	0.0
Norwegian Finans Holding ASA	Oslo	813 000	29 944 428	73 576 500	43 632 072	4.7
Protector Forsikring ASA	Oslo	352 282	18 000 015	23 391 525	5 391 509	1.5
TF Bank AB	Stockholm	362 080	28 950 748	26 003 977	- 2 946 770	1.7
<b>Sum financials</b>			<b>131 900 811</b>	<b>193 840 722</b>	<b>61 939 911</b>	<b>12.5</b>
<b>Health care</b>						
Novo Nordisk A/S ser. B	Copenhagen	121 000	44 084 880	45 744 195	1 659 315	2.9
Pihlajalinna Oyj	Helsinki	248 000	24 592 041	26 621 838	2 029 797	1.7
<b>Sum health care</b>			<b>68 676 921</b>	<b>72 366 033</b>	<b>3 689 112</b>	<b>4.6</b>
<b>Industrials</b>						
ABB Ltd	Stockholm	78 000	11 447 893	13 912 156	2 464 263	0.9
Alimak Group AB	Stockholm	126 000	14 859 280	15 755 554	896 274	1.0
Coor Service Management Holding AB	Stockholm	829 000	32 803 377	47 297 468	14 494 091	3.0
Fjord1 ASA	Oslo	879 128	25 494 712	45 538 830	20 044 118	2.9
Instalco Intressenter AB	Stockholm	796 306	42 307 738	42 674 293	366 556	2.7
Norwegian Air Shuttle ASA	Oslo	275 258	64 758 217	68 374 087	3 615 870	4.4
Troax Group AB	Stockholm	263 000	22 409 082	69 152 931	46 743 849	4.5
<b>Sum industrials</b>			<b>214 080 299</b>	<b>302 705 319</b>	<b>88 625 021</b>	<b>19.4</b>
<b>Information technology</b>						
Elliptic Laboratories AS	Unlisted	104 000	16 342 823	20 800 000	4 457 178	1.3
Evry ASA	Oslo	1 366 000	41 703 100	40 297 000	- 1 406 100	2.6
Kitron ASA	Oslo	5 137 000	27 795 405	50 393 970	22 598 565	3.2
Nordic Semiconductor ASA	Oslo	1 060 116	39 151 805	55 338 055	16 186 250	3.6
<b>Sum information technology</b>			<b>124 993 133</b>	<b>166 829 025</b>	<b>41 835 893</b>	<b>10.7</b>

# Pareto Nordic Return

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## Securities portfolio as at 30 June 2018

Securities	Listing	Number of shares	Cost price NOK	Market value NOK	Unrealised gain/loss	Share in % of portfolio
<b>Utilities</b>						
Scatec Solar ASA	Oslo	1 192 495	45 751 084	65 706 475	19 955 390	4.2
<b>Sum equities</b>			<b>1 096 941 287</b>	<b>1 347 404 513</b>	<b>250 463 227</b>	<b>86.6</b>

# Pareto Nordic Return

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## Securities portfolio as at 30 June 2018

Securites	Listing	Maturity	Coupon	Interest adj. rate <sup>1</sup>	Principal	Cost price NOK	Yield <sup>2</sup>	Market value + acc. int NOK	Unrealised gain/loss	Share in % of portfolio
<b>Real estate</b>										
Bulk Industrier AS 18/21 FRN	Oslo	26.05.2021	7.5	18.09.2018	5 000 000	5 000 000	7.6	5 044 828	31 250	0.3
<b>Energy</b>										
BW Offshore Limited 12/20 FRN STEP C	Oslo	15.03.2020	5.5	17.09.2018	1 080 000	1 080 000	5.8	1 081 300	- 1 350	0.1
Dof Subsea AS 13/20 FRN STEP	Oslo	22.05.2020	8.1	23.07.2018	3 917 749	3 565 152	8.7	3 951 938	325 663	0.3
Dolphin Group ASA 12/18 FRN	Unotert	14.02.2019	0.0	14.02.2019	1 000 000	1 017 500	0	5 005	- 1 012 495	0.0
Seadrill Ltd 12/17 5.625% USD	Dublin	15.09.2018	0.0	15.09.2018	200 000	1 337 136	1126118.6	227 799	- 1 109 337	0.0
Seadrill Ltd 13/18 FRN	Oslo	12.03.2019	0.0	12.03.2019	3 000 000	2 746 500	961.5	388 750	- 2 357 750	0.0
Seadrill Ltd 18/25 12.00% C	Dublin	15.07.2025	0.0	15.07.2025	32 000	256 973	9.5	263 289	3 882	0.0
Veritas Petroleum Serv 14/19 7.00% USD C	Oslo	01.04.2019	7.0	01.04.2019	600 000	4 610 435	6.9	4 982 727	286 699	0.3
<b>Sum energy</b>						<b>14 613 696</b>		<b>10 900 808</b>	<b>- 3 864 688</b>	<b>0.7</b>
<b>Financials</b>										
Avanzia Bank S.A. 15/PERP FRN C HYBRID	Nordisk ABM	31.12.2099	5.5		5 000 000	5 000 000	5.5	5 028 717	18 750	0.3
Aker ASA 15/20 FRN	Oslo	29.05.2020	4.5	29.08.2018	5 000 000	5 000 000	3.0	5 169 925	149 209	0.3
Sbanken ASA 15/PERP FRN C HYBRID	Nordisk ABM	31.12.2099	5.2		10 000 000	10 000 000	4.1	10 390 433	273 989	0.7
<b>Sum financials</b>						<b>20 000 000</b>		<b>20 589 075</b>	<b>441 948</b>	<b>1.3</b>
<b>Industrials</b>										
Cembrit Group A/S 17/21 FRN EUR C	Stockholm	20.03.2021	5.5	20.09.2018	200 000	1 834 680	18.7	1 585 317	- 252 562	0.1
GripShip AS 15/18 FRN	Nordisk ABM	13.07.2018	7.6	13.07.2018	5 000 000	5 000 000	11.1	5 077 468	- 6 250	0.3
Norwegian Air Shuttle ASA 17/20 FRN	Oslo	23.11.2020	5.0	21.08.2018	8 000 000	8 000 000	5.0	8 052 578	7 866	0.5
<b>Sum industrials</b>						<b>14 834 680</b>		<b>14 715 363</b>	<b>- 250 946</b>	<b>0.9</b>
<b>Information technology</b>										
Consilium AB 15/20 FRN FLOOR C	Stockholm	25.03.2020	5.8	25.03.2020	2 000 000	1 922 000	-0.4	1 906 573	- 17 174	0.1

# Pareto Nordic Return

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## Securities portfolio as at 30 June 2018

Securites	Listing	Maturity	Coupon	Interest adj. rate <sup>1</sup>	Principal	Cost price NOK	Yield <sup>2</sup>	Market value + acc. int NOK	Unrealised gain/loss	Share in % of portfolio
DigiPlex Fet AS 14/19 FRN STEP C	Oslo	11.06.2019	4.8	11.09.2018	7 000 000	6 930 000	3.6	7 092 684	144 095	0.5
<b>Sum information technology</b>						<b>8 852 000</b>		<b>8 999 257</b>	<b>126 921</b>	<b>0.6</b>
<b>Consumer discretionary</b>										
Global Scanning A/S 15/19 FRN	Stockholm	09.12.2019	8.5	28.09.2018	3 000 000	3 002 100	25.4	2 257 006	- 746 385	0.1
<b>Materials</b>										
Bergvik Skog AB 04/34 ADJ C SUB	Unotert	24.03.2034	8.5	24.03.2034	15 000 000	18 140 006	1.8	16 129 350	- 2 017 112	1.0
<b>Total fixed income</b>						<b>84 442 482</b>		<b>78 635 687</b>	<b>- 6 279 012</b>	<b>4.9</b>
Cash and cash equivalents						126 015 408		127 290 232	846 778	8.1
<b>Total</b>						<b>1 307 399 177</b>		<b>1 553 330 432</b>	<b>245 030 993</b>	<b>100</b>

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.

# Pareto Høyrente

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## Adjustments to the fund

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Pareto Høyrente had a good development during the first half of 2018.

We have made several adjustments to the fund. We have purchased some corporate bonds with short duration, among these Odfjell and Aker BP. In addition, Felleskjøpet, Nortura, Veidekke, Norsk Gjenvinning and utility company Hafslund have entered the portfolio. These companies add diversification to the portfolio. The purchase of these bonds have been financed by amongst others reducing our exposure to Schibsted, Wallenius Wilhelmsen Logistics and DNB. We have also continued to diversify within the financial sector, and have included SR-Bank senior bonds in our portfolio. In June, we sold the remaining bonds we had in Boa OCV.

Norges Bank held an interest rate meeting in June. As of now, it looks like the key policy rate will be increased in September, and thereafter gradually increased up until two per cent over the next couple of years.

The short three month interest rate, NIBOR 3m, to which most of the bonds in Pareto Høyrente are linked, currently stands at 1.0%. In comparison, NIBOR 3m was close to 0.8% at year-end. All else equal, this means that our bonds pay a 0.2 percentage point higher coupon.

Given the signals from the central bank, it is more probable that the short-term interest rate will increase further. Seen in isolation, this will improve returns in Pareto Høyrente. Whether this effect will spill over into increased deposit rates, is less certain.

We believe this is a good argument for investing in our fixed income fund.

We have seen that credit spreads in Europe continue to widen. Margins in Norway have not moved much, but they have widened somewhat, which in turn explains the weak development for the fund in June after an otherwise strong first half of 2018.

Many issuers have been active in advance of the summer holidays in Norway. We expect low market activity in July with regards to new issues. If liquidity were to be weak in the market during summer, the fund is well positioned. With a high cash ratio we are able to make investments if we find interesting investment cases in the second-hand market.

Our ambition is to have a portfolio of bonds with solid credit quality, each of which delivers satisfactory risk-adjusted returns, has sufficient liquidity and low vulnerability to industry conditions and single-factor risk.

[Portfolio management team](#)  
Eric von Koss Torkildsen

# Pareto Høyrente

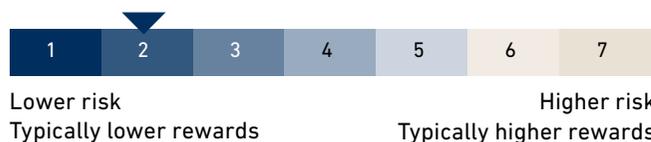
Fundamental and actively managed corporate bond fund with a norwegian mandate.

Inception date: 25.07.2001

Benchmark: Government Bond Index 1.00 (ST3X)

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.

## Return by periods

Name	YTD	2017	2016	2015	2014	2013
Pareto Høyrente	1.25 %	2.00 %	-0.20 %	-1.10 %	1.80 %	4.80 %
Government Bond Index 1.00	0.21 %	0.70 %	0.50 %	1.00 %	1.90 %	1.70 %

## Annualised return

Name	Inception date	3 years	5 years	10 years	Since inception
Pareto Høyrente	25.07.2001	0.11 %	1.16 %	2.61 %	2.95 %
Government Bond Index 1.00		0.55 %	0.85 %	2.08 %	2.09 %

## Other information

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

\*Performance start date is set to 30.04.2004 due to change in the benchmark index.

## Units issued and management fees

### NAV and units issued as at 30 June 2018

<b>Pareto Høyrente</b>	
Number of units	1 840 543.45
Net asset value	1 029.76
Redemption price after maximum fee	1 024.61

### Management fee

<b>Fund</b>	<b>Subscription fee</b>	<b>Redemption fee</b>	<b>Management fee</b>
Pareto Høyrente	Up to 0.50%	Up to 0.50%	0.65% p.a.*

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

# Pareto Høyrente

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## Securities portfolio as at 30 June 2018

Security	Listing	Maturity	Coupon rate	Interest adj. date <sup>1</sup>	Principal	Cost price NOK	Yield <sup>2</sup>	Market value + acc. int. rate	Unrealised gain/loss	Share in % of portfolio
<b>Real estate</b>										
Mølleparken 4 Senior Bond AS 17/20 FRN C	Oslo	20.11.2020	4.1	20.08.2018	29 000 000	29 170 000	4.0	29 240 217	- 61 250	1.5
Norwegian Property ASA 14/19 FRN P	Oslo	07.10.2019	2.1	05.07.2018	40 000 000	39 958 360	1.8	40 408 287	243 060	2.1
Pioneer Public Properties AS 16/21 FRN C	Oslo	28.05.2021	6.4	02.07.2018	35 000 000	36 187 500	5.6	36 157 738	- 583 540	1.9
Tveten Park AS 17/20 FRN C	Oslo	27.04.2020	4.4	27.07.2018	35 000 000	35 000 000	6.1	34 926 792	- 350 000	1.8
<b>Sum real estate</b>						<b>140 315 860</b>		<b>140 733 034</b>	<b>- 751 730</b>	<b>7,3</b>
<b>Energy</b>										
Aker BP ASA 13/20 FRN FLOOR P	Oslo	02.07.2020	7.7	02.07.2018	30 000 000	34 906 250	3.1	35 287 905	- 185 720	1.8
Bonheur ASA 17/20 FRN	Oslo	09.11.2020	4.3	09.08.2018	35 000 000	35 000 000	4.1	35 401 284	182 291	1.9
BW Offshore Limited 15/22 FRN STEP C	Oslo	16.03.2022	5.3	17.09.2018	32 000 000	27 168 914	5.7	31 820 898	4 591 086	1.7
Ocean Yield ASA 16/21 FRN C	Oslo	23.09.2021	5.5	24.09.2018	29 000 000	29 000 000	4.3	30 023 507	996 875	1.6
Ship Finance International L 14/19 FRN C	Oslo	19.03.2019	5.1	19.09.2018	25 000 000	25 265 000	2.5	25 317 917	10 250	1.3
Teekay LNG Partners L.P. 13/18 FRN	Oslo	03.09.2018	5.4	03.09.2018	80 000 000	80 073 273	2.0	80 813 160	418 887	4.2
<b>Sum energy</b>						<b>231 413 437</b>		<b>238 664 671</b>	<b>6 013 669</b>	<b>12,5</b>
<b>Financials</b>										
Aker ASA 12/22 FRN	Oslo	07.09.2022	6.0	07.09.2018	15 000 000	16 347 120	3.4	16 485 000	77 880	0.9
Aker ASA 15/20 FRN	Oslo	29.05.2020	4.5	29.08.2018	10 000 000	9 871 000	3.0	10 339 850	427 417	0.5
DNB Bank ASA 15/PERP FRN C HYBRID	Oslo	31.12.2099	4.3		20 000 000	20 000 000	3.4	20 375 860	295 016	1.1
DNB Bank ASA 17/27 FRN C SUB	Oslo	19.01.2027	2.9	19.07.2018	50 000 000	50 000 000	2.3	51 301 328	1 007 300	2.7
Eika Boligkreditt AS 18/28 FRN C SUB	Nordisk ABM	02.02.2028	2.5	02.08.2018	60 000 000	60 000 000	2.5	59 940 386	- 310 614	3.1
Gjensidige Bank ASA 15/PERP FRN C HYBRID	Nordisk ABM	31.12.2099	4.2		20 000 000	19 930 000	3.7	20 302 038	278 038	1.1
Gjensidige Fors ASA 14/44 FRN STEP C SUB	Oslo	03.10.2044	2.7	02.07.2018	76 000 000	75 280 000	2.7	75 562 156	- 215 750	4.0
Indre Sogn Spb 14/24 FRN C SUB	Nordisk ABM	03.10.2024	2.9	03.07.2018	23 000 000	23 034 500	2.8	23 044 684	10 184	1.2
Kistefos AS 16/19 FRN C	Nordisk ABM	05.12.2019	8.5	05.09.2018	23 500 000	24 746 250	6.5	24 672 389	- 218 125	1.3
Oslo Børs VPS Holding ASA 18/23 FRN	Dublin	23.05.2023	1.9	23.08.2018	12 000 000	12 000 000	1.8	12 044 365	20 185	0.6
Sbanken ASA 17/27 FRN C SUB	Nordisk ABM	02.03.2027	2.7	03.09.2018	25 000 000	25 000 000	2.4	25 266 883	217 195	1.3

# Pareto Høyrente

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## Securities portfolio as at 30 June 2018

Security	Listing	Maturity	Coupon rate	Interest adj. date <sup>1</sup>	Principal	Cost price NOK	Yield <sup>2</sup>	Market value + acc. int. rate	Unrealised gain/loss	Share in % of portfolio
Spb 1 BV 17/21 FRN	Nordisk ABM	26.04.2021	1.7	26.07.2018	40 000 000	40 090 400	1.6	40 265 307	52 440	2.1
Spb 1 Ringerike Hadeland 18/22 FRN	Nordisk ABM	22.06.2022	1.5	24.09.2018	50 000 000	50 000 000	1.5	49 987 375	- 31 750	2.6
Spb 1 SMN 15/20 FRN	Nordisk ABM	04.05.2020	1.6	06.08.2018	50 000 000	49 970 000	1.4	50 389 066	286 955	2.7
Spb 1 SMN 18/PERP FRN C HYBRID	Nordisk ABM	31.12.2099	4.2		32 000 000	32 000 000	4.1	32 197 105	- 51 642	1.7
Spb 1 SR-Bank ASA 17/20 FRN	Oslo	04.05.2020	1.7	06.08.2018	25 000 000	25 135 000	1.4	25 199 536	- 1 923	1.3
Spb 1 Østfold Akershus 14/19 FRN	Nordisk ABM	28.03.2019	1.5	28.09.2018	55 000 000	55 089 100	1.1	55 176 737	80 624	2.9
Spb 1 Østlandet 13/19 FRN	Nordisk ABM	22.11.2019	2.0	22.08.2018	30 000 000	30 405 000	1.3	30 370 224	- 100 776	1.6
Spb 1 Østlandet 17/27 FRN C SUB	Nordisk ABM	16.11.2027	2.5	16.08.2018	10 000 000	10 000 000	2.4	10 045 979	14 035	0.5
Spb Møre 17/27 FRN C SUB	Oslo	03.05.2027	2.6	03.08.2018	30 000 000	30 000 000	2.4	30 297 697	171 339	1.6
Spb Sør 13/18 FRN	Nordisk ABM	29.10.2018	2.0	30.07.2018	30 000 000	30 376 800	1.1	30 186 544	- 291 006	1.6
Spb Sør 15/25 FRN C SUB	Nordisk ABM	03.06.2025	2.5	03.09.2018	50 000 000	50 000 000	2	50 612 465	517 965	2.7
Spb Vest 16/PERP FRN C HYBRID	Nordisk ABM	31.12.2099	5.5		25 000 000	25 000 000	3.8	26 286 372	1 198 205	1.4
Spb Øst 16/19 FRN	Nordisk ABM	09.09.2019	1.8	10.09.2018	10 000 000	10 103 000	1.2	10 085 520	- 27 536	0.5
Storebrand Bank ASA 14/24 FRN C SUB	Nordisk ABM	09.07.2024	2.8	09.07.2018	25 000 000	25 000 000	2.1	25 334 295	174 635	1.3
Storebrand Liv AS 14/PERP FRN STEP C SUB	Oslo	31.12.2099	3.7		44 000 000	44 000 000	3.2	44 879 817	852 610	2.4
<b>Sum financials</b>						<b>843 378 170</b>		<b>850 648 978</b>	<b>4 432 901</b>	<b>44.7</b>
<b>Utilities</b>										
BKK AS 14/21 FRN	Oslo	06.10.2021	1.8	06.07.2018	20 000 000	20 072 580	1.7	20 148 127	- 8 542	1.1
Hafslund AS 14/19 FRN	Oslo	17.09.2019	1.6	17.09.2018	7 000 000	7 023 730	1.3	7 028 200	552	0.4
Hafslund AS 15/20 FRN	Oslo	13.02.2020	1.6	13.08.2018	10 000 000	10 041 500	1.4	10 058 523	- 4 710	0.5
Statkraft AS 15/20 FRN	Oslo	21.01.2020	1.7	23.07.2018	6 000 000	6 026 940	1.4	6 043 394	- 2 636	0.3
Statkraft AS 15/20 FRN	Oslo	08.07.2020	1.8	09.07.2018	20 000 000	20 126 600	1.5	20 193 703	- 14 514	1.1
<b>Sum utilities</b>						<b>63 291 350</b>		<b>63 471 947</b>	<b>- 29 850</b>	<b>3.4</b>
<b>Health care</b>										
Care Bidco AS 17/21 FRN C	Oslo	24.03.2021	6.5	24.09.2018	20 000 000	20 000 000	7.8	19 671 700	- 350 000	1.0

# Pareto Høyrente

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## Securities portfolio as at 30 June 2018

Security	Listing	Maturity	Coupon rate	Interest adj. date <sup>1</sup>	Principal	Cost price NOK	Yield <sup>2</sup>	Market value + acc. int. rate	Unrealised gain/loss	Share in % of portfolio
<b>Industrials</b>										
Klaveness Ship Holding AS 16/21 FRN C	Nordisk ABM	27.05.2021	6.3	27.08.2018	21 500 000	21 500 000	5.1	22 440 768	817 000	1.2
Odfjell SE 16/19 FRN	Oslo	20.09.2019	7.0	20.09.2018	30 000 000	31 037 500	4.2	31 114 258	12 500	1.6
Stolt-Nielsen Limited 14/21 FRN	Oslo	18.03.2021	4.4	18.09.2018	30 000 000	29 896 963	4.5	29 927 342	- 16 963	1.6
Stolt-Nielsen Limited 15/20 FRN	Oslo	08.04.2020	5.3	09.07.2018	38 000 000	38 000 000	4.5	39 087 126	625 415	2.0
Veidekke ASA 18/23 FRN	Oslo	05.06.2023	1.9	05.09.2018	13 000 000	13 000 000	2.0	12 946 905	- 71 425	0.7
VV Holding AS 14/19 FRN P/C	Oslo	10.07.2019	6.4	02.07.2018	20 000 000	20 242 500	-195.7	20 519 095	- 15 416	1.1
Wallenius Wilhelmsen ASA 14/19 FRN	Oslo	09.04.2019	3.0	09.07.2018	40 000 000	40 000 000	2.7	40 384 660	110 760	2.1
<b>Sum industrials</b>						<b>193 676 963</b>		<b>196 420 154</b>	<b>1 461 871</b>	<b>10.3</b>
<b>Information technology</b>										
DigiPlex Fet AS 14/19 FRN STEP C	Oslo	11.06.2019	4.8	11.09.2018	50 000 000	50 151 786	3.6	50 662 028	377 464	2.7
<b>Consumer staples</b>										
Austevoll Seafood ASA 17/23 FRN	Oslo	21.06.2023	3.4	21.09.2018	11 000 000	11 000 000	3.1	11 089 360	79 063	0.6
Nortura SA 18/78 FRN STEP C SUB	Nordisk ABM	25.05.2078	5.3	27.08.2018	20 000 000	20 000 000	4.8	20 308 739	200 000	1.1
<b>Sum consumer staples</b>						<b>31 000 000</b>		<b>31 398 099</b>	<b>279 063</b>	<b>1.7</b>
<b>Consumer discretionary</b>										
Felleskjøpet Agri SA 17/20 FRN	Nordisk ABM	22.06.2020	2.5	24.09.2018	35 000 000	35 235 550	2.2	35 246 117	- 10 959	1.9
Læringsverkstedet AS 17/22 FRN C	Nordisk ABM	01.06.2022	5.0	03.09.2018	72 000 000	72 000 000	5.0	72 871 202	570 002	3.8
Møller Mobility Group AS 17/22 FRN	Nordisk ABM	28.03.2022	2.0	28.09.2018	40 000 000	40 000 000	1.8	40 266 920	260 320	2.1
Schibsted ASA 14/21 FRN	Oslo	06.05.2021	2.2	06.08.2018	40 000 000	40 000 000	2.0	40 358 051	222 384	2.1
<b>Sum consumer discretionary</b>						<b>187 235 550</b>		<b>188 742 290</b>	<b>1 041 747</b>	<b>9.9</b>
<b>Sum fixed income</b>						<b>1 760 463 116</b>		<b>1 780 412 901</b>	<b>12 475 135</b>	<b>93.5</b>

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.

# Pareto Høyrente

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## Securities portfolio as at 30 June 2018

Security	Listing	Maturity	Coupon rate	Interest adj. date <sup>1</sup>	Principal	Cost price NOK	Yield <sup>2</sup>	Market value + acc. int. rate	Unrealised gain/loss	Share in % of portfolio
Accrued management fee (NOK)			0.0			- 1 018 483	0	- 1 018 483	0	-0.1
Cash and cash equivalents			0.0			116 067 065	0	116 067 065	0	6.1
<b>Total</b>						<b>1 875 511 698</b>		<b>1 895 461 483</b>	<b>12 475 135</b>	<b>99</b>

# Other fixed income funds

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Portfolio management team  
Jan Skrårudsether, Kristin Ekvold



## 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.



Lower risk  
Typically lower rewards

Higher risk  
Typically higher rewards

### 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.



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.

### Return by periods

Name	YTD	2017	2016	2015	2014	2013
Pareto Obligasjon	0.31 %	1.30 %	1.30 %	0.70 %	2.80 %	2.40 %
Government Bond Index 3.00	-0.03 %	1.40 %	0.40 %	1.60 %	5.10 %	0.90 %
Pareto Likviditet	0.62 %	1.30 %	1.90 %	1.00 %	2.10 %	2.00 %
Government Bond Index 0.25	0.21 %	0.50 %	0.50 %	0.90 %	1.30 %	1.60 %

### Annualised return

Name	Inception date	3 years	5 years	10 years	Since inception
Pareto Obligasjon	02.11.1999	1.07 %	1.54 %	3.38 %	4.05 %
Government Bond Index 3.00		1.00 %	1.79 %		4.24 %
Pareto Likviditet	27.09.1999	1.38 %	1.58 %	2.48 %	3.44 %
Government Bond Index 0.25		0.55 %	0.85 %		3.03 %

### Other information

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

## Units issued and management fees

### NAV and units issued as at 30 June 2018

<b>Pareto Obligasjon</b>	
Number of units	96 134.73
Net asset value	1 002.80
Redemption price after maximum fee	1 002.80
<b>Pareto Likviditet</b>	
Number of units	603 294.15
Net asset value	996.94
Redemption price after maximum fee	996.94

### Management fees

<b>Fond</b>	<b>Subscription fee</b>	<b>Redemption fee</b>	<b>Management fee</b>
Pareto Obligasjon	-	-	0.45% p.a.*
Pareto Likviditet	-	-	0.25% p.a.**

#### \*Pareto Obligasjon

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

#### \*\*Pareto Likviditet

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

# Pareto Obligasjon

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## Securities portfolio as at 30 June 2018

Security	Listed	Maturity	Coupon rate	Interest adj. date <sup>1</sup>	Principal	Cost price NOK	Yield <sup>2</sup>	Market value + acc. int. NOK	Unrealised gain/loss	Share in % of portfolio
<b>Government bonds</b>										
Den norske stat 08/19 4.50%	Oslo	22.05.2019	4.5	22.05.2019	9 000 000	10 228 500	0.8	9 343 800	- 928 575	9.6
<b>Financials</b>										
DNB Boligkreditt AS 17/24 1.85% COVD	Oslo	14.03.2024	1.9	14.03.2024	3 000 000	2 953 500	2.1	2 978 033	8 037	3.1
Eika Boligkreditt AS 09/19 ADJ C COVD	Oslo	16.12.2019	5.0	16.12.2019	8 000 000	8 796 000	1.3	8 638 907	- 373 760	8.7
Gjensidige Bank Boli AS 13/20 ADJ C COVD	Nordisk ABM	11.09.2020	3.7	11.09.2020	4 000 000	4 264 400	1.6	4 297 023	- 84 988	4.3
KLP kommkreditt AS 16/21 ADJ C COVD	Oslo	28.10.2021	1.8	28.10.2021	5 000 000	5 001 500	1.7	5 076 740	14 827	5.2
Møre Boligkreditt AS 13/19 FRN C COVD	Oslo	10.05.2019	1.6	10.08.2018	5 000 000	5 055 850	1.1	5 032 838	- 34 133	5.2
Nordea Bank AB 14/19 3.00%	Oslo	21.08.2019	3.0	21.08.2019	4 000 000	4 140 000	1.3	4 177 925	- 65 408	4.2
Spb 1 BV 13/19 3.85%	Nordisk ABM	18.09.2019	3.9	18.09.2019	4 000 000	4 165 680	1.4	4 236 469	- 50 272	4.3
Spb 1 Nord-Norge 14/20 2.33%	Nordisk ABM	17.11.2020	2.3	17.11.2020	4 000 000	3 987 200	1.7	4 114 828	69 637	4.2
Spb 1 Næringskreditt AS 13/21 ADJ C COVD	Nordisk ABM	16.06.2021	3.7	16.06.2021	4 000 000	4 367 200	1.8	4 231 071	- 142 329	4.4
Spb 1 SMN 12/19 5.17%	Nordisk ABM	08.02.2019	5.2	08.02.2019	5 000 000	5 340 000	1.3	5 219 086	- 223 596	5.3
Spb 1 SR-Bank ASA 14/19 3.25%	Oslo	14.06.2019	3.3	14.06.2019	4 000 000	4 150 200	1.3	4 078 236	- 78 102	4.2
Spb 1 Østlandet 12/18 4.35%	Nordisk ABM	29.08.2018	4.4	29.08.2018	4 000 000	4 306 280	1	4 167 635	- 284 612	4.2
Spb Sogn og Fjordane 13/19 FRN	Nordisk ABM	08.02.2019	2.0	08.08.2018	8 000 000	8 060 400	1.2	8 063 370	- 20 550	8.3
Spb Sør 13/19 3.40%	Nordisk ABM	17.06.2019	3.4	17.06.2019	4 000 000	4 218 000	1.3	4 083 600	- 139 689	4.2
Spb Vest 14/19 2.95%	Nordisk ABM	18.02.2019	3.0	18.02.2019	5 000 000	5 192 500	1.3	5 106 908	- 140 085	5.2
Spb Vest 14/19 FRN	Nordisk ABM	25.03.2019	1.6	25.09.2018	3 000 000	3 009 000	1.1	3 011 709	1 914	3.1
Spb Øst 14/19 3.00%	Nordisk ABM	26.03.2019	3.0	26.03.2019	4 000 000	4 116 400	1.3	4 081 043	- 67 024	4.2
Storebrand ASA 17/20 FRN	Nordisk ABM	11.05.2020	2.6	13.08.2018	5 000 000	5 035 500	1.8	5 090 909	36 992	5.3
<b>Sum financials</b>						<b>86 159 610</b>		<b>85 686 330</b>	<b>- 1 573 141</b>	<b>87.6</b>
<b>Sum fixed income</b>						<b>96 388 110</b>		<b>95 030 130</b>	<b>- 2 501 716</b>	<b>97.2</b>

# Pareto Obligasjon

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## Securities portfolio as at 30 June 2018

Security	Listed	Maturity	Coupon rate	Interest adj. date <sup>1</sup>	Principal	Cost price NOK	Yield <sup>2</sup>	Market value + acc. int. NOK	Unrealised gain/loss	Share in % of portfolio
<b>Government bonds</b>										
Accrued managent fee (NOK)			0,0			- 35 895	0	- 35 895	0	0.0
Cash and cash equivalents			0,0			1 416 374	0	1 416 374	0	1.5
<b>Total</b>						<b>97 768 589</b>		<b>96 410 609</b>	<b>- 2 501 716</b>	<b>99</b>

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.

## Pareto Likviditet

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### Securities portfolio as at 30 June 2018

Security	Listed	Maturity	Coupon rate	Interest adj. date <sup>1</sup>	Principal	Cost price NOK	Yield <sup>2</sup>	Market value + acc. int. NOK	Unrealised gain/loss	Share in % of portfolio
<b>Financials</b>										
Aurskog Spb 14/19 FRN	Nordisk ABM	23.01.2019	2.0	23.07.2018	20 000 000	20 155 200	1.3	20 160 431	- 71 052	3.3
Fana Spb 16/19 FRN	Nordisk ABM	18.09.2019	1.6	18.09.2018	29 000 000	29 126 950	1.2	29 168 528	24 404	4.8
Fornebu Spb 15/18 FRN	Nordisk ABM	03.09.2018	1.8	03.09.2018	25 000 000	25 091 500	1.1	25 063 305	- 61 383	4.2
Gjensidige Bank ASA 15/19 FRN	Nordisk ABM	29.11.2019	1.6	29.08.2018	40 000 000	40 260 100	1.2	40 308 813	- 11 420	6.7
Kredittforeningen for Spb 14/19 FRN	Nordisk ABM	12.02.2019	1.9	13.08.2018	20 000 000	20 142 000	1.3	20 134 699	- 58 768	3.3
Landkreditt Bank AS 14/19 FRN	Nordisk ABM	27.03.2019	1.6	27.09.2018	16 000 000	16 092 160	1.1	16 060 532	- 34 472	2.7
Møre Boligkreditt AS 14/20 FRN C COVID	Oslo	23.09.2020	1.3	24.09.2018	21 000 000	21 058 800	1.2	21 059 737	- 3 438	3.5
Nordea Bank AB 14/19 FRN	Oslo	07.02.2019	1.7	07.08.2018	6 000 000	5 908 800	1.1	6 037 755	113 189	1.0
Pareto Bank ASA 18/21 FRN	Nordisk ABM	02.02.2021	1.9	02.08.2018	15 000 000	15 000 000	1.8	15 106 541	58 041	2.5
Spb 1 Boligkreditt AS 16/22 FRN C COVID	Oslo	15.06.2022	1.8	17.09.2018	10 000 000	10 198 000	1.2	10 218 303	12 481	1.7
Spb 1 BV 14/19 FRN	Nordisk ABM	13.03.2019	1.8	13.09.2018	25 000 000	25 168 200	1.2	25 131 663	- 58 412	4.2
Spb 1 Hallingdal Valdres 14/19 FRN	Nordisk ABM	25.03.2019	1.7	25.09.2018	25 000 000	25 148 750	1.2	25 112 071	- 43 887	4.2
Spb 1 Nord-Norge 14/19 FRN	Nordisk ABM	12.02.2019	1.7	13.08.2018	10 000 000	10 051 000	1.2	10 059 713	- 14 354	1.7
Spb 1 Nord-Norge 14/19 FRN	Nordisk ABM	21.08.2019	1.5	21.08.2018	40 000 000	40 092 000	1.2	40 217 048	56 604	6.7
Spb 1 SMN 17/20 FRN	Nordisk ABM	13.01.2020	1.7	13.07.2018	45 000 000	45 260 800	1.4	45 415 780	- 12 895	7.5
Spb 1 SR-Bank ASA 13/18 FRN	Oslo	13.12.2018	1.8	13.09.2018	10 000 000	10 076 500	1.1	10 045 568	- 40 082	1.7
Spb 1 Østfold Akershus 14/19 FRN	Nordisk ABM	28.03.2019	1.5	28.09.2018	10 000 000	10 014 100	1.1	10 032 134	16 759	1.7
Spb 1 Østfold Akershus 14/19 FRN	Nordisk ABM	18.11.2019	1.6	20.08.2018	5 000 000	5 022 650	1.3	5 033 887	1 215	0.8
Spb 1 Østlandet 15/18 FRN	Nordisk ABM	02.07.2018	1.6	02.07.2018	15 000 000	14 719 200	0.4	15 060 353	281 820	2.5
Spb Møre 15/18 FRN	Oslo	09.10.2018	2.2	09.07.2018	25 000 000	25 244 500	1.2	25 201 769	- 171 843	4.2
Spb Sogn og Fjordane 13/19 FRN	Nordisk ABM	08.02.2019	2.0	08.08.2018	27 000 000	27 231 450	1.2	27 213 872	- 96 958	4.5
Spb Sogn og Fjordane 14/19 FRN	Nordisk ABM	29.10.2019	1.6	30.07.2018	25 000 000	25 088 750	1.3	25 167 658	10 450	4.2
Spb Sør 13/18 FRN	Nordisk ABM	29.10.2018	2.0	30.07.2018	15 000 000	15 065 850	1.1	15 093 272	- 22 953	2.5
Spb Sør 15/20 FRN	Nordisk ABM	21.08.2020	1.6	21.08.2018	5 000 000	4 811 500	1.4	5 039 189	218 578	0.8
Spb Telemark 14/19 FRN	Nordisk ABM	28.01.2019	1.8	30.07.2018	10 000 000	10 060 500	1.2	10 067 831	- 24 013	1.7
Spb Telemark 16/21 FRN	Nordisk ABM	22.01.2021	2.5	23.07.2018	15 000 000	15 000 000	1.5	15 445 301	373 713	2.6
Spb Vest 14/19 FRN	Nordisk ABM	25.03.2019	1.6	25.09.2018	15 000 000	15 068 100	1.1	15 058 547	- 13 528	2.5

## Pareto Likviditet

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### Securities portfolio as at 30 June 2018

Security	Listed	Maturity	Coupon rate	Interest adj. date <sup>1</sup>	Principal	Cost price NOK	Yield <sup>2</sup>	Market value + acc. int. NOK	Unrealised gain/loss	Share in % of portfolio
Spb Vest 15/20 FRN	Nordisk ABM	12.02.2020	1.7	13.08.2018	10 000 000	10 061 700	1.3	10 084 678	311	1.7
Spb Øst 16/19 FRN	Nordisk ABM	09.09.2019	1.8	10.09.2018	23 000 000	23 217 400	1.2	23 196 695	- 43 833	3.9
Storebrand Bank ASA 16/19 FRN	Nordisk ABM	04.03.2019	2.2	04.09.2018	10 000 000	10 139 000	1.1	10 088 589	- 66 611	1.7
Totens Spb 13/18 FRN	Nordisk ABM	27.09.2018	1.9	27.09.2018	9 000 000	8 966 700	1.0	9 021 430	52 820	1.5
Totens Spb 15/20 FRN	Nordisk ABM	28.09.2020	2.3	28.09.2018	5 000 000	5 000 000	1.3	5 106 193	105 251	0.8
<b>Sum financials</b>						<b>583 542 160</b>		<b>585 211 885</b>	<b>475 734</b>	<b>97.3</b>
<b>Sum fixed income</b>						<b>583 542 160</b>		<b>585 211 885</b>	<b>475 734</b>	<b>97.3</b>
Accrued management fee (NOK)			0.0			- 120 682	0	- 120 682	0	0.0
Cash and cash equivalents			0.0			16 392 730	0	16 392 730	0	2.7
<b>Total</b>						<b>599 814 208</b>		<b>601 483 933</b>	<b>475 734</b>	<b>100</b>

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.

## Our ethical framework

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

In September 2014 PAM decided to formalise our commitment to social responsible investments by committing to the UN PRI (United Nations Principles for Responsible Investment). The principles were signed in November 2014 and PAM presented its first PRI report in March 2017.

PAM decided in January 2017 to further formalize its commitment by becoming a member of Norsif. Due to our strong presence in Sweden through a branch in Stockholm, it was logical for us to also join the Swedish sister organisation Swesif.

Due to our fundamental investment philosophy and a limited number of investments, it is our ambition to provide solid and transparent documentation of our portfolio management being in compliance with our guidelines for responsible investments.

### General considerations

Our guidelines for responsible investments are founded on the guidelines used by the Norwegian Government Pension Fund, the United Nations Principles for Responsible Investments (PRI), as well as recognised principles and standards.

The current guidelines also state that precautionary measures shall be taken when investing in bio-technology, weapons, alcohol and gambling, meaning that ethical issues should be subjected to careful considerations before an investment can be made. This may also apply to other ethical issues.

In more general terms, environmental, social and governance issues, as well as technological changes, may affect how PAM views bans or additional precautionary measures when investing in other sectors than those explicitly being addressed by our current guidelines.

### Ethical screening

Our ethical considerations roughly imply a process with two basic steps. First, we screen all investments on specific criteria. Second, companies subject to red flags in screening are put under scrutiny.

In our screening we have made a distinction between unethical products or production processes and companies with unethical conduct or behaviour.

In the first case, the question is whether the actual properties of the product or manufacturing process are negative. The company may exercise proper social responsibility, but the behaviour is still irrelevant if the product or manufacturing process warrant exclusion due to ethical considerations. In the second case it is the companies' conduct, and not necessarily the products, that are negative.



## Important information

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### 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.

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.

The fund's KIIDs, prospectuses, annual and semiannual reports are available from [www.paretoam.com/en/fund-related-documents](http://www.paretoam.com/en/fund-related-documents). Other information is available at [www.paretoam.com/en/client-information](http://www.paretoam.com/en/client-information).

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