

Annual report 2019

Mutual funds





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Directors' report



Directors' report 2019

Annual report for our Norwegian-registered funds with information on the management company and other financial products.

Market summary

Upon entering 2019, financial markets were in the grip of gloom, after major stock market declines and increasing corporate bond spreads in the last quarter of 2018. Dimming global growth prospects and an unpredictable end to the trade negotiations between USA and China put a definite damper on the market sentiment.

Furthermore, the term spread – the difference between long-term and short-term government bond yields – was about to turn negative in the US, which represents roughly 60 per cent of the MSCI World Index market capitalisation. Historically, a negative term spread has been a harbinger of recessions. This time, it was partly brought about by the Fed Funds rate having been hiked by a full percentage point in 2018, the latest increase as late as December 19. At that time, Federal Reserve was still convinced that real economic growth was strong.

When in fact the term spread did turn negative, a few months into 2019, there was no shortage of worried comments (nor of attentive listeners). From August 2018 to April 2019, the number of Google searches for "recession" nearly doubled.

There was indeed reason to worry. In just six months, IMF revised its 2019 global growth estimate from 3.9 to 3.5 per cent, only to be cut even more – down to 2.9 per cent – before the year was through.

As 2019 progressed, expectations rose that Federal Reserve would rather cut the Fed Funds rate than enact further increases. The first cut came in July, a quarter point, followed by two cuts of the same magnitude in September and October. September also saw the European Central Bank lower its key rate from already negative -0.4% to -0.5%. A quarter point hike from the Swedish Riksbanken the same month mattered little. Confidence rose.

This made it all the more difficult to find sensible alternatives to equities, leading to an autumn rally in the stock market. The Oslo Børs benchmark index, which mid-August was just above its level when entering 2019, ended the year with a return of 16.5 per cent. In the US, where the rebound from 2018 was stronger, the S&P 500 closed the year with a total return of as much as 31.5 per cent.

Globally, fixed income spreads tightened this year by some 60–70 basis points for investment grade and 170–200 basis points for high yield. In the Nordics, which was less affected by the preceding year's market slump, the tightening was less pronounced, but still strong.

Thus, 2019 offered two very useful reminders: Low economic growth does not go hand in hand with weak financial markets. And, similarly, fear, unease and investor tension do not presage low financial returns. On the contrary – these are rather common fixtures of all financial markets. That's just part of their nature.

For our funds, 2019 can clearly be summed up as a good year.

Successful windmill tilting

Bonheur has been a share for the patient. Pareto Aksje Norge has held the share since April 2008, for many years without seeing much in terms of returns. However, it has been chronically low priced, providing, in the eyes of the portfolio managers, a good opportunity. Sooner or later, the market would certainly price in some of its significant potential. The rig company Fred. Olsen Energy, where Bonheur owned 51.9 per cent, hung like a millstone around its neck. The company had old rigs off contracts and a considerable debt load; at the end of 2017, interest-bearing debt totalled almost \$900 million. This of course also affected Bonheur's consolidated financial statements. Analysts cared little about the impact on the consolidated figures. Given that Bonheur would not throw good money after bad, the rig company deserved to be neglected. In value calculations, zero value was added. But even that was perhaps too optimistic.

Throughout 2018 Fred. Olsen Energy struggled to solve the debt problem, without success. When, in November, they proposed to change the name to Dolphin Drilling, many suspected that the company was left to fail without staining the Fred. Olsen name. Two months later, it was announced that Bonheur would deconsolidate Dolphin Drilling in the financial statements. Bonheur's shareholders thus avoided recognising an accounting loss of NOK 1.25 billion for the first three quarters of 2018. Financially, it didn't matter. But the market could now focus on something else: With oil rigs out of the books, Bonheur emerged as a clearly sustainable company, primarily driven by its own wind power and revenues from the installation of offshore wind power. The timing was impeccable. Through 2019, sustainability was gaining increasing attention and value in the stock market. The Bonheur stock rose. And rose. This year, it became one of the best in the Norwegian market, with a return of as much as 118 percent – without notable news about the remaining business. Yes, it was a good year for the installation vessels and the dividend yield increased. But would that suffice to explain the exploding stock price?

So, yes, good things do come to those who wait. Especially when good appears to be better.

PS. In June 2019, Dolphin Drilling filed for bankruptcy.

Outlook

At the start of 2020, the fundamental unease was more subdued than one year before. While economic growth was lower and stock market pricing higher, expectations of monetary countermeasures had built market confidence. Furthermore, pricing indicated that there was still some margin of safety.

Two months into 2020, this scenario was entirely invalidated because of the coronavirus. In many ways, the virus was the perfect black swan – unexpected, unpredictable and momentous in consequence. It soon became obvious that all previous estimates and calculations had to be discarded. Nor was there much help in comparing with previous virus outbreaks, like SARS, avian flu or swine flu. The coronavirus, or more specifically COVID-19, was far more aggressive.

When health authorities in China, where the virus emerged, realised the gravity of the situation, strict measures were instituted to control the spread. This led to many global logistics chains being broken. Western companies could no longer receive goods from their suppliers in China, freight volumes were reduced and the ripple effects magnified.

On the demand side, signs of failure soon appeared for airline companies, tourism and business travel, such services being very easy to postpone. In the initial phases, it appeared that other industries would get away fairly easily.

Then two things happened. First, many Western government realised that they too would have to enact strict measures to prevent further spread of the virus; many institutions followed suit. Schools and restaurants

were closed, businesses began asking their employees to work from home, borders were – if not sealed, then at least closed for most normal travel. Widespread quarantines put a severe damper on a lot of economic activity.

Second, Opec and Opec+ – in reality Saudi Arabia and Russia – failed to reach an agreement on oil production cuts. The end result was quite the opposite: Production increased and the oil price plummeted to the low 30s.

In consequence, stock markets all over the world took a nosedive; even corporate bonds fell sharply. Two and a half months into 2020, the Norwegian stock market has fallen by 31 per cent. Globally, declines have been of almost the same magnitude, but for Norwegian investors, a record-soft Norwegian krone has softened the blow. For instance, in but a few weeks, from New Year's Eve to the middle of March, the US dollar rose by 17 per cent versus Norwegian kroner.

At this point in time, there is no telling how long this situation will last and, consequently, how financial markets will develop in the short term. However, major market declines are a natural feature of financial landscapes and, historically, the bull runs have always been much stronger than the bear markets. Equities have therefore delivered higher long-term returns than other asset classes. The long-term investor has very good reason to expect this to be the case in the future as well, even though uncertainty dominates the short-term view.

The Board of Directors of Pareto Asset Management acknowledges that there is always a significant element of uncertainty in securities management. However, we

A truly active finish

At the end of October, it looked like a dismal year for Pareto Investment Fund. In the A share class, where most unitholders are, the return was a full eight percentage points behind the mutual fund index. For a fund with a history of strong excess returns, this was disappointing. For unitholders with a shorter history, it must have been pretty disillusioning.

But then we were once again reminded not to fixate on current returns. In just two months, the return rose from six to 20 per cent, putting unitholders a close percentage ahead of the fund's benchmark index at yearend. This boost was not down to one particular sector. The four best contributions to the excess return came from companies in the unrelated seafood, property and retail segments, respectively, plus staying clear of Telenor, which had a weak year.

Yes, we should have been aware of the possibility that this might happen. According to a Morningstar survey, even in funds with long-term excess returns, intermediate negative excess returns may be expected to last for quite some time. The survey involved funds that beat their respective indices over a period of 15 years. On average, these funds had a negative excess return during nine to twelve of those years.

Pareto Investment Fund is one of the market's oldest funds, starting in 1985. When the current senior portfolio manager took over, at the start of 2007, the fund had delivered a total return of 1,400 per cent, against 1,167 percent for the mutual fund index (13.1 versus 12.2 per cent annually). In subsequent years, the excess return has increased; the fund has delivered a further 171 per cent, versus 104 per cent for the index (annualised 8.0 per cent against 5.6 per cent for the index). However, in four of these 13 years the fund achieved lower returns than the benchmark index. Such is life in active portfolio management. A high active share means a high probability that, from time to time, the fund will be clearly below its benchmark. This is the price you pay for the opportunity to do better in the long run.

After all, a fund cannot outperform its benchmark if it just replicates it.

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

On 1 January 2019, Pareto Asset Management acquired Stockholm-based Enter Fonder AB, a manager of Swedish stock and bond funds.

Including this fully owned daughter company, Pareto Asset Management had assets under management equivalent to 56 billion Norwegian kroner as at the end of 2019. This year assets under management increased by the equivalent of eight billion kroner through net subscriptions and six billion from returns achieved in our investment mandates.

While Enter Fonder manages mutual funds registered in Sweden, Pareto Asset Management manages funds registered in Ireland, Luxembourg and Norway.

On 25 November 2019, Pareto Asset Management launched the Luxembourg-registered fixed income fund Pareto Nordic Cross Credit. This fund invests in crossover bonds, i.e. bonds along the interface between investment grade and high yield. The strategy resembles that of the Norwegian-registered fixed income fund Pareto Høyrente, but the new fund has an investment universe that encompasses all of the Nordic region, not just Norway. Furthermore, the fund has a more distinct ESG profile, avoiding e.g. investments in fossil energy. Two of the three portfolio managers are based in our Oslo headquarters, while the third is based in Stockholm.

On 9 March 2020, Pareto Høyrente was merged into

Pareto Nordic Cross Credit.

The investment mandate for Pareto Obligasjon was revised and broadened this year, opening up for investments in bonds of investment grade quality without the previous limitations as to the classification of issuers. In the process the fund new share classes were introduced.

Pareto Asset Management now has 56 employees, including two in our branch office in Stockholm and one in our office in Frankfurt. Enter Fonder has 12 employees.

Assets under management

As at the end of 2019, Pareto Asset Management had assets under management totalling NOK 45.3 billion, of which NOK 15.9 billion in Norwegian-registered securities funds, distributed as follows (differences due to rounding):

- Norwegian equities funds NOK 8.6 billion
- Global equity fund NOK 4.7 billion
- Hybrid fund NOK 0.9 billion
- Fixed income funds NOK 1.8 billion

In addition, the company had NOK 7.2 billion* in discretionary management of stocks and fixed income instruments for individual customers and NOK 22.2 billion* in other funds / investment companies, of which NOK 17.9 billion* in securities funds registered in Luxembourg and NOK 4.3 billion* in securities funds registered in Ireland. At the end of 2019, Enter Fonder managed assets equivalent to just over NOK 11 billion* through Swedish-registered equities and fixed income funds.

Rising with the current

In October 2018, Pareto Global invested in the French company Schneider Electric, which sells products and services that ensure uninterrupted energy supply and reduce electricity consumption. We liked Schneider's low working capital and lightweight business model, where the entire operating profit was converted into cash. We also saw that the company was well positioned for the strong growth in electrification and energy saving.

At the start of the new year, little indicated that many others shared this view. The price was at its lowest since 2017, slightly below our cost price.

Now, Schneider had raised its own guidance and would announce another raise a few months later. In addition, they announced a new buy-back programme and ambitions of lifting the operating margin by two percentage points. But the analysts did not fully believe these ambitions. Earnings also turned out to be slightly below estimates at the start of the year. Estimates for 2020 barely moved through the year.

And yet: From its nadir, on January 3, 2019, the stock delivered a return of 64 percent, with a remarkably steady increase throughout the year.

Why so strong?

Almost the entire return was due to higher pricing. This year, Schneider took the leap from decidedly unpopular to very popular. The market obviously appreciated the company's positioning towards a greener and more energy efficient world. Browsing Schneider's website, you will quickly find keywords such as sustainability, climate, ethics and circular economy, and this is a company that seems to be putting its money where its mouth is. The company is not new – it was founded in 1838 – but management has been good at modernising and refining the strategy to meet the world of 2020.

And this has provided a good catalyst for rationalisation and stronger organic growth: For 2020 and 2021, clearly higher earnings growth is expected than in 2019.

*Unaudited figures.

Assets under management totalling approximately NOK 15.3 billion* in our Norwegian business are now owned by foreign clients, while assets under management in Enter Fonder are generally owned by Swedish clients.

Combined, companies, partners and employees of the Pareto group are our largest "customer", with NOK 5.2 billion* of total assets. Comprehensive investments in our own products demonstrates strong belief in our ability to make good investments, our work processes and our management philosophy.

Fund performance

Our Norwegian-registered funds

Strong global stock markets helped unitholders in Pareto Global achieve a good absolute return, with all share classes delivering returns in excess of the 29.6 per cent world index return. We also noted that value stocks, the focus of our portfolio managers, had a relatively good year.

Positive excess returns were also enjoyed by unitholders in Pareto Investment Fund, after a particularly strong finish to the year. In but two months a notable negative excess return was transformed into returns in excess of the 19.2 per cent of the mutual fund index for all share classes. This is a reminder that relative returns may fluctuate a lot in funds with a high active share, which Pareto Investment Fund has, underlining the importance of patience and investment discipline.

Our other Norwegian stock fund, Pareto Aksje Norge, saw positive excess returns in 2018 turning to negative excess returns in 2019. Share class I, having the lowest management fee and tailored for institutional investors, had a negative excess return of almost four percentage

points. There were no particular industry weightings or singular events behind this result. We would like to add, though, that absolute returns were in the double digits by a wide margin.

The hybrid fund Pareto Nordic Return appreciated substantially during the last two months of the year, delivering good absolute returns, almost on par with Oslo Børs. A high allocation to equities through the year proved beneficial, but the fund did not quite keep up with the Nordic stock market, where especially the Swedish market was buoyant. As a hybrid fund, however, Pareto Nordic Return does not have a benchmark index.

In fixed income, we note that 2019 proved to be a good year for Pareto Høyrente. Every single month ended with a positive return, with low volatility throughout the year. None of the fund's 55 positions (as at yearend) were negatively influenced by particular credit events during the year.

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.

Our foreign-registered funds

Inasmuch as many of our Norwegian clients are also invested in our foreign-registered funds, we will provide a brief mention of returns in these funds.

Our largest foreign-registered fund, Pareto Nordic Corporate Bond, delivered a return this year of 6.9 per cent (share class A), measured in Norwegian kroner.

In equities, Pareto Total is the largest fund registered

abroad. Here, the return for the year ended just above 23 per cent. Pareto Total is a hedgefund, with both stocks, bonds, short positions and leverage.

In absolute terms, Enter Småbolagsfond stood out, with a total return in 2019 of a full 49 per cent. The fund invests in Swedish small cap stocks, but we feel obliged to add that this segment comprises stocks of considerably higher capitalisation than what we usually define as small cap in Norway.

Enter Select Pro, which invests in larger Swedish companies, achieved a return of approximately 38 per cent in 2019. Longer term, the fund's returns are among the best of comparable funds in the Swedish market.

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 riskadjusted 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 a board member.

The Nordic Swan eco-labeling of the Pareto Global Corporate Bond fund is part of this work. A dedicated analyst has set up systems to monitor the investments in this fund to ensure they are in line with the fund's objectives and the Swan label's requirements. At the start of 2020 we also hired a person to work with a sustainability project in the fund Pareto Nordic Cross Credit.

Twice a year Pareto Asset Management publishes a report on responsible investments. In this report we present our own guidelines as well as our efforts to comply with them, and we highlight investments that have been the object of company discussions on sustainability. We also present our work on active ownership. The report is available to all our customers and is published on our website, based on the idea that transparency is important for ourselves as well. Similarly, we provide transparency in our PRI reporting through a so-called Transparency Report.

Enter Fonder, which has long emphasised responsible investments, produces a sustainability report four times a year. This report deals with their sustainable investment efforts and typically highlights investigations into a couple of companies. The company works systematically on sustainability and integrates such evaluations into all their stock investments.

Enter Fonder is a member of Swesif and has signed the UN principles for responsible investment (PRI). Enter too makes its Transparency Report available.

Both Pareto Asset Management and Enter Fonder hold that concentrated, fundamentally oriented securities management provides proximity to the portfolio companies, facilitating responsible investments.

Risk management in our Norwegian-registered securities funds

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. For funds with a benchmark index, there is also a risk that returns may be lower than the returns of the benchmark index. 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. During the year, a new risk manager was hired.

The company manages Norwegian-registered equity funds, fixed income funds and hybrid funds, plus discretionary portfolios for individual clients and funds/investment companies registered in Luxembourg and Ireland. 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. Market risk in a portfolio may be absolute (passive) and/or relative (active), provided the portfolio is measured against a benchmark. It may be expressed as risk ex ante (expected) and ex post (realised). Our securities management is governed by the first expression of risk and governed by the second.

Sources of market risk 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:

ESG risk

ESG risk is defined as the risk of losses due to changes in ESG factors in the funds' investments and/or changes

in the markets' assessment of ESG factors.

Here we define ESG factors as environmental (E), social (S) and governance (G) attributes of the companies in the funds' portfolios.

Furthermore, the company has a pronounced ESG profile through its guidelines for responsible investments, with analyses of and reports on ESG factors in the companies in which capital is invested. A further ESG risk may therefore occur if wrongful analyses form the basis of investments and/or are communicated to clients. In the extreme consequence, this may give rise to a risk of legal actions from clients if the company does not deliver on promises of ESG efforts.

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. Moreover, there will be a counterparty risk in derivatives trading; cf. the section on Financial 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.

Specific areas of operational risk are the calculation of net asset values, the calculation of performance fees, investment limits, trading errors, information in legal documents, best execution, measures against market abuse and IT risk.

Financial risk

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

Fund performance in 2019

	Return	Net increase ¹
Pareto Aksje Norge A	12.6%	-24 345
Pareto Aksje Norge B	13.6%	-5 614
Pareto Aksje Norge C	14.4%	25 359
Pareto Aksje Norge D	15.0%	226 607
Pareto Aksje Norge I	15.3%	557 747
Pareto Investment Fund A	20.0%	30 926
Pareto Investment Fund B	21.0%	23 576
Pareto Investment Fund C	21.5%	718 730
Oslo Børs Fondsindeks	19.2%	
Pareto Global A	29.9%	38 833
Pareto Global B	31.2%	215 533
Pareto Global C	31.7%	-114 197
Pareto Global D	32.4%	-100 021
Pareto Global I	32.7%	519 725
MSCI World	29.6%	
Pareto Nordic Return A	17.3%	-67 800
Pareto Nordic Return B	17.6%	-49 499
Pareto Nordic Return C	18.1%	10 903
Pareto Høyrente	4.9%	-570 680
Statsobligasjonsind. 1.00 (ST3X)	1.0%	
Pareto Obligasjon A	0.3%*	
Pareto Obligasjon B	0.3%*	
NORM123FRN**	2.3%	
Pareto Likviditet	1.7%	-23 412

¹Net income + subscription/redemption

*Inception date 11.11.2019

**NBP Norwegian RM1-RM3 Floating Rate Index (NOK)

In 2019, 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.

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 for our Norwegian-registered securities funds 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 Norwegian-registered 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.

Allocation of profit for our Norwegian registered mutual funds:

Fund	Profit	Allocation to unitholders	To/from retained earnings	Equity 31.12.19
Pareto Aksje Norge	651 751 323		651 751 323	5 242 154 701
Pareto Investment Fund	550 934 070		550 934 070	3 341 178 640
Pareto Global	1 228 408 589		1 228 408 589	4 657 764 501
Pareto Nordic Return	147 605 673		147 605 673	913 124 455
Pareto Høyrente	75 098 993		75 098 993	983 955 323
Pareto Obligasjon	1 536 562	290	1 536 272	198 231 536
Pareto Likviditet	10 851 031	11 423 280	-572 249	614 142 062

Board of directors Pareto Asset Management AS Oslo, 18 March 2020

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



A good year for equities

2019 was a good year for stocks, with a return that was just above the historical average portfolio return. We note that the current return on equity in the portfolio companies has increased to its ten-year average, and an even higher pace of value creation is expected in 2020.

Our financial investments contributed well to this year's return. Sparebank 1 Nord-Norge is particularly prominent, with an increase of 33 per cent. Solid earnings growth in all our banking investments is an important reason for the contribution. The Fremtind merger, in which DNB and Sparebank 1 Gruppen merged their respective insurance companies, highlighted the insurance values created in Sparebank 1 Gruppen over several decades.

We have been long-term owners in the seafood industry through our ownership in SalMar, Lerøy and Austevoll. This year there was a somewhat unusual stock price spread: SalMar delivered a return of 11 per cent, while Lerøy and Austevoll fell by 9 and 13 per cent, respectively, in part because of company-specific challenges in Lerøy. Despite some operational

challenges, the return on equity in Lerøy was 14 per cent for 2019, and we expect 17 per cent for 2020. The market balance for Atlantic salmon still looks very robust.

Our other consumer companies, Orkla and KID Interiør, had a very positive development, with an increase of 36 per cent and 48 per cent respectively.

Our energy investments contributed well to returns. Bonheur stood out, with an increase of 118 per cent. A stronger focus on sustainability and the environment translated into increased willingness to pay for these types of businesses. The ten-year return at the start of 2019 was almost zero, but after last year's increase, the annual average Bonheur return is up to 7 per cent. This illustrates how an asset manager must be patient in order to harvest value creation in the share. TGS has concluded an active 2019, with the merger of Spectrum, and looks to deliver an all-time high turnover. The year-on-year increase of 33 per cent is a function of solid profit growth and the company's having used the downturn since 2014 to strengthen its world-leading position in seismic.



Photo: Sparebank 1 Nord-Norge

We note that revenues and earnings are moving in the right direction for our industrial companies. An exception is Norsk Hydro, which has worked its way through the challenges in Brazil. Veidekke announced that they want to demerge the real estate business to better visualise the values in the group. The positive stock price response is another example of our companies creating value, illustrating that “Mr. Market” has not always priced everything into a stock price.

The trade war has characterised several of our portfolio companies, and those most affected by this are our industrial shipping companies Wallenius Wilhelmsen and Odfjell. Both companies have improved their competitiveness through cost improvement programmes and optimisation of the contract portfolio.

In sum, the portfolio companies delivered a return on equity of almost ten per cent, which is somewhat below the portfolio's stock market return. This means that the portfolio became marginally higher priced during 2019. However, in a ten-year perspective, value creation has been higher than the market return.

The portfolio is priced at 11.6 times this year's earnings and just over ten times expected earnings in 2021, which is slightly below the ten-year average of approximately 12 times earnings. This is equivalent to an earnings yield of approximately nine per cent this year and ten per cent next year. During this decade, ten-year government yields have fallen from 4 per cent to 1.5 per cent, while price/earnings multiples are close to their ten-year average. Hence, the risk premium in the portfolio has increased substantially, which we take to mean an increased safety margin for the long-term investor.



Photo: Salmar

Performance history

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	2019	2018	2017	2016	2015
Pareto Aksje Norge A ¹	12.6%	1.0%	12.4%	25.9%	-6.1%
Pareto Aksje Norge B ²	13.6%	0.8%	13.3%	26.5%	-8.2%
Pareto Aksje Norge C	14.4%	1.5%	14.2%	27.4%	-6.2%*
Pareto Aksje Norge D	15.0%	2.0%	14.7%	28.0%	-5.9%*
Pareto Aksje Norge I	15.3%	2.3%	15.0%	28.4%	-7.0%
Oslo Børs Mutual Fund Index	19.2%	-2.2%	17.0%	11.5%	6.7%

Annualised return

Name	Inception date	3 years	5 years	10 years	From start
Pareto Aksje Norge A ¹	09.09.2002	8.6%	8.6%	7.0%	11.8%
Pareto Aksje Norge B ²	31.12.2005	9.1%	8.5%	7.0%	6.2%
Pareto Aksje Norge C	13.07.2015	9.9%	-	-	10.9%
Pareto Aksje Norge D	13.07.2015	10.4%	-	-	11.4%
Pareto Aksje Norge I	06.09.2001	10.7%	10.1%	8.6%	12.5%
Oslo Børs Mutual Fund Index		10.9%	10.2%	9.8%	

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	2019 01.01-31.12	2018 01.01-31.12
Portfolio income and expenses			
Interest received		1 243 908	1 241 910
Dividends		185 006 704	154 858 685
Realised capital gain/loss	4	52 911 879	314 621 971
Net unrealised capital gain/loss	4	475 463 073	-365 153 725
Portfolio profit		714 625 564	105 568 841
Asset management revenue and costs			
Subscription/redemption fees	8	1 983 856	2 191 897
Custodian charges on purchases and sales of securities		-29 340	-34 050
Management fees	5	-62 932 607	-48 660 789
Subscription/redemption fees to the management company	8	-1 896 156	-1 987 944
Other income/expenses		6	0
Asset management revenues		-62 874 241	-48 490 886
Profit before taxation		651 751 323	57 077 956
Income tax	6	0	0
Profit for the financial year		651 751 323	57 077 956
Allocation of profit			
Transferred to/from equity		651 751 323	57 077 956
Total allocations and equity transfers		651 751 323	57 077 956
Balance sheet		31.12.2019	31.12.2018
Assets			
Securities at market value	2,3,9	5 180 444 770	4 392 207 495
Cash and cash equivalents		90 233 946	153 346 342
Other assets		20 251 206	2 906 380
Total assets		5 290 929 921	4 548 460 217
Equity and liabilities			
Egenkapital			
Unit capital at par value		1 230 007 800	1 160 987 459
Premium		-3 448 195 482	-3 507 177 973
Retained earnings		7 460 342 383	6 808 591 060
Total equity	7,8	5 242 154 701	4 462 400 546
Liabilities			
Accrued management fees		34 833 837	23 439 352
Other liabilities		13 941 382	62 620 320
Total liabilities		48 775 220	86 059 671
Total equity and liabilities		5 290 929 921	4 548 460 217

Board of directors Pareto Asset Management AS Oslo, 18 March 2020

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

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

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.

Finansielle instrumenter

Securities are recognised at fair value (market price) as at 31.12.2019. 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. Assets that are valued at market value are recognized in the accounts on a continuous basis.

Foreign currency

The funds accounting currency is NOK. Investments in foreign currency is converted into NOK at the market exchange rate as at 31.12.2019.

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.

A mutual fund has deductibility rights for the portion of the dividend that is taxed as interest income by the unitholders. The distribution will reduce the NAV equivalent to dividend per unit at the day of distribution. For funds that have distributed taxable income per 31.12.2019, 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 2019.

3 Turnover ratio

The portfolio's turnover ratio is 0.09.

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 2019 is NOK 937 523.

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

	2019
Profit before taxation	651 751 323
Permanent differences	
Realised capital gains	-52 883 852
Unrealised capital gains (change)	-475 463 073
Custodian charges equity fund	29 340
Dividends within EEA (gross)	-185 006 704
3% of dividends within EEA (net)	5 550 201
Withholding tax outside the EEA	0
Total taxable income	-56 022 765
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

	2019
Equity 1.1	4 462 400 546
+ subscription/redemption	128 002 832
+ profit for the financial year	651 751 323
Equity 31.12	5 242 154 701

8 Issued units

Unit class A	31.12.2019	31.12.2018	31.12.2017
Number of units	148 244.27	170 803.88	194 497.09
Net asset value	7 137.33	6 337.17	6 275.33
Redemption price	7 101.64	6 305.48	6 243.95
Unit class B	31.12.2019	31.12.2018	31.12.2017
Number of units	204 854.36	235 364.06	226 395.26
Net asset value	2 335.34	2 056.47	2 040.98
Redemption price	2 323.66	2 046.18	2 030.78
Unit class C	31.12.2019	31.12.2018	31.12.2017
Number of units	267 310.27	287 536.04	282 274.86
Net asset value	1 585.50	1 385.78	1 365.05
Redemption price	1 577.57	1 378.85	1 358.23
Unit class D	31.12.2019	31.12.2018	31.12.2017
Number of units	285 925.84	168 032.09	171 091.04
Net asset value	1 621.09	1 409.89	1 381.91
Redemption price	1 612.99	1 402.84	1 375.00
Unit class I	31.12.2019	31.12.2018	31.12.2017
Number of units	323 673.06	299 251.39	244 890.37
Net asset value	8 707.39	7 554.19	7 385.57
Redemption price	8 663.86	7 516.42	7 348.64

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 31.12.2019

See next page.

Pareto Aksje Norge

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Securities portfolio as at 31 December 2019

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	1 460 395	164 343 797	239 504 780	75 160 983	4.5	0.1	NOK
SpareBank 1 Nord-Norge	NO0006000801	Oslo	3 347 361	140 712 402	262 767 839	122 055 437	5.0	3.3	NOK
SpareBank 1 SMN	NO0006390301	Oslo	2 374 992	150 295 859	237 974 198	87 678 340	4.5	1.8	NOK
SpareBank 1 SR-Bank ASA	NO0010631567	Oslo	2 422 825	155 341 382	242 282 500	86 941 118	4.6	0.9	NOK
SpareBank 1 Østfold Akershus	NO0010285562	Oslo	198 456	37 384 566	47 629 440	10 244 874	0.9	1.6	NOK
Sparebanken Møre	NO0006390004	Oslo	281 847	59 395 293	89 345 499	29 950 206	1.7	2.9	NOK
Sparebanken Vest	NO0006000900	Oslo	947 000	53 538 315	60 039 800	6 501 485	1.1	1.6	NOK
Storebrand ASA	NO0003053605	Oslo	3 460 621	243 903 614	238 852 061	- 5 051 552	4.5	0.7	NOK
Total financials				948 481 503	1 201 273 356	252 791 855	26.7		
Energy									
Bonheur ASA	NO0003110603	Oslo	1 104 098	162 253 125	219 715 502	57 462 377	4.2	2.6	NOK
Eidesvik Offshore ASA	NO0010263023	Oslo	3 120 995	67 320 124	16 354 014	- 50 966 110	0.3	5.0	NOK
Equinor ASA	NO0010096985	Oslo	1 405 288	214 466 184	246 628 044	32 161 860	4.7	0.0	NOK
Subsea 7 SA	LU0075646355	Oslo	2 463 475	231 831 124	258 541 701	26 710 577	4.9	0.8	NOK
TGS-NOPEC Geophysical Co ASA	NO0003078800	Oslo	1 806 649	306 539 206	482 555 948	176 016 742	9.1	1.5	NOK
Total energy				1 004 915 228	1 418 396 117	413 480 891	26.8		
Materials									
Borregaard ASA	NO0010657505	Oslo	1 619 629	103 988 619	153 864 755	49 876 136	2.9	1.6	NOK
Elkem ASA	NO0010816093	Oslo	3 899 000	104 747 833	96 539 240	- 8 208 593	1.8	0.7	NOK
Norsk Hydro ASA	NO0005052605	Oslo	5 014 860	190 379 437	163 685 030	- 26 694 407	3.1	0.2	NOK
Yara International ASA	NO0010208051	Oslo	1 181 014	338 537 322	431 306 313	92 768 991	8.2	0.4	NOK
Total materials				737 653 211	845 395 338	107 742 127	16.0		

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	13 392 068	- 18 408 446	0.3	1.9	NOK
Odfjell SE ser. A	NO0003399909	Oslo	2 047 644	108 148 913	54 262 566	- 53 886 347	1.0	3.1	NOK
Odfjell SE ser. B	NO0003399917	Oslo	1 386 862	74 088 095	36 335 784	- 37 752 310	0.7	6.6	NOK
Veidekke ASA	NO0005806802	Oslo	1 719 620	171 821 060	205 494 590	33 673 530	3.9	1.3	NOK
Wallenius Wilhelmsen ASA	NO0010571680	Oslo	2 324 900	92 008 104	50 729 318	- 41 278 786	1.0	0.5	NOK
With. Wilhelmsen Holding ASA ser. A	NO0010571698	Oslo	1 084 140	176 168 297	178 883 100	2 714 803	3.4	3.1	NOK
With. Wilhelmsen Holding ASA ser. B	NO0010576010	Oslo	642 349	93 252 366	105 987 585	12 735 219	2.0	5.4	NOK
Total industrials				747 287 348	645 085 011	- 102 202 337	12.3		
Consumer staples									
Austevoll Seafood ASA	NO0010073489	Oslo	2 033 955	97 011 459	183 157 648	86 146 189	3.5	1.0	NOK
Lerøy Seafood Group ASA	NO0003096208	Oslo	6 300 609	134 749 671	367 325 505	232 575 833	7.0	1.1	NOK
Orkla ASA	NO0003733800	Oslo	1 896 397	107 550 540	168 703 477	61 152 937	3.2	0.2	NOK
SalMar ASA	NO0010310956	Oslo	494 802	72 266 068	222 314 539	150 048 471	4.2	0.4	NOK
Total consumer staples				411 577 738	941 501 169	529 923 430	17.9		
Consumer discretionary									
Kid ASA	NO0010743545	Oslo	2 138 268	65 260 752	106 271 920	41 011 168	2.0	5.3	NOK
Total consumer discretionary				65 260 752	106 271 920	41 011 168	2.0		
Total securities portfolio									
				3 949 104 040	5 180 444 770	1 231 340 725	98.2		

¹Does not include received dividends

Pareto Investement Fund



Solid finish

The fund rose significantly in the last two months of the year, finishing ahead of its benchmark index after a year of major fluctuations. The Norwegian market rose over 19 per cent in 2019. The strength of the upturn surprised us but can be explained by the fact that the oil price rose significantly throughout the year, while the valuation of shares in general did not look demanding. The fund has also benefitted from the fact that small and medium-sized companies have done better on the stock market in recent months.

Scatec Solar, Nordic Semiconductor, BW Offshore, TGS Nopec Geophysical (acquired Spectrum) and Selvaag Bolig were the top contributors to the good annual return. At the opposite end, in particular Norwegian Air Shuttle and Valaris (American rig company) pulled returns down.

The fund has owned Scatec Solar since its IPO in 2014, reaping an annualised return of 45 per cent. Scatec develops solar parks in collaboration with local authorities or power suppliers. The company is responsible for the development itself and the

subsequent operation. The margin the company earns on development is in principle exchanged for ownership interests in each project. Over the years, the company will go from being a construction company to becoming a utility. Power production is expected to grow sharply as new plants are completed. Present-day interest in renewable energy was not included in our calculation in 2014. The stock has become expensive on most normal measures, but we assume that demand will continue to exceed the supply of green shares. The company may also be acquired. Equinor increased its stake to 15 per cent at the end of the year.

Nordic Semiconductor almost doubled in 2019, but keep in mind that it fell sharply at the end of 2018. The same applies to the entire sector, and Nordic Semiconductor has thus only kept pace with the market this year. The stock price last peaked in 2015. Thus, it's been treading water for four years. The core business has shown good progress, but the company has spent a lot of money in recent years to develop a new technology that we expect to accelerate earnings growth. This will pack a double punch as revenues go up and a smaller



Photo: Scatec Solar

proportion of the turnover will be spent on research and development.

Despite four years of no appreciation, the stock has delivered over 20 per cent compound return since it was listed in 1996. We believe that the company has gradually strengthened its position as a leader in an interesting technology niche. The stock may seem expensive compared to other companies on Oslo Børs, but when measured against the more relevant US semiconductor index (SOX), the stock is trading at a 25 per cent discount.

Selvaag Bolig continues to deliver strong numbers. Production is high and the margin has reached new heights. The company has decided to demerge its land bank into a separate company where two pension funds invest, in order to secure them a satisfactory current return. It is a good transaction for the shareholders and it was well received by the stock market. Since the

IPO, the stock has appreciated 32 per cent annually. At times it has been downright weak, but the stock is a good example of a long-term perspective paying off, at least when there is a foundation of quality and sound finances.

Norwegian Air Shuttle fell by more than 60 per cent, following problems with, among other things, failed air deliveries / permits, financial challenges and more capital raising. However, we believe that many sensible steps have been taken that will strengthen the company and contribute to significantly increased profitability in the future. This includes cutting routes with low profitability, cost programs and a new agreement for joint financing of part of the fleet with China Construction Bank Leasing.

After the turn of the year, we still sold our holding in the airline.

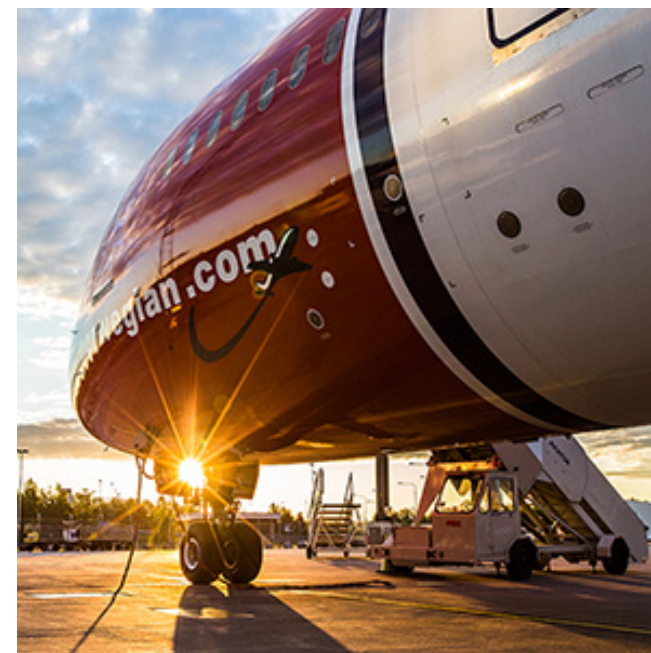


Photo: Norwegian Air Shuttle

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	2019	2018	2017	2016	2015
Pareto Investment Fund A	20.0%	-7.7%	9.1%	14.7%	20.6%
Pareto Investment Fund B	21.0%	-6.9%	10.0%	15.7%	21.7%
Pareto Investment Fund C	21.5%	-6.5%	10.5%	16.2%	22.2%
Oslo Børs Mutual Fund Index	19.2%	-2.2%	17.0%	11.5%	6.7%

Annualised return

Name	Inception date	3 years	5 years	10 years	From start
Pareto Investment Fund A	1985	6.5%	10.8%	11.8%	8.0%*
Pareto Investment Fund B	29.11.2013	7.4%	11.8%	-	12.9%
Pareto Investment Fund C	29.11.2013	7.9%	12.3%	-	13.4%
Oslo Børs Mutual Fund Index		10.9%	10.2%	9.8%	

Other information

Name	Minimum initial subscription amount (NOK)	ISIN	Bloomberg
Pareto Investment Fund A	500	N00010040496	ORFINF NO
Pareto Investment Fund B	10 million	N00010694771	ORFINBB NO
Pareto Investment Fund C	50 million	N00010694789	ORFINBC NO

*From start with current portfolio manager 01.01.2007

Pareto Investment Fund

Income statement	Notes	2019 01.01-31.12	2018 01.01-31.12
Portfolio income and expenses			
Interest received		844 369	674 559
Dividends		69 736 352	56 737 216
Realised capital gain/loss	4	36 815 933	111 168 452
Net unrealised capital gain/loss	4	469 038 837	-379 035 587
Portfolio profit		576 435 490	-210 455 361
Asset management revenue and costs			
Subscription/redemption fees	8	2 673 536	2 493 391
Custodian charges on purchases and sales of securities		-13 810	-8 310
Management fees	5	-29 032 497	-29 127 233
Subscription/redemption fees to the management company	8	-9 761	-35 330
Other income/expenses	9	881 110	0
Asset management revenues		-25 501 421	-26 677 482
Profit before taxation		550 934 070	-237 132 843
Income tax	6	0	0
Profit for the financial year		550 934 070	-237 132 843
Allocation of profit			
Transferred to/from equity		550 934 070	-237 132 843
Total allocations and equity transfers		550 934 070	-237 132 843
Balance sheet		31.12.2019	31.12.2018
Assets			
Securities at market value	2,3,10	3 273 598 653	2 510 376 579
Accrued dividend		1 028 734	1 127 949
Cash and cash equivalents		82 631 496	58 579 426
Other assets		0	1 003 303
Total assets		3 357 258 884	2 571 087 257
Equity and liabilities			
Equity			
Unit capital at par value		1 115 371 536	933 551 588
Premium		365 510 515	325 033 242
Retained earnings		1 860 296 588	1 309 362 519
Total equity	7,8	3 341 178 640	2 567 947 348
Liabilities			
Accrued management fees		2 592 404	2 377 430
Other liabilities		13 487 840	762 479
Total liabilities		16 080 244	3 139 909
Total equity and liabilities		3 357 258 884	2 571 087 257

Board of directors Pareto Asset Management AS Oslo, 18 March 2020

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

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

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

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. Assets that are valued at market value are recognized in the accounts on a continuous basis.

Foreign currency

The funds accounting currency is NOK. Investments in foreign currency is converted into NOK at the market exchange rate as at 31.12.2019.

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.

A mutual fund has deductibility rights for the portion of the dividend that is taxed as interest income by the unitholders. The distribution will reduce the NAV equivalent to dividend per unit at the day of distribution. For funds that have distributed taxable income per 31.12.2019, 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 owns purchase options on shares (Warrants) 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 0.16.

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 in 2019 is NOK 941 537.

Pareto Investment Fund

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

	2019
Profit before taxation	550 934 070
Permanent differences	
Realised capital gains	-50 751 072
Unrealised capital gains (change)	-469 038 837
Custodian charges equity fund	13 810
Dividends within EEA (gross)	-63 414 775
3% of dividends within EEA (net)	1 902 443
Withholding tax outside the EEA	0
Total taxable income	-30 354 361
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

	2019
Equity 1.1	2 567 947 348
+ subscription/redemption	222 297 221
+ profit for the financial year	550 934 070
Equity 31.12	3 341 178 640

8 Issued units

Unit class A	31.12.2019	31.12.2018	31.12.2017
Number of units	3 057.56	3 556.33	3 189.21
Net asset value	332 196.11	276 910.16	300 005.04
Redemption price	330 535.13	275 525.61	298 505.01
Unit class B	31.12.2019	31.12.2018	31.12.2017
Number of units	16 988.01	19 190.69	25 852.30
Net asset value	20 952.84	17 319.40	18 602.34
Redemption price	20 848.08	17 232.80	18 509.33
Unit class C	31.12.2019	31.12.2018	31.12.2017
Number of units	91 491.59	70 608.14	44 932.47
Net asset value	21 526.82	17 714.57	18 939.64
Redemption price	21 419.18	17 626.00	18 844.94

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 Other income/ inntekter/expenses

As a result of participating in an issue, the fund has received 881 100 in guarantee commission.

10 Securities portfolio as at 31.12.2019

See next page.

Pareto Investment Fund

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Securities portfolio as at 31 December 2019

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	N00010345853	Oslo	530 000	59 174 346	152 640 000	93 465 654	4.6	0.1	NOK
Aker Solutions ASA	N00010716582	Oslo	2 462 000	95 330 512	60 860 640	- 34 469 872	1.8	0.9	NOK
BW Offshore Ltd	BMG1738J1247	Oslo	2 430 000	90 158 563	160 380 000	70 221 437	4.8	1.3	NOK
DNO ASA	N00003921009	Oslo	11 300 000	122 821 527	130 741 000	7 919 473	3.9	1.0	NOK
Flex LNG Ltd	BMG359472021	Oslo	833 000	105 736 747	75 719 700	- 30 017 047	2.3	1.5	NOK
Frontline Ltd	BMG3682E1921	New York	765 000	79 203 564	86 500 720	7 297 156	2.6	0.4	USD
Magseis ASA	N00010663669	Oslo Axess	2 340 000	39 744 359	13 572 000	- 26 172 359	0.4	1.3	NOK
Subsea 7 SA	LU0075646355	Oslo	1 270 000	141 303 581	133 286 500	- 8 017 081	4.0	0.4	NOK
TGS-NOPEC Geophysical Co ASA	N00003078800	Oslo	530 000	63 655 313	141 563 000	77 907 687	4.2	0.4	NOK
Valaris plc	GB00BJVJZD68	New York	705 000	109 111 771	40 664 016	- 68 447 755	1.2	0.4	USD
Total energy				906 240 283	995 927 576	89 687 293	29.8		
Financials									
B2Holding ASA	N00010633951	Oslo	6 381 405	93 904 867	60 974 325	- 32 930 542	1.8	1.6	NOK
Norwegian Finans Holding ASA	N00010387004	Oslo	2 463 000	133 923 626	234 723 900	100 800 274	7.0	1.3	NOK
Protector Forsikring ASA	N00010209331	Oslo	1 096 000	68 575 519	57 485 200	- 11 090 319	1.7	1.3	NOK
Total financials				296 404 012	353 183 425	56 779 413	10.5		
Industrials									
Multiconsult ASA	N00010734338	Oslo	776 223	74 314 477	55 888 056	- 18 426 421	1.7	2.9	NOK
Norwegian Air Shuttle ASA	N00010196140	Oslo	3 029 333	264 404 832	114 357 321	- 150 047 511	3.4	2.2	NOK
Tomra Systems ASA	N00005668905	Oslo	100 000	7 111 554	27 840 000	20 728 446	0.8	0.1	NOK
Total industrials				345 830 863	198 085 377	- 147 745 486	5.9		
Consumer discretionary									
Europpris ASA	N00010735343	Oslo	3 768 000	108 130 686	129 996 000	21 865 314	3.9	2.3	NOK
Kid ASA	N00010743545	Oslo	1 801 000	53 672 720	89 509 700	35 836 980	2.7	4.4	NOK
Kongsberg Automotive ASA	N00003033102	Oslo	11 960 000	69 045 351	73 314 800	4 269 449	2.2	2.7	NOK
Royal Caribbean Cruises Ltd	LR0008862868	New York	150 000	103 792 810	176 085 004	72 292 194	5.3	0.1	USD
Total consumer discretionary				334 641 567	468 905 504	134 263 937	14.1		
Real estate									
Selvaag Bolig ASA	N00010612450	Oslo	1 413 000	33 070 019	104 562 000	71 491 981	3.1	1.5	NOK

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	67 681 401	24 015 981	2.0	2.7	NOK
Austevoll Seafood ASA	N00010073489	Oslo	492 000	25 173 463	44 304 600	19 131 137	1.3	0.2	NOK
Bakkafrost P/F	F00000000179	Oslo	65 000	32 836 030	42 250 000	9 413 970	1.3	0.1	NOK
Grieg Seafood ASA	N00010365521	Oslo	1 701 000	102 631 654	238 650 300	136 018 646	7.1	1.5	NOK
Lerøy Seafood Group ASA	N00003096208	Oslo	846 477	51 252 860	49 349 609	- 1 903 251	1.5	0.1	NOK
Total consumer staples				255 559 427	442 235 910	186 676 483	13.2		
Information technology									
Elliptic Laboratories AS	N00010722283	Unlisted	176 430	28 927 416	35 286 000	6 358 584	1.1	2.1	NOK
Nordic Semiconductor ASA	N00003055501	Oslo	2 735 000	99 914 241	152 339 500	52 425 259	4.6	1.5	NOK
Norwegian Crystals AS	N00010827934	Unlisted	257 000	23 570 741	642 500	- 22 928 241	0.0	3.3	NOK
poLight ASA	N00010341712	Oslo	124 458	14 000 000	4 878 754	- 9 121 246	0.1	1.5	NOK
TietoEvyry Oyj	FI0009000277	Helsinki	339 240	71 124 840	92 799 797	21 674 957	2.8	0.5	EUR
Total information technology				237 537 238	285 946 551	48 409 313	8.6		
Materials									
Borregaard ASA	N00010657505	Oslo	775 000	39 005 017	73 625 000	34 619 983	2.2	0.8	NOK
Yara International ASA	N00010208051	Oslo	550 000	191 657 488	200 860 000	9 202 512	6.0	0.2	NOK
Total materials				230 662 505	274 485 000	43 822 495	8.2		
Utilities									
Scatec Solar ASA	N00010715139	Oslo	1 146 000	52 209 435	142 218 600	90 009 165	4.3	0.9	NOK
Currency futures									
NOK Forward fredag 17. januar 2020			245 430 000	245 430 000	245 430 000		7.3		NOK
USD Forward fredag 17. januar 2020			-27 000 000	- 245 430 000	- 237 381 289	8 048 711	-7.1		USD
Warrants									
Norwegian Crystals AS Warrant 3 31/12/2019		Unlisted	4 242	0	0	0	0.0		NOK
Norwegian Crystals AS Warrant 3 ADL 2017		Unlisted	1	0	0	0	0.0		NOK
Norwegian Crystals AS Warrant 3 ADL 2018		Unlisted	1	0	0	0	0.0		NOK
Total warrants				0	0	0	0.0		
Total securities portfolio				2 692 155 349	3 273 598 653	581 443 305	97.9		

¹Does not include received dividends

Pareto Global



Strong earning growth pulled up

2019 was a very good year for Pareto Global, with a return of around 30 per cent. This reflects strong earnings growth in our portfolio companies. On average, earnings per share increased by an estimated 16 per cent from 2018, following a corresponding increase of 14 per cent the previous year.

The sharp fall in the valuation of the portfolio in 2018 was reversed last year. At the end of 2019, the portfolio was valued at the same multiples as at the beginning of 2018.

Throughout the year, it seemed that we would also receive a contribution from the depreciating the Norwegian krone, but the trend of an ever-weaker krone was abruptly reversed in December. For the year as a whole, the contribution from the Norwegian krone was small.

All portfolio companies contributed to the return, except for Attendo and AMG. The companies that contributed the most were Microsoft, Discover Financial Services, Schneider Electric, ÅF Pöyry and Prudential Plc.

Microsoft delivered another year of solid returns. Since our initial investment in the company in November 2012, returns have reached a full 957 per cent measured in Norwegian kroner. The company's focus on cloud-based business services has been very successful. For 2019 we expect earnings per share to have increased by as much as 22 per cent.

Credit card company Discover Financial Services delivered another solid year of lending growth, higher interest rates and continued low losses. The combination of increased customer credit quality requirements and a strong US economy with low unemployment kept losses low. We expect the return on equity to be 26 per cent, with earnings per share increasing by 16 per cent from the year before. Although the share rose by 47 per cent in 2019, valuation multiples are still very interesting, with 9.3 and 8.8 times earnings for the current and next year, respectively.



Microsoft CEO Satya Nadella. Photo: Microsoft

French industrial company Schneider Electric increased revenues by six per cent in 2019, of which more than four percentage points were organic. The company has resolutely communicated that its profit margin will increase by two percentage points until 2021, driven by price, portfolio optimisation and increased productivity. This indicates a margin of more than 17 per cent in 2021, well above the consensus expectations of 16 per cent.

We used last year to sell out of two portfolio companies: Pandora and Nokian Tyres. Pandora was mainly sold through 2018 and therefore weighed only 0.6 per cent in the fund at the beginning of the year. Nokian Tyres has been replaced with Michelin, which entered the fund in 2018.

EssilorLuxottica, Alphabet, Centene and Ralph Lauren became new portfolio companies last year. In addition, Prudential Plc demerged its UK business under the name M&G. Common to the newcomers is a very favourable purchase price, and all of them have already contributed significantly to the return in both absolute and relative terms.

Although the valuation of the stock market has come up somewhat, we believe that there are still quality companies that are valued at a good margin of safety in relation to underlying values. We expect strong earnings growth to continue in 2020 at a normalised rate of around ten per cent per share.



Photo: EssilorLuxottica

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



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	2019	2018	2017	2016	2015
Pareto Global A	29.9%	-13.0%	16.0%	0.9%	17.2%
Pareto Global B	31.2%	-14.5%	17.3%	0.0%	18.7%
Pareto Global C	31.7%	-14.2%	17.7%	0.3%	19.4%
Pareto Global D ¹	32.4%	-13.7%	18.3%	0.8%	20.0%
Pareto Global I	32.7%	-13.5%	18.6%	1.1%	7.0%*
MSCI World (NOK)	29.6%	-3.3%	5.0%	17.2%	28.8%

Annualisert avkastning

Name	Inception date	3 years	5 years	10 years	From start
Pareto Global A	12.08.2005	9.4%	9.2%	11.4%	8.8%**
Pareto Global B	01.11.2012	9.6%	9.3%	-	13.6%
Pareto Global C	01.11.2012	10.0%	9.8%	-	14.2%
Pareto Global D ¹	22.11.2006	10.5%	10.3%	13.0%	10.2%**
Pareto Global I	13.07.2015	10.8%	-	-	9.0%
MSCI World (NOK)		13.4%	12.4%	14.2%	

Annen informasjon

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

¹Returns 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	2019 01.01-31.12	2018 01.01-31.12
Portfolio income and expenses			
Interest received		1 675 106	2 763 194
Dividends		98 291 895	113 574 779
Realised capital gain/loss	4	329 518 232	271 960 193
Net unrealised capital gain/loss	4	849 375 329	-1 079 273 534
Portfolio profit		1 278 860 562	-690 975 368
Asset management revenue and costs			
Subscription/redemption fees	8	1 583 226	2 186 907
Custodian charges on purchases and sales of securities		-55 484	-59 070
Management fees	5	-45 421 813	-38 986 016
Subscription/redemption fees to the management company	8	-1 429 615	-1 884 929
Other income/expenses		0	-58
Asset management revenues		-45 323 687	-38 743 166
Profit before taxation		1 233 536 875	-729 718 534
Income tax	6	-5 128 286	-13 313 096
Profit for the financial year		1 228 408 589	-743 031 630
Allocation of profit			
Transferred to/from equity		1 228 408 589	-743 031 630
Total allocations and equity transfers		1 228 408 589	-743 031 630
Balance sheet		31.12.2019	31.12.2018
Assets			
Securities at market value	2,3,9	4 126 360 410	3 991 865 556
Accrued dividend		1 089 807	0
Cash and cash equivalents		547 224 588	80 203 602
Other assets		-54 477	29 796 376
Total assets		4 674 620 329	4 101 865 534
Equity and liabilities			
Equity			
Unit capital at par value		2 625 861 790	2 981 475 248
Premium		-2 031 186 651	-1 718 254 137
Retained earnings		4 063 089 362	2 834 680 772
Total equity	7,8	4 657 764 501	4 097 901 883
Liabilities			
Accrued management fees		16 108 107	2 647 421
Other liabilities		747 721	1 316 230
Total liabilities		16 855 828	3 963 651
Total equity and liabilities		4 674 620 329	4 101 865 534

Board of directors Pareto Asset Management AS Oslo, 18 March 2020

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

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

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 31.12.2019. 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. Assets that are valued at market value are recognized in the accounts on a continuous basis.

Foreign currency

The funds accounting currency is NOK. Investments in foreign currency is converted into NOK at the market exchange rate as at 31.12.2019.

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.

A mutual fund has deductibility rights for the portion of the dividend that is taxed as interest income by the unitholders. The distribution will reduce the NAV equivalent to dividend per unit at the day of distribution. For funds that have distributed taxable income per 31.12.2019, 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 2019.

3 Turnover ratio

The portfolio's turnover ratio is 0.28.

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 527 281.

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

	2019
Profit before taxation	1 233 536 875
Realised capital gains	-320 242 677
Unrealised capital gains (change)	-849 375 329
Custodian charges equity fund	55 484
Dividends within EEA (gross)	-53 563 612
3% of dividends within EEA (net)	1 537 698
Total taxable income	11 948 440
Use of losses carried forward	0
Tax base	11 948 440
Calculated payable tax	2 628 657
Credit deduction withholding tax outside the EEA	-2 821 297
Assessed tax in Norway	0
Specification of tax expense	
Income tax Norway	0
Withholding tax within the EEA	2 306 988
Withholding tax outside the EEA	2 821 297
Total recognised tax expense	5 128 286

7 Equity

	2019
Equity 1.1	4 097 901 883
+ subscription/redemption	-668 545 971
+ profit for the financial year	1 228 408 589
Equity 31.12	4 657 764 501

8 Issued units

Unit class A	31.12.2019	31.12.2018	31.12.2017
Number of units	155 958.08	185 515.00	253 662.03
Net asset value	2 954.26	2 274.25	2 614.88
Redemption price	2 939.49	2 262.88	2 601.81

Unit class B	31.12.2019	31.12.2018	31.12.2017
Number of units	384 061.18	390 580.77	436 990.78
Net asset value	2 492.54	1 899.11	2 220.27
Redemption price	2 480.08	1 889.61	2 209.17

Unit class C	31.12.2019	31.12.2018	31.12.2017
Number of units	113 102.60	207 208.33	263 637.31
Net asset value	2 582.32	1 960.65	2 284.04
Redemption price	2 569.40	1 950.85	2 272.62

Unit class D	31.12.2019	31.12.2018	31.12.2017
Number of units	35 779.83	96 617.60	136 561.68
Net asset value	2 687.37	2 030.42	2 353.42
Redemption price	2 673.93	2 020.27	2 341.65

Unit class I	31.12.2019	31.12.2018	31.12.2017
Number of units	1 936 960.10	2 101 553.55	2 665 758.65
Net asset value	1 472.17	1 109.56	1 282.78
Redemption price	1 464.81	1 104.01	1 276.36

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 31.12.2019

See next page.

Pareto Global

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Securities portfolio as at 31 December 2019

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	42 117	23 161 155	38 005 730	14 844 574	0.8	0.0	USD
Microsoft Corp	US5949181045	New York	228 084	78 579 966	316 259 682	237 679 716	6.8	0.0	USD
Oracle Corp	US68389X1054	New York	133 098	44 700 976	62 001 301	17 300 324	1.3	0.0	USD
Playtech Plc	IM00B7S9G985	London	1 968 571	166 136 673	90 999 720	- 75 136 953	1.9	0.6	GBP
SAP SE	DE0007164600	Xetra	144 077	98 929 855	171 072 115	72 142 260	3.7	0.0	EUR
Total information technology				411 508 625	678 338 548	266 829 921	14.5		
Consumer staples									
Reckitt Benckiser Group Plc	GB00B24CGK77	London	206 820	149 269 597	147 598 051	- 1 671 546	3.2	0.0	GBP
Unilever NV	NL0000388619	Amsterdam	210 891	66 720 063	106 617 660	39 897 597	2.3	0.0	EUR
Total consumer staples				215 989 660	254 215 711	38 226 051	5.5		
Health care									
Abbott Laboratories	US0028241000	New York	157 852	52 967 938	120 555 556	67 587 618	2.6	0.0	USD
Anthem Inc	US0367521038	New York	47 900	78 906 562	127 204 628	48 298 066	2.7	0.0	USD
Attendo AB	SE0007666110	Stockholm	1 562 703	132 258 559	79 165 049	- 53 093 510	1.7	1.0	SEK
Centene Corp	US15135B1017	New York	333 117	148 519 480	184 144 000	35 624 520	3.9	0.1	USD
CVS Health Corp	US1266501006	New York	299 700	186 985 913	195 764 716	8 778 803	4.2	0.0	USD
Total health care				599 638 452	706 833 949	107 195 497	15.1		
Financials									
Affiliated Managers Group Inc	US0082521081	New York	163 300	200 480 732	121 672 368	- 78 808 364	2.6	0.3	USD
Discover Financial Services Inc	US2547091080	New York	233 450	120 776 941	174 104 286	53 327 345	3.7	0.1	USD
Goldman Sachs Group Inc	US38141G1040	New York	88 223	155 206 780	178 358 897	23 152 117	3.8	0.0	USD
M&G plc	GB00BKFB1C65	London	1 830 928	41 757 867	50 569 006	8 811 139	1.1	0.1	GBP
Prudential Plc	GB0007099541	London	1 831 128	244 325 890	308 948 119	64 622 230	6.6	0.1	GBP
Wells Fargo & Co	US9497461015	New York	317 766	110 071 466	150 316 626	40 245 160	3.2	0.0	USD
Total financials				872 619 676	983 969 302	111 349 627	21.0		

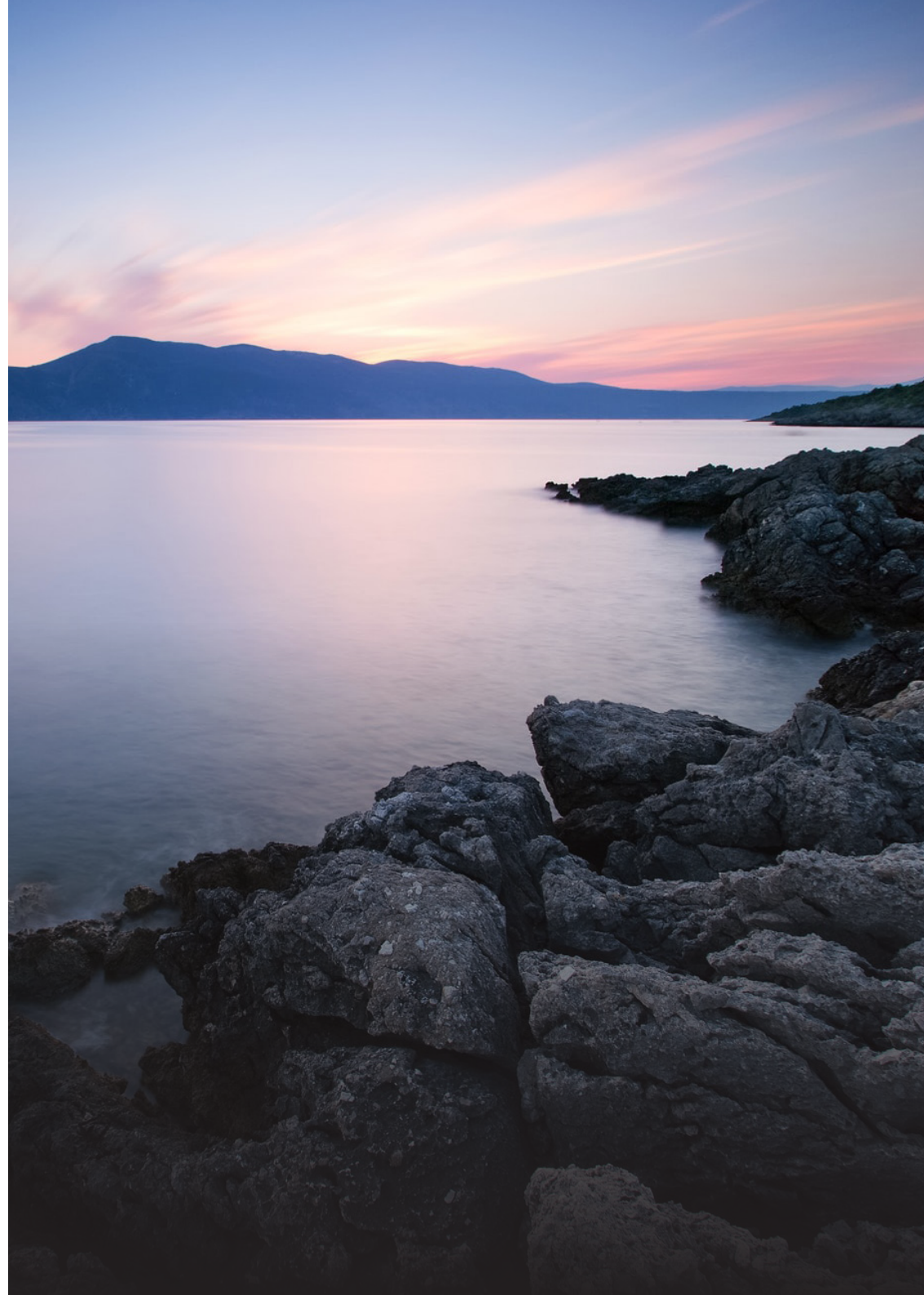
Pareto Global

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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	35 332	4 841 322	5 101 047	259 725	0.1	0.0	EUR
Schneider Electric SE	FR0000121972	Euronext	269 000	162 620 627	242 895 863	80 275 237	5.2	0.0	EUR
ÅF AB ser. B	SE0005999836	Stockholm	1 034 457	111 610 361	212 338 230	100 727 869	4.5	1.0	SEK
Total industrials				279 072 310	460 335 140	181 262 831	9.8		
Consumer discretionary									
EssilorLuxottica SA	FR0000121667	Euronext	149 682	153 412 172	200 593 147	47 180 975	4.3	0.0	EUR
Lennar Corp ser. A	US5260571048	New York	198 930	85 088 346	97 582 954	12 494 608	2.1	0.1	USD
Michelin CGdE	FR0000121261	Euronext	117 600	117 104 070	126 613 151	9 509 081	2.7	0.1	EUR
Polaris Industries Inc	US7310681025	New York	233 878	173 554 710	209 135 443	35 580 733	4.5	0.4	USD
Ralph Lauren Corp	US7512121010	New York	213 000	176 608 983	219 532 406	42 923 423	4.7	0.4	USD
Total consumer discretionary				705 768 281	853 457 101	147 688 820	18.3		
Materialer									
BASF SE	DE000BASF111	Xetra	130 800	107 378 119	86 934 486	- 20 443 633	1.9	0.0	EUR
Communication									
Alphabet Inc ser. C	US02079K1079	New York	8 700	78 059 483	102 276 174	24 216 690	2.2	0.0	USD
Total securities portfolio				3 270 034 606	4 126 360 410	856 325 804	88.3		

¹Does not include received dividends

Pareto Nordic Return



Strong end to the year

The fund rose significantly during the last two months of the year, ensuring that the annual return was double-digit by a good margin. It has been a disadvantage to be overweight in Norway, both because of the exchange rate and because small and medium-sized companies fared far worse than was the case in Sweden. These are conditions that fluctuate over time and which we believe will reverse in favour of the fund in 2020. We have benefitted from holding a high share of the fund in equities throughout the year because we believe pricing – especially in the case of Norway – has justified it.

The top positive contributions came from Instalco, Scatec Solar, Nordic Semiconductor and BW Offshore. At the opposite end, in particular Norwegian Air Shuttle and Betsson pulled returns down.

Instalco operates in the installation business and can be compared to better known Bravida, which is admittedly a much larger company. The company grows organically and through affordable acquisitions. It has delivered strong numbers for many quarters in a row. The stock price has gone 130 percentage points more than Bravida since we first invested in the company as a cornerstone investor at the IPO in 2017. At that time, Instalco aimed at doubling its operating profit to 450 million by 2020. By the third quarter of 2019, they were already on target. We believe in

further growth, defending relatively high pricing, ie 17 times this year's earnings.

The Scatec Solar share generated a 70 per cent return in 2019 and since we first invested in the IPO in 2014 it has provided an annual return of 45 per cent. Scatec develops solar parks in collaboration with local authorities or power suppliers. The company is responsible for the development itself and the subsequent operation. The margin the company earns on development is in principle exchanged for ownership interests in each project. Over the years, the company will go from being a construction company to becoming a utility. Power production is expected to grow sharply as new plants are completed. Present-day interest in renewable energy was not included in our calculation in 2014. The stock has become expensive on most normal measures, but we assume that demand will continue to exceed the supply of green shares. The company may also be acquired. Equinor increased its stake to 15 per cent at the end of the year.

Nordic Semiconductor almost doubled in 2019, but keep in mind that it fell sharply at the end of 2018. The same applies to the entire sector, and Nordic Semiconductor has thus only kept pace with the market this year. The stock price last peaked in 2015. Thus, it's been treading water for four years. The core business has shown good progress, but the company has spent a lot

of money in recent years to develop a new technology that we expect to accelerate earnings growth. This will pack a double punch as revenues go up and a smaller proportion of the turnover will be spent on research and development.

Despite four years of no appreciation, the stock has delivered over 20 per cent compound return since it was listed in 1996. We believe that the company has gradually strengthened its position as a leader in an interesting technology niche. The stock may seem expensive compared to other companies on Oslo Børs, but when measured against the more relevant US semiconductor index (SOX), the stock is trading at a 25 per cent discount.

Norwegian Air Shuttle fell by more than 60 per cent, following problems with, among other things, failed air deliveries / permits, financial challenges and more capital raising. However, we believe that many sensible steps have been taken that will strengthen the company and contribute to significantly increased profitability in the future. This includes cutting routes with low profitability, cost programs and a new agreement for joint financing of part of the fleet with China Construction Bank Leasing.

After the turn of the year, we still sold our holding in the airline.

Performance history

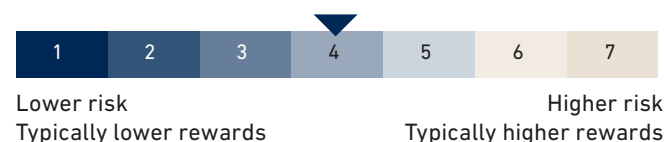
Nordic balanced fund. Seeks solid company management, strong balance sheets and good earnings power.

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	2019	2018	2017	2016	2015
Pareto Nordic Return A	17.3%	-10.7%	11.3%	5.3%	21.9%
Pareto Nordic Return B	17.6%	-10.5%	11.6%	5.5%	22.2%
Pareto Nordic Return C	18.1%	-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	1987	5.3%	8.4%	10.7%	9.1%**
Pareto Nordic Return B	31.12.2014	5.5%	8.7%	-	8.7%
Pareto Nordic Return C	12.02.2015	6.0%	-	-	8.7%

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	2019	2018
		01.01-31.12	01.01-31.12
Portfolio income and expenses			
Interest received		4 839 279	6 241 482
Dividends		21 189 495	31 592 587
Realised capital gain/loss	4	57 298 392	82 756 305
Net unrealised capital gain/loss	4	75 937 037	-245 783 457
Portfolio profit		159 264 202	-125 193 084
Asset management revenue and costs			
Subscription/redemption fees	8	540 801	730 486
Custodian charges on purchases and sales of securities		-19 530	-9 705
Management fees	5	-10 248 608	-14 691 011
Subscription/redemption fees to the management company	8	-3 285	-26 927
Other income/expenses	9	251 317	0
Asset management revenues		-9 479 304	-13 997 157
Profit before taxation		149 784 897	-139 190 241
Income tax	6	-2 179 224	-1 318 414
Profit for the financial year		147 605 673	-140 508 655
Allocation of profit			
Transferred to/from equity		147 605 673	-140 508 655
Total allocations and equity transfers		147 605 673	-140 508 655
Balance sheet			
		31.12.2019	31.12.2018
Assets			
Securities at market value	2,3,10	839 866 970	942 683 551
Accrued interests	10	323 566	330 700
Cash and cash equivalents		74 070 584	77 477 029
Other assets		0	0
Total assets		914 261 119	1 020 491 280
Equity and liabilities			
Equity			
Unit capital at par value		213 572 725	284 662 745
Premium		-366 254 286	-183 342 158
Retained earnings		1 065 806 016	918 200 343
Total equity	7,8	913 124 455	1 019 520 930
Liabilities			
Accrued management fees		833 115	965 298
Other liabilities		303 549	5 052
Total liabilities		1 136 665	970 350
Total equity and liabilities		914 261 119	1 020 491 280

Board of directors Pareto Asset Management AS Oslo, 18 March 2020

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

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

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 31.12.2019. 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. Assets that are valued at market value are recognized in the accounts on a continuous basis.

Foreign currency

The funds accounting currency is NOK. Investments in foreign currency is converted into NOK at the market exchange rate as at 31.12.2019.

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.

A mutual fund has deductibility rights for the portion of the dividend that is taxed as interest income by the unitholders. The distribution will reduce the NAV equivalent to dividend per unit at the day of distribution. For funds that have distributed taxable income per 31.12.2019, 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 2019.

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.

4 Brokerage fees

Brokerage fees are included in the securities cost price. Total fee this year is 328 596.

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

	2019
Profit before taxation	149 784 897
Permanent differences	
Realised capital gains	-57 602 691
Unrealised capital gains (change)	-75 937 037
Custodian charges equity fund	19 530
Dividends within EEA (gross)	-19 822 698
3% of dividends within EEA (net)	541 243
Withholding tax outside the EEA	-397 973
Total taxable income	-3 414 728
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	1 781 251
Withholding tax outside the EEA	397 973
Total recognised tax expense	2 179 224

7 Equity

	2019
Equity 1.1	1 019 520 930
+ subscription/redemption	-254 002 148
+ profit for the financial year	147 605 673
Equity 31.12	913 124 455

8 Issued units

Unit class A	31.12.2019	31.12.2018	31.12.2017
Number of units	5 457.43	7 090.53	7 932.19
Net asset value	115 686.77	98 603.71	110 454.80
Redemption price	115 108.34	98 110.69	109 902.53
Unit class B	31.12.2019	31.12.2018	31.12.2017
Number of units	27 820.05	40 404.95	53 162.28
Net asset value	7 576.15	6 441.47	7 197.54
Redemption price	7 538.27	6 409.26	7 161.55
Unit class C	31.12.2019	31.12.2018	31.12.2017
Number of units	9 437.07	9 437.07	46 368.47
Net asset value	7 523.98	6 368.63	7 083.56
Redemption price	7 486.36	6 336.79	7 048.14

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 Other income/ inntekter/expenses

As a result of participating in an issue, the fund has received 251 317 in guarantee commission.

10 Securities portfolio as at 31.12.2019

See next page.

Pareto Nordic Return

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Securities portfolio as at 31 December 2019

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	36 000	21 055 943	26 738 964	5 683 021	2.9	0.0	SEK
Betsson AB ser. B	SE0012454379	Stockholm	357 000	27 917 013	14 642 541	- 13 274 472	1.6	0.3	SEK
Europris ASA	NO0010735343	Oslo	609 000	22 204 986	21 010 500	- 1 194 486	2.3	0.4	NOK
Kongsberg Automotive ASA	NO0003033102	Oslo	2 731 517	14 484 995	16 744 199	2 259 204	1.8	0.6	NOK
Nokian Renkaat Oyj	FI0009005318	Helsinki	58 000	15 661 708	14 669 771	- 991 937	1.6	0.0	EUR
Pandora A/S	DK0060252690	København	53 000	52 255 485	20 282 088	- 31 973 398	2.2	0.1	DKK
Veoneer Inc ser. SDR	SE0011115963	Stockholm	41 249	8 130 129	5 806 048	- 2 324 081	0.6	0.0	SEK
Total consumer discretionary				161 710 259	119 894 111	- 41 816 149	13.0		
Financials									
Danske Bank A/S	DK0010274414	København	249 000	59 588 794	35 445 125	- 24 143 669	3.9	0.0	DKK
Nordic Capital Partners II AS	NO0003112401	Unlisted	5 000	4 345 000	12 250	- 4 332 750	0.0	0.0	NOK
Norwegian Finans Holding ASA	NO0010387004	Oslo	493 000	19 547 513	46 982 900	27 435 387	5.1	0.3	NOK
Protector Forsikring ASA	NO0010209331	Oslo	194 989	9 963 055	10 227 173	264 118	1.1	0.2	NOK
TF Bank AB	SE0007331608	Stockholm	196 000	15 671 527	21 441 126	5 769 599	2.3	0.9	SEK
Total financials				109 115 889	114 108 574	4 992 685	12.4		
Consumer staples									
Carlsberg A/S ser. B	DK0010181759	København	23 000	15 122 625	30 183 197	15 060 572	3.3	0.0	DKK
Essity AB ser. B	SE0009922164	Stockholm	59 000	9 522 598	16 720 022	7 197 423	1.8	0.0	SEK
Grieg Seafood ASA	NO0010365521	Oslo	272 000	8 860 369	38 161 600	29 301 231	4.2	0.2	NOK
Schouw & Co A/S	DK0010253921	København	30 000	11 835 325	22 184 400	10 349 075	2.4	0.1	DKK
Total consumer staples				45 340 917	107 249 219	61 908 301	11.7		
Utilities									
Scatec Solar ASA	NO0010715139	Oslo	279 000	10 704 072	34 623 900	23 919 828	3.8	0.2	NOK
Health care									
Novo Nordisk A/S ser. B	DK0060534915	København	64 000	23 317 622	32 676 565	9 358 942	3.6	0.0	DKK
Pihlajalinna Oyj	FI4000092556	Helsinki	134 000	13 287 635	20 205 746	6 918 111	2.2	0.6	EUR
Total health care				36 605 257	52 882 311	16 277 053	5.8		

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	12 036 402	3 678 706	1.3	0.0	SEK
Alimak Group AB	SE0007158910	Stockholm	53 000	6 248 229	6 947 473	699 244	0.8	0.1	SEK
Coor Service Management Holding AB	SE0007158829	Stockholm	369 000	14 601 262	28 550 858	13 949 597	3.1	0.4	SEK
Instalco Intressenter AB	SE0009664253	Stockholm	313 000	16 629 690	39 736 226	23 106 536	4.3	0.6	SEK
Norwegian Air Shuttle ASA	NO0010196140	Oslo	760 500	63 291 726	28 708 875	- 34 582 851	3.1	0.6	NOK
Trox Group AB	SE0012729366	Stockholm	296 000	8 406 956	33 575 635	25 168 679	3.7	0.5	SEK
Total industrials				117 535 559	149 555 469	32 019 911	16.3		
Information technology									
Elliptic Laboratories AS	NO0010722283	Unlisted	74 570	11 718 118	14 914 000	3 195 882	1.6	0.9	NOK
Kitron ASA	NO0003079709	Oslo	2 978 000	16 113 435	32 758 000	16 644 565	3.6	1.7	NOK
Nordic Semiconductor ASA	NO0003055501	Oslo	462 157	17 068 208	25 742 145	8 673 936	2.8	0.3	NOK
TietoEvyry Oyj	FI0009000277	Helsinki	89 520	18 836 019	24 488 379	5 652 360	2.7	0.1	EUR
Total information technology				63 735 780	97 902 524	34 166 743	10.7		
Energy									
Akastor ASA	NO0010215684	Oslo	1 339 000	21 344 378	13 309 660	- 8 034 718	1.5	0.5	NOK
BW Offshore Ltd	BMG1738J1247	Oslo	359 000	15 311 346	23 694 000	8 382 654	2.6	0.2	NOK
Flex LNG Ltd	BMG359472021	Oslo	115 000	16 387 500	10 453 500	- 5 934 000	1.1	0.2	NOK
Magseis ASA	NO0010663669	Oslo Axess	737 319	12 502 034	4 276 450	- 8 225 584	0.5	0.4	NOK
Seadrill Ltd	BMG7998G1069	Oslo	5 723	898 406	117 322	- 781 084	0.0	0.0	NOK
Seadrill Ltd New Common Shares	BMG7998G1069	New York	117	11 125	2 613	- 8 512	0.0	0.0	USD
Subsea 7 SA	LU0075646355	Oslo	283 500	34 268 488	29 753 325	- 4 515 163	3.3	0.1	NOK
Total energy				100 723 277	81 606 870	- 19 116 407	9.0		
Materiales									
Stora Enso Oyj ser. R	FI0009005961	Helsinki	196 000	21 877 989	25 076 986	3 198 997	2.7	0.0	EUR
Total equities				667 348 999	782 899 964	115 550 962	85.4		

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	Market value +acc. interest NOK	Unrealised gain/loss	Share in % of portfolio	Currency	Risk-class ³
Energy													
BW Offshore Limited 12/20 FRN STEP C	N00010638075	Oslo	15.03.2020	6.32	14.01.2020	1 080 000	1 080 000	3.38	1 084 288	1 254	0.1	NOK	100
BW Offshore Limited 19/23 FRN FLOOR	N00010869019	Oslo	04.12.2023	6.32	04.03.2020	1 500 000	1 500 000	5.51	1 535 811	28 437	0.2	NOK	100
Dof Subsea AS 13/20 FRN STEP	N00010670144	Oslo	22.05.2020	8.81	22.01.2020	3 917 749	3 565 152	200.80	2 710 594	- 922 630	0.3	NOK	100
Dolphin Group ASA konv. forfalt beholdning	N00010838139	Unlisted	15.02.2021	0.00	14.02.2021	1 000 000	1 017 500	0.00	5 010	- 1 012 490	0.0	NOK	100
Dolphin Group ASA konv. forfalt rente	N00010838238	Unlisted	15.02.2021	0.00	14.02.2021	22 522					0.0	NOK	100
Seadrill Ltd 18/25 12.00% C	USG8000AAA19	Dublin	15.07.2025	12.00	15.07.2025	29 107	234 363	17.58	226 301	- 22 223	0.0	USD	100
Total energy							7 397 015		5 562 004	- 1 927 652	0.6		
Financials													
Advanzia Bank S.A. 15/PERP FRN C HYBRID	N00010740228	Nordisk ABM	31.12.2099	6.32	16.03.2020	5 000 000	5 000 000	5.49	5 037 472	23 427	0.5	NOK	100
Aker ASA 15/20 FRN	N00010737158	Oslo	29.05.2020	5.34	28.02.2020	2 000 000	2 000 000	2.59	2 033 053	23 263	0.2	NOK	100
Aker ASA 19/24 FRN FLOOR C	N00010868979	Oslo	22.11.2024	3.78	24.02.2020	3 000 000	3 000 000	3.57	3 026 957	14 357	0.3	NOK	100
Sbanken ASA 15/PERP FRN C HYBRID	N00010746456	Nordisk ABM	31.12.2099	5.92	13.01.2020	10 000 000	10 000 000	4.05	10 284 862	154 951	1.1	NOK	100
Total financials							20 000 000		20 382 344	215 998	2.1		
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	1.40	15 309 918	- 2 833 414	1.7	SEK	100
Industrials													
Cembrit Group A/S 17/21 FRN EUR FLOOR C	SE0009722887	Stockholm	20.03.2021	5.50	20.03.2020	200 000	1 834 680	6.66	1 955 095	116 796	0.2	EUR	100
Chip Bidco AS 19/24 FRN C	N00010869761	Nordisk ABM	13.12.2024	7.32	13.03.2020	2 000 000	2 000 000	7.84	2 017 727	10 000	0.2	NOK	100
Norwegian Air Shuttle ASA 17/20 FRN	N00010809940	Oslo	23.11.2020	5.82	21.02.2020	3 000 000	3 000 000	6.15	3 017 073	- 2 813	0.3	NOK	100
Total industrials							6 834 680		6 989 895	123 983	0.7		
Real estate													
Bulk Industrier AS 18/21 FRN FLOOR C	N00010824188	Oslo	26.05.2021	8.37	18.03.2020	5 000 000	5 000 000	5.84	5 144 400	128 125	0.6	NOK	100

Pareto Nordic Return

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Securities	ISIN	Listing	Maturity	Coupon rate in %	Interest. adj. date ¹	Principal	Cost price NOK	Yield ²	Market value +acc. interest NOK	Unrealised gain/loss	Share in % of portfolio	Currency	Risk- class ³
Information technology													
Consilium AB 15/20 FRN FLOOR C	SE0006800397	Stockholm	25.03.2020	5.82	25.03.2020	2 000 000	1 922 000	5.69	1 881 005	- 42 513	0.2	SEK	100
Crayon Group Holdi ASA 19/22 FRN FLOOR	CNO0010868433	Oslo	21.11.2022	5.37	21.02.2020	2 000 000	2 000 000	5.54	2 021 007	8 775	0.2	NOK	100
Total information technology							3 922 000		3 902 012	- 33 738	0.4		
Total bonds							61 293 701		57 290 573	- 4 326 698	6.1		
Total securities portfolio							728 642 700		840 190 536	111 224 264	91.5		

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



12 months of positive returns

2019 was a very good year for Pareto Høyrente. December was no exception to a now 12-month long series of positive returns. Performance throughout the year was characterised by low volatility. We are very pleased that none of the fund's currently 55 investments were adversely affected by specific credit events during the year.

Market activity was high throughout the year. In the primary market, many new bond issues were made, both from new companies and old acquaintances, and 2019 was another record year. Among the new companies in the fund are the pressure tank manufacturer Hexagon Composite, the infrastructure contractor NRC, the ferry company Fjord1 and the reverse vending systems company Tomra.

We continue to see an ongoing structural shift in the way companies and organisations finance themselves. More and more companies are choosing to take advantage of the bond market. Growth is broad, considering both industries and geographical distribution.

We have seen generally strong results from the portfolio companies' quarterly reports throughout 2019. Norway is doing well. Banks continue to demonstrate stability, with historically high average credit quality. Credit losses remain at low levels.

Norges Bank, the central bank of Norway, raised the key rate three times last year, by 0.25 percentage points each time, from 0.75 per cent to 1.50 per cent. In line with this, the money market interest rate (three-month NIBOR) has gradually increased throughout the year, to 1.84% at the end of the year, up from 1.27% at the beginning of the year. This has increased the yield on bonds, but it is uncertain whether it will eventually rub off on deposits in terms of increased interest rates. We therefore believe this is a good argument for considering fixed-income funds.

The strategy of the fund, with a well-diversified portfolio of solid issuers where underlying bonds have a short average maturity and a very short interest rate duration, has proven robust and given a reasonable return. We are optimistic about the return potential for investors who want a fixed income fund like ours, with moderate credit risk and low interest rate duration.

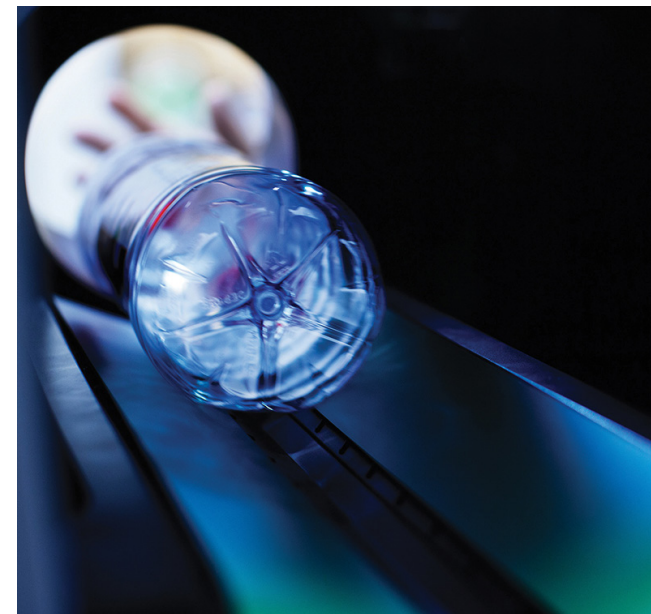


Photo: Tomra

Performance history

Fundamental and actively managed corporate bond fund with 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



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	2019	2018	2017	2016	2015
Pareto Høyrente	4.9%	1.9%	2.0%	-0.2%	-1.1%
Government Bond Index 1.00	1.0%	0.4%	0.7%	0.5%	1.0%

Annualised return

Name	Inception date	3 years	5 years	10 years	From start
Pareto Høyrente	25.07.2001	2.9%	1.5%	2.8%	3.0%*
Government Bond Index 1.00		0.7%	0.7%	1.4%	

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	2019 01.01-31.12	2018 01.01-31.12
Portfolio income and expenses			
Interest received		68 436 061	65 695 144
Realised capital gain/loss	4	9 146 752	-39 769 294
Net unrealised capital gain/loss	4	7 704 679	23 030 880
Portfolio profit		85 287 492	48 956 730
Asset management revenue and costs			
Subscription/redemption fees	8	1 990	0
Custodian charges on purchases and sales of securities		-18 720	-9 180
Management fees	5	-10 169 778	-12 111 140
Subscription/redemption fees to the management company	8	-1 990	0
Other income/expenses		-1	1
Asset management revenues		-10 188 499	-12 120 319
Profit before taxation		75 098 993	36 836 411
Income tax	6	0	0
Profit for the financial year		75 098 993	36 836 411
Allocation of profit			
Net distributed to unitholders during the year		0	0
Allocated for distribution to unitholders		0	0
Transferred to/from equity		75 098 993	36 836 411
Total allocations and equity transfers		75 098 993	36 836 411
Balance sheet		31.12.2019	31.12.2018
Assets			
Securities at market value	2,3,9	915 884 837	1 493 295 712
Accrued interests	9	4 261 756	7 169 394
Other assets		0	0
Cash and cash equivalents		64 958 949	58 537 506
Total assets		985 105 542	1 559 002 613
Equity and liabilities			
Equity			
Unit capital at par value		905 239 204	1 499 853 310
Premium		330 957 744	382 122 768
Retained earnings		-252 241 625	-327 342 608
Total equity	7,8	983 955 323	1 554 633 470
Liabilities			
Accrued management fees		554 960	869 143
Other liabilities		595 259	3 500 000
Total liabilities		1 150 219	4 369 143
Total equity and liabilities		985 105 542	1 559 002 613

Board of directors Pareto Asset Management AS Oslo, 18 March 2020

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

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

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 31.12.2019. 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. Assets that are valued at market value are recognized in the accounts on a continuous basis.

Foreign currency

The funds accounting currency is NOK. Investments in foreign currency is converted into NOK at the market exchange rate as at 31.12.2019.

Transaction fees

Transaction fees to the custodian are expended on a monthly basis. Other expenses 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.

A mutual fund has deductibility rights for the portion of the dividend that is taxed as interest income by the unitholders. The distribution will reduce the NAV equivalent to dividend per unit at the day of distribution. For funds that have distributed taxable income per 31.12.2019, 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 2019.

3 Turnover ratio

The portfolio's turnover ratio is 1.03.

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 0.

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

	2019
Profit before taxation	75 098 993
Permanent differences	
Distribution to unitholders	0
Realised capital gains	0
Unrealised capital gains (change)	-7 704 679
Dividends within EEA (gross)	0
3% of dividends within EEA (net)	0
Withholding tax outside the EEA	0
Total taxable income	67 394 314
Use of losses carried forward	67 394 314
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

	2019
Equity 1.1	1 554 633 470
+ subscription/redemption	-645 779 130
- distribution to unitholders	0
- allocated for distribution	0
+ reinvested in the fund	0
+ profit for the financial year	75 098 993
Equity 31.12	983 953 333

8 Issued units

	31.12.2019	31.12.2018	31.12.2017
Number of units	1905 239.20	1 499 853.31	2 037 709.73
Net asset value	1 086.95	1 036.52	1 017.17
Redemption price	1 081.52	1 031.34	1 012.08

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 31.12.2019

See next page.

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Securities portfolio as at 31 December 2019

Securities	ISIN	Listing	Maturity	Coupon rate in %	Interest. adj. date ¹	Principal	Cost price NOK	Yield ²	Market value +acc. interest NOK	Unrealised gain/loss	Share in % of portfolio	Currency	Risk-class ³
Financials													
Brage Finans AS 19/PERP FRN C HYBRID	NO0010851744	Nordisk ABM	31.12.2099	6.06	17.02.2020	6 000 000	6 000 000	5.35	6 141 167	96 727	0.6	NOK	100
DNB Bank ASA 15/PERP FRN C HYBRID	NO0010730708	Oslo	31.12.2099	5.11	26.02.2020	21 000 000	21 056 520	3.23	21 170 705	6 875	2.1	NOK	100
DNB Bank ASA 19/PERP FRN C HYBRID	NO0010858749	Oslo	31.12.2099	5.38	27.03.2020	6 000 000	6 000 000	4.51	6 160 768	156 285	0.6	NOK	100
Eika Boligkreditt AS 16/20 FRN C COVD	NO0010775190	Oslo	28.04.2020	2.23	28.01.2020	30 000 000	30 070 740	1.83	30 163 965	- 27 567	3.1	NOK	10
Eika Boligkreditt AS 18/28 FRN C SUB	NO0010814916	Nordisk ABM	02.02.2028	3.23	03.02.2020	12 000 000	12 000 000	2.96	12 156 601	94 154	1.2	NOK	100
Gjensidige Bank ASA 15/PERP FRN C HYBRID	NO0010735707	Nordisk ABM	31.12.2099	5.02	21.02.2020	12 000 000	11 958 000	3.63	12 139 171	112 565	1.2	NOK	100
Gjensidige Bank Bol AS 14/21 FRN C COVD	NO0010727738	Nordisk ABM	12.05.2021	2.15	12.02.2020	30 000 000	30 114 900	1.96	30 184 068	- 20 415	3.1	NOK	10
Kistefos AS 17/21 FRN FLOOR C	NO0010809700	Nordisk ABM	08.11.2021	7.83	10.02.2020	6 000 000	6 255 000	4.54	6 305 470	- 20 000	0.6	NOK	100
Kistefos AS 19/23 FRN FLOOR C	NO0010850654	Nordisk ABM	10.05.2023	6.85	10.02.2020	6 000 000	6 000 000	6.49	6 101 725	43 500	0.6	NOK	100
Nordea Eiendomskreditt AS 14/20 FRN COVD	NO0010703531	Oslo	17.06.2020	2.25	18.03.2020	30 000 000	30 078 000	1.87	30 085 008	- 19 242	3.1	NOK	10
Nortura Konsernpensjonsk 19/29 FRN C SUB	NO0010858319	Nordisk ABM	26.06.2029	5.63	26.03.2020	7 000 000	7 000 000	4.99	7 097 574	92 100	0.7	NOK	100
OBOS-banken AS 15/PERP FRN C HYBRID	NO0010740178	Nordisk ABM	31.12.2099	5.00	17.03.2020	13 800 000	13 938 000	3.84	13 910 216	- 56 534	1.4	NOK	100
OBOS-banken AS 17/PERP FRN C HYBRID	NO0010792492	Nordisk ABM	31.12.2099	5.26	18.02.2020	9 000 000	8 982 000	4.59	9 199 077	159 217	0.9	NOK	100
Sbanken ASA 15/PERP FRN C HYBRID	NO0010746456	Nordisk ABM	31.12.2099	5.92	13.01.2020	10 500 000	10 751 608	4.05	10 799 105	- 88 909	1.1	NOK	100
Spb 1 Boligkredi AS 15/PERP FRN C HYBRID	NO0010745920	Nordisk ABM	31.12.2099	5.47	23.03.2020	18 700 000	19 009 153	3.93	18 951 665	- 83 061	1.9	NOK	100
Spb 1 Boligkreditt AS 13/20 FRN C COVD	NO0010670508	Oslo	17.06.2020	2.40	17.03.2020	21 000 000	21 082 320	1.86	21 077 790	- 25 530	2.1	NOK	10
Spb 1 BV 17/21 FRN	NO0010808926	Nordisk ABM	26.04.2021	2.36	27.01.2020	24 000 000	24 054 240	2.06	24 210 144	53 638	2.5	NOK	20
Spb 1 Nordvest 17/PERP FRN C HYBRID	NO0010809593	Nordisk ABM	31.12.2099	5.46	17.02.2020	12 000 000	12 076 800	4.80	12 280 881	124 001	1.2	NOK	100
Spb 1 Ringerike Hadeland 18/22 FRN	NO0010819808	Nordisk ABM	22.06.2022	2.39	23.03.2020	30 000 000	30 000 000	2.25	30 131 019	113 094	3.1	NOK	20
Spb 1 SR-Bank ASA 17/20 FRN	NO0010785702	Oslo	04.05.2020	2.36	04.02.2020	9 000 000	9 048 600	1.97	9 047 841	- 34 979	0.9	NOK	20
Spb 1 SR-Bank ASA 17/PERP FRN C HYBRID	NO0010799323	Oslo	31.12.2099	5.06	30.03.2020	6 000 000	5 973 000	4.44	6 088 561	113 874	0.6	NOK	100
Spb 1 SR-Bank ASA 19/PERP FRN C HYBRID	NO0010846025	Nordisk ABM	31.12.2099	5.31	12.03.2020	6 000 000	6 000 000	4.56	6 140 539	122 839	0.6	NOK	100
Spb 1 Østlandet 15/21 FRN	NO0010731136	Nordisk ABM	19.02.2021	2.44	19.02.2020	15 000 000	15 106 200	2.06	15 115 952	- 33 965	1.5	NOK	20
Spb Sør 17/PERP FRN C HYBRID	NO0010793318	Nordisk ABM	31.12.2099	5.06	24.02.2020	7 200 000	7 212 600	4.44	7 342 748	92 704	0.7	NOK	100
Spb Telemark 17/PERP FRN C HYBRID	NO0010802606	Nordisk ABM	31.12.2099	5.11	24.02.2020	12 000 000	11 901 000	4.64	12 204 005	239 982	1.2	NOK	100
Spb Vest 16/PERP FRN C HYBRID	NO0010771603	Nordisk ABM	31.12.2099	6.32	09.03.2020	9 000 000	9 000 000	4.21	9 353 522	317 182	0.9	NOK	100
Spb Vest 17/PERP FRN C HYBRID	NO0010786031	Nordisk ABM	31.12.2099	5.45	10.02.2020	7 800 000	7 920 600	4.37	8 036 531	55 709	0.8	NOK	100
Spb Vest Boligkredit AS 15/20 FRN C COVD	NO0010748338	Oslo	27.04.2020	2.43	27.01.2020	30 000 000	30 108 000	1.84	30 193 641	- 45 984	3.1	NOK	10
Spb Øst Boligkreditt AS 14/20 FRN C COVD	NO0010709124	Oslo	03.04.2020	2.16	03.01.2020	18 000 000	18 031 890	1.83	18 114 809	- 14 281	1.8	NOK	10
Storebrand Liv AS 14/PERP FRN STEP C SUB	NO0010706021	Oslo	31.12.2099	4.58	25.03.2020	27 000 000	27 000 000	3.77	27 723 338	706 163	2.8	NOK	100
Totens Spb 19/PERP FRN C HYBRID	NO0010856412	Nordisk ABM	31.12.2099	5.52	16.03.2020	12 000 000	12 000 000	4.75	12 270 838	241 398	1.2	NOK	100
Total financials							465 729 171		469 898 444	2 471 540	47.2		

Pareto Høyrente

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Securities	ISIN	Listing	Maturity	Coupon rate in %	Interest. adj. date ¹	Principal	Cost price NOK	Yield ²	Market value +acc. interest NOK	Unrealised gain/loss	Share in % of portfolio	Currency	Risk-class ³
Energy													
Bonheur ASA 17/20 FRN FLOOR	N00010809577	Oslo	09.11.2020	5.00	10.02.2020	9 000 000	9 000 000	2.67	9 249 213	185 463	0.9	NOK	100
Bonheur ASA 19/24 FRN FLOOR C	N00010861313	Oslo	04.09.2024	4.32	04.03.2020	12 000 000	12 000 000	4.00	12 113 177	72 857	1.2	NOK	100
GasLog Ltd 16/21 FRN C	N00010767858	Oslo	27.05.2021	8.75	31.01.2020	12 000 000	12 555 000	5.14	12 617 542	- 39 541	1.3	NOK	100
Total energy							33 555 000		33 979 932	218 779	3.4		
Industrials													
First Mover Group H AS 19/22 FRN FLOOR C	N00010863350	Oslo	20.09.2022	7.88	20.03.2020	7 200 000	7 239 000	8.13	7 259 412	1 500	0.7	NOK	100
Fjellinjen AS 15/20 FRN	N00010753031	Nordisk ABM	03.12.2020	2.89	03.03.2020	18 000 000	18 189 540	2.03	18 191 615	- 39 830	1.8	NOK	20
GLX Holding AS 17/23 FRN FLOOR C	N00010812092	Oslo	08.12.2023	7.07	09.03.2020	11 000 000	11 391 875	6.00	11 412 097	- 29 465	1.2	NOK	100
Hexagon Composites ASA 19/23 FRN C	N00010846280	Oslo	15.03.2023	5.57	16.03.2020	6 500 000	6 500 000	5.51	6 605 466	89 375	0.7	NOK	100
Klaveness Combination Ca ASA 16/21 FRN C	N00010779549	Oslo	27.05.2021	7.10	27.02.2020	7 500 000	7 500 000	6.12	7 673 651	121 880	0.8	NOK	100
NRC Group ASA 19/24 FRN FLOOR C	N00010861768	Oslo	13.09.2024	5.82	13.03.2020	12 000 000	12 110 250	5.27	12 288 110	141 000	1.2	NOK	100
Odffjell SE 18/23 FRN FLOOR	N00010832181	Oslo	19.09.2023	7.37	19.03.2020	12 000 000	11 730 000	7.33	11 905 937	144 000	1.2	NOK	100
SFL Corporation Ltd. 18/23 FRN FLOOR C	N00010831597	Oslo	13.09.2023	6.57	13.03.2020	12 000 000	12 180 205	5.67	12 346 610	124 796	1.3	NOK	100
Stolt-Nielsen Limited 14/21 FRN	N00010705551	Oslo	18.03.2021	5.22	18.03.2020	17 000 000	16 941 612	3.63	17 373 150	397 028	1.8	NOK	100
Tomra Systems ASA 19/22 FRN	N00010868318	Oslo	14.11.2022	2.37	14.02.2020	14 000 000	14 000 000	2.36	14 052 899	8 659	1.4	NOK	100
Veidekke ASA 18/23 FRN	N00010823388	Oslo	05.06.2023	2.72	05.03.2020	8 000 000	8 000 000	2.79	7 993 305	- 23 015	0.8	NOK	100
Total industrials							125 782 482		127 102 252	935 928	12.9		
Consumer staples													
Austevoll Seafood ASA 17/23 FRN	N00010797491	Oslo	21.06.2023	4.22	23.03.2020	6 500 000	6 500 000	3.67	6 607 868	101 010	0.7	NOK	100
Felleskjøpet Agri SA 19/22 FRN	N00010850282	Nordisk ABM	25.04.2022	3.23	27.01.2020	12 000 000	12 000 000	3.14	12 105 850	32 636	1.2	NOK	100
Felleskjøpet Agri SA 19/24 FRN	N00010850274	Nordisk ABM	25.04.2024	3.65	27.01.2020	9 000 000	9 000 000	3.39	9 125 913	63 863	0.9	NOK	100
NorgesGruppen ASA 16/22 FRN	N00010758477	Oslo	15.03.2022	3.32	16.03.2020	5 400 000	5 541 156	2.17	5 543 750	- 5 374	0.6	NOK	100
Nortura SA 18/78 FRN STEP C SUB	N00010822893	Nordisk ABM	25.05.2078	6.11	25.02.2020	14 000 000	14 041 087	5.34	14 367 916	238 913	1.5	NOK	100
Tine SA 16/21 FRN	N00010777741	Nordisk ABM	04.11.2021	2.68	04.02.2020	9 000 000	9 085 050	2.16	9 129 196	5 286	0.9	NOK	100
Total consumer staples							56 167 293		56 880 493	436 334	5.8		
Health care													
Care Bidco AS 17/21 FRN C	N00010788961	Oslo	24.03.2021	7.38	24.03.2020	8 500 000	8 500 000	12.13	8 343 964	- 164 749	0.8	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	Market value +acc. interest NOK	Unrealised gain/loss	Share in % of portfolio	Currency	Risk-class ³
Real estate													
Norwegian Property ASA 16/20 FRN P	NO0010768195	Oslo	05.07.2020	3.30	06.01.2020	15 000 000	15 137 100	2.20	15 207 074	- 48 276	1.5	NOK	100
Olav Thon Eiendomsselskap ASA 16/20 FRN NO0010764871		Oslo	19.05.2020	2.91	19.02.2020	18 000 000	18 099 180	2.18	18 116 759	- 44 986	1.8	NOK	100
Total real estate							33 236 280		33 323 833	- 93 262	3.3		
Consumer discretionary													
Color Group AS 18/22 FRN FLOOR	NO0010819394	Oslo	23.09.2022	5.07	23.03.2020	18 000 000	18 323 250	4.09	18 461 565	115 500	1.9	NOK	100
Ekornes QM Holding AS 19/23 FRN FLOOR C	NO0010848401	Oslo	02.10.2023	8.77	02.01.2020	11 500 000	11 589 579	7.44	12 166 064	321 546	1.2	NOK	100
Læringsverkstedet AS 17/22 FRN FLOOR C	NO0010794274	Nordisk ABM	01.06.2022	5.84	02.03.2020	12 000 000	12 000 000	6.67	12 058 400		1.2	NOK	100
Otiga Group AS 19/22 FRN FLOOR C	NO0010858806	Oslo	08.07.2022	10.81	08.01.2020	12 000 000	12 012 000	10.82	12 391 283	73 000	1.2	NOK	100
Schibsted ASA 14/21 FRN	NO0010710569	Oslo	06.05.2021	2.95	06.02.2020	12 000 000	12 000 000	2.39	12 152 107	97 040	1.2	NOK	100
Total consumer discretionary							65 924 829		67 229 419	607 086	6.7		
Utilities													
Agder Energi AS 14/20 FRN	NO0010722267	Oslo	30.10.2020	2.47	30.01.2020	18 000 000	18 087 660	2.08	18 142 969	- 22 496	1.8	NOK	100
Agder Energi AS 15/21 FRN	NO0010745268	Oslo	16.03.2021	2.82	16.03.2020	6 000 000	6 073 200	2.07	6 064 492	- 16 228	0.6	NOK	100
BKK AS 14/21 FRN	NO0010720972	Oslo	06.10.2021	2.39	06.01.2020	24 000 000	24 159 120	2.08	24 278 132	- 18 014	2.5	NOK	100
Lyse AS 17/23 FRN	NO0010790769	Oslo	18.04.2023	2.60	20.01.2020	21 000 000	21 260 400	2.21	21 372 331	- 1 819	2.2	NOK	100
Statkraft AS 15/20 FRN	NO0010729452	Oslo	21.01.2020	2.32	21.01.2020	11 000 000	11 023 063	1.99	11 053 296	- 20 807	1.1	NOK	100
Statkraft AS 15/20 FRN	NO0010741150	Oslo	08.07.2020	2.41	08.01.2020	15 000 000	15 086 130	2.04	15 117 943	- 53 541	1.5	NOK	100
Total utilities							95 689 573		96 029 163	- 132 905	9.7		
Information technology													
DigiPlex Norway Hol AS 19/24 FRN FLOOR C	NO0010850050	Oslo	30.04.2024	5.50	30.01.2020	8 000 000	8 000 000	4.42	8 390 334	313 334	0.8	NOK	100
Ice Group Scandinav AS 17/21 FRN FLOOR C	NO0010807092	Oslo	12.10.2021	6.42	13.01.2020	18 500 000	18 687 238	5.66	18 968 759	20 887	1.9	NOK	100
Total information technology							26 687 238		27 359 093	334 221	2.7		
Total securities portfolio							911 271 866		920 146 592	4 612 972	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).

Other fixed income funds



Performance history

Legal structure: UCITS

Dealing days: all Norwegian banking days except 31.12.

Pareto Obligasjon

The fund invests in interest-bearing securities with good credit quality (investment grade) denominated in Norwegian kroner.

Benchmark: NBP Norwegian RM1-RM3 Floating Rate Index (NOK)

Other relevant information: The fund invests in issuers with good credit quality (investment grade). Investments in interest-bearing securities where the issuer is considered to have a lower credit quality than the investment grade after the investment date may represent a maximum of 10 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.

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.

Performance by periods

Name	2019	2018	2017	2016	2015
Pareto Obligasjon A	0.3 %*	-	-	-	-
Pareto Obligasjon B	0.3 %*	-	-	-	-
NORM123FERN**	2.3 %	1.4 %	2.0 %	2.7 %	0.5 %
Pareto Likviditet	1.7 %	1.1 %	1.3 %	1.9 %	1.0 %

Annualised return

Name	Inception date	3 years	5 years	10 år	From start
Pareto Obligasjon A	11.11.2019	-	-	-	-
Pareto Obligasjon B	11.11.2019	-	-	-	-
NORM123FERN**		1.9 %	1.8 %	-	
Pareto Likviditet	27.09.1999	1.3 %	1.4 %	1.9 %	3.3 %

Other information

Name	Minimum initial subscription amount (NOK)	ISIN	Bloomberg
Pareto Obligasjon A	500	NO0010025190	POOBLII NO
Pareto Obligasjon B	10 million	NO0010864069	PAOBLIB NO
Pareto Likviditet	2 million	NO0010025174	POLIKV NO

*Inception date 11.11.2019

**NBP Norwegian RM1-RM3 Floating Rate Index (NOK)

Pareto Obligasjon

Income statement	Notes	2019 01.01-31.12	2018 01.01-31.12
Portfolio income and expenses			
Interest received		2 596 331	2 836 675
Realised capital gain/loss	4	-2 653 112	-1 645 080
Net unrealised capital gain/loss	4	2 022 896	-70 087
Portfolio profit		1 966 115	1 121 509
Asset management revenue and costs			
Custodian charges on purchases and sales of securities		-5 440	-1 500
Management fees	5	-424 112	-422 992
Other income/expenses		-1	0
Asset management revenues		-429 553	-424 492
Profit before taxation		1 536 562	697 017
Income tax	6	0	0
Profit for the financial year		1 536 562	697 017
Allocation of profit			
Net distributed to unitholders during the year		290	102 607
Allocated for distribution to unitholders		0	664 498
Transferred to/from equity		1 536 272	-70 089
Total allocations and equity transfers		1 536 562	697 017
Balance sheet		31.12.2019	31.12.2018
Assets			
Securities at market value	2,3,9	190 092 089	80 350 273
Accrued interests	9	1 043 165	1 143 284
Cash and cash equivalents		7 140 191	1 051 891
Total assets		198 275 446	82 545 447
Equity and liabilities			
Equity			
Unit capital at par value		197 395 147	82 594 117
Premium		1 562 676	2 180 533
Retained earnings		-726 288	-2 262 560
Total equity	7,8	198 231 536	82 512 090
Liabilities			
Accrued management fees		43 910	31 666
Other liabilities		0	1 692
Total liabilities		43 910	33 357
Total equity and liabilities		198 275 446	82 545 447

Board of directors Pareto Asset Management AS Oslo, 18 March 2020

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

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

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 31.12.2019. 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. Assets that are valued at market value are recognized in the accounts on a continuous basis.

Foreign currency

The funds accounting currency is NOK. Investments in foreign currency is converted into NOK at the market exchange rate as at 31.12.2019.

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.

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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 2019.

3 Turnover ratio

The portfolio's turnover ratio is 1.03.

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 per annum of the total portfolio. Rates apply per unit class.

- Pareto Obligasjon A: 0.35% per annum
- Pareto Obligasjon B: 0.25% per annum
- Pareto Obligasjon C: 0.15% per annum
- Pareto Obligasjon D: 0.15% per annum

Pareto Obligasjon

6 Tax

	2019
Profit before taxation	1 536 562
Permanent differences	
Distribution to unitholders	-290
Realised capital gains	0
Unrealised capital gains (change)	-2 022 896
Dividends within EEA (gross)	0
3% of dividends within EEA (net)	0
Withholding tax outside the EEA	0
Total taxable income	-486 624
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

	2019
Equity 1.1	82 512 090
+ subscription/redemption	114 183 173
- distribution to unitholders	-290
- allocated for distribution	0
+ reinvested in the fund	0
+ profit for the financial year	1 536 562
Equity 31.12	198 231 536

8 Issued units

Unit class A	31.12.2019	31.12.2018	31.12.2017
Number of units	23 478.51	82 594.12	103 503.54
Net asset value	1 014.32	999.01	999.60
Redemption price	1 014.32	999.01	999.60
Unit class B	31.12.2019	31.12.2018	31.12.2017
Number of units	173 916.64	n.a.	n.a.
Net asset value	1 002.88	n.a.	n.a.
Redemption price	1 002.88	n.a.	n.a.
Unit class C	31.12.2019	31.12.2018	31.12.2017
Number of units	0.00	n.a.	n.a.
Net asset value	0.00	n.a.	n.a.
Redemption price	0.00	n.a.	n.a.
Unit class D	31.12.2019	31.12.2018	31.12.2017
Number of units	0.00	n.a.	n.a.
Net asset value	0.00	n.a.	n.a.
Redemption price	0.00	n.a.	n.a.

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

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

9 Securities portfolio as at 31.12.2019

See next page.

Pareto Obligasjon

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Securities portfolio as at 31 December 2019

Securities	ISIN	Listing	Maturity	Coupon rate in %	Interest. adj. date ¹	Principal	Cost price NOK	Yield ²	Market value +acc. interest NOK	Unrealised gain/loss	Share in % of portfolio	Currency	Risk-class ³
Financials													
Arendal og Omegns Spb 19/23 FRN	N00010846520	Nordisk ABM	15.03.2023	2.62	16.03.2020	3 000 000	3 001 110	2.40	3 022 857	18 254	1.5	NOK	20
Askim & Spydeberg Spb 19/23 FRN	N00010849094	Nordisk ABM	03.04.2023	2.42	03.01.2020	3 000 000	3 007 380	2.30	3 028 685	3 155	1.5	NOK	20
Brage Finans AS 18/22 FRN	N00010830516	Nordisk ABM	21.02.2022	2.55	21.02.2020	5 000 000	5 013 850	2.46	5 027 301	- 1 070	2.5	NOK	20
Bustadkreditt Sogn o AS 18/24 FRN C COVD	N00010819170	Nordisk ABM	15.04.2024	2.24	15.01.2020	3 000 000	3 013 200	2.09	3 030 712	2 952	1.5	NOK	10
Danske Bank A/S 19/22 FRN	N00010852106	Dublin	16.05.2022	3.00	17.02.2020	7 000 000	7 077 070	2.59	7 095 944	- 6 793	3.6	NOK	20
DNB Bank ASA 19/23 2.20%	N00010849508	Oslo	05.04.2023	2.20	05.04.2023	3 000 000	3 000 000	2.29	3 040 216	- 8 550	1.5	NOK	20
Gjensidige Bank ASA 18/22 2.315%	N00010835788	Nordisk ABM	08.11.2022	2.32	08.11.2022	3 000 000	3 012 000	2.26	3 014 298	- 7 927	1.5	NOK	20
Haugesund Spb 15/21 2.44%	N00010735517	Nordisk ABM	11.05.2021	2.44	11.05.2021	4 000 000	4 032 160	2.10	4 080 036	- 14 480	2.0	NOK	20
Helgeland Spb 18/28 FRN C SUB	N00010820723	Nordisk ABM	11.04.2028	3.19	13.01.2020	3 000 000	3 023 670	2.93	3 044 095	- 1 374	1.5	NOK	100
Hønefoss Spb 19/23 FRN	N00010851850	Nordisk ABM	15.05.2023	2.49	17.02.2020	2 000 000	1 997 900	2.48	2 007 231	2 829	1.0	NOK	20
Jæren Spb 18/28 FRN C SUB	N00010825292	Nordisk ABM	20.06.2028	3.53	20.03.2020	3 000 000	3 033 600	3.13	3 038 850	1 720	1.5	NOK	100
Landsbankinn hf. 19/22 FRN NOK	XS1953243950	Dublin	21.02.2022	3.62	21.02.2020	5 000 000	5 071 000	3.10	5 078 241	- 13 373	2.6	NOK	20
Luster Spb 17/21 FRN	N00010785900	Nordisk ABM	03.02.2021	2.69	03.02.2020	3 000 000	3 028 800	2.13	3 032 926	- 8 876	1.5	NOK	20
Nidaros Spb 15/25 FRN C SUB	N00010754237	Nordisk ABM	16.12.2025	5.02	16.03.2020	1 927 000	1 967 852	3.04	1 969 019	- 3 133	1.0	NOK	100
Nordea Bank Abp 19/22 FRN	N00010868045	Dublin	11.11.2022	2.24	11.02.2020	4 000 000	4 000 000	2.26	4 011 533	- 1 160	2.0	NOK	20
OBOS-banken AS 15/21 2.15%	N00010734726	Nordisk ABM	23.04.2021	2.15	23.04.2021	3 000 000	3 010 800	2.07	3 047 289	- 7 945	1.5	NOK	20
Sandnes Spb 16/21 2.42%	N00010778822	Nordisk ABM	18.11.2021	2.42	18.11.2021	3 000 000	3 024 800	2.18	3 021 656	- 11 815	1.5	NOK	20
Sandnes Spb 18/28 FRN C SUB	N00010816101	Nordisk ABM	16.02.2028	3.41	17.02.2020	2 000 000	2 021 860	3.10	2 026 530	- 3 666	1.0	NOK	100
Skue Spb 16/26 FRN C SUB	N00010763659	Nordisk ABM	27.04.2026	5.23	27.01.2020	3 000 000	3 106 500	2.83	3 124 772	- 10 058	1.6	NOK	100
Spb 1 Lom og Skjåk 17/21 FRN	N00010790462	Nordisk ABM	31.03.2021	2.67	31.03.2020	3 000 000	3 027 690	2.19	3 019 702	- 8 210	1.5	NOK	20
Spb 1 Nord-Norge 13/21 3.85%	N00010693989	Nordisk ABM	18.05.2021	3.85	18.05.2021	4 000 000	4 126 240	2.08	4 190 606	- 31 028	2.1	NOK	20
Spb 1 SMN 15/21 1.80%	N00010731177	Nordisk ABM	18.02.2021	1.80	18.02.2021	3 000 000	2 994 000	2.02	3 039 352	- 1 598	1.5	NOK	20
Spb 1 SR-Bank ASA 16/22 2.04%	N00010778483	Oslo	11.02.2022	2.04	11.02.2022	3 000 000	2 985 690	2.17	3 046 183	6 093	1.5	NOK	20
Spb 1 Østlandet 15/21 2.36%	N00010740004	Nordisk ABM	17.08.2021	2.36	17.08.2021	5 000 000	5 047 500	2.10	5 063 840	- 27 582	2.5	NOK	20
Spb 1 Østlandet 17/27 FRN C SUB	N00010810088	Nordisk ABM	16.11.2027	3.26	17.02.2020	3 000 000	3 021 000	2.87	3 044 342	11 388	1.5	NOK	100
Spb Sør 15/25 FRN C SUB	N00010743255	Nordisk ABM	25.08.2025	3.41	25.02.2020	5 000 000	5 042 350	2.35	5 054 245	- 5 629	2.5	NOK	100
Spb Sør 19/22 FRN	N00010869530	Nordisk ABM	28.11.2022	2.26	28.02.2020	5 000 000	5 000 000	2.26	5 012 677	2 005	2.5	NOK	20
Spb Telemark 16/26 FRN C SUB	N00010777592	Nordisk ABM	10.11.2026	4.10	10.02.2020	3 000 000	3 082 500	2.72	3 095 007	- 4 918	1.6	NOK	100
Spb Vest 17/22 1.98%	N00010807258	Nordisk ABM	04.10.2022	1.98	04.10.2022	3 000 000	2 976 300	2.25	2 992 647	1 992	1.5	NOK	20
Spb Øst 16/21 2.35%	N00010756521	Nordisk ABM	26.07.2021	2.35	26.07.2021	3 000 000	3 025 800	2.10	3 041 811	- 14 344	1.5	NOK	20
Spb Øst Boligkreditt AS 19/24 FRN C COVD	N00010841034	Oslo	19.06.2024	2.33	19.03.2020	4 000 000	4 024 000	2.14	4 031 003	3 638	2.0	NOK	10
SSB Boligkreditt AS 18/24 FRN C COVD	N00010833254	Nordisk ABM	27.09.2024	2.38	27.03.2020	5 000 000	5 025 000	2.16	5 043 416	16 763	2.5	NOK	10
Storebrand Livsfors AS 15/PERP FRN C SUB	N00010732464	Oslo	31.12.2099	4.90	17.03.2020	5 000 000	5 037 850	2.88	5 032 094	- 15 964	2.5	NOK	100
Strømmen Spb 17/27 FRN C SUB	N00010791023	Nordisk ABM	21.04.2027	4.05	21.01.2020	3 200 000	3 248 000	3.37	3 275 629	1 709	1.6	NOK	100
Totens Spb 13/21 4.03%	N00010684566	Nordisk ABM	28.06.2021	4.03	28.06.2021	3 500 000	3 665 200	2.11	3 669 020	- 67 880	1.8	NOK	20
Tryg Forsikri A/S 13/PERP FRN STEP C SUB	N00010672355	Nordisk ABM	31.12.2099	5.63	20.03.2020	3 000 000	3 180 000	3.59	3 183 657	- 1 973	1.6	NOK	100

Pareto Obligasjon

2/2

Securities	ISIN	Listing	Maturity	Coupon rate in %	Interest. adj. date ¹	Principal	Cost price NOK	Yield ²	Market value +acc. interest NOK	Unrealised gain/loss	Share in % of portfolio	Currency	Risk-class ³
Voss Veksel ASA 15/25 FRN C SUB	NO0010730989	Nordisk ABM	24.02.2025	3.91	24.02.2020	2 000 000	2 008 060	2.56	2 012 256	- 3 841	1.0	NOK	100
Voss Veksel ASA 17/23 FRN	NO0010807928	Nordisk ABM	10.03.2023	2.74	10.03.2020	3 000 000	3 020 550	2.37	3 038 369	12 796	1.5	NOK	20
Ørskog Spb 19/24 FRN	NO0010850373	Nordisk ABM	23.04.2024	2.67	23.01.2020	3 000 000	3 003 300	2.56	3 024 795	5 920	1.5	NOK	20
Total financials							136 984 582		137 652 842	- 191 973	68.5		
State/County													
Bergen komm 18/22 FRN	NO0010818305	Oslo	07.03.2022	2.12	06.03.2020	5 000 000	5 025 300	2.03	5 018 916	- 14 025	2.5	NOK	20
Schibsted ASA 17/23 FRN	NO0010797541	Oslo	22.06.2023	3.32	23.03.2020	1 000 000	1 018 970	2.64	1 022 436	2 636	0.5	NOK	100
Ørsta komm 18/22 1.86%	NO0010824030	Oslo	07.06.2022	1.86	07.06.2022	3 000 000	2 994 630	2.07	3 016 386	- 9 864	1.5	NOK	20
Total state/county							9 038 900		9 057 738	- 21 253	4.5		
Real estate													
Olav Thon Eiendomsselskap ASA 16/21 FRN NO0010776073		Oslo	18.10.2021	2.69	20.01.2020	5 000 000	5 044 500	2.25	5 069 720	- 2 801	2.5	NOK	100
Steen & Strøm AS 17/22 FRN	NO0010805799	Oslo	14.09.2022	2.52	16.03.2020	5 000 000	5 023 250	2.36	5 028 081	- 769	2.5	NOK	50
Total real estate							10 067 750		10 097 801	- 3 570	5.0		
Utilities													
Fredrikstad Energi AS 16/21 FRN	NO0010777238	Oslo	26.10.2021	3.38	27.01.2020	5 000 000	5 099 000	2.40	5 121 808	- 7 706	2.6	NOK	100
Sogn og Fjordane Energi AS 19/21 FRN	NO0010842511	Oslo	08.09.2021	2.57	09.03.2020	5 000 000	5 035 700	2.16	5 045 028	1 119	2.5	NOK	100
Total utilities							10 134 700		10 166 836	- 6 587	5.1		
Industrials													
A.P. Møller - Mærsk A/S 16/21 FRN	NO0010767718	Flere	22.06.2021	3.32	23.03.2020	6 000 000	6 085 380	2.50	6 080 197	- 10 163	3.1	NOK	100
Tomra Systems ASA 19/22 FRN	NO0010868318	Oslo	14.11.2022	2.37	14.02.2020	5 000 000	5 005 000	2.36	5 018 893	- 1 907	2.5	NOK	100
Total industrials							11 090 380		11 099 090	- 12 070	5.6		
Consumer discretionary													
Møller Mobility AS 2.50% CERT 183 160620	NO0010871510	Nordisk ABM	16.06.2020	2.50	16.06.2020	5 000 000	5 000 000	2.38	5 008 749	3 269	2.5	NOK	100
Volkswagen Financial Servi 17/20 FRN NOK	XS1598103726	Luxembourg	14.04.2020	2.52	14.01.2020	8 000 000	8 015 440	2.23	8 052 200	- 7 480	4.0	NOK	100
Total consumer discretionary							13 015 440		13 060 949	- 4 211	6.5		
Total securities portfolio							190 331 752		191 135 255	- 239 664	95.2		

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).

Pareto Likviditet

Income statement	Notes	2019 01.01-31.12	2018 01.01-31.12
Portfolio income and expenses			
Interest received		14 104 641	11 195 831
Realised capital gain/loss	4	-1 085 802	-740 849
Net unrealised capital gain/loss	4	-572 248	-1 705 705
Portfolio profit		12 446 590	8 749 277
Asset management revenue and costs			
Custodian charges on purchases and sales of securities		-5 130	-4 440
Management fees	5	-1 590 428	-1 666 568
Other income/expenses		-1	0
Asset management revenues		-1 595 559	-1 671 008
Profit before taxation		10 851 031	7 078 270
Income tax	6	0	0
Profit for the financial year		10 851 031	7 078 270
Allocation of profit			
Net distributed to unitholders during the year		442 037	299 501
Allocated for distribution to unitholders		10 981 243	8 057 628
Transferred to/from equity		-572 249	-1 278 860
Total allocations and equity transfers		10 851 031	7 078 270
Balance sheet		31.12.2019	31.12.2018
Assets			
Securities at market value	2,3,9	609 107 537	630 696 810
Accrued interests	9	2 030 286	1 305 944
Cash and cash equivalents		15 342 927	12 906 570
Total assets		626 480 749	644 909 324
Equity and liabilities			
Equity			
Unit capital at par value		621 781 811	645 860 205
Premium		1 813 234	1 543 151
Retained earnings		-9 452 983	-8 880 734
Total equity	7,8	614 142 062	638 522 622
Liabilities			
Accrued management fees		133 630	136 027
Other liabilities		12 205 057	6 250 675
Total liabilities		12 338 687	6 386 702
Total equity and liabilities		626 480 749	644 909 324

Board of directors Pareto Asset Management AS Oslo, 18 March 2020

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

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Pareto Likviditet

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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.

A mutual fund has deductibility rights for the portion of the dividend that is taxed as interest income by the unitholders. The distribution will reduce the NAV equivalent to dividend per unit at the day of distribution. For funds that have distributed taxable income per 31.12.2019, 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 2019.

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

6 Tax

	2019
Profit before taxation	10 851 031
Permanent differences	
Distribution to unitholders	-11 423 280
Realised capital gains	0
Unrealised capital gains (change)	572 248
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	0
Total taxable income	-1
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

	2019
Equity 1.1	638 522 622
+ subscription/redemption	-33 821 305
- distribution to unitholders	-442 037
- allocated for distribution	-10 981 243
+ reinvested in the fund	10 012 992
+ profit for the financial year	10 851 031
Equity 31.12	614 142 061

8 Issued units

	31.12.2019	31.12.2018	31.12.2017
Number of units	621 781.81	645 860.20	736 782.79
Net asset value	987.71	988.64	990.71
Redemption price	987.71	988.64	990.71

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

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

9 Securities portfolio as at 31.12.2019

See next page.

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Securities portfolio as at 31 December 2019

Securities	ISIN	Listing	Maturity	Coupon rate in %	Interest. adj. date ¹	Principal	Cost price NOK	Yield ²	Market value +acc. interest NOK	Unrealised gain/loss	Share in % of portfolio	Currency	Risk- class ³
Financials													
Bank2 ASA 18/20 FRN	NO0010833916	Nordisk ABM	08.10.2020	2.91	08.01.2020	15 000 000	15 045 000	2.68	15 136 948	- 11 115	2.4	NOK	20
Bien Spb ASA 16/20 FRN	NO0010774235	Nordisk ABM	14.09.2020	2.90	16.03.2020	5 000 000	5 054 250	2.13	5 035 658	- 25 036	0.8	NOK	20
BN Bank ASA 18/21 FRN	NO0010813702	Nordisk ABM	05.01.2021	2.30	06.01.2020	10 000 000	10 052 200	2.01	10 089 145	- 17 999	1.6	NOK	20
Brage Finans AS 17/20 FRN	NO0010804313	Nordisk ABM	04.09.2020	2.53	04.03.2020	15 000 000	15 051 300	2.22	15 066 844	- 13 972	2.4	NOK	20
Eika Boligkreditt AS 15/20 FRN	NO0010739287	Nordisk ABM	04.06.2020	2.52	04.03.2020	25 000 000	25 182 450	2.05	25 104 715	- 126 735	4.1	NOK	20
Fana Spb 16/20 FRN	NO0010762784	Nordisk ABM	15.04.2020	2.89	15.01.2020	10 000 000	10 049 200	1.99	10 090 206	- 21 611	1.6	NOK	20
Fornebu Spb 15/20 FRN	NO0010744287	Nordisk ABM	03.09.2020	2.89	03.03.2020	3 000 000	3 027 140	2.16	3 022 852	- 11 272	0.5	NOK	20
Hjartdal og Gransherad Spb 16/20 FRN	NO0010776800	Nordisk ABM	19.10.2020	2.94	20.01.2020	5 000 000	5 065 300	2.10	5 064 940	- 29 761	0.8	NOK	20
Hjelmeland Spb 17/21 FRN	NO0010782790	Nordisk ABM	25.01.2021	2.95	27.01.2020	3 500 000	3 545 445	2.12	3 552 263	- 12 684	0.6	NOK	20
Høland og Setskog Spb 17/20 FRN	NO0010809403	Nordisk ABM	30.10.2020	2.52	30.01.2020	10 000 000	10 068 200	2.12	10 081 224	- 31 076	1.6	NOK	20
Jernbanepersonalets Spb 18/20 FRN	NO0010830540	Nordisk ABM	21.08.2020	2.15	21.02.2020	10 000 000	10 006 600	2.06	10 033 558	2 472	1.6	NOK	20
Jernbanepersonalets Spb 18/21 FRN	NO0010822414	Nordisk ABM	11.05.2021	2.33	11.02.2020	2 000 000	2 006 340	2.12	2 013 412	470	0.3	NOK	20
Jæren Spb 16/20 FRN	NO0010755754	Nordisk ABM	15.07.2020	3.32	15.01.2020	10 000 000	10 173 200	2.03	10 144 621	- 100 512	1.6	NOK	20
Jæren Spb 16/20 FRN	NO0010763576	Nordisk ABM	21.04.2020	3.05	21.01.2020	10 000 000	10 140 700	2.00	10 095 024	- 106 676	1.6	NOK	20
Kredittforeningen for Spb 16/20 FRN	NO0010775216	Nordisk ABM	17.09.2020	2.77	17.03.2020	17 000 000	17 144 840	2.10	17 107 917	- 56 544	2.8	NOK	20
Landkreditt Bank AS 15/20 FRN	NO0010742422	Nordisk ABM	30.07.2020	2.50	30.01.2020	20 000 000	20 149 000	2.02	20 148 782	- 87 718	3.3	NOK	20
Landkreditt Boligkre AS 15/20 FRN C COVID	NO0010743206	Nordisk ABM	13.11.2020	2.33	13.02.2020	5 000 000	5 029 600	1.96	5 034 067	- 11 390	0.8	NOK	10
Larvikbanken - Din Personl Spb 16/21 FRN	NO0010773914	Nordisk ABM	08.02.2021	2.80	10.02.2020	15 000 000	15 187 500	2.13	15 181 797	- 68 703	2.5	NOK	20
Lillestrøm Spb 17/20 FRN	NO0010805658	Nordisk ABM	15.09.2020	2.32	16.03.2020	13 000 000	13 032 630	2.07	13 041 366	- 4 668	2.1	NOK	20
Melhus Spb 16/20 FRN	NO0010764657	Nordisk ABM	02.06.2020	2.94	02.03.2020	15 000 000	15 190 550	2.05	15 096 486	- 130 814	2.5	NOK	20
Møre Boligkreditt AS 14/20 FRN C COVID	NO0010720204	Oslo	23.09.2020	2.11	23.03.2020	16 000 000	16 044 800	1.94	16 033 816	- 19 424	2.6	NOK	10
OBOS-banken AS 15/20 FRN	NO0010747777	Nordisk ABM	19.10.2020	3.13	20.01.2020	11 000 000	11 197 280	2.00	11 173 185	- 92 955	1.8	NOK	20
Orkla Spb 16/20 FRN	NO0010775778	Nordisk ABM	30.09.2020	2.88	30.03.2020	10 000 000	10 126 200	2.11	10 063 111	- 64 689	1.6	NOK	20
Pareto Bank ASA 17/20 FRN	NO0010805989	Nordisk ABM	21.09.2020	2.72	23.03.2020	5 000 000	5 020 350	2.16	5 025 745	1 995	0.8	NOK	20
Pareto Bank ASA 18/21 FRN	NO0010815467	Nordisk ABM	02.02.2021	2.66	03.02.2020	15 000 000	15 000 000	2.15	15 155 957	91 674	2.5	NOK	20
Romsdal Spb 17/21 FRN	NO0010782931	Nordisk ABM	01.02.2021	2.84	03.02.2020	5 000 000	5 047 600	2.15	5 064 281	- 7 380	0.8	NOK	20
Rørosbanken Røros Spb 16/20 FRN	NO0010781040	Nordisk ABM	20.03.2020	2.78	20.03.2020	15 000 000	15 069 450	2.07	15 038 542	- 44 808	2.4	NOK	20
Sandnes Spb 18/21 FRN	NO0010823891	Nordisk ABM	04.06.2021	2.29	04.03.2020	15 000 000	15 042 000	2.10	15 075 291	6 575	2.5	NOK	20
Santander Consumer Bank AS 17/20 FRN	NO0010806524	Nordisk ABM	21.09.2020	2.39	23.03.2020	20 000 000	20 068 200	2.17	20 051 454	- 28 696	3.3	NOK	20
Selbu Spb 16/20 FRN	NO0010779192	Nordisk ABM	22.05.2020	2.89	24.02.2020	10 000 000	10 087 600	2.13	10 063 962	- 55 749	1.6	NOK	20
Skagerrak Spb 17/20 FRN	NO0010790504	Nordisk ABM	05.10.2020	2.47	06.01.2020	5 000 000	5 032 750	2.05	5 047 403	- 14 850	0.8	NOK	20

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Securities	ISIN	Listing	Maturity	Coupon rate in %	Interest. adj. date ¹	Principal	Cost price NOK	Yield ²	Market value +acc. interest NOK	Unrealised gain/loss	Share in % of portfolio	Currency	Risk-class ³
Skudenes & Aakra Spb 16/20 FRN	NO0010755028	Nordisk ABM	07.10.2020	3.33	07.01.2020	15 000 000	15 288 150	2.06	15 272 312	- 135 164	2.5	NOK	20
Spb 1 Hallingdal Valdres 16/20 FRN	NO0010771066	Nordisk ABM	26.08.2020	2.76	26.02.2020	20 000 000	20 192 200	2.06	20 154 170	- 93 230	3.3	NOK	20
Spb 1 Nordvest 15/20 FRN	NO0010733488	Nordisk ABM	26.03.2020	2.50	26.03.2020	0		0.00	3 472		0.0	NOK	20
Spb 1 Ringerike Hadeland 16/20 FRN	NO0010763949	Nordisk ABM	29.04.2020	2.82	29.01.2020	10 000 000	10 092 200	2.00	10 078 836	- 63 497	1.6	NOK	20
Spb 1 SR-Bank ASA 17/20 FRN	NO0010785702	Oslo	04.05.2020	2.36	04.02.2020	19 000 000	19 086 640	1.97	19 100 997	- 57 885	3.1	NOK	20
Spb 1 Søre Sunnmøre 15/20 FRN	NO0010746654	Nordisk ABM	30.09.2020	3.21	30.03.2020	10 000 000	10 163 400	2.12	10 087 970	- 77 213	1.6	NOK	20
Spb 1 Østfold Akershus 16/21 FRN	NO0010755093	Nordisk ABM	15.02.2021	3.26	17.02.2020	9 000 000	9 174 780	2.09	9 161 850	- 51 235	1.5	NOK	20
Spb 1 Østlandet 15/20 FRN	NO0010732274	Nordisk ABM	16.04.2020	2.33	16.01.2020	21 000 000	21 093 660	1.96	21 130 534	- 67 782	3.4	NOK	20
Spb DIN 16/20 FRN	NO0010774904	Nordisk ABM	22.09.2020	2.87	23.03.2020	5 000 000	5 052 250	2.14	5 032 076	- 23 761	0.8	NOK	20
Spb DIN 16/20 FRN	NO0010767585	Nordisk ABM	15.06.2020	3.00	16.03.2020	5 000 000	5 056 500	2.09	5 028 842	- 34 325	0.8	NOK	20
Spb Møre 17/21 FRN	NO0010803034	Oslo	25.02.2021	2.33	25.02.2020	25 000 000	25 131 000	2.06	25 149 666	- 41 202	4.1	NOK	20
Spb Narvik 15/20 FRN	NO0010751399	Nordisk ABM	09.11.2020	3.11	10.02.2020	5 000 000	5 092 900	2.06	5 069 090	- 45 839	0.8	NOK	20
Spb Telemark 16/21 FRN	NO0010756422	Nordisk ABM	22.01.2021	3.16	22.01.2020	15 000 000	15 000 000	2.02	15 281 427	187 944	2.5	NOK	20
Spb Vest 18/21 FRN	NO0010832900	Nordisk ABM	01.02.2021	2.10	03.02.2020	20 000 000	19 954 000	2.04	20 092 839	67 672	3.3	NOK	20
Surnadal Spb 15/20 FRN	NO0010732357	Nordisk ABM	11.03.2020	2.62	11.03.2020	5 000 000	5 020 650	2.04	5 013 595	- 14 697	0.8	NOK	20
Trøgstad Spb 16/20 FRN	NO0010760770	Nordisk ABM	06.07.2020	3.30	06.01.2020	2 000 000	2 030 740	2.10	2 028 690	- 17 816	0.3	NOK	20
Trøgstad Spb 16/21 FRN	NO0010776578	Nordisk ABM	13.01.2021	2.97	13.01.2020	5 000 000	5 051 550	2.14	5 078 132	- 6 006	0.8	NOK	20
Voss Veksel ASA 16/20 FRN	NO0010773989	Nordisk ABM	14.09.2020	2.72	16.03.2020	5 000 000	5 045 550	2.10	5 029 855	- 21 739	0.8	NOK	20
Aasen Spb 17/20 FRN	NO0010789563	Nordisk ABM	20.03.2020	2.63	20.03.2020	5 000 000	5 023 000	2.10	5 010 656	- 16 727	0.8	NOK	20
Total financials							550 486 845		550 739 581	- 1 606 153	89.0		
State/County													
Askøy komm 16/21 FRN	NO0010776560	Oslo	14.10.2021	2.46	14.01.2020	15 000 000	15 150 450	2.02	15 203 937	- 27 451	2.5	NOK	20
Sarpsborg komm 15/20 FRN	NO0010729767	Nordisk ABM	21.01.2020	2.13	21.01.2020	5 000 000	5 012 100	1.96	5 021 853	- 11 547	0.8	NOK	20
Tromsø komm 17/21 FRN	NO0010793284	Oslo	21.05.2021	2.31	21.02.2020	20 000 000	20 093 000	2.06	20 131 695	- 13 922	3.3	NOK	20
Trondheim komm 15/20 FRN	NO0010741002	Oslo	19.06.2020	2.29	19.03.2020	20 000 000	20 082 400	2.08	20 040 755	- 58 184	3.3	NOK	20
Total state/county							60 337 950		60 398 240	- 111 104	9.9		
Total securities portfolio							610 824 795		611 137 823	- 1 717 257	98.9		

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.	651 751 323
Pareto Global	kr.	1 228 408 589
Pareto Høyrente	kr.	75 098 993
Pareto Investment Fund	kr.	550 934 070
Pareto Likviditet	kr.	10 851 031
Pareto Nordic Return	kr.	147 605 673
Pareto Obligasjon	kr.	1 536 562

The financial statements comprise the balance sheet as at 31 December 2019, the income statement 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 2019, and its financial performance 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 information in the annual report, except 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.

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Independent Auditor's Report

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.

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 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 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.

Auditor's report

Deloitte.

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Independent Auditor's Report

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.

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 and the going concern assumption 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, 18 March 2020
Deloitte AS

Jørn Borchgrevink
State Authorised Public Accountant (Norway)

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 2019

	Number of beneficiaries	Total remuneration NOK	Fixed remuneration NOK	Variable remuneration* NOK
Total remuneration (sum all employees)	57	94 434 982	34 175 611	60 259 371
Remuneration paid to employees categorized as identified staff	16	36 813 489	13 550 600	23 262 889
Senior management and employees with supervisory responsibilities	8	18 283 766	7 550 600	10 733 166
Risk takers	8	18 529 723	6 000 000	12 529 723

*For employees categorised as identified staff, 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 aims at contributing to sustainable development of markets and long-term value creation by investing in a responsible and ethical manner. We believe that responsible investments are important for achieving the best possible risk-adjusted return for our unitholders and customers. Sustainability and sound corporate governance give companies competitive advantages and contribute to longterm value creation.

In Pareto Asset Management we spend ever more time thinking about what we want our investment activity to achieve. We think of this as responsible investing. Inasmuch as our portfolio management has a decidedly longterm perspective, it is only natural that we take environmental, social and governance aspects into account. Such factors do influence long-term value creation and sustainability, and they entail a clear ethical guidance: We shall not make investments which constitute an unacceptable risk of contributing to unethical acts or omissions.

In 2014 we decided to formalise our commitment to responsible investments by signing the UN PRI (United Nations Principles for Responsible Investment). In March 2017, we presented our first PRI report. In 2017 we became a member of Norsif, the Norwegian forum for responsible and sustainable investments, and of its Swedish sister organisation Swesif. Later the same

year Pareto Global Corporate Bond became the first fixed income fund in Norway and Sweden to receive the Nordic Swan Ecolabel.

In our view, our management philosophy is well suited for this purpose. Active management, thorough analyses of a limited number of companies and a long-term perspective form a good starting point for sustainable investments. If you are serious about achieving something by way of your investments, you just can't invest blindly in a broadbased index.

Sustainable investment, however, is a demanding exercise. It raises a lot of dilemmas and provides no clear answers, and it requires a lot of subjective judgement. It also entails a lot of erring on our part. We make mistakes, we learn from our mistakes, and we must admit that we still have a lot to learn.

Twice a year we publish a report on responsible investments, which includes our guidelines as well as practical challenges in complying with them.

Informasjon om avkastning og risiko

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.

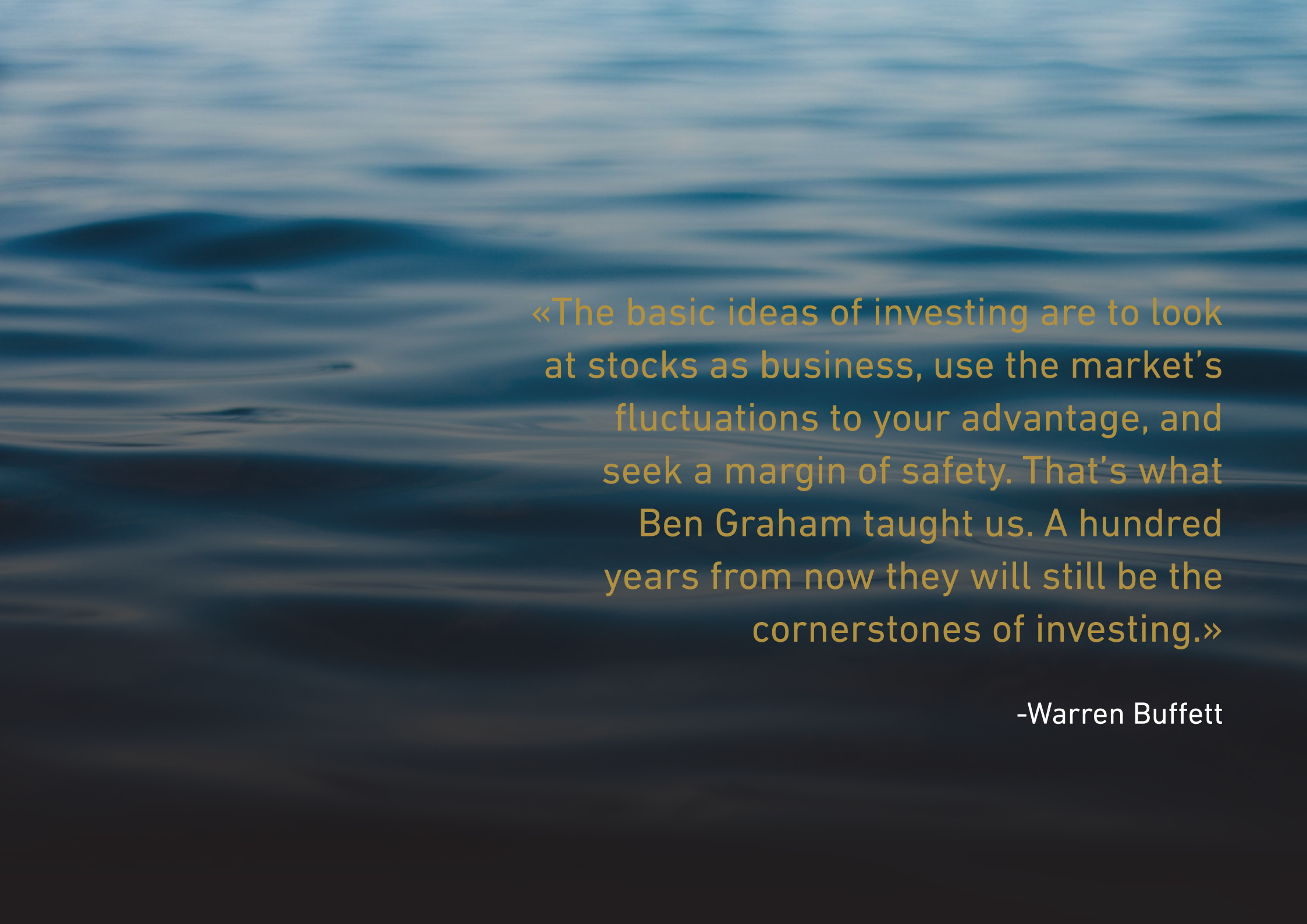
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«The basic ideas of investing are to look at stocks as business, use the market's fluctuations to your advantage, and seek a margin of safety. That's what Ben Graham taught us. A hundred years from now they will still be the cornerstones of investing.»

-Warren Buffett

