

Annual report 2020 Mutual funds





Contents

3	Directors' report
12	Pareto Aksje Norge
22	Pareto Investment Fund
30	Pareto Global
39	Pareto Nordic Return
49	Fixed income funds
62	Independent auditor's report
64	Remuneration policy
65	Ethical framework, returns and risk

Directors' report



Directors' report 2020

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

Market summary

Going into 2020, financial markets were characterised by restrained optimism, as the preceding year's rate cuts on both sides of the Atlantic had triggered a bull market in stocks and tightening credit spreads.

Soon, however, the optimism would be replaced by something that must be very close to the economic definition of an external shock. At the end of January, the World Health Organization (WHO) declared a global health crisis due to a new virus that had appeared in China. A few weeks later it became clear that the fight against this virus would require drastic, comprehensive measures in all affected countries – which soon turned out to be more or less the entire world.

On March 12, the Norwegian government introduced the strictest measures ever in peacetime, banning a number of events, introducing limited quarantines, partial travel bans and much more. And Norway was by no means alone. Within a few weeks, more than half of the world's population was subject to some kind of lockdown.

As investors quickly realised that this would have significant economic consequences, stock markets plummeted. In little more than a month, both the MSCI World Index and the Oslo Stock Exchange benchmark index fell by exactly 33 per cent. The bottom was reached on March 23.

Norwegian kroner nosedived as well in March. In periods of market panic, capital is typically pulled out of small currencies, but this time the impact was extraordinarily large: In but a month both the dollar and the euro rose by 22-23 per cent against Norwegian kroner. This was probably reinforced by the plunging oil price, which more than halved, though this does not appear to be the primary explanation.

In the bond market, this produced a particular side effect. Many funds hedge bonds quoted in a foreign currency to Norwegian kroner, in order to eliminate the currency risk for their unitholders. The counterparty bank then requires them to put up a margin as collateral. With the sharp rise in foreign currencies, margin requirements increased as well. More capital had to be lined up as collateral.

In March, we saw this very scenario playing out – in record time. Many bond funds were forced to raise liquidity quickly and in the absence of positive net subscription, this could only be done through selling bonds. This of course reinforced the fall already underway. Even relatively safe bonds were affected.

On the other hand, the significant weakening of Norwegian kroner helped cushion the fall in the value of shares and bonds denominated in foreign currencies.

After the culmination of the panic in spring, the market sentiment eased somewhat. Infection rates decreased, society after society was reopened more, and – not unexpectedly: powerful countermeasures were

Wireless and incalculable

Estimating the value of a stock isn't always particularly straightforward. Nordic Semiconductor is a good example. The company produces integrated circuits for low-energy, wireless technology, with keywords like Bluetooth and the Internet of Things. The technology is developing at a rapid pace, meaning that yesterday's figures are generally irrelevant and tomorrow's figures may be anybody's guess. For a while even reported figures were misleading, as they included costs for a project that would only much later generate revenues.

Pareto Investment Fund held the stock before the fund became a part of the Pareto Group, in 2010. It was no easier back then to justify owning the stock by means of traditional multiples and the ensuing stock price development did not make it easier, with intermittent profit warnings and sudden declines – most recently when the Covid-19 panic raged most virulently last spring. Nordic Semiconductor has been a stock for the strong of heart.

The portfolio managers have nevertheless kept their faith in the technology and in Nordic Semiconductor as a case. And they have been very well rewarded. Over the past ten years the stock has delivered a total return of 468 per cent, corresponding to an annual return of 19 per cent. A major part of this return came about last year, after a growing order book based on larger clients signalled more stable earnings and strengthened the market's belief in the company. From the bottom in March the stock returned a full 322 per cent, whereas total return for the full calendar year was 148 per cent.

A classic growth stock? Well, both yes and no. With the requisite technological understanding and insight, Nordic Semiconductor has appeared to be less of a gamble than reported figures may have led one to believe. And with a decidedly long-term perspective, the portfolio managers have been able to reap the plentiful returns. This stock alone has contributed 22 percentage points of the accumulated return of 168 per cent in Pareto Investment Fund A over the past ten years.

implemented. Key policy rates were cut, securities purchases were increased or initiated, and fiscal policy was quickly changed in a significantly more expansionary direction. Both direct support, general distributions and more lenient tax policies were implemented at about the same time in many countries. In the United States, which seems to have fared somewhat better through the pandemic than many European countries, the government budget deficit is estimated to have reached 15 per cent of GDP. Historically, this is very high indeed.

Such powerful measures seldom fail to produce powerful effects. Although, early on, it was clear that GDP was bound to fall sharply in 2020, practically everywhere, the belief grew that it was essentially a temporary setback.

Furthermore, markets do tend to overreact on the upside as well as the downside. With the pandemic seemingly under control, the plunge in March appeared to have been an overreaction, which in turn reinforced beliefs in a further appreciation, helping the market to focus on the following years.

This ushered in a period of partly self-reinforcing appreciation, supported by the confidence that bull markets tend to build. Well into the autumn, this was further reinforced by reports of imminent vaccine solutions. At the end of the year, it became clear that vaccine rollout was underway.

Moreover, the rise was not disturbed by geopolitical unrest. There was some uncertainty about the

presidential election in the United States, but the election itself went smoothly and the markets breathed a sigh of relief.

And so, 2020 ended as a year with new all-time highs on several stock exchanges. On Oslo Børs, the last four trading days offered four new all-time highs in a row.

Outlook

At the outset of 2021, most relevant key figures show that the financial markets have their eyes fixed on a future normalisation of the economy. Admittedly, the pricing of shares is not particularly high when compared to risk-free interest rates, and the credit margins in the bond market are nowhere near reminiscent of a bull market. However, there are few traces of any ongoing pandemic in pricing, despite the still lingering uncertainty about the time and effort needed to get it completely under control.

Lower interest rates in themselves indicate a more long-term view, in the sense that future profits will account for a larger share of the present value that a share represents. Perhaps it is also the case that the rapid recovery after the bottom in March 2020 strengthens the belief that financial markets will always return swiftly and strongly. Such confidence can be positive in the short term, but a little scarier in the long term.

Present forecasts imply relatively strong economic growth already in 2021, but not stronger than leaving many countries with a lower GDP than in 2018. Positive exceptions are especially the Nordic countries and the

USA, countries which have also had historically higher growth than many other developed countries.

An obvious contribution to this recovery is all the consumption that has been put on hold during the pandemic. In the Norwegian economy, the household savings rate has skyrocketed – from roughly between six and eight percent for a number of years to around 15 per cent in 2020. Something can undoubtedly be attributed to uncertainty, but most of it is probably down to the fact that so much has been impossible to buy: travel, restaurant visits, haircuts ... many shops and stores have also had to stay closed. Hence, there is reason to expect that consumption will increase sharply when all consumer goods are again available.

Among the possible sources of concern, we find an old acquaintance which has been comfortably absent for decades: inflation. Record-low interest rates and a rapidly increasing money supply basically indicate increasing inflation. On the other hand, the starting point is not quite the same as when inflation was at its peak, a little over 40 years ago. Key concepts are inflation expectations and the globalisation of wage formation. However, this does not prevent general inflation from increasing just enough to affect the financial markets.

The Board of Pareto Asset Management acknowledges that there is always a significant element of uncertainty in securities management. Nonetheless, we believe that our portfolios of equities and fixed income instruments are both well equipped to withstand turbulent markets

and well positioned to create further returns for our customers.

Current status in the firm

In recent years, Pareto Asset Management has built an increasingly strong Nordic profile, not least after the acquisition of Stockholm-based Enter Fonder AB in January 2019. Including wholly owned Enter Fonder, which manages Swedish equities and fixed income funds, assets under management reached a record level equivalent to 58.5 billion Norwegian kroner at the end of 2020. The increase is primarily due to a positive krone return in all funds.

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

In November 2019, Pareto Asset Management launched the Luxembourg-registered fixed income fund Pareto Nordic Cross Credit. The fund invests in crossover bonds, i.e. bonds with a credit rating at the intersection between investment grade and high yield. The investment universe in the new fund includes the Nordic region, and the fund avoids investing in fossil energy, among other things. The managers are based in both Oslo and Stockholm.

On March 9, 2020, Pareto Høyrente was merged into Pareto Nordic Cross Credit.

In 2020, the former Pareto Global Corporate Bond was renamed. The new name is Pareto ESG Global Corporate Bond. This Nordic Ecolabelled fixed income fund has long

had a strong ESG focus. Now this is also reflected in the fund name. The name change underlines our commitment to making sustainable investment decisions.

Towards the end of the year, we also strengthened our Nordic commitment by placing an experienced global equities manager as co-manager of three Nordic equity and hedge funds. The change reflects our increasingly strong commitment to developing Pareto Asset Management as a leading Nordic asset manager.

Pareto Asset Management now has 67 employees, including the company's Stockholm branch, our Frankfurt office and Enter Fonder. During the year, our former CEO Lasse Ruud transferred to a role as chairman of the board, while Eric von Koss Torkildsen took over as CEO.

Assets under management

As at the end of 2020, Pareto Asset Management manages Norwegian-registered mutual funds with total assets of NOK 11.8 billion, distributed as follows (difference due to rounding):

- Norwegian equity funds NOK 7.0 billion
- Global equity fund NOK 3.2 billion
- Hybrid fund NOK 0.9 billion
- Fixed income funds NOK 0.8 billion

In addition, the company has NOK 7.2 billion* in discretionary management of shares and fixed income instruments for individual clients and NOK 24.5 billion* in other funds / investment companies, of which NOK 18.8 billion* in mutual funds registered in Luxembourg and

Misplaced panic

Polaris is an unknown brand for most Norwegians. The Minnesota-based company produces quad bikes, snowmobiles, boats and motorcycles, mostly for the North American market. Good growth, high returns on equity and a strong balance sheet put it on the radar of the Pareto Global portfolio managers, who bought their first stocks in 2018.

In the spring of 2020, quad bikes and snowmobiles were not at centre stage. From a price above 100 at the start of the year, the stock plummeted to well below 40. Some financial analysts suggested that the company might have to resort to a capital issue in order to salvage its finances.

In situations like this, having done your homework well is a good thing. And it can be done just as well no matter where you turn on your computer screen. The fund managers knew exactly how solid the company really was and with a long-term perspective there was no need to let Covid-19 trigger a panic. Au contraire ... they bought more shares this spring, at far lower prices than at the beginning of the year.

Not much later it became apparent that the underlying sales development was in fact very strong. And, what's more, their products were superbly adapted to social distancing activities. Driving quad bikes isn't particularly contagious. The company thus managed to recruit even more customers, growth accelerated, and the stock price skyrocketed. At year-end the stock had made up lost ground and a few weeks into the new year it had tripled from the Covid-19 nadir.

The moral of the story is really quite simple: Keeping calm is not about being unruffled and unflustered. It's all about having done your homework.

NOK 5.2 billion* in mutual funds registered in Ireland. At the end of 2020, Enter Fonder manages values equivalent to just over NOK 15 billion* through Swedish-registered equities and fixed-income funds.

Approximately NOK 14.7 billion* of assets under management in our Norwegian business are now owned by foreign clients. Assets under management in Enter Fonder are mainly owned by Swedish clients. Approximately 60 per cent of group assets under management are invested in equities, while 40 per cent are in fixed income instruments.

Combined, companies, partners and employees in the Pareto group are our largest «customer», with more than NOK 5 billion of total assets. Extensive investments in our own products demonstrate strong faith in our ability to make good investments, our work processes and management philosophy.

Fund performance

Considering the pandemic, we are pleased to note that all funds and share classes in Pareto Asset Management ended the year with a positive return in Norwegian kroner – both the Norwegian-registered funds and the other funds.

Our Norwegian-registered funds

Falling interest rates normally benefit so-called growth stocks, i.e. stocks with high profit growth expectations and high pricing. This also characterised the year 2020 in the stock market. That was one of the reasons why

Pareto Global was unable to match the sharp rise in the MSCI World Index, which was largely based on a limited number of highly capitalised growth stocks. Measured in kroner, the unitholders nevertheless received a return in line with the fund's long-term average. The development during the year, especially in the most dramatic weeks in March, was also a good demonstration of how risk can be mitigated by combining Norwegian and foreign funds in a portfolio.

Our largest Norwegian equity fund, Pareto Aksje Norge, did not produce a satisfactory return. The fund achieved a positive return, but ended up well below the Norwegian mutual fund index. For Pareto Investment Fund, it was a particularly dramatic year, as an above average sharp fall in March was followed by a similarly stronger rise. By the end of the year, the fund had almost caught up with the 7.3 per cent of the mutual fund index, returning 5.7 per cent for share class A, which has a fee of 1.8 per cent. The somewhat differently calculated benchmark index rose by just under 4.6 per cent. It can be added that the fund has also had a better start to 2021 than its benchmark index. We must nevertheless point out that the fluctuations during the year were unacceptably high, also when compared with the benchmark index.

In fixed income, we had to wait a long time before being able to see that all funds had delivered a positive return for the year. After some restructuring on the product side, only bond funds with investment grade ratings are now registered in Norway. These performed well during the pandemic year, with a return of 3.3 per cent for

Pareto Obligasjon A and 1.7 per cent for Pareto Likviditet.

The board wishes to emphasise that, in general, the performance of our mutual funds in 2020 was in accordance with the funds' risk profiles; the results are 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 performance in these funds.

Our largest foreign-registered fund, Pareto Nordic Corporate Bond, had to wait until December to show a positive return after the spectacular market decline in March. The market taken into account, including the performance of similar funds, the board expresses satisfaction with that performance.

In 2020, Pareto Total returned a solid 18.1 per cent (share class B). In addition to good stock selection, the result can be attributed to the fund using the weak equity market in the spring of 2020 to increase its equity exposure. The fund will derive most of its return from long-term investments in shares of solid and profitable companies, but also has the freedom to leverage equity investments, sell shares short or buy bonds. In 2020, that freedom was utilised in a clearly profitable way.

Measured in per cent, however, there is no doubt which fund really excelled this year: Enter Småbolagsfond A

achieved a return of as much as 65.5 per cent, which was all the more striking after a return the preceding year of 49 per cent. The fund invests in smaller Swedish companies, but it must be added that this includes significantly larger companies than what we usually define as small companies in Norway. It also encompasses a much larger number of companies.

Enter Select Pro, which was mentioned in last year's annual report after a return of around 38 per cent, followed up with a return of just over 20 per cent. The fund's long-term return is still among the best of comparable funds in the Swedish market.

Corporate responsibility and sustainability

Pareto Asset Management has ethical guidelines to ensure that we avoid contributing to human rights abuses, labour rights violations, corruption, environmental damage or other unethical acts. Furthermore, we believe that responsible investments are important for achieving the best possible risk-adjusted return for our unitholders 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 behaviour.

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

The Nordic Swan eco-labelling of the Pareto ESG Global Corporate Bond fund is part of this work. A dedicated analyst monitors the investments in this fund to ensure they are in line with the fund's objectives and the Swan label's requirements. The name change – with the letters ESG now included in the fund name – underlines our focus on this area. We also continuously monitor developments in the EU's work on so-called taxonomy (classification of and reporting on sustainable investments) and the implementation of this in Norwegian law. The regulations will specify the expectations for sustainability in all investments.

Twice a year Pareto Asset Management publishes a separate 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 engagement and 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.

No, not catching a green wave

A long-term perspective does not necessarily imply that the return is a long time in coming. It may just happen that our fund managers make a new investment and experience a rapidly appreciating stock price from day one.

The Norwegian company Zaptec is an apt example. The company develops and sells charging stations and software for charging electric vehicles. The stock was listed in the autumn of 2020, after an IPO where three of our funds participated as a cornerstone investor. Pareto Nordic Return, Pareto Investment Fund and Luxembourg-registered Pareto Nordic Equity signed up for a total of NOK 25 million at a price of 11.25, corresponding to approximately six per cent of the available shares.

Quite a few so-called green stocks have soared on the Oslo stock exchange during the past six months and Zaptec was not about to be an exception. At year-end the stock price was roughly quadrupled, with further appreciation going into the new year. That, however, was not why the portfolio managers invested – they weren't catching a green wave. They saw that the company had already managed to combine vigorous growth with strong profitability, which again turned out to be the case when the 2020 accounts were published: revenue growth of 66 per cent and an operating margin (EBITDA) of 13.5 per cent.

They also realised that the timing was good. Revenues for the first six months of the year were somewhat sluggish because of the pandemic, while the European market looked poised for years of strong growth. Furthermore, they noted that Zaptec had a solid market position with proven technology, low production costs and a sensible distribution strategy within multi-user charging systems.

In short: They appreciated the business model, the strategy and the market position. When, in addition to all this, the share appeared to be reasonably priced, the decision was not that hard.

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. One of the employees is dedicated to sustainability work.

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

Both Pareto Asset Management and Enter Fonder hold that concentrated, fundamentally oriented securities management provides proximity to the portfolio companies, facilitating responsible investments. We are convinced that active securities management is particularly well suited for working with responsible and sustainable investments.

Risk management in our Norwegian-registered securities funds

FTo 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.

Investing in equities is typically characterised by a relatively high risk of fluctuations (volatility). The risk in fixed income funds will vary, depending on e.g. credit 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 measured 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.

As an active manager, we see that ESG risk represents a significant part of the price risk in the securities we manage.

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, 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 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.

In 2020, only Pareto Investment Fund used derivatives. This was done as currency hedging of three 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 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.

Fund performance in 2020

	Return	Net increase ¹
Pareto Aksje Norge A	1.7 %	-122 694
Pareto Aksje Norge B	1.3 %	-8 631
Pareto Aksje Norge C	2.1 %	-144 673
Pareto Aksje Norge D	2.6 %	108 594
Pareto Aksje Norge I	2.9 %	336 530
Pareto Investment Fund A	5.7 %	-306 241
Pareto Investment Fund B	6.6 %	-32 716
Pareto Investment Fund C	7.1 %	-1 428 932
Oslo Børs Fondsindeks	7.3 %	
Pareto Global A	8.0 %	-81 928
Pareto Global B	9.4 %	51 964
Pareto Global C	9.7 %	56 066
Pareto Global D	10.3 %	39 903
Pareto Global I	10.6 %	-1 546 662
MSCI World	12.9 %	
Pareto Nordic Return A	21.5 %	12 785
Pareto Nordic Return B	21.8 %	-60 845
Pareto Nordic Return C	22.4 %	15 877
Pareto Obligasjon A	3.3 %	43 980
Pareto Obligasjon B	3.4 %	41 712
Pareto Obligasjon C ²	2.6 %	10
NORM123FRN ³	1.4 %	
Pareto Likviditet	1.7 %	-138 372

¹Net income + subscription/redemption

²Inception date 25.02.2020

³NBP Norwegian RM1-RM3 Floating Rate Index (NOK)

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. 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 31.12.20
Pareto Aksje Norge	206 951 985		206 951 985	5 411 281 116
Pareto Investment Fund	-148 747 605		-148 747 605	1 573 288 959
Pareto Global	333 987 478		333 987 478	3 177 117 707
Pareto Nordic Return	147 485 488		147 485 488	880 941 819
Pareto Obligasjon	6 774 571	4 460 894	2 313 677	283 933 488
Pareto Likviditet	8 736 193	4 733 377	4 002 816	476 738 035

Board of directors Pareto Asset Management AS Oslo, 11 March 2021

Lasse Ruud
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)

Eric von Koss Torkildsen
CEO

Pareto Aksje Norge



Solid recovery after the steepest fall in modern times

The portfolio ended the year 2020 on the plus side, but fell slightly behind the benchmark. The year 2020 offered many records. The Norwegian stock market had its steepest fall in the Norwegian stock market in modern times, with a drop of 37 per cent from February to mid-March. The recovery from the bottom corresponded to almost 60 per cent, and November was the best positive return month in the portfolio's history. This illustrates the importance of being a long-term co-owner in solid companies and the difficulty of speculating in short-term market movements.

The fund's financial investments had a very demanding start to the year, with sharp downturns in the economy leading to increased loss provisions. Record-high earnings before losses and taxes helped curb the fall in earnings. During the second half of the year, loss provisions have gradually decreased, which has lifted earnings and strengthened the banks' solvency levels – which were already at record highs before the crisis. Our earnings expectations for the current year indicate a pricing of ten times earnings and below book values for our savings banks. Financial investments contributed marginally positively to the return for the year.

Among our consumer companies, KID excelled with a very strong profit growth, which was rewarded with well over a doubling of the share price. Our seafood companies had a somewhat demanding autumn due to the second wave of infection, but recovered well towards the end of the year, driven by solid third-quarter figures. SalMar delivered very good performance throughout the year, and Lerøy Seafood Group showed clear signs of improvement. We believe that stronger growth in sales of groceries is very positive for the seafood industry when the markets return to normal. The consumer companies contributed three percentage points to the return, driven mainly by the rise in KID.

The energy sector was hit hard by the pandemic, culminating in a negative oil price in the United States (WTI) in April. A sharp fall in oil prices contributed to a tightening of investment budgets and reduced activity. OPEC's measures to counter the temporary fall in demand have begun to take effect. The vaccine news at the end of the year helped strengthen the belief in a gradual normalisation towards the second half of 2021. TGS NOPEC halved in value this year. This alone reduced the portfolio return by just over five percentage points.



Excelled through the last quarter of 2020 (photo): AKVA group

The company had a net cash balance at the end of the third quarter of 177 million US dollars and an equity ratio of 77 per cent. We believe that the market for seismic will gradually pick up again, contributing to a significant boost in earnings in the coming years. The total negative contribution from our energy investments amounted to approximately six percentage points.

Our industrial companies performed well during the last quarter of the year, driven by strong company reports. AKVA Group and Borregaard excelled with an increase of 58 and 53 per cent, respectively. Industrial locomotives Yara, Norsk Hydro and Elkem were able to show significantly improved free cash flow during this demanding period, which was reflected in significant share price appreciation. In total, our industrial companies boosted portfolio returns by just over five percentage points.

The dividend yield for 2020 ended well below four per cent, and we expect that the dividend yield for the current year will be at approximately the same level. The portfolio is priced at less than 13 times this year's earnings and just over 11 times next year's earnings. This implies an earnings yield of eight and nine per cent, respectively. Compared to Norwegian ten-year government interest rates of less than one per cent, this means a risk premium of seven per cent for the current year and almost eight per cent for next year. The combination of solid balances, gradually increasing return on equity and a high risk premium indicates that the portfolio can be purchased with a significant margin of safety.



Elkem consists of three business divisions: Silicones, Silicon Products and Carbon Solutions.

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	2020	2019	2018	2017	2016
Pareto Aksje Norge A ¹	1.7%	12.6%	1.0%	12.4%	25.9%
Pareto Aksje Norge B ²	1.3%	13.6%	0.8%	13.3%	26.5%
Pareto Aksje Norge C	2.1%	14.4%	1.5%	14.2%	27.4%
Pareto Aksje Norge D	2.6%	15.0%	2.0%	14.7%	28.0%
Pareto Aksje Norge I	2.9%	15.3%	2.3%	15.0%	28.4%
Oslo Børs Mutual Fund Index	7.3%	19.2%	-2.2%	17.0%	11.5%

Annualised return

Name	Inception date	3 years	5 years	10 years	From start
Pareto Aksje Norge A ¹	09.09.2002	5.0%	10.3%	4.7%	11.3%
Pareto Aksje Norge B ²	31.12.2005	5.1%	10.7%	4.6%	5.9%
Pareto Aksje Norge C	13.07.2015	5.8%	-	-	9.2%
Pareto Aksje Norge D	13.07.2015	6.4%	-	-	9.7%
Pareto Aksje Norge I	06.09.2001	6.6%	12.3%	6.1%	12.0%
Oslo Børs Mutual Fund Index		7.8%	10.3%	8.4%	

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.

Pareto Aksje Norge

Income statement	Notes	2020 01.01-31.12	2019 01.01-31.12
Portfolio income and expenses			
Interest received		184 882	1 243 908
Dividends		195 923 656	185 006 704
Realised capital gain/loss	4	123 956 993	52 911 879
Net unrealised capital gain/loss	4	-69 239 641	475 463 073
Portfolio profit		250 825 890	714 625 564
Asset management revenue and costs			
Subscription/redemption fees	8	661 806	1 983 856
Custodian charges on purchases and sales of securities		-40 830	-29 340
Management fees	5	-44 494 868	-62 932 607
Subscription/redemption fees to the management company	8	0	-1 896 156
Other income/expenses		-13	6
Asset management revenues		-43 873 905	-62 874 241
Profit before taxation		206 951 985	651 751 323
Income tax	6	0	0
Profit for the financial year		206 951 985	651 751 323
Allocation of profit			
Transferred to/from equity		206 951 985	651 751 323
Total allocations and equity transfers		206 951 985	651 751 323
Balance sheet		31.12.2020	31.12.2019
Assets			
Securities at market value	2,3,9	5 407 828 428	5 180 444 770
Cash and cash equivalents		40 859 870	90 233 946
Other assets		8 917 705	20 251 206
Total assets		5 457 606 004	5 290 929 921
Equity and liabilities			
Equity			
Unit capital at par value		1 196 072 097	1 230 007 800
Premium		-3 452 085 349	-3 448 195 482
Retained earnings		7 667 294 368	7 460 342 383
Total equity	7,8	5 411 281 116	5 242 154 701
Liabilities			
Accrued management fees		18 920 479	34 833 837
Other liabilities		27 404 409	13 941 382
Total liabilities		46 324 888	48 775 220
Total equity and liabilities		5 457 606 004	5 290 929 921

Board of directors Pareto Asset Management AS Oslo, 11 March 2021

Lasse Ruud
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)

Eric von Koss Torkildsen
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.

Financial instruments

Securities are recognised at fair value (market price) as at 31.12.2020. 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 31.12.2020.

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 31.12.2020, 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 2020.

3 Turnover ratio

The portfolio's turnover ratio is 0.15.

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

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

4 Brokerage fees

Brokerage fees are included in the securities cost price. Total fee in 2020 is NOK 1 550 892.

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

	2020
Profit before taxation	206 951 985
Permanent differences	
Realised capital gains	-124 035 113
Unrealised capital gains (change)	69 239 641
Custodian charges equity fund	40 830
Dividends within EEA (gross)	-195 923 656
3% of dividends within EEA (net)	5 877 710
Withholding tax outside the EEA	0
Total taxable income	-37 848 603
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

	2020
Equity 1.1	5 242 154 701
+ subscription/redemption	-37 825 570
+ profit for the financial year	206 951 985
Equity 31.12	5 411 281 116

8 Issued units

Unit class A	31.12.2020	31.12.2019	31.12.2018
Number of units	128 900.37	148 244.27	170 803.88
Net asset value	7 256.56	7 137.33	6 337.17
Redemption price	7 220.28	7 101.64	6 305.48
Unit class B	31.12.2020	31.12.2019	31.12.2018
Number of units	198 494.38	204 854.36	235 364.06
Net asset value	2 366.68	2 335.34	2 056.47
Redemption price	2 354.85	2 323.66	2 046.18
Unit class C	31.12.2020	31.12.2019	31.12.2018
Number of units	172 445.44	267 310.27	287 536.04
Net asset value	1 618.76	1 585.50	1 385.78
Redemption price	1 610.67	1 577.57	1 378.85
Unit class D	31.12.2020	31.12.2019	31.12.2018
Number of units	343 971.41	285 925.84	168 032.09
Net asset value	1 663.24	1 621.09	1 409.89
Redemption price	1 654.92	1 612.99	1 402.84
Unit class I	31.12.2020	31.12.2019	31.12.2018
Number of units	352 260.49	323 673.06	299 251.39
Net asset value	8 956.10	8 707.39	7 554.19
Redemption price	8 911.32	8 663.86	7 516.42

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 31.12.2020

See next page.

Pareto Aksje Norge

1/2

Securities portfolio as at 31 December 2020

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	1 408 195	161 691 598	236 576 760	74 885 162	4.4	0.1	NOK
SpareBank 1 Nord-Norge	NO0006000801	Oslo	3 349 231	151 245 606	249 852 633	98 607 027	4.6	3.3	NOK
SpareBank 1 SMN	NO0006390301	Oslo	2 555 369	170 788 441	249 404 014	78 615 573	4.6	2.0	NOK
SpareBank 1 SR-Bank ASA	NO0010631567	Oslo	3 253 790	211 055 482	296 094 890	85 039 408	5.5	1.3	NOK
SpareBank 1 Østfold Akershus	NO0010285562	Oslo	141 053	26 746 376	37 237 992	10 491 616	0.7	1.1	NOK
Sparebanken Møre	NO0006390004	Oslo	279 249	60 630 727	82 657 704	22 026 977	1.5	2.8	NOK
Sparebanken Vest	NO0006000900	Oslo	1 761 596	103 673 388	127 539 550	23 866 162	2.3	1.6	NOK
Storebrand ASA	NO0003053605	Oslo	3 513 321	240 321 847	225 555 208	- 14 766 638	4.2	0.8	NOK
Total financials				1 126 153 465	1 504 918 751	378 765 287	27.8		
Energy									
Bonheur ASA	NO0003110603	Oslo	786 078	118 747 334	190 230 876	71 483 542	3.5	1.8	NOK
Equinor ASA	NO0010096985	Oslo	1 469 933	222 121 743	213 066 788	- 9 054 955	3.9	0.0	NOK
Subsea 7 SA	LU0075646355	Oslo	2 610 775	235 114 735	229 330 476	- 5 784 259	4.2	0.9	NOK
TGS-Nopec Geophysical Co ASA	NO0003078800	Oslo	2 485 545	394 430 563	329 831 822	- 64 598 741	6.1	2.1	NOK
Total energy				970 414 375	962 459 962	- 7 954 413	17.7		
Materials									
Borregaard ASA	NO0010657505	Oslo	1 323 676	89 706 409	187 697 257	97 990 848	3.5	1.3	NOK
Elkem ASA	NO0010816093	Oslo	4 042 400	102 370 961	114 723 312	12 352 351	2.1	0.7	NOK
Norsk Hydro ASA	NO0005052605	Oslo	4 534 860	166 010 939	180 759 520	14 748 581	3.3	0.2	NOK
Yara International ASA	NO0010208051	Oslo	1 141 064	336 648 651	406 218 784	69 570 133	7.5	0.4	NOK
Total materials				694 736 960	889 398 873	194 661 913	16.4		

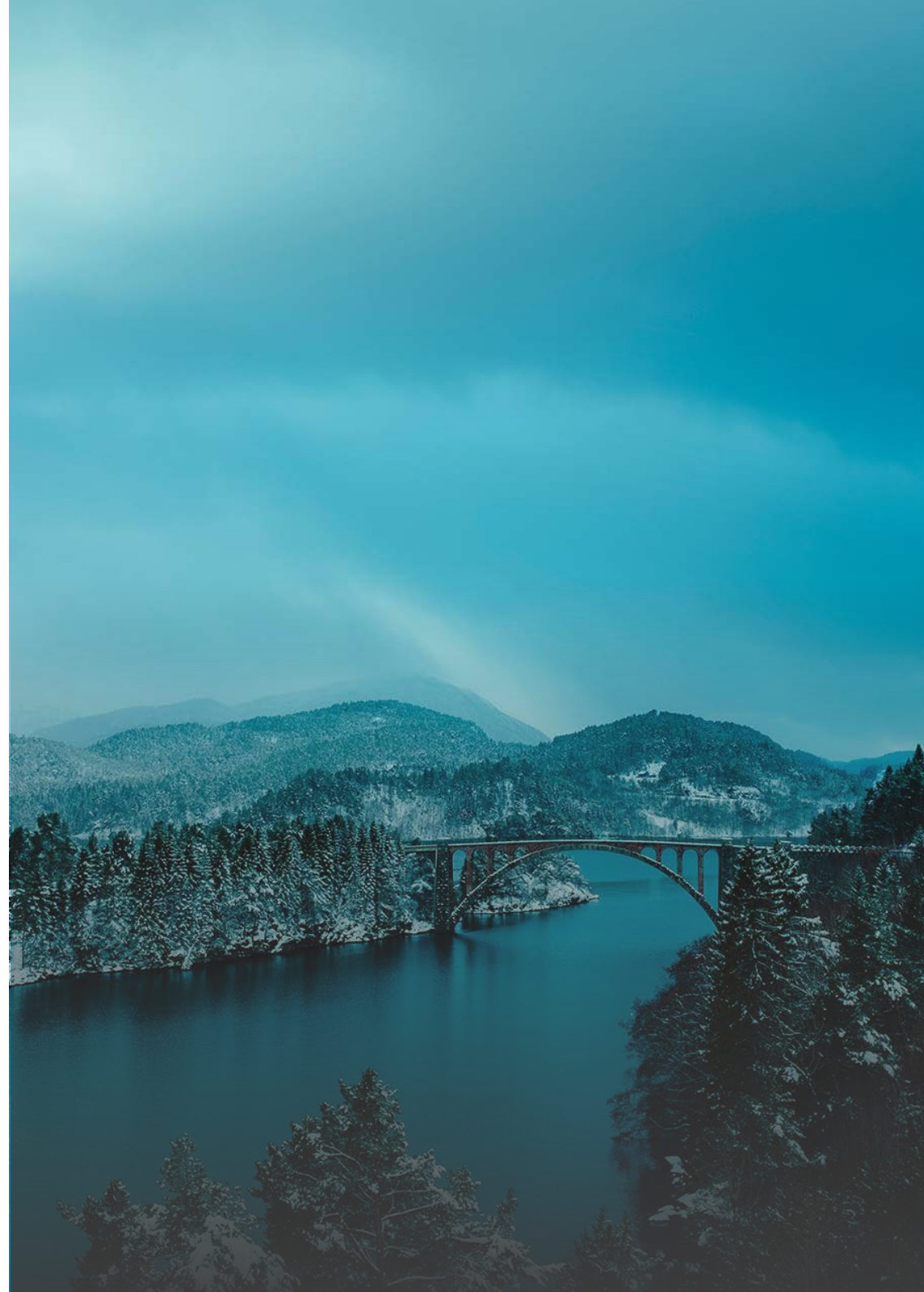
Pareto Aksje Norge

2/2

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									
AKVA Group ASA	NO0003097503	Oslo	1 617 727	107 856 076	169 861 335	62 005 259	3.1	4.9	NOK
GC Rieber Shipping ASA	NO0010262686	Oslo	1 622 749	31 551 645	10 385 594	- 21 166 052	0.2	1.9	NOK
Odffjell SE ser. A	NO0003399909	Oslo	2 156 172	106 333 159	59 079 113	- 47 254 046	1.1	3.3	NOK
Odffjell SE ser. B	NO0003399917	Oslo	1 396 677	73 350 744	36 872 273	- 36 478 471	0.7	6.6	NOK
Veidekke ASA	NO0005806802	Oslo	1 774 370	178 697 853	196 600 196	17 902 343	3.6	1.3	NOK
Wallenius Wilhelmsen ASA	NO0010571680	Oslo	2 352 900	86 760 304	54 587 280	- 32 173 024	1.0	0.6	NOK
Wilh. Wilhelmsen Holding ASA ser. A	NO0010571698	Oslo	1 182 456	186 977 518	199 835 064	12 857 546	3.7	3.4	NOK
Wilh. Wilhelmsen Holding ASA ser. B	NO0010576010	Oslo	727 360	101 402 657	122 196 480	20 793 823	2.3	6.1	NOK
Total industrials				872 929 956	849 417 335	- 23 512 622	15.7		
Consumer staples									
Austevoll Seafood ASA	NO0010073489	Oslo	2 110 655	108 933 035	185 104 444	76 171 409	3.4	1.0	NOK
Lerøy Seafood Group ASA	NO0003096208	Oslo	7 249 409	205 941 901	439 024 209	233 082 308	8.1	1.2	NOK
Orkla ASA	NO0003733800	Oslo	1 937 697	116 930 731	168 579 639	51 648 908	3.1	0.2	NOK
SalMar ASA	NO0010310956	Oslo	404 829	74 585 293	203 871 884	129 286 592	3.8	0.4	NOK
Total consumer staples				506 390 960	996 580 176	490 189 217	18.4		
Consumer discretionary									
Kid ASA	NO0010743545	Oslo	2 149 406	75 101 631	205 053 332	129 951 701	3.8	5.3	NOK
Total consumer discretionary				75 101 631	205 053 332	129 951 701	3.8		
Total securities portfolio					4 245 727 347	5 407 828 428	1 162 101 083	99.8	

¹Does not include received dividends

Pareto Investement Fund



Ended in positive territory after a strong end to the year

The fund's senior portfolio manager took up his first job as a portfolio manager in 1990 and has experienced the Gulf War, the Asian crisis, the IT bubble, 9/11, the financial crisis and the euro crisis. You then assume that you have seen all the movies that are to be seen.

But then again, no. 2020 was a very special year in the market, a year we hope not to relive. Pareto Investment Fund fell dramatically from late February to mid-March. There were several reasons for this. We would like to highlight our two investments in tourism, Norwegian Air Shuttle and RCL, which contributed a lot to the fall. In addition, we were overweight oil and oil services, while oil prices fell like a rock. We have never seen a similar fall in such a short time. In addition, it became quite clear that our overweight in small and medium-sized companies was unfortunate. Several of these shares suffered disproportionately due to lower liquidity and forced sellers in the market.

In retrospect, we should have been quicker to cut our positions in Norwegian, RCL and oil. However, we can be pleased that many of the portfolio companies delivered good figures throughout the year and ditto

strong price increases since the market bottomed out in March. We have had a good effect from several shares that have been in the fund for several years, but we have also been successful with the new positions we have acquired along the way. Several of these have involved investments in newcomers on the stock exchange, holdings that have all done very well: Ice Fish Farm, Merzell, Hydrogenpro, Zaptec and finally Elektroimportøren. Other new investments we have made are Photocure and Vaccibody, both of which are in the healthcare sector.

Despite all the challenges in 2020, the stock year will probably be remembered for how surprisingly strong the markets came back. Few if any thought in March that we should see historically high stock prices. The development of the economy and the infection rates indicated a completely different development. The stock market has been saved by zero interest rates and earnings pointing upwards again. Optimism and liquidity driven by record-low interest rates completely overshadowed the economic realities. Fortunately, the vaccines arrived much earlier than anyone dared hope for when the whole world shut down (or should have



Contributor to the return (photo): Scatec

shut down) in March. So, in recent months, the rollout of vaccine programmes globally has underpinned the continued good market development.

The fund had a very strong end to the year and ended in positive territory. In December, the fund managed to almost recoup the loss relative to the index since the bottom in March. We are pleased with this development, but we are the first to admit that the fund has fluctuated more than it should. With the portfolio changes that have been made, the fund has also changed a lot in terms of the companies' financial solvency. On average, our companies have better balance sheets than before, and we expect to get paid when the market corrects next time.

Entering 2021, we believe in continued good growth in renewable energy and in our holdings there. We also believe it is right to maintain the overweight in technology and health care. In aquaculture, we are positioned for a recovery after a challenging 2020 with a significant exposure. We expect demand to return, while supply growth will be limited and unlikely to surprise, especially on the upside. When it comes to oil, we have shifted the exposure to producers with good capital discipline and low production costs rather than oil service. But Subsea 7 is retained – we believe the share can have a big upside in a spin-off of the business towards offshore wind.



New investment (photo): Vaccibody

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	2020	2019	2018	2017	2016
Pareto Investment Fund A	5.7%	20.0%	-7.7%	9.1%	14.7%
Pareto Investment Fund B	6.6%	21.0%	-6.9%	10.0%	15.7%
Pareto Investment Fund C	7.1%	21.5%	-6.5%	10.5%	16.2%
Oslo Børs Mutual Fund Index	7.3%	19.2%	-2.2%	17.0%	11.5%

Annualised return

Name	Inception date	3 years	5 years	10 years	From start
Pareto Investment Fund A	1985	5.4%	7.9%	10.3%	7.8%*
Pareto Investment Fund B	29.11.2013	6.3%	8.8%	-	12.0%
Pareto Investment Fund C	29.11.2013	6.8%	9.3%	-	12.5%
Oslo Børs Mutual Fund Index		7.8%	10.3%	8.4%	

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	2020 01.01-31.12	2019 01.01-31.12
Portfolio income and expenses			
Interest received		218 821	844 369
Dividends		71 289 901	69 736 352
Realised capital gain/loss	4	-36 943 851	36 815 933
Net unrealised capital gain/loss	4	-167 586 615	469 038 8377
Portfolio profit		-133 021 744	576 435 490
Asset management revenue and costs			
Subscription/redemption fees	8	4 264 836	2 673 536
Custodian charges on purchases and sales of securities		-56 160	-13 810
Management fees	5	-19 934 468	-29 032 497
Subscription/redemption fees to the management company	8	0	-9 761
Other income/expenses		-70	881 110
Asset management revenues		-15 725 861	-25 501 421
Profit before taxation		-148 747 605	550 934 070
Income tax	6	0	0
Profit for the financial year		-148 747 605	550 934 070
Allocation of profit			
Transferred to/from equity		-148 747 605	550 934 070
Total allocations and equity transfers		-148 747 605	550 934 070
Balance sheet		31.12.2020	31.12.2019
Assets			
Securities at market value	2,3,9	1 550 936 710	3 273 598 653
Accrued dividend		0	1 028 734
Cash and cash equivalents		26 946 052	82 631 496
Other assets		1 235 619	0
Total assets		1 579 118 381	3 357 258 884
Equity and liabilities			
Equity			
Unit capital at par value		399 537 808	1 115 371 536
Premium		-537 797 832	365 510 515
Retained earnings		1 711 548 983	1 860 296 588
Total equity	7,8	1 573 288 959	3 341 178 640
Liabilities			
Accrued management fees		1 461 908	2 592 404
Other liabilities		4 367 513	13 487 840
Total liabilities		5 829 422	16 080 244
Total equity and liabilities		1 579 118 381	3 357 258 884

Board of directors Pareto Asset Management AS Oslo, 11 March 2021

Lasse Ruud
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)

Eric von Koss Torkildsen
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

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Foreign currency

The funds accounting currency is NOK. Investments in foreign currency is converted into NOK at the market exchange rate as at 31.12.2020.

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 31.12.2020, 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 0.22.

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 2020 is NOK 1 826 865.

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

	2020
Profit before taxation	-148 747 605
Permanent differences	
Realised capital gains	17 243 641
Unrealised capital gains (change)	167 586 615
Custodian charges equity fund	56 160
Dividends within EEA (gross)	-44 845 360
3% of dividends within EEA (net)	1 345 361
Withholding tax outside the EEA	0
Total taxable income	-7 361 188
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

	2020
Equity 1.1	3 341 178 640
+ subscription/redemption	-1 619 142 075
+ profit for the financial year	-148 747 605
Equity 31.12	1 573 288 959

8 Issued units

Unit class A	31.12.2020	31.12.2019	31.12.2018
Number of units	2 021.04	3 057.56	3 556.33
Net asset value	351 040.43	332 196.11	276 910.16
Redemption price	349 285.23	330 535.13	275 525.61
Unit class B	31.12.2020	31.12.2019	31.12.2018
Number of units	14 475.12	16 988.01	19 190.69
Net asset value	22 330.11	20 952.84	17 319.40
Redemption price	22 218.46	20 848.08	17 232.80
Unit class C	31.12.2020	31.12.2019	31.12.2018
Number of units	23 457.62	91 491.59	70 608.14
Net asset value	23 045.41	21 526.82	17 714.57
Redemption price	22 930.18	21 419.18	17 626.00

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

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

9 Securities portfolio as at 31.12.2020

See next page.

Pareto Investment Fund

1/2

Securities portfolio as at 31 December 2020

Securities	ISIN	Listing	No. of shares	Cost price NOK	Market value NOK	Unrealised gain/loss ¹	Share in % of portfolio	Share in % of company	Currency
Energy									
Aker BP ASA	NO0010345853	Oslo	333 000	42 628 258	71 994 600	29 366 342	4.6	0.1	NOK
Aker Carbon Capture AS	NO0010890304	Oslo Merkur	2 089 511	3 552 169	37 193 296	33 641 127	2.4	0.4	NOK
BW Energy Ltd	BMG0702P1086	Oslo	519 118	12 666 489	14 327 657	1 661 168	0.9	0.2	NOK
BW Offshore Ltd	BMG1738J1247	Oslo	1 348 000	53 463 642	50 846 560	- 2 617 082	3.2	0.7	NOK
DNO ASA	NO0003921009	Oslo	4 086 000	44 411 395	28 062 648	- 16 348 747	1.8	0.4	NOK
Flex LNG Ltd	BMG359472021	Oslo	385 022	48 872 717	28 915 152	- 19 957 565	1.8	0.7	NOK
Frontline Ltd	BMG3682E1921	New York	362 000	37 479 334	19 289 350	- 18 189 984	1.2	0.2	USD
Magseis Fairfield ASA	NO0010663669	Oslo Axxess	2 340 000	39 744 359	8 681 400	- 31 062 959	0.6	0.9	NOK
Subsea 7 SA	LU0075646355	Oslo	550 000	61 194 464	48 312 000	- 12 882 464	3.1	0.2	NOK
Total energy				344 012 827	307 622 663	- 36 390 164	19.6		
Financials									
B2Holding ASA	NO0010633951	Oslo	3 324 000	48 913 958	24 664 080	- 24 249 878	1.6	0.8	NOK
Norwegian Finans Holding ASA	NO0010387004	Oslo	930 000	49 249 836	68 029 500	18 779 664	4.3	0.5	NOK
Protector Forsikring ASA	NO0010209331	Oslo	847 000	49 301 419	50 481 200	1 179 781	3.2	1.0	NOK
Total financials				147 465 213	143 174 780	- 4 290 433	9.1		
Industrials									
Aker Offshore Wind Holding AS	NO0010890312	Oslo Merkur	2 247 607	3 303 982	23 824 634	20 520 652	1.5	0.3	NOK
Elektroimportøren AS	NO0010911902	Oslo	477 000	23 015 250	28 381 500	5 366 250	1.8	2.3	NOK
HydrogenPro AS	NO0010892359	Oslo Merkur	638 000	14 227 400	38 886 100	24 658 700	2.5	1.1	NOK
Multiconsult ASA	NO0010734338	Oslo	373 500	35 758 354	48 181 500	12 423 146	3.1	1.4	NOK
Tomra Systems ASA	NO0005668905	Oslo	35 900	2 553 048	15 171 340	12 618 292	1.0	0.0	NOK
Zaptec AS	NO0010713936	Oslo Merkur	1 047 000	11 778 750	46 486 800	34 708 050	3.0	1.4	NOK
Total industrials				90 636 784	200 931 874	110 295 090	12.9		
Consumer discretionary									
Europpris ASA	NO0010735343	Oslo	1 323 000	37 966 268	67 605 300	29 639 032	4.3	0.8	NOK
Kid ASA	NO0010743545	Oslo	652 038	21 641 150	62 204 425	40 563 275	4.0	1.6	NOK
Kongsberg Automotive ASA	NO0003033102	Oslo	70 000 000	7 000 000	24 535 000	17 535 000	1.6	0.9	NOK
Total consumer discretionary				66 607 418	154 344 725	87 737 307	9.9		
Utilities									
Scatec ASA	NO0010715139	Oslo	290 000	22 876 488	99 006 000	76 129 512	6.3	0.2	NOK

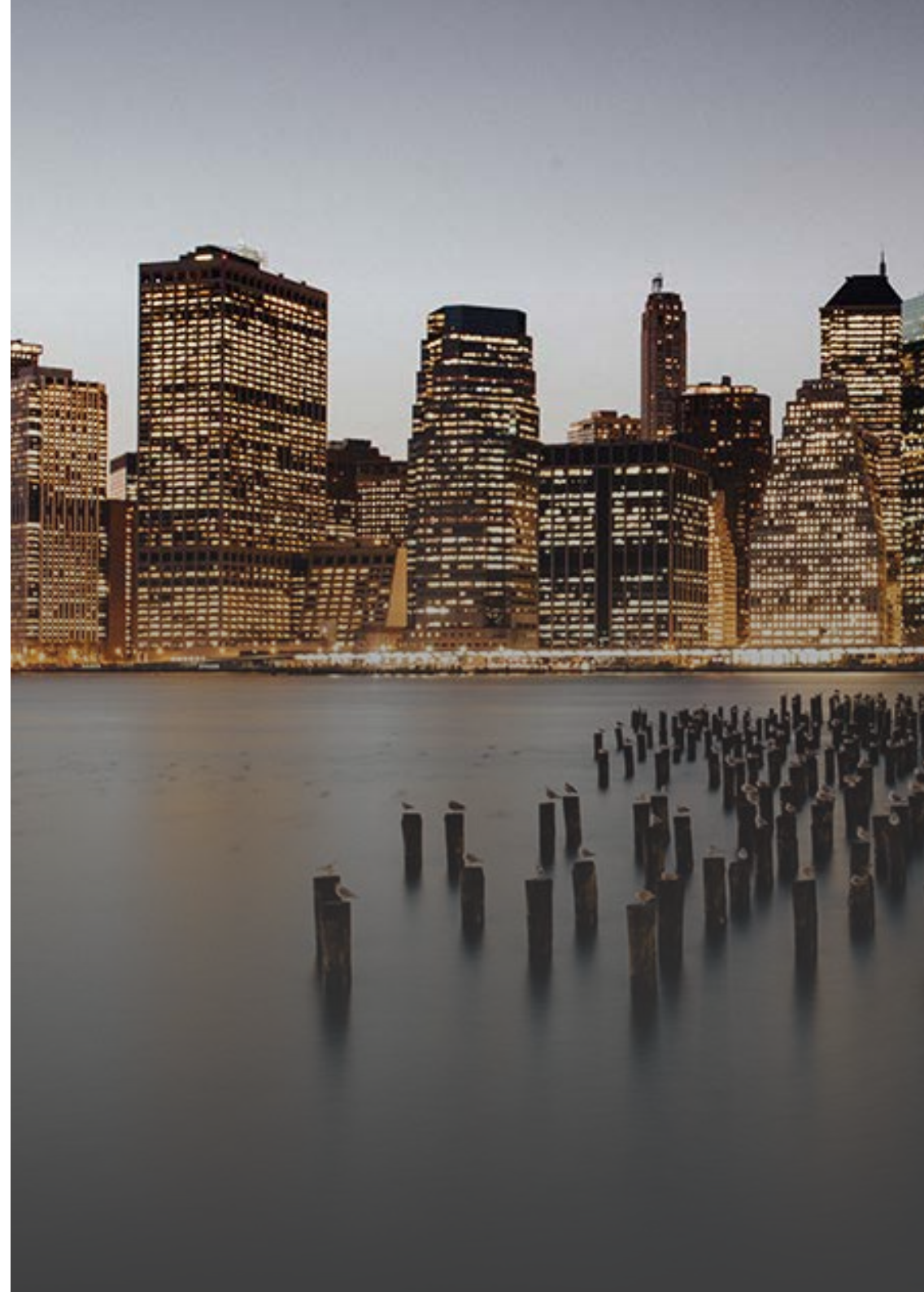
Pareto Investment Fund

2/2

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									
Austevoll Seafood ASA	N00010073489	Oslo	263 000	13 456 546	23 065 100	9 608 554	1.5	0.1	NOK
Bakkafrost P/F	F00000000179	Oslo	50 000	26 463 680	30 625 000	4 161 320	1.9	0.1	NOK
Grieg Seafood ASA	N00010365521	Oslo	764 000	47 901 103	64 940 000	17 038 897	4.1	0.7	NOK
Ice Fish Farm AS	N00010884794	Oslo Merkur	508 000	17 806 939	21 844 000	4 037 061	1.4	0.9	NOK
Icelandic Salmon AS	N00010724701	Oslo Merkur	321 000	19 260 000	37 236 000	17 976 000	2.4	1.0	NOK
Lerøy Seafood Group ASA	N00003096208	Oslo	597 000	35 422 355	36 154 320	731 965	2.3	0.1	NOK
Total consumer staples				160 310 623	213 864 420	53 553 797	13.6		
Information technology									
Elliptic Laboratories AS	N00010722283	Oslo Merkur	170 989	28 035 311	21 544 614	- 6 490 697	1.4	1.8	NOK
GFjord Invest AS	N00010827934	Unlisted	257 000	23 570 741	205 600	- 23 365 141	0.0	1.0	NOK
Mercell Holding AS	N00010307143	Oslo Merkur	4 234 965	34 296 079	44 043 636	9 747 557	2.8	1.5	NOK
Nordic Semiconductor ASA	N00003055501	Oslo	826 000	32 437 518	113 988 000	81 550 482	7.2	0.4	NOK
poLight ASA	N00010341712	Oslo	142 458	14 990 000	11 994 964	- 2 995 036	0.8	1.6	NOK
TietoEvyry Oyj	FI0009000277	Helsinki	112 000	23 481 848	31 535 617	8 053 769	2.0	0.1	EUR
Total information technology				156 811 497	223 312 431	66 500 934	14.2		
Materials									
Borregaard ASA	N00010657505	Oslo	353 147	17 773 555	50 076 245	32 302 690	3.2	0.4	NOK
Yara International ASA	N00010208051	Oslo	196 000	68 299 759	69 776 000	1 476 241	4.4	0.1	NOK
Total materials				86 073 314	119 852 245	33 778 931	7.6		
Health care									
PhotoCure ASA	N00010000045	Oslo	453 000	31 546 485	48 289 800	16 743 315	3.1	1.7	NOK
Vaccibody AS	N00010714785	Oslo Merkur	540 000	30 595 615	40 494 600	9 898 985	2.6	0.2	NOK
Total health care				62 142 100	88 784 400	26 642 300	5.7		
Warrants									
NOK Forward fredag 15. januar 2021			14 178 615	14 178 615	14 178 615	0	0.9		NOK
USD Forward fredag 15. januar 2021			-1 650 000	- 14 178 615	- 14 135 442	43 173	-0.9		USD
Total warrants					43 173	43 173	0.0		
Total securities portfolio				1 136 936 264	1 550 936 710	414 000 447	98.9		

¹Does not include received dividends

Pareto Global



Solid finish despite pandemic

Although 2020 was a very different year due to the pandemic, the fund's return was in fact in line with the average annual compound return. For 2020, we expect earnings per share to have fallen by 16 per cent compared to last year. In general, the economy has fared much better than through the financial crisis. Both politicians and central banks worked quickly to get stimulus packages and interest rate cuts in place. In the United States, unemployment rose from 3.5 per cent at the beginning of the year to a peak of 14.7 per cent in April. Today, it has recovered to 6.7 percent.

The combination of better unemployment benefits, direct government payments to private individuals, government lending to companies and the opportunity to renegotiate the fixed interest rate on mortgages has led US banks' loan losses to remain virtually unchanged through the pandemic. The low interest rates have led to good demand for housing, and US house prices are up almost four per cent throughout the year. The situation is thus very different than during the financial crisis, and we expect the economy to recover quickly now that vaccination programmes are up and running.

December was a solid month for the fund. Both the Brexit agreement between the EU and the UK and the US decision on new stimuli of 2.3 trillion dollars are important drivers for the return. The main contributors were Ralph Lauren, Prudential and Affiliated Group Managers, while Centene, Inditex and Alphabet pulled the most down.

Centene had a capital markets day in December. The company specialises in health insurance financed by the public sector. About 2/3 of revenues come from Medicaid, which is a health insurance programme for the most disadvantaged in the United States. In total, 23 per cent of all Americans are covered through this program. The other major health insurance programmes are Medicare, which covers people 65 and older, as well as ACA, also called Obama Care, which covers people with very low incomes.

The company has grown to become a national company, and over the last three years, earnings per share grew by 25 per cent annually. On the capital markets day, expected earnings for 2021 were announced. The guidance was five per cent below market expectations,



Photo: Ralph Lauren

due to increased competition in Florida from new players. It is not the first time they meet competition, and the company has always refrained from competing on price. Over time, scale and efficient operations are crucial to gaining market share.

The guidance led to the stock developing weakly following the capital markets day. The company has a history of setting expectations low and rather beating expectations. We see a significant growth potential for increased use of private actors in public health programmes, also outside the United States. From 2021, we expect the company to grow by double-digit percentages. The share is priced at 11 times next year's earnings, which is half the level of the S&P 500. We also like the company's defensive qualities in that more people are enrolled in public health programmes during economic downturns.

Oracle, which has deviating fiscal years, beat expectations for both revenues and earnings in the last quarter. Revenues grew by 1.9 per cent from last year. The growth parts of the company, such as ERP, new generation database and cloud-based services, more than offset for the parts where revenues are falling, such as hardware. Revenues from cloud-based services have doubled in the last four years. The important products Fusion ERP, NetSuite ERP and Fusion HCM grew by 33 per cent, 24 per cent and 24 per cent, respectively. The altered sales mix contributed to increasing the operating margin from 33.1 per cent in the corresponding period last year to as much as 36.6 per cent now. Combined with the fact that the number of outstanding shares was reduced last year, earnings per share grew by as much as 19 per cent year over year.



Oracle moves headquarters from Silicon Valley to Texas.

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	2020	2019	2018	2017	2016
Pareto Global A	8.0%	29.9%	-13.0%	16.0%	0.9%
Pareto Global B	9.4%	31.2%	-14.5%	17.3%	0.0%
Pareto Global C	9.7%	31.7%	-14.2%	17.7%	0.3%
Pareto Global D ¹	10.3%	32.4%	-13.7%	18.3%	0.8%
Pareto Global I	10.6%	32.7%	-13.5%	18.6%	1.1%
MSCI World (NOK)	12.9%	29.6%	-3.3%	5.0%	17.2%

Annualised return

Name	Inception date	3 years	5 years	10 years	From start
Pareto Global A	12.08.2005	6.9%	7.4%	11.3%	8.7%*
Pareto Global B	01.11.2012	7.1%	7.6%	-	13.1%
Pareto Global C	01.11.2012	7.5%	7.9%	-	13.6%
Pareto Global D ¹	22.11.2006	8.0%	8.5%	12.8%	10.2%*
Pareto Global I	13.07.2015	8.3%	8.8%	-	9.3%
MSCI World (NOK)		12.3%	11.5%	14.2%	

Other information

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

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

*From start with current portfolio manager 01.01.2008

Pareto Global

Income statement	Notes	2020 01.01-31.12	2019 01.01-31.12
Portfolio income and expenses			
Interest received		777 297	1 675 106
Dividends		64 337 175	98 291 895
Realised capital gain/loss	4	691 981 998	329 518 232
Net unrealised capital gain/loss	4	-376 917 837	849 375 329
Portfolio profit		380 178 631	1 278 860 562
Asset management revenue and costs			
Subscription/redemption fees	8	174 414	1 583 226
Custodian charges on purchases and sales of securities		-126 789	-55 484
Management fees	5	-42 767 759	-45 421 813
Subscription/redemption fees to the management company	8	0	-1 429 615
Other income/expenses		78 037	0
Asset management revenues		-42 642 097	-45 323 687
Profit before taxation		337 536 534	1 233 536 875
Income tax	6	-3 549 056	-5 128 286
Profit for the financial year		333 987 478	1 228 408 589
Allocation of profit			
Transferred to/from equity		333 987 478	1 228 408 589
Total allocations and equity transfers		333 987 478	1 228 408 589
Balance sheet		31.12.2020	31.12.2019
Assets			
Securities at market value	2,3,9	3 099 744 006	4 126 360 410
Accrued dividend		0	1 089 807
Cash and cash equivalents		88 798 115	547 224 588
Other assets		3 195 870	-54 477
Total assets		3 191 737 991	4 674 620 329
Equity and liabilities			
Equity			
Unit capital at par value		1 459 243 919	2 625 861 790
Premium		-2 679 203 052	-2 031 186 651
Retained earnings		4 397 076 840	4 063 089 362
Total equity	7,8	3 177 117 707	4 657 764 501
Liabilities			
Accrued management fees		14 385 684	16 108 107
Other liabilities		234 600	747 721
Total liabilities		14 620 284	16 855 828
Total equity and liabilities		3 191 737 991	4 674 620 329

Board of directors Pareto Asset Management AS Oslo, 11 March 2021

Lasse Ruud
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)

Eric von Koss Torkildsen
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 31.12.2020. 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 31.12.2020.

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 31.12.2020, 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 2020.

3 Turnover ratio

The portfolio's turnover ratio is 0.63.

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 2020 is NOK 1 184 490.

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

	2020
Profit before taxation	337 536 534
Realised capital gains	-678 551 768
Unrealised capital gains (change)	376 917 837
Custodian charges equity fund	126 789
Other non-deductible expenses	273 966
Dividends within EEA (gross)	-34 408 404
3% of dividends within EEA (net)	1 032 252
Total taxable income	2 927 207
Use of losses carried forward	0
Tax base	2 927 207
Calculated payable tax	643 986
Credit deduction withholding tax outside the EEA	-4 417 027
Assessed tax in Norway	0
Specification of tax expense	
Income tax Norway	0
Withholding tax within the EEA	-867 971
Withholding tax outside the EEA	4 417 027
Total recognised tax expense	3 549 056

7 Equity

	2020
Equity 1.1	4 657 764 501
+ subscription/redemption	-1 814 634 272
+ profit for the financial year	333 987 478
Equity 31.12	3 177 117 707

8 Issued units

Unit class A	31.12.2020	31.12.2019	31.12.2018
Number of units	118 724.73	155 958.08	185 515.00
Net asset value	3 190.68	2 954.26	2 274.25
Redemption price	3 174.73	2 939.49	2 262.88
Unit class B	31.12.2020	31.12.2019	31.12.2018
Number of units	370 229.77	384 061.18	390 580.77
Net asset value	2 726.02	2 492.54	1 899.11
Redemption price	2 712.39	2 480.08	1 889.61
Unit class C	31.12.2020	31.12.2019	31.12.2018
Number of units	122 838.01	113 102.60	207 208.33
Net asset value	2 834.08	2 582.32	1 960.65
Redemption price	2 819.91	2 569.40	1 950.85
Unit class D	31.12.2020	31.12.2019	31.12.2018
Number of units	45 894.91	35 779.83	96 617.60
Net asset value	2 964.52	2 687.37	2 030.42
Redemption price	2 949.70	2 673.93	2 020.27
Unit class I	31.12.2020	31.12.2019	31.12.2018
Number of units	801 556.50	1 936 960.10	2 101 553.55
Net asset value	1 627.91	1 472.17	1 109.56
Redemption price	1 619.77	1 464.81	1 104.01

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 31.12.2020

See next page.

Pareto Global

1/2

Securities portfolio as at 31 December 2020

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	108 817	86 536 948	123 136 078	36 599 130	3.9	0.1	USD
Microsoft Corp	US5949181045	New York	126 884	47 109 544	241 768 283	194 658 738	7.6	0.0	USD
Oracle Corp	US68389X1054	New York	153 933	69 874 621	85 307 558	15 432 938	2.7	0.0	USD
Playtech Plc	IM00B7S9G985	London	1 181 043	92 739 892	55 533 021	- 37 206 871	1.7	0.4	GBP
SAP SE	DE0007164600	Xetra	154 079	132 691 374	173 179 529	40 488 155	5.4	0.0	EUR
Total information technology				428 952 379	678 924 469	249 972 090	21.3		
Consumer staples									
Essity AB ser. B	SE0009922164	Stockholm	518 800	149 408 828	143 205 505	- 6 203 323	4.5	0.1	SEK
Reckitt Benckiser Group Plc	GB00B24CGK77	London	58 220	42 039 165	44 627 152	2 587 986	1.4	0.0	GBP
Unilever plc	GB00B10RZP78	Amsterdam	144 497	64 419 636	75 077 749	10 658 113	2.4	0.0	EUR
Total consumer staples				255 867 629	262 910 406	7 042 776	8.3		
Health care									
Anthem Inc	US0367521038	New York	32 847	64 243 786	90 352 697	26 108 910	2.8	0.0	USD
Attendo AB	SE0007666110	Stockholm	996 202	83 670 275	46 139 064	- 37 531 211	1.4	0.6	SEK
Boston Scientific Corp	US1011371077	New York	461 200	147 367 443	142 038 743	- 5 328 700	4.5	0.0	USD
Centene Corp	US15135B1017	New York	264 625	130 862 673	136 087 377	5 224 704	4.3	0.0	USD
CVS Health Corp	US1266501006	New York	210 070	135 594 567	122 914 570	- 12 679 996	3.9	0.0	USD
Laboratory Corp of America Holdings	US50540R4092	New York	60 800	84 413 223	106 021 346	21 608 123	3.3	0.1	USD
Total health care				646 151 967	643 553 797	- 2 598 170	20.2		
Financials									
Affiliated Managers Group Inc	US0082521081	New York	103 900	126 723 559	90 522 206	- 36 201 353	2.8	0.2	USD
Discover Financial Services Inc	US2547091080	New York	46 950	27 451 552	36 412 185	8 960 633	1.1	0.0	USD
Goldman Sachs Group Inc	US38141G1040	New York	39 923	70 445 715	90 192 079	19 746 363	2.8	0.0	USD
M&G plc	GB00BKFB1C65	London	1 164 528	26 566 869	27 009 831	442 962	0.8	0.0	GBP
Prudential Plc	GB0007099541	London	1 164 728	155 692 261	183 826 679	28 134 418	5.8	0.0	GBP
Wells Fargo & Co	US9497461015	New York	231 166	75 565 788	59 767 050	- 15 798 738	1.9	0.0	USD
Total financials				482 445 744	487 730 030	5 284 285	15.2		

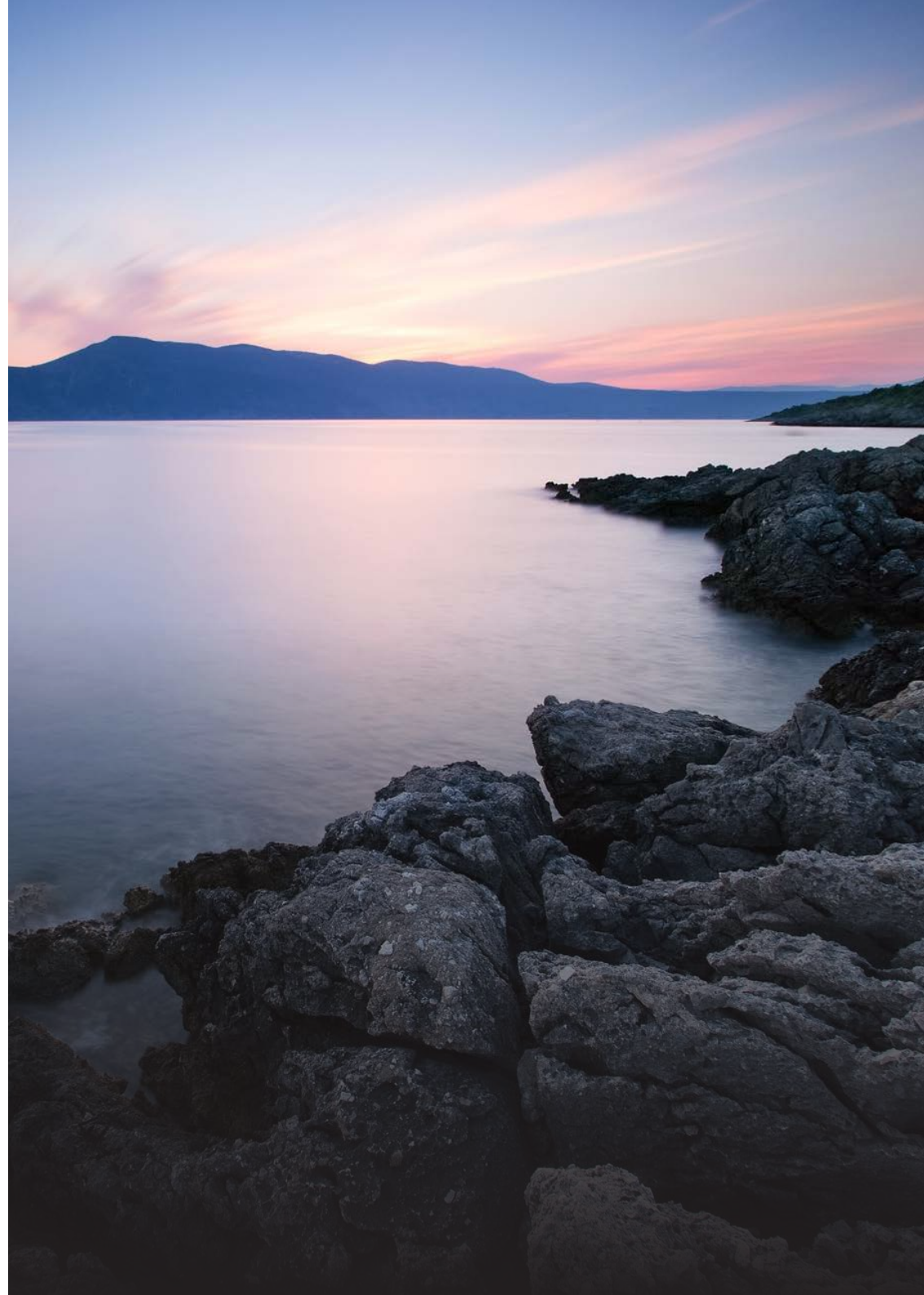
Pareto Global

2/2

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									
ÅF AB ser. B	SE0005999836	Stockholm	624 554	75 094 016	163 728 280	88 634 264	5.1	0.6	SEK
Consumer discretionary									
Compass Group plc	GB00BD6K4575	London	553 400	77 419 428	88 379 480	10 960 051	2.8	0.0	GBP
EssilorLuxottica SA	FR0000121667	Euronext	126 407	145 025 453	169 016 416	23 990 962	5.3	0.0	EUR
Industria de Diseno Textil SA	ES0148396007	Madrid	260 300	62 875 110	71 054 641	8 179 531	2.2	0.0	EUR
Michelin CGdE	FR0000121261	Euronext	68 800	68 578 531	75 691 686	7 113 155	2.4	0.0	EUR
Polaris Industries Inc	US7310681025	New York	95 378	70 267 373	77 851 787	7 584 414	2.4	0.2	USD
Ralph Lauren Corp	US7512121010	New York	211 110	159 593 037	187 617 644	28 024 607	5.9	0.4	USD
Total consumer discretionary				583 758 932	669 611 654	85 852 720	21.0		
Materials									
BASF SE	DE000BASF111	Xetra	98 258	76 905 634	66 662 827	- 10 242 807	2.1	0.0	EUR
Communication									
Alphabet Inc ser. C	US02079K1079	New York	8 437	84 920 163	126 622 543	41 702 380	4.0	0.0	USD
Total securities portfolio				2 634 096 464	3 099 744 006	465 647 538	97.2		

¹Does not include received dividends

Pareto Nordic Return



Over 20 per cent return and new records

Some years are quite alike, but anything similar to 2020 is not easy to find. The fund's senior portfolio manager took up his first job as a portfolio manager in 1990 and has experienced the Gulf War, the Asian crisis, the IT bubble, 9/11, the financial crisis and the euro crisis. You then assume that you have seen all the movies that are to be seen.

But then again, no. 2020 was a very special year in the market, a year we hope not to relive. Pareto Nordic Return fell dramatically from late February to mid-March, both in absolute terms and relative to the market. There were several reasons for this. Norwegian Air Shuttle must be mentioned here. Tourism was one of the hardest hit sectors and still is. In addition, the fund had exposure to oil and oil services, while oil prices fell like a rock. We have never seen a similar fall in such a short time. In addition, it became quite clear that our overweight in small and medium-sized companies was unfortunate. Several of these shares suffered disproportionately due to lower liquidity and forced sellers in the market.

In retrospect, we should have been quicker to cut our positions in Norwegian Air Shuttle and oil. However, we can be pleased that many of the portfolio companies delivered good figures throughout the year and ditto strong price increases since the market bottomed out in March. We have had a good effect from several shares that have been in the fund for several years, but we have also been successful with the new positions we have acquired along the way. Several of these have involved investments in newcomers on the stock exchange,

holdings that have all done very well: Nanoform, Hydrogenpro, Zaptec and finally Elektroimportøren. Other new investments we have made are Vaccibody and Icelandic Salmon (formerly Arnarlax).

Despite all the challenges in 2020, the stock year will probably be remembered for how surprisingly strong the markets came back. Few if any thought in March that we should see historically high stock prices. The development of the economy and the infection rates indicated a completely different development. The stock market has been saved by zero interest rates and earnings pointing upwards again. Optimism and liquidity driven by record-low interest rates completely overshadowed the economic realities. Fortunately, the vaccines arrived much earlier than anyone dared hope for when the whole world shut down (or should have shut down) in March. So, in recent months, the rollout of vaccine programmes globally has underpinned the continued good market development.

After a strong closing, the annual return ended up over 20 per cent and the fund set new best records in the fourth quarter. We are pleased with this development, but we are the first to admit that the fund has fluctuated more than it should.

We had a high allocation to equity when the market plunged. When this turned out to be wrong, we managed, if nothing else, both to maintain and increase the equity allocation in the ensuing months when the market again showed signs of risk appetite. This paid off. We could

have had a lower weight in Norway, since this had the weakest development out of the Nordic countries this year. But good stock selection in the Norwegian part of the portfolio, and the fact that we kept the Norwegian exposure into the second half of the year, compensated for this.

The best contributions this year came from old acquaintances: Scatec, Nordic Semiconductor, Pandora, Instalco and Troax. But the newcomers have also contributed, and Zaptec in particular.

Norwegian Air Shuttle and Grieg pulled the most down. Unfortunately, we have to acknowledge that the fund's investment in Norwegian Air Shuttle has been lost forever. With regard to Grieg, we have high hopes that the salmon market will normalise next year and that the company will achieve significant production growth over the next five years. The stock is low priced compared to other companies in the sector.

Entering 2021, we believe it is right to maintain a high exposure to equities. Growth in the world economy is increasing, and then one must continue to own equity. We believe in continued good growth in renewable energy and in our holdings there. We also believe it is right to maintain the overweight in technology and health into 2021. These are industries where we see good opportunities and many exciting companies across the Nordic region. Among the Nordic countries, Norway is the country where earnings have fallen the most and pricing is lowest.

Performance history

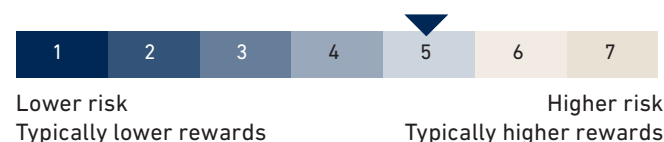
Nordic balanced fund. Seeks solid company management, strong balance sheets and good earnings power.

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	2020	2019	2018	2017	2016
Pareto Nordic Return A	21.5%	17.3%	-10.7%	11.3%	5.3%
Pareto Nordic Return B	21.8%	17.6%	-10.5%	11.6%	5.5%
Pareto Nordic Return C	22.4%	18.1%	-10.1%	12.1%	6.0%

Annualised return

Name	Inception date	3 years	5 years	10 years	From start
Pareto Nordic Return A	1987	8.4%	8.3%	10.4%	9.9%*
Pareto Nordic Return B	31.12.2014	8.6%	8.6%	-	10.8%
Pareto Nordic Return C	12.02.2015	9.1%	9.1%	-	10.9%

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

*From start with current portfolio manager 01.01.2007

Pareto Nordic Return

Income statement	Notes	2020 01.01-31.12	2019 01.01-31.12
Portfolio income and expenses			
Interest received		2 518 652	4 839 279
Dividends		11 891 023	21 189 495
Realised capital gain/loss	4	13 861 014	57 298 392
Net unrealised capital gain/loss	4	128 406 449	75 937 037
Portfolio profit		156 677 138	159 264 202
Asset management revenue and costs			
Subscription/redemption fees	8	398 745	540 801
Custodian charges on purchases and sales of securities		-24 120	-19 530
Management fees	5	-8 590 429	-10 248 608
Subscription/redemption fees to the management company	8	0	-3 285
Other income/expenses		1	251 317
Asset management revenues		-8 215 802	-9 479 304
Profit before taxation		148 461 336	149 784 897
Income tax	6	-975 848	-2 179 224
Profit for the financial year		147 485 488	147 605 673
Allocation of profit			
Transferred to/from equity		147 485 488	147 605 673
Total allocations and equity transfers		147 485 488	147 605 673
Balance sheet		31.12.2020	31.12.2019
Assets			
Securities at market value	2,3,9	795 600 653	839 866 970
Accrued interests	9	228 161	323 566
Cash and cash equivalents		90 932 364	74 070 584
Other assets		47 500	0
Total assets		886 808 678	914 261 119
Equity and liabilities			
Equity			
Unit capital at par value		151 322 669	213 572 725
Premium		-483 672 354	-366 254 286
Retained earnings		1 213 291 505	1 065 806 016
Total equity	7,8	880 941 819	913 124 455
Liabilities			
Accrued management fees		787 953	833 115
Other liabilities		5 078 906	303 549
Total liabilities		5 866 859	1 136 665
Total equity and liabilities		886 808 678	914 261 119

Board of directors Pareto Asset Management AS Oslo, 11 March 2021

Lasse Ruud
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)

Eric von Koss Torkildsen
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 31.12.2020. 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 31.12.2020.

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 31.12.2020, 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 2020.

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 2020 is NOK 240 627.

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

Pareto Nordic Return

6 Tax

	2020
Profit before taxation	148 461 336
Permanent differences	
Realised capital gains	-13 746 802
Unrealised capital gains (change)	-128 406 449
Custodian charges equity fund	24 120
Dividends within EEA (gross)	-7 913 966
3% of dividends within EEA (net)	237 419
Total taxable income	-1 344 342
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	755 750
Withholding tax outside the EEA	220 098
Total recognised tax expense	975 848

7 Equity

	2020
Equity 1.1	913 124 455
+ subscription/redemption	-179 668 124
+ profit for the financial year	147 485 488
Equity 31.12	880 941 819

8 Issued units

Unit class A	31.12.2020	31.12.2019	31.12.2018
Number of units	4 582.25	5 457.43	7 090.53
Net asset value	140 572.27	115 686.77	98 603.71
Redemption price	139 869.41	115 108.34	98 110.69
Unit class B	31.12.2020	31.12.2019	31.12.2018
Number of units	16 245.22	27 820.05	40 404.95
Net asset value	9 228.80	7 576.15	6 441.47
Redemption price	9 182.66	7 538.27	6 409.26
Unit class C	31.12.2020	31.12.2019	31.12.2018
Number of units	9 437.07	9 437.07	9 437.07
Net asset value	9 206.35	7 523.98	6 368.63
Redemption price	9 160.32	7 486.36	6 336.79

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 31.12.2020

See next page.

Pareto Nordic Return

1/4

Securities portfolio as at 31 December 2020

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	29 800	17 429 641	23 790 949	6 361 308	2.7	0.0	SEK
Betsson AB ser. B	SE0014186532	Stockholm	306 000	23 928 868	23 535 476	- 393 392	2.7	0.2	SEK
Europris ASA	NO0010735343	Oslo	418 000	15 240 861	21 359 800	6 118 939	2.4	0.3	NOK
Nokian Renkaat Oyj	FI0009005318	Helsinki	39 000	10 531 148	11 782 458	1 251 309	1.3	0.0	EUR
Pandora A/S	DK0060252690	København	30 400	29 635 465	29 155 190	- 480 275	3.3	0.0	DKK
Veoneer Inc ser. SDR	SE0011115963	Stockholm	34 249	6 750 437	6 369 270	- 381 167	0.7	0.0	SEK
Total consumer discretionary				103 516 420	115 993 143	12 476 722	13.1		
Financials									
Danske Bank A/S	DK0010274414	København	190 000	45 469 361	26 931 625	- 18 537 736	3.1	0.0	DKK
Nordic Capital Partners II AS	NO0003112401	Unlisted	5 000	4 345 000	12 650	- 4 332 350	0.0	0.0	NOK
Norwegian Finans Holding ASA	NO0010387004	Oslo	387 000	15 344 599	28 309 050	12 964 451	3.2	0.2	NOK
TF Bank AB	SE0007331608	Stockholm	203 980	17 183 605	18 477 422	1 293 817	2.1	0.9	SEK
Total financials				82 342 565	73 730 747	- 8 611 818	8.4		
Consumer staples									
Carlsberg A/S ser. B	DK0010181759	København	19 300	12 689 855	26 506 121	13 816 267	3.0	0.0	DKK
Essity AB ser. B	SE0009922164	Stockholm	56 000	9 038 398	15 457 803	6 419 405	1.8	0.0	SEK
Grieg Seafood ASA	NO0010365521	Oslo	250 000	8 143 721	21 250 000	13 106 279	2.4	0.2	NOK
Icelandic Salmon AS	NO0010724701	Oslo Merkur	43 750	5 031 250	5 075 000	43 750	0.6	0.1	NOK
Schouw & Co A/S	DK0010253921	København	21 000	8 284 728	18 217 769	9 933 041	2.1	0.1	DKK
Total consumer staples				43 187 952	86 506 693	43 318 742	9.9		
Utilities									
Scatec ASA	NO0010715139	Oslo	133 000	10 448 109	45 406 200	34 958 091	5.1	0.1	NOK
Health care									
Nanoform Finland Plc	FI4000330972	Helsinki	154 713	6 294 420	11 482 524	5 188 104	1.3	0.2	EUR
Novo Nordisk A/S ser. B	DK0060534915	København	65 000	27 130 008	39 055 328	11 925 319	4.4	0.0	DKK
Pihlajalinna Oyj	FI4000092556	Helsinki	134 000	13 287 635	13 176 041	- 111 594	1.5	0.6	EUR
Vaccibody AS	NO0010714785	Oslo Merkur	139 400	8 097 328	10 453 606	2 356 278	1.2	0.0	NOK
Total health care				54 809 391	74 167 499	19 358 107	8.4		

Pareto Nordic Return

2/4

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	48 000	7 044 857	11 471 251	4 426 394	1.3	0.0	SEK
Coor Service Management Holding AB	SE0007158829	Stockholm	338 642	13 400 001	25 586 652	12 186 650	2.9	0.4	SEK
Elektroimportøren AS	NO0010911902	Oslo	244 754	11 809 381	14 562 863	2 753 483	1.7	1.2	NOK
HydrogenPro AS	NO0010892359	Oslo Merkur	310 659	6 927 696	18 934 666	12 006 970	2.1	0.5	NOK
Instalco Intressenter AB	SE0009664253	Stockholm	122 000	6 481 860	31 957 119	25 475 259	3.6	0.2	SEK
Trox Group AB	SE0012729366	Stockholm	198 000	6 204 112	39 714 824	33 510 712	4.5	0.3	SEK
Zaptec AS	NO0010713936	Oslo Merkur	560 000	6 300 000	24 864 000	18 564 000	2.8	0.8	NOK
Total industrials				58 167 907	167 091 375	108 923 468	18.9		
Information technology									
Elliptic Laboratories AS	NO0010722283	Oslo Merkur	73 535	11 555 476	9 265 410	- 2 290 066	1.1	0.8	NOK
Kitron ASA	NO0003079709	Oslo	1 994 000	10 789 184	36 131 280	25 342 096	4.1	1.1	NOK
Nordic Semiconductor ASA	NO0003055501	Oslo	339 835	13 504 136	46 897 230	33 393 094	5.3	0.2	NOK
TietoEvyry Oyj	FI0009000277	Helsinki	74 000	15 570 436	20 836 033	5 265 596	2.4	0.1	EUR
Total information technology				51 419 232	113 129 953	61 710 720	12.9		
Energy									
Akastor ASA	NO0010215684	Oslo	1 339 000	21 344 378	9 480 120	- 11 864 258	1.1	0.5	NOK
BW Energy Ltd	BMG0702P1086	Oslo	108 573	2 649 183	2 996 615	347 432	0.3	0.0	NOK
BW Offshore Ltd	BMG1738J1247	Oslo	462 000	21 210 379	17 426 640	- 3 783 739	2.0	0.2	NOK
Flex LNG Ltd	BMG359472021	Oslo	107 000	15 247 500	8 035 700	- 7 211 800	0.9	0.2	NOK
Magseis Fairfield ASA	NO0010663669	Oslo Aress	737 319	12 502 034	2 735 453	- 9 766 580	0.3	0.3	NOK
Subsea 7 SA	LU0075646355	Oslo	199 500	24 114 862	17 524 080	- 6 590 782	2.0	0.1	NOK
Total energy				97 068 336	58 198 608	- 38 869 727	6.6		
Materiales									
Stora Enso Oyj ser. R	FI0009005961	Helsinki	135 000	15 069 023	22 140 460	7 071 437	2.5	0.0	EUR
Total equities				516 028 935	756 364 678	240 335 742	85.8		

¹Does not include received dividends

Pareto Nordic Return

3/4

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 19/23 FRN FLOOR	N00010869019	Oslo	04.12.2023	4.86	04.03.2021	1 500 000	1 500 000	5.43	1 480 170	- 25 500	0.2	NOK	100
Dof Subsea AS konv. forfalt rente	N00010881170	Unlisted	31.12.2099	0.00	-	87 445	-	-	-	-	0.0	NOK	100
Dof Subsea AS konv. forfalt rente 220520	N00010883598	Unlisted	31.12.2099	0.00	-	25 334	-	-	-	-	0.0	NOK	100
Dolphin Group ASA konv. forfalt rente	N00010838238	Unlisted	15.02.2021	0.00	14.02.2021	22 522	-	0.00	3	3	0.0	NOK	100
Seadrill Ltd 18/25 12.00% C	USG8000AAA19	Dublin	15.07.2025	12.00	15.07.2025	31 480	255 943	44.92	129 538	- 141 328	0.0	USD	100
Total energy							1 755 943		1 609 711	- 166 825	0.2		
Financials													
Aker ASA 19/24 FRN FLOOR C	N00010868979	Oslo	22.11.2024	2.28	22.02.2021	3 000 000	3 000 000	3.19	2 904 017	- 103 393	0.3	NOK	100
Industrials													
Chip Bidco AS 19/24 FRN C	N00010869761	Nordisk ABM	13.12.2024	5.85	15.03.2021	2 000 000	2 000 000	5.76	1 994 183	- 11 667	0.2	NOK	100
Odfjell SE 17/22 FRN	N00010796238	Oslo	13.06.2022	5.60	15.03.2021	2 000 000	2 035 000	5.58	2 009 350	- 31 250	0.2	NOK	100
Odfjell SE 18/23 FRN FLOOR	N00010832181	Oslo	19.09.2023	5.90	19.03.2021	2 000 000	2 025 000	5.88	2 001 106	- 27 500	0.2	NOK	100
Total industrials							6 060 000		6 004 639	- 70 417	0.6		
Real estate													
Bulk Industrier AS 20/23 FRN FLOOR C	N00010886922	Oslo	14.07.2023	6.55	14.01.2021	8 000 000	8 030 000	5.66	8 274 989	130 000	0.9	NOK	100
North Property AS 20/22 FRN FLOOR C	N00010892995	Nordisk ABM	21.09.2022	6.90	22.03.2021	2 000 000	2 000 000	6.50	2 019 217	15 000	0.2	NOK	100
Total real estate							10 030 000		10 294 206	145 000	1.1		
Information technology													
Crayon Group Holdi ASA 19/22 FRN FLOOR C	N00010868433	Oslo	21.11.2022	3.88	22.02.2021	2 000 000	2 000 000	3.05	2 040 073	31 667	0.2	NOK	100
Mercell Holdi AS 20/25 FRN SEK FLOOR P/C	N00010907876	Oslo	08.12.2025	6.00	08.03.2021	1 800 000	1 872 540	5.48	1 895 386	15 332	0.2	SEK	100
SuperOffice Group AS 20/25 FRN FLOOR C	N00010900129	Oslo	05.11.2025	6.95	05.02.2021	2 500 000	2 500 000	5.56	2 621 260	93 750	0.3	NOK	100
Total information technology							6 372 540		6 556 719	140 749	0.7		

Pareto Nordic Return

4/4

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
Consumer discretionary													
Desenio Holding AB 20/24 FRN FLOOR C	SE0015242839	Stockholm	16.12.2024	5.50	16.03.2021	3 750 000	3 836 329	5.15	3 942 634	96 739	0.4	SEK	100
LeoVegas AB 20/23 FRN	SE0015242854	Unlisted	10.12.2023	5.39	10.03.2021	3 750 000	3 892 125	5.15	3 943 365	38 340	0.4	SEK	100
Total consumer discretionary							7 728 454		7 885 999	135 079	0.8		
Utilities													
Solis Bond Company 21/24 FRN EUR FLOOR C NO0010914914		Oslo	06.01.2024	6.50	06.01.2021	400 000	4 241 640	6.20	4 208 844	- 32 796	0.5	EUR	100
Total bonds							39 188 577		39 464 135	47 397	4.2		
Total securities portfolio							555 217 512		795 828 814	240 383 139	90.0		

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).

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.

Benchmark: n.a

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	2020	2019	2018	2017	2016
Pareto Obligasjon A	3.3%	0.3%*	-	-	-
Pareto Obligasjon B	3.4%	0.3%*	-	-	-
Pareto Obligasjon C	2.6%**	-	-	-	-
NORM123FERN ¹	1.4%	2.3%	1.4%	2.0%	2.7%

Pareto Likviditet	1.7%	1.7%	1.1%	1.3%	1.9%
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Annualised return

Name	Inception date	3 years	5 years	10 years	From start
Pareto Obligasjon A	11.11.2019	-	-	-	3.2%
Pareto Obligasjon B	11.11.2019	-	-	-	3.3%
Pareto Obligasjon C	25.02.2020	-	-	-	-
NORM123FERN ¹		-	-	-	

Pareto Likviditet	27.09.1999	1.5%	1.5%	1.9%	3.2%
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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 Obligasjon C	50 million	NO0010864077	PAOBLIC NO
Pareto Likviditet	2 million	NO0010025174	POLIKV NO

* Inception date 11.11.2019

** Inception date 25.02.2020

¹NBP Norwegian RM1-RM3 Floating Rate Index (NOK)

Pareto Obligasjon

Income statement	Notes	2020 01.01-31.12	2019 01.01-31.12
Portfolio income and expenses			
Interest received		4 616 206	2 596 331
Realised capital gain/loss	4	960 173	-2 653 112
Net unrealised capital gain/loss	4	1 827 044	2 022 896
Portfolio profit		7 403 423	1 966 115
Asset management revenue and costs			
Custodian charges on purchases and sales of securities		-6 785	-5 440
Management fees	5	-622 067	-424 112
Other income/expenses		0	-1
Asset management revenues		-628 852	-429 553
Profit before taxation		6 774 571	1 536 562
Income tax	6	0	0
Profit for the financial year		6 774 571	1 536 562
Allocation of profit			
Net distributed to unitholders during the year		4 460 894	290
Allocated for distribution to unitholders		0	0
Transferred to/from equity		2 313 677	1 536 272
Total allocations and equity transfers		6 774 571	1 536 562
Balance sheet		31.12.2020	31.12.2019
Assets			
Securities at market value	2,3,9	272 657 965	190 092 089
Accrued interests	9	639 478	1 043 165
Cash and cash equivalents		10 702 840	7 140 191
Total assets		284 000 283	198 275 446
Equity and liabilities			
Equity			
Unit capital at par value		278 319 774	197 395 147
Premium		4 026 325	1 562 676
Retained earnings		1 587 389	-726 288
Total equity	7,8	283 933 488	198 231 536
Liabilities			
Accrued management fees		66 555	43 910
Other liabilities		240	0
Total liabilities		66 795	43 910
Total equity and liabilities		284 000 283	198 275 446

Board of directors Pareto Asset Management AS Oslo, 11 March 2021

Lasse Ruud
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)

Eric von Koss Torkildsen
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 31.12.2020. 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 31.12.2020.

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 31.12.2020, this is distributed in the allocation of the profit for the year.

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

2 Financial market risk and use of derivatives

Investments in Norwegian companies are exposed to stock price and liquidity risk. Investments in foreign companies are exposed to stock price, currency and liquidity risk. Investments in fixed income instruments are exposed to interest rate, credit and liquidity risk. If an interestbearing paper is issued in foreign currency, then the fund is

also exposed to currency risk, although hedging can be undertaken to reduce this risk. Bank deposits in foreign currency are also exposed to currency and credit risk.

Pareto Obligasjon has not used any derivatives in 2020.

3 Turnover ratio

The portfolio's turnover ratio is 0.8.

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 2020 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

	2020
Profit before taxation	6 774 571
Permanent differences	
Distribution to unitholders	-4 460 894
Realised capital gains	0
Unrealised capital gains (change)	-1 827 044
Dividends within EEA (gross)	0
3% of dividends within EEA (net)	0
Withholding tax outside the EEA	0
Total taxable income	486 632
Use of losses carried forward	-486 624
Tax base	8
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

	2020
Equity 1.1	198 231 536
+ subscription/redemption	83 388 276
- distribution to unitholders	-4 460 894
- allocated for distribution	0
+ reinvested in the fund	0
+ profit for the financial year	6 774 571
Equity 31.12	283 933 488

8 Issued units

Unit class A	31.12.2020	31.12.2019	31.12.2018
Number of units	65 932.26	23 478.51	82 594.12
Net asset value	1 028.25	1 014.32	999.01
Redemption price	1 028.25	1 014.32	999.01
Unit class B	31.12.2020	31.12.2019	31.12.2018
Number of units	212 377.33	173 916.64	n.a.
Net asset value	1 017.66	1 002.88	n.a.
Redemption price	1 017.66	1 002.88	n.a.
Unit class C	31.12.2020	31.12.2019	31.12.2018
Number of units	10.19	0.00	n.a.
Net asset value	1 007.10	0.00	n.a.
Redemption price	1 007.10	0.00	n.a.
Unit class D	31.12.2020	31.12.2019	31.12.2018
Number of units	0.00	0.00	n.a.
Net asset value	0.00	0.00	n.a.
Redemption price	0.00	0.00	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 31.12.2020

See next page.

Pareto Obligasjon

1/3

Securities portfolio as at 31 December 2020

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													
Arion Banki hf 19/29 FRN NOK C SUB	XS2025568846	Luxembourg	09.07.2029	3.92	11.01.2021	5 000 000	5 050 000	3.68	4 989 931	- 105 803	1.7	NOK	100
BN Bank ASA 18/23 FRN	NO0010823636	Nordisk ABM	30.08.2023	1.01	26.02.2021	5 000 000	4 794 400	0.80	5 033 842	234 953	1.8	NOK	20
Brage Finans AS 20/23 FRN	NO0010892904	Nordisk ABM	04.09.2023	1.01	04.03.2021	4 000 000	4 000 000	0.97	4 008 017	4 874	1.4	NOK	20
Danske Bank A/S 19/22 FRN	NO0010852106	Dublin	16.05.2022	1.57	16.02.2021	5 000 000	5 055 050	0.89	5 057 822	- 7 258	1.8	NOK	20
DNB Bank ASA 19/23 FRN	NO0010849490	Oslo	05.04.2023	0.73	05.01.2021	5 000 000	4 803 000	0.64	5 020 346	208 424	1.8	NOK	20
DNB Bank ASA 20/30 FRN C SUB	NO0010883341	Oslo	28.05.2030	2.66	26.02.2021	2 000 000	2 000 000	1.33	2 117 173	112 444	0.7	NOK	100
Eika Boligkreditt AS 18/28 FRN C SUB	NO0010814916	Nordisk ABM	02.02.2028	1.80	02.02.2021	5 000 000	4 688 000	1.29	5 068 771	365 771	1.8	NOK	100
Helgeland Spb 18/28 FRN C SUB	NO0010820723	Nordisk ABM	11.04.2028	1.68	11.01.2021	3 000 000	3 023 670	1.20	3 044 742	9 732	1.1	NOK	100
Jæren Spb 18/28 FRN C SUB	NO0010825292	Nordisk ABM	20.06.2028	2.05	22.03.2021	3 000 000	3 033 600	1.45	3 046 473	10 994	1.1	NOK	100
Landsbankinn hf. 19/22 FRN NOK	XS1953243950	Dublin	21.02.2022	2.13	22.02.2021	5 000 000	5 071 000	1.28	5 061 688	- 20 850	1.8	NOK	20
Luster Spb 17/21 FRN	NO0010785900	Nordisk ABM	03.02.2021	1.30	03.02.2021	3 000 000	3 028 800	0.63	3 008 314	- 26 878	1.1	NOK	20
Nordea Bank Abp 18/23 FRN	NO0010832363	Dublin	18.09.2023	1.26	18.03.2021	6 000 000	6 042 000	0.89	6 064 449	19 509	2.1	NOK	20
OBOS-banken AS 18/23 FRN	NO0010831381	Nordisk ABM	31.08.2023	0.93	26.02.2021	2 000 000	1 982 600	0.79	2 009 477	25 224	0.7	NOK	20
Sandnes Spb 18/28 FRN C SUB	NO0010816101	Nordisk ABM	16.02.2028	1.98	16.02.2021	2 000 000	2 021 860	1.33	2 033 107	6 187	0.7	NOK	100
Sandnes Spb 18/28 FRN C SUB	NO0010834310	Nordisk ABM	16.10.2028	2.22	18.01.2021	2 000 000	2 057 400	1.30	2 060 668	- 6 228	0.7	NOK	100
Skue Spb 16/26 FRN C SUB	NO0010763659	Nordisk ABM	27.04.2026	3.74	27.01.2021	3 000 000	3 106 500	1.18	3 045 648	- 81 422	1.1	NOK	100
Skue Spb 19/23 FRN	NO0010851850	Nordisk ABM	15.05.2023	1.05	15.02.2021	2 000 000	1 997 900	0.89	2 010 508	9 925	0.7	NOK	20
Spb 1 Gudbrandsdal 17/27 FRN C SUB	NO0010793367	Nordisk ABM	24.05.2027	2.27	24.02.2021	5 000 000	5 067 500	1.39	5 074 492	- 4 989	1.8	NOK	100
Spb 1 Lom og Skjåk 17/21 FRN	NO0010790462	Nordisk ABM	31.03.2021	1.31	31.03.2021	3 000 000	3 027 690	0.70	3 004 769	- 23 030	1.1	NOK	20
Spb 1 Nord-Norge 18/28 FRN C SUB	NO0010830334	Nordisk ABM	28.08.2028	1.76	26.02.2021	3 000 000	3 042 210	1.24	3 046 176	- 728	1.1	NOK	100
Spb 1 SMN 18/28 FRN C SUB	NO0010830755	Nordisk ABM	04.09.2028	1.81	04.03.2021	5 000 000	5 079 200	1.25	5 082 769	- 3 470	1.8	NOK	100
Spb 1 Østfold Akershus 18/23 FRN	NO0010824972	Nordisk ABM	11.09.2023	1.01	11.03.2021	10 000 000	10 030 700	0.79	10 065 981	29 389	3.5	NOK	20
Spb 1 Østlandet 17/27 FRN C SUB	NO0010810088	Nordisk ABM	16.11.2027	1.83	16.02.2021	3 000 000	3 021 000	1.21	3 042 628	14 613	1.1	NOK	100
Spb 1 Østlandet 18/28 FRN C SUB	NO0010824964	Nordisk ABM	20.06.2028	1.82	22.03.2021	5 000 000	4 700 000	1.26	5 072 178	369 397	1.8	NOK	100
Spb Sør 18/28 FRN C SUB	NO0010837313	Nordisk ABM	23.11.2028	2.03	23.02.2021	3 000 000	3 070 290	1.29	3 070 690	- 6 198	1.1	NOK	100
Spb Sør 19/22 FRN	NO0010869530	Nordisk ABM	28.11.2022	0.77	26.02.2021	5 000 000	5 000 000	0.68	5 012 568	9 146	1.8	NOK	20
Spb Telemark 16/26 FRN C SUB	NO0010777592	Nordisk ABM	10.11.2026	2.70	10.02.2021	3 000 000	3 082 500	1.15	3 052 415	- 41 785	1.1	NOK	100
Spb Telemark 20/25 FRN	NO0010876196	Nordisk ABM	28.02.2025	0.94	26.02.2021	5 000 000	4 651 059	0.90	5 013 858	358 621	1.8	NOK	20
Spb Øst Boligkreditt AS 19/24 FRN C COVD	NO0010841034	Oslo	19.06.2024	0.86	19.03.2021	4 000 000	4 024 000	0.60	4 037 234	12 182	1.4	NOK	10

Pareto Obligasjon

2/3

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
SSB Boligkreditt AS 18/24 FRN C COVD	N00010833254	Nordisk ABM	27.09.2024	1.00	29.03.2021	5 000 000	5 025 000	0.71	5 055 240	29 684	1.8	NOK	10
Storebrand Liv AS 14/PERP FRN STEP C SUB	N00010706021	Oslo	31.12.2099	3.20		4 000 000	4 140 000	0.80	4 115 962	- 25 460	1.4	NOK	100
Storebrand Livsforsik AS 20/50 FRN C SUB	N00010886153	Oslo	19.06.2050	2.45	19.03.2021	2 000 000	2 000 000	1.88	2 011 712	10 215	0.7	NOK	100
Strømmen Spb 17/27 FRN C SUB	N00010791023	Nordisk ABM	21.04.2027	2.57	21.01.2021	3 200 000	3 248 000	1.56	3 259 645	- 4 803	1.1	NOK	100
Swedbank AB 20/23 FRN NOK	XS2178938523	Dublin	26.05.2023	1.22	26.02.2021	5 000 000	5 000 000	0.75	5 063 061	56 961	1.8	NOK	20
Tryg Forsikri A/S 13/PERP FRN STEP C SUB	N00010672355	Nordisk ABM	31.12.2099	4.15		5 000 000	5 270 000	1.02	5 230 146	- 46 194	1.8	NOK	100
Pareto Bank ASA 19/23 FRN	N00010846892	Nordisk ABM	20.04.2023	1.21	20.01.2021	5 000 000	5 030 000	0.88	5 050 951	8 683	1.8	NOK	20
Sydbank A/S 20/24 FRN C	N00010907454	Dublin	25.11.2024	1.37	25.02.2021	6 000 000	6 000 000	1.24	6 031 769	23 320	2.1	NOK	20
Aasen Spb 16/26 FRN C SUB	N00010779614	Nordisk ABM	01.12.2026	3.06	01.03.2021	5 000 000	5 095 000	1.55	5 083 967	- 24 208	1.8	NOK	100
Total financials							156 359 929		158 159 187	1 500 944	55.8		
State/County													
Lillesand komm 19/21 FRN	N00010843188	Oslo	12.02.2021	0.74	12.02.2021	10 000 000	10 004 200	0.50	10 013 045	- 1 363	3.5	NOK	20
Oslo komm 16/21 FRN	N00010780356	Oslo	02.09.2021	0.90	02.03.2021	10 000 000	10 032 400	0.47	10 037 232	- 2 668	3.5	NOK	20
Tromsø komm 17/21 FRN	N00010793284	Oslo	21.05.2021	0.82	22.02.2021	6 000 000	6 009 420	0.50	6 012 922	- 1 828	2.1	NOK	20
Viken fylke 18/21 FRN	N00010826217	Oslo	16.06.2021	0.55	17.03.2021	10 000 000	10 000 800	0.51	10 004 953	1 691	3.5	NOK	20
Ålesund komm 19/21 FRN	N00010843329	Unlisted	15.02.2021	0.62	15.02.2021	9 000 000	9 001 530	0.43	9 009 511	805	3.2	NOK	20
Total state/county							45 048 350		45 077 663	- 3 363	15.8		
Real estate													
Steen & Strøm AS 17/22 FRN	N00010805799	Oslo	14.09.2022	1.05	15.03.2021	5 000 000	5 023 250	1.04	5 004 833	- 21 042	1.8	NOK	50
Energy													
Hafslund E-CO AS 2.23% CERT 364 050321	N00010876436	Oslo	05.03.2021	2.23	05.03.2021	10 000 000	10 000 000	0.76	10 209 452	25 553	3.5	NOK	100
Utilities													
Fredrikstad Energi AS 16/21 FRN	N00010777238	Oslo	26.10.2021	1.89	26.01.2021	5 000 000	5 099 000	0.79	5 063 595	- 52 993	1.8	NOK	100
Ringerikskraft AS 19/22 FRN	N00010852197	Nordisk ABM	16.05.2022	1.08	16.02.2021	5 000 000	4 998 500	0.94	5 017 426	12 026	1.8	NOK	100
Total utilities							10 097 500		10 081 021	- 40 967	3.6		

Pareto Obligasjon

3/3

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
Industrials													
A.P. Møller - Mærsk A/S 16/21 FRN	NO0010767718	Luxembourg	22.06.2021	1.86	22.03.2021	6 000 000	6 085 380	0.86	6 032 361	- 56 119	2.1	NOK	100
Tomra Systems ASA 19/22 FRN	NO0010868318	Oslo	14.11.2022	0.93	15.02.2021	5 000 000	5 005 000	0.95	5 005 626	- 5 315	1.8	NOK	100
Total industrials							11 090 380		11 037 987	- 61 434	3.9		
Materials													
Jotun A/S 19/23 FRN FLOOR	NO0010846231	Unlisted	15.03.2023	1.28	15.03.2021	3 000 000	3 028 500	0.98	3 022 394	- 7 919	1.1	NOK	100
Norsk Hydro ASA 20/23 FRN	NO0010882327	Oslo	15.05.2023	3.33	15.02.2021	10 000 000	10 430 755	1.45	10 484 136	10 831	3.7	NOK	100
Total materials							13 459 255		13 506 530	2 912	4.8		
Communication													
Schibsted ASA 17/23 FRN	NO0010797541	Oslo	22.06.2023	1.86	22.03.2021	1 000 000	1 018 970	1.28	1 014 868	- 4 618	0.4	NOK	100
Schibsted ASA 20/23 FRN	NO0010878960	Oslo	23.10.2023	2.74	25.01.2021	4 000 000	4 000 000	1.26	4 186 986	165 674	1.5	NOK	100
Total communication							5 018 970		5 201 854	161 056	1.9		
Consumer discretionary													
Scania CV 20/23 FRN NOK	XS2108433371	Luxembourg	24.01.2023	0.94	25.01.2021	5 000 000	5 000 000	1.19	4 985 006	- 23 741	1.8	NOK	100
Volvo Treasury AB 19/22 FRN NOK	XS1949702937	Luxembourg	11.02.2022	1.21	11.02.2021	5 000 000	4 975 000	1.00	5 021 435	37 864	1.8	NOK	50
BMW Finance N.V. 19/22 FRN NOK	XS2043949382	Luxembourg	22.08.2022	0.91	22.02.2021	5 000 000	4 997 950	0.83	5 012 481	9 602	1.8	NOK	50
Total consumer discretionary							14 972 950		15 018 922	23 725	5.4		
Total securities portfolio							271 070 584		273 297 443	1 587 384	96.5		

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 Likviditet

Income statement	Notes	2020 01.01-31.12	2019 01.01-31.12
Portfolio income and expenses			
Interest received		8 940 610	14 104 641
Realised capital gain/loss	4	-2 838 885	-1 085 802
Net unrealised capital gain/loss	4	4 002 749	-572 248
Portfolio profit		10 104 474	12 446 590
Asset management revenue and costs			
Custodian charges on purchases and sales of securities		-5 850	-5 130
Management fees	5	-1 362 431	-1 590 428
Other income/expenses		0	-1
Asset management revenues		-1 368 281	-1 595 559
Profit before taxation		8 736 193	10 851 031
Income tax	6	0	0
Profit for the financial year		8 736 193	10 851 031
Allocation of profit			
Net distributed to unitholders during the year		4 733 377	442 037
Allocated for distribution to unitholders		0	10 981 243
Transferred to/from equity		4 002 816	-572 249
Total allocations and equity transfers		8 736 193	10 851 031
Balance sheet		31.12.2020	31.12.2019
Assets			
Securities at market value	2,3,9	463 533 657	609 107 537
Accrued interests	9	585 847	2 030 286
Cash and cash equivalents		21 729 014	15 342 927
Total assets		485 848 516	626 480 749
Equity and liabilities			
Equity			
Unit capital at par value		478 894 974	621 781 811
Premium		3 293 227	1 813 234
Retained earnings		-5 450 166	-9 452 983
Total equity	7,8	476 738 035	614 142 062
Liabilities			
Accrued management fees		106 220	133 630
Other liabilities		9 004 261	12 205 057
Total liabilities		9 110 481	12 338 687
Total equity and liabilities		485 848 516	626 480 749

Board of directors Pareto Asset Management AS Oslo, 11 March 2021

Lasse Ruud
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)

Eric von Koss Torkildsen
CEO

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

Pareto Likviditet

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 31.12.2020. 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 31.12.2020.

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 31.12.2020, 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 2020.

3 Turnover ratio

The portfolio's turnover ratio is 0.91.

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 2020 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

	2020
Profit before taxation	8 736 193
Permanent differences	
Distribution to unitholders	-4 733 377
Realised capital gains	0
Unrealised capital gains (change)	-4 002 749
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	67
Use of losses carried forward	-44
Tax base	23
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

	2020
Equity 1.1	614 142 062
+ subscription/redemption	-146 140 220
- distribution to unitholders	-4 733 377
- allocated for distribution	0
+ reinvested in the fund	4 733 377
+ profit for the financial year	8 736 193
Equity 31.12	476 738 035

8 Issued units

	31.12.2020	31.12.2019	31.12.2018
Number of units	478 894.97	621 781.81	645 860.20
Net asset value	995.50	987.71	988.64
Redemption price	995.50	987.71	988.64

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 31.12.2020

See next page.

Pareto Likviditet

1/2

Securities portfolio as at 31 December 2020

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													
Askim & Spydeberg Spb 18/22 FRN	NO0010815970	Nordisk ABM	09.02.2022	1.10	09.02.2021	10 000 000	9 937 100	0.71	10 061 039	107 745	2.1	NOK	20
Aurskog Spb 17/21 FRN	NO0010808876	Nordisk ABM	25.10.2021	1.02	25.01.2021	10 000 000	10 047 800	0.53	10 059 927	- 6 856	2.1	NOK	20
Danske Bank A/S 19/22 FRN	NO0010852106	Dublin	16.05.2022	1.57	16.02.2021	10 000 000	10 073 000	0.89	10 115 644	22 583	2.1	NOK	20
Flekkefjord Spb 18/21 FRN	NO0010818420	Nordisk ABM	07.10.2021	0.84	07.01.2021	10 000 000	10 027 600	0.49	10 047 532	- 135	2.1	NOK	20
Helgeland Spb 16/22 FRN	NO0010781255	Nordisk ABM	16.03.2022	1.25	17.03.2021	20 000 000	19 984 200	0.59	20 173 813	178 502	4.2	NOK	20
Hjelmeland Spb 17/21 FRN	NO0010782790	Nordisk ABM	25.01.2021	1.49	25.01.2021	3 500 000	3 545 445	0.70	3 511 636	- 43 515	0.7	NOK	20
Jernbanepersonalets Spb 18/21 FRN	NO0010822414	Nordisk ABM	11.05.2021	0.96	11.02.2021	2 000 000	2 006 340	0.59	2 005 494	- 3 566	0.4	NOK	20
Jæren Spb 17/22 FRN	NO0010790595	Nordisk ABM	07.04.2022	1.10	07.01.2021	20 000 000	19 914 400	0.54	20 197 202	230 246	4.2	NOK	20
Kredittforeningen for Spb 17/21 FRN	NO0010806011	Nordisk ABM	17.09.2021	0.99	17.03.2021	6 000 000	6 018 780	0.56	6 021 445	190	1.3	NOK	20
Kredittforeningen for Spb 18/21 FRN	NO0010835267	Nordisk ABM	29.11.2021	0.89	26.02.2021	10 000 000	10 014 400	0.56	10 038 892	16 581	2.1	NOK	20
Landkreditt Bank AS 17/22 FRN	NO0010790835	Nordisk ABM	07.04.2022	0.96	07.01.2021	2 000 000	2 001 420	0.51	2 016 319	10 312	0.4	NOK	20
Larvikbanken - Din Personl Spb 16/21 FRN	NO0010773914	Nordisk ABM	08.02.2021	1.42	08.02.2021	15 000 000	15 187 500	0.64	15 044 153	- 174 705	3.1	NOK	20
Lillestrøm Spb 18/22 FRN	NO0010837172	Nordisk ABM	20.05.2022	0.95	22.02.2021	20 000 000	19 889 400	0.70	20 095 751	184 184	4.2	NOK	20
Pareto Bank ASA 18/21 FRN	NO0010815467	Nordisk ABM	02.02.2021	1.23	02.02.2021	15 000 000	15 000 000	0.64	15 038 973	8 223	3.1	NOK	20
Romsdal Spb 17/21 FRN	NO0010782931	Nordisk ABM	01.02.2021	1.39	01.02.2021	5 000 000	5 047 600	0.63	5 014 972	- 44 212	1.0	NOK	20
Sandnes Spb 18/21 FRN	NO0010823891	Nordisk ABM	04.06.2021	0.83	04.03.2021	10 000 000	10 028 000	0.50	10 020 838	- 13 618	2.1	NOK	20
Selbu Spb 18/21 FRN	NO0010832280	Nordisk ABM	13.09.2021	0.89	15.03.2021	10 000 000	9 988 200	0.69	10 019 709	27 059	2.1	NOK	20
Skudenes & Aakra Spb 17/22 FRN	NO0010785934	Nordisk ABM	03.02.2022	1.34	03.02.2021	5 000 000	5 037 195	0.70	5 046 837	- 1 339	1.1	NOK	20
Spb 1 BV 17/22 FRN	NO0010783020	Nordisk ABM	02.02.2022	1.13	02.02.2021	20 000 000	19 784 000	0.58	20 159 979	338 312	4.2	NOK	20
Spb 1 Gudbrandsdal 16/21 FRN	NO0010771520	Nordisk ABM	31.08.2021	1.36	26.02.2021	10 000 000	10 080 100	0.58	10 064 974	- 27 215	2.1	NOK	20
Spb 1 Lom og Skjåk 17/21 FRN	NO0010790462	Nordisk ABM	31.03.2021	1.31	31.03.2021	18 000 000	18 046 260	0.70	18 028 614	- 18 301	3.8	NOK	20
Spb 1 Nord-Norge 16/21 FRN	NO0010775679	Nordisk ABM	29.09.2021	1.37	29.03.2021	20 000 000	19 896 800	0.65	20 112 015	212 932	4.2	NOK	20
Spb 1 Søre Sunnmøre 19/21 FRN	NO0010842198	Nordisk ABM	25.11.2021	1.02	25.02.2021	20 000 000	19 999 400	0.61	20 096 997	76 630	4.2	NOK	20
Spb Møre 19/22 FRN	NO0010849748	Oslo	12.04.2022	0.68	12.01.2021	10 000 000	9 779 800	0.49	10 040 492	245 392	2.1	NOK	20
Spb Sogn og Fjordane 19/22 FRN	NO0010842248	Nordisk ABM	28.02.2022	0.90	26.02.2021	15 000 000	15 045 000	0.56	15 072 677	15 677	3.2	NOK	20
Spb Sør 17/22 FRN	NO0010782253	Nordisk ABM	17.02.2022	1.17	17.02.2021	15 000 000	14 839 500	0.61	15 119 283	257 846	3.2	NOK	20
Spb Telemark 17/22 FRN	NO0010782741	Nordisk ABM	20.01.2022	1.09	20.01.2021	20 000 000	19 788 000	0.51	20 168 812	336 606	4.2	NOK	20
Storebrand ASA 17/22 FRN	NO0010793524	Nordisk ABM	23.05.2022	1.93	23.02.2021	15 000 000	15 074 250	0.74	15 283 591	177 978	3.2	NOK	20
Trøgstad Spb 16/21 FRN	NO0010776578	Nordisk ABM	13.01.2021	1.44	13.01.2021	5 000 000	5 051 550	0.79	5 017 192	- 50 358	1.0	NOK	20

Pareto Likviditet

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 17/22 FRN	NO0010790538	Nordisk ABM	31.03.2022	1.41	31.03.2021	20 000 000	19 912 600	0.84	20 147 945	234 562	4.2	NOK	20
Bank Norwegian AS 19/22 FRN	NO0010848591	Oslo	29.03.2022	2.02	29.03.2021	10 000 000	10 025 000	1.65	10 050 665	23 982	2.1	NOK	20
Ferde AS 19/21 FRN	NO0010863269	Nordisk ABM	13.09.2021	0.44	12.03.2021	15 000 000	14 987 550	0.51	14 997 311	6 431	3.1	NOK	20
Haugesund Spb 18/22 FRN	NO0010815061	Nordisk ABM	26.01.2022	0.94	26.01.2021	20 000 000	20 085 800	0.57	20 117 599	- 3 190	4.2	NOK	20
Total financials							416 143 990		419 008 322	2 324 963	87.4		
State/County													
Askøy komm 16/21 FRN	NO0010776560	Oslo	14.10.2021	0.94	14.01.2021	15 000 000	15 110 325	0.43	15 092 408	- 48 822	3.2	NOK	20
Ørsta komm FRN CERT 365 100921	NO0010892979	Unlisted	10.09.2021	0.48	10.03.2021	15 000 000	14 995 050	0.50	15 002 828	3 378	3.1	NOK	20
Ålesund komm 19/21 FRN	NO0010852478	Oslo	15.11.2021	0.58	15.02.2021	15 000 000	14 998 800	0.56	15 015 947	5 973	3.1	NOK	20
Total state/county							45 104 175		45 111 183	- 39 471	9.4		
Total securities portfolio							461 248 165		464 119 504	2 285 492	96.8		

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 Board Meeting of mutual funds managed by Pareto Asset Management AS

INDEPENDENT AUDITOR'S REPORT

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of mutual funds managed by Pareto Asset Management AS showing a profit of NOK:

Pareto Aksje Norge	kr.	206 951 985
Pareto Global	kr.	333 987 478
Pareto Investment Fund	kr.	- 148 747 605
Pareto Likviditet	kr.	8 736 193
Pareto Nordic Return	kr.	147 485 488
Pareto Obligasjon	kr.	6 774 571

The financial statements comprise the balance sheet as at 31 December 2020, 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 2020, 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.

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

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Page 2
Independent Auditor's Report -
mutual funds managed by Pareto Asset
Management AS

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 a true and fair view 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 a true and fair view.

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.

Auditor's report

Deloitte.

Page 3
Independent Auditor's Report -
mutual funds managed by Pareto Asset
Management AS

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, 11 March 2021
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. Integration of sustainability risk is part of the overall risk assessment for our investment products and is therefore included in all risk references in the guidelines on remuneration.

The remuneration policy applies to all employees of Pareto Asset Management and shall promote long-term interests and accountability among employees.

In addition to the fixed salary, all employees can receive a discretionary variable remuneration.

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 discretionary, 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, chief financial officer, chief compliance officer, chief risk officer, branch manager and portfolio managers are subject to the special provisions of the remuneration policy.

Pareto Asset Management has a remuneration committee consisting of three people appointed by the Board of Directors. The board appoints the chairman of the committee, and the committee must have at least one shareholder-elected director and one director elected by the unit-holders who is independent of the management of the company. The chairman of the board must be among the members of the remuneration committee. The committee proposes the variable remuneration for the CEO and identified staff to the board.

The remuneration policy is revised annually, including updating which individuals are covered by the remuneration policy as identified staff.

Remuneration for 2020

	Number of beneficiaries	Total remuneration NOK	Fixed remuneration NOK	Variable remuneration* NOK
Total remuneration (sum all employees)	56	87 638 449	32 889 786	54 748 663
Remuneration paid to employees categorized as identified staff	17	39 275 116	12 606 453	26 668 663
Senior management and employees with supervisory responsibilities	9	22 886 783	6 973 120	15 913 663
Risk takers	8	16 388 333	5 633 333	10 755 000

*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 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.

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 subjective judgement. It also means that we can make mistakes. We learn from these 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.

Considerations regarding returns and risk

Historical returns are no guarantee for future returns. Future returns will depend, inter alia, on market developments, the portfolio manager's skill, the fund's risk profile, as well as fees for subscription, management and redemption. Returns may become negative as a result of negative price developments.

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

Subscription and redemption fees are not taken into account in the historical performance given for our funds, this could affect the return adversely. Unless otherwise stated, the performance information given does not take into account any tax that may be incumbent on the product and/or customer. The tax impact depends on the individual client's situation and may change.

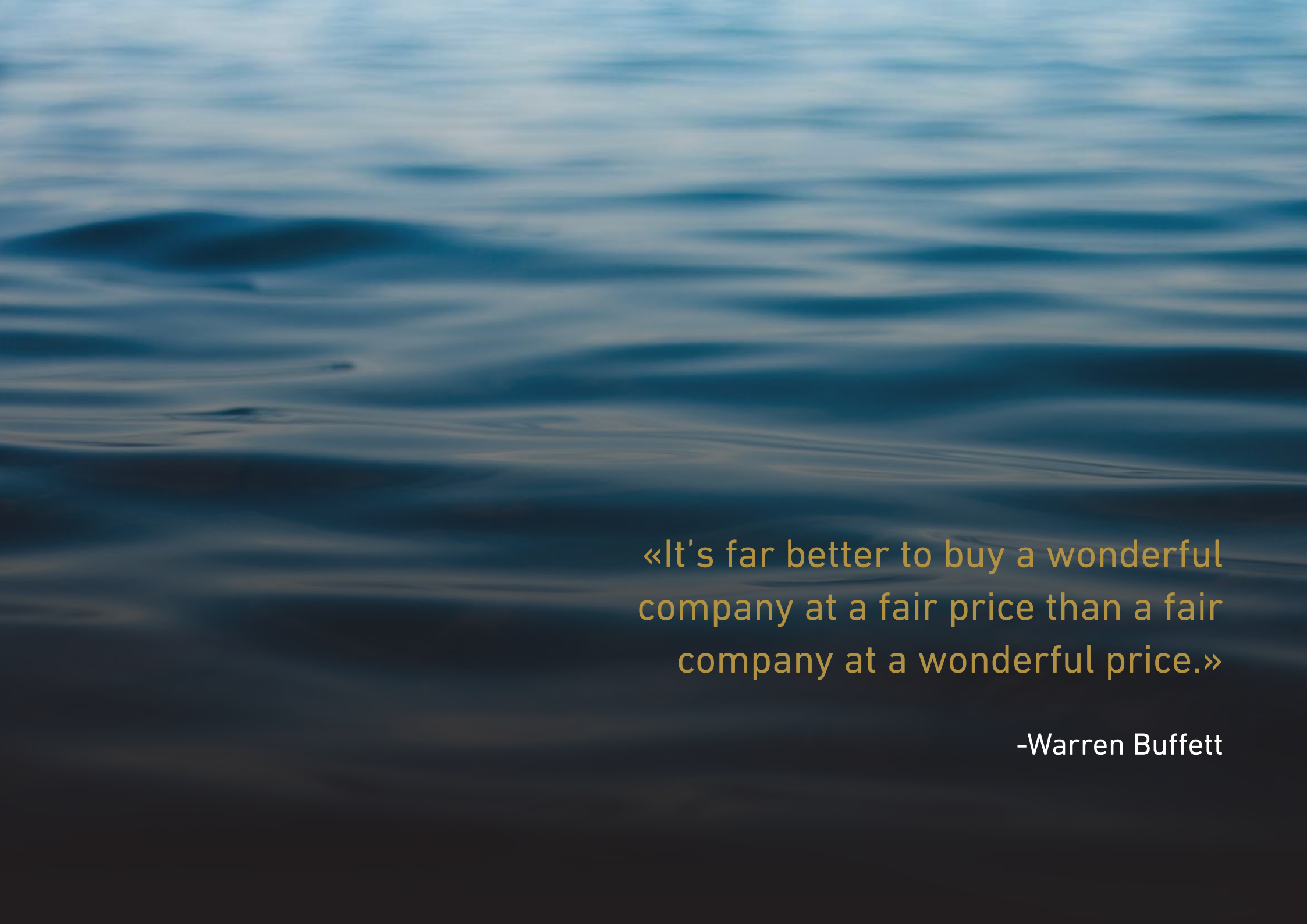
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Org. nr.: 977 287 677



«It's far better to buy a wonderful
company at a fair price than a fair
company at a wonderful price.»

-Warren Buffett

