

Information to the unitholders in Pareto Høyrente

We write to you as a unitholder in Pareto Høyrente (Merging Fund). The purpose of this announcement is to describe the proposal to merge Pareto Høyrente (Merging Fund) with Pareto Nordic Cross Credit (Receiving Fund), a sub-fund of Pareto SICAV. Pareto SICAV is an investment company registered under Part I of the Luxembourg Law of 17 December 2010, as amended, relating to undertakings for collective investment established as a UCITS with segregated liability between sub-funds and regulated by the Financial Supervisory Authority of Luxembourg (CSSF).

Background and rationale for the proposed merger

Pareto Høyrente is a stand-alone fund. Pareto SICAV currently has five sub-funds including Pareto Nordic Cross Credit. The board members, after consultation with Pareto Asset Management AS, which is a management company for both Pareto Høyrente and Pareto SICAV, believe that the proposed merger will benefit the unitholders. It will give the unitholders of Pareto Høyrente access to a larger investment universe, with better opportunities for diversification, and it will enable growth in assets under management through better distribution through Pareto SICAV, facilitating efficiencies of administration.

A table showing material differences between the Merging Fund and the Receiving Fund is included in Appendix III.

The purpose of this announcement is to describe in detail how the proposed merger will affect you, by issuing new shares in the Receiving Fund in exchange for your existing shares in the Merging Fund when the merger is completed. The merger will have to be approved by the shareholders' meeting in Pareto Høyrente. Please see the document Notice of unitholder meeting for more information. The merger will not be implemented without the approval of the required majority of unitholders represented at the unitholders' meeting.

The proposed merger and its effect on unitholders

Transfer of assets and liabilities

The proposed merger will involve the transfer of all assets and liabilities from the Merging Fund to the Custodian of Pareto SICAV. There, they will be held on behalf of the Receiving Fund in exchange for the issuance of new shares in the Receiving Fund to unitholders of the Merging Fund registered as unitholders of Pareto Høyrente on the Effective Date (09.03.2020).

Merging Fund costs will also be transferred to the Receiving Fund as part of the merger; this will include fees to the Custodian.

Earned income

Any income earned by the Merging Fund, but not yet paid on the Effective Date, will be included in the assets transferred to the Custodian of Pareto SICAV. There, it will be held on behalf of the Receiving Fund and treated as the Receiving Fund's income.

Impact on unit ownership

Issuance of new shares and terms of exchange

The Receiving Fund has different Share Classes while the Merging Fund is a Single Unit-class fund. Upon completion of the merger, unitholders in the single Share Class of the Merging Fund will receive new shares in the relevant Share Classes in the Receiving Fund as stipulated in the table below:

Merging Fund Single Unit-class	Receiving Fund Share Class
Unitholders with units with a market value up to 50 million NOK	Receive Shares in Share Class A NOK
Unitholders with units with a market value between 50 and 400 million NOK	Receive Shares in Share Class H NOK or H-I NOK*
Unitholders with units with a market value above 400 million NOK	Receive Shares in Share Class I NOK *

* In order to receive shares in the H-I NOK or I NOK Share Class of the Receiving Fund, the unitholder must meet the requirements of an institutional investor as defined in the Pareto SICAV's Prospectus.

Unitholders in the Merging Fund will receive a corresponding aggregate unit value in the Merging Fund in exchange for their current shares in the Merging Fund. Accordingly, the exchange ratio will be determined as the ratio between the net asset value of the relevant Share Class of the Merging Fund and the net asset value of the relevant Share Class of the Receiving Fund.

The new shares that will be issued to the unitholders of Pareto Høyrente as part of the merger will be exempt from any subscription fees, redemption fees or conversion costs and will have such characteristics as further described in the Pareto SICAV prospectus and outlined in Appendix III. Upon completion of the merger, existing shares in the Merging Fund will be deleted.

In connection with the merger, Pareto Asset Management will calculate the net asset value on the business day before the Effective Date (06.03.2020) in accordance with the valuation methods set out in the prospectus and articles of association for Pareto Høyrente. The net asset value of the Receiving Fund, after the transfer of assets and liabilities from the Merging Fund to the Receiving Fund, will be calculated in accordance with Pareto SICAV's valuation methods set out in the prospectus for Pareto SICAV.

The Merging Fund's valuation methods are in a material sense similar to the methods used in the Receiving Fund. This means that the unit value that a unitholder will receive in the Receiving Fund will be substantially the same as the value of the unitholder's shares immediately prior to the Effective Date. However, the exact net asset value will not be known until the Effective Date.

Pareto Asset Management AS will bear the costs of legal assistance, advice and / or administration incurred in connection with the implementation of the merger.

Unitholder rights

Pareto Høyrente is a stand-alone fund, and Pareto SICAV is a variable capital umbrella investment company with limited liability and established as UCITS with segregated liability between sub-funds. If the merger is approved, the rights of the unit holders following the merger will follow the Articles of Luxembourg Investment Company and Luxembourg company law instead of Pareto Høyrente's articles of association and the Norwegian Securities Fund Act. This means that the special rights of the unit holders in Norwegian legislation, including the requirement to hold a unitholders' meeting in the event of changes to the articles of association and merger, expire upon the completion of the merger.

The differences between the Merging Fund and the Receiving Fund are described in Appendix III.

Effect on return

The merger is not expected to have any significantly negative impact on the unitholders' return. The management team at Pareto Asset Management AS, which manages Pareto Høyrente, will also manage Pareto Nordic Cross Credit.

Investment objectives and policies in the Receiving Fund broadly correspond to the investment objectives and policies of the Merging Fund. Differences in investment policy are described in Appendix III and are not expected to have any negative impact on the unitholders' return.

However, the Receiving Fund has a broader investment universe than the Merging Fund, with the Receiving Fund investing in bonds issued by Nordic issuers regardless of currency, while the Merging Fund invests in bonds issued by Norwegian issuers in Norwegian kroner. Similarly, the Receiving Fund may invest in bonds traded on regulated markets in other countries, also outside the EEA, while this is not permitted for the Merging Fund.

In the opinion of the management company, the expansion of the investment universe will enable better diversification, based on more issuers in an expanded menu of industries and industries.

As the initial portfolio of the Receiving Fund will be based wholly or to a large extent on the existing portfolio in the Merging Fund, this extended diversification will not be implemented on the Effective Date. Considering factors like transaction costs in the Receiving Fund, the management company will seek to implement a gradual diversification throughout the Nordic market, based on specific market conditions, net subscriptions and accrual of interest.

Due to different market structures in the Nordic countries, the Receiving Fund has the opportunity to have a somewhat higher interest duration in the portfolio. However, the strategy is the same.

Similarly, the Receiving Fund has more flexibility to use derivatives. This may contribute to higher, lower or unchanged risk, while the use of derivatives in the Merging Fund should keep the risk unchanged. For the Receiving Fund, derivatives will be used to hedge exposure in a currency other than the current share class's own currency, which for current unitholders in the Merging Fund means Norwegian kroner.

Differences in fees and expenses payable in the Merging and Receiving Fund are described in Appendix III. Shareholders are advised that the Receiving Fund has a different legal structure than Pareto Høyrente, in that the Receiving Fund generally bears costs other than the management fee. For Pareto Nordic Cross Credit, running costs, in addition to tax of up to 0.05%, will amount to 0.10%, while the management fee will be 0.55% for share class A, 0.40% for share class H and H-I, and 0.30% for share class I. Ongoing charges in the Receiving Fund Share Class A is expected to amount to around 0.70%. In Share Class H ongoing charges will be around 0.55%, in Share Class H-I 0.51% and in Share Class I 0.41%. For Pareto Høyrente, the management fee is 0.65%, with a degressive structure dependent on the number of units held by the individual unitholder. There are no other ongoing costs for unitholders. Costs in excess of the management fee in Pareto Nordic Cross Credit are expected to fall as a function of growth in fund value.

Both the Merging and Receiving Fund have subscription and redemption fees of up to 0.5% of the subscription and redemption amount respectively.

Comparative features and material differences

A table describing material differences between the Merging Fund and the Receiving Fund is included in **Appendix III**.

A copy of the Key Investor Information for the Receiving Fund is included as **Appendix II**.

Unitholders are particularly encouraged to read and become acquainted with the Key Investor Information for the Receiving Fund which is also available on the Company's website: <https://paretoam.com/en/>.

The annual clearance of accounts for both Pareto Høyrente and Pareto SICAV is 31 December.

License and structure

Pareto Asset Management AS is Investment Manager for both the Merging Fund and the Receiving Fund, thus there will be no change of Investment Manager. Pareto Høyrente is established as a UCITS in accordance with the regulations and structured as a mutual fund. Pareto SICAV is a UCITS investment company registered under Part I of the Luxembourg Law of December 17, 2010, as amended, relating to collective investment undertakings. FundRock Management Company S.A. has been appointed to the Management Company of Pareto SICAV. Both FundRock Management Company S.A. and Pareto SICAV are regulated by the CSSF.

Service Providers

There will also be a change in the companies providing fund management and custody services. Pareto Asset Management AS today provides fund management for the Merging Fund. FundRock Management Company S.A. provides fund management for Pareto SICAV and the Receiving Fund. DNB Bank ASA today provides custodial services for the Merging Fund. Scandinavian Enskilda Banken S.A. provides custodial services for Pareto SICAV and Acquisition Fund. The Management Company has delegated central administrative duties related to management, registry services and transfer agency for Pareto SICAV to European Fund Administration S.A.

Accordingly, if the merger is approved, the unitholders of the Merging Fund must amend any standing instructions they may have specified for payment and receipt of money for subscription and redemption. In addition, future correspondence or instructions to the administrator must be sent to the Receiving Fund administrator.

Pareto Nordic Cross Credit has a secondary registration at VPS (Verdipapirsentralen ASA), maintained by Pareto Asset Management AS. This means that all unitholders will have their new shares in the same VPS account as before Effective Date and receive the same reporting from Pareto Asset Management through MIN SIDE as before Effective Date. Unitholders in Pareto Høyrente with savings agreements will receive new settlement contracts for AvtaleGiro.

Directors

Information on the directors of Pareto SICAV and its Management Company is provided in the prospectus for Pareto SICAV, available as described below.

Risk Profile

The directors are of the opinion that the merger will not entail any significant change in risk profile, given the similarity in investment objectives and policies. Investors should note that both the Merging and the Receiving Fund operate with risk class 2 in their Key Investor Information. The prospectus for Pareto SICAV contains descriptions of the risk factors applicable to the Receiving Fund.

Norwegian taxation

The summary below is intended only as a general overview of some of the most important aspects of Norwegian tax law and practice relating to the merger and does not necessarily apply to certain categories of investors. The intention is not to give specific advice, and no action should be taken or

omitted on this basis. If unitholders are in doubt about their personal tax position in connection with the merger, they should immediately seek independent advice from their professional tax advisor.

Unitholders should be aware that depending on their individual tax position, a tax effect may arise as a result of the merger. They should carefully consider their situation in this regard.

If the merger is approved by the unitholders of the Merging Fund, the transfer of existing shares in exchange for a proportional issue of new shares will be considered a taxable event in accordance with Norwegian tax law. This means that the unitholders are considered to have realized their shares in the Merging Fund on the Effective Date, with the implication that any latent gain on the shares will be taxed at a rate of 22 percent. Similarly, a deferred loss will result in a deduction of 22 percent.

Investors who are liable to tax to countries other than Norway should examine the relevant tax rules in their respective countries.

These tax rules also apply if the Merging Fund's unit holders choose to redeem their existing shares in connection with the merger.

No registration fee, document fee or similar tax shall be paid to Norway by unitholders in the Merging Fund who redeem their existing shares or are issued new shares.

The Merging Fund has a carry-forward loss of NOK 308.6 million as of December 31, 2018. In the fiscal year 2019 NOK 67.4 million of this carry-forward loss was used, resulting in a carry-forward loss of NOK 241.3 million as of 31 December 2019. As long as the fund has a carry-forward deficit, there will be no payments to the unitholders. The carry-forward loss is not given any value in the calculation of the unit value of the Merging Fund and will lapse upon the merger. The carry-forward loss' effect on the unitholders in Pareto Høyrente is dependent on the tax status of each unitholder. Based on today's tax regulations in Norway, the carry-forward loss may give the unitholders a deferred taxation of earned interest. The unitholders may have a similar effect on their holdings in the Receiving Fund.

Conditions for the merger

The merger is conditional upon:

- Resolution of the board of directors of Pareto Asset Management AS where a majority of the unitholder-elected board members vote for the merger,
- FSA approval and
- Resolution of the unitholders to approve the merger with a majority of 75% or more of the number of votes cast at the unitholders' meeting in the Merging Fund.

Administrative costs

Administrative costs of the merger will be charged to Pareto Asset Management AS.

Confirmation of completion

An independent confirmation of completion of the merger will be prepared by Pareto Høyrente's auditor Deloitte AS. The confirmation shall assess whether the merger has been carried out in accordance with the principles stipulated in the merger agreement, describe the method for calculating the exchange ratio between the funds and assess whether it has been followed. The confirmation will be available by contacting Pareto Asset Management AS at email post@paretoam.com or phone +47 22 87 87 00.

Measures against money laundering

European Fund Administration S.A. which leads the shareholder register of Pareto SICAV, has the right to require further documentation in the absence of documentation regarding customer control of existing shareholders if this has not been delivered to Pareto Asset Management AS or has expired on date or otherwise deemed insufficient under applicable anti-money laundering legislation or good business practice in Luxembourg.

Additional information and documentation available to unit holders

The following documents are available upon request or by reviewing at Pareto Asset Management's registered address during regular office hours from the date of this announcement until the date of the Shareholder Meeting and, if the necessary resolutions are reached, through the completion date:

- Articles Pareto Høyrente
- Prospectus Pareto Høyrente
- Key information Pareto Høyrente
- Latest Annual Report Pareto Høyrente
- Articles of Association Pareto SICAV
- Prospectus Pareto SICAV
- Key information Pareto Nordic Cross Credit
- Merger Agreement

Shareholders who wish to subscribe or request copies of the foregoing documents in the period from the date of this announcement to Effective Date will receive a copy of this Notice and Key Information for the Acquisition Fund.

Changes

Provided that it is considered necessary or advisable, changes may be made to the terms and procedures for the implementation of the merger in accordance with the requirements of the Financial Supervisory Authority, if the members of the board, in consultation with the Custodian and the auditor of Pareto Høyrente, consider such changes to be a non-material character. The unit holders of the Merging Fund will be informed as soon as possible of any such change, including any change in the proposed schedule.