APPENDIX III

GUIDE TO THE MATERIAL DIFFERENCES

MERGING FUND **(Pareto Høyrente)**	**RECEIVING FUND** **(Pareto Nordic Cross Credit)**
Investment Objective and Policies The fund's objective is to achieve the highest possible return, relative to the risk taken by the fund. Pareto Høyrente invests primarily in interest bearing financial instruments issued by Norwegian companies, governments and institutions. The fund only invests in financial instruments denominated in NOK. The investments are expected to give a higher return than traditional interest bearing financial instruments. The performance of the investments will inter alia be tied to profit development of the companies that issued the bonds and the maturity of the financial instruments. Pareto Høyrente may also invest in shares and similar instruments, following a process of restructuring or similar process and/or hold shares as a result of transactions involving securities or the conversion of convertible bonds.	**Investment Objective and Policies** The Sub-Fund's objective is to achieve the best possible return, relative to its risk profile. *The Merging and Receiving Fund have the same objective.* The Sub-Fund will invest in fixed income and fixed income related securities ("debt securities") issued by financial institutions, corporations, agencies, governments and municipalities. The debt securities may include subordinated, hybrids, perpetuals and convertible bonds. The Sub-Fund may invest up to 20% of its Net Asset Value in CoCos. The Sub-Fund will predominantly invest in securities issued by companies domiciled or with a presence in the Nordic region. The Sub-Fund shall invest in debt securities. The debt securities may be rated or unrated, and have credit risk corresponding to Investment Grade or High Yield. The Sub-Fund may also invest in shares and similar instruments (e.g. following a process of restructuring or similar process) and/or hold company shares as a result of transactions involving securities or the conversion of convertible bonds. *The Merging Fund invests in debt securities denominated in NOK issued by Norwegian entities, while the Receiving Fund invests in debt securities in any currency issued by Nordic entities. Hence, the Receiving Fund has a larger and broader investment universe than the Merging Fund. On the other hand, the Receiving Fund may invest up to 20% of its Net Asset*

	Value in CoCos, while the Merging Fund does not have any limit towards CoCos.
Average interest-duration should normally be between 0 and 2 years.	The average interest rate duration of the Sub-Fund's portfolio shall be between 0 and 4 years. An individual bond in the Sub-Fund's portfolio may however have a higher duration.
	Reflecting different bond structures in the Nordic countries, the Receiving Fund has the possibility of potentially taking on higher average interest rate duration than the Merging Fund. There is, however, no difference in strategy.
Derivatives may be used as part of the risk management of the fund.	The Sub-Fund may use financial derivative instruments (FDI's), such as forward rate agreements, futures, options, swaps, CDS (Credit Default Swaps) and other derivatives for both hedging and investment purposes.
Derivatives will not normally be used as an active financial instrument when engaging in general management, but may be used under special circumstances. Expected risk and expected return on the fund's underlying securities portfolio shall remain unchanged as a result of derivative investments.	FDIs may also be used for investment purposes when the targeted exposure of the Sub-Fund is difficult to achieve through the use of debt securities or if FDIs is considered a better investment due other factors, such as, but not limited to liquidity and price.
The fund is permitted to lend securities for a limited period of time against payment from the borrower. Lending of securities will not normally be used, but may under specific circumstances with strong financial incentives be used by the fund.	The purpose of investing in derivatives will not be to achieve leverage, however transactions in FDIs may leverage the Sub-Fund due to the leverage inherent in such instruments. This may result in a higher level of volatility than would be the case if the Sub- Fund did not invest in FDIs. In some circumstances, transactions in FDIs may result in a lower level of volatility than would be the case if the Sub-Fund did not invest in FDIs.
	The Sub-Fund's total exposure from investments in FDIs shall not exceed the Sub-Fund's Net Asset Value.
	The Sub-Fund does currently neither make use of securities financing transactions nor enter into total return swaps or instruments with similar characteristics and as such the Regulation (EU) 2015/2365 of the European Parliament and of the Council of 25 November 2015 is not applicable. The Prospectus will be updated accordingly prior to the use of any such techniques or instruments.

	In addition to differences in terms of wording, the Receiving Fund has more flexibility in terms of the use of FDIs. With the use of FDIs the Sub-Fund's volatility may increase, decrease or remain unchanged, as opposed to the Merging Fund where the use of FDIs shall keep risk unchanged. Neither fund currently use securities lending or other securities financing transactions.
Investment in other securities funds constitutes no more than 10 per cent of the fund's assets.	The Sub-Fund may also invest up to 10% of its assets in other Sub-Funds of the Fund as well as other UCITS or UCIs with a similar investment policy as the Sub-Fund. *No material differences between the Merging and Receiving Fund on this point.*
Pareto Asset Management works systematically on ethical considerations in the management of the fund. Pareto Asset Management shall not invest in companies which constitute an unacceptable risk of the fund contributing to unethical acts or omissions. Such contributions could reduce sustainability and long-term value creation. Pareto Asset Management's ethical guidelines are based on the guidelines of Statens pensjonsfond Utland (the Norwegian Government Pension Fund).	Pareto Asset Management works systematically on ethical considerations in the management of the Sub-Fund. Pareto Asset Management shall not invest in companies which constitute an unacceptable risk of the Sub-Fund contributing to unethical acts or omissions. *Companies excluded by the Norwegian Government Pension Fund are automatically excluded from the investment universe of the Sub-Fund. Furthermore, sustainability analysis is part of the investment process and the Sub-Fund will select investments based on its own assessment of environmental, social and corporate governance performances. The Sub-Fund will not have direct exposure to fossil energy production through coal or oil companies. Hence, ESG issues will be a more important consideration in the Receiving Fund.*
Currency hedging Not applicable	*Currency hedging* The Sub-Fund will use derivatives to hedge currency exposure to financial instruments denominated in currencies other than the Reference Currency of the Sub-Fund. For Classes of Shares denominated in other currencies than the Reference Currency of the Sub-Fund, the individual Class of Shares will be hedged towards exposure to the Reference Currency of the Sub-Fund.

	The Merging Fund does not do currency hedging as the fund's entire investments are denominated in NOK and the fund's only share class is denominated in NOK.
Benchmark index The fund's benchmark index is Oslo Børs statsobligasjonsindeks, 1 year (ST3X). The fund will not replicate the benchmark index and can freely choose which securities it will invest in. Thus the benchmark index does not reflect the risk in the fund. In order to promote liquidity in the Norwegian government securities market, Norges Bank has entered into agreements with some banks to be primary dealers in bills and bonds. The banks are obliged to set binding bid and ask prices on the Oslo Stock Exchange for each government security. For investments that are normally traded in a fixed income fund with credit risk other than government, no similar agreements exist. Thus the benchmark index does not reflect liquidity risk related to the fund's fixed income investments. Credit risk is the likelihood that an issuer of a bond will not be able to meet its obligations when the bond matures. Bond funds are exposed to credit risk through their investments in fixed income securities. It is in the fund's mandate to seek credit risk other than secure government bonds and bills in order to achieve a return that reflects the risk profile. Thus the benchmark index does not reflect the credit risk related to the fund's fixed income investments.	**Benchmark index** The Sub-Fund does not have a benchmark the sub-fund's performance is compared against. The Sub-Fund is actively managed and does not aim to track the composition of any benchmark index. Furthermore, there is no existing benchmark matching the Sub-Fund's investment universe, nor reflecting its flexibility in terms of geography and ESG assessments. *With the exception of the investment universe being much wider in the Receiving Fund, a matching benchmark index would be the same for the two funds.*
Risk profile The fund's risk profile is moderate. The fund's credit risk is moderate. The fund's risk profile is described in more detail in the Key Investor Information Document of the fund.	**Risk profile** All investment in the Sub-Fund carries risk, and should be regarded as long term in nature and is only suitable for investors who understand the risks involved and who are able to withstand the loss of their invested capital.

	Investing in the Sub-Fund involves certain considerations in addition to the risks normally associated with making investments in securities. There can be no assurance that the Sub-Fund will achieve its investment objective. The value of Shares in the Sub-Fund may go down as well as up and there can be no assurance that on a redemption, or otherwise, investors will receive the amount originally invested. Typical risks associated with investment in a portfolio of high yield bonds are, but not limited to: • Default risk (or credit risk) of a bond refers to the risk that a bond issuer will default on any type of debt by failing to make payments which it is obligated to do. The risk is primarily that of the bondholder and includes lost principal and interest, disruption to cash flows, and increased collection costs. The loss may be complete or partial and can arise in a number of circumstances. • Changes in interest rates and/or credit spreads may affect bond prices. These risks do not affect all bonds equally. Longer maturity bonds will experience a greater change in price than shorter maturity bonds for a given change in rate and/or credit spreads. • Liquidity risk may arise when one or more securities are difficult to dispose of, either during certain market conditions or company specific circumstances. • The net asset value of the Sub-Fund will be computed in NOK whereas the Sub-Fund's investments may be acquired in other currencies. Currency fluctuations may impact the value of the Sub-Fund's investments. The portfolio manager will seek to minimize currency risk by using derivatives. *The funds have a similar risk profile, however described differently in the two funds' constitutional documents.*
Investment Restrictions The Merging Fund is not permitted to invest more than 10% of its net assets in aggregate in any one open-ended collective investment scheme. The other investment restrictions applicable to the Merging Fund are set out in the Articles of Association.	**Investment Restrictions** The Receiving Fund is not permitted to invest more than 10% of its net assets in aggregate in any one open-ended collective investment scheme. The other investment restrictions applicable to the Merging Fund

<u>Borrowings</u> The same requirements apply to the Merging Fund and the Receiving Fund. **<u>Risk Management</u>** *The risk management process is not addressed in the constitutional documents of the Merging Fund. However, the methods applied by Pareto Asset Management AS do not differ in methodology from the ones used by the Receiving Fund.*	are set out under the section entitled Investment Restrictions in the Prospectus. *The main difference in terms of investment restrictions is under the Liquidity requirements. The Receiving Fund may invest in financial instruments which are admitted to official quotation on a stock exchange in a country outside the EEA or dealt in on another regulated market in such a country which operates regularly and is open to the public.* *While the Merging Fund may not invest in such markets, the Investment Manager considers this flexibility to be in the interest of the shareholders, as companies domiciled or with a presence in the Nordic region may have financial instruments listed on exchanges or other regulated markets outside the EEA.* **<u>Borrowings</u>** **<u>Risk Management</u>** In compliance with the CSSF Regulation 10-4, the ESMA Guidelines on risk measurement and the calculation of global exposure and counterparty risk for UCITS (ref.: ESMA/10-788) and the ESMA Guidelines on risk management principles for UCITS (ref.: ESMA/09-178), the Management Company employs a risk management process, which enables it to monitor and measure at any time the risk of the positions and their contribution to the overall risk profile of the portfolio, the Management Company will use the commitment approach to measure, at least once a day, the global exposure of the Sub-Fund.
Profile of a Typical Investor *The profile of the typical investor of the fund is not explicitly addressed in the constitutional documents of Pareto Høyrente; however, the investment manager considers the profile of a typical investor to be the same for both the Merging and the Receiving fund.*	**Profile of a Typical Investor** The Receiving Fund may be appropriate for investors who: • want and are able to assume credit and interest rate risks, • have an investment horizon of 1 to 3 years, • seek capital appreciation over the long term, • are willing to take on the increased risk associated with the investment.
Fees and Expenses The management fee is the management company's compensation for managing the fund.	**Fees and Expenses** **Management Company Fee**

The management fee is based on the Fund’s daily value, calculated in compliance with Section 11 of the Articles of Association. Transaction-related costs, in relation to this article, are understood to mean brokerage commission, bank changes and custodial costs that accrue upon the execution of transactions on behalf of the fund. The Management Company will receive a management fee that is not allocated equally to each unit. The fixed management fee is differentiated based on the number of units held in the fund by individual unit holders. No discount is given for less than 20 000 units. Without a discount, the fixed management fee is maximum 0.65 per cent per annum. Consequently the management fee for units from 0 up to and including 20 000 is 0.65 per cent per annum. The following discounts are given The 30 000 following units are given a discount of 0.45 percentage points of the management fee of 0.65 per cent per annum. This means that the management fee for the units from 20 001 up to and including 50 000 constitutes of a management fee of 0.20 per cent per annum. The next units are given a discount of 0.54 percentage points of the management fee of 0.65 per cent per annum. This means that the management fee for the units from 50 001 constitutes of a management fee of 0.11 per cent per annum. The discount is refunded to the unit holder’s minimum yearly in the form of new shares in the fund or cash payment. All costs that the management company may charge to the fund are included in the aforementioned percentage fee, with the exception of transaction-related costs. Costs related to the subscription and redemption of units is regulated by Sections 13 and 14 of the Articles of Association. The Management Company, Pareto Asset Management AS, may invest the Fund’s assets in sub-funds charged with a maximum annual management fee of 1 per cent.	The Management Company will receive a maximum fee of 0.08% per annum calculated on the Net Asset Value of the Receiving Fund on each Valuation Day for the provision of its services. **Investment Management Fee** The Investment Manager shall be entitled to receive out of the assets of the Receiving Fund an annual fee of (i) 0.55% of the Net Asset Value of the A Classes of Shares, (ii) 0.40% of the Net Asset Value of the H and H-I Classes of Shares and (iii) 0.30% of the Net Asset Value of the I Classes of Shares. **Performance fee** There is currently no Share Classes with performance fee in the Receiving Fund. **Depositary Fee** The Depositary will receive a depositary fee determined as an annual percentage calculated per market on a monthly basis based on the Receiving Fund’s assets and paid monthly in arrears. The Depositary will further receive a supervisory fee of 0.0060% p.a. based on the Receiving Fund’s assets. The Depositary shall also be entitled to reimbursement of all reasonable out-of-pocket expenses relating to the custody services rendered. The Depositary Fee does not cover operational costs such as costs of buying and selling securities, transaction fees and correspondent bank charges. **Administrator, Registrar and Transfer and Domiciliary Agent Fee** In addition to the fees payable to the Management Company as mentioned in section "Fees and Expenses" in the main part of this Prospectus, the Management Company will receive a fee with a maximum of EUR 3,700.- per Share-Class, out of the net assets of the Sub-Fund. The Administrator, Registrar and Transfer and Domiciliary Agent shall also be entitled to reimbursement of all reasonable out-of-pocket expenses relating to the services thereto. **Other Charges and Expenses** The other charges and expenses borne by the Sub-Fund are mentioned in section "Fees and Expenses" in the main part of this Prospectus.

The management fee charged to the sub-funds will be in addition to the management fee payable to Pareto Asset Management AS as stated above. Any retrocession received by Pareto Asset Management AS from a management company or equivalent for a sub-fund is regarded as a management fee payable to Pareto Asset Management AS and shall be included in the management fee charged to the main fund, specified above as a maximum of 0.65% per annum. **Subscription Charge** A Subscription Charge up to 0.5%. **Redemption charge** A Redemption Charge of up to 0.5%.	The other charges and expenses borne by the Sub-Fund are mentioned in section "Fees and Expenses" in the main part of this Prospectus. *The current Key Investor Information Document (KIID) of the Merging Fund show an ongoing charge of 0.65%, while the KIIDs for the A share classes of the Receiving Fund show an ongoing charge of 0.70%. Hence, investors can expect the Receiving Fund A share classes to have a higher ongoing charge than the Merging Fund on the effective date of the merger.* *The costs and fees specified above imply that the total expense ratio, inclusive of tax (see below), of the A share classes can be both lower and higher than the nominal 0.65% fee of the Merging Fund, dependent on among other things the assets under management in the Receiving Fund. All other things alike, an increase in the assets under management will result in a decrease in the expense ratio and vice versa.* *In contrast to the Merging Fund, all fees apply to all units of each unitholders in the Receiving Fund, not only the units above a specified threshold. Thus a direct comparison between the two funds, given a total value exceeding 20,000 units in the Merging Fund, must be made on the basis of a specified asset value.* **Subscription Charge** A Subscription Charge up to 0.5%. **Redemption charge** A Redemption Charge of up to 0.5%.
Dividend Policy Realised gains shall be distributed to the unit-holders. Realised gains on the fund's investments in bonds, derivatives and other taxable financial income will be distributed. Realised gains will be paid once a year to the	**Dividend Policy** Except for the DIS Classes of Shares, the Sub-Fund shall not distribute any dividend and all net investment income and all net realised and unrealised capital gains

unit holders registered in the fund's Register of Unit holders as at 31 December. Dividend will be distributed to the unit-holders. Dividend will be paid as income from interest. Dividend will be paid once a year to the unit holders registered in the fund's Register of Unit-holders as of 31 December.	will be accumulated and will increase the Net Asset Value of the Shares of the Sub-Fund. The DIS Classes of Shares will distribute dividends to its Shareholders upon decision of the Company. Such dividends are paid on a quarterly basis or such other frequency as resolved by the Company.
Dealing **Subscription:** Subscription of new units shall take place at the unit price calculated at the first valuation after the time of subscription (which is when the subscription form has been received by the management company, funds in accordance with subscription is received and a customer due diligence has been performed), with the addition of any charges relating to the subscription. The time of subscription must fall within 12.00 (GMT +1) for the first valuation point after subscription to apply. **Redemptions:** Redemption shall take place at the unit price calculated on the first valuation after receipt of the request for redemption by the management company. The redemption request must be received by the management company by 12.00 (GMT +1) in order for the first valuation following receipt of the redemption request to be used as the basis. Payment of redemption proceeds will normally be made within two (2) Business Days after the relevant Valuation Day.	**Dealing** **Valuation Day** The Net Asset Value of each Class of Shares shall normally be calculated on each Business Day which then also qualifies as a "Valuation Day". The Net Asset Value of each Class of Shares will be made available on each Valuation Day in the reference currency of each Class of Shares by the Administrator at the registered office of the Fund. The Net Asset Value of each Class of Shares may be reported in such other currencies as decided by the Directors. **Business Day** Business Day is a day on which banks are normally open for business in Luxembourg, Norway and Sweden, except for 24 December in each year. In addition, days when local markets on which the Sub-Fund holds a substantial portion of its investment are closed, are not Business Days. **Subscriptions:** Shares are available for subscription on each Valuation Day. Applications for Shares must be received by the Registrar and Transfer Agent by no later than 12.00 noon (Luxembourg time). Applications so received will be dealt with on the basis of the Net Asset Value per Share of that Valuation Day calculated on the same Business Day with the last available closing prices of such Valuation Day. Subscription proceeds must be received by the Custodian on an account of the Fund within two (2) Business Days after the relevant Valuation Day. Applications for Shares received by the Registrar and Transfer Agent after 12.00 noon (Luxembourg time) will be dealt with on the basis of the Net Asset Value per Share of the next Valuation Day. **Redemptions:** Shares are redeemable at the option of the Shareholders. Completed redemption requests should be sent to the Registrar and Transfer Agent to

Base Currency: NOK	be received no later than 12.00 noon (Luxembourg time). Requests so received will be dealt with on the basis of the Net Asset Value per Share of that Valuation Day calculated on the same Business Day with the last available closing prices of such Valuation Day. Redemption requests received by the Registrar and Transfer Agent after 12.00 noon (Luxembourg time) will be dealt with on the basis of the Net Asset Value per Share of the next Valuation Day. Payment of redemption proceeds will normally be made within two (2) Business Days after the relevant Valuation Day. A request for a partial redemption of Shares may be treated as a request for the redemption of the entire holding if, as a result of such partial redemption, the total Net Asset Value of the Shares retained by the Shareholder in the Sub-Fund would be less than the minimum holding. **Base Currency**: NOK
Tax The Merging Fund will as far as practical distribute an amount equivalent to the fund's taxable income to the unit-holders, in such a way that the fund will be in a non-taxpaying position, cf. the Articles of Association Section 8. This is distributed through the issue of new units. The unit price will then be adjusted in proportion to value of the taxable income per unit. *The Merging Fund has a carry-forward loss of NOK 308.6 million as of 31 December 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 loss, no distributions to unit-holders will be made. The carry-forward loss is valued at zero in the Net Asset Value of the Merging Fund, and the carry-forward loss will lapse in the merger. The effect of the carry-forward loss for the individual unitholder in Pareto Høyrente depends on the individual's tax status. In general, the carry-forward loss gives the fund's unitholders a deferred taxation of the interest income earned in the fund. The unitholders will have a similar effect on their holdings in the Receiving Fund since the Receiving Fund does not make distributions to the share holders (unless the unitholders choose to invest in a distributive share class).*	**Tax** The Receiving Fund is liable in Luxembourg to a taxe d'abonnement of 0.05% per annum of its net assets, such tax being payable quarterly and calculated on the Net Asset Value of the Receiving Fund at the end of the relevant quarter. The reduced taxe d'abonnement rate of 0.01% per annum will be applicable to Classes the Shares of which are exclusively held by Institutional Investors.
KIIDs and Risks *The risks of the two funds are generally the same.*	**KIIDs and Risks**