

Pareto Nordic Bond Funds Update

Nordic Bond Markets in February 2021

The positive development for the Nordic market continued in February, fueled by the potent momentum for risk assets globally. February continued with high activity in the primary market, basically across all sectors in the Nordic region. Large new issue volumes have evidently absorbed some of the investor demand, resulting in somewhat lower activity in the secondhand market. Market sentiment ended the month on a negative note with risk assets falling back globally, primarily caused by rising longer-dated interest rates in the US. Consensus amongst Norwegian banks is moving towards potentially two interest rate hikes by Norges Bank, already in 2021. Banks in the region are now revising their prognosis in conjunction with supportive economic data and long rates in the US moving north. In sum, the relative attractiveness of the Nordic region is very much intact, with supportive macro figures and credit spread premiums.

Pareto Nordic Cross Credit	Pareto Nordic Corporate Bond	Pareto ESG Global Corporate Bond
Highly diversified Nordic credit fund. The fund excludes investments into oil-related activities, holding a fossil free profile guided by sound ESG principles. It offers broad access to the quality end of high-yield and crossover segment with ultrashort duration and relatively short time to maturity. Strategy inception was in 2001, initially as a Norwegian fund.	Diversified across some 120 issuers in a wide range of business sectors. Conservative style based on deep inhouse credit analysis. Local market knowledge offers opportunities in this predominantly unrated market. Short duration and attractive credit spreads in an economically strong region. Strategy inception in 2006, initially as a Norwegian fund.	Fund with well-diversified portfolio of global credits, managed from our Nordic base, yet with a global view. As a Swan ESG labeled fixed income fund, it follows strict requirements on sustainability criteria for every investment made. Focus is on non-cyclical businesses in the US, and European and Nordic regions. Relatively short duration.

At the core of every Pareto investment strategy is a bespoke credit assessment process: With long-standing proprietary credit evaluation models, combined with dedicated local expertise and access to the issuers. The approach provides a Nordic/Global corporate credit exposure with low geopolitical risk and a sound ESG profile.

	Pareto Nordic Cross Credit	Pareto Nordic Corporate Bond	Pareto ESG Global Corporate Bond
Yield to Maturity EUR	2.0%	4.0%	3.0%
Yield-to Worst EUR	1.9%	3.8%	2.7%
Average Spread-to-Worst	237bps	434bps	336bps
Modified Duration	0.2	0.8	1.9
Credit Spread Duration (Sensitivity)	1.9	2.2	3.1
Time to Maturity	2.2	2.7	4.4
Assets under Management (mEUR)	197	1 315	223
# of Issuers	119	126	88
2021 Return YTD EUR	0.7%	1.8%	0.9%

Pareto Nordic Cross Credit

Pareto Nordic Cross Credit returned 0.21 % in EUR-hedged for the month of February. Now, with long interest rates in the US moving north, the strategy stands out as particularly interesting - holding 89 per cent of its portfolio in floating-rate notes. At portfolio level this results in an ultra-low interest sensitivity, with a modified duration of 0.2.

The fund was very active in the primary and secondary market over the course of the month. Part of the activity involved refinancing of bonds with short time to maturity. The specific names were Norske Skog (Pulp & Paper), Orexo (Pharmaceuticals) and Ice Group (Telecom). In the secondhand market we increased our positions in Volvo Car (auto), Islandsbanki (banking) and Landshypotek Bank. Two covered bonds were purchased, KLP Boligkreditt and Stadshypotek, and a new acquaintance for the fund was introduced, namely Desenio Holding (Interior & Design).

The fund will pose as an attractive proposition for investors seeking yield with ultra low interest rate sensitivity.

Pareto Nordic Corporate Bond

The fund returned 0.81 % in EUR-hedged for the month of February. The fund's portfolio is well positioned to encounter increased market volatility due to the low interest rate and credit risk duration at 0.8 years and 2.2 years, respectively. In addition, the fund has relatively low exposure to sectors which are sensitive to rising interest rates, such as real estate. The reporting season is well under way and most of the companies in the portfolio have delivered solid reports so far. There were no default events recorded in the Nordic high-yield market in February, and the fund has not been exposed to any default events year-to-date.

The primary market activity has been high throughout the month with 25 new issues, of which the fund has participated in five. Three of the new issues were refinancing of existing holdings, while two were new holdings (Heimstaden AB and Modex, a container leasing company). Average value weighted spread for the new issues in February was approximately 495 basis points compared to an average spread of 575 bps for the deals in which we participated.

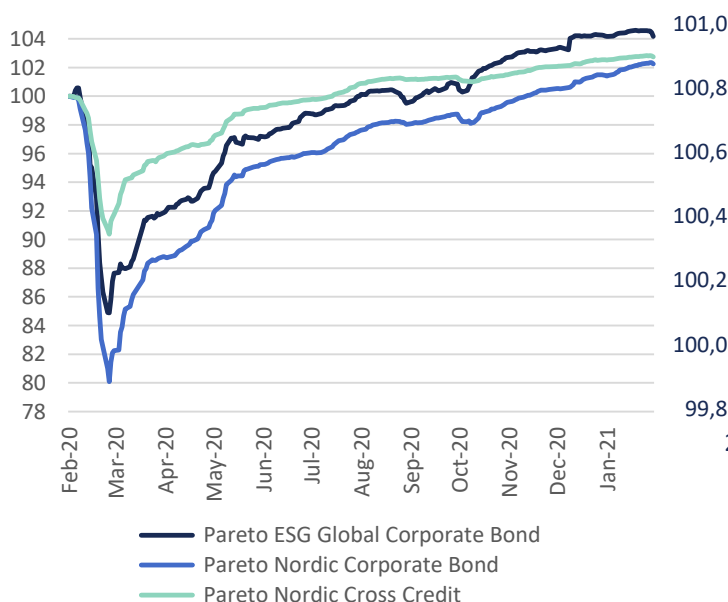
Pareto ESG Global Corporate Bond

Despite the turbulence and fall in most global credit indices, the fund performance was relatively unchanged during the month. So far this year the fund has developed nicely, returning 0.94 % in EUR-hedged class.

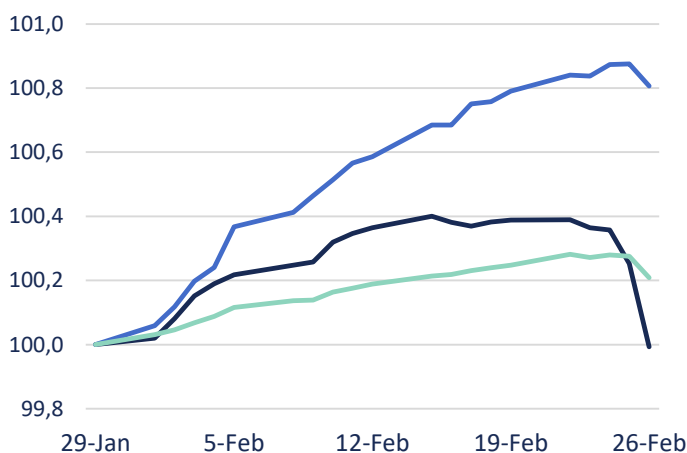
The global high-yield fund participated in several new issues, such as Kloeckner Pentaplast (recycled plastic production), Scatec Solar (solar energy), Catalent (pharmaceuticals) and IQVIA (health care). Kloeckner Pentaplast and Scatec Solar are new holdings in the portfolio. In the secondary market, we picked up bonds in several names, such as Picard (frozen food), Ball Corp (packaging), Kraton Polymers (biobased chemical company), Loxam (logistics) and Digiplex (data storage).

So far we have not experienced one single default during the pandemic. The latest quarterly figures further indicate a positive momentum for the respective business. We argue that the fund is well positioned in the global high yield market, with its conservative tilt, and poses as an attractive proposition for clients seeking ESG exposure.

Last 12 months performance in EUR



MTD performance in EUR



— Pareto ESG Global Corporate Bond
— Pareto Nordic Corporate Bond
— Pareto Nordic Cross Credit

Share Classes (additional ones are available) [Minimum Investment]	Pareto Nordic Cross Credit	Pareto Nordic Corporate Bond	Pareto Global Corporate Bond
A EUR [1€]	LU2023199552	LU1608101579	LU1327537681
A/C NOK [1€]	LU2023199396	LU0922130215	LU1199946085
H EUR [5m€]	LU2023200236	LU1311575093	LU1199946242



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