

Pareto Bond Funds - Update

Nordic Economies and Nordic Bond Markets in September 2022

In September, Nordic markets were heavily impacted by global events: Market volatility was sparked by the U.S. Federal Reserve's interest rate decision and hawkish comments from several members of the Federal Reserve. It then further increased on the news that the Bank of England had intervened in the UK bond market. In a U-turn from its original plan to sell bonds to curtail inflation, the central bank said it would instead buy long-dated gilts. We expect the volatility of recent months to prevail in the Nordics until we see indications of leading central banks slowing down their hawkish monetary policy, and signs that inflation, globally, is becoming more manageable. On the positive side, activity levels in the Nordic high-yield primary market picked up, although still below last year's levels. It is reassuring to see that the primary market is open to new and less frequent issuers.

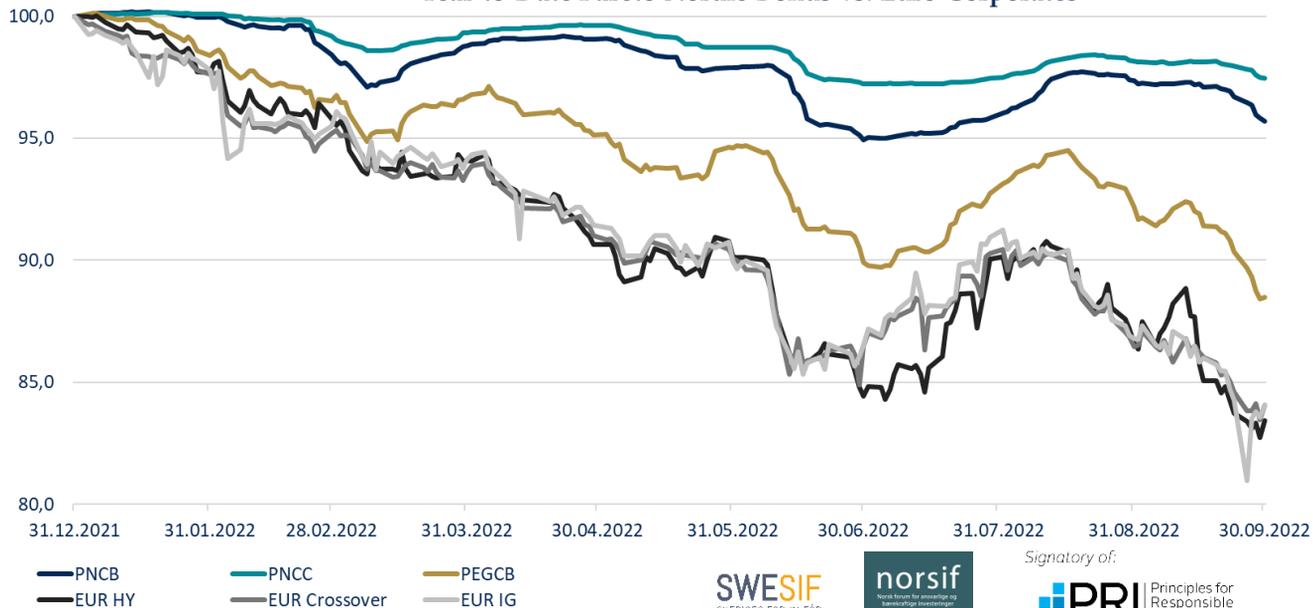
Pareto Nordic Cross Credit [Article 8 of SFDR]	Pareto Nordic Corporate Bond [Article 8 of SFDR]	Pareto ESG Global Corporate Bond [Article 9 of SFDR]
Highly diversified Nordic credit fund. The fund excludes investments into oil-related activities, holding a fossil free profile guided by sound ESG principles. 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 Nordic Swan ECO labeled fixed income fund, it follows strict requirements on sustainability criteria for every investment made. Focus is on non-cyclical businesses in the US, European and Nordic regions with relatively short duration.

The core of every Pareto bond strategy is a bespoke credit assessment process, based on 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 NOK	6.4 %	9.6 %	9.4 %
Yield to Maturity EUR	4.0 %	7.2 %	7.1 %
Average Spread-to-Worst	351 bps	616 bps	504 bps
Modified Duration	0.2	0.8	2.7
Credit Spread Duration (Sensitivity)	1.9	2.2	3.9
Time to Maturity	2.2	2.5	4.3
Assets under Management (mEUR)	302	1 198	253
# of Issuers	118	113	82
2022 Return YtD EUR	-2.7 %	-4.3 %	-11.5 %

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<p>The volatility in September affected Pareto Nordic Cross Credit, and the fund's total return ended negative for the month at -0.7% (EUR-hedged), reversing its gains of August. Overall, the fund's return for the third quarter was positive at 0.3%. Pareto Nordic Cross Credit stands at -2.5% year to date.</p> <p>The activity level in the investment grade market stayed high. Issuers in this segment are generally less sensitive to volatile markets, given their relatively high frequency of issuances. The Nordic HY primary market also picked up in September after a long summer holiday.</p> <p>The fund traded bonds for approx. NOK 330m in September in an 80/20 split between buying and selling. We participated in one attractive primary issuance, Boliden (3-year FRN). In the secondary market, we bought municipalities, banks, and non-financial corporate bonds, all in familiar names. Selling was done within the bank and non-financial corporate bond sectors.</p> <p>The fund maintains its ultra low interest sensitivity (mod. duration of 0.2), while offering an attractive yield (YtM) of 4%.</p>	<p>In a reversal to its August performance, Pareto Nordic Corporate Bond was down -1.7% for the month of September, measured in EUR. In the face of strong market volatilities, the fund was able to generate an overall positive return for the third quarter, returning 0.8%. Year to date the fund stands at -4.3% in EUR-hedged and -3.1% in USD-hedged.</p> <p>Increased interest rates and widening credit spreads so far this year have contributed to a significantly higher yield for the fund, which has an overweight of floating rate notes.</p> <p>Activity levels in the Nordic high-yield primary market picked up in September, with 13 issuers tapping the market for the equivalent of NOK 18 bn, as compared to 33 issuers (NOK 33 bn) in September of last year. Total issued volume for the first nine months of 2022 ended at NOK 79 bn, against NOK 248 bn during the same period of 2021.</p> <p>The portfolio remains robust, with no negative credit events year to date.</p>	<p>Pareto ESG Global Corporate Bond returned -4.0% for the month of September, which was roughly in line with Global High Yield markets, in EUR-hedged terms. This brings the year to date figure to -11.5%.</p> <p>Performance was negatively affected by rising credit spreads and rising interest rates, respectively, after inflation figures in the US and Europe remained high.</p> <p>The net issuance forecast for 2022 is around USD -130bn for US HY and around zero in European HY. Many companies that issue high yield do not have large liquidity needs in the near future, which is very positive given the turbulence in the market.</p> <p>It is a painful but probably healthy transition from an environment with negative or zero interest rates and low credit spreads. Healthier business models will be rewarded and stronger companies with greater flexibility will cope better in this challenging time. Those are the type of companies we are focusing on for the fund.</p> <p>The fund sold was selling Intrum, Solenis, Energizer, Swiss Life, Momox and Spie in September.</p>

Year-to-Date Pareto Nordic Bonds vs. Euro Corporates



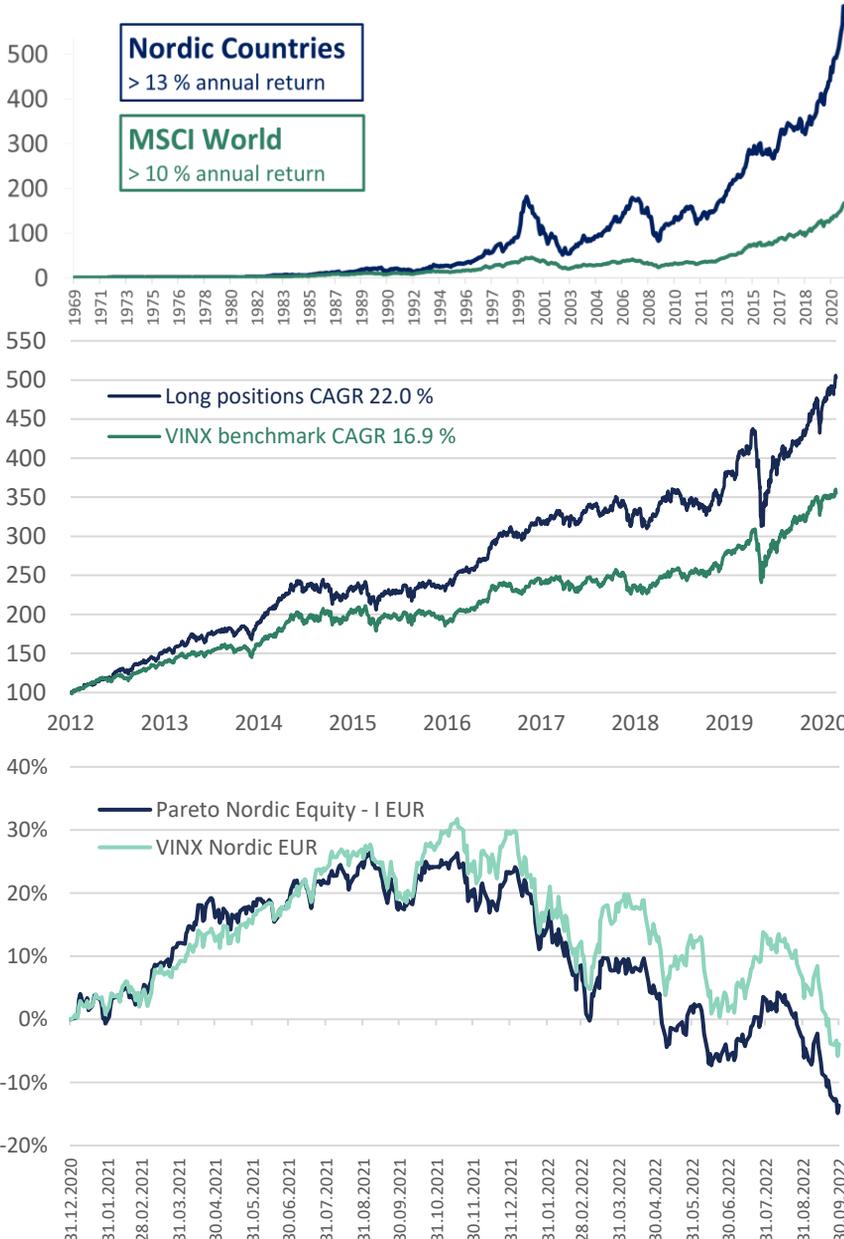
Signatory of:



Pareto Nordic Equity - Update

Pareto Nordic Equity in September 2022

The Nordic equity markets continued to decline in September. High energy prices, higher interest rates and possible risks from the war in Ukraine continue to affect our portfolio negatively. Higher energy prices depress demand and increase costs for our companies, while rising inflation pushes valuation multiples lower. We have not been invested in oil companies, the only sector, in addition to pharma, with positive returns this year. In the portfolio, median organic revenue growth in Q2 was 11% y/y. We believe that growth will be lower in Q3, but still a long shot from doom scenarios that are discounted in some companies. The share prices of our companies reflect status quo to continue for a prolonged period. We do not believe that it will. Natural gas prices in Europe, as a result of the Ukraine war, are ten times their "normal" levels. With all available resources been thrown into repairing this damage, we would take the under on that bet.



Nordic Outperformance

The Nordic equity markets have shown superior performance over many years, characterized by being top notch in sustainability implementation. A consistently business friendly and innovative environment, with strong governance: The Nordics provide a great setting for value creation.

Pareto Track Record

The fund's lead portfolio manager has managed a Nordic mixed fund since 2012; the performance of the long equity positions have outperformed the Nordic Index by 5% (22,0% vs. 16,9%) on an annualized basis.

Value Creation

A concentrated portfolio of sustainability leaders and a focus on long-term capital return. The investment process is seeking for companies with low financial leverage and good predictability of earnings, for a portfolio with downside protection and long-term out-performance.

Fund Key Data [Art. 8 of SFDR]

Return YTD [D EUR]	-29.9 %
Volatility (STD ann.)	25.2 %
# Holdings	24
AuM [in m€]	86

Bond Fund Share Classes (sample) [min. initial investment]	Pareto Nordic Cross Credit	Pareto Nordic Corporate Bond	Pareto Global Corporate Bond
R EUR / A EUR [1 €]	LU2200514128	LU1608101579	LU1327537681
R / A / C NOK [1 €]	LU2200513666	LU0922130215	LU1199946085
H EUR [5m €]	LU2023200236	LU1311575093	LU1199946242

Equity Fund Share Classes (sample) [min. initial investment]	Pareto Nordic Equity D EUR [min. 5m €]	Pareto Nordic Equity D NOK [min. 50m NOK]	Pareto Nordic Equity B NOK [min. 1m NOK]
ISIN	LU1904797732	LU1653072915	LU1904797575



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