

# Pareto Bond Funds - Update

## Nordic Economies and Nordic Bond Markets in April 2022

The Swedish Riksbank raised the key policy rate from 0 % to 0.25 % and signaled there was more to come. The rate in Norway is currently at 0.75 %, significantly above the EU rate. The Norwegian central bank has further communicated that the rate is likely to hit 2.5 % by the end of 2023. At the same time, the Norwegian government is benefitting from high natural gas prices, ensuring record-breaking inflow to the Sovereign wealth fund. This puts the country in a unique position, in times when most major economies have been printing money for consecutive years. The Nordic high-yield market has kept up very well and shown resilience and stability post March 2020. Default rates have gone to virtually zero and stayed at that level since 2021. The market is further tilted towards floating rate notes and shorter tenors compared to EU & the US, which might interest international investors.

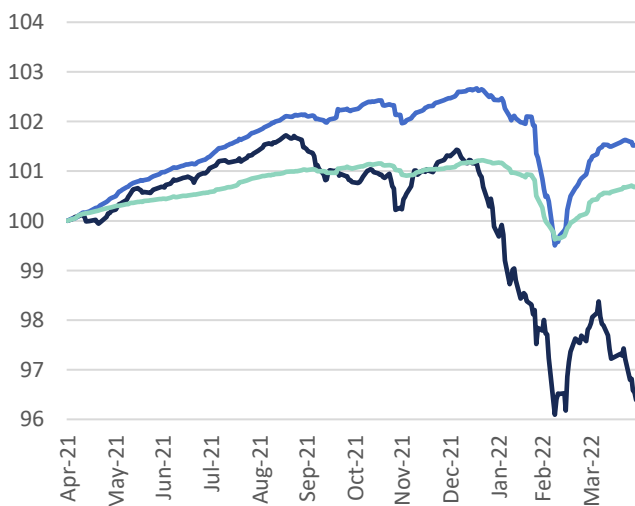
Pareto Nordic Cross Credit [Article 8 of SFDR]	Pareto Nordic Corporate Bond [Article 8 of SFDR]	Pareto ESG Global Corporate Bond [Article 9 of SFDR]
Highly diversified Nordic credit fund. The fund excludes investments into oil-related activities, holding a fossil free profile guided by sound ESG principles. 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, and European and Nordic regions. 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.

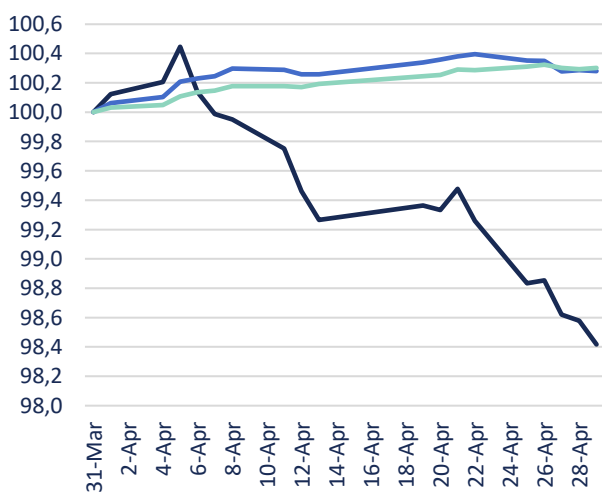
	Pareto Nordic Cross Credit	Pareto Nordic Corporate Bond	Pareto ESG Global Corporate Bond
Yield to Maturity EUR	1.7 %	4.0 %	4.5 %
Yield-to Worst EUR	1.7 %	3.9 %	4.5 %
Average Spread-to-Worst	215 bps	401 bps	386 bps
Modified Duration	0.3	0.9	2.1
Credit Spread Duration (Sensitivity)	2.0	2.2	4.0
Time to Maturity	2.2	2.5	4.4
Assets under Management (mEUR)	366	1 633	249
# of Issuers	129	133	83
2022 Return YTD EUR	-0.4 %	-0.9 %	-4.8 %

<b>Pareto Nordic Cross Credit</b> [Article 8 of SFDR]	<b>Pareto Nordic Corporate Bond</b> [Article 8 of SFDR]	<b>Pareto ESG Global Corporate Bond</b> [Article 9 of SFDR]
<p>Pareto Nordic Cross Credit returned 0.3 % for the month of April measured in EUR-hedged. The year to date performance now stands at -0.4 %.</p> <p>We participated in two issuances, SBAB Bank and Stena Metall. The former issued a hybrid capital bond (AT1) which we found attractive. Stena Metall is a recycling company which came to the market with a green bond at what we believe were good terms. In the secondary market, we would highlight Norlandia.</p> <p>The fund provides investors with an ultra low duration proposition, which is likely to withstand the current volatile risk sentiment. More than 90 % of the holdings are floating rate notes, leaving the fund with an ultra low interest sensitivity and a modified duration of 0.3. Credit duration is also in the low end, at 2.0.</p> <p>The breakdown between investment grade and high-yield is roughly 60/40. YTM for the USD-share is now at 3.7 %.</p> <p>Volatility is further reduced through the use of conservative credit filters.</p>	<p>Pareto Nordic Corporate Bond has exhibited resilience also during the month of April, returning 30 bps in EUR-hedged. This brings the year to date figure down to -0.9 %, well ahead of European &amp; US high yield.</p> <p>YTM for the fund in EUR is now at 4.0 %. The equivalent figure for the NOK and USD-hedged shares stand at 5.7 % and 6.0 % respectively.</p> <p>We anticipate further interest rate hikes in the coming months, both in the Nordics and globally. The fund is well position for such a scenario, combining yield and low duration. 2021 and year to date performance stands as evidence in relation to the above statement.</p> <p>Strategically we have increased our holdings in energy (13.6 %) and shipping (13.7 %) over the last few months, to further improve the portfolio ability to operate in the inflationary environment. Since the start of 2021 we have significantly reduced our holdings in industrials from 14.3 % to 7.3 %. No negative credit events have been recorded in 2021 or 2022. The fund continues to hold a short duration, with mod duration at 0.8 and credit duration at 2.2.</p>	<p>Pareto ESG Global Corporate Bond returned -1.5 % during the month of April. Year to date the fund is down 4.9 % in EUR-hedged terms.</p> <p>Yield to maturity in the EUR share is now at 4.5 %, while the equivalent figure in USD provides 6.5 %.</p> <p>The fund did not participate in any new share issue during the month of April. We did not see any attractive opportunities in the few names that came out in April; instead, we have been cautious also this month in a challenging environment. In the secondary market we added Energizer, Liberty Mutual and Loxam.</p> <p>The fund holds the Nordic Swan Ecolabel, and it is one of few ESG-corporate bond strategies that analyze and score each and every holding in terms of ESG. It should also be noted that the fund has a low carbon footprint, with a supportive analysis conducted by Trucost.</p> <p>The fund is classified as an Article 9 fund according to the SFDR regulation.</p>

Last 12 months performance in EUR



MTD performance in EUR

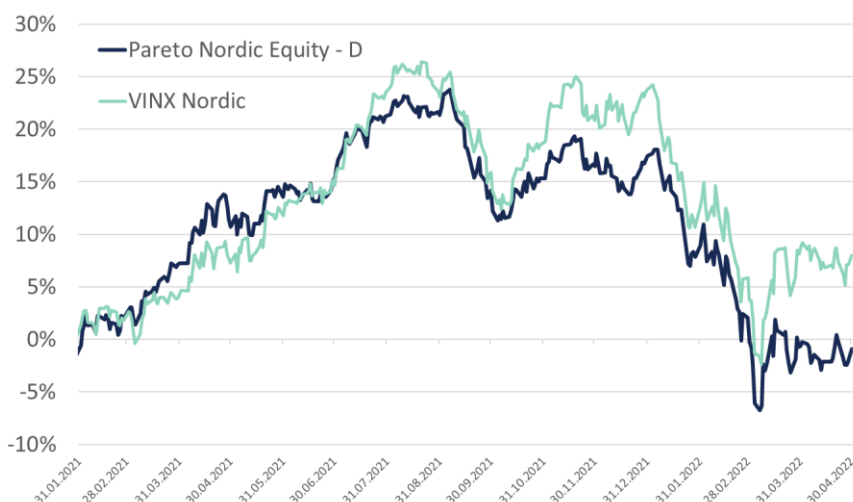
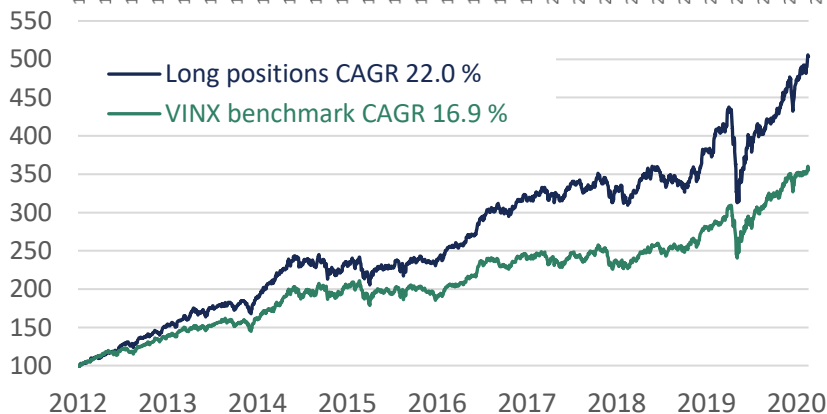
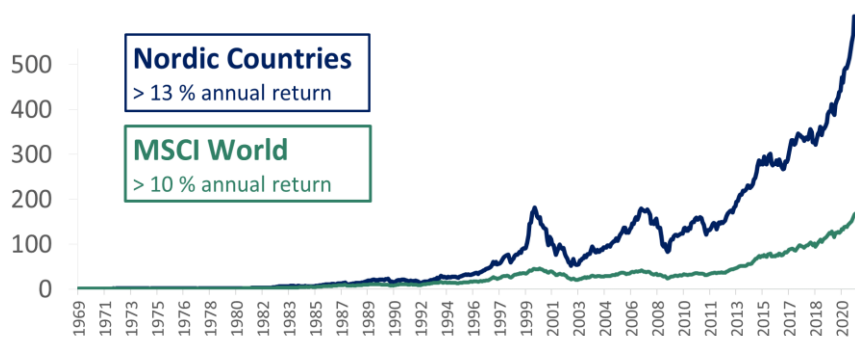


— Pareto ESG Global Corporate Bond  
— Pareto Nordic Corporate Bond  
— Pareto Nordic Cross Credit

# Pareto Nordic Equity - Update

## Nordic Equity in April 2022

The fund was virtually flat in April, slightly better than the broader Nordic equity market. The focus of the month was directed towards the companies' reports for the first quarter. About half of the companies in the portfolio have reported; the general observation is: revenues and profits continue to grow. A most striking element is, however, very strong order intake growth (for those companies where this measure is relevant). We ascribe most of this growth to hoarding behaviour. Customers accelerate purchases in advance of price hikes, which are abnormally large and frequent, and to secure delivery in time. We believe this effect will backfire during the year and, obviously, avoid companies which have been rewarded excessively for delivering order intake growth.



## 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]	-13.8 %
Volatility (STD ann.)	24.4 %
# Holdings	27
AuM [in m€]	108

Bond Fund Share Classes (sample) [min. initial 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

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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