

**Report date: 31 December 2017**

Fund: Pareto Nordic Corporate Bond  
Umbrella fund: Pareto SICAV  
Inception date: 22 April 2013\*  
AUM: NOK 2 258 million  
Benchmark: ST1X - 0.25 years

Category: fixed income fund  
Legal structure: SICAV/UCITS  
Domicile: Luxembourg  
Dealing days: all coinciding banking days in Norway and Luxembourg

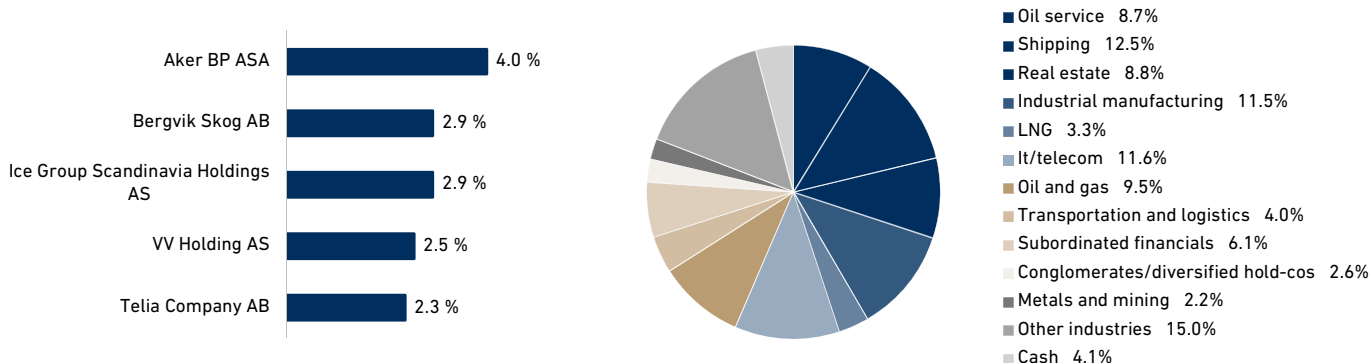
Management company: SEB Fund Services S.A.  
Investment manager: Pareto Asset Management AS  
Custodian: Skandinaviska Enskilda Banken S.A.  
Share class C  
Launch date: 26 October 2015

NAV as at 31 December 2017: 985.7294  
NAV currency: SEK  
Minimum investment: n.a.  
ISIN: LU0922130561  
Bloomberg ticker: PARHYNB LX

**Corporate bonds with underlying credit risk, exposure primarily to Nordic corporations and financial institutions.**

The sub-fund invests in interest-bearing financial instruments issued by Norwegian and foreign corporations, governments and institutions. The financial instruments primarily include corporate bonds, but also subordinated and covered bonds. Investments are expected to give the fund a higher risk and return than traditional interest-bearing financial instruments. The average duration shall be between 0 and 4 years.

**Top five issuers and sector allocation**



**Key figures since launch**

	Fund	Index
Accumulated returns	7.1%	1.1%
Annualised returns	3.2%	0.5%

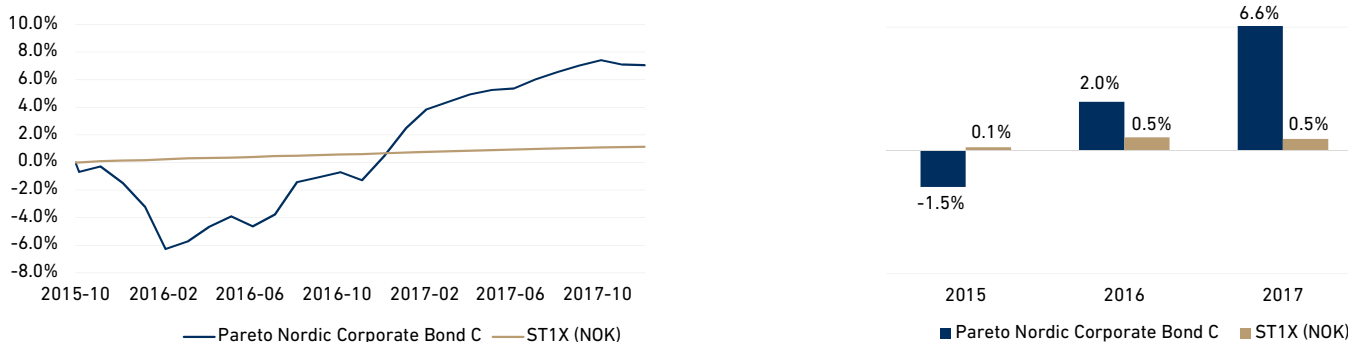
**Risk figures since launch**

	Fund	Index
Standard deviation (annualised)	4.0 %	0.1 %
Time to maturity	3.5	n.a.
Interest rate duration	1.2	n.a.

**Performance by periods**

	Fund	Index
Last month	0.0%	0.0%
Year to date	6.6%	0.5%
Six months	1.6%	0.2%
One year	6.6%	0.5%
Since launch (annualised)	3.2%	0.5%

**Performance history**



**Monthly net returns in per cent**

	Jan.	Feb.	Mar.	Apr.	May	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.	YTD
2017	2.05	1.30	0.54	0.51	0.32	0.08	0.65	0.49	0.45	0.35	-0.30	-0.03	6.57
2016	-1.74	-3.18	0.62	1.09	0.80	-0.74	0.89	2.46	0.35	0.37	-0.59	1.77	1.97
2015										-0.67	0.39	-1.20	-1.48

\*The sub-fund was launched 22 April 2013 as a feeder fund (named Pareto High Yield Nordic) and was converted into a stand-alone fund from 26 October 2015. The sub-fund continues as Pareto Nordic Corporate Bond. All figures are based on internationally recognised standards for publishing performance data. Historical returns are no guarantee for future returns. Future returns will depend, inter alia, on market developments, the portfolio manager's skill, the fund's risk profile, as well as fees for subscription, management and redemption. Returns may become negative as a result of negative price developments. The performance data do not take account of the fees incurred on subscription and redemption of units/shares. Pareto Asset Management seeks to the best of its ability to ensure that all information given in this report is correct, however, makes reservations regarding possible errors and omissions. Statements in the report may reflect the portfolio managers' viewpoint at a given time, and this viewpoint may be changed without notice. The distribution of this information may be restricted by law in certain jurisdictions and this information is not intended for distribution to any person or entity in such jurisdiction. The report should not be perceived as an offer or recommendation to buy or sell financial instruments. Pareto Asset Management does not assume responsibility for direct or indirect loss or expenses incurred through use or understanding of the report. Fund prospectus, KIID, annual and semi-annual report are available at <http://fundinfo.sebfundservices.lu/Pareto/>. The representative in Switzerland is ACOLIN Fund Services AG, Affolternstrasse 56, CH-8050 Zurich. The paying agent in Switzerland is NPB Neue Private Bank AG., Limmatquai 1/am Bellevue, P.O. Box, CH-8024 Zurich. The relevant documents such as the prospectus, the key investor information document (KIIDs), the statutes or the fund contract as well as the annual and semi-annual reports may be obtained free of charge from the representative in Switzerland.

## Monthly commentary – December 2017

by Øyvind Hamre

2017 was a very good year for Pareto Nordic Corporate Bond. Performance was steady and high throughout the year, and total assets increased from NOK 780 million to over NOK 2,250 million. This growth is welcome. Size is important, both to exploit diversification effects fully, for liquidity purposes and for us to operate cost-effectively.

We see an ongoing structural shift in the way companies and organisations are funded. An example from the Nordic market is the issuance of high-yield bonds, which in 2017 set a new record of more than NOK 120 billion. Growth was broad, in terms of both industries and geographical distribution. The market has more than quadrupled in the past ten years, and we see a clear trend for the companies we work with: They want bond financing and bank syndication loans rather than bilateral loans at a single bank.

Exploiting the possibilities offered by growing assets and a better developed market, we have focused on improving diversification and reducing single-factor exposures in the portfolio. For example, exposure to shipping and oil service was reduced from 24 and 19 per cent to 16 and 9 per cent, respectively, during the year. Although this is a continuous work, we are pleased with the portfolio composition at the start of 2018. We believe it represents a wide range of well-run companies in all Nordic countries.

The Nordic region has been performing strongly, despite Brexit and the isolationist policy in the United States. Companies in the Nordic region have improved their margins and the banking system is among the best capitalised in the world.

The nature of asset management is changing. A case in point, to which we have dedicated some effort, is the change from traditional phone-based solutions to electronic trading. Furthermore, for fixed income management in particular, we see that in-house credit analysis is becoming increasingly important. And there is a change in our clients' preferences. Investors require purpose as well as returns. In addition to our investment exclusion lists we therefore evaluate the impact our investments have on society and the environment.

The fund was active also in December, with participation in new issues and trades in the secondary market. We see the Nordic region as an attractive place for investors in the future. The region offers higher margins and shorter duration than larger markets such as the EU and US high-yield market. Whether you seek good absolute or relative returns, the Nordics and Pareto Nordic Corporate Bond should be a very good option.

Throughout the last three years, our fund has established itself as a starting point for the highly attractive Nordic corporate bond market, both for Nordic and non-Nordic investors. We would like to take this opportunity to thank all our customers and partners for this. And we look forward to 2018 and the way forward.

**Portfolio managers:** Stefan Ericson, Øyvind Hamre, Eric von Koss Torkildsen