Pareto Nordic Corporate Bond C

Pareto Asset Management

Report date: 30 June 2017

Fund: Pareto Nordic Corporate Bond
Umbrella fund: Pareto SICAV
Inception date: 22 April 2013*
AUM: NOK 1 664 million
Benchmark: ST1X - 0.25 years

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

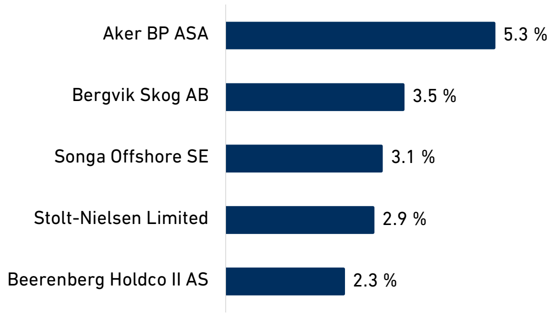
Management company: SEB Fund Services S.A.
Investment manager: Pareto Asset Management AS
Custodian: Skandinaviska Enskilda Banken S.A.
Share class C
Launch date: 26 October 2015

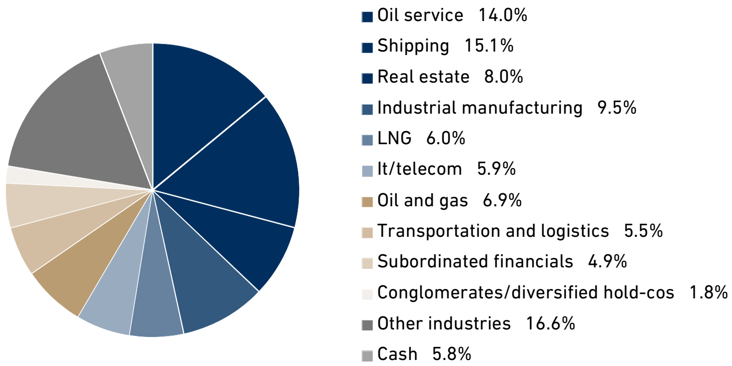
NAV as at 30 June 2017: 970.0122
NAV currency: SEK
Minimum investment: n.a.
ISIN: LU0922130561
Bloomberg ticker: PARHYNB LX

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	5.4%	1.0%
Annualised returns	3.2%	0.6%

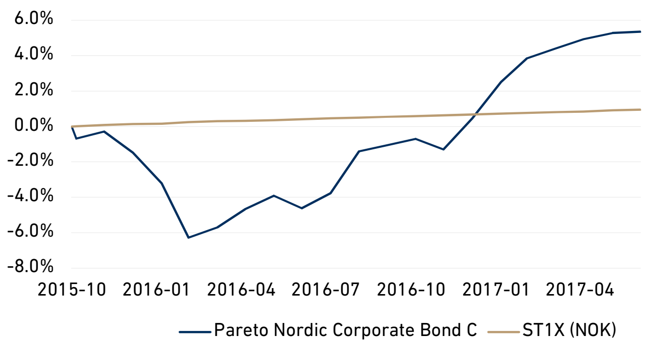
Risk figures since launch

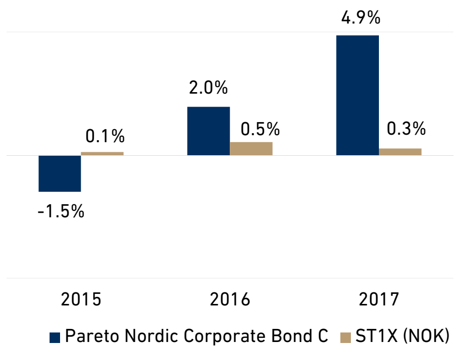
	Fund	Index
Standard deviation (annualised)	4.5 %	0.1 %
Time to maturity	3.7	n.a.
Interest rate duration	1.5	n.a.

Performance by periods

	Fund	Index
Last month	0.1%	0.0%
Year to date	4.9%	0.3%
Six months	4.9%	0.3%
One year	10.5%	0.5%
Since launch (annualised)	3.2%	0.6%

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							4.87
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

by Øyvind Hamre

We have now put the first half of 2017 behind us, and we are pleased with the way it has turned out. The fund has returned just less than 6 per cent during the period. Initially, this was driven by bond price returns, especially in the Norwegian market, and later by good coupon yields and general improvement in all the Nordic markets.

Primary market activity has been high and we are pleased to note that there has been a good diversity of companies from different sectors and with different Nordic affiliations. This has helped us improve the diversification of the fund whilst maintaining a good current coupon yield of around 6.1 per cent compared to 6.9 per cent at the beginning of 2017. As an example of the improved diversification, the fund's exposure to oil service has been reduced from approximately 19 per cent at the start of the year to 13.5 per cent per June 30th.

June was characterised by a volatile oil price that fell close to ten per cent during the first half of the month on concerns of high US production levels. This affected the pricing of, especially, the oil service exposure in the fund, thus creating some volatility. Oil prices recovered somewhat towards the end of the month and, in combination with coupon payments received, this resulted in a relatively flat month as a whole for the fund.

The primary market has continued to be active in June, but in our perception the market has generally been more selective, and issuance processes have typically taken longer than usual. We have participated in three issues in June: an SEK tranche in Intrum Justitia's issue totalling the equivalent of EUR 3 billion, Nissens' EUR 130 million issue and Aker BP's USD 400 million issue. All the new bonds have been trading up in the secondary market. Internationally, we are experiencing a strongly growing interest in Nordic corporate bonds.

After a lengthy process of restructuring the BOA system, there was finally a proposal for the market in June. So far, the market reaction has been positive and prices have risen somewhat. The Bondholders' Meeting will be held on July 7th and we have reason to hope that the proposal will be adopted.

Farstad and Solstad completed the merger process in June, and we have used this opportunity to unload the remainder of our equity exposure in Farstad. In addition, we have reduced our exposure in Prosafe convertible bonds by 75 per cent and sold the convertible bond in Songa Offshore. These positions have been among the most volatile positions in the fund.

We wish all our investors a good summer and look forward to an active autumn and keeping up the momentum in our credit funds.

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