

## **PARETO PLC**

(an investment company with variable capital incorporated with limited liability in Ireland with registered number 529413 operating as an umbrella fund with segregated liability between sub-funds).

### **Annual Report and Audited Financial Statements**

#### **Pareto Total**

##### **A Sub-Fund of Pareto plc**

For the financial year ended 31<sup>st</sup> December 2018

#### **Pareto Nordic Omega**

##### **A Sub-Fund of Pareto plc**

For the financial period from 23<sup>rd</sup> April 2018 (date of authorisation)  
to 31<sup>st</sup> December 2018

# PARETO PLC

## Annual Report and Audited Financial Statements For the financial year ended 31<sup>st</sup> December 2018

	Pages
Directors of the Company	3
Management and Administration	3
Report of the Directors	5
Statement of Depositary's Responsibilities	8
Depositary's Report	8
Alternative Investment Fund Manager's Report - Pareto Total	9
Alternative Investment Fund Manager's Report - Pareto Nordic Omega	11
Independent Auditors' Report	12
Statement of Financial Position	15
Statement of Comprehensive Income	17
Statement of Changes in Net Assets attributable to Holders of Redeemable Participating Shares	19
Statement of Cash Flows	21
Notes to the Financial Statements	23
Schedule of Investments	60
Appendix 1 (Unaudited)	70

# **PARETO PLC**

## **Directors of the Company**

Mr. Jim Cleary \*  
Mr. Mike Kirby \*\*  
Ms. Anna Måbäck \*

\*(independent non-executive Director)

\*\* (non-executive Director)

## **REGISTERED OFFICE**

25/28 North Wall Quay  
Dublin 1  
Ireland

## **SECRETARY**

**Goodbody Secretarial Limited**  
International Financial Services Centre  
North Wall Quay  
Dublin 1  
Ireland

## **Management and Administration**

### **ALTERNATIVE INVESTMENT FUND MANAGER**

**Pareto Asset Management AS**  
Dronning Mauds gate 3  
P.O. Box 1810 Vika  
0123 Oslo  
Norway

## **DEPOSITARY**

**SMT Trustees (Ireland) Limited**  
Block 5  
Harcourt Centre  
Harcourt Road  
Dublin 2  
Ireland

## **ADMINISTRATOR**

**SMT Fund Services (Ireland) Limited**  
Block 5  
Harcourt Centre  
Harcourt Road  
Dublin 2  
Ireland

# **PARETO PLC**

## **Management and Administration**

*(Continued)*

### **PRIME BROKER AND SUB-CUSTODIAN**

#### **Skandinaviska Enskilda Banken**

S-106 40 Stockholm

Sweden

Acting through its London branch

2-6 Cannon Street

London

EC4M 6XX

### **AUDITORS**

#### **Grant Thornton**

13-18 City Quay

Dublin 2

Ireland

### **LEGAL ADVISORS TO THE COMPANY**

#### **A & L Goodbody**

International Financial Services Centre

North Wall Quay

Dublin 1

Ireland

# PARETO PLC

## Report of the Directors

For the financial year ended 31<sup>st</sup> December 2018

The Directors present their annual report and financial statements for the financial year ended 31<sup>st</sup> December 2018.

### Significant Events during the Financial Year

Effective 23<sup>rd</sup> April 2018, the Central Bank of Ireland (the “Central Bank”) approved the amalgamation of Nordic Alpha plc and Nordic Omega plc with Pareto Nordic Omega, a sub-fund of Pareto plc (the “Company”), an umbrella company authorised as a qualifying investor alternative investment fund pursuant to the European Union (Alternative Investment Fund Managers) Regulations 2013 (S.I. No. 257 of 2013), as amended, with segregated liability between sub-funds. As a result, the Directors decided to terminate Nordic Alpha plc and Nordic Omega plc with all assets and liabilities (apart from the liabilities representing the costs of termination and cash to cover same) being transferred in-specie into Pareto Nordic Omega.

### Principal Activity

As at 31<sup>st</sup> December 2018, there are two sub-funds in the Company, Pareto Total and Pareto Nordic Omega (the “Sub-Funds”).

The investment objective of Pareto Total is to achieve robust long-term returns through flexible and active investments, whilst curbing downside volatility.

The investment objective of Pareto Nordic Omega is to obtain capital appreciation, by offering investors the opportunity to participate in an alternative investment product focusing on the Nordic region, regardless of the equity markets’ directions.

### Audit Committees

The Directors have decided not to form an Audit Committee, as per section 167 of the Companies Act 2014 (the “Act”), as there are currently three non-executive Directors of which one is an independent Director of the Company.

### Results

The financial position and results for the financial year are set out on pages 15 and 17 respectively.

### Review of the Development of the Business and Future Developments

Please see the Alternative Investment Fund Manager’s Reports on pages 9 to 11 for further details on the performance of the Sub-Funds. The Directors intend to continue to operate the Company in its current form. General information of the Company is disclosed in Note 1.

### Dividends and Retention

No dividends were declared or paid during the financial year (2017: NOKNil).

### Events since the Statement of Financial Position Date

There were no events subsequent to the financial year end, which require disclosures in the financial statements.

### Directors

The Directors of the Company who served during the financial year ended 31<sup>st</sup> December 2018 are listed on page 3.

# PARETO PLC

## Report of the Directors

For the financial year ended 31<sup>st</sup> December 2018

*(Continued)*

### **Directors' and Secretary's Interests**

None of the Directors or the Secretary (including family interests) had any interest in the Redeemable Participating Shares of the Company, as defined by the Act, at the beginning, during or end of the financial year.

### **Transactions Involving Directors**

Directors' interests in transactions with the Company during the financial year ended 31<sup>st</sup> December 2018 are disclosed in Note 14.

### **Risk Management Objectives and Policies**

The Sub-Funds seek to provide investors with capital appreciation by investing in collective investment schemes, equities, debt securities and derivatives, primarily in the Nordic countries. Investment in the Sub-Funds carries with it a degree of risk including but not limited to the risks referred to in Note 5 of these financial statements. Information about the financial risk management objectives and policies of the Sub-Funds are also disclosed in Note 5.

### **Directors' Responsibilities Statement**

The Directors are responsible for preparing the Report of the Directors and the financial statements in accordance with the Act and regulations. The Act requires the Directors to prepare financial statements giving a true and fair view of the state of affairs of the Company and the profit or loss of the Company for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union.

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether the financial statements have been prepared in accordance with the applicable accounting standards, identify those standards, and note the effect and the reasons for any material departure from those standards; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors confirm that they have complied with the above requirements in preparing the financial statements. The Directors are responsible for ensuring that the Company keeps or causes to be kept adequate accounting records which correctly explain and record the transactions of the Company, enable at any time the assets, liabilities, financial position and profit or loss of the Company to be determined with reasonable accuracy, enable to ensure that the financial statements and Report of the Directors comply with the Act and with the AIF Rulebook and enable the financial statements to be audited. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. The Directors have appointed the Depositary to hold the assets in safekeeping for the Shareholders. The Directors have appointed the Administrator in order to ensure that the above requirements are complied with. The books and accounting records are maintained at the address of the Administrator at Block 5, Harcourt Centre, Harcourt Road, Dublin 2.

# PARETO PLC

## Report of the Directors For the financial year ended 31<sup>st</sup> December 2018 (Continued)

### Connected Parties

The Board of Directors is satisfied that all transactions with connected parties have been carried out at an arm's length basis and in the best interest of Shareholders during the financial year as required by Chapter 2, Part 1, Section viii of the AIF Rulebook as issued by the Central Bank. The Board of Directors is satisfied that there are arrangements in place, to ensure that the obligations as noted above are applied to all transactions with connected parties.

### Corporate Governance Code

The Board of Directors voluntarily complies with the Corporate Governance Code (the "Code") for Irish Domiciled Collective Investment Schemes as published by Irish Funds ("IF").

In respect of the composition of the Board of Directors, the Code states the following:

It is important that there is a good balance of skills and expertise on the Board, and it is strongly recommended that at least one Director be an employee, partner or director of the promoter or Investment Manager.

Ms. Anna Måbäck is not an employee, partner or director of the promoter or Investment Manager. However, the Board believes that Ms. Måbäck possesses all the necessary skills and experience to make an effective Director in respect of the Company. In addition, the Board note that appointing someone who is not an employee, partner or director of the Investment Manager provides a level of independence that would not be present if an employee, partner or director of the Investment Manager was to assume the role.

Otherwise, the Board of Directors has assessed the measures included in the IF Code as being consistent with its corporate governance practices and procedures for the financial year.

### Statement on Relevant Audit Information

- so far as the Directors are aware, there is no relevant audit information of which the statutory auditors are unaware;
- the Directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information.

### Auditors

The auditors Grant Thornton will continue in office in accordance with Section 383 (2) of the Act.

On behalf of the Board of Directors



---

Date: 11/04/19



---

# PARETO PLC

## Statement of Depositary's Responsibilities For the financial year ended 31<sup>st</sup> December 2018

Sections 1385 to 1415 of the Companies Act 2014, as amended Companies (Accounting) Act 2017 ("the Act"), requires the Depositary to take reasonable care so as to ensure that Pareto plc ("the Company") is managed in accordance with the Act and the Memorandum and Articles of Association. In particular, the Depositary must:

- satisfy itself on a continuing basis on reasonable grounds and report that the Company has been managed in all material respects in accordance with the limitations imposed on the investment and borrowing powers of the Company by the Memorandum and Articles of Association and the Act;
- take into its custody or under its control, all the assets of the Company and hold them in safekeeping for the Shareholders in accordance with the Act and the Memorandum and Articles of Association;
- satisfy itself that the valuation of the shares of the Company and that the sale, issue, repurchase, redemption and cancellation of shares of the Company are being carried out in accordance with the Act and the Memorandum and Articles of Association.

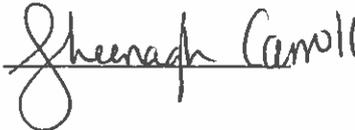
To enable the Depositary to fulfill its responsibilities under the Act and the Memorandum and Articles of Association, the Depositary is required to keep proper records.

## Depositary's Report For the financial year ended 31<sup>st</sup> December 2018

SMT Trustees (Ireland) Limited, as Depositary for Pareto plc (the "Company"), has enquired into the conduct of the Company during the financial year. In our opinion the Company has been managed in all material respects:

- in accordance with the limitations imposed on the investment and borrowing powers of the Company by the Company's Memorandum and Articles of Association and the Central Bank of Ireland under the powers granted to the Central Bank of Ireland by sections 1385 to 1415 of the Companies Act 2014, as amended Companies (Accounting) Act 2017 ("the Act"); and
- otherwise in accordance with the provisions of the Memorandum and Articles of Association and sections 1385 to 1415 of the Act.

  
SMT Trustees (Ireland) Limited



Date: 11<sup>th</sup> April 2019

# PARETO PLC

## Alternative Investment Fund Manager's Report

### Pareto Total

For the financial year ended 31<sup>st</sup> December 2018

Pareto Total was down 8 per cent for the period. A weakened Norwegian Krone contributed positively to the return by around 3 percentage points. The fund held up relatively well through a rough fourth quarter, with a quarterly return of minus 4 per cent.

The bond portfolio, amounting to five per cent of the fund, made a marginally positive contribution in 2018, and the short equity positions also delivered a positive return. On average, the equity portfolio has made up 98 per cent of the unitholder capital and thus accounted for most of the fund's development. We believe that the highest return in the long term will be in the ownership of strong companies with reasonable pricing. Borrowing has fluctuated around an average of 3 per cent in 2018, and the fund thus has good financial capacity.

We see market developments as a result of changes in interest rates and earnings prospects. Monetary policy is changing in the direction of normalisation – away from stimulation – and company earnings expectations are subject to different, and fluctuating, beliefs. Economic growth remains solid in the US and the labour market is tight.

For the companies that we own, expected 2019 earnings are now 4 per cent higher than one year ago, falling stock prices notwithstanding. This suggests that investors have taken into account several possible negative outcomes for the companies, and thus adjusted up their required rates of return far more than the interest rates alone would indicate. The equity portfolio in Pareto Total is now priced at 11 times average expected earnings for 2019 and the dividend is expected to be up to 4 per cent.

The stock that contributed best in 2018 was the network provider Cisco. Increasing online traffic growth, combined with higher security and stability requirements, has resulted in good earnings growth and a higher price for the company. The share rose by 24 per cent in NOK and now trades at 13 times expected earnings in 2019 – adjusted for net cash.

The pharmacy company Roche contributed strongly to the fund during the second half. The main reason was that the company demonstrated enough growth from new products, especially within multiple sclerosis, to offset the price pressure on outgoing cancer drugs. The company has a large portfolio of potential successes in existing and new areas, and is priced at 13 times next year's earnings. Roche has a strong balance sheet and pays over 3 per cent in dividends. The share rose 7 per cent in NOK.

Disney contributed well to the return after the company delivered strong figures during the autumn. The acquisition of parts of the Fox Group was clarified in its entirety, as Disney abstained from pursuing British broadcaster Sky. Instead, they chose to collect a good price for their 40 per cent in Sky, which was purchased by Comcast. Disney thus maintained a stronger financial position and a cleaner strategic focus for its business. The share was up 8 per cent throughout the year.

The car sector underwent a demanding year, and even though our preference shares in BMW did outperform much of the automotive sector, the shares were down 11 per cent in NOK. Like Michelin, they maintained relatively good earnings throughout the year, but the stock price development of both companies reduced Pareto Total's return.

# PARETO PLC

## Alternative Investment Fund Manager's Report

### Pareto Total

For the financial year ended 31<sup>st</sup> December 2018

*(Continued)*

Upon entering 2019, we see good opportunities for returns, despite the rough terrain. Pareto Total is designed to take advantage of the opportunities and stand strong in times of change. Thus, the starting point is good for being able to go against the current when we find it right. Thus, we have every reason to rejoice when good companies can be bought at lower prices.

In the future, Pareto Total will change its reporting to quarterly comments, while the figures will be available each month.

We take this opportunity to wish our investors a prosperous new year.

**Portfolio managers:** Bård Johannesen and Oddmund Nicolaisen Enæs

17<sup>th</sup> February 2019

# PARETO PLC

## Alternative Investment Fund Manager's Report

### Pareto Nordic Omega

For the financial period from 23<sup>rd</sup> April 2018 (date of authorisation)  
to 31<sup>st</sup> December 2018

Net return during the period was -5.95 percent (B-class, NOK), ahead of the MSCI Nordic Index and the HFRU Equity Hedge Index measured in Norwegian Krone, which strengthened against the Euro and the Swedish Krona. Our non-Norwegian holdings are not currency hedged, so performance in local currencies was stronger. We had a moderate net equity exposure through the period, which gradually declined and ended the period at 47 per cent. At the end of the period, long positions accounted for 62 per cent of NAV and short positions represented 15 per cent of NAV.

Amer Sports, Scatec Solar and Valmet contributed strongly to the values of the fund, whereas Academedia, Ambu and Electrolux pulled in the other direction. The two latter positions were closed during the period.

André Buhagen joined as analyst on the 1<sup>st</sup> June 2018. He has three years of experience as equity analyst with Kepler Cheuvreux, covering a range of industries.

Looking ahead, we observe that unsustainable policies have boosted demand and pushed down the discount rate, creating a boom in risky assets. This combined with our preferred valuation parameters indicate low to negative equity returns over the next few years, however with discrepancies between sectors and, of course, companies.

Despite the fact that economic growth since the Great Financial Crisis has been weaker than previous post-recession rebounds we observe signs that global demand growth may pause. Only the USA has tightened monetary policy meaningfully (but expanded fiscally), so the gunpowder is rather moist, with Europe especially exposed.

The reason we stay net long is our belief in a new round of expansive policies. This is obviously not sustainable, but weak politicians have over decades been kicking the can down the road. The end-game may still be decades away, but we already see signs of social unrest, more inequality and voters drifting left.

Christian Nygaard  
17<sup>th</sup> February 2019

# Independent auditor's report to the members of Pareto plc

## Opinion

We have audited the financial statements of Pareto plc, which comprise the Statement of Financial Position, Statement of Comprehensive Income, Statement of Changes in Net Assets attributable to Holders of Redeemable Participating Shares and Statement of Cash Flows for the financial period ended 31 December 2018, and the related notes to the financial statements, including the summary of significant accounting policies.

The financial reporting framework that has been applied in the preparation of the financial statements is Irish law and International Financial Reporting Standards (IFRS) as adopted by the European Union.

In our opinion, Pareto Plc's financial statements:

- give a true and fair view in accordance with IFRS as adopted by the European Union of the assets, liabilities and financial position of the company as at 31 December 2018 and of financial performance and cash flows for the financial period then ended; and
- have been properly prepared in accordance with the requirements of the Companies Act, 2014

## Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (Ireland) ('ISAs (Ireland)) and applicable law. Our responsibilities under those standards are further described in the 'responsibilities of the auditor for the audit of the financial statements' section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Ireland, namely the Irish Auditing and Accounting Supervisory Authority (IAASA) Ethical Standard concerning the integrity, objectivity and independence of the auditor, and the ethical pronouncements established by Chartered Accountants Ireland, applied as determined to be appropriate in the circumstances for the entity. We have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (Ireland) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

## Other information

Other information comprises information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies in the financial

## Independent auditor's report to the members of Pareto plc

statements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

### Matters on which we are required to report by the Companies Act 2014

- We have obtained all the information and explanations which we consider necessary for the purposes of our audit.
- In our opinion the accounting records of the company were sufficient to permit the financial statements to be readily and properly audited.
- The financial statements are in agreement with the accounting records.
- In our opinion the information given in the directors' report is consistent with the financial statements. Based solely on the work undertaken in the course of our audit, in our opinion, the directors' report has been prepared in accordance with the requirements of the Companies Act 2014.

### Matters on which we are required to report by exception

Based on our knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the directors' report.

Under the Companies Act 2014 we are required to report to you if, in our opinion, the disclosures of directors' remuneration and transactions specified by sections 305 to 312 of those Acts have not been made. We have no exceptions to report arising from this responsibility.

### Responsibilities of management and those charged with governance for the financial statements

As explained more fully in the directors' responsibilities statement, management is responsible for the preparation of the financial statements which give a true and fair view in accordance with IFRS as adopted by the European Union, and for such internal control as they determine necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the company's financial reporting process.

### Responsibilities of the auditor for the audit of the financial statements

The auditor's objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes their opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (Ireland) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs (Ireland), the auditor will exercise professional judgment and maintain professional scepticism throughout the audit. The auditor will also:

## Independent auditor's report to the members of Pareto plc

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for their opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If they conclude that a material uncertainty exists, they are required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify their opinion. Their conclusions are based on the audit evidence obtained up to the date of the auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a matter that achieves a true and fair view.

The auditor communicates with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that may be identified during the audit.

### The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the company's members, as a body, in accordance with section 391 of the Companies Act 2014. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.



Niamh Meenan

For and on behalf of

Grant Thornton  
Chartered Accountants & Statutory Audit Firm  
Dublin

11 April 2019

# PARETO PLC

## Statement of Financial Position As at 31<sup>st</sup> December 2018

	Notes	Pareto Total NOK	Pareto Nordic Omega* NOK	Total NOK
<b>Assets</b>				
Cash and cash equivalents	7	2,600,773	84,604,183	87,204,956
Due from broker	7	102,349,953	123,966,585	226,316,538
Financial assets at fair value through profit or loss	3	2,968,727,542	334,127,153	3,302,854,695
Receivables	8	4,752,915	3,658,296	8,411,211
<b>Total Assets</b>		<b>3,078,431,183</b>	<b>546,356,217</b>	<b>3,624,787,400</b>
<b>Liabilities</b>				
Due to broker	7	189,996,509	-	189,996,509
Financial liabilities at fair value through profit or loss	3	84,697,063	69,121,441	153,818,504
Payables	9	4,112,181	2,197,557	6,309,738
<b>Total Liabilities (excluding Net Assets attributable to Holders of Redeemable Participating Shares)</b>		<b>278,805,753</b>	<b>71,318,998</b>	<b>350,124,751</b>
<b>Net Assets attributable to Holders of Redeemable Participating Shares</b>		<b>2,799,625,430</b>	<b>475,037,219</b>	<b>3,274,662,649</b>

\* As the date of authorisation was 23<sup>rd</sup> April 2018, there is no comparative information is available for 31<sup>st</sup> December 2017.

The accompanying notes and schedules form an integral part of these financial statements.

Signed on behalf of the Board of Directors




Date: 11/04/19

# PARETO PLC

## Statement of Financial Position

As at 31<sup>st</sup> December 2017

	Notes	Pareto Total NOK
<b>Assets</b>		
Cash and cash equivalents	7	2,974,012
Due from broker	7	16,280,254
Financial assets at fair value through profit or loss	3	2,949,018,864
Receivables	8	<u>3,763,892</u>
<b>Total Assets</b>		<b><u>2,972,037,022</u></b>
<b>Liabilities</b>		
Due to broker	7	121,826,060
Financial liabilities at fair value through profit or loss	3	124,539,111
Payables	9	<u>19,296,129</u>
<b>Total Liabilities (excluding Net Assets attributable to Holders of Redeemable Participating Shares)</b>		<b><u>265,661,300</u></b>
<b>Net Assets attributable to Holders of Redeemable Participating Shares</b>		<b><u>2,706,375,722</u></b>

\* For the financial period from 23<sup>rd</sup> April 2018 (date of authorisation) to 31<sup>st</sup> December 2018, therefore no comparative information is available for 31<sup>st</sup> December 2017.

The accompanying notes and schedules form an integral part of these financial statements.

# PARETO PLC

## Statement of Comprehensive Income For the financial year ended 31<sup>st</sup> December 2018

	Notes	Pareto Total NOK	Pareto Nordic Omega* NOK	Total NOK
<b>Income</b>				
Interest on cash and cash equivalents	2	449,657	232,376	682,033
Dividends on investments	2	97,875,789	4,287,238	102,163,027
Other income	2	399,480	4,867	404,347
Withholding taxes on dividends	2	(19,721,932)	(703,261)	(20,425,193)
Net loss on financial assets and liabilities at fair value through profit or loss	12	<u>(270,015,986)</u>	<u>(10,975,500)</u>	<u>(280,991,486)</u>
Total		<u>(191,012,992)</u>	<u>(7,154,280)</u>	<u>(198,167,272)</u>
<b>Expenses</b>				
Interest on cash and cash equivalents	2	(2,774,941)	(386,249)	(3,161,190)
Dividends paid on securities sold short	2	(1,807,246)	(1,156,556)	(2,963,802)
Performance fees	13	-	(8,141)	(8,141)
Alternative Investment Fund Manager fees	11	(8,654,972)	(3,703,063)	(12,358,035)
Depositary fees	11	(1,272,739)	(117,017)	(1,389,756)
Administration fees	11	(1,552,584)	(334,339)	(1,886,923)
Directors' fees	11	(398,389)	(272,619)	(671,008)
Audit fees		(138,524)	(139,418)	(277,942)
Other fees and expenses		<u>(1,740,772)</u>	<u>(885,999)</u>	<u>(2,626,771)</u>
Total expenses		<u>(18,340,167)</u>	<u>(7,003,401)</u>	<u>(25,343,568)</u>
<b>Decrease in Net Assets attributable to Holders of Redeemable Participating Shares from operations</b>		<u><b>(209,353,159)</b></u>	<u><b>(14,157,681)</b></u>	<u><b>(223,510,840)</b></u>

\* For the financial period from 23<sup>rd</sup> April 2018 (date of authorisation) to 31<sup>st</sup> December 2018, therefore no comparative information is available for 31<sup>st</sup> December 2017.

Gains and losses arose solely from continuing operations.

The accompanying notes and schedules form an integral part of these financial statements.

# PARETO PLC

## Statement of Comprehensive Income For the financial year ended 31<sup>st</sup> December 2017

	Notes	Pareto Total NOK
<b>Income</b>		
Interest on cash and cash equivalents	2	225,447
Dividends on investments	2	74,884,235
Other income	2	198,093
Withholding taxes on dividends	2	(13,833,801)
Net gain on financial assets and liabilities at fair value through profit or loss	12	<u>431,648,704</u>
Total income		<u>493,122,678</u>
<b>Expenses</b>		
Interest on cash and cash equivalents	2	(925,183)
Dividends paid on securities sold short	2	(3,482,628)
Performance fees	13	(14,588,781)
Alternative Investment Fund Manager fees	11	(6,126,656)
Depositary fees	11	(1,079,640)
Administration fees	11	(1,396,059)
Directors' fees	11	(219,189)
Audit fees		(138,526)
Other fees and expenses		<u>(2,538,096)</u>
Total expenses		<u>(30,494,758)</u>
<b>Increase in Net Assets attributable to Holders of Redeemable Participating Shares from operations</b>		<u><b>462,627,920</b></u>

Gains and losses arose solely from continuing operations.

The accompanying notes and schedules form an integral part of these financial statements.

# PARETO PLC

## Statement of Changes in Net Assets attributable to Holders of Redeemable Participating Shares For the financial year ended 31<sup>st</sup> December 2018

	Pareto Total NOK	Pareto Nordic Omega* NOK	Total NOK
<b>Net Assets attributable to Holders of Redeemable Participating Shares at beginning of year/period</b>	<u>2,706,375,722</u>	<u>-</u>	<u>2,706,375,722</u>
In-specie transfer of assets	-	498,963,508	498,963,508
Redeemable Participating Shares issued	377,344,118	445,379,208	822,723,326
Redeemable Participating Shares redeemed	<u>(74,741,251)</u>	<u>(455,147,816)</u>	<u>(529,889,067)</u>
Increase in Net Assets from Shareholder transactions	<u>302,602,867</u>	<u>489,194,900</u>	<u>791,797,767</u>
Decrease in Net Assets attributable to Holders of Redeemable Participating Shares from operations	<u>(209,353,159)</u>	<u>(14,157,681)</u>	<u>(223,510,840)</u>
<b>Net Assets attributable to Holders of Redeemable Participating Shares at end of year/period</b>	<u>2,799,625,430</u>	<u>475,037,219</u>	<u>3,274,662,649</u>

\* For the financial period from 23<sup>rd</sup> April 2018 (date of authorisation) to 31<sup>st</sup> December 2018, therefore no comparative information is available for 31<sup>st</sup> December 2017.

The accompanying notes and schedules form an integral part of these financial statements.

# PARETO PLC

## Statement of Changes in Net Assets attributable to Holders of Redeemable Participating Shares

For the financial year ended 31<sup>st</sup> December 2017

	<b>Pareto Total NOK</b>
<b>Net Assets attributable to Holders of Redeemable Participating Shares at 1<sup>st</sup> January</b>	<b><u>2,146,293,077</u></b>
Redeemable Participating Shares issued	102,458,008
Redeemable Participating Shares redeemed	(3,567,207)
Equalisation credit	<u>(1,436,076)</u>
Increase in Net Assets from Shareholder transactions	<u>97,454,725</u>
Increase in Net Assets attributable to Holders of Redeemable Participating Shares from operations	<u>462,627,920</u>
<b>Net Assets attributable to Holders of Redeemable Participating Shares at 31<sup>st</sup> December</b>	<b><u><u>2,706,375,722</u></u></b>

The accompanying notes and schedules form an integral part of these financial statements.

# PARETO PLC

## Statement of Cash Flows For the financial year ended 31<sup>st</sup> December 2018

	Pareto Total NOK	Pareto Nordic Omega* NOK	Total NOK
<b>Cash flows from operating activities</b>			
Decrease in Net Assets attributable to Holders of Redeemable Participating Shares from operations	(209,353,159)	(14,157,681)	(223,510,840)
Changes in operating assets and liabilities: (Increase)/decrease in financial assets at fair value through profit or loss	(19,708,678)	164,836,355	145,127,677
Increase in due from broker	(86,069,699)	(123,966,585)	(210,036,284)
Increase in receivables	(989,023)	(3,658,296)	(4,647,319)
Increase in due to broker	68,170,449	-	68,170,449
(Decrease)/increase in financial liabilities at fair value through profit or loss	(39,842,048)	69,121,441	29,279,393
(Decrease)/increase in payables	(15,183,948)	2,197,557	(12,986,391)
Net cash (used in)/provided by operating activities	<u>(302,976,106)</u>	<u>94,372,791</u>	<u>(208,603,315)</u>
<b>Cash flows from financing activities</b>			
Proceeds from Redeemable Participating Shares issued	309,742,247	50,287,135	360,029,382
Payments for Redeemable Participating Shares redeemed	<u>(7,139,380)</u>	<u>(60,055,743)</u>	<u>(67,195,123)</u>
Net cash provided by/(used in) financing activities	<u>302,602,867</u>	<u>(9,768,608)</u>	<u>292,834,259</u>
Net (decrease)/increase in cash and cash equivalents	(373,239)	84,604,183	84,230,944
Cash and cash equivalents at beginning of year/period	<u>2,974,012</u>	<u>-</u>	<u>2,974,012</u>
<b>Cash and cash equivalents at end of year/period</b>	<b><u>2,600,773</u></b>	<b><u>84,604,183</u></b>	<b><u>87,204,956</u></b>
<b>Supplementary information:</b>			
Interest received on cash and cash equivalents	453,040	206,334	659,374
Interest received on debt securities	6,446,331	-	6,446,331
Interest paid	(2,635,548)	(366,841)	(3,002,389)
Dividends received (net of withholding tax)	77,406,764	3,063,300	80,470,064
Dividends paid	(1,807,246)	(1,000,734)	(2,807,980)

\* For the financial period from 23<sup>rd</sup> April 2018 (date of authorisation) to 31<sup>st</sup> December 2018, therefore no comparative information is available for 31<sup>st</sup> December 2017.

The accompanying notes and schedules form an integral part of these financial statements.

# PARETO PLC

## Statement of Cash Flows For the financial year ended 31<sup>st</sup> December 2017

**Pareto Total  
NOK**

### **Cash flows from operating activities**

Increase in Net Assets attributable to Holders of Redeemable Participating Shares from operations 462,627,920

#### Changes in operating assets and liabilities:

Increase in financial assets at fair value through profit or loss (716,783,576)

Decrease in due from broker 49,409,876

Increase in receivables (939,015)

Decrease in due to broker (111,584,319)

Increase in financial liabilities at fair value through profit or loss 124,539,111

Increase in payables 13,420,182

Net cash used in operating activities (179,309,821)

### **Cash flows from financing activities**

Proceeds from Redeemable Participating Shares issued 102,458,008

Payments for Redeemable Participating Shares redeemed (3,567,207)

Equalisation credit (1,436,076)

Net cash provided by financing activities 97,454,725

Net decrease in cash and cash equivalents (81,855,096)

Cash and cash equivalents at 1<sup>st</sup> January 84,829,108

**Cash and cash equivalents at 31<sup>st</sup> December 2,974,012**

### **Supplementary information:**

Interest received on cash and cash equivalents 226,406

Interest received on debt securities 12,635,332

Interest paid (835,903)

Dividends received (net of withholding tax) 59,670,300

Dividends paid (3,482,628)

The accompanying notes and schedules form an integral part of these financial statements.

# PARETO PLC

## Notes to the Financial Statements 31<sup>st</sup> December 2018

### 1. GENERAL INFORMATION

Effective 23<sup>rd</sup> April 2018, the Central Bank of Ireland (the “Central Bank”) approved the amalgamation of Nordic Alpha plc and Nordic Omega plc with Pareto Nordic Omega, a sub-fund of Pareto plc (the “Company”), an umbrella company authorised as a qualifying investor alternative investment fund pursuant to the European Union (Alternative Investment Fund Managers) Regulations 2013 (S.I. No. 257 of 2013), as amended, with segregated liability between sub-funds. As a result, the Directors decided to terminate Nordic Alpha plc and Nordic Omega plc with all assets and liabilities (apart from the liabilities representing the costs of termination and cash to cover same) being transferred in-specie into Pareto Nordic Omega.

The Company is an open-ended investment company with variable capital and segregated liability between its sub-funds, incorporated with limited liability and registered in Ireland under Sections 1385 to 1415 of the Companies Act 2014 and the AIF Rulebook regulations with registered number 529413.

As at 31<sup>st</sup> December 2018, there are two sub-funds in the Company, Pareto Total and Pareto Nordic Omega (the “Sub-Funds”). Pareto Total was authorised by the Central Bank on 18<sup>th</sup> July 2013 and Pareto Nordic Omega was authorised by the Central Bank on 23<sup>rd</sup> April 2018, both as investment funds under the Act, Part 24.

Pareto Total is a multi-class sub-fund with Institutional Classes A, B, I and Founder Class Shares available for issue. Institutional Classes A, B and I Shares are denominated in Norwegian Krone (“NOK”) and Founder Class Shares are denominated in Euro (“EUR”). The assets of Pareto Total comprise a single portfolio with base currency in NOK. The investment objective of Pareto Total is to achieve robust long-term returns through flexible and active investments, whilst curbing downside volatility. Pareto Total is managed to achieve optimal risk adjusted returns through security selection and asset allocation. Pareto Total commenced trading on 16<sup>th</sup> January 2014.

Pareto Nordic Omega is a multi-class sub-fund with Classes A, B, C, M and I available for issue. Class M Shares may only be issued at the Directors’ discretion and to accredited investors. Class A Shares are denominated in EUR. Classes B, M and I Shares are denominated in NOK and Class C Shares are denominated in United States Dollar (“USD”). The assets of Pareto Nordic Omega comprise a single portfolio with base currency in NOK. The investment objective of Pareto Nordic Omega is to obtain capital appreciation, by offering investors the opportunity to participate in an alternative investment product focusing on the Nordic region, regardless of the equity markets’ directions. Pareto Nordic Omega is managed to achieve optimal risk adjusted returns through security selection and asset allocation. Pareto Nordic Omega commenced trading on 1<sup>st</sup> May 2018.

On 23<sup>rd</sup> February 2015, the Central Bank granted approval to Pareto Asset Management AS, as Alternative Investment Fund Manager (the “AIFM”) previously Pareto Nordic Investments AS, to passport AIFM services into Ireland.

# PARETO PLC

## Notes to the Financial Statements

31<sup>st</sup> December 2018

*(Continued)*

### 2. PRINCIPAL ACCOUNTING POLICIES

The significant accounting policies adopted by the Company are as follows:

#### **Basis of Preparation**

The financial statements have been presented in compliance with International Financial Reporting Standards (“IFRS”) as adopted by the European Union (the “EU”) as published by the International Accounting Standards Board and provisions of the Act. These financial statements are presented in NOK which is the Company’s functional currency. They are prepared on a fair value basis for financial assets and financial liabilities at fair value through profit or loss. Other assets and liabilities are stated at amortised cost or redemption amount (Redeemable Participating Shares). The preparation of financial statements in conformity with IFRS as adopted by the EU requires management to make judgements, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the financial period in which the estimate is revised, if the revision affects only that financial period or in the financial period of the revision and future financial periods, if the revision affects both current and future financial periods. Information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are described in Note 4.

#### **New standards, amendments or interpretations issued and effective for the financial year beginning 1<sup>st</sup> January 2018**

##### IFRS 9 “Financial Instruments”

IFRS 9 “Financial Instruments” became effective for annual periods beginning on or after 1<sup>st</sup> January 2018. It addresses the classification, measurement and derecognition of financial assets and liabilities and replaces the multiple classification and measurement models in IAS 39.

Classification and measurement of debt assets is driven by the entity’s business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. A debt instrument is measured at amortised cost if the objective of the business model is to hold the financial asset for the collection of the contractual cash flows and the contractual cash flows under the instrument solely represent payments of principal and interest (SPPI). A debt instrument is measured at fair value through other comprehensive income if the objective of the business model is to hold the financial asset both to collect contractual cash flows from SPPI and to sell. All other debt instruments must be recognised at fair value through profit or loss. An entity may however, at initial recognition, irrevocably designate a financial asset as measured at fair value through profit or loss if doing so eliminates or significantly reduces a measurement or recognition inconsistency. Equity instruments are measured at fair value through profit or loss unless, for equity instruments not held for trading, an irrevocable option is taken to measure at fair value through other comprehensive income. IFRS 9 also introduces a new expected credit loss (ECL) impairment model.

# PARETO PLC

## Notes to the Financial Statements

31<sup>st</sup> December 2018

*(Continued)*

### 2. PRINCIPAL ACCOUNTING POLICIES (continued)

#### **New standards, amendments or interpretations issued and effective for the financial year beginning 1<sup>st</sup> January 2018 (continued)**

##### IFRS 9 “Financial Instruments” (continued)

IFRS 9 has been applied retrospectively by the Company and did not result in a change to the classification or measurement of financial instruments as outlined in Note 2 (i). The Company’s investment portfolio continues to be classified as fair value through profit or loss and other financial assets which are held for collection continue to be measured at amortised cost. There was no material impact on adoption from the application of the new impairment model.

There are no other standards, amendments to standards or interpretations that are effective for annual periods beginning on 1<sup>st</sup> January 2018 that have a material effect on the financial statements of the Company.

#### **New standards, amendments or interpretations issued but not effective and not early adopted for the financial year beginning 1<sup>st</sup> January 2018**

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1<sup>st</sup> January 2018, and have not been early adopted in preparing these financial statements. None of these are expected to have a material effect on the financial statements of the Company.

#### **Financial Assets and Liabilities at fair value through profit or loss**

##### *(i) Classification*

The Company classifies its investments as financial assets at fair value through profit or loss. The portfolio of financial assets is managed and performance is evaluated on a fair value basis. The Company is primarily focused on fair value information and uses that information to assess the assets’ performance and to make decisions. The contractual cash flows of the Company’s securities are solely principal and interest, however, these securities are neither held for the purpose of collecting contractual cash flows nor held both for collecting contractual cash flows and for sale. The collection of contractual cash flows is only incidental to achieving the Company’s business model’s objective. Consequently, all investments are measured at fair value through profit or loss.

The Company holds long securities of NOK3,302,854,695 (2017: NOK2,949,018,864) and short securities of NOK153,818,504 (2017: NOK124,539,111) which all had previously been designated at fair value through profit or loss. On adoption of IFRS 9, these securities are mandatorily classified as fair value through profit or loss.

##### *(ii) Recognition*

The Sub-Funds’ trading securities are accounted for on the trade date and are acquired at fair value at the time of acquisition and transaction costs are expensed as incurred and included in the Statement of Comprehensive Income. Realised and unrealised gains and losses on trading securities are calculated on a “first in first out” basis and are included in the Statement of Comprehensive Income.

# PARETO PLC

## Notes to the Financial Statements

31<sup>st</sup> December 2018

*(Continued)*

### 2. PRINCIPAL ACCOUNTING POLICIES (continued)

#### **Financial Assets and Liabilities at fair value through profit or loss (continued)**

##### *(iii) Subsequent measurement*

After initial measurement, the Company measures financial instruments, which are classified as at fair value through profit or loss, at their fair values. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value of financial instruments is based on their quoted market prices on a recognised exchange or sourced from a reputable broker / counterparty in the case of non-exchange traded instruments, at the Statement of Financial Position date, without any deduction for estimated future selling costs. Where investments are listed or dealt in more than one market, the Directors will, in their absolute discretion, select the market, which in their opinion constitutes the main market for such investments. The Directors have delegated the valuation of the investments to the Administrator.

For all other financial instruments not traded in an active market, the fair value is determined by using appropriate valuation techniques. Valuation techniques include: using recent arm's length market transactions; reference to the current market value of another instrument that is substantially the same; discounted cash flow analysis and option pricing models, making as much use of available and supportable market data as possible.

Subsequent changes in the fair value of financial instruments at fair value through profit or loss are recognised in the Statement of Comprehensive Income. Interest and dividends earned or incurred are accrued in interest and dividend income or expense respectively, according to the terms of contract.

Fair value estimates are made at a specific point in time, based on market conditions and information about the financial instrument. These estimates are subjective in nature and involve uncertainties and matters of significant judgement and therefore, cannot be determined with precision. Changes in assumptions could significantly affect the estimates. The values used may have been different had a ready market existed and these differences could be material. Realised and unrealised gains and losses on all investments are accounted for through the Statement of Comprehensive Income.

##### *(iv) Derecognition*

The Company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire or it transfers the financial asset and the transfer qualifies for derecognition when either the Company has transferred substantially all the risks and rewards of the financial assets, or the Company has neither transferred nor retained substantially all the risks and rewards of the financial assets, but has transferred control of the financial asset. The Company derecognises a financial liability when the obligation specified in the contract is discharged, cancelled or expires.

##### *(v) Offsetting financial instruments*

Financial instruments are offset and the net amount reported in the Statement of Financial Position when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on net basis or realise the asset and settle the liability simultaneously.

# PARETO PLC

## Notes to the Financial Statements

31<sup>st</sup> December 2018

*(Continued)*

### 2. PRINCIPAL ACCOUNTING POLICIES (continued)

#### **Financial Assets and Liabilities at fair value through profit or loss (continued)**

*(vi) Transfer between levels of the fair value hierarchy*

Transfers between levels of the fair value hierarchy are deemed to have occurred at the end of the financial year.

#### **Cash and cash equivalents**

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to insignificant changes in value and are held for the purpose of the meeting of short-term cash commitments rather than for investments or other purposes.

SMT Trustees (Ireland) Limited as Depositary has appointed Sumitomo Mitsui Trust (UK) Limited as its Custodian. Sumitomo Mitsui Trust (UK) Limited has, in turn, appointed Brown Brothers Harriman & Co. (“BBH”) as their sub-custodian. This cash is ultimately held at BBH as Banker. Cash comprises cash held with BBH.

#### **Due from/to Broker**

Due from/to broker comprises of amounts due from/to Skandinaviska Enskilda Banken (“SEB”).

#### **Functional and Presentation Currency**

Items included in the Company’s financial statements are measured using NOK (the functional and presentation currency). Functional currency is the currency of the primary economic environment in which the Company operates. If indicators of the primary economic environment are mixed, then the Directors use their judgement to determine the functional currency that most faithfully represents the economic effect of the underlying transactions, events and conditions. The majority of the Company’s investments and transactions are denominated in NOK. Subscription monies are payable in the currency of the relevant Class in the sub-funds. Shareholders will normally be repaid in the currency of the relevant Class in the sub-fund. Accordingly, management has determined that the functional currency of the Fund is NOK.

#### **Foreign Currency Translation**

Securities transactions are recorded in the financial statements on the trade date of the transaction and translated into NOK at the exchange rate prevailing at the close of business on the trade date. Other foreign currency payments are translated into NOK at the rate of exchange on the transaction date. All assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rates ruling at the Statement of Financial Position date. Foreign currency gains or losses arising from trading activities are included in the Statement of Comprehensive Income within “net (loss)/gain on financial assets and liabilities at fair value through profit or loss”.

#### **Income / (Expense)**

Dividend income and expense is recorded on an ex-date basis gross of any non-recoverable withholding taxes suffered which is disclosed separately in the Statement of Comprehensive Income. Dividend expense relating to equity securities sold short is recognised when the Shareholder’s right to receive the payment is established. Interest income and expense on debt securities are both accounted for on an effective yield basis; other interest income and expense are both accounted for on an accrual basis.

# PARETO PLC

## Notes to the Financial Statements

31<sup>st</sup> December 2018

(Continued)

### 2. PRINCIPAL ACCOUNTING POLICIES (continued)

#### Income / (Expense) (continued)

Other income relates to VAT returns and a subscription fee at a rate of 0.1% of the subscription amount and stock lending amounts received from SEB. The subscription fee may be waived in whole or in part at the discretion of the Directors who may consult with the AIFM.

#### Expenses

Expenses are accounted for on an accrual basis.

#### Redeemable Participating Shares

Redeemable Participating Shares are redeemable at the Shareholders' option and are classified as financial liabilities. The liabilities arising from the Redeemable Participating Shares are carried at the redemption amount being the Net Asset Value ("NAV"). The Redeemable Participating Shares can be put back to Pareto Total on any dealing day (quarterly) and Pareto Nordic Omega (monthly) for cash equal to a proportionate share of the Sub-Funds' NAV.

#### Calculation of NAV

The NAV per share of any class is calculated by determining that proportion of the NAV that is attributable to the relevant class. All shares are issued and redeemed at this price.

### 3. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2018	2018	2018
	Pareto Total	Pareto	Total
	Fair Value	Nordic Omega	Fair Value
	NOK	Fair Value	Fair Value
	NOK	NOK	NOK
Financial assets at fair value through profit or loss			
- collective investment scheme	-	41,276,732	41,276,732
- variable rate bonds	149,964,667	-	149,964,667
- equity securities long	2,818,762,875	292,850,421	3,111,613,296
Total financial assets at fair value through profit or loss	<u>2,968,727,542</u>	<u>334,127,153</u>	<u>3,302,854,695</u>
Financial liabilities at fair value through profit or loss			
- equity securities sold short	84,697,063	69,121,441	153,818,504
Total financial liabilities at fair value through profit or loss	<u>84,697,063</u>	<u>69,121,441</u>	<u>153,818,504</u>
Financial assets at fair value through profit or loss			2017
- variable rate bonds			Pareto Total
- equity securities long			Fair Value
Total financial assets at fair value through profit or loss			NOK
			156,838,197
			2,792,180,667
			<u>2,949,018,864</u>

# PARETO PLC

## Notes to the Financial Statements

31<sup>st</sup> December 2018

(Continued)

### 3. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS (continued)

	2017 Pareto Total Fair Value NOK
<b>Financial liabilities at fair value through profit or loss</b>	
- equity securities sold short	<u>124,539,111</u>
Total financial liabilities at fair value through profit or loss	<u><b>124,539,111</b></u>

Net changes in fair value on financial instruments at fair value through profit or loss are disclosed in Note 12.

### 4. FAIR VALUE OF FINANCIAL INSTRUMENTS

The tables below and overleaf show financial instruments recognised at fair value, analysed between those whose fair value is based on:

- Quoted prices in active markets for identical assets or liabilities (Level 1);
- Those involving inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (Level 2); and
- Those with inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

Pareto Total	2018 Level 1 NOK	2018 Level 2 NOK	2018 Level 3 NOK	2018 Total NOK
<i>Financial assets at fair value through profit or loss</i>				
Variable rate bonds	-	149,964,667	-	149,964,667
Equity securities long	<u>2,818,762,875</u>	<u>-</u>	<u>-</u>	<u>2,818,762,875</u>
	<u><b>2,818,762,875</b></u>	<u><b>149,964,667</b></u>	<u><b>-</b></u>	<u><b>2,968,727,542</b></u>
<i>Financial liabilities at fair value through profit or loss</i>				
Equity securities sold short	<u>84,697,063</u>	<u>-</u>	<u>-</u>	<u>84,697,063</u>
	<u><b>84,697,063</b></u>	<u><b>-</b></u>	<u><b>-</b></u>	<u><b>84,697,063</b></u>

# PARETO PLC

## Notes to the Financial Statements

31<sup>st</sup> December 2018

(Continued)

### 4. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

	2018 Level 1 NOK	2018 Level 2 NOK	2018 Level 3 NOK	2018 Total NOK
<b>Pareto Nordic Omega</b>				
<i>Financial assets at fair value through profit or loss</i>				
Collective investment schemes	-	41,276,732	-	41,276,732
Equity securities	288,850,421	-	4,000,000	292,850,421
	<b>288,850,421</b>	<b>41,276,732</b>	<b>4,000,000</b>	<b>334,127,153</b>
<i>Financial liabilities at fair value through profit or loss</i>				
Equity securities sold short	69,121,441	-	-	69,121,441
	<b>69,121,441</b>	<b>-</b>	<b>-</b>	<b>69,121,441</b>
<b>Pareto Total</b>	<b>2017 Level 1 NOK</b>	<b>2017 Level 2 NOK</b>	<b>2017 Level 3 NOK</b>	<b>2017 Total NOK</b>
<i>Financial assets at fair value through profit or loss</i>				
Variable rate bonds	-	156,838,197	-	156,838,197
Equity securities long	2,792,180,667	-	-	2,792,180,667
	<b>2,792,180,667</b>	<b>156,838,197</b>	<b>-</b>	<b>2,949,018,864</b>
<i>Financial liabilities at fair value through profit or loss</i>				
Equity securities sold short	124,539,111	-	-	124,539,111
	<b>124,539,111</b>	<b>-</b>	<b>-</b>	<b>124,539,111</b>

When fair values of listed equity securities at the reporting date are based on quoted market prices or binding dealer price quotations, without any deduction for transaction costs, the instruments are included within Level 1 of the hierarchy.

The fair value of debt securities is based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) and are therefore included within Level 2. Investments in collective investment schemes are valued based on the NAV per share published by the administrator of those funds. Such a NAV is adjusted when necessary, to reflect the effect of the time passed since the calculation date, liquidity risk, limitations on redemptions and other factors. Depending on the fair value level of an underlying fund's assets and liabilities and on the adjustments needed to the NAV per share published by that fund, the Company classifies the fair value of these investment as Level 2.

# PARETO PLC

## Notes to the Financial Statements

31<sup>st</sup> December 2018

(Continued)

### 4. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

Included within Level 3 of the hierarchy is the investment in Elliptic Laboratories AS whose current market price remains unchanged from the purchase price of the investment in 2017.

#### Level 3 reconciliation

The following table shows a reconciliation of all movements in the fair value of financial assets categorised within Level 3 between the beginning and the end of the reporting year:

	<b>2018 NOK</b>
<b>Pareto Nordic Omega</b>	
<b>Opening Balance</b>	-
In-specie transfer	<u>4,000,000</u>
<b>Closing Balance</b>	<u><b>4,000,000</b></u>

For all other financial instruments, fair value is determined using valuation techniques. Valuation techniques include net present value techniques, comparison to similar instruments for which market observable prices exist and other relevant valuation models.

There were no transfers between levels during 2018 or 2017.

The table below provides quantitative information about the Level 3 fair value measurements of the Company's investments as of 31<sup>st</sup> December 2018. In addition to the techniques and inputs noted in the table below, according to the valuation policy, other valuation techniques and methodologies may be used when determining fair value measurements. The table below is not intended to be all-inclusive, but rather provides information on the significant Level 3 inputs as they relate to fair value measurement. The Directors are satisfied the valuation of the investments in the financial statements are reasonable and prudent.

Description	Fair value NOK	Valuation Techniques / Management Estimates Methodologies	Unobservable Input Sensitivity Analysis* NOK	NAV (weighted average) NOK
Equities	<u>4,000,000</u>	Latest available price	<u>200,000</u>	4,000,000
	<u><b>4,000,000</b></u>		<u><b>200,000</b></u>	

\*If the price of each Level 3 investment had increased by 5%, whilst the foreign currency rates held constant, there would have been the above approximate increase in Net Assets attributable to Holders of Redeemable Participating Shares.

A decrease by 5% would result in an equal but opposite effect on Net Assets attributable to Holders of Redeemable Participating Shares to the figures shown above, on the basis that all other variables remain constant.

# PARETO PLC

## Notes to the Financial Statements

31<sup>st</sup> December 2018

*(Continued)*

### 4. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

#### *Financial instruments not measured at fair value*

The financial instruments not measured at fair value through profit or loss are short-term financial assets and liabilities whose carrying amounts approximate fair value and are all considered Level 2 assets and liabilities except for cash and cash equivalents which are considered Level 1. These instruments are carried at amortised cost; their carrying values are a reasonable approximation of fair value.

Cash and cash equivalents include cash in hand and deposits held with banks. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to insignificant changes in value with a maturity of three months or less. As such, Level 1 has been deemed the most appropriate categorisation for the Sub-Funds' cash and cash equivalents. Due from broker and receivables represent the contracted amounts and other obligations due to the Sub-Funds. Due to broker and payables represent the contractual amounts and obligations due by the Sub-Funds for settlement of expenses and other obligations due by the Sub-Funds.

The puttable value of Net Assets attributable to Holders of Redeemable Participating Shares is calculated based on the net difference between total assets and all other liabilities of the Company in accordance with the Company's Prospectus. The Redeemable Participating Shares are not traded in an active market.

A demand feature is attached to Net Assets attributable to Holders of Redeemable Participating Shares as Shareholders can redeem from each Sub-Fund on any dealing day for cash equal to a proportionate share of each Sub-Fund's NAV. The fair value is based on the amount payable on demand, discounted from the first date that the amount could be required to be paid. The impact of discounting in this instance is not material. As such, Level 2 is deemed to be the most appropriate categorisation for the Sub-Funds' receivables, due from/to broker, payables and Net Assets attributable to Holders of Redeemable Participating Shares.

### 5. RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS

#### **Risk Management Structure**

The Company's AIFM is responsible for identifying and controlling risks. The Board of Directors supervise the AIFM and are ultimately responsible for the overall risk management approach within the Sub-Funds.

#### **Risk Measurement and Reporting System**

The Sub-Funds' risks are measured using a method which reflects both the expected loss likely to arise in normal circumstances and unexpected losses, which are an estimate of the ultimate actual loss based on statistical models. The models make use of the probabilities derived from historical experience, adjusted to reflect the economic environment.

# PARETO PLC

## Notes to the Financial Statements

31<sup>st</sup> December 2018

*(Continued)*

### 5. RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS (continued)

#### **Risk Measurement and Reporting System (continued)**

The main risks arising from the Sub-Funds' financial instruments are set out below along with a brief overview of how these risks are managed and monitored by the AIFM in accordance with the investment mandate.

#### **Market Risk**

Market risk is the risk that the fair value or future cash flow of a financial instrument will fluctuate because of changes in market prices and includes other price risk, interest rate risk and foreign currency risk.

In order to produce part of the Sub-Funds' return target, the AIFM has to assume market risk. The net exposure to the market is a result of the portfolio manager's view at any time. Market risk exposure is available real time to the portfolio managers of the AIFM.

#### *Pareto Total*

The net equity exposure as at 31<sup>st</sup> December 2018 was 97.7% (2017: 98.6%) of the NAV, whereas debt securities and due to broker accounted for 5.4% and (6.8)% respectively of the NAV (2017: 5.8% and (4.5)%). The net exposure levels are products of the market price and volume as a share of the total NAV.

#### *Pareto Nordic Omega*

The net equity exposure as at 31<sup>st</sup> December 2018 was 47.1% of the NAV, whereas, collective investment schemes accounted for 8.7% of the NAV. The net exposure levels are products of the market price and volume as a share of the total NAV.

#### **(i) Equity Price Risk**

Equity price risk is the risk that the fair values of equities decrease (or increase in case of short positions) as the result of changes in the levels of equity indices and the value of individual stocks. The trading equity price risk exposure arises from the Sub-Funds' investment portfolios. The Sub-Funds manage this risk by diversifying investments into different countries, different sectors and securities. Management's best estimate of the effect on Net Assets attributable to Holders of Redeemable Participating Shares and loss due to a reasonably possible change in equity indices, with all other variables held constant is shown below. In practice the actual trading results may differ from the below sensitivity analysis and the difference could be material.

# PARETO PLC

## Notes to the Financial Statements

31<sup>st</sup> December 2018

(Continued)

### 5. RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS (continued)

#### Market Risk (continued)

##### (i) Equity Price Risk (continued)

###### *Pareto Total*

The following weighted net (long minus short) betas are used for 31<sup>st</sup> December 2018; USA 0.47, Scandinavia ex Norway 0.10, South Korea 0.03 and other Europe 0.37 (2017: USA 0.43, Scandinavia ex Norway 0.13, South Korea 0.04 and other Europe 0.43). The betas are weighted by the value of the correspondent security as a percentage of the net value of all securities in the portfolio that belong to the same market index.

Market indices	Change in equity price	Effect on Net Assets and profit	Change in equity price	Effect on Net Assets and profit
	2018	2018	2017	2017
	%	NOK	%	NOK
OSE	+ - 10	-	+ - 10	+ - 1,538
OMX (Scandinavia ex Norway)	+ - 10	+ - 1,449,770	+ - 10	+ - 2,001,751
NYSE	+ - 10	+ - 58,745,318	+ - 10	+ - 47,449,965
OTHER EUROPE	+ - 10	+ - 13,730,944	+ - 10	+ - 15,590,663
KOSPI	+ - 10	+ - 152,094	+ - 10	+ - 255,657

###### *Pareto Nordic Omega*

The following weighted net (long minus short) betas are used for 31<sup>st</sup> December 2018; Norway 0.20, USA (0.02), Scandinavia ex Norway 0.16. The betas are weighted by the value of the correspondent security as a percentage of the net value of all securities in the portfolio that belong to the same market index.

Market indices	Change in equity price	Effect on Net Assets and profit
	2018	2018
	%	NOK
OSE	+ - 10	+ - 2,267,870
OMX (Scandinavia ex Norway)	+ - 10	+ - 894,947
NYSE	+ - 10	+ - 17,653

#### Concentration of Equity Price Risk

##### *Pareto Total*

The tables below analyse the concentration of equity price risk by relevant stock exchange:

2018	Financial assets at fair value through profit or loss	Financial liabilities at fair value through profit or loss
	NOK	NOK
OMX Stockholm	96,787,272	11,027,532
OMX Copenhagen	213,941,456	40,380,017
NYSE	1,241,468,962	-
EURONEXT	147,886,891	-
SIX Switzerland	543,133,273	20,194,167
LSE	228,119,390	13,095,347
XETRA	291,508,725	-
KOSPI Korea	55,916,906	-
<b>Total</b>	<b>2,818,762,875</b>	<b>84,697,063</b>

# PARETO PLC

## Notes to the Financial Statements

31<sup>st</sup> December 2018

(Continued)

### 5. RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS (continued)

#### (i) Equity Price Risk (continued)

*Concentration of Equity Price Risk (continued)*

*Pareto Total (continued)*

2017	Financial assets at fair value through profit or loss	Financial liabilities at fair value through profit or loss
	NOK	NOK
OSE	5,890,000	-
OMX Stockholm	178,686,501	-
OMX Copenhagen	189,742,082	70,370,191
NYSE	1,101,808,270	-
EURONEXT	238,360,402	36,241,195
SIX Switzerland	517,487,294	-
LSE	183,992,106	17,927,725
XETRA	304,356,756	-
KOSPI Korea	71,857,256	-
<b>Total</b>	<b>2,792,180,667</b>	<b>124,539,111</b>

*Pareto Nordic Omega*

The table below analyses the concentration of equity price risk by relevant stock exchange:

2018	Financial assets at fair value through profit or loss	Financial liabilities at fair value through profit or loss
	NOK	NOK
OSE	129,882,126	14,170,322
OMX Stockholm	70,639,365	15,564,661
OMX Helsinki	78,014,677	17,663,209
NYSE	14,314,253	21,723,249
<b>Total</b>	<b>292,850,421</b>	<b>69,121,441</b>

Refer to the AIFM's Reports for the Sub-Funds' concentration by industry distribution.

#### (ii) Interest Rate Risk

Interest rate risk represents the potential losses that the Sub-Funds might suffer due to adverse movements in relevant interest rates. The Sub-Funds may invest in assets and liabilities that bear interest rate risk. This risk is monitored and managed on a continuous basis by the AIFM.

The analysts, who are employed by the AIFM, have online access to the exposure of the Sub-Funds at any time and they alert the AIFM if any kind of exposure is near or in breach with the investment restrictions, as outlined in the Prospectus. The portfolio managers cannot impose changes to the exposure as long as the AIFM complies with the investment restrictions. The Pareto Total Sub-Fund holds debt securities, as a result, the Sub-Fund is subject to interest rate risk due to fluctuations in the prevailing levels of market interest rates. Any excess cash is invested at short-term market interest rates. Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments.

# PARETO PLC

## Notes to the Financial Statements

31<sup>st</sup> December 2018

*(Continued)*

### 5. RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS (continued)

#### (ii) Interest Rate Risk (continued)

The sensitivity analyses below demonstrate management's best estimate of the sensitivity of income and Net Assets attributable to Holders of Redeemable Participating Shares to reasonably possible changes in interest rates, with all other variables held constant. In practice, the actual trading results may differ from the sensitivity analysis below and the difference could be material. The sensitivity of the Statement of Comprehensive Income is the effect of the assumed changes in interest rates on the Net Assets for one year, based on the floating rate trading financial assets and financial liabilities held at 31<sup>st</sup> December 2018 and 2017. The sensitivity of Net Assets attributable to Holders of Redeemable Participating Shares is analysed by maturity of the asset. The total sensitivity of Net Assets attributable to Holders of Redeemable Participating Shares is based on the assumption that there are parallel shifts in the yield curve, while the analysis by maturity band, displays the sensitivity to non-parallel changes.

#### Pareto Total

At 31<sup>st</sup> December 2018, if there was an increase or decrease of 0.5% in interest rates, with all other variables held constant, there would have been an increase or decrease in Net Assets attributable to Holders of Redeemable Participating Shares of NOK425,229 (2017: NOK512,859) based on financial year end cash and due from/to broker balances.

At 31<sup>st</sup> December 2018, if there was an increase or decrease of 0.5% in interest rates, with all other variables held constant, there would have been an increase or decrease in Net Assets attributable to Holders of Redeemable Participating Shares of NOK749,823 (2017: NOK784,191) based on financial year end debt securities. Interest rate exposure details are disclosed in the Schedule of Investments.

# PARETO PLC

## Notes to the Financial Statements

31<sup>st</sup> December 2018

(Continued)

### 5. RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS (continued)

#### (ii) Interest Rate Risk (continued)

*Pareto Total (continued)*

#### Maturity analysis table

The table below analyses the interest rate risk exposure as at 31<sup>st</sup> December 2018. The Sub-Fund's assets and liabilities are included at fair value and categorised by the earlier of contractual re-pricing or maturity dates.

2018	Less than 1 month NOK	1 month - 1 year NOK	Greater than 1 year NOK	Non - interest bearing NOK	Total NOK
<b>Assets</b>					
Cash and cash equivalents	2,600,773	-	-	-	2,600,773
Due from broker	102,349,953	-	-	-	102,349,953
Financial assets at fair value through profit or loss	-	46,779,875	103,184,792	2,818,762,875	2,968,727,542
Receivables	-	-	-	4,752,915	4,752,915
<b>Total assets</b>	<b><u>104,950,726</u></b>	<b><u>46,779,875</u></b>	<b><u>103,184,792</u></b>	<b><u>2,823,515,790</u></b>	<b><u>3,078,431,183</u></b>
<b>Total liabilities (excluding Net Assets attributable to Holders of Redeemable Participating Shares)</b>					
Due to broker	189,996,509	-	-	-	189,996,509
Financial liabilities at fair value through profit or loss	-	-	-	84,697,063	84,697,063
Payables	-	-	-	4,112,181	4,112,181
<b>Total liabilities</b>	<b><u>189,996,509</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>88,809,244</u></b>	<b><u>278,805,753</u></b>
<b>Total Interest Sensitivity Gap</b>	<b><u>(85,045,783)</u></b>	<b><u>46,779,875</u></b>	<b><u>103,184,792</u></b>	<b><u>N/A</u></b>	<b><u>N/A</u></b>

# PARETO PLC

## Notes to the Financial Statements

31<sup>st</sup> December 2018

(Continued)

### 5. RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS (continued)

#### (ii) Interest Rate Risk (continued)

*Pareto Total (continued)*

#### Maturity analysis table (continued)

The table below analyses interest rate risk exposure as at 31<sup>st</sup> December 2017. The Sub-Fund's assets and liabilities are included at fair value and categorised by the earlier of contractual re-pricing or maturity dates.

2017	Less than 1 month NOK	1 month - 1 year NOK	Greater than 1 year NOK	Non - interest bearing NOK	Total NOK
<b>Assets</b>					
Cash and cash equivalents	2,974,012	-	-	-	2,974,012
Due from broker	16,280,254	-	-	-	16,280,254
Financial assets at fair value through profit or loss	-	10,983,336	145,854,861	2,792,180,667	2,949,018,864
Receivables	-	-	-	3,763,892	3,763,892
<b>Total assets</b>	<b>19,254,266</b>	<b>10,983,336</b>	<b>145,854,861</b>	<b>2,795,944,559</b>	<b>2,972,037,022</b>
<b>Total liabilities (excluding Net Assets attributable to Holders of Redeemable Participating Shares)</b>					
Due to broker	121,826,060	-	-	-	121,826,060
Financial liabilities at fair value through profit or loss	-	-	-	124,539,111	124,539,111
Payables	-	-	-	19,296,129	19,296,129
<b>Total liabilities</b>	<b>121,826,060</b>	<b>-</b>	<b>-</b>	<b>143,835,240</b>	<b>265,661,300</b>
<b>Total Interest Sensitivity Gap</b>	<b>(102,571,794)</b>	<b>10,983,336</b>	<b>145,854,861</b>	<b>N/A</b>	<b>N/A</b>

#### *Pareto Nordic Omega*

At 31<sup>st</sup> December 2018, if there was an increase or decrease of 0.5% in interest rates, with all other variables held constant, there would have been an increase or decrease in Net Assets attributable to Holders of Redeemable Participating Shares of NOK1,042,854 based on financial period end cash and due from/to broker balances.

At 31<sup>st</sup> December 2018, the Sub-Fund holds no debt securities.

# PARETO PLC

## Notes to the Financial Statements

31<sup>st</sup> December 2018

(Continued)

### 5. RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS (continued)

#### (ii) Interest Rate Risk (continued)

*Pareto Nordic Omega (continued)*

#### Maturity analysis table

The table below analyses interest rate risk exposure as at 31<sup>st</sup> December 2018. The Sub-Fund's assets and liabilities are included at fair value and categorised by the earlier of contractual re-pricing or maturity dates.

2018	Less than 1 month NOK	1 month - 1 year NOK	Greater than 1 year NOK	Non - interest bearing NOK	Total NOK
<b>Assets</b>					
Cash and cash equivalents	84,604,183	-	-	-	84,604,183
Due from broker	123,966,585	-	-	-	123,966,585
Financial assets at fair value through profit or loss	-	-	-	334,127,153	334,127,153
Receivables	-	-	-	3,658,296	3,658,296
<b>Total assets</b>	<b>208,570,768</b>	<b>-</b>	<b>-</b>	<b>337,785,449</b>	<b>546,356,217</b>
<b>Total liabilities (excluding Net Assets attributable to Holders of Redeemable Participating Shares)</b>					
Financial liabilities at fair value through profit or loss	-	-	-	69,121,441	69,121,441
Payables	-	-	-	2,197,557	2,197,557
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>71,318,998</b>	<b>71,318,998</b>
<b>Total Interest Sensitivity Gap</b>	<b>208,570,768</b>	<b>-</b>	<b>-</b>	<b>N/A</b>	<b>N/A</b>

#### (iii) Currency Risk

Currency risk represents the potential losses that the Sub-Funds might suffer due to adverse movements in non-base currency exposures. Some of the Sub-Funds' assets and liabilities are invested in securities denominated in currencies other than NOK and any income received by the Sub-Funds from these investments will be received in those currencies, some of which may fall in value against the NOK. The Sub-Funds calculate their NAVs in NOK, the base currency of the Company, and there is therefore a currency exchange risk, which may affect the value of shares. The AIFM of the Sub-Funds does not seek to hedge currency risk, neither for other share classes than that in NOK ("external hedges"), nor within the Sub-Funds ("internal hedges"), hence the AIFM considers currency risk to be significant.

# PARETO PLC

## Notes to the Financial Statements

31<sup>st</sup> December 2018

(Continued)

### 5. RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS (continued)

#### (iii) Currency Risk (continued)

The currency exposure of the Sub-Funds is set out as follows:

*Pareto Total*

	<b>Monetary Assets / Liabilities NOK</b>	<b>Currency Exposure NOK</b>
<b>2018</b>		
<b>Assets</b>		
Danish Krone	213,941,456	213,941,456
Euro	440,024,561	440,024,561
Great British Pound	229,384,326	229,384,326
South Korean Won	55,916,906	55,916,906
Swedish Krona	110,749,812	110,749,812
Swiss Franc	568,716,920	568,716,920
United States Dollar	<u>1,243,787,357</u>	<u>1,243,787,357</u>
	<b><u>2,862,521,338</u></b>	<b><u>2,862,521,338</u></b>
<b>Liabilities</b>		
Danish Krone	(77,083,659)	(77,083,659)
Euro	(55,777,930)	(55,777,930)
Great British Pound	(87,103,596)	(87,103,596)
Swedish Krona	(11,027,562)	(11,027,562)
Swiss Franc	(20,212,246)	(20,212,246)
United States Dollar	<u>(24,585,057)</u>	<u>(24,585,057)</u>
	<b><u>(275,790,050)</u></b>	<b><u>(275,790,050)</u></b>
	<b><u>2,586,731,288</u></b>	<b><u>2,586,731,288</u></b>
<b>2017</b>		
<b>Assets</b>		
Danish Krone	190,581,077	190,581,077
Euro	542,717,158	542,717,158
Great British Pound	190,495,203	190,495,203
South Korean Won	71,857,256	71,857,256
Swedish Krona	181,209,724	181,209,724
Swiss Franc	517,488,037	517,488,037
United States Dollar	<u>1,103,631,906</u>	<u>1,103,630,906</u>
	<b><u>2,797,980,361</u></b>	<b><u>2,797,980,361</u></b>
<b>Liabilities</b>		
Danish Krone	(70,372,861)	(70,372,861)
Euro	(94,726,313)	(94,726,313)
Great British Pound	(17,927,725)	(17,927,725)
United States Dollar	<u>(64,275,431)</u>	<u>(64,275,431)</u>
	<b><u>(247,302,330)</u></b>	<b><u>(247,302,330)</u></b>
	<b><u>2,550,678,031</u></b>	<b><u>2,550,678,031</u></b>

# PARETO PLC

## Notes to the Financial Statements

31<sup>st</sup> December 2018

(Continued)

### 5. RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS (continued)

#### (iii) Currency Risk (continued)

##### Pareto Total (continued)

The table below indicates the currencies to which Pareto Total had exposure at 31<sup>st</sup> December 2018 and 2017 on its trading monetary assets and liabilities. The analysis below discloses management's best estimates of the effect of a reasonably possible movement of the currency rate against the NOK (represents movement from the minimum level of the exchange rate to the maximum level during the financial years ended 31<sup>st</sup> December 2018 and 2017) with all other variables held constant on the Statement of Comprehensive Income (due to the fair value of currency sensitive trading monetary assets and liabilities) and Net Assets attributable to Holders of Redeemable Participating Shares.

A negative amount in the table below reflects a potential net reduction in profit and loss or Net Assets attributable to Holders of Redeemable Participating Shares, while a positive amount reflects a net potential increase. If the change in currency rate is 2.7% e.g. a depreciation of SEK vs NOK from 0.9990 to 0.9723, then the net effect on Net Assets attributable to Holders of Redeemable Participating Shares and on loss would be NOK2,739,790. In practice, the actual trading results may differ from the below sensitivity analysis and the difference could be material.

Note that the aggregated effect on CHF, DKK, EUR, GBP, KRW, SEK and USD (2017: CHF, DKK, EUR, GBP, KRW, SEK and USD) is the sum of the effect on profit and effect on Net Assets attributable to Holders of Redeemable Participating Shares (having opposite prefix).

Currency	Change in	Net effect	Change in	Net effect
	currency rate		currency rate	
	2018	2018	2017	2017
	%	NOK	%	EUR
CHF	+ - 5.4	+ - 29,627,811	+ - 0.9	+ - 4,676,323
DKK	+ - 1.4	+ - 1,862,493	+ - 7.4	+ - 8,942,646
EUR	+ - 1.7	+ - 6,343,819	+ - 7.6	+ - 33,878,490
GBP	+ - 0.1	+ - 177,265	+ - 3.9	+ - 6,684,166
KRW	+ - 2.4	+ - 1,336,334	+ - 6.7	+ - 4,830,085
SEK	+ - 2.7	+ - 2,739,790	+ - 5.2	+ - 9,341,602
USD	+ - 6.3	+ - 77,395,883	+ - 5.2	+ - 54,430,764

# PARETO PLC

## Notes to the Financial Statements

31<sup>st</sup> December 2018

(Continued)

### 5. RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS (continued)

#### (iii) Currency Risk (continued)

*Pareto Nordic Omega*

	Monetary Assets / Liabilities NOK	Currency Exposure NOK
<b>2018</b>		
<b>Assets</b>		
Euro	103,861,884	103,861,884
Swedish Krona	166,655,367	166,655,367
United States Dollar	19,031,699	19,031,699
	<u>289,548,950</u>	<u>289,548,950</u>
<b>Liabilities</b>		
Euro	(17,861,963)	(17,861,963)
Swedish Krona	(15,579,520)	(15,579,520)
United States Dollar	(21,878,748)	(21,878,748)
	<u>(55,320,231)</u>	<u>(55,320,231)</u>
	<u>234,228,719</u>	<u>234,228,719</u>

The table overleaf indicates the currencies to which Pareto Nordic Omega had exposure at 31<sup>st</sup> December 2018 on its trading monetary assets and liabilities. The analysis below discloses management's best estimates of the effect of a reasonably possible movement of the currency rate against the NOK (represents movement from the minimum level of the exchange rate to the maximum level during the financial period ended 31<sup>st</sup> December 2018) with all other variables held constant on the Statement of Comprehensive Income (due to the fair value of currency sensitive trading monetary assets and liabilities) and Net Assets attributable to Holders of Redeemable Participating Shares.

A negative amount in the table below reflects a potential net reduction in profit and loss or Net Assets attributable to Holders of Redeemable Participating Shares, while a positive amount reflects a net potential increase. If the change in currency rate is 2.7% e.g. a depreciation of SEK vs NOK from 0.9990 to 0.9723, then the net effect on Net Assets attributable to Holders of Redeemable Participating Shares and on profit would be NOK4,150,690. In practice, the actual trading results may differ from the below sensitivity analysis and the difference could be material.

Note that the aggregated effect on DKK, EUR, SEK and USD is the sum of the effect on profit and effect on Net Assets attributable to Holders of Redeemable Participating Shares (having opposite prefix).

# PARETO PLC

## Notes to the Financial Statements

31<sup>st</sup> December 2018

(Continued)

### 5. RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS (continued)

#### (iii) Currency Risk (continued)

*Pareto Nordic Omega (continued)*

Currency	Change in currency rate	Net effect
	2018	2018
	%	NOK
EUR	+ - 1.7	+ - 1,419,838
SEK	+ - 2.7	+ - 4,150,690
USD	+ - 6.3	+ - 180,733

#### Liquidity Risk

Liquidity risk represents the possibility that the Sub-Funds may not be able to rapidly adjust the size of their investment position in times of high volatility and financial stress at a reasonable price.

None of the Sub-Funds' NAVs were subject to special arrangements such as gates or lock-ups and there were no NAV suspensions during the financial year.

The main liability of the Sub-Funds is the redemption of any shares that investors may wish to sell. Shareholders may redeem their shares as follows:

#### *Pareto Total*

Every quarter by 10 a.m. Irish time on the 80<sup>th</sup> business day, or if such day is not a business day, the redemption deadline shall be the next business day following such day.

The AIFM views the current redemption risk to be limited based on adequate notice for the quarterly liquidity cycle.

#### *Pareto Nordic Omega*

Every quarter by 10 a.m. Irish time on the 15<sup>th</sup> day prior to the relevant dealing day, if such day is not a business day, the redemption deadline shall be the next business day following such day.

The AIFM endeavours to manage Pareto Nordic Omega's investments and cash in order to meet liabilities. However, investments may be sold if insufficient cash is available to finance such redemptions.

#### *Pareto Total*

The long equity positions constitute 100.7% of NAV as of 31<sup>st</sup> December 2018 (2017: 103.2%). The AIFM estimates the price impact in order to exit these positions during one, five, and ten working days in a "normal" market environment to be 0.83%, 0.17% and 0.05% (2017: 0.89%, 0.18% and 0.07%), respectively. Total NAV impact would be 0.83%, 0.17% and 0.05%, respectively (2017: 0.89%, 0.18% and 0.07%). In addition to the liquidity risk for equity exposure, Pareto Total may be exposed to liquidity risk related to debt instruments. The debt securities positions constitute 5.4% of NAV as of 31<sup>st</sup> December 2018 (2017: 5.8%).

# PARETO PLC

## Notes to the Financial Statements

31<sup>st</sup> December 2018

(Continued)

### 5. RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS (continued)

#### Liquidity Risk (continued)

##### *Pareto Total (continued)*

The tables below and overleaf analyse financial assets and liabilities into relevant maturity grouping based on the remaining period at the Statement of Financial Position date to the contractual maturity date. The amounts in the tables are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balance, as the impact of discounting is not significant.

2018	Less than 1 Month NOK	1 - 12 Months NOK	Greater than 1 Year NOK	Total NOK
<b>Assets</b>				
Cash and cash equivalents	2,600,773	-	-	2,600,773
Due from broker	102,349,953	-	-	102,349,953
Financial assets at fair value through profit or loss	2,818,762,875	46,779,875	103,184,792	2,968,727,542
Receivables	<u>4,752,915</u>	<u>-</u>	<u>-</u>	<u>4,752,915</u>
<b>Total assets</b>	<b><u>2,928,466,516</u></b>	<b><u>46,779,875</u></b>	<b><u>103,184,792</u></b>	<b><u>3,078,431,183</u></b>
<b>Liabilities</b>				
Due to broker	189,996,509	-	-	189,996,509
Financial liabilities at fair value through profit or loss	84,697,063	-	-	84,697,063
Alternative Investment Fund Manager fees	2,256,637	-	-	2,256,637
Administration fees	387,347	-	-	387,347
Other payables	1,468,197	-	-	1,468,197
Net Assets attributable to Holders of Redeemable Participating Shares	<u>-</u>	<u>2,799,625,430</u>	<u>-</u>	<u>2,799,625,430</u>
<b>Total liabilities</b>	<b><u>278,805,753</u></b>	<b><u>2,799,625,430</u></b>	<b><u>-</u></b>	<b><u>3,078,431,183</u></b>

# PARETO PLC

## Notes to the Financial Statements

31<sup>st</sup> December 2018

(Continued)

### 5. RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS (continued)

#### Liquidity Risk (continued)

*Pareto Total (continued)*

2017	Less than 1 Month NOK	1 - 12 Months NOK	Greater than 1 Year NOK	Total NOK
<b>Assets</b>				
Cash and cash equivalents	2,974,012	-	-	2,974,012
Due from broker	16,280,254	-	-	16,280,254
Financial assets at fair value through profit or loss	2,792,180,667	10,983,336	145,854,861	2,949,018,864
Receivables	<u>3,763,892</u>	<u>-</u>	<u>-</u>	<u>3,763,892</u>
<b>Total assets</b>	<b><u>2,815,198,825</u></b>	<b><u>10,983,336</u></b>	<b><u>145,854,861</u></b>	<b><u>2,972,037,022</u></b>
<b>Liabilities</b>				
Due to broker	121,826,060	-	-	121,826,060
Financial liabilities at fair value through profit or loss	124,539,111	-	-	124,539,111
Performance fees	14,586,894	-	-	14,586,894
Equalisation credit payable to Shareholders	1,436,076	-	-	1,436,076
Alternative Investment Fund Manager fees	1,750,103	-	-	1,750,103
Administration fees	389,231	-	-	389,231
Other payables	1,133,825	-	-	1,133,825
Net Assets attributable to Holders of Redeemable Participating Shares	<u>-</u>	<u>2,706,375,722</u>	<u>-</u>	<u>2,706,375,722</u>
<b>Total liabilities</b>	<b><u>265,661,300</u></b>	<b><u>2,706,375,722</u></b>	<b><u>-</u></b>	<b><u>2,972,037,022</u></b>

#### *Pareto Nordic Omega*

The long equity positions of Pareto Nordic Omega constitute 61.5% of NAV as of 31<sup>st</sup> December 2018. The AIFM estimates the price impact in order to exit these positions during one, five, and ten working days in a “normal” market environment to be 0.12%, 0.01% and 0.00%, respectively. Total NAV impact would be 0.12%, 0.01% and 0.00%, respectively.

In addition to the liquidity risk for equity exposure, Pareto Nordic Omega may be exposed to liquidity risk related to collective investment schemes. The collective investment scheme positions constitute 8.7% of NAV as of 31<sup>st</sup> December 2018.

# PARETO PLC

## Notes to the Financial Statements

31<sup>st</sup> December 2018

(Continued)

### 5. RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS (continued)

#### Liquidity Risk (continued)

##### *Pareto Nordic Omega (continued)*

The table below analyses financial assets and liabilities into relevant maturity grouping based on the remaining period at the Statement of Financial Position date to the contractual maturity date. The amounts in the tables are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balance, as the impact of discounting is not significant.

2018	Less than 1 Month NOK	1 - 12 Months NOK	Greater than 1 Year NOK	Total NOK
<b>Assets</b>				
Cash and cash equivalents	84,604,183	-	-	84,604,183
Due from broker	123,966,585	-	-	123,966,585
Financial assets at fair value through profit or loss	334,127,153	-	-	334,127,153
Receivables	3,658,296	-	-	3,658,296
<b>Total assets</b>	<b>546,356,217</b>	<b>-</b>	<b>-</b>	<b>546,356,217</b>
<b>Liabilities</b>				
Financial liabilities at fair value through profit or loss	69,121,441	-	-	69,121,441
Alternative Investment Fund				
Manager fees	408,041	-	-	408,041
Administration fees	40,406	-	-	40,406
Other payables	1,749,110	-	-	1,749,110
Net Assets attributable to Holders of Redeemable Participating Shares	-	475,037,219	-	475,037,219
<b>Total liabilities</b>	<b>71,318,998</b>	<b>475,037,219</b>	<b>-</b>	<b>546,356,217</b>

#### Credit Risk

Credit risk is the risk that an issuer or counterparty will be unable or unwilling to meet a commitment that it has entered into and cause the Sub-Funds to incur financial losses. The Sub-Funds will be exposed to credit risk on parties with whom they trade and will also bear the risk of settlement default. Cash and trading securities are held with BBH, the Prime Broker and Sub-Custodian as well as SEB.

# PARETO PLC

## Notes to the Financial Statements

31<sup>st</sup> December 2018

(Continued)

### 5. RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS (continued)

#### Credit Risk (continued)

The AIFM continuously monitors the share of NAV deposited with any one financial institution to ensure that the Sub-Funds' deposits rest within the limits of the Investment Restrictions.

#### Pareto Total

As at 31<sup>st</sup> December 2018, 3.13% (2017: 3.86%) of the NAV was owed to SEB and 0.09% (2017: 0.11%) of the NAV was deposited at BBH, which have credit ratings of Aa2 and A+ (2017: Aa3 and A+) respectively.

#### Pareto Nordic Omega

As at 31<sup>st</sup> December 2018, 26.10% of the NAV was deposited at SEB and 17.81% of the NAV was deposited at BBH, which have credit ratings of Aa2 and A+ respectively.

Typically, derivative contracts serve as components of the Sub-Funds investment strategy and are utilised primarily to structure and hedge investments, to enhance performance and reduce risk to the Sub-Funds (the Sub-Funds do not designate any derivative as a hedging instrument for hedge accounting purposes). The derivative contracts that the Sub-Funds hold or issue may include contracts for difference, futures contracts, over-the-counter ("OTC") options, forward currency contracts and currency swap agreements. There were no open derivative contracts held at 31<sup>st</sup> December 2018.

Default or bankruptcy of the Prime Broker and Sub-Custodian, SEB or the Depositary may cause the Sub-Funds' access to their cash and securities to be delayed or limited.

#### **Offsetting and amounts subject to offsetting provisions on the Prime Broker agreement**

There were no open derivative contracts held at 31<sup>st</sup> December 2018 or 2017.

The Sub-Funds and their counterparties have elected to settle all transactions on a gross basis however each party has the option to settle all open contracts on a net basis in the event of default of the other party. Per the terms of the Prime Broker master netting agreements, an event of default includes the following:

- failure by a party to make payment when due;
- failure by a party to perform any obligation required by the agreement (other than payment) if such failure is not remedied within 2 business days after notice of such failure is given to the party; and
- bankruptcy.

### 6. OFF-BALANCE SHEET RISK

Securities sold short represented obligations of the Sub-Funds' to deliver a specified security and thereby created a liability to repurchase the security in the market at prevailing prices. Accordingly, these securities may result in off-balance sheet risk as the Sub-Funds satisfaction of the obligations may exceed the amount recognised in the Statement of Financial Position.

# PARETO PLC

## Notes to the Financial Statements

31<sup>st</sup> December 2018

(Continued)

### 7. CASH AND CASH EQUIVALENTS / DUE FROM/TO BROKER

Cash balances are held as follows:

	Pareto Total NOK	Pareto Nordic Omega NOK	Total NOK
<b>2018</b>			
Cash	1,876,484	59,898,831	61,775,315
Foreign cash balances	<u>724,289</u>	<u>24,705,352</u>	<u>25,429,641</u>
<b>Cash and cash equivalents</b>	<b><u>2,600,773</u></b>	<b><u>84,604,183</u></b>	<b><u>87,204,956</u></b>
Cash	62,803,763	22,097,694	84,901,457
Foreign cash balances	<u>39,546,190</u>	<u>101,868,891</u>	<u>141,415,081</u>
<b>Due from broker</b>	<b><u>102,349,953</u></b>	<b><u>123,966,585</u></b>	<b><u>226,316,538</u></b>
Foreign cash balances	<u>(189,996,509)</u>	<u>-</u>	<u>(189,996,509)</u>
<b>Due to broker</b>	<b><u>(189,996,509)</u></b>	<b><u>-</u></b>	<b><u>(189,996,509)</u></b>
			<b>Pareto Total NOK</b>
<b>2017</b>			
Cash			2,781,429
Foreign cash balances			<u>192,583</u>
<b>Cash and cash equivalents</b>			<b><u>2,974,012</u></b>
Cash			7,525,829
Foreign cash balances			<u>8,754,425</u>
<b>Due from broker</b>			<b><u>16,280,254</u></b>
Foreign cash balances			<u>(121,826,060)</u>
<b>Due to broker</b>			<b><u>(121,826,060)</u></b>

Cash balances are held with/owed to BBH, as well as being held with/owed to SEB.

# PARETO PLC

## Notes to the Financial Statements

31<sup>st</sup> December 2018

(Continued)

### 8. RECEIVABLES

	Pareto Total NOK	Pareto Nordic Omega NOK	Total NOK
<b>2018</b>			
Dividends receivable	3,486,493	520,677	4,007,170
Interest receivable	1,264,929	26,056	1,290,985
Receivable for investments sold	-	3,000,000	3,000,000
Other receivables	1,493	111,563	113,056
	<u>4,752,915</u>	<u>3,658,296</u>	<u>8,411,211</u>
			<b>Pareto Total NOK</b>
<b>2017</b>			
Dividends receivable			2,739,401
Interest receivable			1,024,491
			<u>3,763,892</u>

### 9. PAYABLES

	Pareto Total NOK	Pareto Nordic Omega NOK	Total NOK
<b>2018</b>			
Payable for investments purchased	-	520,677	520,677
Interest payable	247,911	19,646	267,557
Dividends payable	-	155,499	155,499
Alternative Investment Fund Manager fees	2,256,637	408,041	2,664,678
Depositary fees	286,848	14,142	300,990
Administration fees	387,347	40,406	427,753
Audit fees	139,418	139,418	278,836
Other payables	794,020	899,728	1,693,748
	<u>4,112,181</u>	<u>2,197,557</u>	<u>6,309,738</u>

# PARETO PLC

## Notes to the Financial Statements

31<sup>st</sup> December 2018

(Continued)

### 9. PAYABLES (continued)

	<b>Pareto Total NOK</b>
<b>2017</b>	
Interest payable	108,519
Performance fees (Note 13)	14,586,894
Equalisation credit (Note 13)	1,436,076
Alternative Investment Fund Manager fees	1,750,103
Depository fees	267,918
Administration fees	389,231
Audit fees	137,116
Other payables	620,272
	<u>19,296,129</u>

### 10. SHARE CAPITAL AND REDEEMABLE PARTICIPATING SHARES

<u>Pareto Total</u>	<b>2018</b>	<b>2017</b>
<b>Founder Class – EUR Share</b>		
Number of shares outstanding as at beginning of year	1,447,454.02	1,447,671.47
Number of shares issued	2,842.38	316.03
Number of shares redeemed	(601.01)	(533.48)
<b>Number of shares outstanding as at end of year</b>	<u><b>1,449,695.39</b></u>	<u><b>1,447,454.02</b></u>
<b>Institutional Class A – NOK Share</b>		
Number of shares outstanding as at beginning of year	835,674.28	848,546.07
Number of shares redeemed	(417,837.14)	(12,871.79)
<b>Number of shares outstanding as at end of year</b>	<u><b>417,837.14</b></u>	<u><b>835,674.28</b></u>
<b>Institutional Class B – NOK Share</b>		
Number of shares outstanding as at beginning of year	1,673,090.14	1,011,826.39
Number of shares issued	1,438,794.72	669,307.31
Number of shares redeemed	(39,165.13)	(8,043.56)
<b>Number of shares outstanding as at end of year</b>	<u><b>3,072,719.73</b></u>	<u><b>1,673,090.14</b></u>
<b>Institutional Class I – NOK Share</b>		
Number of shares outstanding as at beginning of year	1,993,445.64	1,987,429.87
Number of shares issued	1,206,537.72	6,015.77
<b>Number of shares outstanding as at end of year</b>	<u><b>3,199,983.36</b></u>	<u><b>1,993,445.64</b></u>

# PARETO PLC

## Notes to the Financial Statements

31<sup>st</sup> December 2018

(Continued)

### 10. SHARE CAPITAL AND REDEEMABLE PARTICIPATING SHARES (continued)

<b><u>Pareto Nordic Omega</u></b>	<b>2018</b>
<b>Class B – NOK Share</b>	
Number of shares outstanding as at beginning of period	-
Number of shares issued on in-specie transfer of assets	1,740,416.63
Number of shares issued	53,843.34
Number of shares redeemed	(1,508,071.87)
<b>Number of shares outstanding as at end of period</b>	<b><u>286,188.10</u></b>
<b>Class I – NOK Share</b>	
Number of shares outstanding as at beginning of period	-
Number of shares issued	4,303,482.59
Number of shares redeemed	(295,745.71)
<b>Number of shares outstanding as at end of period</b>	<b><u>4,007,736.88</u></b>
<b>Class M – NOK Share</b>	
Number of shares outstanding as at beginning of period	-
Number of shares issued on in-specie transfer of assets	40,195.73
Number of shares redeemed	(1,000.00)
<b>Number of shares outstanding as at end of period</b>	<b><u>39,195.73</u></b>

The authorised share capital of the Company is 2 subscriber shares of 1 Euro each and 1,000,000,000,000 shares of no par initially designated as unclassified shares. The subscriber shares do not form part of the NAV of the Company and are thus disclosed in the financial statements by way of this note only.

On a show of hands at a general meeting or class meeting of the Company, every holder holding subscriber shares who is present in person or by proxy shall have one vote for every full share held. The shares of each class entitle the holders thereof to any dividends that may be declared in respect of the shares of that class. On a winding up, the liquidator may, subject to the provisions of the Companies Act, apply the assets of the Company in such a manner and order as he thinks fit in satisfaction of creditors' claims relating to the Company. No shares have pre-emptive rights. There are no outstanding options or any special rights relating to any shares.

The Net Assets attributable to Holders of Redeemable Participating Shares are at all times equal to the NAV of the Company. The Redeemable Participating Shares are in substance a liability of the Company to Shareholders under IAS 32 as they can be redeemed at the option of the Shareholder and because the subscriber shares are more subordinate.

The Directors reserve the right to differentiate between Shareholders and to waive or reduce the Minimum Shareholding or Minimum Initial Investment Amount for any such Shareholders or to refuse an application for any such shares at their absolute discretion, provided that the minimum subscription amount for Qualifying Shareholders (other than Accredited Investors) must be at least EUR100,000 in accordance with the requirements of the Central Bank.

# PARETO PLC

## Notes to the Financial Statements

31<sup>st</sup> December 2018

*(Continued)*

### 10. SHARE CAPITAL AND REDEEMABLE PARTICIPATING SHARES (continued)

#### Pareto Total

The Company has made Institutional Class A, B and I shares available for subscription in NOK. The minimum initial subscription is NOK50,000,000 (Class A), NOK1,000,000 (Class B) and NOK100,000,000 (Class I).

The Company has made Founder Class shares available for subscription in EUR, with the minimum initial subscription being EUR100,000,000. Shares in the Founder Class may be issued at the discretion of the Directors and may, in particular, be issued to Shareholders who have subscribed during the Initial Offer Period for that Share Class and, if applicable, majority owned subsidiary companies thereof, subject to the overall discretion of the Directors and provided that shares in the Founder Class may only be issued to Qualifying Investors or Accredited Investors.

Pareto Total has no minimum additional subscription amount.

#### Pareto Nordic Omega

The Company has made Class B, M and I shares available for subscription in NOK. The minimum initial subscription is NOK1,000,000 (Class B) and NOK20,000,000 (Class I). Class M shares may only be issued at the Directors discretion and to Accredited Investors, with no minimum subscription amount. The Company has also made Class A shares available for subscription in EUR, with a minimum initial subscription of EUR500,000. The Company has also made Class C shares available for subscription in USD, with a minimum initial subscription of USD750,000. Pareto Nordic Omega has no minimum additional subscription amount.

#### **Capital Management**

As a result of the ability to issue and redeem shares, the capital of the Company can vary depending on the demand for redemptions from and subscriptions to the Company. The Company's objective for managing capital is to obtain capital appreciation, regardless of the equity market's direction.

Refer to 'Risks Associated With Financial Instruments' (Note 5) for the policies and processes applied by each Sub-Fund in managing its capital.

### 11. FEES AND EXPENSES

#### **AIFM fees**

##### Pareto Total

The AIFM receives out of the assets of Pareto Total an annual fee of 0.75% of the NAV of the Institutional A Share Class, 1% of the NAV of the Institutional Class B Shares and 0.50% of the NAV of the Institutional I Share Class, prior to the accrual of investment management and performance fees. Such a fee is accrued quarterly and is calculated on each dealing day by reference to the NAV at the relevant valuation point. The AIFM also receives out of the assets of Pareto Total an annual fee of 0.15% per annum of the total NAV of the Founder Class for the first EUR100 million and 0.05% per annum above EUR100 million.

# PARETO PLC

## Notes to the Financial Statements

31<sup>st</sup> December 2018

*(Continued)*

### 11. FEES AND EXPENSES (continued)

#### **AIFM fees (continued)**

##### Pareto Nordic Omega

The AIFM receives out of the assets of Pareto Nordic Omega an annual fee of 1.5% of the NAV of the Class A, B and C shares, prior to the accrual of investment management and performance fees. This fee may be increased up to 3% per annum on giving reasonable prior notification to Shareholders. The AIFM also receives out of the assets of Pareto Nordic Omega an annual fee of 0.95% of the NAV of Class I shares, prior to the accrual of investment management and performance fees. Such a fee is accrued monthly and is calculated on each dealing day by reference to the NAV of Pareto Nordic Omega at the relevant valuation point. No fee is payable to the AIFM in respect of the Class M shares.

#### **Administration fees**

##### Pareto Total

Pareto Total pays the Administrator an administration fee, which is payable quarterly in arrears, out of its Net Assets (prior to the accrual of performance fees) equal to 0.06% of the NAV per annum in respect of the first EUR200 million, and 0.04% of the NAV per annum of the balance of the aggregate Net Assets subject to a minimum of EUR80,000 per annum.

When the NAV attributable to investments by Shareholders other than the Founder Class equals or exceeds 50% of the NAV, the fee changes to a rate of 0.09% per annum of the total NAV for the first EUR100 million, 0.06% per annum of the total NAV for the next EUR100 million and 0.04% per annum of the balance of the aggregate Net Assets subject to a minimum of EUR80,000 per annum. The Administrator is also entitled to a transaction charge of EUR25 per movement on Pareto Total's share register and EUR75 per new investor for anti-money laundering verification, both payable quarterly in arrears. The Administrator also receives a fixed fee of EUR3,500 per annum for the preparation of the annual financial statements. The Administrator is also reimbursed by Pareto Total for all fees and vouched expenses properly incurred by the Administrator in the performance of its duties.

##### Pareto Nordic Omega

Pareto Nordic Omega pays the Administrator an administration fee, which is payable monthly in arrears, out of its Net Assets (prior to the accrual of performance fees) equal to 0.10% of the NAV per annum from EUR150 million to EUR250 million, and 0.08% of the NAV per annum of the balance of the aggregate Net Assets subject to a minimum of EUR40,000 per annum. The Administrator is also entitled to a transaction charge of EUR20 per movement on Pareto Nordic Omega's share register. The Administrator is also reimbursed by Pareto Nordic Omega for all fees and vouched expenses properly incurred by the Administrator in the performance of its duties.

#### **Depositary fees**

##### Pareto Total

Pareto Total pays the Depositary a fee, paid quarterly in arrears, out of its Net Assets equal to 0.04% of the NAV per annum subject to a minimum fee of EUR36,000 per annum. When the NAV attributable to Shareholders other than the Founder Class equals or exceeds 50% of the NAV, the fee changes to a rate of 0.06% per annum subject to a minimum fee of EUR36,000 per annum. The Depositary is reimbursed by Pareto Total all properly vouched sub-custody (at normal commercial rates) and other reasonable and properly vouched fees and expenses incurred by the Depositary in the performance of its duties.

# PARETO PLC

## Notes to the Financial Statements

31<sup>st</sup> December 2018

(Continued)

### 11. FEES AND EXPENSES (continued)

#### Depository fees (continued)

##### Pareto Nordic Omega

Pareto Nordic Omega pays the Depository a fee, paid monthly in arrears, out of its Net Assets equal to 0.035% of the NAV, with no minimum monthly fee. The Depository is reimbursed by Pareto Nordic Omega all properly vouched sub-custody (at normal commercial rates) and other reasonable and properly vouched fees and expenses incurred by the Depository in the performance of its duties.

#### Directors' Remuneration

	Pareto Total NOK	Pareto Nordic Omega NOK	Total NOK
<b>2018</b>			
Fees in respect of qualifying services	398,389	272,619	671,008
	<b>398,389</b>	<b>272,619</b>	<b>671,008</b>
			<b>Pareto Total NOK</b>
<b>2017</b>			
Fees in respect of qualifying services			219,189
			<b>219,189</b>

The Directors are entitled to remuneration for their services as Directors provided however that the aggregate emoluments of such Directors in respect of any twelve month financial period shall not exceed EUR80,000. In addition, the Directors are also entitled to be reimbursed for their reasonable out-of-pocket expenses incurred in discharging their duties as Directors.

Other than shown above, there are no further required disclosures in accordance with Sections 305 and 306 of the Act, for the financial years ended 31<sup>st</sup> December 2018 and 2017.

#### Other fees and expenses

Both Sub-Funds pay out of their assets, the fees and expenses payable to the AIFM, the Depository, the Administrator, the Prime Broker and Sub-Custodian and the Directors plus any fees in respect of circulating details of the NAV, stamp duties, taxes, company secretarial fees, brokerage or other expenses of acquiring and disposing of investments and the fees and expenses of the auditors, tax and legal advisors.

# PARETO PLC

## Notes to the Financial Statements

31<sup>st</sup> December 2018

(Continued)

### 12. NET (LOSS)/GAIN ON FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	Pareto Total NOK	Pareto Nordic Omega NOK	Total NOK
<b>2018</b>			
Total realised gain from:			
- Investments and currencies	152,880,225	3,036,821	155,917,046
Total realised loss from:			
- Investments and currencies	(65,947,732)	(11,057,320)	(77,005,052)
Total change in unrealised gain from:			
- Investments and currencies	9,921,621	13,796,046	23,717,667
Total change in unrealised loss from:			
- Investments and currencies	(373,560,252)	(16,751,047)	(390,311,299)
Net coupon income on debt securities	<u>6,690,152</u>	<u>-</u>	<u>6,690,152</u>
<b>Net loss on financial assets and liabilities at fair value through profit or loss</b>	<b><u>(270,015,986)</u></b>	<b><u>(10,975,500)</u></b>	<b><u>(280,991,486)</u></b>
			<b>Pareto Total NOK</b>
<b>2017</b>			
Total realised gain from investments and currencies			161,778,320
Total realised loss from investments and currencies			(34,987,476)
Total change in unrealised gain from investments and currencies			315,089,437
Total change in unrealised loss from investments and currencies			(16,088,270)
Net coupon income on debt securities			<u>5,856,693</u>
<b>Net gain on financial assets and liabilities at fair value through profit or loss</b>			<b><u>431,648,704</u></b>

# PARETO PLC

## Notes to the Financial Statements

31<sup>st</sup> December 2018

(Continued)

### 13. PERFORMANCE FEES / EQUALISATION

#### Pareto Total – 2018

No performance fee was paid during the financial year ended 31<sup>st</sup> December 2018 or was payable as at 31<sup>st</sup> December 2018.

#### Pareto Nordic Omega – 2018

	Class A NOK NOK	Class B NOK NOK	Class I NOK NOK	Total NOK
Performance fees payable for financial period	8,141	-	-	8,141
<b>Performance fees charge for financial period</b>	<b>8,141</b>	<b>-</b>	<b>-</b>	<b>8,141</b>
Performance fees paid on redemptions	(8,141)	-	-	(8,141)
<b>Performance fees payable for financial period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Equalisation credit</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

#### Pareto Total – 2017

	Class A NOK NOK	Class B NOK NOK	Class I NOK NOK	Total NOK
Performance fees payable for financial year	3,296,114	5,031,254	6,261,413	14,588,781
<b>Performance fees charge for financial year</b>	<b>3,296,114</b>	<b>5,031,254</b>	<b>6,261,413</b>	<b>14,588,781</b>
Performance fees paid on redemptions	(1,887)	-	-	(1,887)
<b>Performance fees payable for financial year</b>	<b>3,294,227</b>	<b>5,031,254</b>	<b>6,261,413</b>	<b>14,586,894</b>
<b>Equalisation credit</b>	<b>-</b>	<b>1,436,076</b>	<b>-</b>	<b>1,436,076</b>

The AIFM is entitled to be re-imbursed out of the assets of the Sub-Funds, an annual performance fee in respect of each share. The performance fee is calculated on a per Share basis so that each Share is only charged a Performance Fee which equates with that Share's performance. The Performance Fee is calculated and accrued at each valuation point in respect of each dealing day and payable annually in respect of each accounting period of the Sub-Funds (each a Calculation Period).

The Performance Fee in any calculation period is equal to 15% (Pareto Total) and 20% (Pareto Nordic Omega) of any appreciation in the NAV per share of the applicable class in respect of each Calculation Period above the high water mark (the "HWM") applied to that share during the calculation period. For the first Calculation Period, the HWM is the initial issue price per Share. For the Calculation Period in each subsequent calendar year, the HWM is the NAV per Share in respect of which a performance fee was paid (if any) as at the financial year end of the previous Calculation Period.

The Founder Shares in Pareto Total and Class M Shares in Pareto Nordic Omega are not subject to performance fees.

# PARETO PLC

## Notes to the Financial Statements

31<sup>st</sup> December 2018

(Continued)

### 14. RELATED PARTY TRANSACTIONS

There were no transactions with related parties other than those in the normal course of business. The AIFM and related companies are deemed to be related parties under IAS 24 “Related Party Disclosures”. KB Associates, of which Mr. Mike Kirby, (a Director of the Company) is Managing Principal, provides operations management support to the Company. Fees incurred by KB Associates during the financial year amounted to NOK425,300 (2017: NOK966,947). At as 31<sup>st</sup> December 2018, Pareto Nordic Omega held 41,751 shares in the Pareto Likviditet Fund.

During the financial year, Pareto Asset Management AS earned AIFM fees of NOK12,358,035 (2017: NOK6,126,656), NOK2,664,678 of which remains payable at 31<sup>st</sup> December 2018 (2017: NOK1,750,103). Pareto Asset Management AS also earned performance fees of NOK8,141 (2017: NOK14,588,781), of which none remains payable at 31<sup>st</sup> December 2018 (2017: NOK14,586,894).

### 15. DIVIDEND POLICY

The Directors may, with the agreement of the Depositary, decide to declare a dividend. No dividends were declared or paid to Shareholders during the financial year (2017: NOKNil).

### 16. NAV HISTORY

#### Pareto Total

	2018	2017
<b>Founder Class – EUR Share</b>		
NAV	EUR190,829,049	EUR208,568,923
Number of shares	1,449,695.39	1,447,454.02
NAV per share	EUR131.63	EUR144.09
<b>Institutional Class A – NOK Share</b>		
NAV	NOK62,383,124	NOK135,201,052
Number of shares	417,837.14	835,674.28
NAV per share	NOK149.30	NOK161.79
<b>Institutional Class B – NOK Share</b>		
NAV	NOK454,930,839	NOK269,095,964
Number of shares	3,072,719.73	1,673,090.14
NAV per share	NOK148.05	NOK160.83
<b>Institutional Class I – NOK Share</b>		
NAV	NOK376,573,949	NOK253,568,635
Number of shares	3,199,983.36	1,993,445.64
NAV per share	NOK117.68	NOK127.20

# PARETO PLC

## Notes to the Financial Statements

31<sup>st</sup> December 2018

(Continued)

### 16. NAV HISTORY (continued)

#### Pareto Nordic Omega

2018\*

##### **Class B – NOK Share**

Financial Statements NAV	NOK78,587,389
Trade date adjustment	NOK42,911**
Dealing NAV	NOK78,630,300
Number of shares	286,188.10
Financial Statements NAV per share	NOK274.60
Dealing NAV per share	NOK274.75

##### **Class I – NOK Share**

Financial Statements NAV	NOK390,589,066
Trade date adjustment	NOK213,275**
Dealing NAV	NOK390,802,341
Number of shares	4,007,736.88
Financial Statements NAV per share	NOK97.46
Dealing NAV per share	NOK97.51

##### **Class M – NOK Share**

Financial Statements NAV	NOK5,860,764
Trade date adjustment	NOK3,201**
Dealing NAV	NOK5,863,965
Number of shares	39,195.73
Financial Statements NAV per share	NOK149.53
Dealing NAV per share	NOK149.61

\* As the date of authorisation was 23<sup>rd</sup> April 2018, there is no comparative information available for 31<sup>st</sup> December 2017.

\*\* Includes trades between close of business on 28<sup>th</sup> December 2018 and the financial reporting year end date.

### 17. EXCHANGE RATES USED IN THIS REPORT

The following exchange rates were used to translate assets and liabilities into one NOK:

	2018	2017
Danish Krone	0.747739	0.758055
Euro	0.100134	0.101815
Great British Pound	0.090265	0.090378
South Korean Won	127.756532	130.884483
Swedish Krona	1.028498	1.000996
Swiss Franc	0.112706	0.119142
United States Dollar	0.114498	0.122259

# PARETO PLC

## Notes to the Financial Statements

31<sup>st</sup> December 2018

*(Continued)*

### 18. SOFT COMMISSION ARRANGEMENTS

The Company does not have any soft commission arrangements (2017: None).

### 19. TAXATION

Under current Irish law and practice the Company qualifies as an investment undertaking under Section 739B of the Taxes Consolidation Act, 1997 and is not therefore chargeable to Irish tax on its relevant income or relevant gains. No stamp, transfer or registration tax is payable in Ireland on the issue, redemption or transfer of shares in the Company. Capital gains, distributions and interest on securities issued in countries other than Ireland may be subject to taxes including withholding taxes imposed by such countries. The Company may not be able to benefit from a reduction in the rate of withholding tax by virtue of the double taxation agreement in operation between Ireland and other countries. The Company may not, therefore, be able to reclaim withholding tax suffered by it in particular countries. To the extent that a chargeable event arises in respect of a Shareholder, the Company may be required to deduct tax in connection with that chargeable event and pay the tax to the Irish Revenue Commissioners. A chargeable event can include dividend payments to Shareholders, appropriation, cancellation, redemption, repurchase or transfer of shares, or a deemed disposal of shares every 8 years beginning from the date of acquisition of those shares. Certain exemptions can apply. To the extent that Shareholders have appropriate tax declarations in place with the Company there may be no requirement to deduct tax.

### 20. COMPARATIVES

The prior year figures have been updated to reflect the current year presentation.

### 21. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

Effective 23<sup>rd</sup> April 2018, the Central Bank of Ireland (the “Central Bank”) approved the amalgamation of Nordic Alpha plc and Nordic Omega plc with Pareto Nordic Omega, a sub-fund of Pareto plc (the “Company”), an umbrella company authorised as a qualifying investor alternative investment fund pursuant to the European Union (Alternative Investment Fund Managers) Regulations 2013 (S.I. No. 257 of 2013), as amended, with segregated liability between sub-funds. As a result, the Directors decided to terminate Nordic Alpha plc and Nordic Omega plc with all assets and liabilities (apart from the liabilities representing the costs of termination and cash to cover same) being transferred in-specie into Pareto Nordic Omega.

### 22. POST BALANCE SHEET EVENTS

There were no events subsequent to the financial year end, which require disclosures in the financial statements.

### 23. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue, on behalf of the Board of Directors on 11<sup>th</sup> April 2019.

# PARETO PLC

## Pareto Total Schedule of Investments 31<sup>st</sup> December 2018

Financial assets at fair value through profit or loss	Nominal Holding	Fair Value NOK	% of NAV
<b>Variable Rate Bonds</b>			
<b>Bermuda</b>			
BW Offshore FRN 15-Mar-20	7,200,000	7,169,184	0.26
		<u>7,169,184</u>	<u>0.26</u>
<b>Norway</b>			
Aker BP ASA FRN 02-Jul-20	30,000,000	33,889,800	1.21
BKK AS FRN 21-Nov-19	25,000,000	25,048,000	0.89
BKK AS FRN 22-May-20	50,000,000	50,141,275	1.79
Digiplex Fetsund FRN 11-Jun-19	10,000,000	10,046,100	0.36
Dolphin Drilling AS FRN 28-Feb-19	9,318,182	1,466,775	0.05
E Forland FRN 30-Jun-21	11,504,766	9,974,402	0.36
Klaveness Ship Holdings FRN 27-May-21	2,000,000	2,010,131	0.07
Western Bulk FRN 19-Apr-19	10,000,000	10,219,000	0.37
		<u>142,795,483</u>	<u>5.10</u>
<b>Total Variable Rate Bonds</b>		<b><u>149,964,667</u></b>	<b><u>5.36</u></b>
<b>Total Debt Securities</b>		<b><u>149,964,667</u></b>	<b><u>5.36</u></b>

# PARETO PLC

## Pareto Total Schedule of Investments 31<sup>st</sup> December 2018 (Continued)

### Financial assets at fair value through profit or loss (continued)

	Nominal Holding	Fair Value NOK	% of NAV
<b>Equity Securities Long</b>			
<b>Denmark</b>			
Novo-Nordisk B	537,000	213,941,456	7.64
		213,941,456	7.64
<b>France</b>			
Michelin (CGDE)	175,000	147,886,891	5.28
		147,886,891	5.28
<b>Germany</b>			
BMW AG	467,039	289,643,213	10.34
Knorr-Bremse AG	2,376	1,865,512	0.07
		291,508,725	10.41
<b>South Korea</b>			
Samsung Electronics	225,000	55,916,906	2.00
		55,916,906	2.00
<b>Sweden</b>			
SKF AB-A	106,125	13,806,073	0.49
SKF AB-B	634,779	82,981,198	2.97
		96,787,271	3.46
<b>Switzerland</b>			
Nestle SA	324,523	229,774,627	8.21
Roche Holdings AG	145,100	313,358,646	11.19
		543,133,273	19.40
<b>United Kingdom</b>			
Auto Trader Group Plc	742,377	36,236,617	1.29
BBA Aviation Plc	1,611,844	38,963,359	1.39
Howden Joinery Group plc	1,235,626	59,820,097	2.14
Next Plc	207,600	93,099,317	3.33
		228,119,390	8.15
<b>United States</b>			
Amerco	14,350	41,213,527	1.47
BlackRock Inc	30,500	103,417,055	3.69
Cisco Systems Inc	344,200	128,574,059	4.59

# PARETO PLC

## Pareto Total Schedule of Investments 31<sup>st</sup> December 2018 (Continued)

### Financial assets at fair value through profit or loss (continued)

	Nominal Holding	Fair Value NOK	% of NAV
<b>Equity Securities Long (continued)</b>			
<b>United States (continued)</b>			
Cummins Inc	76,950	88,484,197	3.16
Deere & Co	154,700	196,290,546	7.01
ExxonMobil Corp	227,700	135,568,741	4.84
Franklin Resources Inc	124,210	31,644,353	1.13
International Business Machine Corp	68,362	67,485,695	2.42
Parker Hannifin Corp	98,325	127,309,817	4.55
Walt Disney & Co	181,600	170,184,030	6.08
Wells Fargo & Co	378,400	151,296,943	5.40
		1,241,468,963	44.34
<b>Total Equity Securities Long</b>		<b>2,818,762,875</b>	<b>100.68</b>
<b>Total financial assets at fair value through profit or loss</b>		<b>2,968,727,542</b>	<b>106.04</b>

# PARETO PLC

## Pareto Total Schedule of Investments

31<sup>st</sup> December 2018

(Continued)

Financial liabilities at fair value through profit or loss	Nominal Holding	Fair Value NOK	% of NAV
<b>Equity Securities Sold Short</b>			
<b>Denmark</b>			
Carlsberg Group Co	(18,500)	(17,135,800)	(0.61)
William Demant Holding Group	(94,000)	<u>(23,244,217)</u>	<u>(0.83)</u>
		(40,380,017)	(1.44)
<b>Germany</b>			
TUI Group	(105,212)	<u>(13,095,347)</u>	<u>(0.47)</u>
		(13,095,347)	(0.47)
<b>Sweden</b>			
Hennes & Mauritz AB	(90,000)	<u>(11,027,532)</u>	<u>(0.39)</u>
		(11,027,532)	(0.39)
<b>Switzerland</b>			
Givaudan AG	(1,000)	<u>(20,194,167)</u>	<u>(0.72)</u>
		(20,194,167)	(0.72)
<b>Total Equity Securities Sold Short</b>		<b><u>(84,697,063)</u></b>	<b><u>(3.02)</u></b>
<b>Total financial liabilities at fair value through profit or loss</b>		<b><u>(84,697,063)</u></b>	<b><u>(3.02)</u></b>

Investments are in transferable securities admitted to official stock exchange listings

# PARETO PLC

## Pareto Nordic Omega Schedule of Investments 31<sup>st</sup> December 2018

<b>Financial assets at fair value through profit or loss</b>	<b>Nominal Holding</b>	<b>Fair Value NOK</b>	<b>% of NAV</b>
<b>Collective Investment Scheme</b>			
<b>Norway</b>			
Pareto Likviditet Fund	41,751	41,276,732	8.69
		<u>41,276,732</u>	<u>8.69</u>
<b>Total Collective Investment Scheme</b>		<u><b>41,276,732</b></u>	<u><b>8.69</b></u>

# PARETO PLC

## Pareto Nordic Omega Schedule of Investments

31<sup>st</sup> December 2018

(Continued)

### Financial assets at fair value through profit or loss (continued)

	Nominal Holding	Fair Value NOK	% of NAV
<b>Equity Securities Long</b>			
<b>Finland</b>			
Altia Inc	150,000	10,497,529	2.21
Amer Group	35,000	13,293,406	2.80
Kesko	40,600	18,928,813	3.98
Nordea Bank	152,047	11,075,290	2.33
Pihlajalinna OYJ	33,740	2,878,915	0.61
Stockman 'B' Fim10	66,582	1,264,101	0.27
Valmet Corp	175,325	31,151,914	6.56
		<hr/>	<hr/>
		89,089,968	18.76
<b>Norway</b>			
Arcus ASA	250,000	10,250,000	2.16
Atea ASA	107,000	11,877,000	2.50
Elliptic Laboratories AS	20,000	4,000,000	0.84
Entra ASA	100,000	11,520,000	2.43
Europris ASA	265,626	6,149,242	1.30
Nordic Semiconductor ASA	362,547	10,477,608	2.21
Norwegian Finans Holdings ASA	200,000	13,400,000	2.82
Scatec Solar ASA	246,760	18,210,888	3.83
Skandiabanken ASA	172,555	12,941,625	2.72
Sparebank 1 SMN	150,000	9,420,000	1.98
Storebrand ASA	351,002	21,635,763	4.55
		<hr/>	<hr/>
		129,882,126	27.34
<b>Panama</b>			
Carnival Corp Com	33,531	14,314,252	3.01
		<hr/>	<hr/>
		14,314,252	3.01
<b>Sweden</b>			
Academedia AB	283,703	10,889,585	2.29
Clas Ohlson	60,000	4,532,799	0.95
Coor Service Management Holding AB	265,000	18,221,052	3.84
Granges AB	93,390	7,342,621	1.55

# PARETO PLC

## Pareto Nordic Omega Schedule of Investments

31<sup>st</sup> December 2018

(Continued)

### Financial assets at fair value through profit or loss (continued)

	Nominal Holding	Fair Value NOK	% of NAV
<b>Equity Securities Long (continued)</b>			
<b>Sweden (continued)</b>			
Q Linea AB	78,000	4,608,980	0.97
Svenska Handelsbanken AB	96,000	9,216,790	1.94
TF Bank AB	67,579	4,752,248	1.00
		<u>59,564,075</u>	<u>12.54</u>
<b>Total Equity Securities Long</b>		<b><u>292,850,421</u></b>	<b><u>61.65</u></b>
<b>Total financial assets at fair value through profit or loss</b>		<b><u>334,127,153</u></b>	<b><u>70.34</u></b>
<b>Financial liabilities at fair value through profit or loss</b>			
<b>Equity Securities Sold Short</b>			
<b>Finland</b>			
UPM-Kymmene Group	(80,560)	(17,663,209)	(3.72)
		<u>(17,663,209)</u>	<u>(3.72)</u>
<b>Liberia</b>			
Royal Caribbean	(25,654)	(21,723,249)	(4.57)
		<u>(21,723,249)</u>	<u>(4.57)</u>
<b>Norway</b>			
DNB ASA	(102,572)	(14,170,322)	(2.98)
		<u>(14,170,322)</u>	<u>(2.98)</u>
<b>Sweden</b>			
Skandinaviska Enskilda Bank A	(107,000)	(8,997,914)	(1.89)
Swedbank AB	(34,000)	(6,566,747)	(1.39)
		<u>(15,564,661)</u>	<u>(3.28)</u>
<b>Total Equity Securities Sold Short</b>		<b><u>(69,121,441)</u></b>	<b><u>(14.55)</u></b>
<b>Total financial liabilities at fair value through profit or loss</b>		<b><u>(69,121,441)</u></b>	<b><u>(14.55)</u></b>

Investments are in transferable securities admitted to official stock exchange listings

# PARETO PLC

## Pareto Total Schedule of Investments 31<sup>st</sup> December 2017

Financial assets at fair value through profit or loss	Nominal Holding	Fair Value NOK	% of NAV
<b>Variable Rate Bonds</b>			
<b>Bermuda</b>			
BW Offshore FRN 15-Mar-20	7,200,000	7,159,536	0.27
		<u>7,159,536</u>	<u>0.27</u>
<b>Norway</b>			
Aker BP ASA FRN 02-Jul-20	30,000,000	35,250,000	1.30
BKK AS FRN 21-Nov-19	25,000,000	25,070,500	0.93
BKK AS FRN 22-May-20	50,000,000	50,281,000	1.86
Digiplex Fetsund FRN 11-Jun-19	10,000,000	10,191,900	0.37
E Forland FRN 04-Sep-18	13,333,337	10,983,336	0.41
Fred Olsen Energy FRN 28-Feb-19	9,318,182	5,765,625	0.21
Klaveness Ship Holdings FRN 27-May-21	2,000,000	2,080,000	0.08
Western Bulk FRN 19-Apr-19	10,000,000	10,056,300	0.37
		<u>149,678,661</u>	<u>5.53</u>
<b>Total Variable Rate Bonds</b>		<u><b>156,838,197</b></u>	<u><b>5.80</b></u>
<b>Total Debt Securities</b>		<u><b>156,838,197</b></u>	<u><b>5.80</b></u>

# PARETO PLC

## Pareto Total Schedule of Investments 31<sup>st</sup> December 2017 (Continued)

### Financial assets at fair value through profit or loss (continued)

	Nominal Holding	Fair Value NOK	% of NAV
<b>Equity Securities Long</b>			
<b>Denmark</b>			
Novo-Nordisk B	430,000	189,742,081	7.01
		189,742,081	7.01
<b>France</b>			
Michelin (CGDE)	203,000	238,360,402	8.81
		238,360,402	8.81
<b>Germany</b>			
BMW AG	415,167	304,356,756	11.25
		304,356,756	11.25
<b>Norway</b>			
DOF ASA	9,500,000	5,890,000	0.22
		5,890,000	0.22
<b>South Korea</b>			
Samsung Electronics	4,500	71,857,256	2.65
		71,857,256	2.65
<b>Sweden</b>			
Essity Aktiebolag B	189,000	43,993,165	1.63
NCC AB-B	385,000	60,500,217	2.23
SKF AB-A	106,125	19,263,718	0.71
SKF AB-B	301,779	54,929,402	2.03
		178,686,502	6.60
<b>Switzerland</b>			
Nestle SA	365,098	256,797,274	9.49
Roche Holdings AG	126,000	260,690,020	9.63
		517,487,294	19.12
<b>United Kingdom</b>			
Howden Joinery Group plc	697,788	36,040,727	1.33
Next Plc	189,000	94,627,983	3.50
Schroders Plc	137,066	53,323,396	1.97
		183,992,106	6.80
<b>United States</b>			
Agco Corp	75,950	44,373,863	1.64
Cisco Systems Inc	418,000	130,946,490	4.84
Cummins Inc	60,000	86,688,026	3.20

# PARETO PLC

## Pareto Total Schedule of Investments 31<sup>st</sup> December 2017 (Continued)

### Financial assets at fair value through profit or loss (continued)

	Nominal Holding	Fair Value NOK	% of NAV
<b>Equity Securities Long (continued)</b>			
<b>United States (continued)</b>			
Deere & Co	140,500	179,861,090	6.64
ExxonMobil Corp	155,000	106,038,732	3.92
Franklin Resources Inc	178,700	63,333,290	2.34
International Business Machine Corp	83,150	104,342,932	3.86
Parker Hannifin Corp	93,000	151,816,429	5.61
Walt Disney & Co	130,000	114,317,053	4.22
Wells Fargo & Co	242,000	120,090,365	4.44
		<u>1,101,808,270</u>	<u>40.71</u>
<b>Total Equity Securities Long</b>		<u><b>2,792,180,667</b></u>	<u><b>103.17</b></u>
<b>Total financial assets at fair value through profit or loss</b>		<u><b>2,949,018,864</b></u>	<u><b>108.97</b></u>
<b>Financial liabilities at fair value through profit or loss</b>			
<b>Equity Securities Sold Short</b>			
<b>Denmark</b>			
Carlsberg Group Co	(56,000)	(55,035,559)	(2.03)
William Demant Holding Group	(67,000)	<u>(15,334,632)</u>	<u>(0.57)</u>
		(70,370,191)	(2.60)
<b>France</b>			
Compagnie de St-Gobain SA	(80,250)	<u>(36,241,194)</u>	<u>(1.34)</u>
		(36,241,194)	(1.34)
<b>Germany</b>			
TUI Group	(105,212)	<u>(17,927,726)</u>	<u>(0.66)</u>
		(17,927,726)	(0.66)
<b>Total Equity Securities Sold Short</b>		<u><b>(124,539,111)</b></u>	<u><b>(4.60)</b></u>
<b>Total financial liabilities at fair value through profit or loss</b>		<u><b>(124,539,111)</b></u>	<u><b>(4.60)</b></u>

Investments are in transferable securities admitted to official stock exchange listings

# PARETO PLC

## Appendix 1 31<sup>st</sup> December 2018 (Unaudited)

### Remuneration Policy and Procedures

On 16<sup>th</sup> December 2014, Pareto Nordic Investments AS was appointed the Alternative Investment Fund Manager (the “AIFM”) to the Company under the AIFM Directive. The AIFM is authorised pursuant to the Norwegian AIFMD regulations.

The remuneration committee of the AIFM has ultimate responsibility for the design and oversight of the remuneration arrangements. The AIFM has implemented a remuneration policy (“the Policy”), which is effective as of January 2015.

The objective of the Policy is to set remuneration at a level that the AIFM’s staff are fairly and responsibly rewarded, in a manner that is appropriately linked to their performance. The policy is also designed to attract, motivate and retain talent. The Policy includes all forms of ‘variable’ and ‘fixed’ remuneration and applies to staff of the AIFM.

The Company’s remuneration policy is regulated by the following legislation:

Norwegian Law:’ Forskrift 1. desember 2010 om godtgjørelsesordninger i finansinstitusjoner, verdipapirforetak og forvaltningsselskaper for verdipapirfond («Forskriften»)

Norwegian Regulator Circular: ‘Finanstilsynets Rundskriv 15/2014 om godtgjørelsesordninger («Rundskrivet»)

Norwegian implementation of AIFMD in Norwegian law:

1) ‘Lov 20. juni 2014 om alternative investeringsfond §§ 1-2 (d) 3-6 (AIF-loven’

2) Forskrift 26. juni 2014 til lov om alternative investeringsfond kapittel 4 (AIF-forskriften)

Guidelines on remuneration policies and practices (MiFID) (ESMA/2013/606)

Guidelines on sound remuneration policies under the AIFMD (ESMA/2013/232)

Questions and Answers - Application of the AIFMD (ESMA/2015/1873)

The AIFM has adopted a remuneration policy which is consistent with and promotes sound and effective risk management and does not encourage risk-taking which is inconsistent with the risk profiles, rules or instruments of incorporation of the Alternative Investment Fund’s (“AIFs”) that are managed. The remuneration policy is in line with the business strategy, objectives, values and interests of the AIFM and the AIFs it manages, and includes measures to avoid conflicts of interest.

The remuneration policy includes special remuneration rules for identified staff (senior management, risk takers and staff engaged in control functions).

Where remuneration is performance related, the total amount of remuneration is based on a combination of the assessment of the performance of the individual and of the business unit or AIF concerned and of the overall results of the AIFM, and when assessing individual performance, financial as well as non-financial criteria are taken into account.

Where remuneration is performance related, 50% of the remuneration is deferred over a period of at least three years. The variable remuneration, including the deferred portion, is paid only if it is sustainable according to the financial situation of the AIFM as a whole, and justified according to the performance of the business unit, the AIF and the individual concerned.

# PARETO PLC

## Appendix 1 31<sup>st</sup> December 2018 (Unaudited) *(Continued)*

### Remuneration Policy and Procedures (continued)

Staff engaged in control functions are compensated in accordance with the achievement of the objectives linked to their functions, independent of the performance of the business areas they control.

The remuneration committee of the AIFM will review the Policy annually or more frequently if required. The Policy is in line with the business strategy and objectives of the AIFM. The AIFM's income is dependent upon assets under management and therefore the profit available for distribution under the Policy is dependent upon the performance of the Company.

Please see below for the total remuneration paid for the entire Company:

Total fixed – NOK39,494,944 (2017: NOK36,424,747)  
Total variable – NOK32,825,167 (2017: NOK99,249,727)  
Total number - 55 (2017: 54)

Please see below for the total remuneration paid by key personnel:

Total fixed – NOK12,173,592 (2017: NOK16,050,000)  
Total variable – NOK12,936,656 (2017: NOK49,456,045)  
Total number - 15 (2017: 16)

Further details on the Investment Manager's remuneration policy is available on [paretoam.com](http://paretoam.com).

### Leverage

The table below shows the maximum leverage of the Company throughout each financial year:

	Gross Notional Method	Commitment Method
2018	117%	121%
2017	106%	106%