

PARETO PLC (formerly Pareto Total 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 31st December 2017

PARETO PLC

Annual Report and Audited Financial Statements For the financial year ended 31st December 2017

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PARETO PLC

Directors of the Company

Mr. Jim Cleary *

Mr. Mike Kirby **

Ms. Anna Måbäck ** (Appointed 15th February 2017)

Mr. Yngve Torvanger Jordal ** (Resigned 15th February 2017)

*(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

24-26 City Quay

Dublin 2

Ireland

LEGAL ADVISORS TO THE COMPANY

In Ireland

A & L Goodbody

International Financial Services Centre

North Wall Quay

Dublin 1

Ireland

PARETO PLC

Report of the Directors

For the financial year ended 31st December 2017

The Directors present their annual report and financial statements for the financial year ended 31st December 2017.

Significant Events during the Financial Year

On 21st December 2017, the Central Bank of Ireland (the “Central Bank”) approved the change of name of Pareto Total plc to Pareto plc (the “Company”), along with the reconstitution of the Company from a standalone to an umbrella company. 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, as amended Companies (Accounting) Act 2017 (the “Act”), and the AIF Rulebook regulations with registered number 529413.

As at 31st December 2017, there is only one sub-fund in the Company namely, Pareto Total (the “Sub-Fund”). The Sub-Fund was authorised by the Central Bank on 18th July 2013 as an investment company under the Act, Part 24.

Ms. Anna Måbäck replaced Mr. Yngve Torvanger Jordal as a Director of the Company on 15th February 2017.

Principal Activity

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

Audit Committees

The Directors have decided not to form an Audit Committee, as per section 167 of 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 14 to 15.

Review of the Development of the Business and Future Developments

Please see the Alternative Investment Fund Manager’s Report on page 9 for further details on the performance of the Sub-Fund. 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 (2016: NOKNil).

Events since the Statement of Financial Position Date

A second sub-fund is scheduled to launch on 23rd April 2018.

There were no other 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 31st December 2017 are listed on page 3.

PARETO PLC

Report of the Directors

For the financial year ended 31st December 2017

(Continued)

Directors' and Secretary's Interests

Mr. Yngve T. Jordal, a former Director of the Company who is employed by Pareto Asset Management AS holds no Founder Class - EUR Shares (2016: 2,261.05). None of the other 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 31st December 2017 are disclosed in Note 14.

Risk Management Objectives and Policies

The Sub-Fund seeks to provide investors with capital appreciation by investing in equities, debt securities and derivatives, primarily in the Nordic countries. Investment in the Sub-Fund 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-Fund 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 company law and regulations. Company law 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 those 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 31st December 2017

(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 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 believe 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

Mike Kirby

Jim Cleary

Date: 26th April 2018

PARETO PLC

Alternative Investment Fund Manager's Report For the financial year ended 31st December 2017

Pareto Total had a positive last month of the year and the fund was up two per cent in December. For the whole of 2017, the fund was up more than 18 per cent. Through the year, equity holdings contributed the most to the fund's performance, whilst bond holdings continued to make a positive contribution to returns.

The results are also positively affected by the fact that long positions have performed better than shares which the fund has sold short. Currency movements have played a limited role in 2017, with a little more than two per cent return in favour of the fund. The gearing level has varied, but with positive contributions to the fund. Our 10 largest positions have accounted for 71 per cent of the invested amount, and these have again contributed 75 per cent of the return.

Looking ahead, we see a world economy that grows faster and has lower unemployment, with steadily increasing purchasing power for consumers in the US and Asia. Economic growth has shown strength through autumn, and companies have reported better earnings than what uncertain global economic estimates would suggest. For example, expectations of BMW's earnings per share in 2017 increased by 11 per cent through the year. In particular, our holdings in industrials such as Deere, Parker Hannifin and Cummins have seen a shift in profitability and contributed well to returns. On the other side of the scale, we find the Scandinavian construction company NCC, where earnings have been under pressure.

We have had, and still have, an aim to be invested in strong companies where the ability to create long-term profitability is what characterises daily operations. This ongoing quest to improve operations and constantly position the fund within relevant products is valuable when combined with financial sustainability. Our companies are characterised by strong balance sheets, solid market positions and an ability to find sound acquisitions that consolidate growth and market positions long term.

Novo Nordisk has strengthened its position within diabetes treatments by gaining approvals for new solutions in existing markets. In 2017, the share price appreciated by 31 per cent. Michelin reported good numbers, especially due to the fact that tires for large machinery have picked up. This has allowed for the fund's shares to gain a higher pricing in relation to earnings.

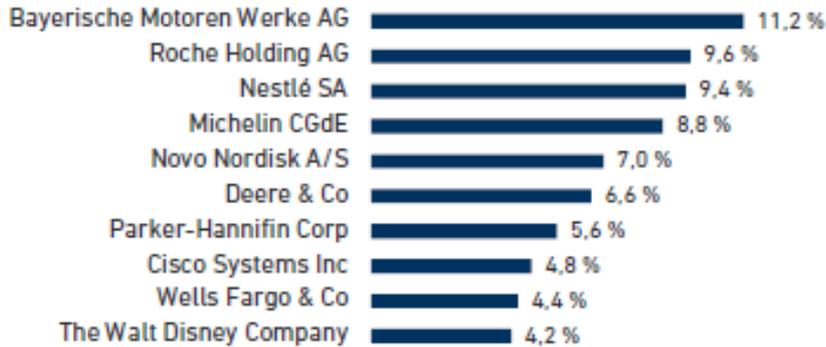
At the end of 2017 the fund's leverage, measured by both the Gross Method and Commitment Method, was 106 per cent, down from 119 per cent at mid-year. Leverage was achieved by short equity positions and cash loan.

PARETO PLC

Alternative Investment Fund Manager's Report For the financial year ended 31st December 2017 (Continued)

We would like to thank our investors for a good year and wish you all the best for the year to come.

10 largest positions in the fund:



Oslo, 16th April 2018
Bård Smith-Meyer Johannessen

For the Alternative Investment Fund Manager

Independent Auditors' Report to the members of Pareto plc**Opinion**

We have audited the financial statements of Pareto plc (or the "Company"), which comprise the Portfolio of Investments, the Statement of Financial Position, the Statement of Comprehensive Income, the Statement of Changes in Net Assets Attributable to Redeemable Participating Shareholders, the Statement of Cash Flows and the related notes to the financial statements, including the summary of significant accounting policies for the financial year ended 31 December 2017.

The financial reporting framework that has been applied in the preparation of the financial statements is Irish law and accounting standards issued by the Financial Reporting Council and promulgated by the Institute of Chartered Accountants in Ireland including International Financial Reporting Standards (IFRSs) as adopted by the European Union (Generally Accepted Accounting Practice in Ireland).

In our opinion, the Company's financial statements:

- give a true and fair view in accordance with Generally Accepted Accounting Practice in Ireland of the assets, liabilities and financial position of the Company as at 31 December 2017 and of its financial performance for the financial year then ended;
- have been properly prepared in accordance with the requirements of the Companies Act, 2014 and the Companies (Accounting) Act 2017 and the European Communities (Undertakings for Collective Investment in Transferable Securities) Regulations, 2011 (as amended).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (Ireland) (or "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, such as the Directors Report, the Investment Managers Report, the Depositary's Report and the unaudited appendices to the Annual Report. 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 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.

Independent Auditors' Report to the members of Pareto plc

Matters on which we are required to report by the Companies Act, 2014 & the Companies (Accounting) Act 2017

- 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 section 305 to 312 of the Companies Act, 2014 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' report, the directors are 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, the directors are 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 the directors 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:

- 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 the directors.

Independent Auditors' Report to the members of Pareto plc**Responsibilities of the auditor for the audit of the financial statements (continued)**

- Conclude on the appropriateness of the directors 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
24-26 City Quay
Dublin 2
D02 NY19
Ireland

Date: 26 April 2018

PARETO PLC

Statement of Financial Position

As at 31st December 2017

	Notes	2017 NOK	2016 NOK
Assets			
Cash and cash equivalents	7	19,254,266	150,519,238
Financial assets at fair value through profit or loss	3	2,949,018,864	2,232,235,288
Receivables	8	<u>3,763,892</u>	<u>2,824,877</u>
Total Assets		<u>2,972,037,022</u>	<u>2,385,579,403</u>
Liabilities			
Due to broker	7	121,826,060	233,410,379
Financial liabilities at fair value through profit or loss	3	124,539,111	-
Payables	9	<u>19,296,129</u>	<u>5,875,947</u>
Total Liabilities (excluding Net Assets attributable to Holders of Redeemable Participating Shares)		<u>265,661,300</u>	<u>239,286,326</u>
Net Assets attributable to Holders of Redeemable Participating Shares		<u>2,706,375,722</u>	<u>2,146,293,077</u>

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

Signed on behalf of the Board of Directors

Mike Kirby

Jim Cleary

Date: 26th April 2018

PARETO PLC

Statement of Comprehensive Income For the financial year ended 31st December 2017

	Notes	2017 NOK	2016 NOK
Income			
Interest on cash and cash equivalents	2	225,447	343,609
Dividends on investments	2	74,884,235	59,207,128
Other income	2	198,093	685,373
Withholding taxes on dividends	2	(13,833,801)	(13,076,618)
Net gain on financial assets and liabilities at fair value through profit or loss	12	<u>431,648,704</u>	<u>140,974,294</u>
Total income		<u>493,122,678</u>	<u>188,133,786</u>
Expenses			
Interest on cash and cash equivalents	2	(925,183)	(692,373)
Dividends paid on securities sold short	2	(3,482,628)	-
Performance fees	13	(14,588,781)	(2,331,278)
Alternative Investment Fund Manager fees	11	(6,126,656)	(4,479,205)
Depositary fees	11	(1,079,640)	(921,821)
Administration fees	11	(1,396,059)	(1,138,063)
Directors' fees	11	(219,189)	(136,190)
Audit fees		(138,526)	(121,095)
Other fees and expenses		<u>(2,538,096)</u>	<u>(1,031,246)</u>
Total expenses		<u>(30,494,758)</u>	<u>(10,851,271)</u>
Increase in Net Assets attributable to Holders of Redeemable Participating Shares from operations		<u>462,627,920</u>	<u>177,282,515</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 31st December 2017

	2017 NOK	2016 NOK
Net Assets attributable to Holders of Redeemable Participating Shares at 1st January 2017	<u>2,146,293,077</u>	<u>1,758,742,567</u>
Redeemable Participating Shares issued	102,458,008	384,707,122
Redeemable Participating Shares redeemed	(3,567,207)	(173,793,876)
Equalisation credit	<u>(1,436,076)</u>	<u>(645,251)</u>
Increase in Net Assets from Shareholder transactions	<u>97,454,725</u>	<u>210,267,995</u>
Increase in Net Assets attributable to Holders of Redeemable Participating Shares from operations	<u>462,627,920</u>	<u>177,282,515</u>
Net Assets attributable to Holders of Redeemable Participating Shares at 31st December 2017	<u><u>2,706,375,722</u></u>	<u><u>2,146,293,077</u></u>

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

PARETO PLC

Statement of Cash Flows

For the financial year ended 31st December 2017

	2017 NOK	2016 NOK
Cash flows from operating activities		
Increase in Net Assets attributable to Holders of Redeemable Participating Shares from operations	462,627,920	177,282,515
Changes in operating assets and liabilities:		
Increase in financial assets at fair value through profit or loss	(716,783,576)	(509,269,778)
Increase in receivables	(939,015)	(264,755)
(Decrease)/increase in due to broker	(111,584,319)	168,322,155
Increase/(decrease) in financial liabilities at fair value through profit or loss	124,539,111	(47,089,393)
Increase in payables	<u>13,420,182</u>	<u>3,829,538</u>
Net cash used in operating activities	<u>(228,719,697)</u>	<u>(207,189,718)</u>
Cash flows from financing activities		
Proceeds from Redeemable Participating Shares issued	102,458,008	384,707,122
Payments for Redeemable Participating Shares redeemed	(3,567,207)	(173,793,876)
Equalisation credit	<u>(1,436,076)</u>	<u>(645,251)</u>
Net cash provided by financing activities	<u>97,454,725</u>	<u>210,267,995</u>
Net (decrease)/increase in cash and cash equivalents	(131,264,972)	3,078,277
Cash and cash equivalents at 1 st January	<u>150,519,238</u>	<u>147,440,961</u>
Cash and cash equivalents at 31st December	<u>19,254,266</u>	<u>150,519,238</u>
Supplementary information:		
Interest received on cash and cash equivalents	226,406	371,216
Interest received on debt securities	12,635,332	10,284,368
Interest paid	(835,903)	(726,492)
Dividends received (net of withholding tax)	59,670,300	45,573,007
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

31st December 2017

1. GENERAL INFORMATION

On 21st December 2017, the Central Bank of Ireland (the “Central Bank”) approved the change of name of Pareto Total plc to Pareto plc (the “Company”), along with the reconstitution of the Company from a standalone to an umbrella company. 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, as amended by the Companies (Accounting) Act 2017 (the “Act”) and the AIF Rulebook regulations with registered number 529413.

As at 31st December 2017, there is only one sub-fund in the Company namely, Pareto Total (the “Sub-Fund”). The Sub-Fund was authorised by the Central Bank on 18th July 2013 as an investment company under the Act, Part 24.

The Sub-Fund is a multi-class investment company with Institutional Class A, Institutional Class B, Institutional Class I (issued in January 2016) and Founder Class Shares available for issue. Institutional Class A, Institutional Class B and Institutional Class I Shares are denominated in Norwegian Krone (“NOK”) and Founder Class Shares are denominated in Euro (“EUR”). The assets of the Sub-Fund comprise a single portfolio with base currency in NOK.

On 23rd February 2015, the Central Bank of Ireland 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.

The investment objective of the Sub-Fund is to achieve robust long-term returns through flexible and active investments, whilst curbing downside volatility. The Sub-Fund is managed to achieve optimal risk adjusted returns through security selection and asset allocation.

The Sub-Fund commenced trading on 16th January 2014.

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 Sub-Fund’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.

PARETO PLC

Notes to the Financial Statements

31st December 2017

(Continued)

2. PRINCIPAL ACCOUNTING POLICIES (continued)

Basis of Preparation (continued)

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.

Financial Assets and Liabilities at fair value through profit or loss

(i) Classification

This category has two sub-categories: financial assets and liabilities held for trading and those designated by management as at fair value through profit or loss upon initial recognition.

Financial instruments held for trading

These include equities, corporate bonds and variable rate bonds. These securities are acquired for generating a profit from short-term fluctuations in price or dealer's margin or are included in a portfolio in which a pattern of short-term profit taking exists.

Financial instruments designated as at fair value through profit or loss upon initial recognition

These include financial assets that are not held for trading, such as certain equity instruments. These financial instruments are designated on the basis that their fair value can be reliably measured and their performance has been evaluated on a fair value basis.

(ii) Recognition

The Sub-Fund's 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.

(iii) Subsequent measurement

After initial measurement, the Sub-Fund 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.

PARETO PLC

Notes to the Financial Statements

31st December 2017

(Continued)

2. PRINCIPAL ACCOUNTING POLICIES (continued)

(iii) Subsequent measurement (continued)

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 Sub-Fund 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 Sub-Fund has transferred substantially all the risks and rewards of the financial assets, or the Sub-Fund has neither transferred nor retained substantially all the risks and rewards of the financial assets, but has transferred control of the financial asset. The Sub-Fund 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.

(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 Skandinaviska Enskilda Banken ("SEB") and BBH.

PARETO PLC

Notes to the Financial Statements

31st December 2017

(Continued)

2. PRINCIPAL ACCOUNTING POLICIES (continued)

Due to Broker

Due to broker comprises of amounts due to SEB and BBH.

Functional and Presentation Currency

Items included in the Company's financial statements are measured using NOK (the functional and presentation currency).

Foreign Currency Translation

Securities transactions are recorded in the financial statements on the trade date of the transaction and translated into NOK (the presentation currency) 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 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 related to equity securities sold short and was recognised when the Shareholder's right to receive the payment was 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.

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 NAV. The Redeemable Participating Shares can be put back to the Sub-Fund on any dealing day (quarterly) for cash equal to a proportionate share of the Sub-Fund's 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.

PARETO PLC

Notes to the Financial Statements

31st December 2017

(Continued)

2. PRINCIPAL ACCOUNTING POLICIES (continued)

New standards, amendments or interpretations issued and effective for the financial year beginning 1st January 2017

IAS 7 Statement of Cash Flows

IAS 7 requires an entity to present a Statement of Cash Flows as an integral part of its primary financial statements. IAS 7 was amended on 29th January 2016, requiring entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities. The amendment is effective for periods beginning on or after 1st January 2017. The amendment has no significant impact on the layout and disclosure of the Sub-Fund's Statement of Cash Flows.

New standards, amendments or interpretations issued but not effective and not early adopted for the financial year beginning 1st January 2017

IFRS 9 "Financial Instruments"

The Sub-Fund is required to adopt IFRS 9 "Financial Instruments" from 1st January 2018. IFRS 9 replaces IAS 39 "Financial Instruments: Recognition and Measurement". It includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39.

Classification of financial assets and financial liabilities

IFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics.

The standard includes three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income ("OCI") and fair value through profit or loss ("FVTPL"). The standard eliminates the existing IAS 39 categories of held to maturity, loans and receivables, plus available for sale.

IFRS 9 largely retains the existing requirements in IAS 39 for the classification of financial liabilities. However, although under IAS 39 all fair value changes of liabilities designated as at FVTPL are recognised in profit or loss, under IAS 39 these fair value changes are generally presented as follows:

- the amount of change in the fair value that is attributable to changes in the credit risk of the liability is presented in OCI; and
- the remaining amount of change in the fair value is presented in profit or loss.

Based on the Sub-Fund's assessment, this standard is not expected to have a material impact on the classification of financial assets and financial liabilities of the Sub-Fund because:

- financial instruments currently measured at FVTPL under IAS 39 are designated into this category because they are managed on a fair value basis in accordance with a documented investment strategy. Accordingly, these financial instruments will be mandatorily measured at FVTPL under IFRS 9; and

PARETO PLC

Notes to the Financial Statements

31st December 2017

(Continued)

2. PRINCIPAL ACCOUNTING POLICIES (continued)

New standards, amendments or interpretations issued but not effective and not early adopted for the financial year beginning 1st January 2017 (continued)

IFRS 9 “Financial Instruments” (continued)

Classification of financial assets and financial liabilities (continued)

- financial instruments currently measured at amortised cost are cash balances. These instruments meet the solely payments of principal and interest (“SPPI”) criterion and are held in a held-to-collect business model. Accordingly, they will continue to be measured at amortised cost under IFRS 9.

Impairment of financial assets

IFRS 9 replaces the “incurred loss” model in IAS 39 with a forward-looking “expected credit loss” (“ECL”) model. This will require considerable judgement about how changes in economic factors affect ECLs, which will be determined on a probability-weighted basis.

The new impairment model will apply to financial assets measured at amortised cost or fair value through other comprehensive income, except for investments in equity instruments.

Based on the Sub-Fund’s assessment, changes to the impairment model are not expected to have a material impact on the financial assets of the Sub-Fund as the majority of the financial assets are measured at FVTPL and the impairment requirements do not apply to such instruments.

3. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2017	2016
	Fair Value	Fair Value
	NOK	NOK
Financial assets at fair value through profit or loss		
Held for trading:		
- variable rate bonds	156,838,197	92,544,046
- corporate bond	-	9,642,500
- equity securities long	<u>2,792,180,667</u>	<u>2,130,048,742</u>
Total financial assets at fair value through profit or loss	<u>2,949,018,864</u>	<u>2,232,235,288</u>
Financial liabilities at fair value through profit or loss		
Held for trading:		
- equity securities sold short	<u>124,539,111</u>	<u>-</u>
Total financial liabilities at fair value through profit or loss	<u>124,539,111</u>	<u>-</u>

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

PARETO PLC

Notes to the Financial Statements

31st December 2017

(Continued)

4. FAIR VALUE OF FINANCIAL INSTRUMENTS

The tables below 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). There were no investments valued in this manner, either at 31st December 2017 or 2016.

2017	Level 1 NOK	Level 2 NOK	Level 3 NOK	Total NOK
Financial assets at fair value through profit or loss				
<i>Financial assets held for trading</i>				
Variable rate bonds	-	156,838,197	-	156,838,197
Equity securities long	2,792,180,667	-	-	2,792,180,667
	<u>2,792,180,667</u>	<u>156,838,197</u>	<u>-</u>	<u>2,949,018,864</u>
Financial liabilities at fair value through profit or loss				
<i>Financial liabilities held for trading</i>				
Equity securities sold short	124,539,111	-	-	124,539,111
	<u>124,539,111</u>	<u>-</u>	<u>-</u>	<u>124,539,111</u>
2016				
Financial assets at fair value through profit or loss				
<i>Financial assets held for trading</i>				
Variable rate bonds	-	92,544,046	-	92,544,046
Corporate bonds	-	9,642,500	-	9,642,500
Equity securities	2,130,048,742	-	-	2,130,048,742
	<u>2,130,048,742</u>	<u>102,186,546</u>	<u>-</u>	<u>2,232,235,288</u>

PARETO PLC

Notes to the Financial Statements

31st December 2017

(Continued)

4. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

The fair value of listed equity securities is based on quoted market prices or binding dealer price quotations at the reporting date, without any deduction for transaction costs and are therefore included within Level 1.

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.

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 2017 or 2016.

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.

The tables below and overleaf analyse the Company's assets and liabilities not measured at fair value as at 31st December 2017 and 2016 by way of the fair value hierarchy:

	Level 1	Level 2	Level 3	Total
	NOK	NOK	NOK	NOK
2017				
Assets				
Cash and cash equivalents	19,254,266	-	-	19,254,266
Dividends receivable	-	2,739,401	-	2,739,401
Interest receivable	-	1,024,491	-	1,024,491
Total	19,254,266	3,763,892	-	23,018,158

PARETO PLC

Notes to the Financial Statements

31st December 2017

(Continued)

4. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

Financial instruments not measured at fair value (continued)

2017 (continued)	Level 1 NOK	Level 2 NOK	Level 3 NOK	Total NOK
Liabilities				
Due to broker	-	121,826,060	-	121,826,060
Interest payable	-	108,519	-	108,519
Performance fees payable	-	14,586,894	-	14,586,894
Equalisation credit payable to Shareholders Alternative Investment Fund Manager	-	1,436,076	-	1,436,076
fees payable	-	1,750,103	-	1,750,103
Depositary fees payable	-	267,918	-	267,918
Administration fees payable	-	389,231	-	389,231
Audit fees payable	-	137,116	-	137,116
Other payables	-	620,272	-	620,272
Net Assets attributable to Holders of Redeemable Participating Shares	-	2,706,375,722	-	2,706,375,722
Total	-	2,847,497,911	-	2,847,497,911
2016				
Assets				
Cash and cash equivalents	150,519,238	-	-	150,519,238
Dividends receivable	-	1,359,268	-	1,359,268
Interest receivable	-	1,304,184	-	1,304,184
Other receivables	-	161,425	-	161,425
Total	150,519,238	2,824,877	-	153,344,115
Liabilities				
Due to broker	-	233,410,379	-	233,410,379
Interest payable	-	19,238	-	19,238
Performance fees payable	-	2,331,278	-	2,331,278
Equalisation credit payable to Shareholders Alternative Investment Fund Manager	-	645,251	-	645,251
fees payable	-	1,219,088	-	1,219,088
Depositary fees payable	-	204,421	-	204,421
Administration fees payable	-	295,517	-	295,517
Audit fees payable	-	126,747	-	126,747
Other payables	-	1,034,407	-	1,034,407
Net Assets attributable to Holders of Redeemable Participating Shares	-	2,146,293,077	-	2,146,293,077
Total	-	2,385,579,403	-	2,385,579,403

PARETO PLC

Notes to the Financial Statements

31st December 2017

(Continued)

4. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

Financial instruments not measured at fair value (continued)

The assets and liabilities included in the tables on page 24 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 and brokers. Cash and 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-Fund's cash and cash equivalents. Receivables represent the contracted amounts and other obligations due to the Sub-Fund. Due to broker and payables represent the contractual amounts and obligations due by the Sub-Fund for settlement of expenses and other obligations due by the Sub-Fund.

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 the Sub-Fund on any dealing day for cash equal to a proportionate share of the 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 Sub-Fund's receivables, due to broker, payables and Net Assets attributable to Holders of Redeemable Participating Shares noted on pages 25 and 26.

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-Fund.

Risk Measurement and Reporting System

The Sub-Fund's 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 model makes use of the probabilities derived from historical experience, adjusted to reflect the economic environment.

PARETO PLC

Notes to the Financial Statements

31st December 2017

(Continued)

5. RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS (continued)

The main risks arising from the Sub-Fund's 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-Fund's return target, the AIFM has to assume market risk. The net exposure to the market is a result of the risk manager's view at any time.

Market risk exposure is available real time to the risk managers of the AIFM.

The net equity exposure as at 31st December 2017 was 98.6% (2016: 99.2%) of the dealing NAV, whereas debt securities and due to broker accounted for 5.8% and (4.5)% respectively of the NAV (2016: 4.8% and (10.9)%). 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-Fund's investment portfolio. The Sub-Fund manages 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 profit 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. The following weighted net (long minus short) betas are used for 31st December 2017; (USA 0.43, Scandinavia ex Norway 0.13, South Korea 0.04 and other Europe 0.43 (2016: USA 0.42, Scandinavia ex Norway 0.16, South Korea 0.02 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
	2017	2017	2016	2016
	%	NOK	%	NOK
OSE	+ - 10	+ - 1,538	+ - 10	+ - 248
OMX (Scandinavia ex Norway)	+ - 10	+ - 2,001,751	+ - 10	+ - 2,666,237
NYSE	+ - 10	+ - 47,449,965	+ - 10	+ - 34,435,850
OTHER EUROPE	+ - 10	+ - 15,590,663	+ - 10	+ - 13,458,540
KOSPI	+ - 10	+ - 255,657	+ - 10	+ - 87,458

PARETO PLC

Notes to the Financial Statements

31st December 2017

(Continued)

5. RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS (continued)

(i) Equity Price Risk (continued)

Concentration of Equity Price Risk

The tables below analyse the Sub-Fund's concentration of equity price risk by relevant stock exchange:

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	-
Total	2,792,180,667	124,539,111

2016	Financial assets at fair value through profit or loss	Financial liabilities at fair value through profit or loss
	NOK	NOK
OSE	3,561,944	-
OMX Stockholm	207,749,897	-
OMX Copenhagen	122,532,387	-
NYSE	814,402,365	-
EURONEXT	180,414,058	-
SIX Switzerland	446,185,285	-
LSE	56,999,407	-
XETRA	252,246,491	-
KOSPI Korea	45,956,908	-
Total	2,130,048,742	-

Refer to the AIFM's Report for the Sub-Fund's concentration by industry distribution.

(ii) Interest Rate Risk

Interest rate risk represents the potential losses that the Sub-Fund might suffer due to adverse movements in relevant interest rates. The Sub-Fund 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-Fund 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 risk managers cannot impose changes to the exposure as long as the AIFM complies with the investment restrictions. The 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.

PARETO PLC

Notes to the Financial Statements

31st December 2017

(Continued)

5. RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS (continued)

(ii) Interest Rate Risk (continued)

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments.

The sensitivity analysis 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 31st December 2017 and 2016. 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.

For the Sub-Fund at 31st December 2017, 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 NOK512,859 (2016: NOK414,456) based on financial year end cash balances.

For the Sub-Fund at 31st December 2017, 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 NOK784,191 (2016: NOK510,933) 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

31st December 2017

(Continued)

5. RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS (continued)

(ii) Interest Rate Risk (continued)

Maturity analysis table

The table below analyses the Sub-Fund's interest rate risk exposure as at 31st 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
Assets					
Cash and cash equivalents	19,254,266	-	-	-	19,254,266
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
Total assets	<u>19,254,266</u>	<u>10,983,336</u>	<u>145,854,861</u>	<u>2,795,944,559</u>	<u>2,972,037,022</u>
Total liabilities (excluding Net Assets attributable to Holders of Redeemable Participating Shares)					
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
Total liabilities	<u>121,826,060</u>	<u>-</u>	<u>-</u>	<u>143,835,240</u>	<u>265,661,300</u>
Total Interest Sensitivity Gap	<u>(102,571,794)</u>	<u>10,983,336</u>	<u>145,854,861</u>	<u>N/A</u>	<u>N/A</u>

PARETO PLC

Notes to the Financial Statements

31st December 2017

(Continued)

5. RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS (continued)

(ii) Interest Rate Risk (continued)

Maturity analysis table (continued)

The table below analyses the Sub-Fund's interest rate risk exposure as at 31st December 2016. The Sub-Fund's assets and liabilities are included at fair value and categorised by the earlier of contractual repricing or maturity dates.

2016	Less than 1 month NOK	1 month - 1 year NOK	Greater than 1 year NOK	Non - interest bearing NOK	Total NOK
Assets					
Cash and cash equivalents	150,519,238	-	-	-	150,519,238
Financial assets at fair value through profit or loss	-	3,335,034	98,851,512	2,130,048,742	2,232,235,288
Receivables	-	-	-	2,824,877	2,824,877
Total assets	150,519,238	3,335,034	98,851,512	2,132,873,619	2,385,579,403
Total liabilities (excluding Net Assets attributable to Holders of Redeemable Participating Shares)					
Due to broker	233,410,379	-	-	-	233,410,379
Payables	-	-	-	5,875,947	5,875,947
Total liabilities	233,410,379	-	-	5,875,947	239,286,326
Total Interest Sensitivity Gap	(82,891,141)	3,335,034	98,851,512	N/A	N/A

(iii) Currency Risk

Currency risk represents the potential losses that the Sub-Fund might suffer due to adverse movements in non-base currency exposures. Some of the Sub-Fund's assets and liabilities are invested in securities denominated in currencies other than NOK and any income received by the Sub-Fund from these investments will be received in those currencies, some of which may fall in value against the NOK. The Sub-Fund calculates its NAV in NOK, the base currency of the Sub-Fund, and there is therefore a currency exchange risk, which may affect the value of shares.

The AIFM of the Sub-Fund does not seek to hedge currency risk, neither for other share classes than that in NOK ("external hedges"), nor within the Sub-Fund ("internal hedges"), hence the AIFM considers currency risk to be significant.

PARETO PLC

Notes to the Financial Statements

31st December 2017

(Continued)

5. RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS (continued)

(iii) Currency Risk (continued)

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

	Monetary Assets / Liabilities NOK	Currency Exposure NOK
2017		
Assets		
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	1,103,631,906	1,103,630,906
	<u>2,797,980,361</u>	<u>2,797,980,361</u>
Liabilities		
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	(64,275,431)	(64,275,431)
	<u>(247,302,330)</u>	<u>(247,302,330)</u>
	<u>2,550,678,031</u>	<u>2,550,678,031</u>
2016		
Assets		
Danish Krone	122,534,740	122,534,740
Euro	517,481,554	517,481,554
Great British Pound	57,006,332	57,006,332
South Korean Won	45,956,908	45,956,908
Swedish Krona	215,622,737	215,622,737
Swiss Franc	446,187,025	446,187,025
United States Dollar	841,718,793	841,718,793
	<u>2,246,508,089</u>	<u>2,246,508,089</u>
Liabilities		
Euro	(234,088,079)	(234,088,079)
	<u>(234,088,079)</u>	<u>(234,088,079)</u>
	<u>2,012,420,010</u>	<u>2,012,420,010</u>

PARETO PLC

Notes to the Financial Statements

31st December 2017

(Continued)

5. RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS (continued)

(iii) Currency Risk (continued)

The table below indicates the currencies to which the Sub-Fund had exposure at 31st December 2017 and 2016 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 31st December 2017 and 2016) 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 5.2% e.g. an appreciation of SEK vs NOK from 0.9475 to 0.9990, then the net effect on Net Assets attributable to Holders of Redeemable Participating Shares and on profit would be NOK9,341,602. 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 (2016: 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 currency rate	Net effect	Change in currency rate	Net effect
	2017	2017	2016	2016
	%	NOK	%	EUR
CHF	+ - 0.9	+ - 4,676,323	+ - 4.4	+ - 19,665,592
DKK	+ - 7.4	+ - 8,942,646	+ - 5.5	+ - 6,765,412
EUR	+ - 7.6	+ - 33,878,490	+ - 5.9	+ - 16,737,360
GBP	+ - 3.9	+ - 6,684,166	+ - 22.7	+ - 12,916,123
KRW	+ - 6.7	+ - 4,830,085	+ - 5.9	+ - 2,721,554
SEK	+ - 5.2	+ - 9,341,602	+ - 10.8	+ - 23,303,705
USD	+ - 5.2	+ - 54,430,764	+ - 2.8	+ - 23,826,609

Liquidity Risk

Liquidity risk represents the possibility that the Sub-Fund may not be able to rapidly adjust the size of its investment position in times of high volatility and financial stress at a reasonable price. The main liability of the Sub-Fund is the redemption of any shares that investors may wish to sell. Shareholders may redeem their shares every quarter by 10 a.m. Irish time on the 80th business day prior to the relevant dealing day provided that if such day is not a business day, the redemption deadline shall be the next business day following such day.

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

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

PARETO PLC

Notes to the Financial Statements

31st December 2017

(Continued)

5. RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS (continued)

Liquidity Risk (continued)

The long equity positions of the Sub-Fund constitute 103.2% of dealing NAV as of 31st December 2017 (2016: 99.2%). 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 0.89%, 0.18% and 0.07% (2016: 0.36%, 0.07% and 0.04%), respectively. For the Sub-Fund, the total dealing NAV impact would be 0.89%, 0.18% and 0.07%, respectively (2016: 0.36%, 0.07% and 0.04%).

In addition to the liquidity risk for equity exposure, the Sub-Fund may be exposed to liquidity risk related to debt instruments. The debt securities positions of the Sub-Fund constitutes 5.8% of dealing NAV as of 31st December 2017 (2016: 4.8%).

The tables below and overleaf analyse the Sub-Funds 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.

2017	Less than 1 Month NOK	1 - 12 Months NOK	Greater than 1 Year NOK	Total NOK
Assets				
Cash and cash equivalents	19,254,266	-	-	19,254,266
Financial assets at fair value through profit or loss	2,792,180,667	10,983,336	145,854,861	2,949,018,864
Receivables	3,763,892	-	-	3,763,892
Total assets	2,815,198,825	10,983,336	145,854,861	2,972,037,022
Liabilities				
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	-	2,706,375,722	-	2,706,375,722
Total liabilities	265,661,300	2,706,375,722	-	2,972,037,022

PARETO PLC

Notes to the Financial Statements

31st December 2017

(Continued)

5. RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS (continued)

Liquidity Risk (continued)

2016	Less than 1 Month NOK	1 - 12 Months NOK	Greater than 1 Year NOK	Total NOK
Assets				
Cash and cash equivalents	150,519,238	-	-	150,519,238
Financial assets at fair value through profit or loss	2,130,048,742	3,335,034	98,851,512	2,232,235,288
Receivables	2,824,877	-	-	2,824,877
Total assets	2,283,392,857	3,335,034	98,851,512	2,385,579,403
Liabilities				
Due to broker	233,410,379	-	-	233,410,379
Performance fees	2,331,278	-	-	2,331,278
Equalisation credit payable to Shareholders	645,251	-	-	645,251
Alternative Investment Fund Manager fees	1,219,088	-	-	1,219,088
Administration fees	295,517	-	-	295,517
Other payables	1,384,813	-	-	1,384,813
Net Assets attributable to Holders of Redeemable Participating Shares	-	2,146,293,077	-	2,146,293,077
Total liabilities	239,286,326	2,146,293,077	-	2,385,579,403

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-Fund to incur financial losses. The Sub-Fund will be exposed to credit risk on parties with whom it trades 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.

The AIFM continuously monitors the share of NAV deposited with any one financial institution to ensure that the Sub-Fund's deposits rest within the limits of the Investment Restrictions. As at 31st December 2017, 3.86% (2016: 7.81%) of the NAV was owed to SEB and 0.11% (2016: 3.95%) of the NAV was deposited at BBH, which have credit ratings of Aa3 and A+ (2016: Aa3 and A+) respectively.

Typically, derivative contracts serve as components of the Sub-Fund's investment strategy and are utilised primarily to structure and hedge investments, to enhance performance and reduce risk to the Sub-Fund (the Sub-Fund does not designate any derivative as a hedging instrument for hedge accounting purposes). The derivative contracts that the Sub-Fund holds or issues may include contracts for difference, futures, over-the-counter ("OTC") options, forward currency contracts and currency swap agreements. There were no open derivative contracts held at 31st December 2017.

PARETO PLC

Notes to the Financial Statements

31st December 2017

(Continued)

5. RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS (continued)

Credit Risk (continued)

Default or bankruptcy of the Prime Broker and Sub-Custodian, SEB or the Depository may cause the Sub-Fund's access to its cash and securities to be delayed or limited.

Efficient Portfolio Management

Efficient portfolio management refers to transactions that are entered into with the aim of reducing risk, reducing cost or generating additional capital for the Sub-Fund with an appropriate level of risk, taking into account the risk profile of the Sub-Fund. The Sub-Fund does not engage in transactions in financial derivative instruments, stock lending and repurchase contracts for the purposes of the efficient portfolio management of the Sub-Fund.

All realised and unrealised gains and losses from trading in financial assets and liabilities for the financial years ended 31st December 2017 and 2016 are included in the Statement of Comprehensive Income.

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

There were no open derivative contracts held at 31st December 2017 or 2016.

The Sub-Fund and its counterparty 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 agreement, 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-Fund 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-Fund's satisfaction of the obligations may have exceeded the amount recognised in the Statement of Financial Position.

7. CASH AND CASH EQUIVALENTS / DUE TO BROKER

Cash balances are held as follows:

	2017 NOK	2016 NOK
Cash	10,307,258	39,722,507
Foreign cash balances	<u>8,947,008</u>	<u>110,796,731</u>
Cash and cash equivalents	<u>19,254,266</u>	<u>150,519,238</u>

PARETO PLC

Notes to the Financial Statements

31st December 2017

(Continued)

7. CASH AND CASH EQUIVALENTS / DUE TO BROKER (continued)

	2017 NOK	2016 NOK
Foreign cash balances	<u>(121,826,060)</u>	<u>(233,410,379)</u>
Due to broker	<u>(121,826,060)</u>	<u>(233,410,379)</u>

Cash balances are held with/owed to BBH, the Prime Broker and Sub-Custodian, as well as SEB.

8. RECEIVABLES

	2017 NOK	2016 NOK
Dividends receivable	2,739,401	1,359,268
Interest receivable	1,024,491	1,304,184
Other receivables	-	161,425
	<u>3,763,892</u>	<u>2,824,877</u>

9. PAYABLES

	2017 NOK	2016 NOK
Interest payable	108,519	19,238
Performance fees (Note 13)	14,586,894	2,331,278
Equalisation credit (Note 13)	1,436,076	645,251
Alternative Investment Fund Manager fees	1,750,103	1,219,088
Depositary fees	267,918	204,421
Administration fees	389,231	295,517
Audit fees	137,116	126,747
Other payables	620,272	1,034,407
	<u>19,296,129</u>	<u>5,875,947</u>

10. SHARE CAPITAL AND REDEEMABLE PARTICIPATING SHARES

	2017	2016
Founder Class – EUR Share		
Number of shares outstanding as at 1 st January	1,447,671.47	1,446,611.10
Number of shares issued	316.03	1,060.37
Number of shares redeemed	<u>(533.48)</u>	<u>-</u>
Number of shares outstanding as at 31st December	<u>1,447,454.02</u>	<u>1,447,671.47</u>

PARETO PLC

Notes to the Financial Statements

31st December 2017

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10. SHARE CAPITAL AND REDEEMABLE PARTICIPATING SHARES (continued)

	2017	2016
Institutional Class A – NOK Share		
Number of shares outstanding as at 1 st January	848,546.07	1,364,831.01
Number of shares issued	-	848,546.07
Number of shares redeemed	(12,871.79)	(1,364,831.01)
	<u>835,674.28</u>	<u>848,546.07</u>
Number of shares outstanding as at 31st December		
Institutional Class B – NOK Share		
Number of shares outstanding as at 1 st January	1,011,826.39	315,072.92
Number of shares issued	669,307.31	697,153.97
Number of shares redeemed	(8,043.56)	(400.50)
	<u>1,673,090.14</u>	<u>1,011,826.39</u>
Number of shares outstanding as at 31st December		
Institutional Class I – NOK Share		
Number of shares outstanding as at 1 st January	1,987,429.87	-
Number of shares issued	6,015.77	1,987,429.87
	<u>1,993,445.64</u>	<u>1,987,429.87</u>
Number of shares outstanding as at 31st December		

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.

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.

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 €100,000 in accordance with the requirements of the Central Bank of Ireland.

PARETO PLC

Notes to the Financial Statements

31st December 2017

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10. SHARE CAPITAL AND REDEEMABLE PARTICIPATING SHARES (continued)

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

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 the Sub-Fund in managing its capital.

11. FEES AND EXPENSES

AIFM fees

The AIFM receives out of the assets of the Sub-Fund 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 the performance fees. Such a fee is accrued quarterly and is calculated on each dealing day by reference to the NAV of the Sub-Fund at the relevant valuation point.

The AIFM receives out of the assets of the Sub-Fund 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.

Administration fees

The Sub-Fund pays the Administrator an administration fee, which is payable quarterly in arrears, out of the Net Assets of the Sub-Fund (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 Sub-Fund's NAV attributable to investments by Shareholders other than the Founder Class equals or exceeds 50% of the NAV of the Sub-Fund, 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 the Sub-Fund'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 the Sub-Fund for all fees and vouched expenses properly incurred by the Administrator in the performance of its duties.

PARETO PLC

Notes to the Financial Statements

31st December 2017

(Continued)

11. FEES AND EXPENSES (continued)

Depository fees

The Sub-Fund pays the Depository a fee, paid quarterly in arrears, out of the Net Assets of the Sub-Fund equal to 0.04% of the NAV per annum subject to a minimum fee of EUR36,000 per annum. When the NAV of the Sub-Fund attributable to Shareholders other than the Founder Class equals or exceeds 50% of the NAV of the Sub-Fund, the fee changes to a rate of 0.06% per annum subject to a minimum fee of EUR36,000 per annum. The Depository is reimbursed by the Sub-Fund 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

	2017 NOK	2016 NOK
Fees in respect of qualifying services	<u>219,189</u>	<u>136,190</u>
	<u>219,189</u>	<u>136,190</u>

Effective 1st July 2016, the Directors are entitled to remuneration for their services as Directors provided however that the aggregate emoluments of each Director in respect of any twelve month financial period shall not exceed EUR15,000 as approved by the Board of Directors on 24th August 2016 (prior to 1st July 2016: EUR10,000). 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 31st December 2017 and 2016.

Other fees and expenses

The Sub-Fund pays out of its 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

31st December 2017

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

	2017	2016
	NOK	NOK
Total realised gain from:		
- Investments and currencies	161,778,320	49,565,095
- Forward currency contracts	-	16,274
	<u>161,778,320</u>	<u>49,581,369</u>
Total realised loss from:		
- Investments and currencies	(34,987,476)	(3,378,642)
- Contracts for difference	-	(19,376,742)
	<u>(34,987,476)</u>	<u>(22,755,384)</u>
Total change in unrealised gain from:		
- Investments and currencies	315,089,437	105,855,889
- Contracts for difference	-	7,313,660
	<u>315,089,437</u>	<u>113,169,549</u>
Total change in unrealised loss from:		
- Investments and currencies	(16,088,270)	(9,202,960)
	<u>(16,088,270)</u>	<u>(9,202,960)</u>
- Net coupon income on debt securities	<u>5,856,693</u>	<u>10,181,720</u>
Net gain on financial assets and liabilities at fair value through profit or loss	<u>431,648,704</u>	<u>140,974,294</u>

13. PERFORMANCE FEES / EQUALISATION

	Class A NOK	Class B NOK	Class I NOK	Total
	2017	2017	2017	2017
	NOK	NOK	NOK	NOK
Performance fees payable for financial year	<u>3,296,114</u>	<u>5,031,254</u>	<u>6,261,413</u>	<u>14,588,781</u>
Performance fees charge for financial year	3,296,114	5,031,254	6,261,413	14,588,781
Performance fees paid on redemptions	<u>(1,887)</u>	<u>-</u>	<u>-</u>	<u>(1,887)</u>
Performance fees payable for financial year	<u>3,294,227</u>	<u>5,031,254</u>	<u>6,261,413</u>	<u>14,586,894</u>
Equalisation credit	<u>-</u>	<u>1,436,076</u>	<u>-</u>	<u>1,436,076</u>

PARETO PLC

Notes to the Financial Statements

31st December 2017

(Continued)

13. PERFORMANCE FEES / EQUALISATION (continued)

	Class A NOK 2016 NOK	Class B NOK 2016 NOK	Class I NOK 2016 NOK	Total 2016 NOK
Performance fees payable for financial year	2,210,298	1,669,320	1,200,077	5,079,695
Performance fees payable by compulsory redemption	(1,652,803)	(1,095,614)	-	(2,748,417)
Performance fees charge for financial year	557,495	573,706	1,200,077	2,331,278
Performance fees payable for financial year	557,495	573,706	1,200,077	2,331,278
Equalisation credit	-	-	645,251	645,251

The AIFM is entitled to be re-imbursed out of the assets of the Sub-Fund, 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-Fund (each a Calculation Period).

The Performance Fee in any calculation period is equal to 15% of any appreciation in the NAV per share of the applicable class in respect of each Calculation Period above the High Water Mark applied to that share during the calculation period.

The Founder Shares are not subject to performance fees.

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 NOK966,947 (2016: NOK170,045).

Mr. Yngve T. Jordal, a former Director of the Company who is employed by Pareto Asset Management AS holds no Founder Class - EUR Shares (2016: 2,261.05).

During the financial year, Pareto Asset Management AS earned AIFM fees of NOK6,126,656 (2016: NOK4,479,205), NOK1,750,103 of which remains payable at 31st December 2017 (2016: NOK1,219,088). Pareto Asset Management AS also earned performance fees of NOK14,588,781 (2016: NOK2,331,278), of which NOK14,586,894 remains payable at 31st December 2017 (2016: NOK2,331,278).

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Notes to the Financial Statements

31st December 2017

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15. DIVIDEND POLICY

The Directors may, with the agreement of the Depository, decide to declare a dividend. No dividends were declared or paid to Shareholders during the financial year (2016: NOKNil).

16. NAV HISTORY

	2017	2016	2015
Founder Class – EUR Share			
NAV	EUR208,568,923	EUR184,962,943	EUR160,680,358
Number of shares	1,447,454.02	1,447,671.47	1,446,611.10
NAV per share	EUR144.09	EUR127.77	EUR111.07
Institutional Class A – NOK Share			
NAV	NOK135,201,052	NOK116,015,276	NOK173,738,843
Number of shares	835,674.28	848,546.07	1,364,831.01
NAV per share	NOK161.79	NOK136.72	NOK127.30
Institutional Class B – NOK Share			
NAV	NOK269,095,964	NOK137,827,911	NOK40,033,336
Number of shares	1,673,090.14	1,011,826.39	315,072.92
NAV per share	NOK160.83	NOK136.21	NOK127.06
Institutional Class I – NOK Share			
NAV	NOK253,568,635	NOK213,173,110	-
Number of shares	1,993,445.64	1,987,429.87	-
NAV per share	NOK127.20	NOK107.26	-

17. EXCHANGE RATES USED IN THIS REPORT

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

	2017	2016
Danish Krone	0.758055	0.818982
Euro	0.101815	0.110144
Great British Pound	0.090378	0.094019
South Korean Won	130.884483	140.316228
Swedish Krona	1.000996	1.055404
Swiss Franc	0.119142	0.118075
United States Dollar	0.122259	0.116175

18. SOFT COMMISSION ARRANGEMENTS

The Sub-Fund does not have any soft commission arrangements (2016: None).

PARETO PLC

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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. STATEMENT OF CHANGES IN PORTFOLIO POSITIONS

The statement of changes in portfolio positions for the financial year has not been presented though the details may be obtained free of charge from SMT Fund Services (Ireland) Limited.

21. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

On 21st December 2017, the Central Bank of Ireland (the “Central Bank”) approved the change of name of Pareto Total plc to Pareto plc (the “Company”), along with the reconstitution of the Company from a standalone to an umbrella company. 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 Act and the AIF Rulebook regulations with registered number 529413.

As at 31st December 2017, there is only one sub-fund in the Company namely, Pareto Total (the “Sub-Fund”). The Sub-Fund was authorised by the Central Bank on 18th July 2013 as an investment company under the Act, Part 24.

Ms. Anna Måbäck replaced Mr. Yngve Torvanger Jordal as a Director of the Company on 15th February 2017.

22. POST BALANCE SHEET EVENTS

A second sub-fund is scheduled to launch on 23rd April 2018.

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

PARETO PLC

Notes to the Financial Statements

31st December 2017

(Continued)

23. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue, on behalf of the Board of Directors on 26th April 2018.

PARETO PLC

Schedule of Investments

31st December 2017

Financial assets at fair value through profit or loss		Fair	
Held for Trading	Nominal	Value	% of
Variable Rate Bonds	Holding	NOK	NAV
Bermuda			
BW Offshore FRN 15-Mar-20	7,200,000	7,159,536	0.27
		<u>7,159,536</u>	<u>0.27</u>
Norway			
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>
Total Variable Rate Bonds		<u>156,838,197</u>	<u>5.80</u>
Total Debt Securities		<u>156,838,197</u>	<u>5.80</u>

PARETO PLC

Schedule of Investments

31st December 2017

(Continued)

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

	Nominal Holding	Fair Value NOK	% of NAV
Held for Trading (continued)			
Equity Securities Long			
Denmark			
Novo-Nordisk B	430,000	189,742,081	7.01
		189,742,081	7.01
France			
Michelin (CGDE)	203,000	238,360,402	8.81
		238,360,402	8.81
Germany			
BMW AG	415,167	304,356,756	11.25
		304,356,756	11.25
Norway			
DOF ASA	9,500,000	5,890,000	0.22
		5,890,000	0.22
South Korea			
Samsung Electronics	4,500	71,857,256	2.65
		71,857,256	2.65
Sweden			
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
Switzerland			
Nestle SA	365,098	256,797,274	9.49
Roche Holdings AG	126,000	260,690,020	9.63
		517,487,294	19.12
United Kingdom			
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
United States			
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
Deere & Co	140,500	179,861,090	6.64

PARETO PLC

Schedule of Investments

31st December 2017

(Continued)

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

	Nominal Holding	Fair Value NOK	% of NAV
Held for Trading (continued)			
Equity Securities Long (continued)			
United States (continued)			
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>
Total Equity Securities Long		<u>2,792,180,667</u>	<u>103.17</u>
Total financial assets at fair value through profit or loss		<u>2,949,018,864</u>	<u>108.97</u>
Financial liabilities at fair value through profit or loss			
Held for Trading			
Equity Securities Sold Short			
Denmark			
Carlsberg Group Co	(56,000)	(55,035,559)	(2.03)
William Demant Holding Group	(67,000)	(15,334,632)	(0.57)
		<u>(70,370,191)</u>	<u>(2.60)</u>
France			
Compagnie de St-Gobain SA	(80,250)	(36,241,194)	(1.34)
		<u>(36,241,194)</u>	<u>(1.34)</u>
Germany			
TUI Group	(105,212)	(17,927,726)	(0.66)
		<u>(17,927,726)</u>	<u>(0.66)</u>
Total Equity Securities Sold Short		<u>(124,539,111)</u>	<u>(4.60)</u>
Total Financial liabilities at fair value through profit or loss		<u>(124,539,111)</u>	<u>(4.60)</u>

Investments are in transferable securities admitted to official stock exchange listings

PARETO PLC

Appendix 1 31st December 2017 (Unaudited)

Remuneration Policy and Procedures

On 16th 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 31st December 2017 (Unaudited) (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 - NOK36,424,747 (2016: NOK34,403,600)
Total variable - NOK99,249,727 (2016: NOK76,441,535)
Total number - 54 (2016: 53)

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

Total fixed - NOK16,050,000 (2016: NOK8,202,400)
Total variable - NOK49,456,045 (2016: NOK10,850,613)
Total number - 16 (2016: 7)

Further details on the Investment Manager's remuneration policy is available on paretoam.com.

Leverage

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

	Gross Notional Method	Commitment Method
2017	106%	106%
2016	118%	122%