

Pareto Bond Funds - Update

Nordic Economies and Nordic Bond Markets in March 2024

In March, and generally since the beginning of this year, our Nordic Bond funds have shown a remarkable level of resilience and strength. While the predominant theme among bond investors in developed markets has been the question of just by how much central banks would be cutting rates this year, many markets did not reflect that. The Bloomberg Global Aggregate Index, as a proxy investment grade markets, is down by 2.1% year-to-date.

By contrast, Nordic Bonds have been on a steady path of positive returns – that is, as long as investors were able to avoid the pitfalls of rising default rates. Such has been the case with the Pareto bond funds, where the default rates are hovering at or near their historical lows. Pareto’s fundamental, bottom-up management style is paying off.

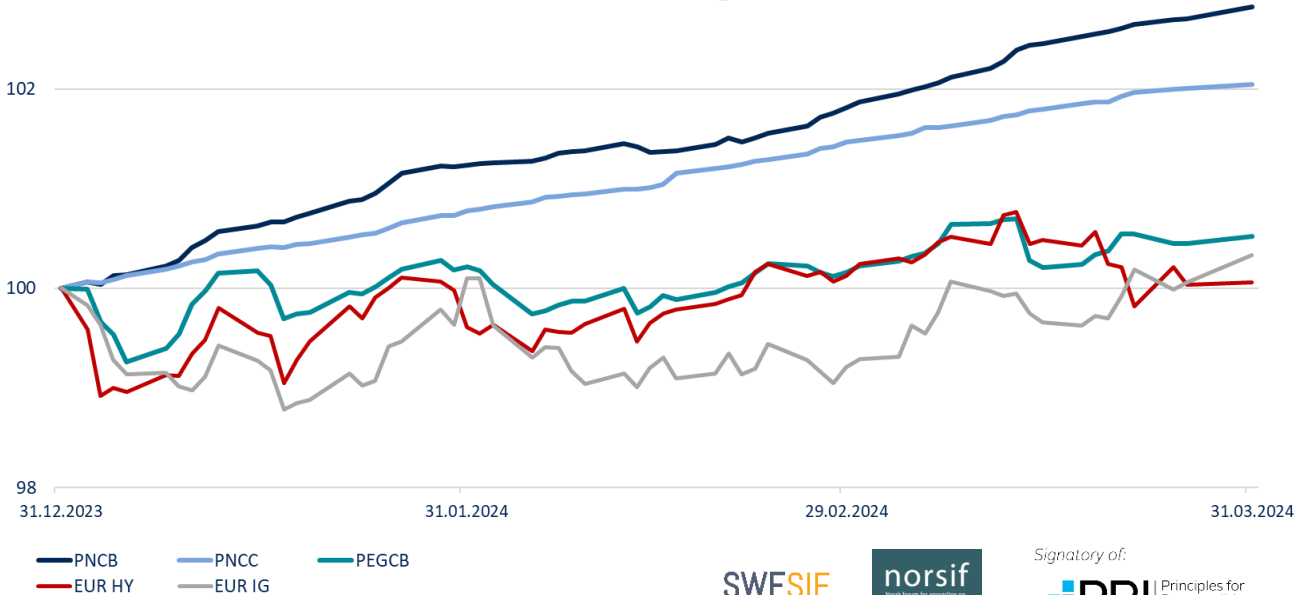
Pareto Nordic Cross Credit [Article 8 of SFDR]	Pareto Nordic Corporate Bond [Article 8 of SFDR]	Pareto ESG Global Corporate Bond [Article 9 of SFDR]
Highly diversified Nordic credit fund. The fund excludes investments into oil-related activities, holding a fossil free profile guided by sound ESG principles. It offers broad access to the quality end of high-yield and crossover segment with ultrashort duration and relatively short time to maturity. Strategy inception was in 2001, initially as a Norwegian fund.	Diversified across some 120 issuers in a wide range of business sectors. Conservative style based on deep inhouse credit analysis. Local market knowledge offers opportunities in this predominantly unrated market. Short duration and attractive credit spreads in an economically strong region. Strategy inception in 2006, initially as a Norwegian fund.	Fund with well-diversified portfolio of global credits, managed from our Nordic base, yet with a global view. As a Nordic Swan ECO labeled fixed income fund, it follows strict requirements on sustainability criteria for every investment made. Focus is on non-cyclical businesses in the US, European and Nordic regions with relatively short duration.

The core of every Pareto bond strategy is a bespoke credit assessment process, based on long-standing proprietary credit evaluation models, combined with dedicated local expertise and access to the issuers. The approach provides a Nordic/Global corporate credit exposure with **low geopolitical risk and a sound ESG profile**.

	Pareto Nordic Cross Credit	Pareto Nordic Corporate Bond	Pareto ESG Global Corporate Bond
Yield to Maturity NOK	6.7%	8.3%	6.0%
Yield to Maturity EUR	6.2%	7.7%	5.5%
Average Spread-to-Worst	213 bps	398 bps	240 bps
Modified Duration	0.3	1.0	3.0
Credit Spread Duration (Sensitivity)	2.3	2.0	3.5
Time to Maturity	2.6	2.6	4.2
Assets under Management (mEUR)	471	1,560	311
# of Issuers	133	120	96
2024 YtD Return EUR	2.0%	2.8%	0.5%

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<p>March has been another strong month for the fund. In fact, as far as bond funds go, the month has been entirely “uneventful” in the best possible sense. Once more, positive returns have been driven primarily by coupon carry.</p> <p>With March, the fund has now completed 12 consecutive months with steady returns above 0,5% each month, driven by coupon carry, with practically negligible volatility and drawdowns – a great run!</p> <p>The fund has returned 0.6% in EUR and in NOK terms, respectively. For the year, performance now stands at 2.0% in EUR and at 2.1% in NOK terms, respectively.</p> <p>Portfolio management has used the opportunities showing in a strong primary market. It took positions in Brage Finans, Gjensidige Forsikring, Electrolux Professional, Husqvarna, Jotun, Lantmannen, NCC, Pelagia Holding and Nibe Industrier, thus also lowering its cash position, which was at an average of 3.4% for March, compared to 5.0% in February.</p>	<p>The fund has had a strong month with return coming in above its coupon carry. Performance was positively impacted by tailwinds in the Nordic HY market. Credit spreads continued to tighten in the Nordic market, while EUR HY spreads widened marginally.</p> <p>The performance impact from interest rate movements, on the other hand, was limited.</p> <p>The fund has returned 1.0% in EUR and NOK terms, respectively, a full year of positive monthly returns. Year-to-date performance stands at 2.8% in EUR and 3.0% in NOK terms, respectively.</p> <p>The Nordic high-yield primary market has shown the second-highest level of activity on record in March. 24 new transactions were priced. The fund maintains its cautious stance, participating in six of those transactions.</p> <p>The fund’s currently cautious stance has so far paid off nicely. The fund’s 12-months trailing default rate stands below 1% with no events in March - well below the market’s rising 4.5%.</p>	<p>Continuing its “risk on” mode into March, market climate has remained quite positive, globally. This has contributed to large volumes in the new issue market for corporate bonds, especially in the U.S., where high-yield gross volume is now USD 85bn in 2024. As before, Europe is still trailing by volume, but strong names have no problems going to market.</p> <p>The fund has participated in several new issues during the month, such as Ørsted Green Bond, Telefonica Green Bond, ProGroup, iLOQ and Virgin Media Green Bond to further broaden the diversification of the portfolio.</p> <p>In the secondary market, the fund has divested Intrum on valuation concerns. The bond has been a notable underperformer in the fund.</p> <p>Performance for the month came in at 0.4% in EUR and 0.5% in USD, bringing year-to-date numbers to 0.5% in EUR and 0.9% in USD, respectively.</p>

Pareto Bonds Fonds vs. Euro Corporates (2024 YtD)

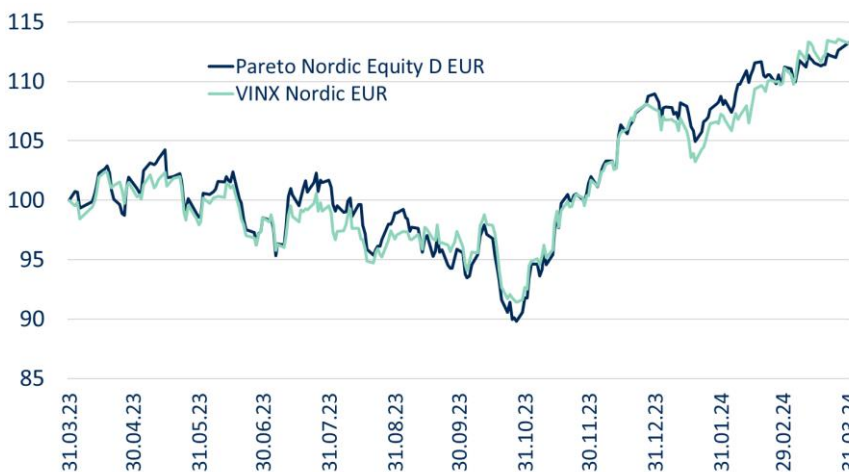
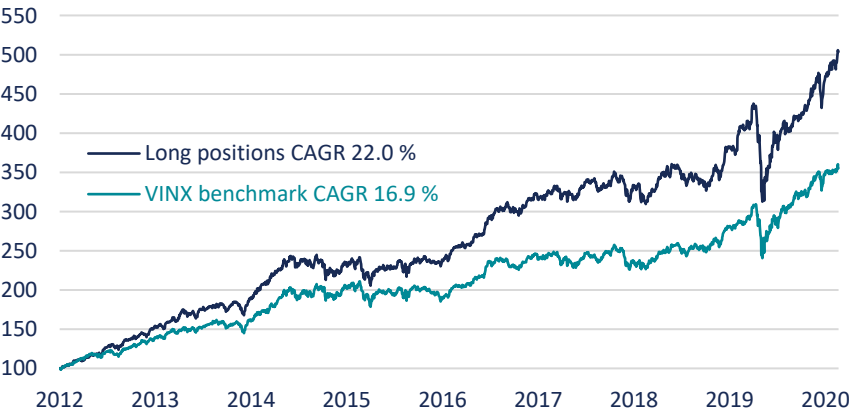
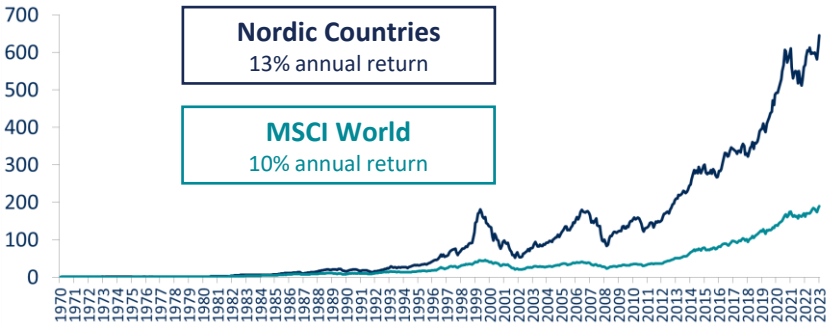


Pareto Nordic Equity - Update

Pareto Nordic Equity in March 2024

In March, we received the remaining reports for Q4 2023, which confirmed that our portfolio companies had a firm profit development. Novo Nordisk continued its strong run and contributed the most to the fund's value appreciation. The company shared encouraging news on the development of its obesity drugs.

The company constitutes 90 per cent the index appreciation over the past three years. In other words, the rest of the Nordic market has not risen very much, suggesting that the potential ahead is strong. The fact that we seem to be exiting a period of destocking in several industries after the post-covid order binge, adds to this potential.



Nordic Outperformance

The Nordic equity markets have shown superior performance over many years, characterized by being top notch in sustainability implementation. A consistently business friendly and innovative environment, with strong governance: The Nordics provide a great setting for value creation.

Pareto Track Record

The fund's lead portfolio manager has managed a Nordic mixed fund since 2012; the performance of the long equity positions from 2012 to 2020 have outperformed the Nordic Index by 5% (22.0% vs. 16.9%) p.a.

Value Creation

A concentrated portfolio of sustainability leaders and a focus on long-term capital return. The investment process is seeking companies with low financial leverage and good predictability of earnings, for a portfolio with downside protection and long-term out-performance.

Fund Key Data [Art. 8 of SFDR]

Return YTD [D EUR]	4.0%
Volatility (1 year, ann.)	14.2%
# Holdings	23
AuM [in m€]	115

Signatory of:

Bond Fund Share Classes (sample) [min. initial investment]	Pareto Nordic Cross Credit	Pareto Nordic Corporate Bond	Pareto ESG Global Corporate Bond
R / A / A EUR [1 €]	LU2200514128	LU1608101579	LU1327537681
R / A / - NOK [1 €]	LU2200513666	LU0922130215	
A / H / H EUR [1/5m €]	LU2023199552	LU1311575093	LU1199946242

Equity Fund Share Classes (sample) [min. initial Investment]	Pareto Nordic Equity D EUR [min. 5m €]	Pareto Nordic Equity D NOK [min. 50m NOK]	Pareto Nordic Equity B NOK [min. 1 share]
ISIN	LU1904797732	LU1653072915	LU1904797575



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