

Pareto Bond Funds - Update

Nordic Economies and Nordic Bond Markets in November 2022

The improved credit market sentiments carried over from the second half of October, and continued in the same vein throughout November. This led to a good performance for our Pareto Nordic Bond funds this month. Although some inflation figures in Europe and in the US came in below estimates, we see these as marginal adjustments at high levels, at best. The signals from the central banks are still clear: policy rates will continue to rise. The size of each hike from the various central banks will most likely be adjusted down somewhat, with the consequence that it will take longer to reach peak rates. This should be very beneficial for Pareto Nordic Bond funds, which are invested mainly in floating rate bonds.

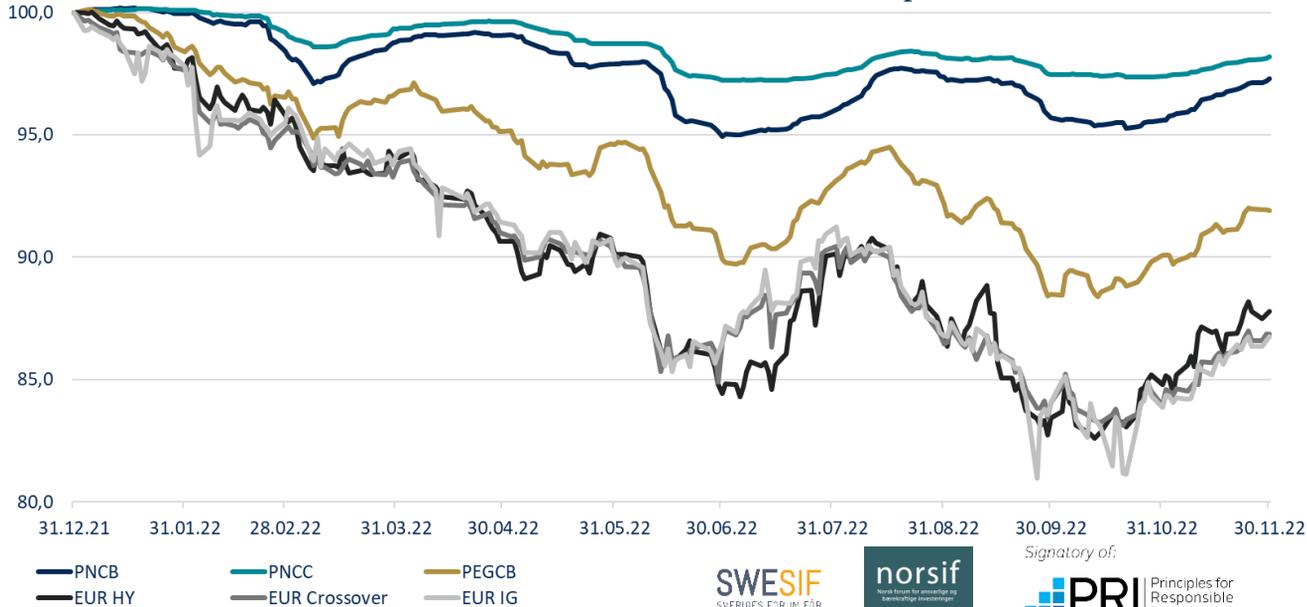
Pareto Nordic Cross Credit [Article 8 of SFDR]	Pareto Nordic Corporate Bond [Article 8 of SFDR]	Pareto ESG Global Corporate Bond [Article 9 of SFDR]
Highly diversified Nordic credit fund. The fund excludes investments into oil-related activities, holding a fossil free profile guided by sound ESG principles. 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	7.2 %	8.8 %	8.1 %
Yield to Maturity EUR	5.3 %	6.8 %	6.1 %
Average Spread-to-Worst	368 bps	546 bps	443 bps
Modified Duration	0.3	0.8	2.8
Credit Spread Duration (Sensitivity)	2.2	2.0	3.8
Time to Maturity	2.2	2.4	4.2
Assets under Management (mEUR)	309	1 318	237
# of Issuers	119	109	76
2022 Return YtD EUR	-1.9 %	-2.5 %	-8.0 %

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<p>We are approaching the end of a turbulent year, characterized by large movements in both interest rates and credit spreads. The current levels for both ensure a solid current yield, which also provides some protection against widening credit spreads.</p> <p>November was a very good month for the fund: The fund has returned 0.8% in November in EUR-hedged terms, with the 90-day volatility reduced to an extremely low level of 0.8%. The main part of the return stems from the current yield, with a minor downward adjustment of credit spreads as 'icing'.</p> <p>Further rising interest rates should be very beneficial for Pareto Nordic Cross Credit, which mainly invests in floating rate bonds.</p> <p>There was good activity throughout November, and we traded bonds in the fund for NOK 240 million in a 70/30 ratio between buying and selling. No significant changes in the portfolio composition were made during the month. We participated in four issuances: Boliden, Electrolux, Sparebank 1 SMN and Storebrand.</p>	<p>Increased interest rates and widening credit spreads so far this year have contributed to a significantly higher yield for the fund, which has an overweight of floating rate notes. Despite the positive re-pricing in November, the fund offers an attractive risk-adjusted return potential given short interest rate and credit duration.</p> <p>The positive performance was broad-based, with all sectors in positive territory, led by Shipping and Industrials.</p> <p>Portfolio adjustments last month were focused on increasing exposure to credits with low interest rate risk and attractive liquidity characteristics.</p> <p>The fund did not participate in any of the six high-yield primary issues that were priced last month. The primary market activity continues to be muted, but we note that the market seems to be open for most issuers willing to test the market in the new pricing environment with higher yields. Last month, leveraged real estate issuers, private equity-backed issuers, and issuers with no track record in the Nordic bond market were able to refinance or raise new capital.</p>	<p>It was a strong month performance-wise for the fund and global credit indices. The fund returned 2.0% for the month of November in EUR-hedged terms. This brings the year to date figure to -8.0%.</p> <p>Inflows into both investment grade and high-yield funds have been strong in Europe and the US. Volatility has remained benign, which provides comfort for the new issue market. Investment grade and financial bond issuance has been very robust. High-yield issuance is still slow, and likely will remain so through the end of 2022.</p> <p>The fund still has a very attractive yield compared to historical yields even after a couple of strong months.</p> <p>The fund participated in two new issuances: Faurecia Sustainability Linked bond and Orsted Green Bond. Both bonds had very strong participation and have traded well in the aftermarket.</p> <p>In secondary trading, we added in Seche Environment and Davita, exited Momox, Hapag-Lloyd and LR Global.</p>

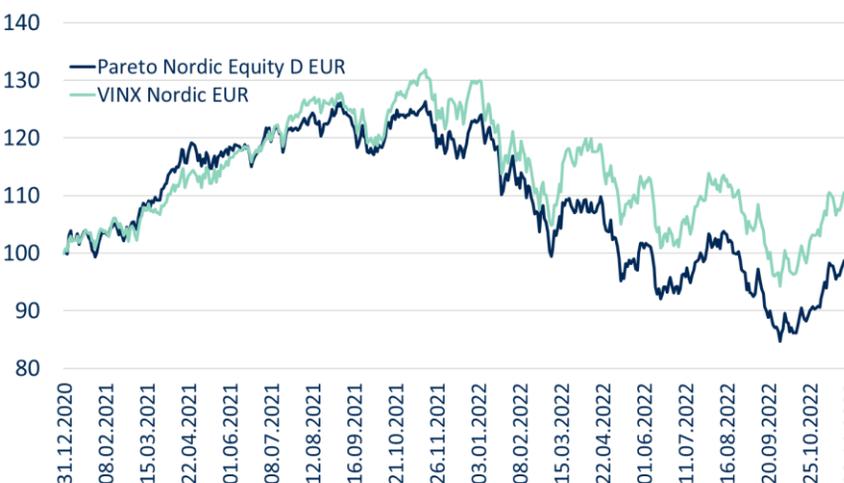
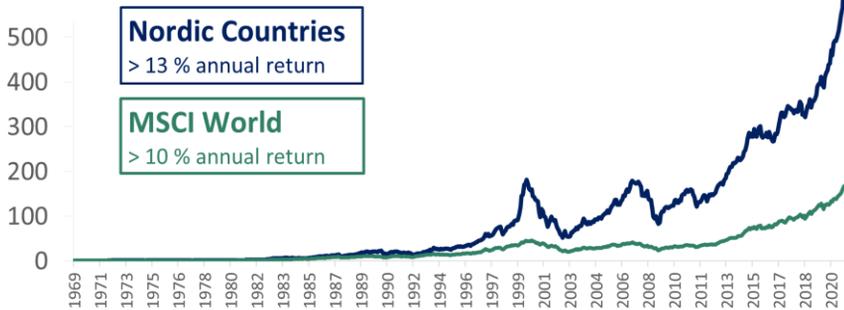
Year-to-Date Pareto Nordic Bonds vs. Euro Corporates



Pareto Nordic Equity - Update

Pareto Nordic Equity in November 2022

Equity markets, including those in the Nordic countries, breathed a sigh of relief in November, as monthly US inflation finally showed signs of levelling off. Consequently, long-dated interest rates fell, and equities rose on both sides of the Atlantic. In our home markets, industrial companies rallied the most, whereas the energy sector, the best-returning segment of the market so far this year, fell slightly. We had some portfolio companies still reporting third quarter results during November. The reports we received in November confirm that our companies maintain their operating margins in spite of inflationary cost pressures. If inflation now turns lower, it will lead to even better profits, which should then lead to higher share prices. We have attended quite a few capital markets day presentations in November. We have grown more confident in several of our holdings, in addition to identifying potential new positions.



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 for 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]	-20.7 %
Volatility (STD ann.)	25.0 %
# Holdings	24
AuM [in m€]	98

Bond Fund Share Classes (sample) [min. initial investment]	Pareto Nordic Cross Credit	Pareto Nordic Corporate Bond	Pareto Global Corporate Bond
R EUR / A EUR [1 €]	LU2200514128	LU1608101579	LU1327537681
R / A / C NOK [1 €]	LU2200513666	LU0922130215	LU1199946085
H EUR [5m €]	LU2023200236	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. 1m NOK]
ISIN	LU1904797732	LU1653072915	LU1904797575



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