Pareto Aksje Norge B

Pareto Asset Management

This is marketing communication

Report date: 27 March 2024

Fund: Pareto Aksje Norge
Inception date: 6 September 2001
AUM: NOK 12.2 billion
Benchmark: Oslo Børs Mutual Fund Index
UCITS KIID risk score from 1 (low) to 7 (high): 6

Category: equity fund
Legal structure: UCITS
Domicile: Norway
Dealing days: all Norwegian business days

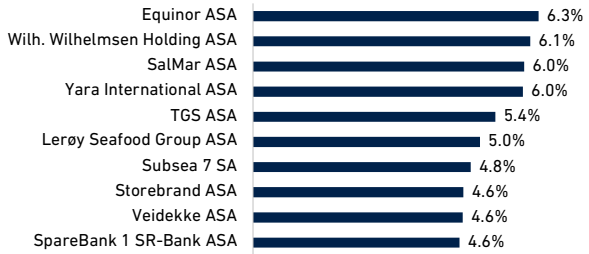
Unit class B
NAV as at 27 Mar 2024: 3 482.27
NAV currency: NOK
Launch date: 31 December 2005

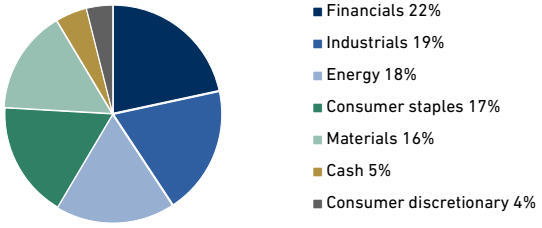
Minimum investment: NOK 500
ISIN: NO0010297898
Bloomberg ticker: PRVERDI NO

Norwegian equity fund focused on sectors where Norwegian companies have global competitive advantages

Investment criteria:
- Sound balance sheets
- Strong historical returns on equity
- Reasonable pricing

Top ten holdings and sector allocation





Key figures since inception*

	Fund	Index
Accumulated returns	895 %	615 %
Annualised returns	10.7 %	9.1 %

Risk figures since inception*

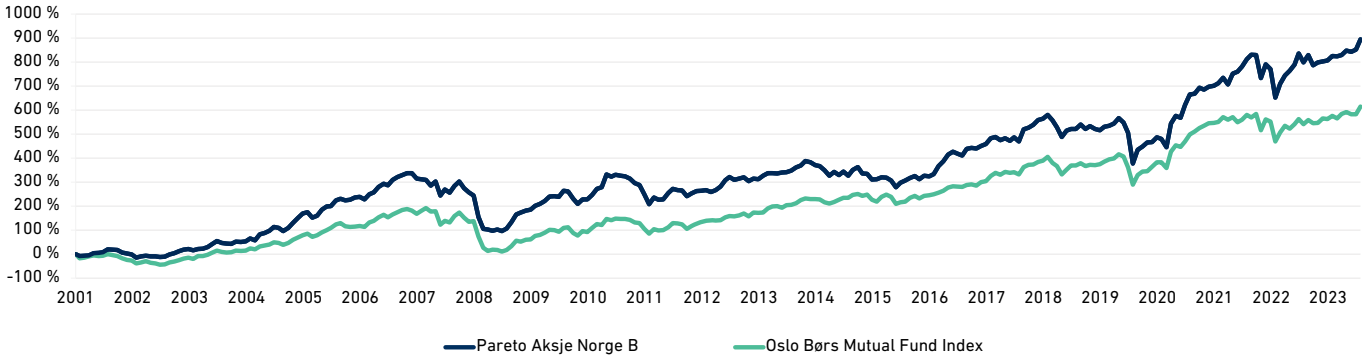
	Fund	Index
Standard deviation (annualised)	18.8%	20.3%
Tracking error (annualised)	8.6%	n.a.
Information ratio	0.1	n.a.
Sharpe ratio (SOL1X)**	0.5	0.42
Beta	0.8	n.a.

**ST1X was used until 29.01.21

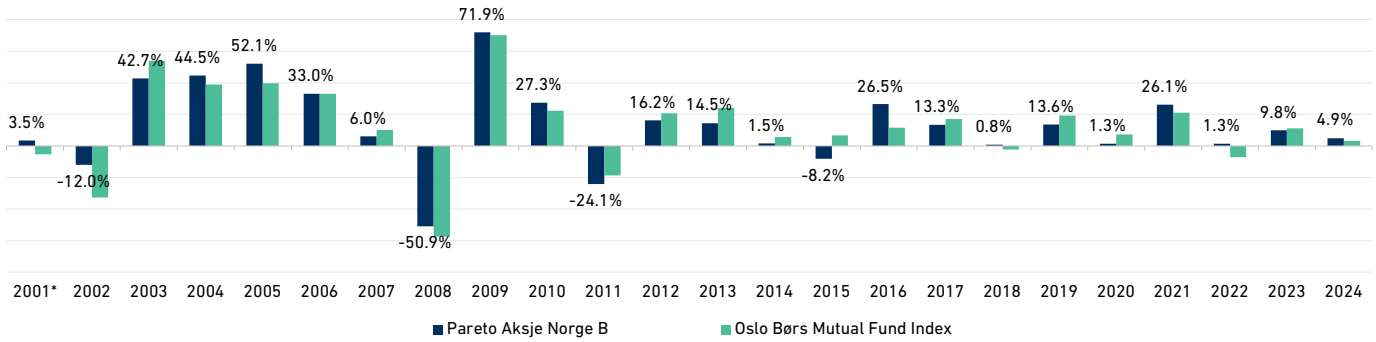
Performance by periods

	Fund	Index
Last month	4.5%	4.5%
Year to date	4.9%	3.2%
Last 12 months	10.7%	11.4%
Three years (annualised)	9.1%	6.0%
Five years (annualised)	9.9%	8.7%
Ten years (annualised)	8.3%	8.9%
Since inception* (annualised)	10.7%	9.1%

Performance history*



Annual returns*



The Fund is exposed to the following materially risks: liquidity risk, operational risk and sustainability risk. Please refer to the Fund's prospectus for further information about the fund's risk exposure. The Fund promotes environmental and/or social characteristics within the meaning of Article 8 of SFDR. The decision to invest in the Fund should take into account all the characteristics or objectives of the Fund as described in its prospectus. Further information about the sustainability-related aspects of the Fund is available in the SFDR pre-contractual disclosures in the Fund's prospectus and the SFDR website disclosure available on https://paretoam.com/en/our-funds/.

*Reporting start date: 06.09.2001. Simulated returns from 06.09.2001–31.12.2005 are based on historical returns for unit class I, adjusted for management fees for unit class B. Returns from 31.12.2005–10.07.2015 are achieved in Pareto Verdi. The fund continues as unit class B in Pareto Aksje Norge. Simulated returns and risk figures are provided for illustrative purposes only. All figures are based on internationally recognised standards for publishing performance data. Historical returns are no guarantee for future returns. Future returns will depend, inter alia, on, market developments, the portfolio manager's skill, the fund's risk profile, as well as fees for subscription, management and redemption. Returns may become negative as a result of negative price developments. The performance data do not take account of the fees incurred on subscription and redemption of units/shares.

Monthly commentary March 2024

Pareto Asset Management

By Besim Zekiri and Eirik Osberg Andresen

March was a good month for the portfolio, which ended up well over four per cent, in line with the market. The rise was broad-based, but the energy sector in particular made a positive contribution. Let's take a closer look at our energy exposure this month.

In the energy sector, we are exposed to both oil and gas production through **Equinor** and electricity production through **Bonheur,** as well as to the service leg through **Subsea 7** and **TGS**. Equinor is doing well these days. The oil price has risen to around $86 per barrel, from around $82 at the start of the month and $77 at the start of the year. Despite this significant increase, the share price has fallen by around eight per cent so far this year. The fall can largely be attributed to a slightly weaker gas price outlook, as well as a somewhat weak market reaction to the renewables ambitions communicated at the fourth quarter presentation. Thus, it was nice to note that Equinor lost the Southern North Sea II auction. Not because we want the renewables targets to be scrapped, but because it confirms Equinor's claim that profitability governs, not capacity targets.

Our service companies both operate in the early stages of energy production, and TGS's seismic is the very first step in finding new capacity. Consequently, it has been easy for oil producers to defer such spending, and a real boost in seismic demand has been slow in coming. The major oil and gas companies have prioritised mergers and acquisitions, which for obvious reasons do not increase global energy supply, as well as more low-hanging fruit such as near-field investments. If we lift the tip of our noses from the next few years, a picture of underinvestment and a failure to replace producing fields with new capacity begins to emerge. We may have to wait a little longer, but the appetite for exploration and consequently seismic will return, and in a market where supply is narrowed down to effectively three global players. That could yield good returns.

Visibility is somewhat better for Subsea 7. There are a lot of projects to be realised in the coming years, and the three largest subsea players globally had a combined order book of USD 40 billion at the end of 2023. Subsea is getting its share of the pie – and here, too, the slices are larger than before, as a result of bidder discipline. Today's deepwater pipelaying fleet is actually smaller than it was in 2014. As we have already mentioned, oil producers are disciplined and have prioritised balance sheet strengthening and payments to owners. This is moderating the cycle, but possibly also prolonging it. This is obviously preferable to a traditional boom-and-bust cycle.

The portfolio can be purchased at 8.3 times expected earnings in both 2024 and 2025. Such pricing indicates an earnings yield of 12 per cent. Set against a ten-year government bond yield of just under 3.6 per cent, the portfolio can be purchased with a significant margin of safety.

Portfolio management team: Einar Løvoll, Besim Zekiri and Eirik Osberg Andresen (analyst)

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