

Report date: 29 February 2024

Fund: Pareto Aksje Norge

Inception date: 6 September 2001

AUM: NOK 11.5 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 29 Feb 2024: 3 332.56

NAV currency: NOK

Launch date: 31 December 2005

Minimum investment: NOK 500

ISIN: NO0010297898

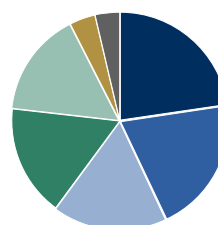
Bloomberg ticker: PRVERDI NO

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	852 %	584 %
Annualised returns	10.5 %	8.9 %

Risk figures since inception*

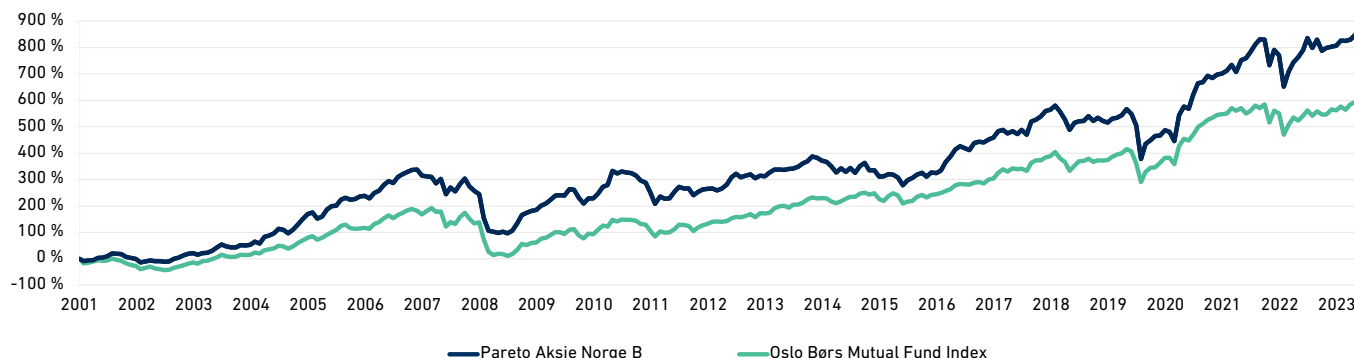
	Fund	Index
Standard deviation (annualised)	18.8%	20.4%
Tracking error (annualised)	8.6%	n.a.
Information ratio	0.1	n.a.
Sharpe ratio (SOL1X)**	0.5	0.41
Beta	0.8	n.a.

**ST1X was used until 29.01.21

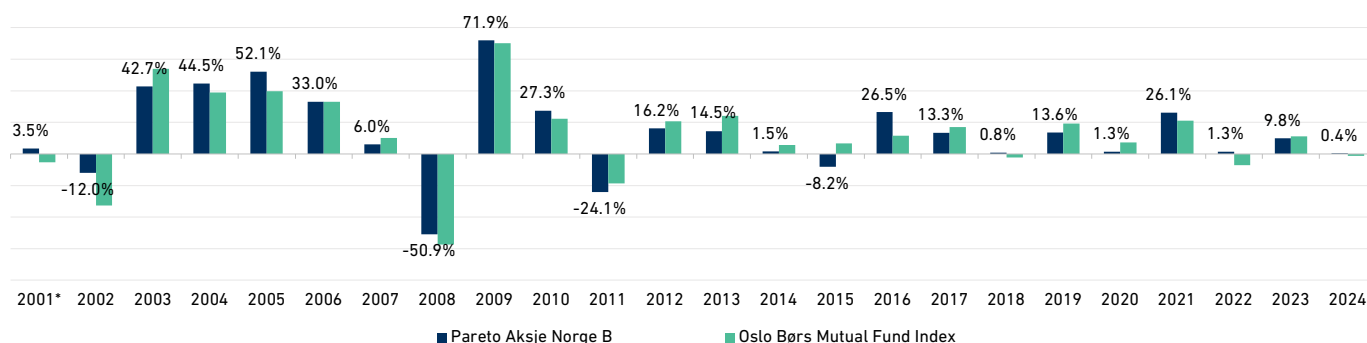
Performance by periods

	Fund	Index
Last month	1.0%	0.2%
Year to date	0.4%	-1.3%
Last 12 months	1.7%	3.2%
Three years (annualised)	9.7%	6.2%
Five years (annualised)	8.9%	7.8%
Ten years (annualised)	8.0%	8.4%
Since inception* (annualised)	10.5%	8.9%

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.

By Besim Zekiri and Eirik Osberg Andresen

Despite solid quarterly figures from large parts of the portfolio, the fund barely made a positive return this month, albeit well ahead of the market. With the reports in hand, we can conclude that 87 per cent of the portfolio delivered as expected or better, while 13 per cent ended weaker than expected. With all companies having finalised their reports for the fourth quarter and the full year, we can try to summarise the main points, sector by sector.

It was an eventful year for our savings banks. Norges Bank raised its key interest rate at a rapid pace, from 2.75% to 4.25%, in order to counteract high inflation. This was a market climate in which our banks performed very well. All of our banks generated a return on equity of more than 14 per cent in 2023, and in the last quarter of the year they all ended up at around 18 per cent. Continued low losses, a high proportion of deposits and price discipline are some of the explanations.

With significantly lower oil and gas prices than in 2022, there was a large top-line plunge for **Equinor**. However, there is no drama in current market prices, and the oil price in particular remains at attractive levels, at least measured against the lifting cost. It's easy to forget, but the lifting cost per barrel of oil equivalent in Norway is still as low as USD 7.5. Alongside the fourth quarter presentation, management provided a quick capital markets update, which was not particularly well received by the stock market. The renewable energy targets were maintained, while many speculated that they would be removed. On the other hand, the company made it even clearer that profitability, not capacity, is the top priority.

The service leg of the portfolio is moving in the right direction. **Subsea 7** is delivering well on its projects, and we are just beginning to see the contribution from contracts signed on more favourable terms. The guidance for 2024 is cautious, but management suggests a margin between 18 and 20 per cent for 2025. Furthermore, they target a total payout for dividends and buybacks over the next four years of at least USD 1 billion.

After listening to the raw material companies' presentations, it is clear that we are seeing a slight trend shift in the markets. It seems as if the destocking of the past two years has begun to slow down, which is also reflected in the market prices of aluminium, fertiliser, and silicones. Prices seem to have bottomed out during the autumn, and the increase has continued into 2024. We believe that the companies' comparative advantages will materialise in the future, and from a competitive perspective, it is clear that under current market conditions there will not be a lot of new capacity.

Our industrial companies continue to perform well. **Elopak** ended a record year with top line growth of seven per cent and margin expansion. For the year, operating profit before depreciation, amortisation and impairment amounted to EUR 171 million, up more than 40 per cent. Margins are now back to more normal levels. Elopak's performance in the demanding market situation of the past two years is exceptional, and clear evidence of the company's comparative advantage in an otherwise "simple" industry. Extraordinary price adjustments, steeper than those of competitors, have been swallowed by customers, in addition to the company gaining market share, particularly in the Americas. Here, Elopak will continue to grow. The investment in the Arkansas facility is enough to cover the company's growth plans for the next five years.

Performance in the seafood sector is rather mixed. It is pleasing, and no surprise, to see that **SalMar** continues to produce both quality salmon and profits, but in this report, we would like to highlight Lerøy. The company delivered slightly ahead of expectations in the quarter, driven solely by the downstream segment, but the share price is probably lifted by both tighter operations and improved biology going into 2024. Management maintained volume expectations of 175 thousand tonnes this year and as much as 205 thousand tonnes next year, while presenting a clearer roadmap for remedying major biological problems. In aquaculture, things take time and you never know exactly what effect the current measures will have, but it is clear that the focus has shifted to the positive.

The portfolio can be purchased at 8.0 times expected 2024 earnings and 7.7 times expected 2025 earnings. Such pricing indicates an earnings yield of 12.6 and 13.0 per cent, respectively. Viewed against a ten-year government bond yield of just over 3.8 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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