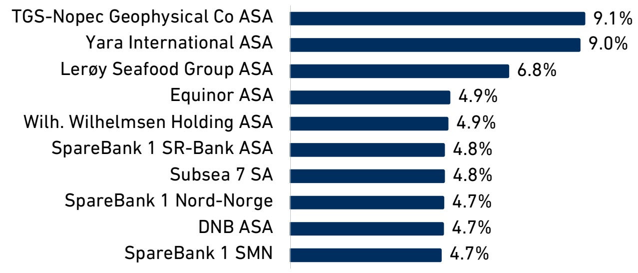
Report date: 30 September 2019

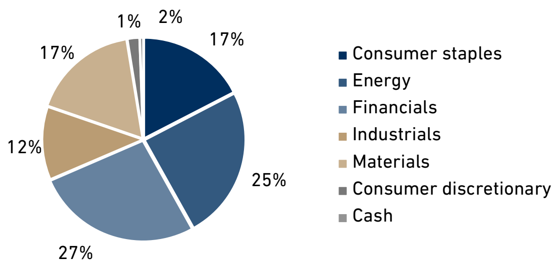
Fund: Pareto Aksje Norge	Category: equity fund	Unit class B	
Inception date: 6 September 2001	Legal structure: UCITS	NAV as at 30. September 2019: 2 207.9496	Minimum investment: NOK 500
AUM: NOK 4.9 billion	Domicile: Norway	NAV currency: NOK	ISIN: NO0010297898
Benchmark: Oslo Børs Mutual Fund Index (OSEFX)	Dealing days: all Norwegian business days	Inception date: 31 December 2005	Bloomberg ticker: PRVERDI NO

20–30 Norwegian companies with 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	530.9%	383.0%
Annualised returns	10.7%	9.1%

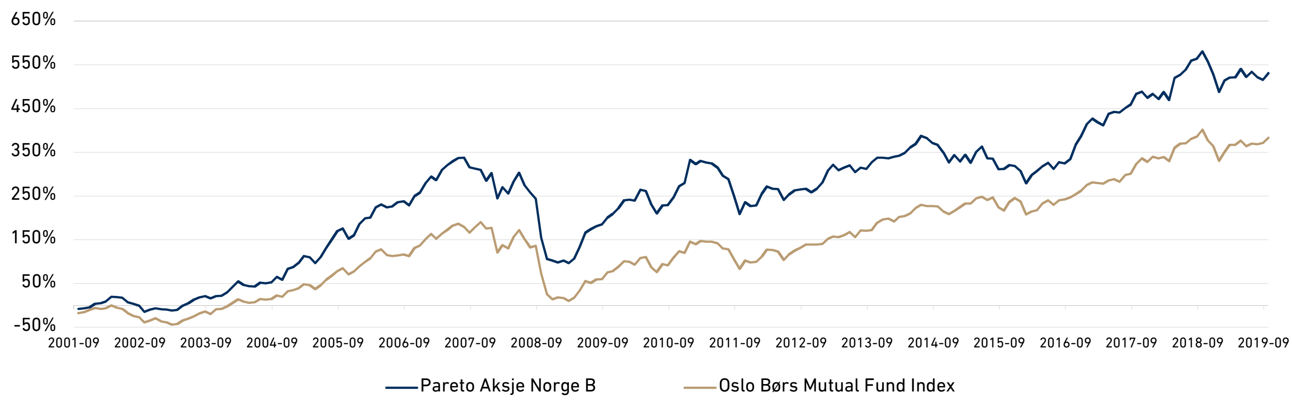
Risk figures since inception

	Fund	Index
Standard deviation (ann.)	18.6%	21.1%
Tracking error (annualised)	9.0%	n.a.
Information ratio	0.6	n.a.
Sharpe ratio (ST1X)	0.44	0.31
Beta	0.8	n.a.

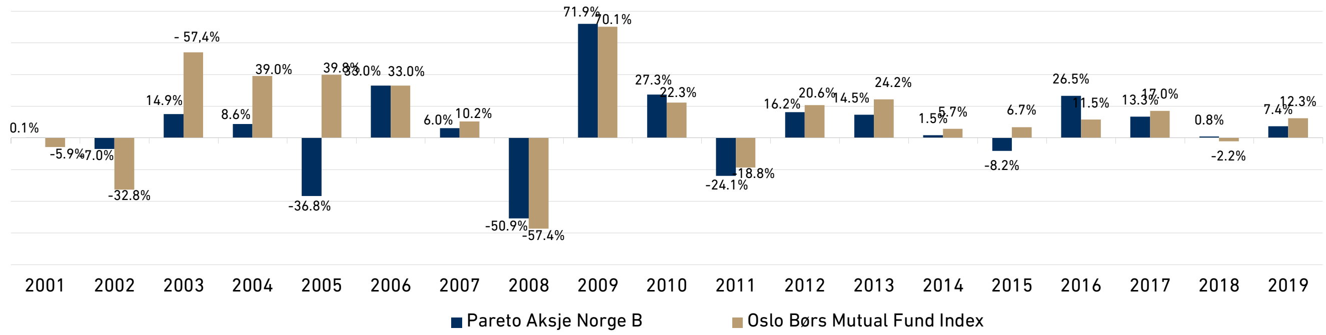
Performance by periods

	Fund	Index
Last month	2.5%	2.5%
Year to date	7.4%	12.3%
Last 12 months	-7.3%	-3.7%
Three years (annualised)	13.3%	11.6%
Five years (annualised)	6.2%	8.2%
Ten years (annualised)	7.7%	10.7%
Since inception (annualised)	10.7%	9.1%

Performance history



Annual returns



Monthly commentary – September 2019

By Torbjørn Frønningen

According to the calendar, the third quarter is now history. In terms of reporting, the quarter starts in a couple of weeks, and we are eagerly awaiting a status update from the companies.

However, some of the companies have published important news releases this quarter, which deserves some comments.

In mid-August, **TGS** announced that the acquisition of Spectrum was finally completed. The settlement for Spectrum is, as already known, mainly by way of shares, resulting in an increase in outstanding TGS shares of about 16 per cent. The interesting part of the announcement was served almost as a side note at the end: TGS expects sales in excess of USD 250 million in the third quarter. Over the past couple of years, quarterly sales have fluctuated between 108 and 188 million, the latter representing a generally strong fourth quarter. So, 250 million is high!

TGS usually concludes a large part of sales at the end of each quarter. The announcement in the middle of the quarter implies that sales for the third quarter have the potential to be significantly higher than 250 million. Although we can hardly expect sales at this level in the coming quarters, it is fun to see that TGS will deliver its strongest third quarter ever in an industry characterised by very lean times.

A couple of months ago we wrote about strong cash flow and a nice dividend yield in **Equinor**. This month, the company announced that in addition to dividends, it will distribute NOK 45 billion to shareholders through share buybacks of approximately three per cent of outstanding shares each year for the next three years. The stock responded immediately and rose almost seven per cent on the day.

Last week, **Wilh.Wilhelmsen Holding** (WWI) announced that it would repurchase just over four per cent of outstanding shares. We regard this as particularly welcome as the share is priced at just over a third of the book value. Furthermore, we consider underlying values to be *higher* than book value.

The significant discount to the market is probably partly due to WWI being a limited liquidity stock, to the company being a conglomerate with many business areas, and to having had limited distribution to shareholders.

Many people probably still think of WWI as a vulnerable shipping company. However, far greater values can be attributed to other activities: everything from port bases throughout the North Sea basin and ro-ro terminals around the world to the supply of equipment and services to offshore wind farms as well as a large part of the world's shipping fleet.

As far as the company's shipping arm is concerned, it is making a profit in a market where most competitors are bleeding. To a large extent, this is probably due to the company's strong market position: with almost a quarter of the world's ro-ro fleet under its control, on top of terminals and complementary land-based logistics services worldwide, few / none can match WWI's level of service.

The portfolio is priced at eleven times expected earnings this year and just over nine times next year's expected earnings. This implies an earnings yield of nine per cent for the current year and eleven per cent for next year, corresponding to a risk premium of eight and ten percentage points, respectively, over ten year government bond yields. The dividend yield is currently 4%. The combination of low debt in the balance sheets, a gradual improvement in the return on equity and attractive pricing means that we believe the portfolio can be bought with a significant margin of safety.

Portfolio management team: Einar Løvoll, Torbjørn Frønningen and Besim Zekiri