Pareto Aksje Norge C

Pareto
Asset Management

Report date: 29 April 2022

Fund: Pareto Aksje Norge
Inception date: 6 September 2001
AUM: NOK 7.8 billion
Benchmark: Oslo Børs Mutual Fund Index
Risk score from 1 (low) to 7 (high): 6

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

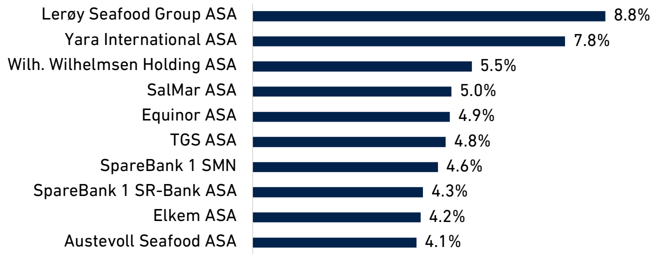
Unit class C
NAV as at 29 Apr 2022: 2 250.01
NAV currency: NOK
Launch date: 13 July 2015

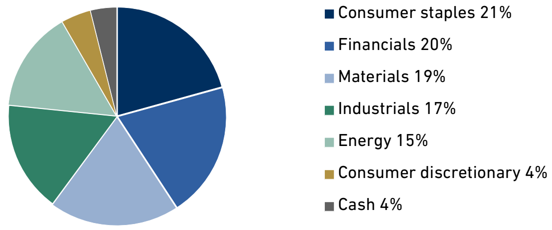
Minimum investment: NOK 20 000 000
ISIN: NO0010740590
Bloomberg ticker: PAAKNOC NO

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	977 %	570 %
Annualised returns	12.2 %	9.6 %

Risk figures since inception*

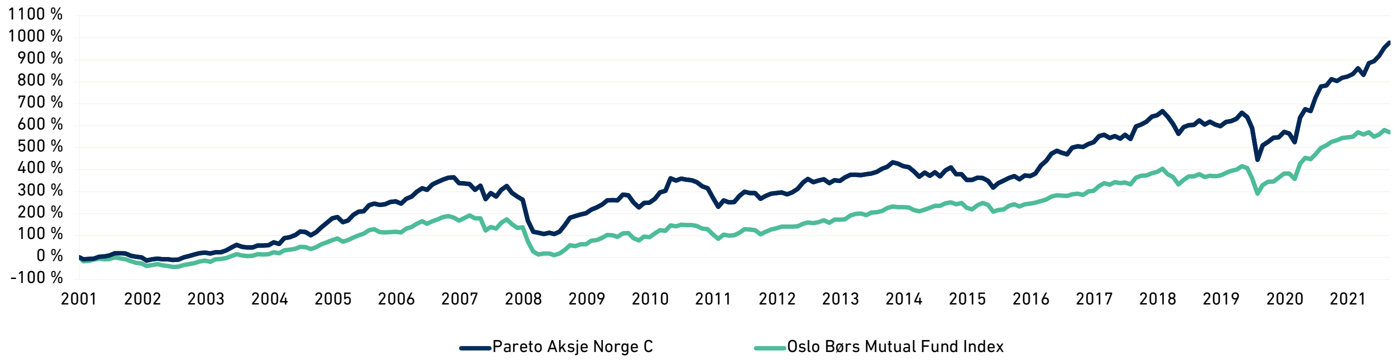
	Fund	Index
Standard deviation (annualised)	19.0%	20.7%
Tracking error (annualised)	8.8%	n.a.
Information ratio	0.3	n.a.
Sharpe ratio (SOL1X)**	0.5	0.35
Beta	0.8	n.a.

**ST1X was used until 29.01.21

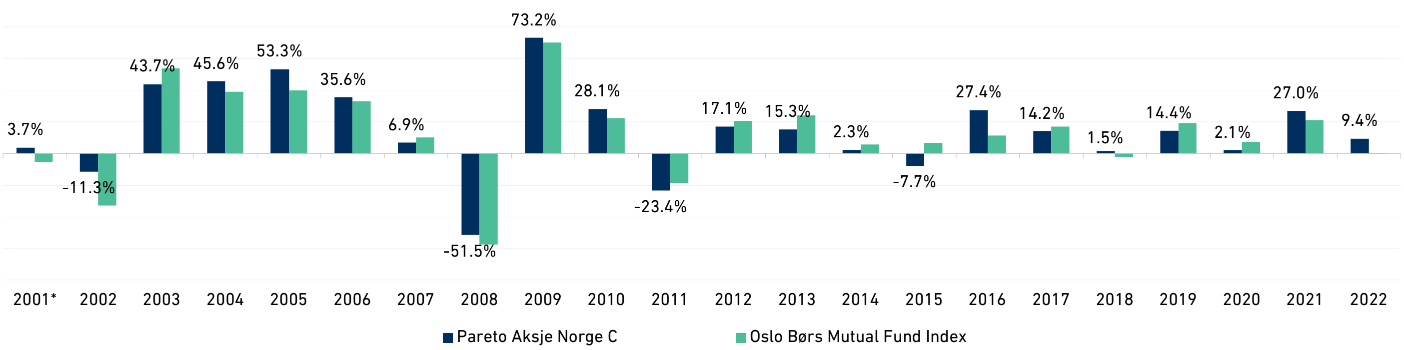
Performance by periods

	Fund	Index
Last month	2.1%	-1.5%
Year to date	9.4%	-0.1%
Last 12 months	22.0%	9.7%
Three years (annualised)	14.1%	11.8%
Five years (annualised)	12.4%	11.5%
Ten years (annualised)	10.6%	11.5%
Since inception* (annualised)	12.2%	9.6%

Performance history*



Annual returns*



Fund prospectus, KIID, annual and semi-annual reports are available at paretoam.com/en/fund-documents. Other information is available at paretoam.com/en/important-documents.

Monthly commentary – April 2022

By Besim Zekiri and Eirik Osberg Andresen

The portfolio continued its positive trend and gained another two per cent in April, significantly ahead of the market. So far this year, the figures are even nicer, with a high single-digit return, compared to a flat Norwegian market. We may add that the domestic market has performed significantly better than abroad, as higher oil prices have managed to offset the fear of higher inflation and higher interest rates.

Markets continue to fluctuate due to persistent geopolitical tensions and supply chain issues. Energy security has become a major issue in Europe, and the EU is working to become independent of Russian gas. This will have major implications for our companies.

First, it will strengthen Norway's position as a net energy producer. Demand is increasing and Norway is seen as the largest provider. Oil and gas producers are already producing all they can, but investments in additional capacity must be made now, with associated assignments for both exploration and development. This is positive for **TGS** and **Subsea 7**. The shares are up 76 and 25 per cent, respectively, this year.

Furthermore, the scarcity of energy will put considerable pressure on the food chain. Fertiliser prices have risen sharply, in line with rising energy and input prices, as well as turbulent supply chains. **Yara**'s first-quarter report shows an obviously tight market: strong top-line growth, doubling of operating profit before depreciation and write-downs, and earnings per share four times as high as in the same quarter last year. Yara's position is strong and they manoeuvre well in challenging markets. With the present cash generation, we will not be surprised if we receive more extraordinary payments.

In addition, the grain and wheat supply has suffered a major setback, as Russia and Ukraine are the world's largest and sixth largest exporters of wheat, respectively. This has driven up prices around 40 per cent this year. One consequence of the sharp rise in grain and wheat prices is increased feed prices for livestock.

According to the Global Salmon Initiative, 6-10 kg of feed is required to produce 1 kg of beef. For pigs and chicken, the figures are 2.7-5 and 1.7-2 kg, respectively. Salmon comes out best; you only need 1.2-1.5 kg of feed per kg of meat produced. Consequently, there are large differences in the production cost, and it is clear that salmon may capture market share as they can produce more cheaply. At the moment, salmon prices of well over NOK 100 per kg are registered. **SalMar**, **Lerøy** and **Austevoll** enjoy this very much. The shares are up 27, 29 and 41 per cent, respectively, this year.

On the raw material side, it is clear that our Norwegian companies are robust and able to navigate challenging markets. **Elkem** delivered its ninth quarter in a row with top-line growth, which once again resulted in a new record quarter. Our predictions from the previous report were largely correct, albeit the report came in somewhat better than expected. Operating profit before depreciation and write-downs ended at as much as NOK 3.9 billion, more than three times as high as in the same quarter last year. The quarter's earnings per share ended at 4.2 kroner. Annualised, it would thus only take two and a half years to recoup the entire market value of Elkem. The stock is up around 42 per cent this year.

The portfolio is priced at 9.1 times this year's estimated earnings, which indicates an earnings yield of 11 per cent. Set against a ten-year government bond yield in Norway of around 2.8 per cent, this entails a risk premium of 8.2 percentage points. We believe that the combination of an increased value creation rate, high free cash flow and low pricing represents a good margin of safety in an uncertain time.

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

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