

Report date: 29 July 2022

Fund: Pareto ESG Global Corporate Bond
Umbrella fund: Pareto SICAV
Inception date: 23 March 2015
AUM: SEK 2 866 million
Benchmark: n.a.
Risk score from 1 (low) to 7 (high): 4

Category: fixed income fund
Legal structure: UCITS
Dealing days: all coinciding banking days in Norway, Sweden and Luxembourg

Domicile: Luxembourg
Management company: FundRock Management Comp. S.A.
Investment manager: Pareto Asset Management AS
Custodian: Skandinaviska Enskilda Banken AB (publ) Luxembourg Branch

Share class B

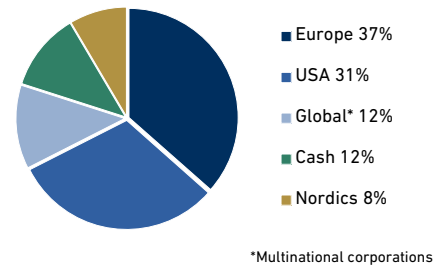
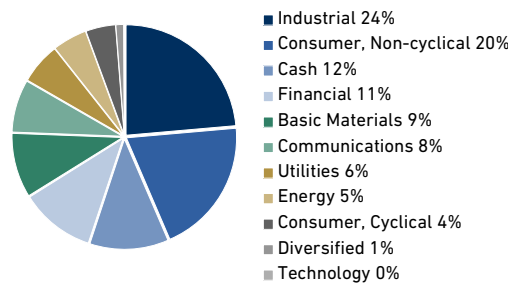
Launch date: 23 March 2015
NAV as at 29 July 2022: 106.78
NAV currency: SEK
Minimum investment: 50 000 000
ISIN: LU1199945947
Bloomberg ticker: PARGCBB LX

Actively managed ESG corporate bond fund with a Nordic base and a global exposure

- The sub-fund will invest in fixed income and fixed income related securities issued by corporations, agencies, governments and municipalities
- The debt securities may include subordinated and convertible bonds
- Investments are expected to give the sub-fund a higher risk and return than traditional interest-bearing securities
- The average duration shall be between 0 and 7 years

Top ten issuers, sector allocation and geographical distribution

UPM-Kymmene	3.2 %
Getlink	2.4 %
Ht Troplast	2.3 %
SGL TransGroup International	2.3 %
Eurofins	2.2 %
Iron Mountain	2.2 %
Virgin Media	2.1 %
Catalent Pharma	2.1 %
Nextera Energy	2.1 %
Picard Groupe	2.0 %



Key figures from start

	Fund
Accumulated returns	6.8%
Annualised returns	0.9%
Best month	4.5%
Weakest month	-11.8%

Other key figures

	Fund
Yield to maturity**	6.3
Weighted coupon	4.6
Average time to maturity	4.4
Interest rate duration	2.7

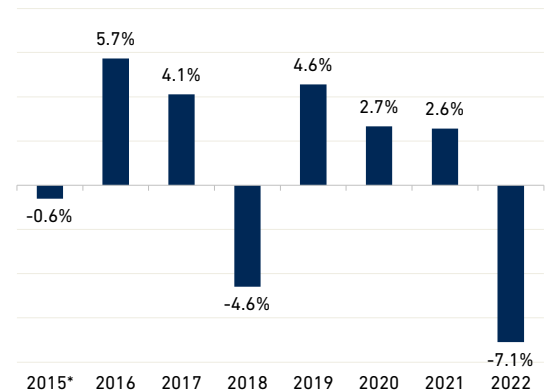
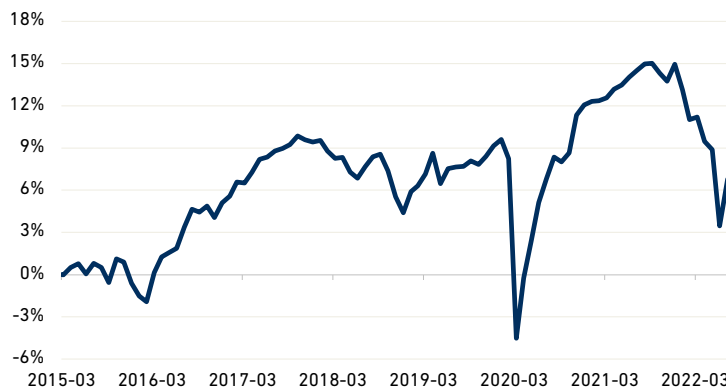
Risk figures from start

	Fund
Standard deviation (ann.)	6.1%
Sharpe ratio	0.2

Performance by periods

	Fund
Last month	3.2%
Year to date	-7.1%
Three months	-2.5%
Six months	-5.6%
Last 12 months	-6.7%
From start (annualised)	0.9%

Performance history



Monthly net returns in per cent

	Jan.	Feb.	Mar.	Apr.	May	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.	YTD
2022	-1.57	-1.87	0.15	-1.55	-0.54	-4.97	3.21						-7.10
2021	0.22	0.02	0.19	0.55	0.26	0.50	0.41	0.40	0.06	-0.62	-0.51	1.06	2.57
2020	0.40	-1.23	-11.79	4.49	2.68	2.61	1.61	1.45	-0.33	0.60	2.47	0.66	2.67
2019	1.45	0.38	0.79	1.38	-1.98	1.00	0.11	0.04	0.35	-0.24	0.53	0.70	4.57
2018	0.11	-0.68	-0.48	0.06	-0.97	-0.41	0.78	0.64	0.17	-1.08	-1.73	-1.08	-4.60
2017	0.46	0.95	-0.06	0.71	0.87	0.14	0.39	0.17	0.25	0.58	-0.27	-0.14	4.11
2016	-0.92	-0.42	2.10	1.13	0.32	0.29	1.47	1.24	-0.21	0.43	-0.79	0.99	5.73
2015			-0.03	0.54	0.27	-0.73	0.75	-0.28	-1.06	1.68	-0.23	-1.47	-0.60

**Reported in local currency. Yield to maturity may change from day to day, and is thus no guarantee for returns in the period. *From launch of the share class. 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. Pareto Asset Management seeks to the best of its ability to ensure that all information given in this report is correct, however, makes reservations regarding possible errors and omissions. Statements in the report may reflect the portfolio managers' viewpoint at a given time, and this viewpoint may be changed without notice. The distribution of this information may be restricted by law in certain jurisdictions and this information is not intended for distribution to any person or entity in such jurisdiction. The report should not be perceived as an offer or recommendation to buy or sell financial instruments. This is a marketing communication. This is not a contractually binding document. Please refer to the prospectus of the fund and do not base any final investment decision on this communication alone. Pareto Asset Management does not assume responsibility for direct or indirect loss or expenses incurred through use or understanding of the report. Fund prospectus, KIID, annual and semi-annual report are available at fundinfo.fundrock.com/Pareto. The representative in Switzerland is ACOLIN Fund Services AG, Leutschenbachstrasse 50, CH-8050 Zurich. The paying agent in Switzerland is NPB Neue Private Bank AG, Limmatquai 1/am Bellevue, P.O. Box, CH-8024 Zurich. The relevant documents such as the prospectus, the key investor information document (KIIDs), the statutes or the fund contract as well as the annual and semi-annual reports may be obtained free of charge from the representative in Switzerland.



Monthly commentary - July 2022

By Stefan Ericson and Mathias Lundmark

"I never lost one minute of sleepin' worryin' about the way that things might have been." (Creedence Clearwater Revival, Proud Mary, 1969)

As we wrote last month, there is an underlying positivity and faith in the future despite major challenges. One should not second-guess or worry about the way that things might have been. The market in July focused on the glass being half full, not half empty. The Federal Reserve raised the key interest rate by 75 basis points for the second month in a row, but indicated that the size of the next increase depends on the outcome of macro data.

The pricing in US interest rates now shows continued increases, but not at the same pace as most people thought last month. The yield on US 10-year treasuries has now gone from 3.5% on June 15th to a yield of 2.65% at the close of July 29th.

In the credit market, issuance volumes have fallen sharply, with US high yield issuance volumes much lower than in 2021 and having the weakest half-year since 2009. All of this reflects the fact that the global economy is slowing down. It has already been impacted negatively by inflation, war, and China's Covid shutdowns. Preliminary Q2 US GDP figures showed negative -0.9% growth, which would entail that the US is in a technical recession.

However, the data continues to show that companies in the US and Europe have, on an aggregated basis, higher cash balances and higher interest coverage ratios than in other periods in the last 10 years, aspects concerning companies in the high yield market, so liquidity is generally good.

When we take a closer look, we see that the credit spreads have widened with less dispersion on a broad basis. In previous economic downturns, there has been larger dispersion between "worse companies" and those of higher quality. We believe that idiosyncratic risk will increase in the future when certain companies and sectors will face greater challenges. We continue to focus on higher quality companies within high yield. This month we have therefore sold our entire holding in Avya. The company has developed negatively for a period and recently secured bank financing, which is then ahead of us bondholders in priority.

With the positive inflows the fund had during the month, we have increased in Organon, Swiss Life and IQVIA.

The fund's development was very strong during the month of July, up 3.2%–3.4% depending on the currency class.

As mentioned, there was almost no new issuance in July, and the fund did not participate in any of the few new deals that came.

The strategy going forward remains having a strong focus on companies that contribute with sustainable solutions here and now.

The fund is classified as an Article 9 fund under the SFDR Disclosure Regulation.

The synthetic CDS credit index tightened during July. The iTraxx Crossover index went from +584bp at the end of June to +512bp at the end of July.

Portfolio management team: Stefan Ericson, Mathias Lundmark and Nawel Boukedroun (ESG analyst)