Pareto ESG Global Corporate Bond C NOK

Pareto Asset Management

Report date: 29 April 2022

Fund: Pareto ESG Global Corporate Bond
Umbrella fund: Pareto SICAV
Inception date: 23 March 2015
AUM: SEK 2 575 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

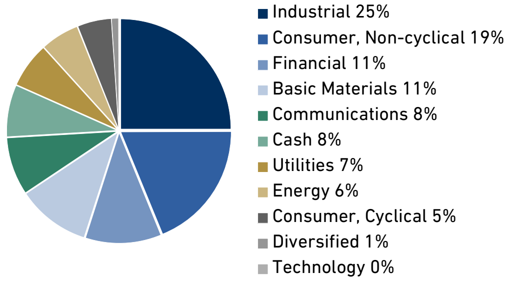
Share class C
Launch date: 23 March 2015
NAV as at 29 April 2022: 113.67
NAV currency: NOK
Minimum investment: n.a.
ISIN: LU1199946085
Bloomberg ticker: PARGCBC LX

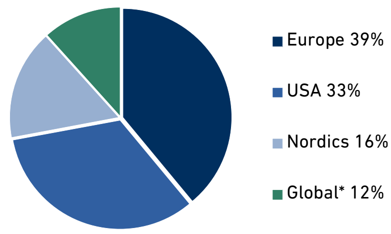
Actively managed ESG corporate bond fund with a Nordic base and a global exposure

- 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 traditonal interest-bearing securites
- The average duration shall be between 0 and 7 years

Top ten issuers, sector allocation and geographical distribution

UPM-Kymmene	3.5 %
Ht Troplast	2.9 %
Virgin Media	2.7 %
Getlink	2.6 %
Iron Mountain	2.6 %
SGL TransGroup Internationa	2.6 %
Picard Groupe	2.3 %
Catalent Pharma	2.2 %
Energizer	2.2 %
TDC	2.2 %





*Multinational corporations

Key figures from start

	Fund
Accumulated returns	13.7%
Annualised returns	1.8%
Best month	4.5%
Weakest month	-11.9%

Other key figures

	Fund
Yield to maturity**	6.3
Weighted coupon	4.7
Average time to maturity	4.4
Interest rate duration	2.1

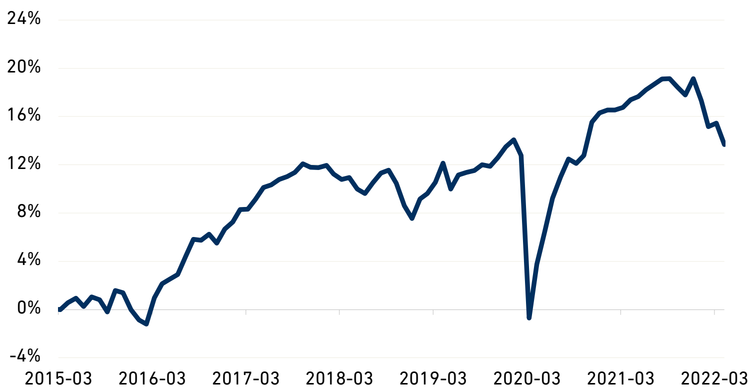
Risk figures from start

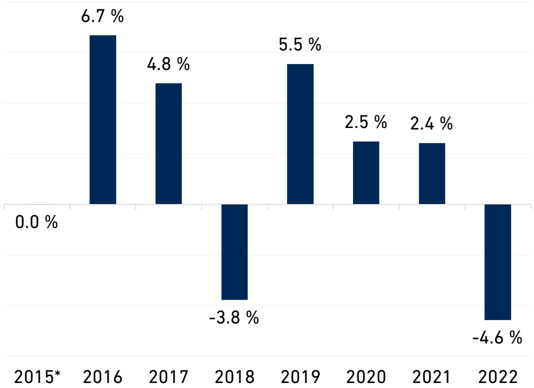
Standard deviation (ann.)	5.8%
Sharpe ratio	0.1

Performance by periods

	Fund
Last month	-1.6%
Year to date	-4.6%
Three months	-3.1%
Six months	-4.0%
Last 12 months	-3.2%
From start (annualised)	1.8%

Performance history





Monthly net returns in per cent

	Jan.	Feb.	Mar.	Apr.	May	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.	YTD
2022	-1.53	-1.83	0.26	-1.55									-4.58
2021	0.20	0.00	0.18	0.54	0.23	0.47	0.39	0.37	0.03	-0.61	-0.53	1.14	2.42
2020	0.51	-1.16	-11.95	4.49	2.63	2.57	1.60	1.38	-0.34	0.59	2.44	0.68	2.48
2019	1.50	0.42	0.85	1.44	-1.92	1.07	0.19	0.14	0.43	-0.12	0.63	0.82	5.55
2018	0.15	-0.64	-0.39	0.14	-0.88	-0.34	0.84	0.70	0.23	-0.99	-1.67	-0.99	-3.79
2017	0.54	0.97	0.01	0.76	0.90	0.20	0.42	0.22	0.30	0.63	-0.24	-0.03	4.79
2016	-0.84	-0.34	2.18	1.15	0.41	0.35	1.49	1.33	-0.08	0.47	-0.68	1.10	6.68
2015			-0.02	0.58	0.35	-0.68	0.80	-0.24	-0.99	1.79	-0.19	-1.39	-0.02

**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.

Pareto Asset Management

Monthly commentary - April 2022

By Stefan Ericson and Mathias Lundmark

"I wanna know, have you ever seen the rain? I wanna know, have you ever seen the rain? Comin' down on a sunny day."
(John Fogerty, Have You Ever Seen the Rain, 1971)

We live in challenging times and have been for a while. During the month of April, the US Treasuries market fell just over 2% and the S&P 500 just over 5%. This is the first time both assets have performed that poorly in the same month since 2008. We have low unemployment and strong growth; the sun is shining, but it is raining after all. How can we explain this?

Now that inflation has picked up in most regions, we are seeing an increase in policy rates in many countries. Sweden raised the interest rate 0.25 percentage points significantly earlier than their forecast showed just three months ago. Inflation in the US from March data shows an inflation of just over 6%. These global interest rate hikes will affect growth, but it is probably also positive that we move away from the zero-interest rate environment and negative interest rates we have been dealing with for the last few years. The Bloomberg Global Aggregate Corporate Index fell just over 4% in April, as did the Bloomberg Global High Yield Index.

The fund ended the month negatively, around -1.5%, depending on the share class. This is in comparison with the broader global high yield indices and global high yield ETFs which fell between -4% and just under -5% in April.

Not all quarterly reports have been released yet, but if we look broadly from the US and Europe perspective, we see that margins are still attractive in many sectors and earnings growth is now back more at median levels after earnings were growing well above historic standards for a period. What does this mean for credits?

Consensus is that the global economy will be weaker going forward, but corporate balance sheets are generally in good shape. We who are credit investors see that companies now must pay more in terms of credit spreads, combined with the fact that central banks are raising interest rates. Summing up, this entails much more attractive yields than before for credit investors. We believe that aggressive growth acquisitions financed by large debt issuances will be more difficult in the future. We see evidence of this already, as the high yield new issue market in the US so far this year is down approximately 70% from last year's corresponding period levels.

The new issue market was hesitant also in April. There were very few new issues in high yield in both Europe and the USA.

The fund did not participate in any new share issue during the month of April. We did not see any attractive opportunities in the few that came in April; instead, we have been cautious also this month in a challenging environment. In the secondary market, we added Energizer, Liberty Mutual and Loxam.

ESG remains a strong focus for the fund and we see that even in the US, banks are beginning to require companies to present answers to questions and plans for ESG in loan documentation. CPI data that measure certain key figures for companies' sustainability work are becoming increasingly common also in the corporate bond market globally.

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

The synthetic CDS credit index widened during April. The iTraxx Crossover index went from +338bp at the end of March to +429bp at the end of April.

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

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