Report date: 30 September 2019

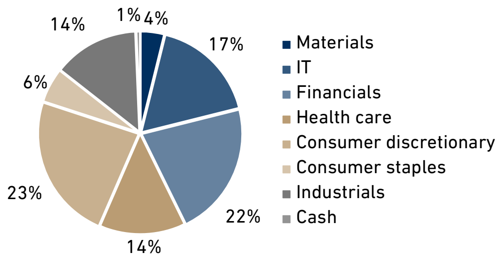
Fund: Pareto Global	Category: equity fund	Unit class I	
Inception date: 12 August 2005	Legal structure: UCITS	NAV as at 30 September 2019: 1 342.8793	Minimum investment: NOK 100 million
AUM: NOK 4.5 billion	Domicile: Norway	NAV currency: NOK	ISIN: NO0010740624
Benchmark: MSCI World, dividend adjusted	Dealing days: all Norwegian business days	Inception date: 13 July 2015	Bloomberg ticker: PAAKTGI NO

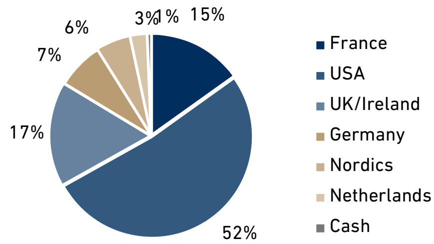
20–30 well-run businesses which operate within high barriers to entry and maintain strong positions internationally

Investment criteria
- high returns on equity
- strong balance sheets
- stable earnings power

Top ten holdings, sector allocation and geographical distribution

Prudential Plc	7.1 %
Microsoft Corp	6.8 %
EssilorLuxottica SA	5.2 %
Schneider Electric SE	5.0 %
Michelin CGdE	4.9 %
Lennar Corp	4.7 %
Ryanair Holdings Plc	4.6 %
Polaris Industries Inc	4.4 %
Ralph Lauren Corp	4.3 %
ÅF AB	4.1 %





Key figures since 01.01.2008*

	Fund	Index
Accumulated returns	201.7%	194.3%
Annualised returns	9.9%	9.6%

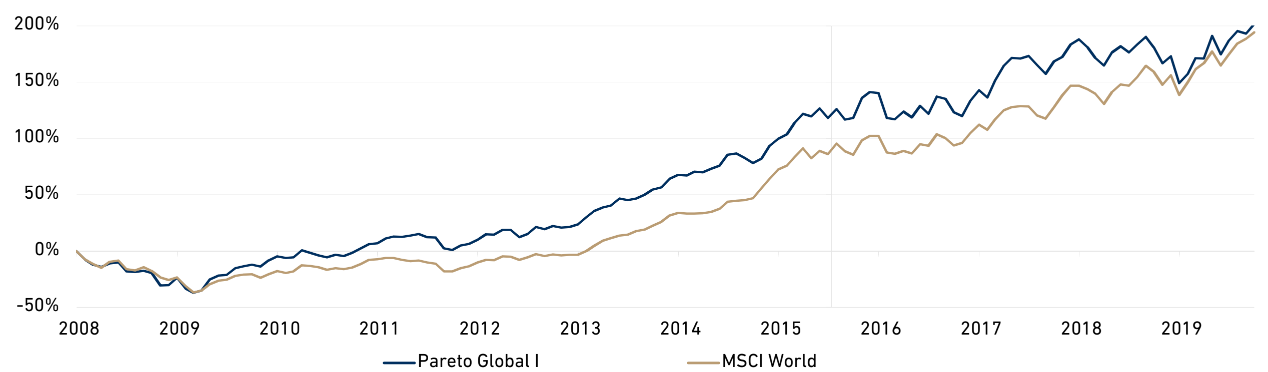
Risk figures since 01.01.2008*

	Fund	Index
Standard deviation (ann.)	14.4%	12.1%
Tracking error (annualised)	6.2%	n.a.
Information ratio	0.1	n.a.
Beta	1.1	n.a.

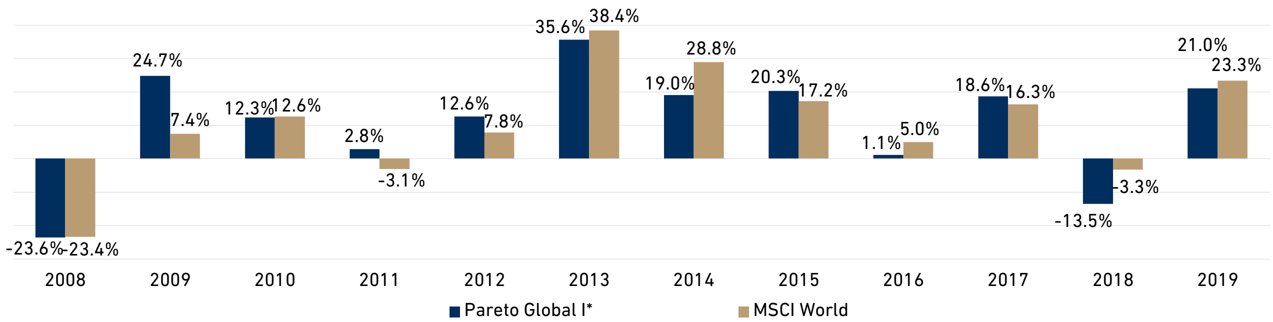
Performance by periods*

	Fund	Index
Last month	2.9%	1.9%
Year to date	21.0%	23.3%
Last 12 months	7.3%	13.6%
Three years (annualised)	10.5%	15.0%
Five years (annualised)	11.1%	14.9%
Since 01.01.2008 (annualised)	9.9%	9.6%

Performance history*



Annual returns*



**Simulated returns from 1 January 2008 to 13 July 2015 are based on the historical performance of Pareto Global D (inception date 22 November 2006) adjusted for the management fee of unit class I. Simulated performance information and risk measures are given for illustrative purposes only.* The fund continues as unit class D in Pareto Global. 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. 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 reports are available at www.paretoam.com/en/fund-reports. Other information is available at www.paretoam.com/en/client-information.

Monthly commentary - September 2019

By Andreas Sørbye and Ole Jørgen Grøneng Nilsen

In September, we saw clear signs that value stocks can have their renaissance. In line with falling interest rates since the global financial crisis, growth stocks have delivered far better returns than value stocks. In fact, based on the leading US stock index S&P 500, the difference between growth and value shares is now greater than under the dot-com bubble at the turn of the millennium. The valuation of value shares has remained virtually unchanged for ten years, while the multiples of growth shares have reached new heights and made the deviation record high. Our significant exposure to value stocks makes us very positive about the outlook for the portfolio.

The share price of the life insurance company **Prudential** fell in August, despite a strong half-year result. In September, however, the share rose, and the company was the largest contributor to the fund's return. The date for the UK demerger is set to October 21, subject to shareholder approval. We hold a positive view of the transaction and have cast our vote. We see significant potential for the valuation of Prudential, which is reflected in the fact that it is our largest holding. Splitting the company will highlight the valuable operations in Asia.

Another important contributor this month was the American home builder **Lennar**. In the US, most homes are financed with long-term fixed-rate debt. Since October last year, long-term interest rates have fallen significantly; ten-year fixed interest rates are down from over four per cent to just over three per cent. Even with increasing fears of recession, the decline in interest rates has accelerated housing construction. Despite a rise of around 40 per cent so far this year, we still see potential with a valuation below ten times next year's earnings.

Our two health insurance companies **Anthem** and **Centene** had a weak month, due to the increased likelihood of Elisabeth Warren, an outspoken opponent of private health insurance, winning the US presidential election. In several polls, she is now the leading Democratic candidate, while President Trump's outlook is weakened by the discussion about impeachment.

These price levels reflect very low expectations, and we see a significant upside. For Centene, the scenario of the Affordable Care Act (Obamacare) being found unconstitutional and reversed is factored in. Potential positive effects from the WellCare acquisition, with an increase of around five per cent in earnings per share and reduced exposure to Obamacare, is not factored in. Neither does it reflect the company's leading position as a supplier to the structurally growing state programs Medicaid and Medicare. After all, these programs will grow significantly if Democrats clean the table in next year's elections, and we believe that it is neither politically nor practically feasible to skip private players when the goal is to provide cost-effective health care services to the general population.

The world's leading manufacturer of glasses and sunglasses, **EssilorLuxottica**, presented financial targets in line with expectations on its first capital markets day following the merger. Management envisages a top-line growth of around five per cent and synergy effects contributing to a gradual expansion of margins. The number of near-sighted and age-related far-sighted people is expected to nearly double to almost nine billion by 2050, and the company's strengths in innovation, brands and physical and digital distribution make it very well equipped to capture a significant share of this market growth – and to deliver better than expected.

Portfolio management team: Andreas Sørbye, Ole Jørgen Grøneng Nilsen and Johnar Håland