

Report date: 29 April 2022

Fund: Pareto Investment Fund
 Inception: 1985, unit classes Nov. 2013
 AUM: NOK 1 476 million
 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 A
 NAV as at 29 Apr 2022: 404 318.64
 NAV currency: NOK
 Launch date: 3 January 1985

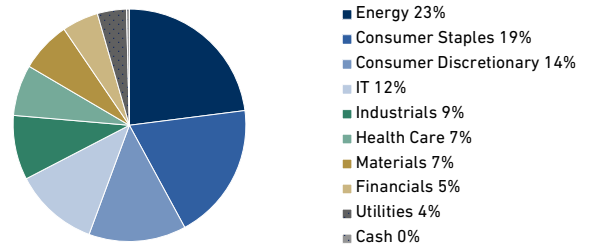
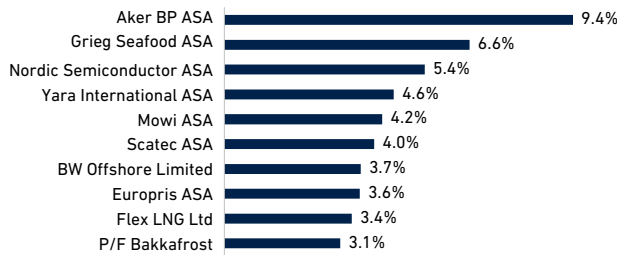
Minimum investment: NOK 500
 ISIN: NO0010040496
 Bloomberg ticker: ORFINF NO

Norwegian equity fund with a high active share, consisting of growth-companies with robust business models

Investment criteria:

- Accomplished management and active owners
- Financial strength and earnings capacity
- High shareholder value creation
- Sector exposure varies over time

Top ten holdings, sector allocation and geographical distribution



Key figures since inception*

	Fund	Index
Accumulated returns	230 %	165 %
Annualised returns	8.1%	6.6%
Best month	20.7%	16.5%
Weakest month	-28.8%	-27.2%
Positive months	120	118
Negative months	64	66

Risk figures five years

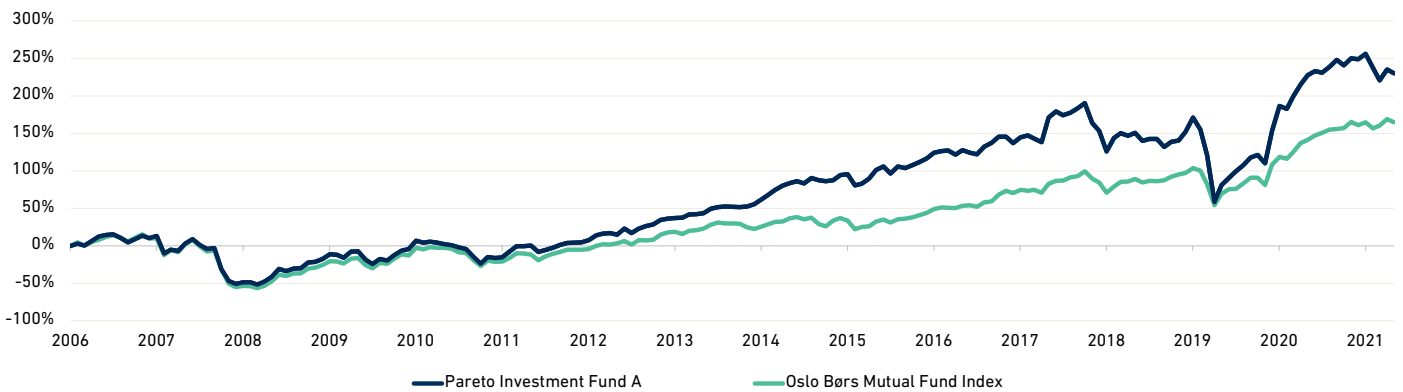
	Fund	Index
Standard deviation (annualised)	23.8%	14.9%
Tracking error (annualised)	11.1%	n.a.
Information ratio	-0.3	n.a.
Sharpe ratio (SOL1X)**	0.3	0.7

**ST1X was used until 29.01.21

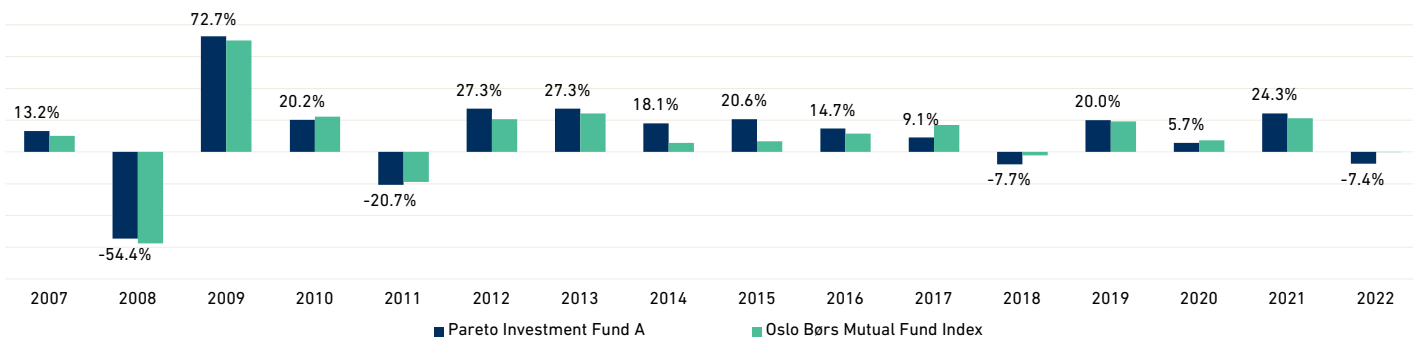
Performance by periods

	Fund	Index
Last month	-1.5%	-1.5%
Year to date	-7.4%	-0.1%
Last 12 months	0.8%	9.7%
Three years (annualised)	9.6%	11.8%
Five years (annualised)	7.7%	11.5%
Ten years (annualised)	12.6%	11.5%
Since inception* (annualised)	8.1%	6.6%

Performance history*



Annual returns*



*Returns with current management team from 31.12.2006. 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.

Monthly commentary – April 2022

By Patrick Meum

April was a mixed month for stocks. Investors turned their attention to the companies' quarterly reports, while developments in Ukraine, prospects for the world economy, commodity prices and interest rate policy continued to shape the news picture and the broad sentiment. European equities mostly went sideways, while the Oslo Stock Exchange ended with a decline in value of one and a half per cent.

For Pareto Investment Fund, the portfolio delivered a performance in line with the benchmark index, with the best contributors being Grieg Seafood, Mowi, Yara, Aker BP and Flex LNG. The largest negative contributions came from Nordic Semiconductor, Scatec, Nykode, Komplett and Europris.

While most sectors on the Oslo Stock Exchange fell during the month, the seafood sector was a big bright spot, with a ten per cent price increase. The increased raw material prices this spring came at a time when the salmon market turned out to be tighter than many expected just a few weeks ago. The price of salmon delivered 'spot' has skyrocketed and is now over 120 kroner per kg. This is about twice as high as at the beginning of 2022 and also twice as high as the prices the market has seen on average during the last three years. Meanwhile, many of the listed salmon producers have reported stable cost levels in their market updates for the first quarter. True, one must expect these to increase in the time to come, because of e.g. higher feed costs, but so far, the companies seem to be on the right side of this upswing, and biology is playing a part.

This has had a particularly good effect on the share price of **Grieg Seafood**. This is partly due to the fact that Grieg is the company with the lowest share of contract production – i.e. they can sell a large share in today's strong spot market. But it is also because the company quite recently left behind a period of relatively disappointing biological results. From this period, the share has carried a price discount to the other salmon shares which is now about to normalise. We are now in a phase where the company delivers above expectations for several consecutive quarters. Grieg is priced at a 50 per cent discount to Mowi and is still a few kroner away from the top price from before the pandemic, but the latter probably will not last much longer.

Unfortunately, the portfolio's Icelandic salmon exposure has not kept pace with the market so far this year. This is probably partly due to liquidity discounts in the shares, but also because both **Arctic Fish** and **Ice Fish Farm** have had some operational challenges this winter. **Icelandic Salmon**, on the other hand, has had no worries and delivered its best year operationally in 2021. With new smolt capacity in place, they are now ready for a planned production growth of 38 per cent in 2022 (16 thousand tonnes) and a further 88 per cent in 2023 (30 thousand tonnes). An application for another ten thousand tonnes is being processed by the relevant authorities in Iceland, and the share can easily double from here.

Shareholders in **Nordic Semiconductor** have had some tough months, with price declines of almost 40 per cent this year. However, the company has delivered the goods in almost all areas, and the first quarter report was of the same quality. Revenues were the highest for any single quarter ever – \$183 million and a 28 per cent increase from the previous year, driven by the Bluetooth business.

Historically, the first quarter has been somewhat weak for Nordic, but last year the first quarter came in over the last quarter of 2020, and the same thing happened this time. This says something about the structural growth that the company is currently experiencing in its markets. In fact, demand is so much stronger than what the company can supply, due to capacity constraints in the supply chains, that the realised gross margin was ten percentage points better than the target margin of 50 per cent, and earnings per share came in 50 per cent above analysts' estimates.

The company is still investing in the new verticals for mobile connection and WiFi. Deducting these costs, the share trades at 20 times the Bluetooth business profits. This appears cheap – even with a few notches higher policy interest rate.

Portfolio management team: Patrick Meum