

Report date: 31 October 2018

Fund: Pareto Nordic Corporate Bond
Umbrella fund: Pareto SICAV
Inception date: 22 April 2013*
AUM: NOK 3 609 million
Benchmark: ST1X - 0.25 years

Category: fixed income fund
Legal structure: SICAV/UCITS
Domicile: Luxembourg
Dealing days: all coinciding banking days in Norway and Luxembourg

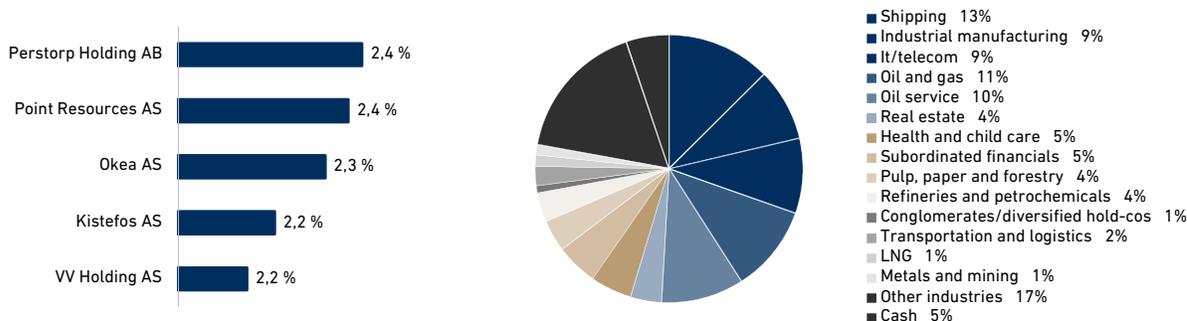
Management company: SEB Fund Services S.A.
Investment manager: Pareto Asset Management AS
Custodian: Skandinaviska Enskilda Banken S.A.
Share class H
Launch date: 13 March 2017

NAV as at 31 October 2018: 105.5943
NAV currency: EUR
Minimum investment: EUR 5 million
ISIN: LU1311575093
Bloomberg ticker: PAGCBHE LX

Corporate bonds with underlying credit risk, exposure primarily to Nordic corporations and financial institutions.

The sub-fund invests in interest-bearing financial instruments issued by Norwegian and foreign corporations, governments and institutions. The financial instruments primarily include corporate bonds, but also subordinated and covered bonds. Investments are expected to give the fund a higher risk and return than traditional interest-bearing financial instruments. The average duration shall be between 0 and 4 years.

Top five issuers and sector allocation



Key figures since launch

	Fund	Index
Accumulated returns	5.6%	0.8%

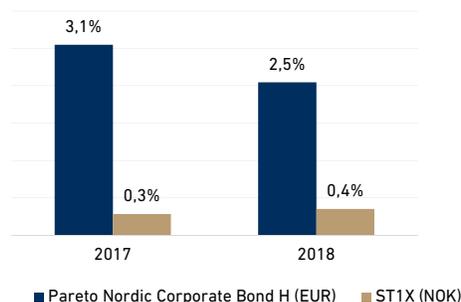
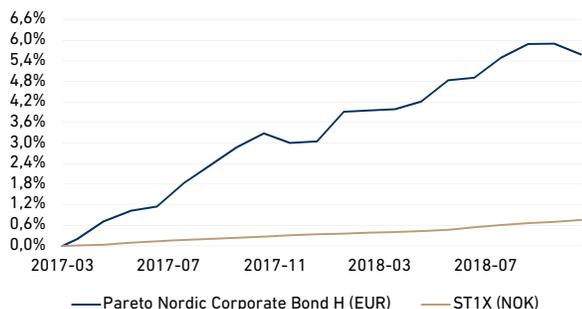
Risk figures

	Fund	Index
Standard deviation (ann.)	n.a.	n.a.
Time to maturity	3.1	n.a.
Interest rate duration	1.3	n.a.

Performance by periods

	Fund	Index
Last month	-0.3%	0.1%
Year to date	2.5%	0.4%

Performance history



Monthly net returns in per cent

	Jan.	Feb.	Mar.	Apr.	May.	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.	YTD
2018	0.84	0.03	0.04	0.21	0.60	0.08	0.55	0.38	0.01	-0.30			2.46
2017			0.22	0.51	0.31	0.12	0.68	0.52	0.50	0.40	-0.27	0.05	3.06

*The sub-fund was launched 22 April 2013 as a feeder fund and was converted into a stand-alone fund from 26 October 2015. 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 report are available at <http://fundinfo.sebfundservices.lu/Pareto/>. The representative in Switzerland is ACOLIN Fund Services AG, Affolternstrasse 56, 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 – October 2018

by Øyvind Hamre

The fund had a marginally negative development in October. It was a demanding month, with a correction in equity markets as well as international credit markets. This is driven by fear of increasing interest rates in the US, concerns about the ongoing trade war between the US and China and worries of high pricing after a prolonged bull market.

The activity in the primary market was reduced as a consequence of increased market insecurity. Issued volumes in October are estimated at just short of five billion Norwegian kroner, compared to 14 billion Norwegian kroner in September. Close to 80 per cent of the issued volumes in October occurred during the first half of the month.

At the start of November there are currently four larger equity issues in the Nordic market, seeking to raise, in total, close to six billion kroner. About half will refinance already outstanding bonds, whilst the rest is fresh capital.

We participated in the **Floatel International** bond issue, a supplier of offshore floatels. The company raised 475 million dollar early in October in secured bonds. In the secondary market we sold our position in **Transocean** and bought a bond in **Stena AB**. This change in our portfolio composition produces an increase in yield to maturity of close to two percentage points, plus exposure to a more diversified company. **Link Mobility** repurchased its bond at a price of 107.6. Our holding was bought in the months July to September at an average price of 104.9 and given the price difference the position has added to returns in a challenging market.

Earnings season for this year's third quarter is well under way. As expected we see oil companies reporting a significant increase in free cash flow as a result of higher oil prices in combination with reduced cost levels. The LNG and tanker markets have improved significantly over the last few months. Even though the oil price has declined somewhat after the price increase in September, it is still at high levels both in a historical perspective and compared to today's cost base.

Portfolio management team: Stefan Ericson, Øyvind Hamre and Eric von Koss Torkildsen