Pareto Nordic Equity B EUR

Pareto Asset Management

This is marketing communication

Report date: 29 February 2024

Fund: Pareto Nordic Equity
Umbrella fund: Pareto SICAV
Inception date: 31 October 2018
AUM: NOK 1326 million
Benchmark: VINX Nordic Equity Index
PRIIPs KID risk score from 1 (low) to 7 (high): 4

Category: equity 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

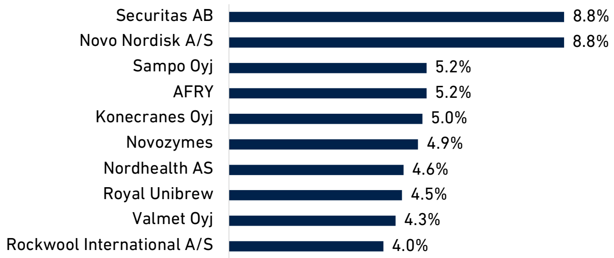
Share class B

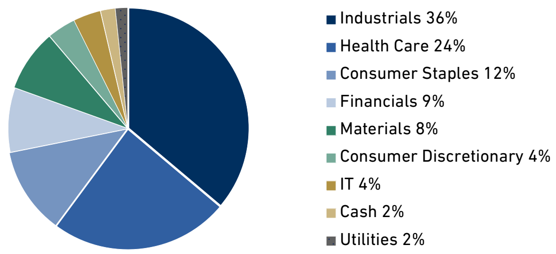
Launch date: 20 November 2018
NAV as at 29 Feb 2024: 134.45
NAV currency: EUR
Minimum investment: n.a.
ISIN: LU1904797575
Bloomberg ticker: PANEQBE LX

Nordic equity fund with quality bias and high active share on both company and industry level

Investment criteria:
- Good growth and cash flow
- Strong capital return and balance sheet
- Attractive valuation

Top ten holdings and sector allocation





Key figures since inception

	Fund	Index
Accumulated returns	34.5%	78.4%
Annualised returns	5.8%	11.6%
Best month	18.8%	12.4%
Weakest month	-26.1%	-14.7%
Positive months	36	42
Negative months	28	22

Risk figures since inception

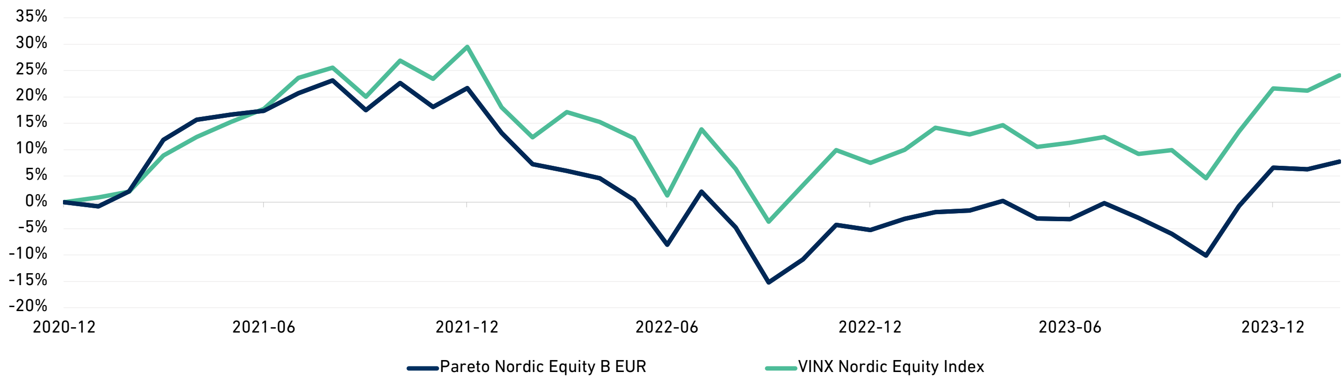
	Fund	Index
Standard deviation (annualised)	22.8%	17.6%
Tracking error (annualised)	9.7%	n.a.
Information ratio	-0.4	n.a.
Sharpe ratio (SOL1X)**	0.3	0.7

**ST1X was used until 29.01.21

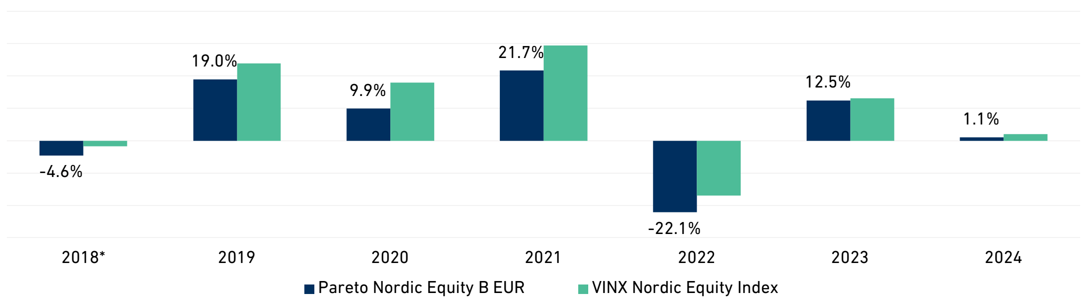
Performance by periods

	Fund	Index
Last month	1.3%	2.4%
Year to date	1.1%	2.1%
Last 12 months	9.8%	8.7%
Since inception (annualised)	5.8%	11.6%
Since new management team (01.01.21)	7.7 %	24.1 %

Performance history of current management team (since 1 Jan 2021)



Annual returns



The Fund is exposed to the following materially risks: liquidity risk, derivatives risk, counterparty risk, operational risk and sustainability risk. Please refer to the Fund's prospectus for further information about the fund's risk exposure. The Fund promotes environmental and/or social characteristics within the meaning of Article 8 of SFDR. The decision to invest in the Fund should take into account all the characteristics or objectives of the Fund as described in its prospectus. Further information about the sustainability-related aspects of the Fund is available in the SFDR pre-contractual disclosures in the Fund's prospectus and the SFDR website disclosure available on https://paretoam.com/en/our-funds/.

*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.

Monthly commentary February 2024

Pareto Asset Management

By the portolio management team: Christian Nygaard and Ole Jørgen Grøneng Nilsen

February was another good month, largely driven by strong fourth quarter results from our portfolio companies. As all but a few of our holdings have reported, we conclude that the positive development continues. Median organic revenue and operating profit grew by six and eight per cent, respectively. Konecranes, Rockwool, Securitas and AFRY contributed the most, whereas Academedia was the single largest negative element in the portfolio.

Konecranes, the Finnish manufacturer of industrial and port cranes, continued to impress us with improvements in profitability. Honestly, we did not expect the fourth quarter results and guidance for 2024 to trigger as much as a 20 per cent share price increase, but valuation was (and still is) very attractive. We visited one of the company's manufacturing sites last year, giving us increased confidence in the levers management is pulling to boost profitability. Additionally, the CEO of Valmet, whom we know well and respect deeply, is stepping down and will become chairperson of Konecranes.

Rockwool, the Denmark-based insulation producer, should by most indicators not do particularly well in 2023, as construction activity is decreasing. But in spite of revenues falling by eight per cent, operating profit increased by 30 per cent. Lower energy costs contributed well, but still the company has done a great job in manoeuvring through several volatile years, an ability that we highly regard and the market should value higher, in our opinion.

Securitas, the Swedish security service company, is finally starting to be rewarded for increasing profitability. The integration of the acquired Stanley Security, a world-leading provider of integrated electronic security solutions, and the profit improvement programme in Europe are developing according to plan.

During 2023, we substantially added to our position in AFRY as the share price dropped to levels reflecting very low expectations. This paid off in February as the fourth quarter report came in stronger than expected. Following disappointing execution in the second and third quarter of 2023, we finally saw an inflection point in operating margins in the challenged and important Infrastructure segment. In addition, their net debt position is now back to normal as cash generation was impressive. We continue to see a significant upside in AFRY as margins stabilise further and management regains trust.

Following a strong run in January, the Academedia share price took a hit in February due to prospective changes in the shareholder base. Main owner Mellby Gård agreed to sell their 24 per cent stake to Akelius Foundation, subject to government approvals. After a number of controversial statements in the local press made by the prospective buyer, the parties have now agreed to cancel the transaction. We expect the share price to gradually recover as focus reverts to the underlying fundamental value creation and strong cash generation of their increasingly diversified international portfolio of education assets.

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