

Report date: 31 August 2021

Fund name: Pareto Nordic Return
Inception: 1987
AUM: NOK 839 million
Benchmark: n.a.

Category: balanced fund
Legal structure: UCITS
Domicile: Norway
Dealing days: all Norwegian business days

Unit class B
NAV as at 31 Aug 2021: 11 120.51
NAV currency: NOK
Launch date: 31 December 2014

Minimum investment: NOK 10 000 000
ISIN: NO0010727670
Bloomberg ticker: PANOREB NO

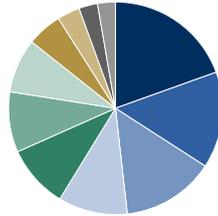
Hybrid fund with a flexible exposure to Nordic equities and corporate bonds within the cross-over segment.

Investment criteria:

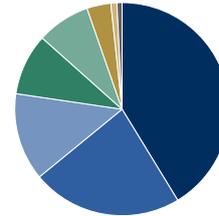
- Robust competitive advantage
- Healthy balance sheet and strong earnings power
- High return on equity
- Capable and active owners

Top ten holdings, sector allocation and geographical distribution

Bank Norwegian ASA	6.7%
Nordic Semiconductor ASA	4.6%
Novo Nordisk A/S	4.6%
Troax Group AB	4.2%
Instalco Intressenter AB	3.9%
TF Bank AB	3.5%
Kitron ASA	2.9%
Coor Service Management Holding AB	2.8%
Zaptec AS	2.7%
Spinnova Plc	2.6%



Industrials	19%
Consumer Discretionary	14%
IT	14%
Financials	10%
Cash	9%
Consumer Staples	9%
Health Care	8%
Energy	5%
Financials	3%
Utilities	3%
Consumer Discretionary	3%



Norway - Equities	41%
Sweden - Equities	23%
Denmark - Equities	13%
Norway - Cash	9%
Finland - Equities	8%
Norway - Fixed income	4%
Sweden - Fixed income	1%
Iceland - Equities	1%

Key figures since inception*

	Fund	OSEFX	VINX
Accumulated returns	370%	156%	302%
Annualised returns	11.1%	6.6%	9.9%
Best month	14.0%	16.5%	19.2%
Weakest month	-16.2%	-27.2%	-15.9%
Positive months	118	113	114
Negative months	58	63	62

Risk figures five years

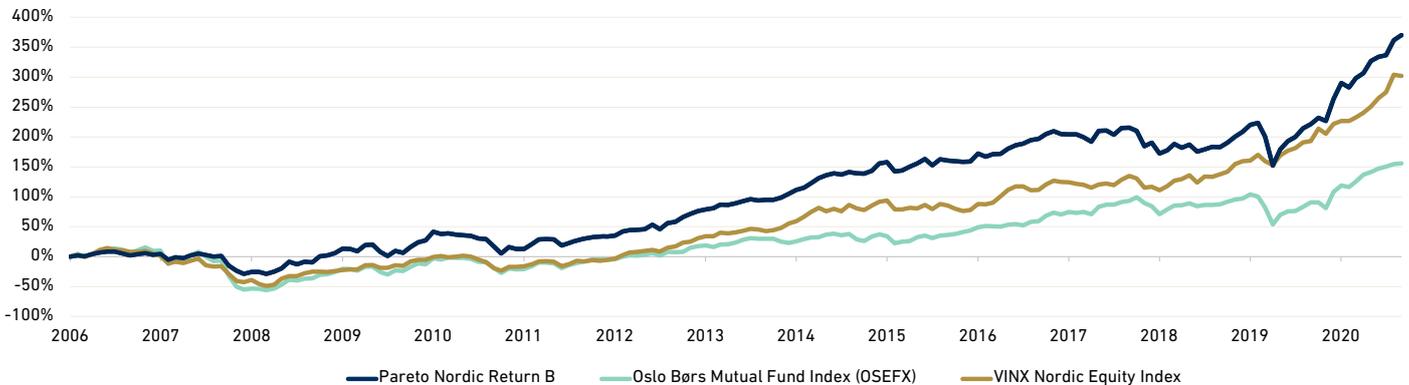
	Fund	OSEFX	VINX
Standard dev (ann.)	14.5%	14.7%	10.7%
Tracking error (ann.)	n.a.	7.4%	10.2%
Information ratio	n.a.	-0.1	-0.4
Sharpe ratio (SOL1X)**	0.8	0.9	1.5

**ST1X was used until 29.01.21

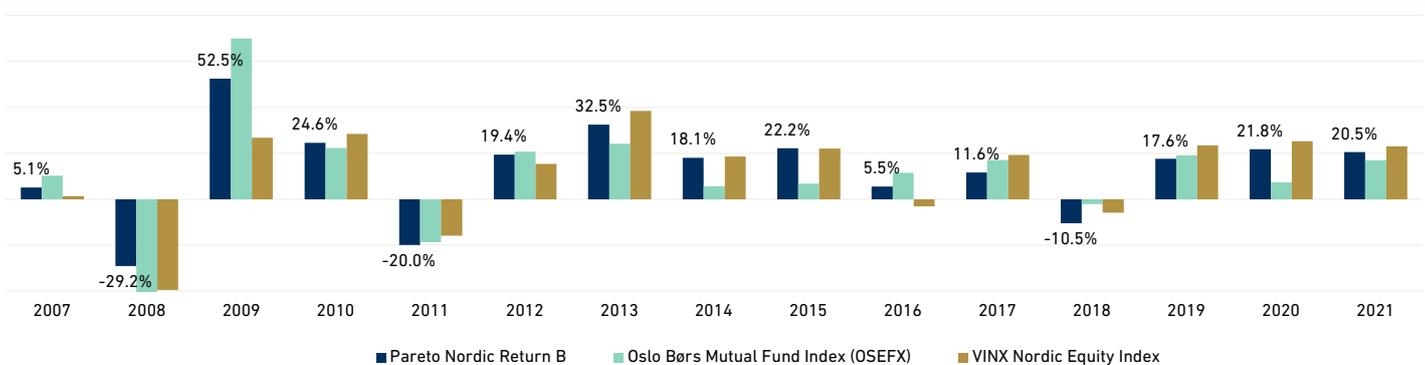
Performance by periods

	Fund	OSEFX	VINX
Last month	1.8%	0.3%	-0.4%
Year to date	20.5%	16.9%	23.1%
Last 12 months	46.3%	33.9%	37.2%
Three years (annualised)	14.2%	9.8%	19.6%
Five years (annualised)	12.5%	13.4%	16.7%
Ten years (annualised)	14.9%	12.1%	17.4%
Since inception* (annualised)	11.1%	6.6%	9.9%

Performance history*



Annual returns*



*Reporting start date: 31.12.2006. Simulated returns from 31.12.2006–31.12.2014 are based on historical returns for unit class A (established 1987), adjusted for management fees for unit class B. Simulated returns and risk figures are provided for illustrative purposes only. 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 an advertising document. Pareto Asset Management does not assume responsibility for direct or indirect loss or expenses incurred through use or understanding of the report.

Monthly commentary - August 2021

By Tore Været and Patrick Meum

The Nordic stock market fell just under one per cent, while the fund rose just under two per cent. Zaptec, Spinnova and Troax pulled the most up, while TF Bank pulled in the other direction. The latter is probably a natural correction after several strong months for the stock.

In recent months, we have maintained a high allocation to equities, even though the markets are priced quite high in a historical context. However, in the foreseeable future, it is natural to assume that government interest rates and thus risk-free investments will bring minimal returns. With that in mind, we believe the stock market will continue to be driven by new liquidity, but also increasing earnings now that the world is about to overcome the worst effects of the pandemic.

Zaptec delivered results roughly in line with expectations, but the company stood firm by its growth forecast for the period up until 2023, with growth of over 70 per cent annually. There is still significant upside here if the company succeeds in rolling out its business in European markets. We are quite convinced that the company has an interesting product portfolio in a European market for electric car chargers and not least an interesting business model with customers who subscribe to their services. We observe that similar companies in Europe are priced far higher than Zaptec.

While the last few months have been somewhat flat in terms of price, August was very good. Zaptec ended up almost 50 per cent. We've seen this film before with new companies in the fund. They do well for a while, followed by a pause, but in the long run growth continues in those cases where our analysis has been correct. Sometimes this is not true, but longevity pays off when you invest in companies that are properly set up. In our book, Zaptec is such a company.

Spinnova has had a similar course of events as Zaptec: very strong since the listing, where we were a cornerstone investor, looking a little slack for a while, but very strong again last month, driven by signing new customers. The most important was The North Face – a manufacturer of outdoor clothing. As we wrote last time, the company has got a number of big and important names on its customer list, among them Hennes & Mauritz. We think that the company has a technology for producing textile fibres that surpasses the competition and is completely up to date with regard to the green shift and where capital goes.

We have mentioned **Troax** countless times since we invested in the IPO in 2016. The company produces mesh fences to secure machines and crews at construction sites, in production lines and warehouses. The stock has had an extreme development and the pricing is demanding, but again the company delivered very good figures. It has become a habit for the company to exceed expectations. This time the result was amazingly impressive. Both sales and order intake increased by more than 80 per cent compared with the same quarter last year. For the first half of the year, growth was 60 per cent. The company reports high demand from small and large customers – as well as an increase in the customer segment car production where activity has been low for some time now. Over time, the company has had an average growth of eleven per cent in sales, but an operating margin of twenty per cent. We believe that development will continue now that the world is becoming more normal, while the long drivers of automation and logistics continue. There are good reasons why the stock is priced high.

Portfolio management team: Tore Været and Patrick Meum