



PARETO SICAV

Société d'Investissement à Capital Variable

Annual report, including Audited Financial Statements

as at 31 December 2014

R.C.S. Luxembourg B 152898

# PARETO SICAV

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Subscriptions are only valid if made on the basis of the current prospectus accompanied by the latest annual report and the latest semi-annual report if published after the annual report.

# PARETO SICAV

## ORGANISATION

### **Registered Office**

5, Allée Scheffer,  
L- 2520 Luxembourg, Grand Duchy of Luxembourg

### **Board of Directors**

- Anna Måbäck, Independent Director,  
26e, Gulleråsveien, 0779 Oslo, Norway
- Véronique Gillet, Partner, Adeis S.A.  
58, rue Glesener, L-1630 Luxembourg, Grand Duchy of Luxembourg
- Thorleif Wegner Simonsen, Partner, Infiba Vermögensverwaltungs AG,  
Paulusgasse 12, CH-4002 Basel, Switzerland

### **Management Company**

Luxcellence Management Company S.A.,  
5, Allée Scheffer,  
L-2520 Luxembourg, Grand Duchy of Luxembourg

### **Initiator**

Pareto Forvaltning AS,  
Dronning Mauds gate 3,  
P.O. Box 1810 Vika,  
NO-0123 Oslo, Norway

### **Custodian**

Caceis Bank Luxembourg,  
5, Allée Scheffer,  
L-2520 Luxembourg, Grand Duchy of Luxembourg

### **Administrator and Registrar and Transfer Agent**

Caceis Bank Luxembourg,  
5, Allée Scheffer,  
L-2520 Luxembourg, Grand Duchy of Luxembourg

### **Investment Manager and Global Distributor**

Pareto Forvaltning AS,  
Dronning Mauds gate 3,  
P.O. Box 1810 Vika,  
NO-0123 Oslo, Norway

### ***Cabinet de Révision Agréé***

Deloitte Audit  
Société à responsabilité limitée  
560, rue de Neudorf,  
L-2220 Luxembourg, Grand Duchy of Luxembourg

### **Legal Adviser with respect to Luxembourg law**

Hogan Lovells (Luxembourg) LLP  
10A, rue des Mérovingiens,  
L-8070 Bertrange, Grand Duchy of Luxembourg

# PARETO SICAV

## INVESTMENT MANAGER'S REPORT

Pareto Forvaltning AS is an independent asset management company offering discretionary accounts, equities funds and fixed income funds. As at 31 December 2014, the company managed assets valued at EUR 5 billion in the securities market: EUR 2.1 billion within the equities market and EUR 2.9 billion in fixed income instruments. The distribution between securities funds and discretionary mandates was about 75/25.

Pareto Forvaltning AS, Pareto group subsidiaries and employees are, in aggregate, the largest "client" with their investment of EUR 0.36 billion at year end. By investing in all of our products, we demonstrate strong confidence in our own expertise, methodology and asset management philosophy.

### **Philosophy and investment objectives**

The investment philosophy is based on traditional value investing principles. The approach employed by Pareto Forvaltning AS is to find high quality companies at a fair price. Focus is on the company's fundamental value, its long-term sustainable growth and competitive position, and all investments are made for the long run. In the short term, security prices are influenced by macro events and capital fluctuations. In a longer perspective, security prices will increasingly reflect the underlying value creation. To quote Warren Buffett: "If a business does well, the stock eventually follows." Pareto Forvaltning AS limits the number of portfolio holdings, as we believe that a high degree of risk diversification can be achieved with as few as 25 companies. A focused portfolio allows for close monitoring of the investments and a meaningful exposure to the best investment ideas.

### **Good, deferred returns**

Oil price dips, historically low interest rates on bank deposits, soaring risk premiums and a correspondingly increased yield, should all make corporate bonds an attractive investment opportunity.

After five and a half years with consistently high returns in the market for high yield bonds, we had a weak period at the end of the year in the wake of the sharp drop in oil prices. Risk premiums rose sharply, especially for companies that are affected by developments in the oil industry, and prices fell. There was a general sales pressure from investors who wanted to exit investments related to the oil industry and the Norwegian krone. Even corporate bonds in sectors that would benefit from a low oil price were traded at lower rates.

The significant price depreciation for many bonds is related to the deteriorated outlook for companies in the oil sector, in line with reduced investments coming from oil majors. Estimates indicate a five per cent annual reduction in global oil production in a scenario of no new field developments. The need for such developments is the major driver for the demand for oil services and as such, we maintain a positive view on the sector long term.

As a selective bond investor we focus on a company's ability to generate cash and companies that over time demonstrate sensible debt management, and as such, companies that are able to meet their obligations. We place great emphasis on the relationship between cash flow and leverage to ensure that we as a creditor receive coupons, also in tough times. Although many of the companies in the portfolio have operations globally, it is important to note that the Norwegian Continental Shelf will see large developments, such as the Ivar Aasen and Johan Sverdrup fields, taking place in the years to come.

# PARETO SICAV

## INVESTMENT MANAGER'S REPORT (CONTINUED)

Pareto High Yield Nordic has exposure to a wide range of sectors, which partly benefit from falling oil prices and partly have little exposure to oil price movements. Sectors such as shipping and transportation benefit from cheaper fuel. Other industries, energy and utilities, real estate and financials make up the majority of our fixed income investments. These sectors have performed well and had a positive contribution even though the return of Pareto Kreditt was negative for the year. Diversification by sectors and bond maturities are essential both to avoid concentration risk and to maintain a stable return.

Our investment philosophy is focused on well-structured bonds, with loan agreements that are well adapted to the individual bond and the company. Over time this is the key to the returns.

Nordic and particularly Norwegian risk premiums have experienced a disproportionate price depreciation due to the market's high exposure to the oil price developments. This means that risk premiums in otherwise comparable risk classes is now significantly higher than corresponding classes globally. On the one hand, this implies lower rates today, whilst on the other hand it means that current yield in Pareto Kreditt is now higher than before.

Pareto High Yield Nordic is well diversified with an underweight to the oil sector versus the index, where the sector accounts for approximately 70 per cent of outstanding issues in the Norwegian high yield market. The portfolio has not been affected by losses or substantial price depreciation as a result of defaults or bankruptcies. Assuming we continue to avoid such bonds, the increased yield will compensate the patient investor.

### **An active year**

The Oslo Stock Exchange followed global indices to new "all-time highs" in June, thereafter to weaken again. Our Norwegian equity portfolio ended the year with a slightly positive return, however due to a weaker NOK, the EUR share classes in Pareto Equity Norway had negative returns in 2014. The current portfolio is priced at 1.3 times book equity and under 9 times the expected earnings for 2015. This translates into an earnings yield of around 11 per cent (1/PE). The 10-year government bond rate is below 1.4 per cent. This gives a risk premium of almost 10 percentage points. The premium has never been higher, with the exception of the financial crisis, when the corresponding figure was 12 percentage points.

Last year was an active year and we executed several major reallocations in the portfolio during the year. Approximately 11 per cent of the portfolio was invested in companies with high margins of safety. This was financed through dividends, the Cermaq acquisition and sales from our positions in the seafood sector. We bought more in Sparebank 1 Midt-Norge and Sparebank 1 SR-Bank, a total of 3 per cent. After the 50 per cent fall in the oil price, we bought more in Subsea 7, Prosafe and Farstad, a total of 6.5 per cent. In addition, we bought 1 per cent respectively in Yara and Wilh. Wilhelmsen Holding.

### **Financials**

The weight of our savings banks now accounts for just over 13 per cent in the portfolio. The savings banks have some attractive qualities seen from an investor's standpoint: they often have a conservative balance sheet and business model combined with a strong market position within a limited geographic area. Our savings banks are currently priced below the book equity and have a price/earnings per equity certificate (share) at well below 8 times the expected earnings in 2015. All of our savings banks achieved a total return of more than 10 per cent. Sparebank 1 SR-Bank was included in the portfolio at the end of 2014.

PARETO SICAV

**INVESTMENT MANAGER'S REPORT (CONTINUED)**

**Seafood**

The seafood companies Leroey, Austevoll Seafood and SalMar constitute 22 per cent of the portfolio. Low supply growth coupled with robust demand growth resulted in good prices for our seafood companies, despite Russia's import ban in the late summer. Salmon products are becoming increasingly popular worldwide, while supply growth is limited. The acquisition of Cermaq resulted in a reduction of the weight of seafood, in addition to some divestment throughout 2014. The companies are valued at around 9 times expected earnings in 2015. Our seafood companies achieved a total return of 37 to 87 per cent, and were strong contributors for the year.

**Oil and oil service**

The companies in the oil and oil service accounts for 31 per cent of the portfolio. These companies received strong headwinds with clearly weakened operating conditions through the year, after seeing a 50 per cent decline in the oil price. The world's oil production will decline by 5 per cent annually if no new fields are developed. Demand for oil service is driven by the need to develop new fields, which, combined with a stable and growing demand for oil, provides a solid foundation. Our companies within oil and oil service have a high percentage of its business geared towards maintenance, repair and operations. These are services where demand also in the shorter term is relatively stable, unlike stock prices characterised by liquidity pressure and market psychology. The relative weak performance for the sector in the stock market follows several weak years and the valuation is at a very low level historically – significantly below levels seen in 1998 and 2003.

**Industry**

Several of our industrial companies did well, with heavyweights Orkla, Norsk Hydro and Yara as the main contributors. Our industrial companies weights roughly 21 per cent in the portfolio. The market outlook for both aluminium and fertilizers are good. The Norwegian kroner depreciation that followed the fall in oil prices at the end of the year is good news for several companies within traditional industries.

**Shipping**

Around 10 per cent of the portfolio is invested in shipping, primarily Wilh. Wilhelmsen Holding, which accounts for roughly 8 per cent. Within transportation of cars and rolling cargo, the company has a global market share of about 25 per cent. Despite some challenging years in the shipping sector, the company has achieved a good return on capital and created substantial value after the financial crisis.

The figures stated in this report are historical and not necessarily indicative of future performance.

## REPORT OF THE *REVISEUR D'ENTREPRISE AGREE*

To the Shareholders of Pareto SICAV  
5, Allée Scheffer  
L-2520 Luxembourg

Following our appointment by the annual general meeting of the shareholders of Pareto SICAV (the "SICAV") dated April 22, 2014, we have audited the accompanying financial statements of the SICAV and each of its sub-funds, which comprise the Consolidated Statements of Net Assets, the Statement of Net Assets, and the Securities Portfolio of each of its sub-funds as at December 31, 2014 and the Consolidated Statement of Operations and Changes in Net Assets and the Statement of Operations and changes in Net Assets of each of its sub-funds for the year then ended, and a summary of significant accounting policies and other explanatory notes to the financial statements.

### *Responsibility of the Board of Directors of the SICAV for the financial statements*

The Board of Directors of the SICAV is responsible for the preparation and fair presentation of these financial statements in accordance with Luxembourg legal and regulatory requirements relating to the preparation of the financial statements and for such internal control as the Board of Directors of the SICAV determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Responsibility of the réviseur d'entreprises agréé*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing as adopted for Luxembourg by the *Commission de Supervision du Secteur Financier*. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the *réviseur d'entreprises agréé*'s judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the *réviseur d'entreprises agréé* considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors of the SICAV, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

*Opinion*

In our opinion, the financial statements give a true and fair view of the financial position of PARETO SICAV and of each of its sub-funds as at December 31, 2014, and of the results of their operations and changes in their net assets for the year then ended in accordance with the Luxembourg legal and regulatory requirements relating to the preparation of the financial statements.

*Other Matter*

Supplementary information included in the annual report has been reviewed in the context of our mandate but has not been subject to specific audit procedures carried out in accordance with the standards described above. Consequently, we express no opinion on such information. However, we have no observation to make concerning such information in the context of the financial statements taken as a whole.

For Deloitte Audit, *Cabinet de révision agréé*

  
Johnny Yip, *Réviseur d'entreprises agréé*  
Partner

Luxembourg, April 13, 2015



*PARETO SICAV*

**Consolidated**

PARETO SICAV  
Consolidated  
**Financial Statements as at 31 December 2014**

Statement of Net Assets as at 31 December 2014

*Expressed in EUR*

<b>Assets</b>		<b>57,134,548.87</b>
Securities portfolio at market value	Note 2	54,316,423.38
<i>Cost price</i>		60,244,374.87
<i>Unrealised loss on the securities portfolio</i>		-5,927,951.49
Cash at banks and liquidities		1,895,611.61
Spot receivable		329,539.95
Formation expenses	Note 2	3,825.90
Brokers receivable		357,092.12
Receivable on subscriptions		157,089.23
Unrealised profit on forward foreign exchange contracts	Note 8	74,966.68
<b>Liabilities</b>		<b>1,278,397.26</b>
Spot payable		328,166.22
Brokers payable		421,909.57
Taxe d'abonnement payable	Note 4	6,982.31
Performance fees payable	Note 6	9,144.57
Payable on redemptions		361,369.25
Management company and investment management fees payable	Note 5	113,737.35
Professional fees payable		27,481.37
Other liabilities		9,606.62
<b>Net asset value</b>		<b>55,856,151.61</b>

# PARETO SICAV

## Consolidated

### Statement of Operations and Changes in Net Assets from 1 January 2014 to 31 December 2014

*Expressed in EUR*

Income		<b>3,858,356.87</b>
Net dividends	Note 2	3,855,735.16
Bank interest on cash account		2,559.57
Other financial income		62.14
Expenses		<b>849,607.16</b>
Amortisation of formation expenses	Note 2	12,765.61
Management Company and investment management fees	Note 5	533,093.34
Custodian & sub-custodian fees	Note 7	29,518.28
Taxe d'abonnement	Note 4	39,641.63
Administrative expenses	Note 7	39,507.28
Performance fees	Note 6	9,144.57
Domiciliation fees		9,540.92
Professional fees		22,186.11
Bank interest on overdrafts		1,027.82
Legal fees		12,167.10
Transaction fees	Note 10	41,615.72
Other expenses	Note 11	99,398.78
Net income from investments		<b>3,008,749.71</b>
Net realised profit/loss on:		
- sales of investment securities	Note 2	2,543,443.26
- forward foreign exchange contracts	Note 2	310,130.59
- foreign exchange	Note 2	-951,339.68
Net realised profit		<b>4,910,983.88</b>
Movement in net unrealised appreciation / depreciation on:		
- investment securities		-7,217,682.73
- forward foreign exchange contracts		34,904.87
Decrease in net assets as a result of operations		<b>-2,271,793.98</b>
Subscription capitalisation shares		36,063,851.57
Redemption capitalisation shares		-42,071,292.95
Decrease in net assets		<b>-8,279,235.36</b>
Reevaluation of opening consolidated NAV	Note 2	<b>-2,626,249.11</b>
Net assets at the beginning of the year		<b>66,761,636.08</b>
Net assets at the end of the year		<b>55,856,151.61</b>

*PARETO SICAV*  
**- PARETO EQUITY NORWAY**

PARETO SICAV - PARETO EQUITY NORWAY  
**Financial Statements as at 31 December 2014**

Statement of Net Assets as at 31 December 2014

*Expressed in EUR*

<b>Assets</b>		<b>29,154,992.98</b>
Securities portfolio at market value	Note 2	27,862,143.00
<i>Cost price</i>		<i>31,952,253.84</i>
<i>Unrealised loss on the securities portfolio</i>		<i>-4,090,110.84</i>
Cash at banks and liquidities		1,254,687.01
Formation expenses	Note 2	3,825.90
Brokers receivable		18,335.07
Receivable on subscriptions		16,002.00
<b>Liabilities</b>		<b>377,779.97</b>
Brokers payable		282,938.66
Taxe d'abonnement payable	Note 4	3,597.24
Performance fees payable	Note 6	9,144.57
Payable on redemptions		1,275.88
Management company and investment management fees payable	Note 5	59,383.46
Professional fees payable		18,729.54
Other liabilities		2,710.62
<b>Net asset value</b>		<b>28,777,213.01</b>

Changes in number of shares outstanding from 1 January 2014 to 31 December 2014

	<b>Shares outstanding as at 1 January 2014</b>	<b>Shares issued</b>	<b>Shares redeemed</b>	<b>Shares outstanding as at 31 December 2014</b>
PARETO EQUITY NORWAY - A Capitalisation shares	86,527.63	8,112.75	32,352.45	62,287.93
PARETO EQUITY NORWAY - B Capitalisation shares	34,218.04	12,856.72	4,577.89	42,496.87
PARETO EQUITY NORWAY - P Capitalisation shares	110,393.22	2,221.28	12,940.66	99,673.84
PARETO EQUITY NORWAY - C Capitalisation shares	100.00	12,517.80	0.00	12,617.80
PARETO EQUITY NORWAY - D Capitalisation shares	5,645.59	306.71	4,760.74	1,191.56

# PARETO SICAV - PARETO EQUITY NORWAY

## Key figures

Year ended: **31 December 2014**    **31 December 2013**    **31 December 2012**

Total Net Assets	EUR	28,777,213.01	33,321,304.81	51,290,439.61
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### PARETO EQUITY NORWAY - A

	EUR	EUR	EUR
<b>Capitalisation shares</b>			
Number of shares	62,287.93	86,527.63	96,090.42
Net asset value per share	114.44	121.94	121.80

### PARETO EQUITY NORWAY - B

	EUR	EUR	EUR
<b>Capitalisation shares</b>			
Number of shares	42,496.87	34,218.04	86,640.20
Net asset value per share	110.82	117.09	115.67

### PARETO EQUITY NORWAY - P

	NOK	NOK	NOK
<b>Capitalisation shares</b>			
Number of shares	99,673.84	110,393.22	184,442.76
Net asset value per share	1,394.88	1,353.71	1,171.51

### PARETO EQUITY NORWAY - C

	EUR	EUR	EUR
<b>Capitalisation shares</b>			
Number of shares	12,617.80	100.00	100.00
Net asset value per share	114.30	121.47	120.84

### PARETO EQUITY NORWAY - D

	NOK	NOK	NOK
<b>Capitalisation shares</b>			
Number of shares	1,191.56	5,645.59	661.72
Net asset value per share	1,312.44	1,296.14	1,143.26

# PARETO SICAV - PARETO EQUITY NORWAY

## Securities Portfolio as at 31 December 2014

Expressed in EUR

Quantity	Denomination	Quotation currency	Market value	% of net assets
Transferable securities admitted to an official stock exchange listing			27,862,143.00	96.82
<b>Shares</b>			<b>27,862,143.00</b>	<b>96.82</b>
	<i>Cyprus</i>		<i>1,235,331.00</i>	<i>4.29</i>
487,279.00	PROSAFE SE	NOK	1,235,331.00	4.29
	<i>Luxembourg</i>		<i>1,147,524.36</i>	<i>3.99</i>
136,000.00	SUBSEA 7 SA	NOK	1,147,524.36	3.99
	<i>Norway</i>		<i>25,479,287.64</i>	<i>88.54</i>
414,647.00	AUSTEVOLL SEAFOOD ASA	NOK	2,125,246.41	7.39
66,579.00	BONHEUR ASA	NOK	537,554.75	1.87
393,881.00	DOF ASA	NOK	649,058.79	2.26
94,442.00	EIDESVIK OFFSHORE ASA	NOK	255,040.45	0.89
95,980.00	EKORNES ASA	NOK	1,005,037.26	3.49
121,805.00	FARSTAD SHIPPING	NOK	681,363.67	2.37
39,080.00	GC RIEBER SHIPPING ASA	NOK	133,534.68	0.46
97,100.00	HAVILA SHIPPING ASA	NOK	207,634.14	0.72
92,964.00	LEROEY SEAFOOD GROUP ASA	NOK	2,797,404.44	9.72
292,000.00	NORSK HYDRO ASA	NOK	1,365,953.88	4.75
118,023.00	ODFJELL SE-A SHS	NOK	374,659.67	1.30
70,504.00	ODFJELL SE-B SHS	NOK	203,607.07	0.71
211,400.00	ORKLA ASA	NOK	1,191,868.74	4.14
98,774.00	SALMAR ASA	NOK	1,388,131.59	4.82
147,357.00	SCANA INDUSTRIER ASA	NOK	13,968.41	0.05
132,658.00	SOLSTAD OFFSHORE ASA	NOK	1,155,149.91	4.01
295,994.00	SPAREBANK 1 NORD-NORGE	NOK	1,301,768.07	4.52
194,881.00	SPAREBANK 1 SMN	NOK	1,256,617.71	4.37
30,003.00	SPAREBANKEN MORE-CAP CERT	NOK	714,325.65	2.48
91,017.00	SPBK 1 SR-BANK	NOK	526,695.53	1.83
78,400.00	STATOIL ASA	NOK	1,133,777.17	3.94
106,809.00	TGS NOPEC GEOPHYSICAL CO ASA	NOK	1,903,687.59	6.62
39,150.00	WILH WILHELMSSEN HOLDING-B	NOK	707,706.89	2.46
77,740.00	WILH WILHELMSSEN HOLDING-A	NOK	1,456,703.85	5.06
49,200.00	WILSON ASA	NOK	74,837.97	0.26
63,000.00	YARA INTERNATIONAL ASA	NOK	2,317,953.35	8.05
<b>Total securities portfolio</b>			<b>27,862,143.00</b>	<b>96.82</b>

# PARETO SICAV - PARETO EQUITY NORWAY

## Statement of Operations and Changes in Net Assets from 1 January 2014 to 31 December 2014

*Expressed in EUR*

Income		<b>1,880,049.76</b>
Net dividends	Note 2	1,878,332.47
Bank interest on cash account		1,717.29
Expenses		<b>448,219.05</b>
Amortisation of formation expenses	Note 2	9,190.18
Management Company and investment management fees	Note 5	276,542.23
Custodian & sub-custodian fees	Note 7	13,422.47
Taxe d'abonnement	Note 4	16,916.68
Administrative expenses	Note 7	25,295.21
Performance fees	Note 6	9,144.57
Domiciliation fees		4,048.89
Professional fees		10,583.47
Bank interest on overdrafts		22.47
Legal fees		6,489.77
Transaction fees	Note 10	34,377.93
Other expenses	Note 11	42,185.18
Net income from investments		<b>1,431,830.71</b>
Net realised profit/loss on:		
- sales of investment securities	Note 2	1,923,972.82
- forward foreign exchange contracts	Note 2	-3,475.16
- foreign exchange	Note 2	-680,455.78
Net realised profit		<b>2,671,872.59</b>
Movement in net unrealised appreciation / depreciation on:		
- investment securities		-4,579,645.88
Decrease in net assets as a result of operations		<b>-1,907,773.29</b>
Subscription capitalisation shares		4,705,936.47
<i>PARETO EQUITY NORWAY - A</i>		1,022,497.61
<i>PARETO EQUITY NORWAY - B</i>		1,600,000.00
<i>PARETO EQUITY NORWAY - P</i>		366,770.88
<i>PARETO EQUITY NORWAY - C</i>		1,668,498.42
<i>PARETO EQUITY NORWAY - D</i>		48,169.56
Redemption capitalisation shares		-7,342,254.98
<i>PARETO EQUITY NORWAY - A</i>		-3,834,490.43
<i>PARETO EQUITY NORWAY - B</i>		-530,859.70
<i>PARETO EQUITY NORWAY - P</i>		-2,180,800.32
<i>PARETO EQUITY NORWAY - D</i>		-796,104.53
Decrease in net assets		<b>-4,544,091.80</b>
Net assets at the beginning of the year		<b>33,321,304.81</b>
Net assets at the end of the year		<b>28,777,213.01</b>



*PARETO SICAV*  
**- PARETO HIGH YIELD NORDIC**

**PARETO SICAV - PARETO HIGH YIELD NORDIC**  
**Financial Statements as at 31 December 2014**

Statement of Net Assets as at 31 December 2014

*Expressed in NOK*

<b>Assets</b>		<b>253,841,761.85</b>
Securities portfolio at market value	Note 2	240,003,850.14
<i>Cost price</i>		256,677,478.20
<i>Unrealised loss on the securities portfolio</i>		-16,673,628.06
Cash at banks and liquidities		5,814,725.18
Spot receivable		2,989,718.72
Brokers receivable		3,073,339.97
Receivable on subscriptions		1,280,000.00
Unrealised profit on forward foreign exchange contracts	Note 8	680,127.84
<b>Liabilities</b>		<b>8,170,761.58</b>
Spot payable		2,977,255.65
Brokers payable		1,260,799.97
Taxe d'abonnement payable	Note 4	30,710.71
Payable on redemptions		3,266,911.58
Management company and investment management fees payable	Note 5	493,120.27
Professional fees payable		79,400.10
Other liabilities		62,563.30
<b>Net asset value</b>		<b>245,671,000.27</b>

Changes in number of shares outstanding from 1 January 2014 to 31 December 2014

	<b>Shares outstanding as at 1 January 2014</b>	<b>Shares issued</b>	<b>Shares redeemed</b>	<b>Shares outstanding as at 31 December 2014</b>
PARETO HIGH YIELD NORDIC - A Capitalisation shares	225,048.68	231,363.30	272,838.21	183,573.77
PARETO HIGH YIELD NORDIC - B Capitalisation shares	47,250.76	40,279.72	26,672.21	60,858.27

**Key figures**

	<i>Year ended:</i>	<b>31 December 2014</b>	<b>31 December 2013</b>	<b>31 December 2012</b>
Total Net Assets	NOK	245,671,000.27	279,557,721.92	0.00
<b>PARETO HIGH YIELD NORDIC - A</b>		NOK	NOK	NOK
<b>Capitalisation shares</b>				
Number of shares		183,573.77	225,048.68	0.00
Net asset value per share		1,023.50	1,040.16	0.00
<b>PARETO HIGH YIELD NORDIC - B</b>		SEK	SEK	SEK
<b>Capitalisation shares</b>				
Number of shares		60,858.27	47,250.76	0.00
Net asset value per share		991.35	1,018.76	0.00

# PARETO SICAV - PARETO HIGH YIELD NORDIC

## Securities Portfolio as at 31 December 2014

*Expressed in NOK*

Quantity	Denomination	Quotation currency	Market value	% of net assets
Shares/Units of UCITS/UCIS			240,003,850.14	97.69
<b>Shares/Units in investment funds</b>			<b>240,003,850.14</b>	<b>97.69</b>
	Norway		240,003,850.14	97.69
247,231.95	PARETO KREDITT - ANDELSKLASSE B	NOK	240,003,850.14	97.69
<b>Total securities portfolio</b>			<b>240,003,850.14</b>	<b>97.69</b>

# PARETO SICAV - PARETO HIGH YIELD NORDIC

## Statement of Operations and Changes in Net Assets from 1 January 2014 to 31 December 2014

Expressed in NOK

Income		<b>17,947,996.17</b>
Net dividends	Note 2	17,939,790.91
Bank interest on cash account		7,641.51
Other financial income		563.75
Expenses		<b>3,641,554.04</b>
Amortisation of formation expenses	Note 2	32,437.75
Management Company and investment management fees	Note 5	2,327,534.52
Custodian & sub-custodian fees	Note 7	146,027.66
Taxe d'abonnement	Note 4	206,169.87
Administrative expenses	Note 7	128,937.63
Domiciliation fees		49,825.91
Professional fees		105,263.83
Bank interest on overdrafts		9,120.98
Legal fees		51,507.04
Transaction fees	Note 10	65,664.17
Other expenses	Note 11	519,064.68
Net income from investments		<b>14,306,442.13</b>
Net realised profit/loss on:		
- sales of investment securities	Note 2	5,620,084.49
- forward foreign exchange contracts	Note 2	2,845,157.22
- foreign exchange	Note 2	-2,457,567.43
Net realised profit		<b>20,314,116.41</b>
Movement in net unrealised appreciation / depreciation on:		
- investment securities		-23,933,329.16
- forward foreign exchange contracts		316,670.97
Decrease in net assets as a result of operations		<b>-3,302,541.78</b>
Subscription capitalisation shares		284,491,592.58
<i>PARETO HIGH YIELD NORDIC - A</i>		246,058,416.37
<i>PARETO HIGH YIELD NORDIC - B</i>		38,433,176.21
Redemption capitalisation shares		-315,075,772.45
<i>PARETO HIGH YIELD NORDIC - A</i>		-289,591,210.71
<i>PARETO HIGH YIELD NORDIC - B</i>		-25,484,561.74
Decrease in net assets		<b>-33,886,721.65</b>
Net assets at the beginning of the year		<b>279,557,721.92</b>
Net assets at the end of the year		<b>245,671,000.27</b>

# *PARETO SICAV*

## **Notes to the financial statements**

# PARETO SICAV

## NOTES TO THE FINANCIAL STATEMENTS

### 1. General

PARETO SICAV (the “Fund”) was incorporated as an open-ended investment company (*société d'investissement à capital variable* – SICAV) with multiple sub-funds on 5 May 2010 and is registered under Part I of the amended Luxembourg Law of 17 December 2010 relating to undertakings for collective investment. The duration of the Fund is indefinite. The duration of the sub-funds may be limited. The initial capital on incorporation was EUR 31,000. On incorporation all the shares representing the initial capital were subscribed for and were fully paid. The Fund has designated a management company subject to Chapter 15 of the Law of 17 December 2010 as amended relating to undertakings for collective investment. The Articles of Incorporation were published in the *Mémorial, Recueil des Sociétés et Associations* on 21 May 2010. The Articles of Incorporation have been filed with the *Registre de Commerce et des Sociétés* of Luxembourg where they may be inspected and where copies thereof can be obtained. The Articles 3, 8, 13, 20, 28, 29 and 31 related to the Incorporation of the Fund were amended on 19 April 2013 and published in the *Mémorial, Recueil des Sociétés et Associations* on 9 July 2013.

As at 31 December 2014, the following sub-funds were open:

- PARETO SICAV – PARETO EQUITY NORWAY

The sub-fund issues Class A, B, P, C and D Shares. Class A, B, C and D Shares are available to all investors and Class P Shares are restricted to Pareto entities and Pareto group employees. Class A, P and D Shares are not subject to a minimum investment and holding restriction. Class B Shares are subject to a minimum investment and holding restriction in the amount of EUR 2,000,000. Class C Shares are subject to a minimum investment and holding restriction in the amount of EUR 10,000,000.

- PARETO SICAV – PARETO HIGH YIELD NORDIC

The sub-fund issues Class A and B shares which are available to all investors and are not subject to a minimum investment and holding restriction :

The sub-fund PARETO SICAV – PARETO HIGH YIELD NORDIC is as a feeder fund to the Norwegian domiciled fund, Pareto Kreditt (the “Master Fund”) and invests exclusively in class B units of the Master Fund. (see Note 9).

### 2. Summary of significant accounting policies

The financial statements are presented in accordance with Luxembourg regulations relating to Undertakings for Collective Investment and generally accepted accounting principles.

The financial statements are presented in EUR.

The Net Asset Value per Share of each Class is determined and made available in its reference currency by the Administrator as at such time as the Board of Directors shall determine as of each Valuation Day.

The Net Asset Value per Share as of any Valuation Day is calculated in the reference currency of the relevant Class by dividing the Net Asset Value of the Class by the number of Shares in issue in such Class as of that Valuation Day.

The Net Asset Value of each Class is determined by deducting from the total value of the assets attributable to the relevant Class, all accrued debts and liabilities attributable to that Class.

# PARETO SICAV

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

<b>2. Summary of significant accounting policies (continued)</b>
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Expenses, fees and income are accrued on a daily basis.

Assets and liabilities of the Fund are valued in accordance with the following principles:

a) Securities and/or financial derivative instruments listed on Regulated Markets, which operate regularly and are recognised and open to the public, are valued at the last available closing price; in the event that there should be several such markets, on the basis of the last available closing price of the main market for the relevant security. Should the last available closing price for a given security not truly reflect its fair market value, then that security shall be valued on the basis of the probable sales prices which the Board of Directors of the Fund deems is prudent to assume;

b) Securities and/or financial derivative instruments not listed on Regulated Markets, which operate regularly and are recognised and open to the public, are valued on the basis of their last available closing price. Should the last available closing price for a given security not truly reflect its fair market value, then that security will be valued by the Board of Directors on the basis of the probable sales price which the Board of Directors of the Fund deems is prudent to assume;

c) Shares or units in underlying open-ended investment funds and the Master Fund are valued at their last available net asset value;

d) Liquid assets and money market instruments may be valued at nominal value plus any accrued interest or on an amortised cost basis. All other assets, where practice allows, may be valued in the same manner. Short-term investments that have a remaining maturity of one year or less may be valued at market value, or where market value is not available or not representative, at amortised cost;

e) The value of any cash on hand or on deposit, bills and demand notes and accounts receivable, prepaid expenses, cash dividends and interest declared or accrued as aforesaid, and not yet received shall be deemed to be the full amount thereof, unless, however, the same is unlikely to be paid or received in full, in which case the value thereof shall be determined after making such discount as the Board of Directors may consider appropriate in such case to reflect the true value thereof.

f) The formation expenses are amortised over a period of 5 years.

g) The net realised gain/loss on sales of investments is determined on the basis of the average cost of investments sold.

h) Outstanding forward foreign exchange contracts are valued at the closing date by reference to the rate of exchange applicable to the outstanding life of the contract. The movement in net unrealized appreciation/depreciation is shown in the Statement of Operations and Changes in Net Assets. The unrealised gain/loss is included in the Statement of Net Assets in "Unrealised gain/loss on forward foreign exchange contracts". Details on open contracts at December 31, 2014 are found in note 8.

i) Assets or liabilities expressed in currencies other than the reference currency are translated into the reference currency at the prevailing market rate at the time of valuation. Transactions expressed in foreign currencies are translated at the rates ruling when they arose. Profits and losses arising on foreign exchange operations are recorded on the Statement of Operations and Changes in Net Assets.

j) Dividends are recognised as income on the date the securities are first quoted ex-dividend, to the extent information thereon is reasonably available to the Fund. Interest is accrued for each net asset valuation.

k) Because of two different currencies present in this fund (EUR + NOK), a reevaluation of the NAV in EUR is performed at the opening date.

# PARETO SICAV

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 3. Exchange rate

As at 31 December 2014, the following exchange rates were used for the valuation of the Fund's assets and liabilities not denominated in EUR:

1 EUR = 9.0724 NOK

1 EUR = 9.4726 SEK

### 4. *Taxe d'abonnement*

Under current law and practice the Fund is liable in Luxembourg to a *taxe d'abonnement* of 0.05% per annum of its net assets, such tax being payable quarterly and calculated on the Net Asset Value of the Fund at the end of the relevant quarter.

The reduced *taxe d'abonnement* rate of 0.01% per annum is applicable to Classes of which are exclusively held by Institutional Investors.

### 5. Management Company and investment management fees

The Investment Manager was appointed pursuant to an Investment Management Agreement with the Management Company and the Fund dated 6 May 2010 to provide day-to-day management of the Fund's investments, subject to the overall supervision and responsibility of the Management Company.

The different sub-funds and classes will incur an annual investment management fee payable to the Investment Manager.

The investment management fee is expressed as a percentage of the Net Asset Value.

The Management Company will receive a maximum fee of 0.02% per annum calculated on the Net Asset Value of the sub-funds on each Valuation Day for the provision of its services and with a minimum of EUR 20,000 per annum for the whole Fund plus EUR 2,000 per sub-fund.

The investment management fees are accrued daily on the basis of the total net assets and are payable quarterly to the Management Company as follows:

	<i>PARETO SICAV</i>	<i>PARETO SICAV</i>
	<i>PARETO EQUITY NORWAY</i>	<i>PARETO HIGH YIELD NORDIC</i>
A Shares	1.50% per annum	0.50% per annum
B Shares	0.50% per annum	0.50% per annum
P Shares	0.30% per annum	
C Shares	1.20% per annum	
D Shares	1.50% per annum	

### 6. Performance fees

#### PARETO SICAV – PARETO EQUITY NORWAY

With respect to Class A, B and D Shares, the Investment Manager is entitled to receive a performance fee calculated as follows :

With respect to Class A and D Shares, the Investment Manager is entitled to a performance fee equal to 10% of the appreciation of the Net Asset Value per Share (before deduction of any performance fee) over an absolute benchmark of 3 months Euribor plus 3% p.a. (the "Absolute Benchmark") during the Reference Period.



# PARETO SICAV

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 6. Performance fees (continued)

As of each Valuation Day of any given calendar year (the "Reference Period"), the performance against the Absolute Benchmark is assessed and the corresponding amount (if any) is accrued in the Net Asset Value.

The performance fee is only due if the Net Asset Value per Class A or D Shares calculated as of the last Valuation Day of the Reference Period (the "Reference NAV") is higher than the Reference NAV calculated with respect to the previous Reference Period. The Reference NAV will be reset on each 31 December and the first Reference NAV will be the Initial Offer Price of Class A or D Shares.

With respect to Class B Shares, the Investment Manager is entitled to a performance fee equal to 10% of the appreciation of the Net Asset Value per Share over an absolute benchmark of 3 months Euribor plus 3% p.a. (the "Absolute Benchmark").

As of each Valuation Day the Net Asset Value is compared to the last all time highest Net Asset Value (the "High Watermark"). If there is a new High Watermark at a Valuation Day, exceeding the corresponding increase in the Absolute Benchmark, an incremental performance fee will be accumulated and due according to the above formula.

In case the Net Asset Value falls below the High Watermark, there will be no new incremental accumulation of performance fee until a new High Watermark, exceeding the corresponding increase in the Absolute Benchmark, is reached. As the incremental increase in performance fee is calculated and due at each Valuation Day, the accumulated performance fee will not decrease if the Net Asset Value falls below the High Watermark.

A performance fee is charged for PARETO SICAV – PARETO EQUITY NORWAY. As at 31 December 2014, this amounted to 9,144.57 EUR.

No performance fee is charged for PARETO SICAV – PARETO HIGH YIELD NORDIC.

### 7. Custodian fees and administrative expenses

The fees and charges of the Custodian and Administrator are as follows:

- A maximum fee of 0.05% is paid to the Custodian out of the total net assets of each sub-fund. This custodian fee is calculated on the basis of the total net assets of each sub-fund and is payable quarterly.
- A maximum fee of 0.18% is paid to the Administrator, Registrar, Transfer and Domiciliary Agent out of the assets of each sub-fund. This administration fee is calculated on the basis of the total net assets of each sub-fund and is payable quarterly.

### 8. Forward foreign exchange contracts

The sub-fund had the following forward foreign exchange contracts outstanding as at 31 December 2014 in order to hedge class B shares :

PARETO SICAV – PARETO HIGH YIELD NORDIC

Purchase	Currency	Sale	Currency	Maturity date	Unrealised result in NOK
1,074,234.23	NOK	1,113,443.78	SEK	30/01/15	6,886.40
174,176.12	NOK	182,763.00	SEK	30/01/15	-1,020.59
328,466.75	NOK	343,576.22	SEK	30/01/15	-885.61
1,485,458.67	NOK	1,568,495.81	SEK	30/01/15	-18,102.29
63,445,620.70	SEK	60,115,236.59	NOK	30/01/15	703,770.99
818,916.87	NOK	864,284.86	SEK	30/01/15	-9,587.08
178,359.62	NOK	187,036.82	SEK	30/01/15	-933.98
				<b>TOTAL</b>	<b>680,127.84</b>

As at 31 December 2014, the net unrealised profit on these contracts amounted to NOK 680,127.84. The counterparty of the forward foreign exchange contracts is CACEIS Bank Luxembourg.

# PARETO SICAV

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 9. Master – Feeder structure

As at December 31, 2014, the sub-fund PARETO SICAV – PARETO HIGH YIELD NORDIC acts as a Feeder sub-fund of the Norwegian domiciled fund, Pareto Kreditt (the “Master Fund”). The Feeder sub-fund invests exclusively in class B units of the Master Fund. The year end of the Master Fund is as December 31, 2014.

The Feeder percentage ownership share of the Master UCITS at December 31, 2014 is 0.50%.

The Master Fund invests in high yield bonds, i.e. corporate bonds with consistently higher risk than ordinary bonds. It invests primarily in debt instruments issued by Norwegian companies, but also in Norwegian Government and Norwegian institutions.

Information of the Master Fund may be obtained at the registered office of the Fund free of charge as well as on the website [www.paretoforvaltning.no](http://www.paretoforvaltning.no).

The valuation of the Feeder’s portfolio is based on the last Net Asset Value of the year which has been calculated on December 31, 2014.

As at 31 December 2014, the % fees charged by the Master Fund are as follows :

	Maximum management fees	Performance fees
Class B units	0.50%	-

### 10. Transaction Fees

Transaction fees include IMS fees (Investment Management Services), broker fees, forex fees, stock exchange fees, handling charges, settlement fees and trading fees linked to transactions on portfolio securities and forward foreign exchange contracts. These expenses have been recorded for the year from 1 January 2014 to 31 December 2014.

### 11. Other Expenses

Other expenses are, amongst others, mainly composed of Directors’ fees and transfer agency fees.

### 12. Change in the composition of portfolio

The report on the changes in the securities portfolio is available upon request at the registered office of the Management Company free of charge.

### 13. Post year end events

Through a Circular Resolution dated 12 January 2015, it was planned to change of registered office for the SICAV from 5, Allée Scheffer L-2520 Luxembourg to 4, rue Peternelchen, L-2370 Howald. The registered office was changed through an Extra Ordinary Meeting dated April 10, 2015.

On 13 February 2015, the Board of Directors approved to open a new sub-fund PARETO SICAV - PARETO GLOBAL CORPORATE BOND. This Sub-Fund was launched on March 23, 2015.

On 13 February 2015, the Board of Directors approved the replacement of the current service providers from :

- Management Company : Luxcellence Management Company S.A.
- Fund administrator, Transfer Agent and custodian : Caceis Bank Luxembourg S.A.

to :

- Management Company and Fund Administrator : SEB Fund Services S.A.
- Sub Administrator, Transfer Agent : European Fund Administrator S.A.
- Custodian : Skandinaviske Enskilda Banken S.A.

These changes are effective as from March 23, 2015.

## PARETO SICAV

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

<b>14. Global exposure calculation method (unaudited)</b>
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The Fund uses the commitment approach in order to monitor and measure the global exposure.

In compliance with the CSSF Regulation 10-4, the ESMA Guidelines 2011/112 and the CSSF Circular 11/512, and based on the periodically reviewed self-assessment by the Management Company of the Sub-Funds' risk profiles resulting from its investment policy, the Management Company uses the commitment approach to measure, at least once a day, the global exposure of the sub-funds.

# PARETO SICAV

## SUPPLEMENTARY INFORMATION FOR SWISS INVESTORS (UNAUDITED)

### Additional Provisions for Investors in Switzerland

#### Terms for distribution of the Fund within and from Switzerland

For the distribution of the Fund within or from Switzerland, the following information shall be considered in addition to the terms and conditions of the prospectus:

#### Legal Representative and Paying Agent in Switzerland

##### Legal Representative in Switzerland

ACOLIN Fund Services AG  
Stadelhoferstrasse 18  
CH-8001 Zürich

##### Paying Agent in Switzerland

NBP New Private Bank Ltd.  
Limmatquai 1/am Bellevue  
Postfach  
CH-8022 Zurich

#### Place of Performance and place of Jurisdiction

For shares of the Fund distributed in Switzerland, the place of performance and the place of jurisdiction shall be at the office of the Representative in Zurich.

#### Availability of the Fund's Publication

The Articles of Association, the prospectus, the Key Investor Information Document, the annual and semi-annual reports and the transactions reports of the Fund are available free of charge on request from the Representative.

#### Publications

a. In Switzerland, information regarding the Fund is published in the *Feuille Officielle Suisse du Commerce*, as well as on the Swissfunddata website ([www.swissfunddata.ch](http://www.swissfunddata.ch)).

b. Subscription and redemption prices and the net asset value followed by the note “excluding fees”, for all share classes, are published at the time of each issue or redemption of shares on the Swissfunddata website ([www.swissfunddata.ch](http://www.swissfunddata.ch)). The prices are published daily.

#### Portfolio Turnover Ratio (PTR)

The **Portfolio Turnover Ratio** (“PTR”) is disclosed in accordance with the Swiss Funds & Asset Management Association (SFAMA) requirements as per following formula:

$$\text{PTR} = \frac{(\text{Total 1} - \text{Total 2})}{\text{Average net assets in currency units}} * 100$$

Total 1 = Total securities transactions

Total 2 = Total transactions involving units of the collective investment scheme

The Portfolio Turnover Ratio for the financial year is as follows:

PARETO SICAV – PARETO EQUITY NORWAY	10.89%
PARETO SICAV – PARETO HIGH YIELD NORDIC	3.51%

# PARETO SICAV

## SUPPLEMENTARY INFORMATION FOR SWISS INVESTORS (UNAUDITED) (CONTINUED)

### Performance of the Fund

The performance of each class of share of the sub-funds is disclosed in accordance with the Swiss Funds & Asset Management Association (SFAMA) requirements.

Sub-Fund	Currency	31/12/14	31/12/13	31/12/12
PARETO SICAV- PARETO EQUITY NORWAY - A OSEFX Index	EUR	-6.15% -2.20%	0.11% 8.97%	20.27% 27.12%
PARETO SICAV- PARETO EQUITY NORWAY - B OSEFX Index	EUR	-5.35% -2.20%	1.23% 8.97%	23.37% 27.12%
PARETO SICAV- PARETO EQUITY NORWAY - P OSEFX Index	NOK	3.04% 5.70%	15.55% 24.17%	23.66% 20.65%
PARETO SICAV- PARETO EQUITY NORWAY - C OSEFX Index	EUR	-5.90% -2.20%	0.52% 8.97%	19.41% 25.18%
PARETO SICAV- PARETO EQUITY NORWAY - D OSEFX Index	NOK	1.26% 5.70%	13.37% 24.17%	17.07% 25.18%

Sub-Fund	Currency	31/12/14	31/12/13	31/12/12
PARETO SICAV- PARETO HIGH YIELD NORDIC - A ST1X Index	NOK	-1.59% 1.30%	4.02% 1.09%	- -
PARETO SICAV- PARETO HIGH YIELD NORDIC - B ST1X Index	SEK	-2.69% -0.30%	8.32% 1.07%	- -

Past performance is no indication of current or future performance. This performance data does not take account of any commissions or costs incurred on the issue and redemption of Shares.

### TER

The Total Expense Ratio ("TER") expresses, as a percentage of the average net assets, the sum of all operating expenses (excluding brokerage fees, securities transaction charges and bank interest) charged to each sub-fund during the year.

The TER is disclosed in accordance with the SFAMA requirements as per formula:

$$\text{TER \%} = \frac{\text{Total Operating Expenses}}{\text{Average Net Assets}} \times 100$$

Sub-Fund		2014	2013	2012
PARETO SICAV - PARETO EQUITY NORWAY - A	Without Performance fees	1.98%	2.21%	2.15%
	With Performance fees	2.02%	2.28%	3.64%
PARETO SICAV - PARETO EQUITY NORWAY - B	Without Performance fees	0.91%	1.15%	1.10%
	With Performance fees	0.91%	N/A	N/A
PARETO SICAV - PARETO EQUITY NORWAY - P	Without Performance fees	0.73%	0.93%	0.85%
	With Performance fees	0.73%	N/A	N/A
PARETO SICAV - PARETO EQUITY NORWAY - C	Without Performance fees	1.59%	1.82%	1.98%*
	With Performance fees	1.59%	N/A	N/A
PARETO SICAV - PARETO EQUITY NORWAY - D	Without Performance fees	2.27%	2.26%	2.49%*
	With Performance fees	2.85%	N/A	5.56%*

\*since inception of share class

Classes P and C are not subject to performance fees.

# PARETO SICAV

## **SUPPLEMENTARY INFORMATION FOR SWISS INVESTORS (UNAUDITED) (CONTINUED)**

The performance fees, expressed in percentage of the average net assets, are as follows :

<b>Sub-Fund</b>		<b>2014</b>
PARETO SICAV - PARETO HIGH YIELD NORDIC - A	Without Performance fees	0.85%
	With Performance fees	0.85%
PARETO SICAV - PARETO HIGH YIELD NORDIC - B	Without Performance fees	0.96%
	With Performance fees	0.96%