

Annual Report for Catella Credit Opportunity

1 January 2016 – 31 December 2016

A year of major changes in the fund

As we sum up 2016, the focus is once again on the central banks, with favourable trends in corporate bonds and lower credit ratings consequent upon expansive monetary policies.

The fund rose by 3 percent after fees and the risk level was low.

Interest rates ticked up during the second half but are still very low even lower than at the beginning of the year. In the light of the lopsided outcome space for the interest rate level, our assessment is that bonds with long maturities should be avoided. We further believe that the central banks' expansive monetary policies have minor impact on growth and inflation trends, but major impact on the pricing of financial assets. Accordingly, we advise caution about excessive exposure to illiquid assets. Our conclusion is that in an environment of low probability of recession, credit risk is instead the risk premium in the bond market that is clearly worth the exposure. We believe high-yield corporate bonds will be in a good position in the next few years to generate yields on par with long-term equity returns and, in the current situation, significantly better than government bond yields.

Fund performance was weak at the beginning of the year with high exposure to subordinated bank bonds, the Norwegian energy sector and convertibles in Eniro. The concentration against systematic risks was far too high and the share of liquid assets too low to weather market developments in the early months of the year in a satisfactory way. The composition of the portfolio was modified during the year and exposure to banking, real estate and the Norwegian energy sector was low by year-end. Investments were instead made in new sectors and the number of investments was expanded. Moreover, the interest-rate risk in the portfolio was brought down to zero in December. Exposure has instead been increased to high-yield bonds with lower credit ratings. In our judgement, these bonds are in a good position to return equity-comparable yields in most investment environments, other than recession. In the light of the high specific risk in these bonds, diversification is critical to stabilising portfolio returns. The fund also uses derivatives to manage short-term changes in market sentiment.

At year-end, fund duration was 0.05 years. Equity exposure amounted to 5 percent of the portfolio at 31 December.

The largest contributors to the positive development of the fund were the holdings in bonds issued by Lindorff, European Energy, Perstorp and Polygon. Bonds issued by Eniro, PGS, Nordea and SHB had negative impact on performance.

As all currency exposure is mitigated using currency forwards, exchange rate changes had no effect on fund performance.

Management of the fund was taken over in September 2016 by Thomas Elofsson and Stefan Wigstrand after Magnus Nilsson and Fredrik Tauson chose to leave the company.

Fund facts

Fund manager: Thomas Elofsson, Stefan Wigstrand

Unit value 105.24
 Number of unit holders..... 19
 Net fund assets (SEKm) 270

YIELD PAST YEAR

Catella Credit Opportunity **2.96%**
 Reference rate OMRX TBill -0.65%

AVERAGE ANNUAL YIELD

Past two years

Catella Credit Opportunity **2.44%**

Past five years

Catella Credit Opportunity **NA**

RISK

Catella Credit Opportunity **3.44%**
 Duration, 31 Dec 2016 (years)..... 0.05
 Interest-rate risk from 1% change in
 interest rate, %..... -0.05%

TURNOVER/COSTS

Rate of turnover (times/year) 1.03
 Transaction costs (SEKm)..... 0.13
 Percentage of securities traded 0.01
 Management fee..... 0.95%
 Management fee charged
 (fixed and variable) 1.53%
 Ongoing charges..... 1.00%

COSTS FOR TYPE OF SAVING

Lump-sum deposit SEK 10,000
 Management cost (SEK)..... 161.83
 Monthly savings SEK 100
 Management cost (SEK)..... 12.27

TURNOVER THROUGH ASSOCIATED SECURITIES INSTITUTIONS

Percentage of total turnover 0.00%

TURNOVER OF FINANCIAL INSTRUMENTS MANAGED BY CATELLA FONDFÖRVALTNING

Percentage of total turnover 0.00%

The Fund is an investment fund

Fund inception: 24 November 2014

Opening price: SEK 100

Dividends: The fund does not pay any dividend.

Management company: Catella Fondförvaltning AB

Corporate registration number of fund: 515602-3482

PPM fund number: Catella Credit Opportunity is not a fund within PPM

BALANCE SHEET AND INCOME STATEMENT

BALANCE SHEET, SEKk	31-Dec-16	31-Dec-15
ASSETS		
Transferable securities (Note 1)	230 421	590 204
OTC derivatives with positive market value (Note 1)	2 504	5 696
Total financial instruments with positive market value	232 925	595 900
Bank balances and other cash and cash equivalents	33 253	62 816
Prepaid expenses and accrued income	4 377	669
Other assets	0	8 908
TOTAL ASSETS	270 555	668 293
Accrued expenses and prepaid income	721	582
Other liabilities	13	329
TOTAL LIABILITIES	724	911
NET FUND ASSETS Note 2	269 831	667 382
MEMORANDUM ITEMS		
Collateral pledged for OTC derivatives	2 094	0
Collateral pledged for other derivatives	1 094	0
INCOME STATEMENT, SEKk		
INCOME AND CHANGES IN VALUE		
Change in value of transferable securities	6 540	-23 355
Change in value of money market instruments	0	12
Change in value of OTC derivatives	-20 741	-822
Change in value of other derivatives	-1 293	-796
Change in value of fund units	0	120
Interest income	26 419	20 693
Dividends	2 734	2 742
Net foreign exchange gains and losses	1 716	12 800
Other income	238	84
TOTAL INCOME AND CHANGES IN VALUE	15 613	11 478
EXPENSES		
Management costs		
Payments to companies conducting fund operations	6 852	7 654
Payments to depositary	178	151
Other expenses	93	17
TOTAL EXPENSES	7 123	7 927
PROFIT FOR THE YEAR	8 490	3 551
Note 2 TO BALANCE SHEET		
CHANGE IN NET FUND ASSETS	31-Dec-16	31-Dec-15
NET FUND ASSETS AT BEGINNING OF YEAR	667 382	279 576
Unit sales	130 967	484 080
Unit redemptions	-537 008	-99 825
Profit for the year per income statement	8 490	3 551
NET FUND ASSETS AT END OF PERIOD	269 831	667 382

FUND'S HOLDINGS OF FINANCIAL INSTRUMENTS

Note / Securities	QUANTITY	PRICE	(SEKk)	%
NOT MARKET-LISTED EQUITIES*				
INDUSTRIALS				
Bong Ljungdahl TO	3 000 000	0.34	1 020	0.38
			1 020	0.38
REAL ESTATE				
Pioneer Prop Pref, Norge, NOK	122 052	96.00	12 361	4.58
			12 361	4.58
TOTAL NOT MARKET-LISTED EQUITIES			13 381	4.96
MARKET – LISTED BONDS*				
GOVERNMENT				
Statsobligation lån 1047 201201	10 000 000	121.30	12 130	4.50
			12 130	4.50
OTHER				
B2 FRN 211004, Norge, EUR	1 000 000	102.21	9 792	3.63
Bayport 191117	14 000 000	96.34	13 488	5.00
BE Bio Energy FRN 190610	3 000 000	84.38	2 531	0.94
Catena Media FRN 190916, Malta, EUR	1 000 000	100.50	9 629	3.57
Corral Petroleum 11,75% 210515, EUR	1 000 000	97.88	9 377	3.48
Eniro 6% 200414	1 19 999	23.00	28	0.01
IB Bostad 18 AB FRN 181021, NOK	14 000 000	101.00	14 919	5.53
JSM Financial Group 8% 170331	5 000 000	100.62	5 031	1.86
Lock FRN 220815, Norge	10 000 000	113.00	11 300	4.19
Moberg Pharma FRN 210129	12 000 000	104.00	12 480	4.63
Norlandia FRN 211220, Norge	7 500 000	100.38	7 528	2.79
Perstorp Holding 7,625% 210630, EUR	1 000 000	101.09	9 685	3.59
Polygon FRN 190416, EUR	1 600 000	100.62	15 425	5.72
Stadshypotek 200617	10 000 000	113.91	11 391	4.22
Strömma Tursim & Sjöfart FRN 210521	1 000 000	105.19	1 052	0.39
Swedbank 6% 491229, USD	1 000 000	100.76	9 150	3.39
Swedbank Hypotek 5,7% 180 200512	10 000 000	118.52	11 852	4.39
Velcora FRN 210715	5 000 000	103.25	5 162	1.91
VV Holding FRN 190710, Norge, NOK	15 000 000	92.92	14 704	5.45
			174 524	64.69
TOTAL MARKET-LISTED BONDS			186 654	
NOT LISTED BONDS**				
Cabot Financial 7,5% 231001, Luxemburg, GBP	500 000	100.66	5 647	2.09
Corral Petroleum 12,25% 210515	10 000 000	96.51	9 651	3.58
Garfunkel Holdco 3 220801, Luxemburg, EUR	1 000 000	105.23	10 082	3.74
Host Property FRN 191208, Norge	5 000 000	100.12	5 006	1.86
			30 386	11.27
TOTAL NOT LISTED BONDS			30 386	11.27
TOTAL TRANSFERABLE SECURITIES			230 421	85.40
EXCHANGES TRADED DERIVATIVES				
Bond Future				
Swe Gov Bond Future 10Y	-30	0.57	0	0.00
			0	0.00

Note I Securities	QUANTITY	PRICE	(SEKk)	%
EXCHANGES TRADED DERIVATIVES				
EXCHANGES DERIVATIVES WITH POSITIVE MARKET VALUE			0	0,00
EXCHANGES DERIVATIVES WITH NEGATIVE MARKET VALUE			0	0,00

OTC-DERIVATIVES

FX Forwards

FXFWD EURSEK 170315 9.7286, Europa, EUR	-6 600 000	9.58	1 013	0.38
FXFWD EURSEK 170315 9.7490, Europa, EUR	-1 000 000	9.58	174	0.06
FXFWD GBPSEK 170315 11.6159, Storbritannien, GBP	-500 000	11.20	209	0.08
FXFWD NOKSEK 170315 1.070704, Norge, NOK	-14 200 000	1.05	274	0.10
FXFWD NOKSEK 170315 1.08195, Norge, NOK	-25 000 000	1.05	764	0.28
FXFWD USDSEK 170315 9.12455, USA, USD	-1 000 000	9.05	70	0.03
			2 504	0.93

TOTAL OTC-DERIVATIVES			2 504	0.93
OTC DERIVATIVES WITH POSITIVE MARKET VALUE			2 504	0.93
OTC DERIVATIVES WITH NEGATIVE MARKET VALUE			0	0.00

TOTAL HOLDINGS OF FINANCIAL INSTRUMENTS			232 925	86.33
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OTHER ASSETS AND LIABILITIES			36 896	13.67
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TOTAL			269 831	100.00
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* FINANCIAL INSTRUMENTS ADMITTED TO TRADING ON A REGULATED MARKET OR EQUIVALENT MARKET - OUTSIDE EEA.

** FINANCIAL INSTRUMENTS NOT ADMITTED TO TRADING ON A REGULATED MARKET OR EQUIVALENT MARKET OUTSIDE THE EEA.

SUMMARY, ISSUERS*

ISSUER	% OF NET FUND ASSETS*
SEB AB	13.25

* THE TABLE SHOWS THE TOTAL PERCENTAGE SHARE OF THE NET FUND ASSETS PER ISSUER IN THOSE CASES THE FUND HOLDS MORE THAN ONE TYPE OF SECURITY ISSUED BY THE SAME ISSUER.

ADDITIONAL DISCLOSURES, FINANCIAL INSTRUMENTS

FINANCIAL INSTRUMENTS EXPECTED TO BE ADMITTED TO TRADING ON A REGULATED MARKET WITHIN ONE YEAR OF ISSUE ARE:

Host Property FRN 191208

SBB Bostad FRN 181021

Norlandia FRN 211220

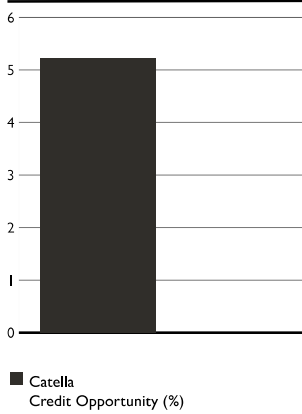
COUNTERPARTIES FINANCIAL DERIVATIVE TRANSACTIONS

COUNTERPART	COLLATERAL RECEIVED
SEB	0

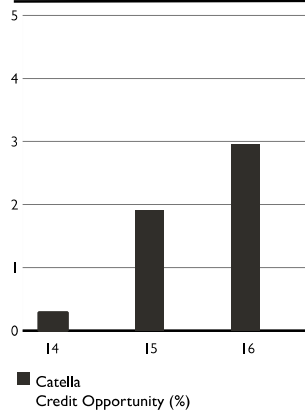
HISTORICAL FUND ASSET, NET ASSET VALUE, NUMBER OF UNITS AND DIVIDENDS

	Dividend	Unit Value	No of	Net fund assets
Date	SEK/unit	SEK	units	SEKk
141231	0.00	100.29	2 787 648	279 576
151231	0.00	102.21	6 529 661	667 382
161231	0.00	105.24	2 563 999	269 831

YIELD SINCE INCEPTION



YIELD SINCE INCEPTION



TRADE IN DERIVATIVES

In accordance with its fund rules, the fund may trade in derivatives as part of its investment strategy. During the period the fund has not exercised its right to lend or borrow securities.

Leverage is calculated as the sum of the underlying exposed gross values of derivatives.

Highest leverage	Lowest leverage	Average leverage
145.85%	15.22%	82.19%

Risk assessment method for calculating total exposure: Value at Risk

Value at Risk The fund uses the Monte Carlo VaR model with a 1-day horizon and a 95% confidence.

At Dec 31, 2016	Highest 2016	Lowest 2016	Average 2016
0.23%	0.62%	0.21%	0.37%

Remuneration

Remuneration policy for Catella Fondförvaltning AB

“The decision process”

The board of directors of Catella Fondförvaltning AB (the Company) adopted an updated remuneration policy in November 2016, which is based on Finansinspektionen’s regulations (FFFS 2013:9) regarding Swedish UCITS funds and (FFFS 2013:10) regarding alternative investment fund managers. The Company is included in a consolidated situation with Catella Bank S.A. as a guarantor institution and has therefore also observed the regulations that apply to the consolidated situation.

“Correlation between pay and performance”

The general principle is that remuneration to employees of the Company is comprised of fixed and variable pay related to the Company’s development and individual performance. The pay and remuneration structure is also designed to facilitate the capacity of the Company to achieve good profitability over the short and long terms. The mix of fixed pay and variable pay differs among personnel categories.

Performance assessment and risk adjustment

The Company has established a process for performance assessment and risk adjustment of variable pay that takes into consideration the performance of the Company, the business units and/or the funds/discretionary mandates, as well as the individual’s performance and the Company’s capital and liquidity requirements. In this context, “funds” refers to all funds managed by the Company.

Specification of remuneration paid during the 2016 financial year

<u>Business unit:</u>	<u>Executive management</u>	<u>Employees with strategic positions.</u>	<u>Control functions</u>	<u>Employees who can affect the level of risk in the Company or the funds</u>	<u>Employees whose total remuneration equals or exceeds the total remuneration paid to any member of executive management</u>	<u>Other employees</u>	<u>Total</u>
<u>Number of employees:</u>	1	4	4	16	4	14	43
<u>Remuneration:</u>	<u>Amount (SEK)</u>	<u>Amount (SEK)</u>	<u>Amount (SEK)</u>	<u>Amount (SEK)</u>	<u>Amount (SEK)</u>	<u>Amount (SEK)</u>	<u>Amount (SEK)</u>
Total remuneration paid	3,512,842	5,020,433	4,193,580	20,404,737	16,241,611	4,543,453	53,916,656
Total fixed pay disbursed in 2016	1,880,842	3,508,433	4,193,580	13,444,737	5,896,277	3,084,120	32,007,989
Total variable pay disbursed in 2015 and preceding years	1,632,000	1,512,000	0	6,960,000	10,345,334	1,459,333	21,908,667

The amounts of fixed and variable pay reported above do include social insurance expenses, etc.

Your share of the fund’s costs

In the account statements you received from us in January 2017 we reported your share of the fund’s costs for 2016.

“Management costs” are your share of the fund’s expenses in 2016 for management, accounting, information, marketing, auditing, and fees to the depositary.

“Other costs” are your share of the fund’s expenses for securities trading, such as analysis and brokerage fees.

“Total costs” are the sum of the two costs above.
You cannot deduct these costs on your tax return.

Accounting policies

Alternative investment funds apply the Swedish Alternative Investment Funds Managers Act (SFS 2013:561), Finansinspektionen's regulations FFFS 2013:10 regarding alternative investment fund managers, applicable reporting guidelines issued by the Swedish Investment Fund Association and ESMA guidelines.

Fund holdings have been recognised in the balance sheet at market value, i.e., the closing price at 30 December 2016. Various valuation methods are used to determine the market value depending on the financial instrument and the market in which the instrument is traded. The last reported net asset value per unit is used to determine the value of fund units. The last price paid is normally used to determine the value of market-listed instruments and other instruments actively traded on an established market. The last bid and/or ask price is normally used to determine the value of instruments other than those referred to in the preceding sentence. If the management company deems the aforementioned valuation methods to be misleading, value is determined based upon other objective grounds.

“Objective grounds” refers to valuation based upon available information on the last price paid in relation to external transactions in the instrument or an indicative bid price from a market maker, if a market maker has been appointed by the issuer. If such information is unavailable or is deemed unreliable by Catella, market value is determined according to generally accepted valuation models based on information from independent brokers or other external independent sources. Negative interest has been recognised as negative interest income in the fund.

Exchange rates are the closing rates at 30 December 2016.

DKK	1.2887
EUR	9.5807
GBP	11.2204
NOK	1.0550
USD	9.0812

Unitholder taxation

The fund is a separate taxable entity but is not liable for tax on the income of the assets included in the fund. Instead, unitholders are taxed on a standardised income (see below).

Capital gains tax

Natural persons (individuals) who are fully taxable in Sweden must report capital gains and capital losses on the divestment of units in the fund as income from capital at a tax rate of 30 percent. Divestment include sales and redemptions. The same rules apply to estates provided the deceased was fully taxable in Sweden.

Capital gains and capital losses are calculated as the difference between the sale price (less any fees) and the tax basis amount. The tax basis amount is the purchase price paid for the divested fund units. The tax basis is normally calculated according to the average cost method.

Standard taxation

As of the 2012 income year, individuals who are fully taxable in Sweden and who own units in the fund must report a standardised income of 0.4 percent of the value of their fund holdings at the beginning of the year. The standardised income must be reported as income from capital at a tax rate of 30 percent, which results in an effective tax levy on the fund value of $(0.4 \times 0.3 =) 0.12$ percent per year. The same rules apply to estates provided the deceased was fully taxable in Sweden.

Miscellaneous

If the fund is linked to an investment savings account, endowment, IPS or premium pension, special tax rules apply. Special tax rules also apply to legal persons and foreign unitholders.

Statements for tax returns

The management company provides information to the Tax Agency concerning gains or losses upon sale or redemption of units in the fund, standardised income and, if applicable, dividends. Information is provided concerning natural persons and estates taxable in Sweden.

OUR OWNERSHIP POLICY

1. Introduction

Finansinspektionen's regulations regarding investment funds, Chapter 15, Section 9, and Article 37 of the EU Commission Delegated Regulation require the boards of directors of fund management companies and alternative investment fund managers to adopt internal rules specifying the strategies the company must apply to determine when and how voting rights linked to the financial instruments included in each fund are to be exercised.

The purpose of this document is to present how Catella Fondförvaltning AB ("Catella Fonder") exercises its owner influence, including how and in what situations the voting rights linked to investments made within the context of the company's business are to be exercised. The fundamental policy in all situations is that Catella Fonder shall act solely in the joint interests of fund unitholders and that voting rights shall be exercised to the exclusive benefit of each fund.

The objective is that the funds should generate the highest possible return. The ownership role is exercised so as to maximise the long term value of portfolio companies and thus fund units. Fund assets are not included in the balance sheet of Catella Fonder and unitholders may at any time withdraw their money from the funds. It is therefore important that Catella Fonder is able to sell its shares as necessary and without delay.

2. Policy for exercise of shareholder influence

Catella Fonder invests on behalf of the funds, primarily in equities, bonds and other debt instruments and derivative instruments. The development of companies in which Catella Fonder invests is continuously monitored and if the developments give reason for discontent, Catella Fonder may elect to express this discontent by selling its holding, engaging in dialogue with management or exercising influence through the rights conferred by the funds' ownership.

As a shareholder, Catella Fonder shall actively intervene in a portfolio company if, in the judgement of Catella Fonder it is possible by so doing, either alone or jointly with other shareholders, to create financial added value for unit holders. The potential to create added value varies among portfolio companies and depends upon factors including the size of the funds' holding, the funds' potential return from the holding, what opportunities exist for improving governance of the portfolio company and the ownership structure of the portfolio company in other respects.

3. Attendance at general meetings

Catella Fonder shall normally attend general meetings of the companies in which the funds are major shareholders, as well as the general meetings of other companies at which key issues are raised, and shall exercise its voting rights at these meetings. Catella Fonder considers itself a "major shareholder" if the funds own 5 percent or more of equity and/or voting rights in a portfolio company. Depending upon the ownership structure in other respects and existing opportunities for owner cooperation, Catella Fonder may also actively intervene in other portfolio companies.

4. Participation in nominating committees, etc.

If it is possible in Catella Fonder's judgement to create added value for unitholders, Catella Fonder may exercise shareholder influence by having representatives on the nominating committees of portfolio companies. In exceptional cases, Catella Fonder may also appoint representatives to the boards of directors of portfolio companies.

Decisions to nominate representatives to the nominating committee or board of directors of a portfolio company are at the discretion of the CEO of Catella Fonder.

5. Exercising of voting rights and monitoring of corporate actions

- I. There are several companies within the Catella group ("Catella") that invest on their own behalf or on behalf of clients. Operations within Catella Fonder are clearly segregated from these other operations and Catella

Fonder shall therefore in exercising its voting rights consider only the best interests of unitholders irrespective of any interests Catella may otherwise have in the company concerned. However, this does not preclude that coordinated action between Catella Fonder and another Catella company (or, for that matter, an external owner) in respect of specific matters may be deemed to the benefit of unitholders. When Catella Fonder exercises its voting rights, it does so in accordance with the investment objectives and policy of each fund as set forth in the respective fund rules. When Catella Fonder exercises its voting rights, an assessment is made in every case as to whether any conflict of interest may arise for the fund or fund unitholders and, if so, how such conflicts should be managed.

2. The fund manager is ultimately responsible for monitoring corporate actions and for ensuring that the fund votes at general meetings in accordance with the investment objectives and policy. However, Catella Fonder applies the fundamental precept that all funds must be in consensus concerning important matters affecting the company's operations. To this end, Catella Fonder has appointed an ownership representative who, in consultation with fund managers, decides how the fund shall vote at general meetings. The ownership representative in turn reports to the CEO and board of directors of Catella Fonder.
3. The foregoing policy that each fund manager is responsible for that a fund votes in accordance with the fund's investment policy ensures that conflicts of interest are managed.
4. Catella Fonder may, if deemed appropriate, issue a proxy to a third party to represent Catella Fonder at general meetings. Such a proxy shall be preceded by the same preparatory work as if Catella Fonder itself, through an employee, were to be represented at the meeting.

Upon request and free of charge, Catella Fonder will subsequently report to unitholders its positions and the underlying rationale concerning key individual ownership issues.

6. Information policy concerning social and environmental responsibility and governance

Catella Fonder has taken a clear ethical position by becoming a signatory to UNPRI (United Nations Principles for Responsible Investment), preparing an ethics policy and reporting our ethics programme. This is the framework of our ethical profile. Initiated at our own volition, in combination with the preferences of our clients, this has resulted in the integration of social and environmental responsibility and governance aspects in our management operations. The policy applies to Catella Fonder's equity funds, except Catella Sverige Index, and their Nordic equity holdings. However, equity holdings held for less than one (1) month are exempt.

7. Management of insider information in the exercise of shareholder influence

Catella Fonder's mandate in connection with the management of investment funds and alternative investment funds is to act exclusively in the joint interests of unitholders. Accordingly, Catella shall as far as possible avoid restrictions to fund management. Catella therefore avoids, to the greatest possible extent, accessing information that affects prices and which is not generally known or is non-public (insider information), or accessing information bordering on insider information - grey zones, referred to generally as "insider situations". Despite this, Catella will from time to time find itself in insider situations. Policies are in place to manage these situations, including that the group of individuals informed about the insider situation must be kept as limited as possible and that Catella Fonder shall take action to prevent employees from using the information for personal gain or in the company's operations.

Please direct any questions concerning Catella Fonder's ownership policy to the company's ownership representative or the CEO.

This ownership policy has been prepared in accordance with the "Guidelines for investment fund managers as shareholders" issued by the Swedish Investment Fund Association

Swedish Code of Conduct for fund management companies

Catella Fondförvaltning AB (the Company) is a member of the Swedish Investment Fund Association. Through its "Swedish Code of Conduct for fund management companies", the Association summarises the overall principles that apply when conducting fund management activities in Sweden. The Code is designed to promote sound fund activities and thereby to safeguard public confidence in the industry. The Company complies with the Code. All fund managers,

executive management, employees in Risk, Compliance and Middle Office, as well as the heads of Business Support and Sales, etc., at the Company are licensed by SwedSec. The Company has also ensured that half of the board of directors is composed of independent directors.

Disclosures in accordance with the Code of Conduct for fund management companies

Remuneration to the staff of the fund management company comprises salary and bonuses related to the performance of the Company.

Information about remuneration

See pages 8 for information about remuneration paid in 2016 by Catella Fondförvaltning AB. Information is also provided on the website (www.catella.se/fonder) and in the Company's annual report for 2016. Unitholders who wish to have Catella Fondförvaltning AB's annual report sent to them are requested to contact us on +46 8 614 25 00.

Issue guarantees

Within the framework of the respective fund rules and the Swedish Investment Funds Act (2004:46), the fund has the option to guarantee securities issues. Catella Credit Opportunity took advantage of this opportunity in 2016.

Related-party transactions

There were no transactions with related companies during the period.

The board of directors of Catella Fondförvaltning AB

Knut Pedersen, Chairman, CEO Catella AB (publ)

Lars H. Bruzelius, Senior Partner BSI & Partners

Peter Friberg, LL.M, licensed psychologist, consultant

Johan Nordenfalk, COO Catella AB (publ) and acting CEO of the Management Company

Thomas Raber, MD Alvine Capital Management Ltd

Ando Wikström, CFO Svenska Hyreshus AB (publ) (SHH)

Risk

Total risk

The traditional way to measure the price volatility of a fund, or the risk of losing money, is to measure how much the fund's returns have varied. If a fund has a high total risk (for example, an equity fund), the returns have varied more than for a fund with low total risk (for example, a fixed income fund with short term to maturity on interest-bearing assets). However, risk and return are linked, and a higher risk may yield a higher return.

The value of total risk indicates the range within which the annual return should end up (with 66 percent probability). For a fund with an average return of 5 percent and a total risk of 2 percent, this indicates that the fund's annual return should be between 3 percent and 7 percent (5 percent \pm 2 percentage points).

In this respect, Catella follows the recommendation of the Swedish Investment Fund Association to use 24 monthly values in this measurement. Another name for the total risk is "standard deviation" calculated on an annual basis, or volatility.

The total risk in a fund gives an indication of the historical risk level of the fund, but is not an infallible forecasting tool. A fund category or fund that has previously had low total risk may actually be risky and lead to price losses if, for example, the stock market is on the verge of decline due to, for example, an economic downturn. Naturally, the opposite is also true.

Active risk

Another type of risk is that the fund will outperform or underperform the assets on the market in which it invests. Investors buying an equity fund, composed of Swedish equities for example, will probably want to check how much risk the fund has taken in its investments compared to its benchmark index.

Active risk, which is also called "tracking error", is one measure of this. This measurement indicates how closely the fund tracks its benchmark index. High active risk indicates that the fund deviates significantly from its index. Unlike correlation, active risk is dependent not only on the direction of return, but also its magnitude. Thus, a fund with a small proportion of equities and the remainder in bonds may still have a correlation of 1 against the stock exchange, but also

high active risk against the stock exchange. Active risk is calculated as the standard deviation of the relative returns compared to the benchmark index. Catella also uses monthly values (24 months) in the calculation of active risk.

Duration

Duration is the most common measure of interest-rate risk, and indicates the average term to maturity of the fund's fixed-income securities. The higher the duration, the more sensitive the fund is to changes in interest rates. Duration is normally expressed in years. The fund duration is presented for all Catella funds that have holdings in fixed-income securities. The measure of duration used in the annual report is "effective duration", which takes into account the period of fixed interest and optionality for, for example, FRN and callable bonds.

Interest-rate risk at a 1 percentage point change in interest rates

The interest-rate risk for a 1 percentage point change in interest rates shows how much the fund's value would decrease (or increase) if the interest rate were to rise by 1 percentage point across the entire yield curve; that is, the interest rate rises by 1 percentage point on all maturities. This measure is presented for all Catella funds that have holdings in interest-bearing securities.

Value at Risk (VaR)

Value at Risk is another way of measuring and expressing risk, in addition to total risk. Unlike total risk, which is retrospective and calculates how returns in the fund have in fact varied, the Value at Risk approach is prospective and seeks to calculate how much money the fund might lose in one day. Catella uses the Monte Carlo method with a one-day horizon and a 95% level of confidence. A VaR of 1%, for example, thus means that the fund should not lose more than one percent in one day (at 95% probability).

Catella Credit Opportunity, corporate registration number 515602-3482

Catella Fondförvaltning AB
Stockholm, 6 February 2017

Knut Pedersen
Chairman

Erik Kjellgren
CEO

Lars H. Bruzelius

Peter Friberg

Johan Nordenfalk

Thomas Raber

Ando Wikström

Our auditor's report was submitted 6 February 2017.

PricewaterhouseCoopers AB

Patrik Adolfson
Authorised Public Accountant

Auditor's Report

To the unitholders of the Catella Credit Opportunity, a special fund, corporate registration number 515602-3482

Report on the Financial Statements

Opinion

In our capacity as auditors of Catella Fondförvaltning AB, corporate registration number 556533-6210, we have audited the financial statements of Catella Credit Opportunity, a special fund, for 2016.

In our opinion, the financial statements have been prepared in accordance with the Alternative Investment Fund Managers Act of Sweden and Finansinspektionen's regulations regarding alternative investment funds and present fairly, in all material respects, the financial position of Catella Credit Opportunity, a special fund, as of 31 December 2016 and its financial performance for the year in accordance with the Alternative Investment Fund Managers Act and Finansinspektionen's regulations regarding alternative investment funds.

Basis for Opinion

We have conducted the audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under these standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Alternative Investment Fund Manager in accordance with the ethical requirements relevant to our audit of the financial statements in Sweden and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Other Information

Catella Fondförvaltning AB is responsible for the other information. The other information comprises the "Årsredogörelse" and "Årsredogörelse – Sifferdel" but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance or conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work performed concerning this information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management

The Alternative Investment Fund Manager is responsible for the preparation of the financial statements and for their fair presentation in accordance with the Alternative Investment Fund Managers Act of Sweden and with Finansinspektionen's Regulations regarding alternative investment funds and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could be reasonably expected to influence the financial decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Alternative Investment Fund Manager's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Alternative Investment Fund Manager regarding, among other matters, the planned scope, direction and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Stockholm, 6 February 2017
PricewaterhouseCoopers AB

Patrik Adolfson
Authorised Public Accountant