

Annual Report for Catella Hedgefond

**1 January 2016 – 31 December 2016**

## Catella Hedgefond – an eventful year

### **Catella Hedgefond fell by 1.3 percent in 2016, primarily due to a weak beginning to the year and negative performance in our largest equity holding, Unibet.**

The equity market had a weak start to the year due to fears of an economic slowdown in the US and greater anxiety about developments in China. In pace with rising volatility in the equity market and the fund, we instituted changes in the portfolio to mitigate the risk. We reduced the net exposure and redirected the portfolio towards companies with large domestic exposure. The strategy was effective and the fund recovered in parallel with the reduction of risk in the fund. Low risk is one of the cornerstones of the fund. The Brexit referendum in late June had adverse impact on the fund. Shortly after the Brexit vote, Betsson issued a profit warning, which caused the share price in our largest holding, Unibet, to tumble further.

Certain fund managers chose to leave the company during the summer, but the remaining team of two individuals assured continuity until the newly recruited team was in place. It is important to emphasise that the fund rests on the same cornerstones as before - stable returns and low risk. This is achieved through diversification among holdings in both short and long positions, allocations among asset classes and the use of derivatives.

As of summer, our focus has been on reducing holdings with liquidity risk and increasing the number of positions. As a result, gross exposure increased during the latter part of 2016, but at lower liquidity risk. Our efforts are also aimed at building up several equity-specific short positions while reducing derivatives exposure.

We have also diversified the fixed-income portfolio and reduced exposure to real estate and banking. Fund duration remains low, while we have slightly increased the credit risk. All currency exposure in the fixed-income mandate is hedged. Exchange rate effects on the equity portfolio were marginal.

During 2016, we divested the position in the former Unibet, now Kindred Group. In our view, the share was fully valued and we had identified risks related to the tax situation and increased competition. We made new investments during the year in more cyclical companies, such as Outokumpu, Cramo and Storebrand, which were also the top three individual contributors for the year. We also participated in a number of IPOs, including Ahlsell. Unibet, Handelsbanken and Billerudkorsnäs were the largest negative contributors in 2016. Long positions made a positive contribution to return, while short positions resulted in a negative contribution to fund return in 2016. Investments in fixed-income securities made a positive contribution during the year.

Management responsibility was taken over in July 2016 by the team that already included Martin Nilsson and Sven Thorén, after Ulf Strömsten and Mikael Hanell chose to leave the company. They were joined by Martin Jonsson, Anders Wennberg, Thomas Elofsson and Stefan Wigstrand in September 2016, when Magnus Nilsson and Fredrik Tauson left the company.

## Fund facts

Fund manager: Thomas Elofsson, Martin Jonsson, Martin Nilsson, Sven Thorén, Anders Wennberg, Stefan Wigstrand

Unit value ..... 168.36  
 Number of unit holders..... 698  
 Net fund assets (SEKm) ..... 8 503

### YIELD PAST YEAR

Catella Hedgefond.....**-1.26%**  
 Reference rate OMRX TBill .....-0.65%

### AVERAGE ANNUAL YIELD

#### Past two years

Catella Hedgefond..... **1.69%**

#### Past five years

Catella Hedgefond.....**4.91%**

### RISK

**Catella Hedgefond 24-month data.....3.95%**  
 Catella Hedgefond, weekly data, 1 year ....3.93%  
 Duration. 31 Dec 2016 (years).....-0.53  
 Interest-rate risk from 1% change in  
 interest rate. %.....0.39%  
 Active Share (Relevant benchmark not  
 Available).....NA

### TURNOVER/COSTS

Rate of turnover (times/year) ..... 1.41  
 Transaction costs (SEKm).....39.15  
 Percentage of securities traded..... 0.09  
 Management fee..... 1.00%  
 Management fee charged  
 (fixed and variable) ..... 1.00%  
 Ongoing charges.....1.11%

### COSTS FOR TYPE OF SAVING

Lump-sum deposit SEK 10.000  
 Management cost (SEK) .....97.57  
 Monthly savings SEK 100  
 Management cost (SEK) ..... 6.49

### TURNOVER THROUGH ASSOCIATED SECURITIES INSTITUTIONS

Percentage of total turnover .....0.00%

### TURNOVER OF FINANCIAL INSTRUMENTS MANAGED BY CATELLA FONDFÖRVALTNING

Percentage of total turnover  
 Catella SICAV .....0.20%  
 Catella Credit Opportunity .....0.08%

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The Fund is an investment fund

Fund inception: 1 March 2004

Opening price: SEK 100

Dividends: From 2013 the fund will pay no dividend.

Management company: Catella Fondförvaltning AB

Corporate registration number of fund: 515601-9720

PPM fund number: Catella Hedgefond is not a fund within PPM

## BALANCE SHEET AND INCOME STATEMENT

BALANCE SHEET. SEKk	31-Dec-16	31-Dec-15
<b>ASSETS</b>		
Transferable securities (Note 1)	8 525 558	14 837 463
OTC derivatives with positive market value (Note 1)	66 184	54 861
Other derivatives with positive market value (Note 1)	7 772	2 001
Fund units (Note 1)	165 768	276 570
<b>Total financial instruments with positive market value</b>	<b>8 765 282</b>	<b>15 170 895</b>
Bank balances and other cash and cash equivalents	704 055	490 506
Prepaid expenses and accrued income	88 107	112 410
Other assets	76 723	35 336
<b>TOTAL ASSETS</b>	<b>9 634 167</b>	<b>15 809 147</b>
<b>LIABILITIES</b>		
OTC derivatives with negative market value (Note 1)	1 415	0
Other financial instruments with negative market value (Note 1)	1 041 245	282 072
<b>Total financial instruments with negative market value</b>	<b>1 042 660</b>	<b>282 072</b>
Accrued expenses and prepaid income	8 258	19 766
Other liabilities	79 919	14 131
<b>TOTAL LIABILITIES</b>	<b>1 130 837</b>	<b>315 969</b>
<b>NET FUND ASSETS Note 2</b>	<b>8 503 330</b>	<b>15 493 178</b>
<b>MEMORANDUM ITEMS</b>		
Collateral pledged for borrowed financial instruments	1 342 014	419 004
Collateral pledged for OTC derivatives	133 744	34 905
Collateral pledged for other derivatives	159 528	76 845
<b>INCOME STATEMENT. SEKk</b>		
<b>INCOME AND CHANGES IN VALUE</b>		
Change in value of transferable securities	-58 328	312 547
Change in value of OTC derivatives	-68 623	-29 446
Change in value of other derivatives	-391 496	-52 623
Change in value of fund units	15 519	10 437
Interest income	287 609	233 049
Dividends	180 547	132 689
Net foreign exchange gains and losses	-22 221	193 983
Other financial income	4 124	3 000
Other income	0	880
<b>TOTAL INCOME AND CHANGES IN VALUE</b>	<b>-52 869</b>	<b>804 516</b>
<b>EXPENSES</b>		
Management costs		
Payments to companies conducting fund operations	133 055	257 488
Payments to depositary	5 199	4 558
Other financial expenses	32 969	13 195
Other expenses	24 859	15 734
Research cost	9 027	3 672
<b>TOTAL EXPENSES</b>	<b>205 109</b>	<b>294 647</b>
<b>PROFIT FOR THE YEAR</b>	<b>-257 978</b>	<b>509 031</b>
<b>Note 2 TO BALANCE SHEET</b>		
<b>CHANGE IN NET FUND ASSETS</b>	<b>31-Dec-16</b>	<b>31-Dec-15</b>
<b>NET FUND ASSETS AT BEGINNING OF YEAR</b>	<b>15 493 178</b>	<b>8 086 791</b>
Unit sales	4 292 401	10 025 979
Unit redemptions	-11 024 271	-3 128 623

Profit for the year per income statement	-257 978	509 031
<b>NET FUND ASSETS AT END OF PERIOD</b>	<b>8 503 330</b>	<b>15 493 178</b>

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**Aggregate information, borrowed securities** **31-Dec-16**

Market value of borrowed securities, SEKK	1 033 317
Market value of borrowed securities, % of fund assets	12.15%

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**Maturity profile for borrowed securities, distributed among the following maturity ranges**

< one day	
1-7 days	
7 days-1 month	
1-3 months	
3 months-1 year	
> 1 year	
Indefinite maturity	1 033 317

Counterparty in connection with securities borrowing  
SEB, Sweden

The fund pledges cash, fixed-income securities and shares as collateral

Cash	31 500
Fixed-income securities	1 062 044
Shares	248 470
<b>TOTAL PLEDGED COLLATERAL</b>	<b>1 342 014</b>

Settlement and clearing are bilateral  
Custody of collateral pledged by the fund is segregated from the fund's assets

Costs of securities borrowing	
SEKK	4 219
Percent	0.03%

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## FUND'S HOLDINGS OF FINANCIAL INSTRUMENTS

Note 1 Securities	QUANTITY	PRICE	(SEKK)	%
<b>MARKET-LISTED EQUITIES*</b>				
<b>ENERGY</b>				
Aker, Norge, NOK	364 950	323.00	124 362	1.46
Frontline, Bermuda, NOK	567 626	62.00	37 128	0.44
			<b>161 490</b>	<b>1.90</b>
<b>MATERIALS</b>				
Christian Hansen, Danmark, DKK	-155 000	391.10	-78 122	-0.92
Christian Hansen inlånat, Danmark, DKK	155 000	391.10	0	0.00
Hexpol B	-930 245	84.35	-78 466	-0.92
Hexpol B inlånat	930 245	84.35	0	0.00
Holmen B	345 000	326.80	112 746	1.33
Outokumpu, Finland, EUR	1 500 000	8.51	122 226	1.44
SSAB A	-704 314	34.58	-24 355	-0.29
SSAB A inlånat	704 314	34.58	0	0.00
Stora Enso R EUR, Finland, EUR	-400 000	10.21	-39 128	-0.46
Stora Enso R EUR inlånat, Finland, EUR	400 000	10.21	0	0.00
Yara, Norge, NOK	-102 126	340.00	-36 633	-0.43
Yara inlånat, Norge, NOK	102 126	340.00	0	0.00
			<b>-21 732</b>	<b>-0.25</b>
<b>INDUSTRIALS</b>				
A.P. Möller Maersk B, Danmark, DKK	-1 875	11 270.00	-27 232	-0.32
A.P. Möller Maersk B inlånat, Danmark, DKK	1 824	11 270.00	0	0.00
A.P. Möller Mearsk A, Danmark, DKK	2 719	10 670.00	37 387	0.44

Ahlsell	1 458 462	52.00	75 840	0.89
Cramo, Finland, EUR	522 196	23.79	119 021	1.40
Metso, Finland, EUR	380 000	27.10	98 662	1.16
Nordic Waterproofing	37 500	86.50	3 244	0.04
Sandvik	-529 259	112.70	-59 647	-0.70
Sandvik inlånat	529 259	112.70	0	0.00
SKF B	369 961	167.60	62 005	0.73
Tomra Systems, Norge, NOK	300 268	90.50	28 669	0.34
Valmet, Finland, EUR	374 505	13.98	50 161	0.59
Vestas Wind, Danmark, DKK	35 000	459.00	20 703	0.24
Wilh. Wilhelmsen ASA, Norge, NOK	182 457	33.80	6 506	0.08
Wärtsilä B, Finland, EUR	-20 000	42.68	-8 178	-0.10
Wärtsilä B inlånat, Finland, EUR	20 000	42.68	0	0.00
			<b>407 141</b>	<b>4.79</b>
<b>CONSUMER DISCRETIONARY</b>				
Amer Sports, Finland, EUR	131 250	25.28	31 789	0.37
Autooliv SDB, USA	30 000	1 028.00	30 840	0.36
Betsson B	-150 000	87.90	-13 185	-0.16
Betsson B inlånat	150 000	87.90	0	0.00
Electrolux B	548 421	226.30	124 108	1.46
Eniro	12 050 988	0.25	2 990	0.04
Hennes & Mauritz B	538 848	253.40	136 544	1.60
Husqvarna B	454 984	70.85	32 236	0.38
Scandic Hotels Group AB	495 375	76.50	37 896	0.45
Schibsted A, Norge, NOK	381 250	198.10	79 680	0.94
Schibsted, Norge, NOK	205 380	183.00	39 652	0.47
XXL, Norge, NOK	112 500	98.00	11 631	0.14
			<b>514 181</b>	<b>6.05</b>
<b>CONSUMER STAPLES</b>				
Arcus, Norge, NOK	287 500	44.50	13 497	0.16
Ica Gruppen	-83 773	277.90	-23 281	-0.27
Ica Gruppen inlånat	83 773	277.90	0	0.00
Kesko B, Finland, EUR	-75 000	47.48	-34 117	-0.40
Kesko B inlånat, Finland, EUR	62 500	47.48	0	0.00
Marine Harvest, Norge, NOK	397 932	155.70	65 366	0.77
NNIT, Danmark, DKK	-70 405	204.00	-18 509	-0.22
NNIT inlånat, Danmark, DKK	62 518	204.00	0	0.00
SCA B	384 718	257.30	98 988	1.16
			<b>101 944</b>	<b>1.20</b>
<b>HEALTHCARE</b>				
Alligator Bioscience	1 076 923	34.80	37 477	0.44
Attendo	855 000	78.75	67 331	0.79
Coloplast B, Danmark, DKK	-130 000	476.30	-79 795	-0.94
Coloplast B inlånat, Danmark, DKK	130 000	476.30	0	0.00
Elekta B	557 449	80.60	44 930	0.53
Getinge B	-290 000	146.10	-42 369	-0.50
Getinge B inlånat	290 000	146.10	0	0.00
GN Store Nord, Danmark, DKK	-276 345	146.30	-52 101	-0.61
GN Store Nord inlånat, Danmark, DKK	276 345	146.30	0	0.00
Humana	200 000	71.75	14 350	0.17
Novozymes B, Danmark, DKK	-200 000	243.50	-62 760	-0.74
Novozymes B inlånat, Danmark, DKK	180 000	243.50	0	0.00
			<b>-72 937</b>	<b>-0.86</b>
<b>FINANCIALS</b>				
Danske Bank, Danmark, DKK	350 000	214.20	96 614	1.14
Handelsbanken A	-1 200 000	126.60	-151 919	-1.79
Handelsbanken A inlånat	1 200 000	126.60	0	0.00
Investor B	-500	340.50	-170	0.00
Investor B inlånat	500	340.50	0	0.00
Kinnevik B	-233 331	218.30	-50 936	-0.60

Kinnevik B inlånat	262 500	218.30	0	0.00
Lundbergsföretagen B	-18 750	558.50	-10 472	-0.12
Lundbergsföretagen B inlånat	18 750	558.50	0	0.00
Nordea Bank	-300 000	101.30	-30 390	-0.36
Nordea Bank inlånat	300 000	101.30	0	0.00
Storebrand, Norge, NOK	3 000 000	45.92	145 337	1.71

**-1 936      -0.02**

#### INFORMATION TECHNOLOGY

Edgeware	740 000	29.00	21 460	0.25
Ericsson B	1 139 890	53.50	60 984	0.72
Mycronic Mydata	550 987	98.00	53 997	0.64
Nokia EUR, Finland, EUR	-989 240	4.59	-43 483	-0.51
Nokia EUR inlånat, Finland, EUR	989 240	4.59	0	0.00

**92 958      1.10**

#### TELECOMMUNICATION SERVICES

DNA, Finland, EUR	1 250 000	10.15	121 555	1.43
Elisa, Finland, EUR	-128 689	30.93	-38 135	-0.45
Elisa inlånat, Finland, EUR	128 689	30.93	0	0.00
Millicom Int. Cellular SDB, Luxemburg	62 500	389.30	24 331	0.29
Tele 2 B	1 869 996	73.05	136 603	1.61
Telia Company	1 500 000	36.71	55 065	0.65

**299 419      3.53**

#### REAL ESTATE

Balder B	-145 000	184.10	-26 694	-0.31
Balder B inlånat	145 000	184.10	0	0.00
Corem Property Group Pref	1 530 696	142.00	217 359	2.56
Fabege	-75 000	148.90	-11 168	-0.13
Fabege inlånat	75 000	148.90	0	0.00
Fast Partner Pref	453 051	320.00	144 976	1.70
Klövern	2 591 308	9.54	24 734	0.29
Sagax Pref	576 338	30.40	17 521	0.21

**366 728      4.32**

#### TOTAL MARKET-LISTED EQUITIES

**1 847 256      21.72**

#### MARKET –LISTED BONDS\*

A.P. Möller Maersk FRN 210622, Danmark, NOK	75 000 000	100.40	79 442	0.93
Akelius FRN 190327	20 000 000	104.07	20 814	0.24
Arise Windpower FRN 190425	40 909 050	95.00	38 864	0.46
Aviva 5,9021% 490727, Storbritannien, GBP	7 000 000	102.56	80 552	0.95
B2 FRN 211004, Norge, EUR	7 000 000	102.21	68 546	0.81
BE Bio Energy FRN 190610	46 000 000	84.38	38 812	0.46
Betsson FRN 191128	50 000 000	100.98	50 492	0.59
Bonheur FRN 190709, Norge, NOK	30 000 000	97.92	30 991	0.36
Catena Media FRN 190916, Malta, EUR	5 000 000	100.50	48 143	0.57
Cidron Delfi Intressenter 8,5% 171127, EUR	6 000 000	101.50	58 346	0.69
Color Group FRN 171218, Norge, NOK	10 500 000	102.92	11 401	0.13
Corral Petroleum 11,75% 210515, EUR	3 000 000	97.88	28 131	0.33
Danske Bank 5,683% 490215, Danmark, GBP	12 727 000	100.26	143 175	1.68
Danske Bank 5,119% 490815, Danmark	39 000 000	102.63	40 027	0.47
DNB Bank 6,011% 490329, Norge, GBP	8 481 000	100.32	95 468	1.12
Dong Energy 4,875% 180708, Danmark, EUR	5 000 000	105.02	50 308	0.59
Exmar FRN 170707, Nederländerna, NOK	30 000 000	97.25	30 780	0.36
FastPartner FRN 190922	50 000 000	101.47	50 736	0.60
Golar LNG Partners FRN 171012, Bermuda, NOK	40 000 000	101.32	42 756	0.50
Golden Heights FRN 190618	25 000 000	100.25	25 062	0.29
Heimstaden FRN 190916	20 000 000	99.81	19 962	0.23
Hemfosa FRN 170404	35 000 000	100.46	35 163	0.41
Hexagon FRN 191126	75 000 000	100.67	75 502	0.89
IB Bostad 18 AB FRN 181021, NOK	18 000 000	101.00	19 180	0.23

Ikano Bank FRN 200415	45 000 000	99.04	44 567	0.52
Ikano Bostad FRN 190325	72 000 000	101.26	72 906	0.86
JSM Financial Group 8% 170331	25 000 000	100.62	25 156	0.30
Kommuninvest i Sverige 2,25% 190312	250 000 000	105.78	264 458	3.11
Kommuninvest i Sverige 0,75 % 200216	200 000 000	102.68	205 351	2.42
Lauritz FRN 190617, Danmark	9 176 460	91.00	8 351	0.10
Lifco 1,11% 180403	100 000 000	100.82	100 820	1.19
LLoyds TSB Bank 4,385% 490512, Storbritannien, EUR	5 000 000	107.68	51 582	0.61
Lock FRN 200815 EUR, Norge, EUR	3 000 000	100.74	28 956	0.34
Lock FRN 220815, Norge	135 000 000	113.00	152 550	1.79
Millicom 6,625% 211015, Luxemburg, USD	2 000 000	105.93	19 240	0.23
Moberg Pharma FRN 210129	45 000 000	104.00	46 800	0.55
Nibe FRN 200528	44 000 000	100.51	44 225	0.52
Norcell Sweden Holding 3 3,625% 210623	40 000 000	102.44	40 975	0.48
Nordea Hypotek 2,25% 5530 190619	200 000 000	105.78	211 566	2.49
Nordea Hypotek 3,25% 5521 200617	100 000 000	110.47	110 472	1.30
Norlandia FRN 180410, Norge, NOK	18 000 000	102.55	19 474	0.23
Norlandia FRN 211220, Norge	80 000 000	100.38	80 300	0.94
Norwegian Air Shuttle FRN 170703, Norge, NOK	40 000 000	100.35	42 347	0.50
Nykredit Realkredit 2,75% 271117, Danmark, EUR	5 000 000	102.47	49 085	0.58
Perstorp Holding 7,625% 210630, EUR	23 000 000	101.53	223 717	2.63
Polygon FRN 190416, EUR	9 300 000	100.62	89 657	1.05
Protector Forsikring FRN 460419, Norge, NOK	40 000 000	103.13	43 520	0.51
Sagax FRN 210427	20 000 000	104.72	20 944	0.25
Sampo FRN 180529, Finland	60 000 000	101.22	60 732	0.71
SEB 3% 180620	200 000 000	104.97	209 937	2.47
SPP Livförsäkring FRN 490527	5 000 000	101.35	5 067	0.06
SSAB FRN 190225	30 000 000	100.42	30 125	0.35
Stadshypotek 3% 1580 180321	300 000 000	104.22	312 663	3.68
Stadshypotek 2,5% 1582 190918	200 000 000	106.86	213 721	2.51
Stolt Nielsen FRN 210318, Norge, NOK	50 000 000	93.96	49 562	0.58
Storebrand FRN 180529, Norge, NOK	36 000 000	100.52	38 177	0.45
Swedbank Hypotek 3,75% 188 190619	200 000 000	109.48	218 966	2.58
Swedbank Hypotek 5,7% 180 200512	200 000 000	118.52	237 031	2.79
Swedbank 5,5% 490317, USD	12 600 000	99.70	114 084	1.34
Swedbank 6% 491229, USD	3 000 000	100.76	27 450	0.32
Svensk Hypotekspension 2% 200127	50 000 000	102.12	51 062	0.60
TDC 3,5% 210226, Danmark, EUR	5 000 000	95.80	45 892	0.54
Teekay FRN 211028, Bermuda, NOK	30 000 000	100.75	31 887	0.38
Vattenfall FRN 770319	100 000 000	96.68	96 678	1.14
Vattenfall 3,125% 220319	185 000 000	98.96	183 076	2.5
Veritas 7% 190401, Norge, USD	5 600 000	95.50	48 566	0.57
Volvo Treasury FRN 180226	60 000 000	101.05	60 632	0.71
Volvo Treasury 4,2% 750610	10 000 000	104.18	99 810	1.17
Volvo Treasury 4,85% 780310, EUR	2 500 000	104.89	25 123	0.30
Volvo Treasury FRN 180613	70 000 000	100.09	70 065	0.82
VV Holding FRN 190710, Norge, NOK	50 000 000	92.92	49 015	0.58

**5 458 993 64.19**

**TOTAL MARKET-LISTED BONDS**

**5 458 993 64.19**

**NOT LISTED BONDS\*\***

Cabot Financial 7,5% 231001, Luxemburg, GBP	5 000 000	100.66	56 472	0.66
Color Group FRN 190918, Norge, NOK	10 000 000	104.45	11 019	0.13
Corral Petroleum 12,25% 210515	52 000 000	96.51	50 186	0.59
North Atlantic Drilling 6,25% 190201, Bermuda, USD	6 400 000	22.00	12 786	0.15
Stena 5,75% 240301, USD	6 000 000	87.36	47 601	0.56

**178 064 2.09**

**TOTAL NOT LISTED BONDS**

**178 064 2.09**



<b>TOTAL TRANSFERABLE SECURITIES</b>			7 484 313	88.02
TRANSFERABLE SECURITIES WITH POSITIVE MARKET VALUE			8 525 558	
TRANSFERABLE SECURITIES WITH NEGATIVE MARKET VALUE			-1 041 245	
<b>FUND UNITS</b>				
Catella Credit Opportunity	435 271,2391	105.23	45 804	0.54
Catella Nordic Long/Short Equity IC, Luxembourg	669 565,1195	147.80	98 962	1.16
Catella Nordic Long/Short Equity RC, Luxembourg	140 000	149.99	20 999	0.25
			<b>165 764</b>	<b>1.95</b>
<b>TOTAL FUND UNITS</b>			<b>165 764</b>	<b>1.95</b>
<b>EXCHANGE TRADED DERIVATIVES</b>				
<b>Index option</b>				
OMX 17 S jan	750	19.63	1 472	0.02
OMX 17 S mars	1 500	42.00	6 300	0.07
			<b>7 772</b>	<b>0.09</b>
<b>Indexfuture</b>				
OMX FUTURE 170120	-6 984	1 519.00	0	0.00
			<b>0</b>	<b>0.00</b>
<b>Bond Future</b>				
Swe Gov Bond Future 10Y	-920	0.57	0	0.00
			<b>0</b>	<b>0.00</b>
<b>TOTAL EXCHANGE TRADED DERIVATIVES</b>			7 772	0.09
EXCHANGE TRADED DERIVATIVES WITH POSITIVE MARKET VALUE			7 772	0.09
EXCHANGE TRADED DERIVATIVES WITH NEGATIVE MARKET VALUE			0	0.00
<b>OTC DERIVATIVES</b>				
<b>FX Forwards</b>				
FXFWD EURSEK 170315 9.7135, Europa, EUR	-90 000 000	9.58	12 452	0.15
FXFWD EURSEK170322 9.72845, Europa, EUR	-42 000 000	9.57	6 459	0.08
FXFWD GBPSEK 170315 11.6111, Storbritannien, GBP	-33 400 000	11.20	13 771	0.16
FXFWD GBPSEK 170322 11.550119, Storbritannien, GBP	1 000 000	11.20	-353	0.00
FXFWD GBPSEK170322 11.6087, Storbritannien, GBP	-1 000 000	11.20	412	0.00
FXFWD NOKSEK 170315 1.08117, Norge, NOK	-455 000 000	1.05	13 553	0.16
FXFWD NOKSEK170322 1.08085, Norge, NOK	-516 000 000	1.05	15 406	0.18
FXFWD USDSEK 170315 9.12455, USA, USD	-21 000 000	9.05	1 477	0.02
FXFWD USDSEK 170315 9.319409, USA, USD	4 000 000	9.05	-1 062	-0.01
FXFWD USDSEK170315 9.2630, USA, USD	-12 700 000	9.05	2 654	0.03
			<b>64 769</b>	<b>0.76</b>
<b>TOTAL OTC DERIVATIVES</b>			<b>64 769</b>	<b>0.76</b>
OTC DERIVATIVES WITH POSITIVE MARKET VALUE			66 184	
OTC DERIVATIVES WITH NEGATIVE MARKET VALUE			-1 415	
<b>TOTAL HOLDINGS OF FINANCIAL INSTRUMENTS</b>			<b>7 722 622</b>	<b>90.82</b>
<b>OTHER ASSETS AND LIABILITIES</b>			<b>780 724</b>	<b>9.18</b>
<b>TOTAL</b>			<b>8 503 330</b>	<b>100.00</b>

\* 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.

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**SUMMARY, ISSUERS\***


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ISSUER	% of net fund assets*
SEB AB	11.51
Volvo Treasury AB	4.57
Vattenfall AB	3.29
Catella Nordic Long/Short Equity	0.54
Schibsted ASA	1.41
A.P. Möller-Maersk A/S	0.12
OMXS30	0.09

\* 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.

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**ADDITIONAL DISCLOSURES, FINANCIAL INSTRUMENTS**


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Financial instruments expected to be admitted to trading on a regulated market within one year of issue are:

Perstorp Holding 7,625% 210630  
 SBB Bostad FRN 181021  
 Teekay LNG Partners FRN 211028  
 Norlandia FRN 211220

**COUNTERPARTIES FINANCIAL DERIVATIVE TRANSACTIONS**


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COUNTERPART	Collateral received
Nordea	0
SEB	0
Carnegie	0
Danske Bank	0
Handelsbanken	0
Merill Lynch Int.	0
Nordea	0

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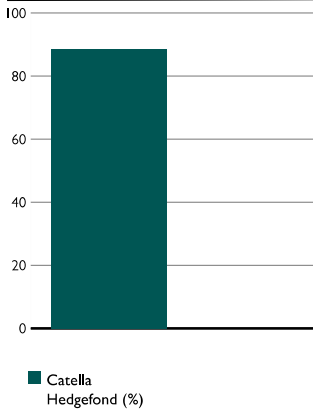
**HISTORICAL FUND ASSET, NET ASSET VALUE. NUMBER OF UNITS AND DIVIDENDS**


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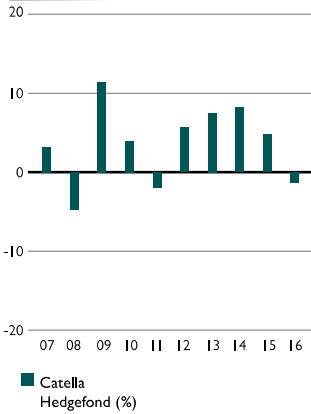
	Dividend	Unit Value	No of	Net fund assets
Date	SEK/unit	SEK	units	SEKk
071231	0.00	137.16	52 849 535	7 248 722
081231	2.74	128.13	34366768	4 403 545
091231	6.40	136.06	37678675	5 126 429
101231	0.86	140.57	32831919	4 615 325
111231	0.79	137.12	24878484	3 411 382
121231	4.78	139.93	25259078	3 534 419
131231	0.00	150.43	29125169	4 381 358
141231	0.00	162.80	49674014	8 086 791
151231	0.00	170.50	90871337	15 493 178
161231	0.00	168.36	50 507 033	8 503 330

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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 securities, but has exercised its right to borrow securities.

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

Highest leverage	Lowest leverage	Average leverage
119.77%	7.41%	43.48%

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 December 31, 2016	Highest 2016	Lowest 2016	Average 2016
0.22%	0.77%	0.18%	0.34%

## 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

1. 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 unit holders 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 on remuneration**

See pages 12 for information about remuneration paid in 2016 by Catella Fondförvaltning AB. Information is also provided on the website ([www.catella.se/fonder](http://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 Hedgefond took advantage of this opportunity in 2016.

### **Related-party transactions**

Trading with related companies has taken place during the period, as detailed under "Facts about the fund".

### **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 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 for a 1 percentage 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 Hedgefond, corporate registration number 515601-9720

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 Hedgefond, a special fund, corporate registration number 515601-9720

### 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 Hedgefond, 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 Hedgefond, 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.

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