

# Annual Report for Catella Avkastningsfond

I January 2017 – 31 December 2017

## Favourable environment for bond funds

### The fund rose by 0.99 percent after fees and the risk level was low.

Despite the low interest rate situation at the beginning of 2017, the environment for bond funds was relatively favourable in 2017. Government bond rates rose initially, but slipped at the end of the first half, reaching the lowest levels of the year in mid-June. Even though growth was stronger than expected and the rate of inflation was close to the Riksbank's target of 2 percent in the final months of the year, government bond rates ended essentially on par with levels at the beginning of the year.

The main objective of the fund is to generate predictable return regardless of the market climate. It is a challenge for the fund to generate return in the current environment, with its low absolute rate levels for government bonds and the historically low compensation that can be gained for taking higher risk in corporate bonds with high credit ratings. Nevertheless, the fund returned 0.99 percent in 2017, slightly higher than we anticipated at the beginning of the year.

Breaking down the return, we can see that one-third was generated by bonds with high credit ratings and one-third of the fund's return was generated by high yield bonds. Furthermore, investments in cash and cash equivalent securities also contributed to the fund's return during the year. Trade in fixed income derivatives during the year accounted for a quarter of the fund's return. The main positive contributors to return were the holdings in Vattenfall, RSA, Storebrand and Bergvik Skog.

After strong performance, the holding in Vattenfall was sold during the year, having contributed 0.10 percentage points to the fund's results. No single holding reduced the fund's performance by more than 0.01 percentage points. Trade in Swedish interest rate futures made a positive contribution to return during the year.

There were essentially no currency effects because the portfolio's holdings in bonds issued in foreign currency are hedged back to SEK.

## Fundfacts

Fund manager: Thomas Elofsson, Stefan Wigstrand

Unit value ..... 128.98  
 Number of unit holders..... 295  
 Net fund assets (SEKm) ..... 6 318

### YIELD PAST YEAR

**Catella Avkastningsfond ..... 0.99%**  
 Benchmark index  
 (50% OMRX TBill + 50% OMRX TBond).-0.31%

### AVERAGE ANNUAL YIELD

#### Past two years

**Catella Avkastningsfond ..... 0.93%**  
 Benchmark index  
 (50% OMRX TBill + 50% OMRX TBond).0.69%

#### Past five years

**Catella Avkastningsfond ..... 1.41%**  
 Benchmark index  
 (50% OMRX TBill + 50% OMRX TBond).1.19%

### RISK

**Total risk fund ..... 0.92%**  
 Total risk benchmark  
 (50% OMRX TBill + 50% OMRX TBond).1.55%  
 Active risk..... 1.87%  
 Duration, 31 Dec 2017 (years)..... 0.16  
 Interest-rate risk from 1% change in  
 interest rate, %..... -0.15%

### TURNOVER/COSTS

Rate of turnover (times/year) ..... 0.77  
 TTC, Transaction costs (SEKm) ..... 0.23  
 percentage of securities traded ..... 0.00%  
 SC costs (SEKm)..... 0.00  
 TER..... 0.72  
 Management fee..... 0.70%  
 Ongoing charges..... 0.72%

### COSTS FOR TYPE OF SAVING

Lump-sum deposit SEK 10.000  
 Management cost (SEK)..... 70.51  
 Monthly savings SEK 100  
 Management cost (SEK) ..... 4.55

### 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: 1 February 1999

Opening price: SEK 100

Dividends: From 2013 the fund will pay no dividend.

Management company: Catella Fondförvaltning AB

Corporate registration number of fund: 504400-5147

PPM fund number: I 12 755

## BALANCE SHEET AND INCOME STATEMENT

<b>BALANCE SHEET, SEKk</b>	<b>31-Dec-17</b>	<b>31-Dec-16</b>
<b>ASSETS</b>		
Transferable securities (Note 1)	4 829 567	7 137 736
Money market instruments (Note 1)	1 068 765	0
OTC derivatives with positive market value (Note 1)	5 274	12 311
Unit Funds (Note 1)	64 457	60 518
<b>Total financial instruments with positive market value</b>	<b>5 968 063</b>	<b>7 210 565</b>
Bank balances and other cash and cash equivalents	327 515	439 280
Prepaid expenses and accrued income	36 063	61 295
Other asset	1 877	0
<b>TOTAL ASSETS</b>	<b>6 333 518</b>	<b>7 711 140</b>
Accrued expenses and prepaid income	3 780	4 576
Other liabilities	12 228	6 290
<b>TOTAL LIABILITIES</b>	<b>16 008</b>	<b>10 866</b>
<b>NET FUND ASSETS Note 2</b>	<b>6 317 510</b>	<b>7 700 274</b>
<b>MEMORANDUM ITEMS</b>		
Collateral pledged for OTC derivatives	11 650	26 630
Collateral pledged for other derivatives	16 533	12 403
<b>INCOME STATEMENT, SEKk</b>		
<b>INCOME AND CHANGES IN VALUE</b>		
Change in value of transferable securities	-45 142	24 172
Change in value of OTC derivatives	4 059	-66 752
Change in value of money market instruments	983	0
Change in value of fund units	3 939	518
Change in value of other derivatives	33 976	-5 030
Interest income	118 922	161 998
Net foreign exchange gains and losses	12	17 152
Other income	598	22
<b>TOTAL INCOME AND CHANGES IN VALUE</b>	<b>117 347</b>	<b>132 080</b>
<b>EXPENSES</b>		
<b>Management costs</b>		
Payments to companies conducting fund operations	47 473	62 307
Payments to depositary	971	1 331
Other expenses	215	26
<b>TOTAL EXPENSES</b>	<b>48 659</b>	<b>63 664</b>
<b>PROFIT FOR THE YEAR</b>	<b>68 688</b>	<b>68 416</b>
<b>Note 2 TO BALANCE SHEET</b>		
<b>CHANGE IN NET FUND ASSETS</b>	<b>31-Dec-17</b>	<b>31-Dec-16</b>
<b>NET FUND ASSETS AT BEGINNING OF YEAR</b>	<b>7 700 274</b>	<b>11 312 506</b>
Unit sales	794 975	1 361 088
Unit redemptions	-2 246 427	-5 041 736
Profit for the year per income statement	68 688	68 416
<b>NET FUND ASSETS AT END OF PERIOD</b>	<b>6 317 510</b>	<b>7 700 274</b>

## FUND'S HOLDINGS OF FINANCIAL INSTRUMENTS

Note   Securities	QUANTITY	PRICE	(SEKk)	%
<b>MARKET –LISTED BONDS*</b>				
<b>GOVERNMENT</b>				
Statsobligation loan 1047 201201	120 000 000	115.88	139 052	2.20
Statsobligation loan 1052 190312	20 000 000	106.06	21 211	0.34
Statsobligation loan 1054 220601	150 000 000	115.97	173 955	2.75
Statsobligation loan 1058 250512	20 000 000	115.54	23 108	0.37
Statsobligation loan 1060 280512	50 000 000	99.84	49 920	0.79
			<b>407 246</b>	<b>6.45</b>
<b>OTHER</b>				
ÅF FRN 200512	60 000 000	101.07	60 642	0.96
Bakkafrost FRN 180214, Norway, NOK	47 000 000	100.36	47 200	0.75
Danske Bank FRN 180403, Denmark	200 000 000	100.09	200 179	3.17
DSV FRN 220318, Denmark, DKK	70 000 000	104.25	96 356	1.53
Handelsbanken FRN 271115	32 000 000	100.12	32 039	0.51
Heimstaden FRN 210518	74 000 000	98.73	73 059	1.16
Hexagon FRN 191126	125 000 000	101.06	126 327	2.00
Hoist Kredit 1,125% 211004, EUR	5 500 000	99.74	53 930	0.85
ICA Gruppen FRN 190617	70 000 000	101.33	70 931	1.12
Ikano Bank FRN 181114	70 000 000	100.25	70 178	1.11
Ikano Bostad FRN 190325	100 000 000	101.04	101 040	1.60
Intea Fastigheter FRN 220507	90 000 000	100.43	90 383	1.43
Ixat Intressenter FRN 200612	55 000 000	100.62	55 344	0.88
Kommuninvest i Sverige 2,5% 201201	70 000 000	107.48	75 234	1.19
Landshypotek FRN 211025	100 000 000	102.02	102 022	1.61
Lifco 1,11% 180403	100 000 000	100.26	100 258	1.59
LKAB FRN 191209	45 000 000	100.10	45 045	0.71
Nibe FRN 190603	16 000 000	100.78	16 125	0.26
Nibe FRN 200528	44 000 000	101.29	44 568	0.71
Nibe FRN 220411	29 000 000	101.42	29 413	0.47
Nordea Hypotek 2,25% 5530 190619	200 000 000	103.75	207 492	3.28
Nordea Hypotek 3,25% 5521 200617	200 000 000	108.01	216 020	3.42
Norlandia FRN 211220, Norway	20 000 000	100.80	20 159	0.32
Nya Svensk Fastighets Finansiering FRN 200309	120 000 000	100.51	120 609	1.91
Samhällsbyggnadsbolag FRN 200406	40 000 000	102.17	40 867	0.65
Scania 0,35% 191011	25 000 000	100.36	25 089	0.40
SCBC 2% 200617	200 000 000	104.94	209 880	3.32
SEB 200617	200 000 000	103.71	207 423	3.28
SEB Hypotek 572 3% 190619	100 000 000	104.85	104 846	1.66
Silk Bidco 220201, Norway, EUR	5 000 000	104.04	51 142	0.81
Sirius International 4,6% 261101, Bermuda, USD	4 100 000	98.02	32 909	0.52
Skandiabanken FRN 191021	190 000 000	101.29	192 453	3.05
Sparbanken Syd FRN 191021	54 000 000	100.66	54 354	0.86
Stadshypotek 1582 2,5% 190918	200 000 000	104.70	209 391	3.31
Stadshypotek 1583 4,25% 200617	200 000 000	110.47	220 932	3.50
Stadshypotek 2011 FRN 190403	100 000 000	101.68	101 682	1.61
Storebrand FRN 180529, Norway, NOK	80 000 000	100.94	80 804	1.28
Storebrand FRN 490331, Norway, NOK	35 000 000	102.30	35 825	0.57
Swedbank Hypotek 180 5,7% 200512	200 000 000	113.56	227 122	3.60
Swedbank Hypotek 189 201216	200 000 000	102.52	205 030	3.25
Södra Skogsägarna FRN 210607	100 000 000	102.40	102 399	1.62
TVO 3,875% 180913, Finland	62 000 000	102.42	63 503	1.01
Vacse FRN 190603	120 000 000	101.61	121 936	1.93
			<b>4 342 140</b>	<b>68.73</b>
<b>TOTAL MARKET – LISTED BONDS</b>			<b>4 749 386</b>	<b>75.18</b>

Note   Securities	QUANTITY	PRICE	(SEKk)	%
<b>NOT LISTED BONDS**</b>				
Laeringsverkstedet FRN 220601, Norway, NOK	50 000 000	102.12	51 093	0.81
RSA Insurance Group FRN PERP, Great Britain	15 000 000	105.98	15 897	0.25
Storebrand FRN 200511, Norway, NOK	13 000 000	101.41	13 191	0.21
			<b>80 181</b>	<b>1.27</b>
<b>TOTAL NOT LISTED BONDS</b>			<b>80 181</b>	<b>1.27</b>
<b>TOTAL TRANSFERABLE SECURITIES</b>			<b>4 829 567</b>	<b>76.45</b>
<b>COMMERCIAL PAPER*</b>				
ÅF cert 180307	10 000 000	99.96	9 996	0.16
Ahlsell cert 180305	40 000 000	99.98	39 992	0.63
Ahlsell cert 180405	20 000 000	99.94	19 988	0.32
Ambea cert 180315	100 000 000	99.94	99 938	1.58
Bavida cert 180227	30 000 000	99.98	29 996	0.47
Bavida cert 180129	69 000 000	100.00	68 997	1.09
Bavida cert 180327	30 000 000	99.97	29 991	0.47
Bergvik cert 180118	30 000 000	100.00	29 999	0.47
Bergvik cert 180319	50 000 000	99.98	49 992	0.79
Bonnier cert 180207	50 000 000	99.99	49 993	0.79
Capio cert 180312	25 000 000	99.97	24 994	0.40
Com Hem cert 180301	50 000 000	99.98	49 991	0.79
Hexagon cert 180112	50 000 000	100.00	49 999	0.79
Hexagon cert 180117	50 000 000	100.00	49 999	0.79
Hexagon cert 180205	45 000 000	100.00	44 999	0.71
Indutrade cert 180212	50 000 000	100.00	50 000	0.79
Indutrade cert 180320	20 000 000	99.98	19 996	0.32
Intrum Justitia cert 180228	50 000 000	99.97	49 987	0.79
Intrum Justitia cert 180305	100 000 000	99.95	99 950	1.58
Loomis cert 180313	100 000 000	99.97	99 966	1.58
MTG cert 180129	50 000 000	100.01	50 003	0.79
MTG cert 180205	50 000 000	100.00	49 999	0.79
			<b>1 068 765</b>	<b>16.92</b>
<b>TOTAL COMMERCIAL PAPER</b>			<b>1 068 765</b>	<b>16.92</b>
<b>FUNDS UNITS</b>				
Catella Credit Opportunity	575 043.13	112.09	64 457	1.02
			<b>64 457</b>	<b>1.02</b>
<b>TOTAL FUND UNITS</b>			<b>64 457</b>	<b>1.02</b>
<b>EXCHANGE TRADED DERIVATIVES</b>				
<b>Bond Future</b>				
Swe Gov. Bond Future 10Y	-450	0.81	0	0.00
			<b>0</b>	<b>0.00</b>
<b>TOTAL EXCHANGE TRADED DERIVATIVES</b>			<b>0</b>	<b>0.00</b>
Exchange traded derivatives with positive market value			<b>0</b>	<b>0.00</b>
Exchange traded derivatives with negative market value			<b>0</b>	<b>0.00</b>

## OTC-DERIVATIVES

### Fx-Forwards

FXFWD DKKSEK 180314 1.3350, Denmark, DKK	-71 000 000	1.32	1 065	0.02
FXFWD EURSEK 180314 9.9315, Europe, EUR	-11 000 000	9.83	1 134	0.02
FXFWD NOKSEK 180314 1.0077, Norway, NOK	-221 000 000	1.00	2 102	0.03
FXFWD USDSEK 180314 8.3983, USA, USD	-4 000 000	8.16	973	0.02

5 274 0.08

### TOTAL OTC-DERIVATIVES

5 274 0.08

OTC derivatives with positive market value

5 274 0.08

OTC derivatives with negative market value

0 0.00

### TOTAL HOLDINGS OF FINANCIAL INSTRUMENTS

5 968 063 94.47

### OTHER ASSETS AND LIABILITIES

349 449 5.53

### TOTAL

6 317 510 100.00

\* 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	10.21
Stadshypotek AB	8.42
Svenska Staten	6.45
Hexagon AB	4.29
ÅF AB	1.12

\* 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:

No occurrences

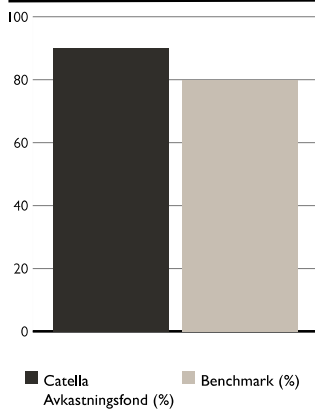
## COUNTERPARTIES FINANCIAL DERIVATIVE TRANSACTIONS

COUNTERPART	Collateral received
SEB	0
Danske Bank	0

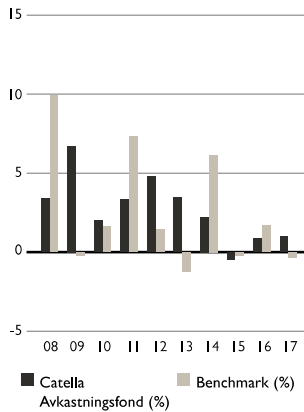
## HISTORICAL FUND ASSET, NET ASSET VALUE, NUMBER OF UNITS AND DIVIDENDS

Date	Dividend	Unit Value	No of units	Net fund assets
	SEK/unit	SEK	units	SEKk
081231	4.95	112.49	3 305 270	371 804
091231	2.60	117.32	9 829 838	1 153 253
101231	1.89	117.74	18 024 405	2 122 222
111231	3.68	117.94	15 701 555	1 851 768
121231	3.27	120.26	25 119 593	3 020 900
131231	0.00	124.40	50 483 539	6 279 941
141231	0.00	127.17	98 740 463	12 556 422
151231	0.00	126.61	89 352 751	11 312 506
161231	0.00	127.72	60 291 381	7 700 274
171231	0.00	128.98	48 982 359	6 317 510

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 and aims to create leverage in the fund. Leverage means that the fund's investment scope is greater than the investment scope consequent upon capital contributed by unit holders.

During the period the fund did not exercise its right to issue securities lending.

Derivatives used during the period have been currency forward contracts to reduce currency risk.

Leverage calculated as the sum of the derivative instruments' underlying exposed gross values

Maximum leverage	Minimum leverage	Average leverage
23.00%	5.13%	11.16%

Risk assessment method for the calculation of total exposures: Commitment method



## 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 December 2017, 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 2017 financial year

Business unit:	Executive management	Employees with strategic positions,	Control functions	Employees who can affect the level of risk in the Company or the funds	Employees whose total remuneration equals or exceeds the total remuneration paid to any member of executive management	Other employees	Total
Number of employees:	1	4	4	16	4	14	43
Remuneration:	Amount (SEK)	Amount (SEK)	Amount (SEK)	Amount (SEK)	Amount (SEK)	Amount (SEK)	Amount (SEK)
Total remuneration paid	4,195,373	7,140,149	4,137,805	26,667,442	0	13,978,370	56,119,139
Total fixed pay disbursed in 2017	2,093,373	5,776,149	4,137,805	20,759,442	0	3,259,037	36,025,806
Total variable pay disbursed in 2016 and preceding years	2,102,000	1,364,000	0	5,908,000	0	10,719,333	20,093,333

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 2018 we reported your share of the fund's costs for 2017.

"Management costs" are your share of the fund's expenses in 2017 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

Investment funds apply the Swedish Investment Funds Act (SFS 2004:46), Finansinspektionen's regulations FFFS 2013:9, 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 29 December 2017. 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 29 December 2017.

DKK	1.3204
EUR	9.8313
NOK	1.0006
USD	8.1890

## 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**

Chapter 15, Section 9 of Swedish Financial Supervisory Authority (Finansinspektionen) Regulations regarding investment funds and Article 37 of the EU Commission Delegated Regulation, require the board of directors of a fund management company and an alternative investment fund manager to adopt internal rules specifying the strategies the company shall 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 shareholder influence, including how and in what situations the voting rights linked to investments made within the context of the company's business shall be exercised. The fundamental precept in all situations is that Catella Fonder shall act solely in the joint interests of fund unit holders 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 unit holders may at any time withdraw their money from the funds. It is therefore essential that Catella Fonder is able to sell its shares as necessary and without delay.

### **2. Policy for exercising 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 a company's development gives 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, either independently or jointly with other shareholders, if in the judgement of Catella Fonder it is possible thereby 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 unit holders, 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 voting rights and monitoring 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 separated from these other operations, and Catella Fonder shall therefore in exercising its voting rights consider only the best interests of unit holders, 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) concerning specific matters may be deemed to the benefit of unit holders. 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 fund rules for each respective fund. When Catella Fonder exercises its voting rights, an assessment is made in every instance as to whether any conflict of interest may arise for the fund or fund unit holders 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 of Catella Fonder and to the Board of Directors.
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 on key individual ownership issues and the underlying rationale in each case.

## 6. Information policy concerning social and environmental responsibility and governance

Catella Fonder has taken a clear ethical stance by signing the Principles for Responsible Investments (UN PRI), and by adopting a policy for responsible investment and by generally and transparently disclosing its work with ethics. This is the backbone of our ethical profile. Based on our own values and our clients' preferences, this position has resulted in the integration of environmental, social and governance aspects with our management activities. The policy applies to Catella Fonder's equity funds, except Catella Sverige Index, and their Nordic equity holdings.

## 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 unit holders. 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, that is, 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 restricted as far as possible and that Catella Fonder must 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 with one exception; valuation of securities at the end of June and December is at the closing price if available at the time of calculation of the NAV rate that day.

All fund managers, executive management, employees in Risk, Middle Office, Distribution and Institutional sales, as well as the heads of Compliance and Business Support 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 5-6 for information about remuneration paid in 2017 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 2017. 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), all funds have the option to guarantee securities issues. Catella Avkastningsfond did not take advantage of this opportunity in 2017.

### Related-party transactions

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

## 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

## 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 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.



Catella Avkastningsfond, corporate registration number 504400-5147

Catella Fondförvaltning AB  
Stockholm, 12 February 2018

Knut Pedersen  
Chairman

Erik Kjellgren  
CEO

Lars H. Bruzelius

Peter Friberg

Johan Nordenfalk

Thomas Raber

Our auditor's report was submitted 12 February 2018.

PricewaterhouseCoopers AB

Patrik Adolfson  
Authorised Public Accountant



## Auditor's Report

To the unitholders of the Catella Avkastningsfond, a UCITS fund, corporate registration number 504400-5147

### 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 Avkastningsfond, a UCITS fund, for 2017.

In our opinion, the financial statements have been prepared in accordance with the Investment Funds Act of Sweden and Finansinspektionen's regulations regarding UCITS funds and present fairly, in all material respects, the financial position of Catella Avkastningsfond, a UCITS fund, as of 31 December 2017 and its financial performance for the year in accordance with the Investment Funds Act and Finansinspektionen's regulations regarding UCITS 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 Management Company 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 Management Company is responsible for the preparation of the financial statements and for their fair presentation in accordance with the Investment Funds Act of Sweden and with Finansinspektionen's regulations regarding alternative UCITS 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 Management Company'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 Management Company 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, 12 February 2018  
PricewaterhouseCoopers AB

*Patrik Adolfson*  
*Authorised Public Accountant*