

Annual Report for Catella Credit Opportunity

1 January 2017 – 31 December 2017

Good risk appetite and continued flows to corporate bonds

The fund rose by 6.51 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.

High market activity during the period created favourable conditions for achieving the general objective of the portfolio, to generate return regardless of market trends. The portfolio is currently characterised by a large number of bonds issued by companies in various industries, thus enabling a higher degree of risk spread than before. Moreover, the portfolio had a high proportion of low-risk cash and cash equivalent placements during the period. For most of the year, the portfolio has held put options in the stock market aimed at stabilising returns in connection with unfavourable market outcomes.

Holdings in riskier, high yield bonds accounted for the majority of return for the year. The main positive contributors to return during the period were the holdings in the oil refinery Preem, waste management and recycling services provider Norsk Gjenvinning, and Bayport, a provider of microfinancing in Africa. The fund maintains wide sector diversification, which differs from the Nordic market portfolio. The holdings in Lebara and Genova Property reduced return for the year.

However, the single largest industry is Banking/Finance, where instead of bank bonds, the fund has chosen to focus investments on bonds issued by debt recovery companies, such as Norwegian Lindorff, English Cabot and German Garfunkel. These investments have performed well and the fund has chosen to realise profits in the majority of these holdings, partially replacing them with bonds in dedicated consumer credit companies. Holdings in put options on OMX and hedging of interest rate risk reduced return during the period. Several of the best-performing holdings in the portfolio, such as Preem and Norsk Gjenvinning, were partially or entirely divested during the period and replaced with newly issued bonds that enhance the spread of risk in the portfolio.

Currency effects were minor because the portfolio's holdings in bonds issued in foreign currency are normally hedged back to SEK.

Fund facts

Fund manager: Thomas Elofsson, Stefan Wigstrand

Unit value 112.09
 Number of unit holders.....26
 Net fund assets (SEKm)..... 526

YIELD PAST YEAR

Catella Credit Opportunity **6.51%**
 Reference rate OMRX TBill-0.77%

AVERAGE ANNUAL YIELD

Past two years

Catella Credit Opportunity **4.72%**

Since start

Catella Credit Opportunity **3.75%**

RISK

Total risk **2.71%**
 Duration, 31 Dec 2017 (years).....-0.72
 Interest-rate risk from 1% change in
 interest rate, %.....0.72%

TURNOVER/COSTS

Rate of turnover (times/year) 1.63
 Transaction costs (SEKm)..... 0.08
 Percentage of securities traded..... 0.01
 Management fee.....0.95%
 Management fee charged
 (fixed and variable)2.53%
 Ongoing charges.....0.99%

COSTS FOR TYPE OF SAVING

Lump-sum deposit SEK 10,000
 Management cost (SEK)..... 283.32
 Monthly savings SEK 100
 Management cost (SEK)..... 14.92

TURNOVER THROUGH ASSOCIATED SECURITIES INSTITUTIONS

Percentage of total turnover0.00%

TURNOVER OF FINANCIAL INSTRUMENTS MANAGED BY CATELLA FONDFÖRVALTNING

Percentage of total turnover0.00%

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-17	31-Dec-16
ASSETS		
Transferable securities (Note 1)	419 146	230 421
Money market instruments (Note 1)	19 944	0
OTC derivatives with positive market value (Note 1)	2 636	2 504
Total financial instruments with positive market value	441 726	232 925
Bank balances and other cash and cash equivalents	80 331	33 253
Prepaid expenses and accrued income	4 006	4 377
Other assets	189	0
TOTAL ASSETS	526 252	270 555
Accrued expenses and prepaid income	406	711
Other liabilities	162	13
TOTAL LIABILITIES	568	724
NET FUND ASSETS Note 2	525 684	269 831
MEMORANDUM ITEMS		
Collateral pledged for OTC derivatives	4 841	2 094
Collateral pledged for other derivatives	1 736	1 094
INCOME STATEMENT, SEKk		
INCOME AND CHANGES IN VALUE		
Change in value of transferable securities	6 458	6 540
Change in value of money market instruments	23	0
Change in value of OTC derivatives	4 072	-20 741
Change in value of other derivatives	-843	-1 293
Interest income	20 656	26 419
Dividends	465	2 734
Net foreign exchange gains and losses	1 212	1 716
Other income	1	238
TOTAL INCOME AND CHANGES IN VALUE	32 044	15 613
EXPENSES		
Management costs		
Payments to companies conducting fund operations	10 069	6 852
Payments to depositary	149	178
Other expenses	57	93
TOTAL EXPENSES	10 275	7 123
PROFIT FOR THE YEAR	21 769	8 490
Note 2 TO BALANCE SHEET		
CHANGE IN NET FUND ASSETS	31-Dec-17	31-Dec-16
NET FUND ASSETS AT BEGINNING OF YEAR	269 831	667 382
Unit sales	430 438	130 967
Unit redemptions	-196 304	-537 008
Profit for the year per income statement	21 769	8 490
NET FUND ASSETS AT END OF PERIOD	525 734	269 831

FUND'S HOLDINGS OF FINANCIAL INSTRUMENTS

Note / Securities	QUANTITY	PRICE	(SEKk)	%
MARKET-LISTED EQUITIES*				
INDUSTRIALS				
Bong Ljungdahl TO	3 000 000	0.06	180	0.03
			180	0.03
TOTAL MARKET-LISTED EQUITIES				
			180	0.03
MARKET - LISTED BONDS*				
GOVERNMENT				
Statsobligation loan 1047 201201	10 000 000	115.88	11 588	2.20
			11 588	2.20
OTHER				
Bayport 191117	15 000 000	104.74	15 712	2.99
Care Bidco FRN 210324, Norway, NOK	5 000 000	101.23	5 065	0.96
Catena Media FRN 190916, Malta, EUR	500 000	103.00	5 063	0.96
Compactor Fastigheter FRN 201030	10 000 000	100.50	10 050	1.91
Consilium FRN 211101	5 000 000	101.62	5 081	0.97
Corral Petroleum 12,25% 210515	7 000 000	106.50	7 455	1.42
DDM Treasury 9% 200130, EUR	1 000 000	104.00	10 225	1.94
Eniro 6% 200414	119 999	0.00	0	0.00
Gaming innovation Group, USA	12 000 000	101.94	12 233	2.33
Genova Property FRN 210407	8 000 000	93.00	7 440	1.42
GLX Holding FRN 231208, Norway, NOK	10 000 000	100.65	10 071	1.92
Hoist FRN 210629	5 000 000	100.25	5 012	0.95
Hospitality Invest FRN 221031, Norway, NOK	5 000 000	100.38	5 022	0.96
Host Property FRN 191208, Norway	9 000 000	102.00	9 180	1.75
Ice Group FRN 211012, Norway, NOK	10 000 000	100.53	10 059	1.91
ldavang FRN 211211, Denmark, EUR	500 000	100.16	4 924	0.94
Ixat Intressenter FRN 200612	10 000 000	100.62	10 062	1.91
Jefast FRN 190124	5 000 000	102.38	5 119	0.97
Jefast FRN 210327	10 000 000	94.25	9 425	1.79
JSM Financial Group FRN 200420	7 000 000	101.25	7 088	1.35
Lebara FRN 220907, The Netherlands, EUR	2 000 000	93.67	18 416	3.50
Lendify FRN 200530	8 000 000	100.62	8 050	1.53
Logistri Portfolio 4% 210520	10 000 000	97.50	9 750	1.85
Nackahusen Holding FRN 200813	10 000 000	99.00	9 900	1.88
Norlandia FRN 211220, Norway	5 000 000	100.80	5 040	0.96
Nova Austral 8,25% 210526, Chile, USD	2 100 000	100.49	17 282	3.29
Nynäs FRN 180626	10 000 000	98.17	9 817	1.87
Offentliga Hus i Norden FRN 210615	5 000 000	99.91	4 995	0.95
OKEA 7,5% 201116, Norway, USD	1 400 000	99.50	11 407	2.17
Orexo FRN 211113	6 000 000	100.50	6 030	1.15
RopoHold FRN 201201, Finland, EUR	400 000	100.50	3 952	0.75
Samhällsbyggnadsbolag FRN 200406	10 000 000	102.17	10 217	1.94
SEB Hypotek 572 3% 190619	10 000 000	104.85	10 485	1.99
Sergel FRN 201229	5 000 000	105.62	5 281	1.00
SHH Bostad FRN 210607	10 000 000	100.00	10 000	1.90
Swedbank Hypotek 190 210915	10 000 000	102.28	10 228	1.95
Tresu Investment FRN 220929, Denmark, EUR	1 000 000	101.00	9 930	1.89
Unilab 5,75% 250515, EUR	1 000 000	101.15	9 944	1.89
Vostok New Ventures 5,5% 200622, Bermuda	8 000 000	102.00	8 160	1.55
			333 170	63.37
TOTAL MARKET-LISTED BONDS				
			344 758	65.58

NOT LISTED BONDS**					
IB Bostad FRN 181021, NOK	10 000 000	104.50	10 456	1.99	
Kjell Midco 11% 230111	8 220 000	100.50	8 261	1.57	
Naviagor Holdings 7,75% 210210, Marshall Islands, USD	800 000	96.83	6 344	1.21	
OPR Vakuuus 10,75% 210217, Finland, EUR	1 000 000	99.75	9 807	1.87	
OPR Vakuuus 8% 220518, Finland, EUR	1 000 000	101.50	9 979	1.90	
Perstorp Holding 10% 221215, Luxembourg, EUR	1 000 000	96.65	9 502	1.81	
Perstorp Holding FRN 220915, EUR	1 000 000	100.07	9 838	1.87	
Verisure FRN 231201	10 000 000	100.21	10 021	1.91	
			74 208	14.11	
TOTAL NOT LISTED BONDS			74 208	14.11	
TOTAL TRANSFERABLE SECURITIES			419 146	79.72	
COMMERCIAL PAPER*					
Ahlsell cert 180405	10 000 000	99.94	9 994	1.90	
Bergvik cert 180118	10 000 000	100.00	10 000	1.90	
			19 994	3.80	
TOTAL COMMERCIAL PAPER*			19 994	3.80	
EXCHANGES TRADED DERIVATIVES					
Bond Future					
Euro-Bund 10Y 180308, Germany, EUR	-60	161.68	0	0.00	
			0	0.00	
TOTAL EXCHANGES TRADED DERIVATIVES			0	0.00	
Exchanges derivatives with positive market value			0	0.00	
Exchanges derivatives with negative market value			0	0.00	
OTC-DERIVATIVES					
FX Forwards					
FXFWD EURSEK 180314 9.9341, Europe, EUR	-11 500 000	9.83	1 214	0.23	
FXFWD NOKSEK 180314 1.0072, Norway, NOK	-46 000 000	1.00	414	0.08	
FXFWD USDSEK 180314 8.3893, USA, USD	-4 300 000	8.16	1 007	0.19	
			2 636	0.50	
TOTAL OTC-DERIVATIVES			2 636	0.50	
OTC derivatives with positive market value			2 636	0.50	
OTC derivatives with negative market value			0	0.00	
TOTAL HOLDINGS OF FINANCIAL INSTRUMENTS			441 776	84.03	
OTHER ASSETS AND LIABILITIES			83 958	15.97	
TOTAL			525 734	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	17.78

* 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:

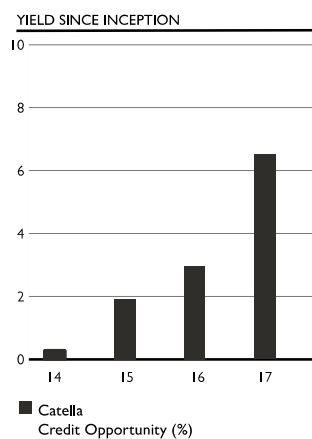
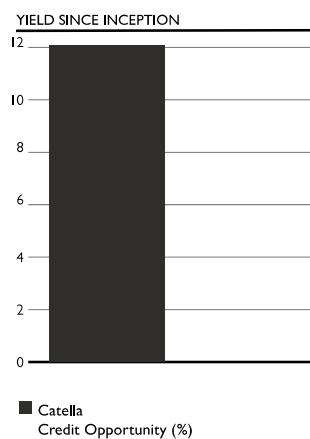
GLX Holding FRN 231208
 Hoist Group FRN 210629
 Hospitality Invest FRN 221031
 Lendify FRN 200530
 Nackahusen Holding FRN 200813
 Nova Austral 8,5% 210526
 Offentliga Hus i Norden FRN 210615
 OKEA 7,5% 201116
 RopoHold FRN 201201
 Tresu Investment FRN 220929

COUNTERPARTS FINANCIAL DERIVATIVE TRANSACTIONS

COUNTERPART	COLLATERAL RECEIVED
SEB	0

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

Date	Dividend SEK/unit	Unit Value SEK	No of units	Net fund assets 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
171231	0.00	112.09	4 690 426	525 734



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.

During the period the fund has not exercised its right to raise margin loans.

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

Highest leverage	Lowest leverage	Average leverage
147.89%	16.63%	44.54%

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, 2017	Highest 2017	Lowest 2017	Average 2017
0.09%	0.23%	0.04%	0.11%

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

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 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.

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) 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), the fund has the option to guarantee securities issues. Catella Credit Opportunity did not take advantage of this opportunity in 2017.

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

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.

Active share

Active Share is another measure of how closely the fund's investments track their benchmark index, but unlike Active Risk, Active Share does not take similarity of holdings into account. This means that if one switches a share in the fund's holdings for another share whose performance is similar, Active Risk is not affected, but Active Share is. Active Share states the percentage of shareholding in the fund that differ from the benchmark index. The key figure varies from zero to one hundred percent, where zero Active Share means that the fund has the exact same holdings and allocation of holdings as the benchmark index. One hundred percent Active Share means that none of the fund's holdings are included in the index. Active Share is calculated by taking the sum of the absolute value of the differences of the weight of each holding in the fund's portfolio versus the weight of each holding in the benchmark index and dividing by two.

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, 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 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 2017.

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 2017 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, 12 February 2018
PricewaterhouseCoopers AB

Patrik Adolfson
Authorised Public Accountant