

# Annual Report for Catella Hedgefond

I January 2017 – 31 December 2017

## A stable, low-risk year

**Catella Hedgefond rose by 4.64 percent in 2017 (2.23 percent in the first half and 2.36 percent in the second half) as a result of good return in the fixed income mandate and an advantageous company selection on the equity side.**

The goal for the year was to construct a portfolio in which the following characteristics were more prominent than before: lower correlation to the equity market, smaller concentration of individual equity positions and more company-specific short positions. The fund has had low correlation to the equity market.

The fund's target is to maintain risk, measured as standard deviation, at around 3 percent over time. Risk in the fund for the year was 1.80 percent, measured as standard annualised variation based on weekly data. One contributing factor was declining volatility in the equity market, which was offset by conscious efforts to gradually increase the fund's gross exposure to individual equities.

The fund's positive return is attributable in roughly equal parts to the fixed income side and individual equity positions, while equity index derivatives had negative impact on return. Longer equity positions made a positive contribution. Although the contribution of short positions was somewhat negative, the loss was less than it would have been if we had instead hedged with index.

Hennes & Mauritz, Outokumpo, Schibsted, Cramo, Holmen, Danske Bank and DNA were large positions at year-end 2016 that have since been sharply reduced or sold off entirely. Hennes & Mauritz was sold early in 2017 and the others were sold later during the year. The largest net sale, however, was Alfa Laval, which is now a short position, while we moved from long to short in Marine Harvest during the year. A large position was established in Pandora during the spring but has since been divested. We bought Autoliv in the first half and sold it in the second half.

The largest net buys during the year were Nokia, Sandvik, ABB, Outotec and BW Offshore, which are now significant long positions. We also bought stakes in Ambea in the health and social care sector and Boozt in the online segment through cornerstone commitments in IPOs, as well as in Wallenius Wilhelmsen Logistics as an anchor investor in connection with a placement. Mærsk was one of the biggest net buys in the second half, where we have gone from a significant short position to a limited long position.

At the company level, the largest positive contributions to the portfolio were made by the insurance company Storebrand, telecoms operators DNA and Tele2, shipping company Wallenius Wilhelmsen and jewellery manufacturer Pandora. On the negative side, the greatest loss impact came from Christian Hansen, Sandvik and Novozymes. Pandora delivered the highest positive result during the second half of the year, followed by Aker ASA, BW Offshore, Storebrand, Wallenius Wilhelmsen and A. P. Møller–Mærsk. Ambea, Cramo, Munters and Statoil accounted for the largest losses during the year.

All currency exposure in fixed income placements is hedged and, normally, all equity placements are now hedged as well. As a result, currency effects were insignificant during the period.

## Fund facts

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

Unit value ..... 176.17  
 Number of unit holders..... 615  
 Net fund assets (SEKm) ..... 9 407

### YIELD PAST YEAR

Catella Hedgefond..... **4.64%**  
 Reference rate OMRX TBill ..... -0.77%

### AVERAGE ANNUAL YIELD

#### Past two years

Catella Hedgefond..... 1.65%

#### Past five years

Catella Hedgefond..... 4.71%

### RISK

**Total risk, 2 years monthly data..... 2.98%**

**Total risk, 1 year weekly data..... 1.80%**

Duration. 31 Dec 2017 (years)..... -0.91

Interest-rate risk from 1% change in  
 interest rate. %..... 0.70%

Active Share (Relevant benchmark not  
 Available)..... N/A

### TURNOVER/COSTS

Rate of turnover (times/year) ..... 2.91

Transaction costs (SEKm)..... 35.98

Percentage of securities traded..... 0.07

Management fee..... 1.00%

Management fee charged  
 (fixed and variable) ..... 2.17%

Ongoing charges..... 1.14%

### COSTS FOR TYPE OF SAVING

Lump-sum deposit SEK 10.000

Management cost (SEK) ..... 222.59

Monthly savings SEK 100

Management cost (SEK) ..... 14.67

### TURNOVER THROUGH ASSOCIATED SECURITIES INSTITUTIONS

Percentage of total turnover ..... 0.00%

### TURNOVER OF FINANCIAL INSTRUMENTS MANAGED BY CATELLA FONDFÖRVALTNING

Percentage of total turnover

Percentage of total turnover ..... 0.00%

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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

<b>BALANCE SHEET. SEKK</b>	<b>31-Dec-17</b>	<b>31-Dec-16</b>
<b>ASSETS</b>		
Transferable securities (Note 1)	8 672 549	8 525 558
Money market instruments (Note 1)	1 071 638	0
OTC derivatives with positive market value (Note 1)	27 146	66 184
Other derivatives with positive market value (Note 1)	869	7 772
Fund units (Note 1)	172 236	165 768
<b>Total financial instruments with positive market value</b>	<b>9 944 438</b>	<b>8 765 282</b>
Bank balances and other cash and cash equivalents	610 244	704 055
Prepaid expenses and accrued income	64 324	88 107
Other assets	125 644	76 723
<b>TOTAL ASSETS</b>	<b>10 744 650</b>	<b>9 634 167</b>
<b>LIABILITIES</b>		
OTC derivatives with negative market value (Note 1)	1 845	1 415
Other financial instruments with negative market value (Note 1)	1 286 527	1 041 245
<b>Total financial instruments with negative market value</b>	<b>1 288 372</b>	<b>1 042 660</b>
Accrued expenses and prepaid income	26 165	8 258
Other liabilities	23 568	79 919
<b>TOTAL LIABILITIES</b>	<b>1 338 105</b>	<b>1 130 837</b>
<b>NET FUND ASSETS Note 2</b>	<b>9 406 545</b>	<b>8 503 330</b>
<b>MEMORANDUM ITEMS</b>		
Collateral pledged net for borrowed/lending financial instruments	1 401 266	1 342 014
Collateral pledged for OTC derivatives	60 184	133 744
Collateral pledged for other derivatives	106 409	159 528
Lent financial instruments	293 743	0
Borrowed financial instruments	1 204 661	1 033 317
<b>INCOME STATEMENT. SEKK</b>	<b>31-Dec-17</b>	<b>31-Dec-16</b>
<b>INCOME AND CHANGES IN VALUE</b>		
Change in value of transferable securities	330 211	-58 328
Change in value of money market instruments	807	0
Change in value of OTC derivatives	33 799	-68 623
Change in value of other derivatives	-30 225	-391 496
Change in value of fund units	6 769	15 519
Interest income	220 361	287 609
Dividends	88 105	180 547
Net foreign exchange gains and losses	8 983	-22 221
Other financial income	2 325	4 124
<b>TOTAL INCOME AND CHANGES IN VALUE</b>	<b>661 135</b>	<b>-52 869</b>
<b>EXPENSES</b>		
Management costs		
Payments to companies conducting fund operations	189 086	133 055
Payments to depositary	5 459	5 199
Other financial expenses	41 922	32 969
Other expenses	23 595	24 859
Research cost	7 719	9 027
<b>TOTAL EXPENSES</b>	<b>267 781</b>	<b>205 109</b>
<b>PROFIT FOR THE YEAR</b>	<b>393 354</b>	<b>-257 978</b>

**Note 2 TO BALANCE SHEET**

	<b>31-Dec-17</b>	<b>31-Dec-16</b>
<b>CHANGE IN NET FUND ASSETS</b>		
<b>NET FUND ASSETS AT BEGINNING OF YEAR</b>	<b>8 503 330</b>	<b>15 493 178</b>
Unit sales	2 866 941	4 292 401
Unit redemptions	-2 357 080	-11 024 271
Profit for the year per income statement	393 354	-257 978
<b>NET FUND ASSETS AT END OF PERIOD</b>	<b>9 406 545</b>	<b>8 503 330</b>

<b>Aggregate information, borrowed securities</b>	<b>31-Dec-17</b>
Market value of borrowed securities, SEKk	1 204 661
Market value of borrowed securities, % of fund assets	12,8

**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	1 401 266

Counterparty in connection with securities borrowing  
SEB, Sweden

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

Cash SEKk	
Fixed-income securities SEKk	1 401 266
Shares SEKk	
<b>Total pledged collateral SEKk</b>	<b>1 401 266</b>

As Catella Hedgefond both lends and borrows securities against the same counterparty, collateral is pledged for the net volume of lent and borrowed securities, by contractual agreement.

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

Costs of securities borrowing	
SEKk	6 989
Percent	0.07

<b>Aggregate information, lending securities</b>	<b>31-dec-17</b>
Market value of lent securities, SEKk	293 743
Market value of lent securities, % of fund assets	3.12
Market value of lent securities, % of fund assets defined as asset excluding liquid assets	3.34

**Maturity profile of lent securities divided into following ranges**

< one day	
1-7 days	
7 days-1 month	
1-3 months	
3 months- 1 year	
> 1 year	
Indefinite maturity	293 743

Counterparty in connection with securities lending  
SEB, Sweden

Settlement and clearing are bilateral

Income of securities lending	824
SEKk	0.009
Percent	

## FUND'S HOLDINGS OF FINANCIAL INSTRUMENTS

Note 1 Securities	QUANTITY	PRICE	(SEKk)	%
<b>MARKET-LISTED EQUITIES*</b>				
<b>ENERGY</b>				
Aker, Norway, NOK	436 835	403.00	176 150	1.87
Borr Drilling, Bermuda, NOK	1 255 899	34.60	43 480	0.46
Borr Drilling lent, Bermuda, NOK	94 101	34.60	3 258	0.03
Bwo Offshore, Norway, NOK	3 073 824	35.80	110 109	1.17
Bwo Offshore lent, Norway, NOK	176 176	35.80	6 311	0.07
Flex LNG, Great Britain, NOK	5 974 434	12.95	77 415	0.82
Flex LNG lent, Great Britain, NOK	38 066	12.95	493	0.01
Frontline, Norway, NOK	718 547	38.10	27 393	0.29
Frontline lent, Norway, NOK	156 453	38.10	5 964	0.06
Petroleum Geo Services, Norway, NOK	2 059 181	16.65	34 306	0.36
Petroleum Geo Services lent, Norway, NOK	241 029	16.65	4 016	0.04
Spectrum, Norway, NOK	971 814	38.50	37 437	0.40
Spectrum lent, Norway, NOK	24 605	38.50	948	0.01
Statoilhydro, Norway, NOK	-364 122	175.20	-63 832	-0.68
Statoilhydro borrowed, Norway, NOK	364 122	175.20	0	0.00
Subsea 7 SA, Norway, NOK	500 000	123.00	61 537	0.65
Torm lent, Great Britain, DKK	7 705	53.50	0	0.00
			<b>524 985</b>	<b>5.58</b>
<b>MATERIALS</b>				
Christian Hansen, Denmark, DKK	-53 194	582.00	-40 878	-0.43
Christian Hansen borrowed, Denmark, DKK	53 194	582.00	0	0.00
Gränges	-793 869	84.25	-66 883	-0.71
Gränges borrowed	683 869	84.25	0	0.00
Hexpol B	-1 127 708	83.15	-93 769	-1.00
Hexpol B borrowed	1 077 708	83.15	0	0.00
Outokumpu, Finland, EUR	-66 134	7.74	-5 032	-0.05
Outokumpu lent, Finland, EUR	266 134	7.74	20 251	0.22
SSAB A	131 000	44.90	5 882	0.06
SSAB A lent	419 000	44.90	18 813	0.20
Stora Enso R EUR, Finland, EUR	-125 000	13.22	-16 246	-0.17
Stora Enso R EUR borrowed, Finland, EUR	125 000	13.22	0	0.00
Yara, Norway, NOK	-70 280	376.70	-26 490	-0.28
Yara borrowed, Norway, NOK	70 280	376.70	0	0.00
			<b>-204 353</b>	<b>-2.17</b>
<b>INDUSTRIALS</b>				
A.P. Möller Maersk B, Denmark, DKK	-1 443	10 840.00	-20 654	-0.22
A.P. Möller Maersk B borrowed, Denmark, DKK	151	10 840.00	0	0.00
A.P. Möller Maersk A, Denmark, DKK	2 877	10 360.00	39 355	0.42
ABB SEK, Switzerland	276 798	220.30	60 979	0.65
ABB SEK lent, Switzerland	350 245	220.30	77 159	0.82
Alfa Laval	-1 156 484	193.80	-224 127	-2.38
Alfa Laval borrowed	1 156 484	193.80	0	0.00
Assa Abloy B	615 460	170.40	104 874	1.11
Cavotec, Switzerland	137 387	23.20	3 187	0.03
D/S Norden, Denmark, DKK	124 073	116.50	19 086	0.20
D/S Norden lent, Denmark, DKK	30 096	116.50	4 630	0.05
Instalco Intressenter	95 000	49.50	4 702	0.05
Intrum Justitia	33 060	303.30	10 027	0.11
Intrum Justitia lent	74 675	303.30	22 649	0.24
Kvaerner ASA, Norway, NOK	4 216 344	15.80	66 658	0.71

Metso, Finland, EUR	120 000	28.47	33 588	0.36
Metso lent, Finland, EUR	85 000	28.47	23 791	0.25
Munters group B	49 725	55.25	2 747	0.03
Munters group B lent	426 608	55.25	23 570	0.25
NCC B	46 410	157.30	7 300	0.08
Nordic Waterproofing	260 300	70.50	18 351	0.20
Outotec, Finland, EUR	1 719 910	7.10	120 054	1.28
Peab B	-100 916	70.60	-7 125	-0.08
Peab B borrowed	100 916	70.60	0	0.00
Saferoad Holding, Norway, NOK	2 606 680	25.50	66 510	0.71
Sandvik	902 000	143.70	129 617	1.38
Sdiptech	720 000	46.20	33 264	0.35
Securitas	231 663	143.20	33 174	0.35
SKF B	627 396	182.20	114 312	1.22
Tomra Systems, Norway, NOK	623 651	131.50	82 059	0.87
Tomra Systems lent, Norway, NOK	53 815	131.50	7 081	0.08
Wilh. Wilhelmsen ASA, Norway, NOK	1 548 976	59.25	91 832	0.98
Wilh. Wilhelmsen ASA lent, Norway, NOK	42 249	59.25	2 505	0.03
Volvo B	-241 160	152.70	-36 825	-0.39
Volvo B borrowed	241 160	152.70	0	0.00
			<b>914 332</b>	<b>9.72</b>
<b>CONSUMER DISCRETIONARY</b>				
Bilia A	58 750	80.00	4 700	0.05
Bilia A lent	85 000	80.00	6 800	0.07
Boozt	1 234 670	73.25	90 440	0.96
Husqvarna B	-400 000	78.10	-31 240	-0.33
JM	-30 000	186.90	-5 607	-0.06
JM borrowed	30 000	186.90	0	0.00
Merlin Entertainment, Great Britain, GBP	356 800	3.63	14 347	0.15
Merlin Entertainment lent, Great Britain, GBP	518 200	3.63	20 837	0.22
			<b>100 276</b>	<b>1.07</b>
<b>CONSUMER STAPLES</b>				
Arcus, Norway, NOK	246 159	46.50	11 453	0.12
Arcus lent, Norway, NOK	3 841	46.50	179	0.00
Axfood	-177 500	158.10	-28 063	-0.30
Axfood borrowed	112 500	158.10	0	0.00
Bakkafrost, Norway, NOK	131 655	347.70	45 804	0.49
Carlsberg B, Denmark, DKK	-25 000	745.00	-24 592	-0.26
Carlsberg B borrowed, Denmark, DKK	28 396	745.00	0	0.00
Ica Gruppen	-140 500	297.90	-41 855	-0.45
Ica Gruppen borrowed	140 500	297.90	0	0.00
Kesko B, Finland, EUR	-61 107	45.25	-27 184	-0.29
Kesko B borrowed, Finland, EUR	57 654	45.25	0	0.00
Marine Harvest, Norway, NOK	-664 433	139.00	-92 412	-0.98
Marine Harvest borrowed, Norway, NOK	664 433	139.00	0	0.00
NNIT, Denmark, DKK	-33 872	171.50	-7 670	-0.08
NNIT borrowed, Denmark, DKK	31 391	171.50	0	0.00
SCA B	-	84.55	0	0.00
SCA B lent	311 695	84.55	26 354	0.28
Scandi Standard	266 227	63.50	16 905	0.18
Scandi Standard lent	61 749	63.50	3 921	0.04
			<b>-117 160</b>	<b>-1.25</b>
<b>HEALTH CARE</b>				
Actic	34 898	37.80	1 319	0.01
Actic lent	90 000	37.80	3 402	0.04
Alligator Bioscience	1 047 064	23.30	24 397	0.26
Alligator Bioscience lent	29 859	23.30	696	0.01
Ambea	1 037 500	73.75	76 516	0.81
Ambu B, Denmark, DKK	-57 072	556.00	-41 899	-0.45
Ambu B borrowed, Denmark, DKK	47 072	556.00	0	0.00

Capio	649 683	44.00	28 586	0.30
Coloplast B, Denmark, DKK	-90 000	493.50	-58 646	-0.62
Coloplast B borrowed, Denmark, DKK	75 000	493.50	0	0.00
Elekta B	553 217	67.75	37 480	0.40
Getinge B	50 081	119.00	5 960	0.06
Getinge B lent	10 000	119.00	1 190	0.01
GHP Specialty Care	483 000	9.10	4 395	0.05
GHP Specialty Care lent	117 000	9.10	1 065	0.01
GN Store Nord, Denmark, DKK	-129 221	200.50	-34 210	-0.36
GN Store Nord borrowed, Denmark, DKK	129 221	200.50	0	0.00
Handicare Group	50 000	52.75	2 638	0.03
			<b>52 888</b>	<b>0.56</b>
<b>FINANCIALS</b>				
Handelsbanken A	-775 000	112.20	-86 955	-0.92
Handelsbanken A borrowed	775 000	112.20	0	0.00
Investor B	-173 496	374.10	-64 905	-0.69
Investor B borrowed	173 496	374.10	0	0.00
SEB A	-308 358	96.30	-29 695	-0.32
SEB A borrowed	308 358	96.30	0	0.00
Storebrand, Norway, NOK	1 800 000	66.90	120 492	1.28
Swedbank A	375 336	197.90	74 279	0.79
			<b>13 217</b>	<b>0.14</b>
<b>INFORMATION TECHNOLOGY</b>				
CLX Communications	221 003	72.25	15 967	0.17
CLX Communications lent	14 499	72.25	1 048	0.01
Edgewise	595 087	31.50	18 745	0.20
Ericsson B	-449 633	53.85	-24 213	-0.26
Ericsson B borrowed	449 633	53.85	0	0.00
Evry, Norway, NOK	551 163	32.50	17 924	0.19
Evry lent, Norway, NOK	86 337	32.50	2 808	0.03
Nokia EUR, Finland, EUR	4 000 000	3.89	153 132	1.63
			<b>185 411</b>	<b>1.97</b>
<b>TELECOMMUNICATION SERVICES</b>				
BT Group, Great Britain, GBP	2 369 690	2.72	71 339	0.76
Deutsche Telekom, Germany, EUR	316 054	14.79	45 971	0.49
DNA, Finland, EUR	51 375	15.65	7 905	0.08
Elisa, Finland, EUR	-77 202	32.72	-24 834	-0.26
Elisa borrowed, Finland, EUR	77 202	32.72	0	0.00
Millicom Int. Cellular SDB, Luxembourg	-41 550	554.00	-23 019	-0.24
Millicom Int. Cellular SDB borrowed, Luxembourg	43 750	554.00	0	0.00
Tele 2 B	140 000	100.80	14 112	0.15
Telenor, Norway, NOK	-61 847	175.90	-10 885	-0.12
Telenor borrowed, Norway, NOK	61 847	175.90	0	0.00
			<b>80 588</b>	<b>0.86</b>
<b>REAL ESTATE</b>				
Atrium Ljungberg	220 356	130.30	28 712	0.31
Atrium Ljungberg lent	19 644	130.30	2 560	0.03
Balder B	-145 000	219.40	-31 813	-0.34
Balder B borrowed	145 000	219.40	0	0.00
Corem Property Group Pref	944 324	152.00	143 537	1.53
Fast Partner Pref	440 648	338.50	149 159	1.59
Hufvudstaden A	200 000	131.40	26 280	0.28
			<b>318 436</b>	<b>3.39</b>
<b>TOTAL MARKET-LISTED EQUITIES</b>			<b>1 868 619</b>	<b>19.87</b>
<b>MARKET – LISTED BONDS*</b>				
<b>GOVERNMENT</b>				
Statsobligation loan 1047 201201	200 000 000	115.88	231 753	2.46
Statsobligation loan 1052 190312	100 000 000	106.06	106 056	1.13



Statsobligation loan 1054 220601	200 000 000	115.97	231 940	2.47
			<b>569 749</b>	<b>6.06</b>
<b>OTHER</b>				
ALM FRN 210519	11 000 000	92.00	10 120	0.11
Arise Windpower FRN 190425	38 925 000	96.00	37 368	0.40
B2 FRN 211004, Norway, EUR	2 250 000	108.71	24 047	0.26
Bayport 11% 190924, Mauritius	7 000 000	106.04	7 423	0.08
Bayport 191117	50 000 000	104.74	52 372	0.56
Care Bidco FRN 210324, Norway, NOK	15 000 000	101.23	15 194	0.16
Catena Media FRN 190916, Malta, EUR	4 500 000	103.00	45 568	0.48
Coastal FRN 201116, Norway, NOK	20 000 000	100.50	20 112	0.21
Compactor Fastigheter FRN 201030	50 000 000	100.50	50 250	0.53
Containerships FRN 211122, Finland, EUR	1 300 000	100.50	12 845	0.14
Corral Petroleum 12,25% 210515	50 000 000	106.50	53 250	0.57
DDM Treasury 9% 200130, EUR	3 600 000	104.00	36 808	0.39
Gaming innovation Group, USA	40 000 000	101.94	40 776	0.43
Garfunkelux FRN 230901, Luxembourg, EUR	3 000 000	98.97	29 189	0.31
Genova Property FRN 210407	30 000 000	93.00	27 900	0.30
GLX Holding FRN 231208, Norway, NOK	30 000 000	100.65	30 213	0.32
Golar LNG Partners FRN 210515, Marshall islands, USD	3 000 000	99.21	24 373	0.26
Golden Heights FRN 190618	13 000 000	99.75	12 968	0.14
Hemfosa FRN 200901	102 000 000	100.62	102 634	1.09
Hexagon FRN 191126	75 000 000	101.06	75 796	0.81
Hoist FRN 210629	16 000 000	100.25	16 040	0.17
Hospitality Invest FRN 221031, Norway, NOK	30 000 000	100.38	30 131	0.32
Host Property FRN 191208, Norway	14 000 000	102.00	14 280	0.15
Ice Group FRN 211012, Norway, NOK	50 000 000	100.53	50 296	0.53
Idavang FRN 211211, Denmark, EUR	5 000 000	100.16	49 236	0.52
Ikano Bank FRN 200415	45 000 000	100.63	45 282	0.48
Ikano Bostad FRN 190325	72 000 000	101.04	72 748	0.77
Ixat Intressenter FRN 200612	150 000 000	100.62	150 938	1.60
Jefast FRN 190124	10 000 000	102.38	10 238	0.11
Jefast FRN 210327	20 000 000	94.25	18 850	0.20
JSM Financial Group FRN 200420	25 000 000	101.25	25 312	0.27
Kommuninvest i Sverige 0,75 % 200216	200 000 000	102.21	204 413	2.17
Lebara FRN 220907, The Netherlands, EUR	12 500 000	93.67	115 118	1.22
Lendify FRN 200530	22 000 000	100.62	22 138	0.24
Lifco 1,11% 180403	100 000 000	100.26	100 258	1.07
Logistri Portfolio 4% 210520	25 000 000	97.50	24 375	0.26
Moberg Pharma FRN 210129	41 000 000	101.25	41 512	0.44
Nackahusen Holding FRN 200813	50 000 000	99.00	49 500	0.53
Nibe FRN 200528	44 000 000	101.29	44 568	0.47
Nordea Hypotek 2,25% 5530 190619	200 000 000	103.75	207 492	2.21
Nordea Hypotek 3,25% 5521 200617	100 000 000	108.01	108 010	1.15
Norlandia FRN 211220, Norway	80 000 000	100.80	80 636	0.86
Nova Austral 8,25% 210526, Chile, USD	7 500 000	100.49	61 721	0.66
NP3 FRN 210413	7 000 000	99.81	6 987	0.07
Nynäs FRN 180626	48 000 000	98.17	47 120	0.50
Offentliga Hus i Norden FRN 210615	20 000 000	99.91	19 982	0.21
Orexo FRN 211113	12 000 000	100.50	12 060	0.13
Perstorp Holding 7,625% 210630, EUR	6 190 000	107.45	65 387	0.70
Polygon FRN 190416, EUR	5 900 000	100.88	58 512	0.62
RopoHold FRN 201201, Finland, EUR	2 900 000	100.50	28 653	0.30
Sagax FRN 200909, EUR	6 900 000	103.10	69 939	0.74
Samhällsbyggnadsbolag FRN 200406	81 000 000	102.17	82 755	0.88
Sampo FRN 180529, Finland	60 000 000	100.40	60 238	0.64
SCBC 2% 200617	200 000 000	104.94	209 880	2.23
SEB 200617	300 000 000	103.71	311 134	3.31
Silk Bidco 220201, Norway, EUR	15 000 000	104.04	153 425	1.63

Sirius International FRN 470922, Bermuda	65 000 000	101.87	66 216	0.70
Stadshypotek 1582 2.5% 190918	200 000 000	104.70	209 392	2.23
Stadshypotek 1583 4.25% 200617	200 000 000	110.47	220 932	2.35
Stolt Nielsen 6.375% 220921, Bermuda, USD	4 000 000	97.38	31 897	0.34
Storebrand FRN 180529, Norway, NOK	36 000 000	100.94	36 362	0.39
Swedbank Hypotek 180 5.7% 200512	200 000 000	113.56	227 122	2.41
Swedbank Hypotek 189 201216	200 000 000	102.52	205 030	2.18
Unilab 5.75% 250515, EUR	7 000 000	101.15	69 609	0.74
Wallenius FRN 221012, Norway, NOK	80 000 000	100.12	80 148	0.85
Volvo Treasury FRN 180226	60 000 000	100.15	60 092	0.64
Volvo Treasury FRN 180613	70 000 000	100.11	70 078	0.75
Vostok New Ventures 5.5% 200622, Bermuda	20 000 000	102.00	20 400	0.22
			<b>4 675 648</b>	<b>49.71</b>

**TOTAL MARKET-LISTED BONDS**
**5 245 397**
**55.76**
**NOT LISTED BONDS\*\***

IB Bostad FRN 181021, NOK	18 000 000	104.50	18 821	0.20
Kjell Midco 11% 230111	6 165 000	100.50	6 196	0.07
OPR Vakuuus 10.75% 210217, Finland, EUR	2 000 000	99.75	19 613	0.21
OPR Vakuuus 8% 220518, Finland, EUR	3 000 000	101.50	29 936	0.32
Perstorp Holding 10% 221215, Luxembourg, EUR	3 000 000	96.65	28 506	0.30
Perstorp Holding FRN 220915, EUR	3 000 000	100.07	29 514	0.31
RSA Insurance Group FRN PERP, Great Britain	37 000 000	105.98	39 212	0.42
Verisure FRN 231201	100 000 000	100.21	100 208	1.07
			<b>272 006</b>	<b>2.89</b>

**TOTAL NOT LISTED BONDS**
**272 006**
**2.89**
**TOTAL TRANSFERABLE SECURITIES**
**7 386 022**
**78.52**

Transferable securities with positive market value

**8 677 580**
**92.25**

Transferable securities with negative market value

**-1 291 558**
**-13.73**
**COMMERCIAL PAPER\***

Ahlsell cert 180305	40 000 000	99.98	39 992	0.43
Ahlsell cert 180405	30 000 000	99.94	29 982	0.32
Ambea cert 180305	50 000 000	99.94	49 971	0.53
Ambea cert 180315	50 000 000	99.94	49 969	0.53
Bravida cert 180227	40 000 000	99.98	39 994	0.43
Bravida cert 180327	90 000 000	100.00	89 996	0.96
Bravida cert 180327	40 000 000	99.97	39 988	0.43
Bergvik cert 180118	50 000 000	100.00	49 999	0.53
Bergvik cert 180219	20 000 000	99.97	19 993	0.21
Bergvik cert 180319	25 000 000	99.98	24 996	0.27
Bergvik cert 180418	100 000 000	99.94	99 944	1.06
Capio cert 180312	25 000 000	99.97	24 994	0.27
Com Hem cert 180601	60 000 000	99.90	59 939	0.64
Getinge cert 180212	30 000 000	99.99	29 997	0.32
Hexagon cert 180205	60 000 000	100.00	59 999	0.64
Intrum Justitia cert 180305	150 000 000	99.95	149 925	1.59
Loomis cert 180313	50 000 000	99.97	49 983	0.53
MTG cert 180129	10 000 000	100.01	10 001	0.11
Wallenstam cert 180105	52 000 000	100.00	52 000	0.55
ÅF cert 180124	50 000 000	99.99	49 997	0.53
ÅF cert 180301	50 000 000	99.96	49 979	0.53
			<b>1 071 638</b>	<b>11.39</b>

**TOTAL COMMERCIAL PAPER \***
**1 071 638**
**11.39**

**FUND UNITS**

Catella Credit Opportunity	435 271	112.09	48 790	0.52
Catella Nordic Long/Short Equity IC EUR, Luxembourg, EUR	212 665	10.35	21 640	0.23
Catella Nordic Long/Short Equity IC, Luxembourg	669 565	152.05	101 807	1.08
			<b>172 236</b>	<b>1.83</b>

**TOTAL FUND UNITS**
**172 236 1.83**
**EXCHANGE TRADED DERIVATIVES**
**Index option**

OMX 18 S 1600 Jan	250	34.75	869	0.01
			869	0.01

**Indexfuture**

Euro Stoxx 50 180316, Germany, EUR	-450	3 493.00	0	0.00
OMX Future 180119	-3 630	1 574.25	0	0.00

**Bond Future**

Euro-Bund 10Y 180308, Germany, EUR	-896	161.68	0	0.00
Swe Gov. Bond Future 10Y Mar18	-200	0.81	0	0.00

**TOTAL EXCHANGE TRADED DERIVATIVES**
**869 0.01**

Exchange traded derivatives with positive market value

**869 0.01**

Exchange traded derivatives with negative market value

**0 0.00**
**OTC DERIVATIVES**
**FX Forwards**

FXFWD DKKSEK 180320 1.3369, Denmark, DKK	71 000 000	1.32	-1 202	-0.01
FXFWD EURSEK 180314 9.9029, Europe, EUR	-96 000 000	9.83	7 142	0.08
FXFWD EURSEK 180314 9.9357, Europe, EUR	6 000 000	9.83	-643	-0.01
FXFWD EURSEK 180320 9.9445, Europe, EUR	-36 000 000	9.83	4 186	0.04
FXFWD GBPSEK 180320 11.264, Great Britain, GBP	-9 700 000	11.06	2 011	0.02
FXFWD NOKSEK 180314 1.0061, Norway, NOK	-290 000 000	1.00	2 309	0.02
FXFWD NOKSEK 180320 1.00710, Norway, NOK	-10 000 000	1.00	91	0.00
FXFWD NOKSEK 180320 1.00767, Norway, NOK	-820 000 000	1.00	7 960	0.08
FXFWD USDSEK 180314 8.3961, USA, USD	-14 300 000	8.16	3 447	0.04
			<b>25 301</b>	<b>0.27</b>

**TOTAL OTC DERIVATIVES**
**25 301 0.27**

OTC derivatives with positive market value

**27 146 0.29**

OTC derivatives with negative market value

**-1 845 -0.02**
**TOTAL HOLDINGS OF FINANCIAL INSTRUMENTS**
**8 656 066 92.02**
**OTHER ASSETS AND LIABILITIES**
**750 480 7.98**
**TOTAL NET ASSETS**
**9 406 545 100.00**

\* 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.

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**SUMMARY, ISSUERS\***


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ISSUER	% of net fund assets*
SEB AB	9.75
Svenska Staten	6.06
Ambea AB	1.88
Hexagon AB	1.44
Nordic Long Short	1.31
Perstorp Holding AB	1.01
Capio AB	0.57
A.P. Möller-Maersk A/S	0.20
OMXS30	0.01

\* 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:

Hospitality Invest FRN 221031  
 Stolt Nielsen 6.375% 220921  
 Nova Austral 8,5% 210526  
 Wallenius FRN 221012  
 Coastal FRN 201116  
 GLX Holding FRN 231208  
 Lendify FRN 200530  
 Offentliga Hus i Norden FRN 210615  
 Hoist Group FRN 210629  
 Nackahusen Holding FRN 200813  
 RopoHold FRN 201201  
 Containerships FRN 211122

**COUNTERPARTIES FINANCIAL DERIVATIVE TRANSACTIONS**


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COUNTERPART	Collateral received
SEB	-
Nordea	-

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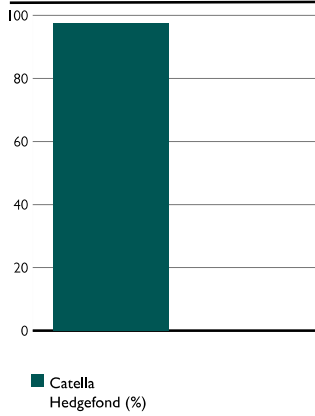
**HISTORICAL FUND ASSET, NET ASSET VALUE. NUMBER OF UNITS AND DIVIDENDS**


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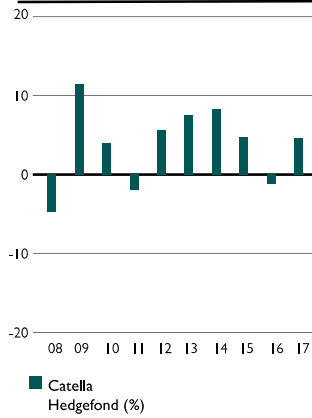
	Dividend	Unit Value	No of	Net fund assets
Date	SEK/unit	SEK	units	SEKk
081231	2.74	128.13	34 366 768	4 403 545
091231	6.40	136.06	37 678 675	5 126 429
101231	0.86	140.57	32 831 919	4 615 325
111231	0.79	137.12	24 878 484	3 411 382
121231	4.78	139.93	25 259 078	3 534 419
131231	0.00	150.43	29 125 169	4 381 358
141231	0.00	162.80	49 674 014	8 086 791
151231	0.00	170.50	90 871 337	15 493 178
161231	0.00	168.36	50 507 033	8 503 330
171231	0.00	176.17	53 393 692	9 406 545

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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.

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
82.43%	19.81%	39.87%

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, 2017	Highest 2017	Lowest 2017	Average 2017
0.19%	0.25%	0.15%	0.19%

## 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.

DKK	1.3204
EUR	9.8313
GBP	11.0801
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 6-7 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), the fund has the option to guarantee securities issues. Catella Hedgefond took 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.

#### *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 Hedgefond, corporate registration number 515601-9720

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 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 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 Hedgefond, 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.

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 Adolfsen*  
*Authorised Public Accountant*