

Half Year Report for Catella Avkastningsfond

I January 2017 – 30 June 2017

Good environment for bond funds

The fund rose 0.85 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 during the first half of 2017. Interest rates on government bonds rose initially before falling back later in the period and overall ending the first half of the year broadly at the same levels as at the start.

The overall objective of the fund is to create a predictable return regardless of market climate. Today's environment, with low absolute interest rates on government bonds and the historically low compensation that can be obtained for taking higher risk in corporate bonds with high creditworthiness, makes it a challenge for the fund to generate returns. Despite this, the fund returned 0.85 percent in the first half of the year, which is slightly higher than we expected at the beginning of the year.

Price increases account for approximately three quarters of the return and current yield accounts for the remainder of the fund's returns. The main positive contributors to the return during the period were the holdings in Vattenfall, DSV and Bergvik Skog. The holding in Vattenfall was reduced during the period after prolonged strong performance. Furthermore, trading in Swedish interest rate futures contributed positively to the return during the period.

The portfolio's holdings of bonds issued in foreign currency are hedged back to Swedish kronor.

Fund facts

Fund managers: Thomas Elofsson, Stefan Wigstrand

Unit value 128.80
 Number of unit holders..... 302
 Net fund assets (SEKm)6,592

YIELD PAST HALF YEAR

Catella Avkastningsfond **0.85%**
 Benchmark index (50% OMRX TBill +
 50% OMRX TBond) -0.52%

AVERAGE ANNUAL YIELD

Past two years

Catella Avkastningsfond **0.48%**
 Benchmark index (50% OMRX TBill +
 50% OMRX TBond)0.49%

AVERAGE ANNUAL YIELD

Past five years

Catella Avkastningsfond **1.85%**
 Benchmark index 50% OMRX TBill +
 50% OMRX TBond) 1.31%

RISK (24 MONTHS)

Total risk fund **1.10%**
 Total risk benchmark
 (50% OMRX TBill + 50% OMRX TBond) 1.95%
 Active risk.....2.24%
 Duration, 30 June 2017 (years) 0.24
 Interest-rate risk from 1% rise in
 interest rate, %.....-0.23%

TURNOVER/COSTS

Rate of turnover (times/year) 0.72
 Transaction costs (SEKm)..... 0.08
 as percentage of securities traded..... 0.00
 Management fee.....0.70%
 Ongoing charges.....0.72%

TURNOVER OF FINANCIAL INSTRUMENTS 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 a UCITS fund

Fund inception: 1 February 1999

Opening price: SEK 100

Dividends: The fund does not pay any dividend.

Management company: Catella Fondförvaltning AB

Corporate registration number of the fund: 504400-5147

PPM fund number: 112 755

BALANCE SHEET AND INCOME STATEMENT

BALANCE SHEET, SEKk	30-Jun-17	31-Dec-16
ASSETS		
Transferable securities (Note 1)	5 642 582	7 137 736
Money market instruments (Note 1)	479 880	0
OTC derivatives with positive market value (Note 1)	7 687	12 311
Unit Funds (Note 1)	63 571	60 518
Total financial instruments with positive market value	6 193 720	7 210 565
Bank balances and other cash and cash equivalents	446 642	439 280
Prepaid expenses and accrued income	18 153	61 295
Other asset	36 613	0
TOTAL ASSETS	6 695 128	7 711 140
Accrued expenses and prepaid income	3 826	4 576
Other liabilities	99 722	6 290
TOTAL LIABILITIES	103 548	10 866
NET FUND ASSETS Note 2	6 591 580	7 700 274
MEMORANDUM ITEMS		
Collateral pledged for OTC derivatives	6 630	26 630
Collateral pledged for other derivatives	16 578	12 403
INCOME STATEMENT, SEKk	30-Jun-17	31-Dec-16
INCOME AND CHANGES IN VALUE		
Change in value of transferable securities	-18 653	24 172
Change in value of money market instruments	346	0
Change in value of OTC derivatives	9 018	-66 752
Change in value of fund units	3 053	518
Change in value of other derivatives	23 369	-5 030
Interest income	66 218	161 998
Net foreign exchange gains and losses	1 154	17 152
Other income	288	22
TOTAL INCOME AND CHANGES IN VALUE	84 793	132 080
EXPENSES		
Management costs		
Payments to companies conducting fund operations	24 673	62 307
Payments to depositary	474	1 331
Other expenses	79	26
TOTAL EXPENSES	25 226	63 664
PROFIT FOR THE YEAR	59 567	68 416
Note 2 TO BALANCE SHEET		
CHANGE IN NET FUND ASSETS	30-Jun-17	31-Dec-16
NET FUND ASSETS AT BEGINNING OF YEAR	7 700 274	11 312 506
Unit sales	313 544	1 361 088
Unit redemptions	-1 481 805	-5 041 736
Profit for the year per income statement	59 567	68 416
NET FUND ASSETS AT END OF PERIOD	6 591 580	7 700 274

FUND'S HOLDINGS OF FINANCIAL INSTRUMENTS

Note Securities	QUANTITY	PRICE	(SEKk)	%
MARKET –LISTED BONDS*				
GOVERNMENT				
Statsobligation loan 1047 201201	20 000 000	118.26	23 651	0.36
Statsobligation loan 1051 170812	20 000 000	100.48	20 096	0.30
Statsobligation loan 1052 190312	20 000 000	108.33	21 666	0.33
Statsobligation loan 1054 220601	50 000 000	117.24	58 622	0.89
Statsobligation loan 1058 250512	20 000 000	115.81	23 161	0.35
			147 196	2.23
OTHER				
AF FRN 200512	60 000 000	100.84	60 502	0.92
Atrium FRN 171115	45 000 000	100.37	45 169	0.69
Bakkafrøst FRN 180214, Norway, NOK	47 000 000	101.95	48 257	0.73
Billerud Korsnäs FRN 180327	94 000 000	101.52	95 426	1.45
Billerud Korsnäs FRN 220221	32 000 000	101.09	32 350	0.49
Danske Bank FRN 180403, Denmark	200 000 000	100.24	200 480	3.04
DSV FRN 220318, Denmark, DKK	100 000 000	104.50	135 213	2.05
Fingrid FRN 181119, Finland	50 000 000	100.33	50 163	0.76
Heimstaden FRN 210518	34 000 000	100.24	34 081	0.52
Hexagon FRN 191126	125 000 000	101.18	126 479	1.92
ICA Gruppen FRN 190617	170 000 000	101.89	173 208	2.63
Ikano Bank FRN 181114	70 000 000	100.26	70 181	1.06
Ikano Bostad FRN 190325	100 000 000	101.42	101 419	1.54
Intea Fastigheter FRN 220507	90 000 000	100.02	90 014	1.37
Ixat Intressenter FRN 200612	55 000 000	100.25	55 138	0.84
Kommuninvest i Sverige 2,5% 201201	70 000 000	108.20	75 743	1.15
Landshypotek FRN 211025	100 000 000	102.03	102 033	1.55
Lantmännen FRN 201207	28 000 000	102.11	28 591	0.43
Lifco 1,11% 180403	100 000 000	100.69	100 686	1.53
LKAB FRN 191209	45 000 000	99.78	44 899	0.68
Länsförsäkringar Bank FRN 220111	50 000 000	101.51	50 756	0.77
MTG FRN 180319	100 000 000	100.72	100 720	1.53
Nibe FRN 190603	16 000 000	100.85	16 136	0.24
Nibe FRN 200528	44 000 000	101.25	44 550	0.68
Nibe FRN 220411	29 000 000	100.73	29 211	0.44
Norcell Sweden Holding 3 3,625% 210623	40 000 000	103.71	41 486	0.63
Nordea Hypotek 2,25% 5530 190619	250 000 000	104.88	262 205	3.98
Nordea Hypotek 3,25% 5521 200617	200 000 000	109.49	218 987	3.32
Nya Svensk Fastighets Finansiering FRN 200309	170 000 000	100.46	170 782	2.59
Protector Forsikring FRN 470331, Norway, NOK	16 000 000	101.87	16 415	0.25
Scania 0,35% 191011	25 000 000	100.11	25 028	0.38
Scania FRN 190405	70 000 000	100.95	70 665	1.07
SCBC 2% 200617	200 000 000	105.80	211 596	3.21
SEB Hypotek 572 3% 190619	200 000 000	106.36	212 713	3.23
Silk Bidco 220201, Norway, EUR	5 000 000	107.06	51 498	0.78
Skandiabanken FRN 191021	190 000 000	101.56	192 960	2.93
Sparbanken Syd FRN 191021	54 000 000	100.56	54 303	0.82
Sparbanken Öresund FRN 160118	63 000 000	103.03	64 907	0.98
Stadshypotek 1582 2,5% 190918	200 000 000	105.92	211 843	3.21
Stadshypotek 1583 4,25% 200617	200 000 000	112.44	224 890	3.41
Stadshypotek 2011 FRN 190403	100 000 000	102.27	102 269	1.55
Storebrand FRN 180529, Norway, NOK	80 000 000	101.16	81 504	1.24
Storebrand FRN 490331, Norway, NOK	35 000 000	99.11	34 935	0.53
Sveaskog FRN 231030	100 000 000	99.95	99 948	1.52
Swedbank Hypotek 180 5,7% 200512	200 000 000	116.28	232 563	3.53
Swedbank Hypotek 189 201216	200 000 000	102.77	205 543	3.12
Södra Skogsägarna FRN 210607	100 000 000	102.37	102 369	1.55
Tele2 FRN 210511	75 000 000	102.31	76 734	1.16
Tele2 FRN 220316	75 000 000	101.65	76 235	1.16

Trelleborg FRN 210118	100 000 000	100.69	100 686	1.53
TVO 3,875% 180913, Finland	62 000 000	103.94	64 440	0.98
Vacse FRN 190603	120 000 000	102.08	122 492	1.86
Vattenfall 3,125% 220319	75 000 000	100.79	75 594	1.15
			5 316 995	80.66
TOTAL MARKET-LISTED BONDS			5 464 191	82.90
NOT LISTED BONDS*				
OTHER				
Bergvik Skog 8,5% 340324	30 000 000	121.94	36 582	0.56
Laeringsverkstedet FRN 220601, Norway, NOK	50 000 000	101.00	50 859	0.77
RSA Insurance Group FRN PERP, Great Britain	75 000 000	103.71	77 782	1.18
Storebrand FRN 200511, Norway, NOK	13 000 000	100.58	13 168	0.20
			178 391	2.71
TOTAL NOT LISTED BONDS			178 391	2.71
TOTAL TRANSFERABLE SECURITIES			5 642 582	85.60
COMMERCIAL PAPER*				
Bergvik cert 170818	50000000	100.00	50 000	0.76
Boliden cert 170904	100000000	100.00	100 002	1.52
Getinge cert 170821	50000000	99.99	49 994	0.76
Getinge cert 171220	50000000	99.89	49 947	0.76
Loomis cert 170913	50000000	99.99	49 993	0.76
MTG cert 170927	50000000	99.98	49 989	0.76
MTG cert 171023	80000000	99.97	79 975	1.21
ÅF cert 171201	50000000	99.96	49 980	0.76
			479 880	7.28
TOTAL COMMERCIAL PAPER			479 880	7.28
FUNDS UNITS				
Catella Credit Opportunity	575 043.1280	110.55	63 571	0.96
			63 571	0.96
TOTAL FUND UNITS			63 571	0.96
EXCHANGE TRADED DERIVATIVES				
Bond Future				
Swe Gov. Bond Future 10Y	-400	0.93	0	0.00
			0	0.00
TOTAL EXCHANGE TRADED DERIVATIVES			0	0.00
Exchange traded Derivatives with positive market value			0	0.00
Exchange traded Derivatives with negative market value			0	0.00
OTC-DERIVATIVES				
Fx-Forwards				
FXFWD DKKSEK 170914 1.310329, Denmark, DKK	-103 000 000	1.29	1 760	0.03
FXFWD EURSEK 170914 9.743904, Europe, EUR	-5 400 000	9.62	685	0.01
FXFWD NOKSEK 170914 1.026042, Norway, NOK	-243 000 000	1.00	5242	0.08
			7 687	0.12

TOTAL OTC-DERIVATIVES	7 687	0.12
OTC Derivatives with positive market value	7 687	0.12
OTC Derivatives with negative market value	0	0.00
<hr/>		
TOTAL HOLDINGS OF FINANCIAL INSTRUMENTS	6 193 720	93.96
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OTHER ASSETS AND LIABILITIES	397 860	6.04
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TOTAL	6 591 580	100.00

* Financial instruments admitted to trading on a regulated market or equivalent market outside EEA.

** Financial instruments not admitted to trading on a regulated market or equivalent market outside the EEA.

SUMMARY, ISSUERS*

ISSUER	% of net fund assets*
SEB AB	10.12
Stadshypotek AB	8.18
MTG AB	3.50
Svenska Staten	2.23
Bergvik Skog AB	1.31

* 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:

Ixat Intressenter FRN 200612

Intea FRN 220705

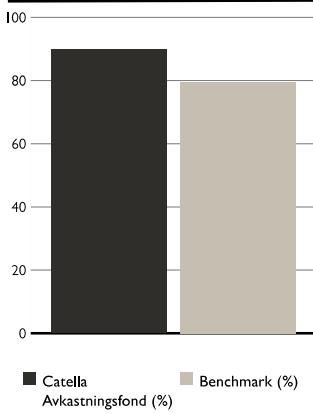
COUNTERPARTS FINANCIAL DERIVATIVE TRANSACTIONS

COUNTERPART	Collateral received
SEB	0
Danske Bank	0

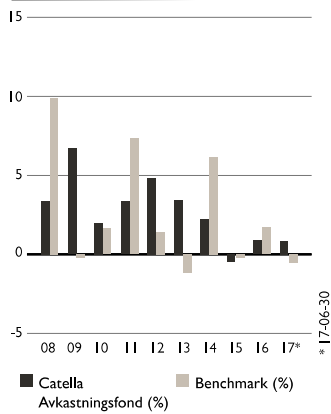
HISTORICAL FUND ASSET, NET ASSET VALUE, NUMBER OF UNITS AND DIVIDENDS

Date	Dividend	Unit Value	No of	Net fund assets
	SEK/unit	SEK	units	SEKk
081231	4.95	112.49	3 305 270	371 804
091231	2.60	117.32	9 829 838	1 153 253
101231	1.89	117.74	18 024 405	2 122 222
111231	3.68	117.94	15 701 555	1 851 768
121231	3.27	120.26	25 119 593	3 020 900
131231	0.00	124.40	50 483 539	6 279 941
141231	0.00	127.17	98 740 463	12 556 422
151231	0.00	126.61	89 352 751	11 312 506
161231	0.00	127.72	60 291 381	7 700 274
170630	0.00	128.80	51 176 145	6 591 580

YIELD SINCE INCEPTION



YIELD SINCE INCEPTION



TRADE IN DERIVATIVES

In accordance with its fund rules, the fund may trade in derivatives as part of its investment strategy and aims to create leverage in the fund. Leverage means that the fund's investment scope is greater than the investment scope consequent upon capital contributed by unit holders.

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

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

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

Maximum leverage	Minimum leverage	Average leverage
23.00%	5.87%	12.75%

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

Your share of the fund's costs

In the account statements you receive from us in January 2018 we report your share of the fund's costs for 2017.

"Management costs" are your share of the fund's expenses in 2017 for management, accounting, information, marketing, auditing, and fees to the depositary.

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

"Total costs" are the sum of the two costs above.

You cannot deduct these costs on your tax return.

Accounting policies

Investment funds apply the Swedish Investment Funds Act (SFS 2004:46) and Finansinspektionen's regulations FFFS 2013:9 governing investment funds. Special funds apply the Alternative Investment Fund managers Act (2013:561) and Finansinspektionen's regulations (FFFS 2013:10) governing managers of alternative investment funds. All funds apply the applicable recommendations of the Swedish Investment Fund Association for reporting and the ESMA guidelines.

Fund holdings have been recognised in the balance sheet at market value on 30 June 2017. Market value is the closing price. 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 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 the management company, market value is determined according to generally accepted valuation models based on information from independent brokers or other external independent sources.

Negative interest rates have been recognised as negative interest income in each fund.

Exchange rates are the closing rates at 30 June 2017.

DKK	1.2939
EUR	9.6206
GBP	10.9528
NOK	1.0071
USD	8.4369

Unitholder taxation

The Fund is a separate taxable entity, but is not subject to tax on the income of the assets included in the fund. Instead it is the unit holders that are taxed using a standard 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 includes 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

Individuals who are fully taxable in Sweden and who own units in the fund must from tax year 2012 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.

Disclosures in accordance with the Swedish 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

Information about remuneration paid in 2017 for Catella Fondförvaltning AB is provided in the funds' annual reports for 2017.

Issue guarantees

Within the framework of the respective fund rules, the Swedish Investment Funds Act (2004:46) and the Alternative Investment Fund Managers Act (2013:561), all funds have the option to guarantee securities issues. Catella Hedgefond, Catella Småbolagsfond and Catella Sverige Aktiv Hållbarhet took advantage of this opportunity in 2017.

Related-party transactions

Trading with related companies has taken place in certain funds during the period, as detailed under "Fund Facts" for each fund.

OUR OWNERSHIP POLICY

1. Introduction

Finansinspektionen's regulations regarding investment funds (FFFS 2013:9), Chapter 15, Section 9, and Article 37 of the EU Commission Delegated Regulation, require the boards of directors of fund management companies and alternative investment fund managers to adopt internal rules specifying the strategies the company must apply to determine when and how voting rights linked to the financial instruments included in each fund are to be exercised.

The purpose of this document is to present how Catella Fondförvaltning AB ("Catella Fonder") exercises its owner influence, including how and in what situations the voting rights linked to investments made within the context of the company's business are to be exercised. The fundamental policy in all situations is that Catella Fonder shall act solely in the joint interests of fund unitholders and that voting rights must 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 important that Catella Fonder is able to sell its shares as necessary and without delay.

2. Policy for exercise of shareholder influence

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

As a shareholder, Catella Fonder shall actively intervene in a portfolio company, or on a particular matter if, in the judgement of Catella Fonder it is possible by so doing, either alone or jointly with other shareholders, to create financial

added value for unitholders. 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 certain other portfolio companies.

4. Participation in nominating committees, etc.

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

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

5. Exercising of voting rights and monitoring of corporate actions

1. There are several companies within the Catella group ("Catella") that invest on their own behalf or on behalf of clients. Operations within Catella Fonder are clearly segregated from these other operations and Catella Fonder shall therefore, in exercising its voting rights, consider only the best interests of unitholders irrespective of any interests Catella may otherwise have in the company concerned. However, this does not preclude that coordinated action between Catella Fonder and another Catella company (or, for that matter, an external owner) in respect of specific matters may be deemed to the benefit of unitholders. When Catella Fonder exercises its voting rights, it does so in accordance with the investment objectives and policy of each fund as set forth in the respective fund rules. When Catella Fonder exercises its voting rights, an assessment is made in every case as to whether any conflict of interest may arise for the fund or fund unitholders and, if so, how such conflicts should be managed.
2. The fund manager is ultimately responsible for monitoring corporate actions and for ensuring that the fund votes at general meetings in accordance with the investment objectives and policy. However, Catella Fonder applies the fundamental precept that all funds must be in consensus concerning important matters affecting the company's operations. To this end, Catella Fonder has appointed an ownership representative who, in consultation with fund managers, decides how the fund shall vote at general meetings. The ownership representative in turn reports to the CEO and board of directors of Catella Fonder.
3. The foregoing policy that each fund manager is responsible that a fund votes in accordance with the fund's investment policy ensures that conflicts of interest are managed.
4. Catella Fonder may, if deemed appropriate, issue a proxy to a third party to represent Catella Fonder at general meetings. Such a proxy shall be preceded by the same preparatory work as if Catella Fonder itself, through an employee, were to be represented at the meeting.

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

6. Information policy concerning social and environmental responsibility and governance

Catella Fonder has taken a clear ethical stance by signing the United Nations Principles for Responsible Investments (UN PRI), and by preparing 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 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 unitholders. Accordingly, Catella shall as far as possible avoid restrictions to fund management. Catella therefore avoids, to the greatest possible extent, accessing information that affects prices and which is not generally known or is non-public (insider information), or accessing information bordering on insider information - grey zones, referred to generally as "insider situations". Despite this, Catella will from time to time find itself in insider situations. Policies are in place to manage these situations, including that the group of individuals informed about the insider situation must be kept as limited as possible and that Catella Fonder shall take action to prevent employees from using the information for personal gain or in the company's operations.

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

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

Swedish Code of Conduct for fund management companies

Catella Fondförvaltning AB (the Company) is a member of the Swedish Investment Fund Association. Through its "Swedish Code of Conduct for fund management companies", the Association summarises the overall principles that apply when conducting fund management activities in Sweden. The Code is designed to promote sound fund activities and thereby to safeguard public confidence in the industry. The Company complies with the Code, with one exception. Valuations of securities at the end of months other than June and December take place at the closing price if these are available at the time the NAV is calculated for that day. All fund managers, executive management, employees in Risk and Middle Office, as well as the heads of Compliance, Business Support and Sales, etc., at the Company are licensed by SwedSec. The Company has also ensured that half of the board of directors is composed of independent directors.

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

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

Information about remuneration

Information on paid remuneration in 2017 for Catella Fondförvaltning AB is provided in the Funds Annual Report for 2017.

Issue guarantees

Within the framework of the respective fund rules and the Swedish Investment Funds Act (2004:46), all funds have the option to guarantee securities issues. During the first half of 2017 the Catella Avkastningsfond has not exercised this ability.

Related-party transactions

There were no transactions with related companies during the period.

Board of directors of Catella Fondförvaltning AB

Knut Pedersen
Chairman
CEO Catella AB (publ)

Lars H. Bruzelius
Senior partner BSI & Partners

Peter Friberg
LL.M, licensed psychologist, consultant

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

Thomas Raber
MD Alvine Capital Management Ltd

Ando Wikström
CFO Svenska Hyreshus AB (SHH)

Risk

Total risk

The traditional way to measure the price volatility of a fund, or the risk of losing money, is to measure how much the fund's returns have varied. If a fund has a high total risk (for example, an equity fund), the returns have varied more than for a fund with low total risk (for example, a fixed income fund with short term to maturity on interest-bearing assets). However, risk and return are linked, and a higher risk may yield a higher return. The value of total risk indicates the range within which the annual return should end up (with 66 percent probability). Therefore, for a fund with an average return of 5 percent and a total risk of 2 percent, this indicates that the fund's annual return should be between 3 percent and 7 percent (5 percent \pm 2 percentage points).

In this respect, Catella follows the recommendation of the Swedish Investment Fund Association to use 24 monthly values in this measurement. Another name for total risk is "standard deviation" calculated on an annual basis, or volatility. The total risk in a fund gives an indication of the historical risk level of the fund, but is not an infallible forecasting tool. A fund category or fund that has previously had low total risk may actually be risky and lead to price losses if, for example, the stock market is on the verge of decline due to, for example, an economic downturn. Naturally, the opposite is also true.

Active risk

Another type of risk is that the fund will outperform or underperform the assets on the market in which it invests. Investors buying an equity fund, composed of Swedish equities for example, will probably want to check how much risk the fund has taken in its investments compared to its benchmark index. Active risk, which is also called "tracking error", is one measure of this. This measurement indicates how closely the fund tracks its benchmark index. High active risk indicates that the fund deviates significantly from its index. Unlike correlation, active risk is dependent not only on the direction of return, but also its magnitude. Thus, a fund with a small proportion of equities and the remainder in bonds may still have a correlation of 1 against the stock exchange, but also high active risk against the stock exchange. Active risk is calculated as the standard deviation of the relative returns compared to the benchmark index. Catella also uses monthly values (24 months) in the calculation of active risk.

Duration

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

Interest-rate risk for a 1 percentage change in interest rates

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

Active share

Active share is another measure of how "closely" the fund follows its benchmark, but unlike active risk, active share does not take into account whether the holdings are similar. This means that if one share in the fund's holdings is switched for another share that has similar performance, active risk is not affected, but active share is affected. Active share indicates, as a percentage, the proportion of the fund that deviates from its benchmark. This indicator ranges from zero to one hundred percent, with zero percent active share indicating that the fund has exactly the same holdings and allocation of holdings as the benchmark. One hundred percent active share means that none of the fund's holdings are included in the index. Active share is calculated as the sum of the differences between the shares' weightings in the fund portfolio and in the benchmark index, divided by two.

Value at Risk (VaR)

Value at risk is a way to measure and express risk, other than total risk. In contrast to total risk, which is backward-looking and calculates how the return on the fund has actually varied, value at risk is forward-looking and attempts to calculate how much money the fund could lose in one day. Catella uses the Monte Carlo simulation with a 1-day horizon and 95 % confidence. A VaR of 1 %, for example, therefore means that the fund should not lose more than one percent in a day (with 95 % probability).

Important Information:

Investments in fund units are associated with risk. Past performance is no guarantee of future returns. The money invested in a fund can increase and decrease in value and it is not certain that you will get back the full amount invested. No consideration is given to inflation. Catella Avkastningsfond may use derivatives and may have a larger proportion of the fund invested in bonds and other debt instruments issued by individual national and local authorities and within the EEA than other mutual funds, in accordance with Chapter 5, Article 8 of the Swedish Investment Funds Act (SFS 2004:46). For more details, complete prospectuses, key investor information, and annual and half-yearly reports, please refer to our website at catella.se/fonder or phone +46 8 614 25 00.

Market Outlook H1 2017 – Intense focus on global politics

The first half of 2017 has been favourable for capital owners, with strong returns on most asset classes. Otherwise, 2017 started as 2016 ended, with a focus on political developments around the world. After last year's Brexit vote and the US presidential election, we looked ahead to a dramatic year of elections in the Netherlands, France and Germany. It certainly has been dramatic, but once again the reality frustrated expectations.

In the Netherlands, the hard-right Party for Freedom failed to gain enough votes to vie for government. The same happened in France, where Marine Le Pen's Front National was roundly defeated by the market-liberal and EU-friendly Emmanuel Macron. In the UK, the incumbent prime minister, Theresa May, announced a snap election, hoping to win a stronger mandate for a tough line in Brexit negotiations. The result was the opposite, with the governing Tory party losing its majority and being weakened ahead of the talks.

The so-called Trump effect on the financial markets has ebbed away. Interest rates, inflation expectations and the dollar have all fallen below the levels they were at before Trump's election victory in early November last year. This is mainly because the Trump administration has been unable to push through almost any of its expansionary financial plans for tax reforms and infrastructure initiatives.

Central banks are at a crossroads, faced with a choice of stubbornly sticking to old inflation targets or taking monetary policy back to something like normality. More recently it actually seems as if the Federal Reserve has decided on the latter. It has raised the US key rate twice this year and said there will be more hikes. It has also announced a plan for shrinking its balance sheet.

Growth in the United States has so far been disappointing. There were hopes of stronger growth early in the year, but right now it seems that the path of 2 percent growth will continue. The opposite is the case in Europe, which has surprised on the upside. EU growth was twice that of the US in the first quarter, and may very well be higher over the full-year for the second consecutive year. In addition to stronger growth, we believe the valuation of European stock exchanges is more attractive compared to the US.

However, although the economic signals were mixed, the reporting season for the first quarter was mostly positive. Outcomes were better than expected in all major regions and analysts will have to upwardly adjust their full-year forecasts. It is clearly positive that stock markets are rising as a result of fundamental earnings improvements rather than the multiple expansion we have seen in recent years.

Despite the optimism about earnings, the ambiguous economic signals we are seeing at the moment are complex to interpret. And this gets even more complicated when we look at the signals from the fixed income market: falling long-term interest rates and falling inflation forecasts are not usually a sign of strength.