

Half Year Report for Catella Hedgefond

I January 2017 – 30 June 2017

## Stable start to the year

**Catella Hedgefond rose 2.23 percent in the first half of the year as a result of good returns on the fixed income mandate and favourable stock selection on the equity side.**

The majority of the fund's exposures were churned in the final quarter of 2016 and we entered the new year with a renewed portfolio structure. The objective has been to design a portfolio in which the following characteristics are more pronounced than before: A lower correlation with the stock market, a smaller concentration to individual equity positions and individual sectors – especially with regard to corporate bonds – and finally more individual, short equity positions.

The new portfolio composition allows for greater gross exposure on the equity side, with selection by the fund managers of individual exposures being critical to the fund's returns.

The fund's objective over time is to have a risk level, measured as standard deviation, of about three percent. At mid-year the risk was 2.24 percent (measured as 21-day annualised standard deviation). A contributing factor has been the falling volatility in the stock market, which is countered by a conscious effort to gradually increase the fund's gross exposure to individual shares.

In the first half of the year, the return on the fund was 2.23 percent, which can be said to be satisfactory in relation to the realised risk level and prevailing interest rates.

The fund's profits are traced to positive returns, in approximately equal parts, from the fixed income side of the portfolio and individual equity positions, while equity index derivatives contributed negatively to the return. Long equity positions contributed positively, while short positions unsurprisingly gave a negative contribution given the sharp upturn in the stock market.

Of the holdings at the start of the year, we have entirely exited Hennes & Mauritz and significantly cut back in steel company Outokumpu after a successful journey. The fund has established large new positions in Pandora and Autoliv, as well as in companies like Ambea in the care sector and Boozt in the online segment through cornerstone commitments in IPOs.

At company level, the biggest positive contributions to the portfolio came from telecom operators DNA and Tele2 and from insurance company Storebrand. On the negative side, the largest downside contributions came from energy conglomerate Aker ASA, shipping company Flex LNG and jewellery manufacturer Pandora. All currency exposure in fixed income investments is hedged and all equity investments are now also normally hedged, making the earnings impact from currency effects negligible during the period.

## Fund facts

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

Unit value ..... 172.11  
 Number of unit holders..... 642  
 Net fund assets (SEKm) .....8.396

### YIELD PAST HALF YEAR

**Catella Hedgefond.....2.23%**  
 Benchmark (OMRX-TBill).....-0.38%

### AVERAGE ANNUAL YIELD

#### Past two years

**Catella Hedgefond..... 1.96%**

### AVERAGE ANNUAL YIELD

#### Past five years

**Catella Hedgefond.....4.90%**

### RISK

**Total risk, 2 years monthly data.....3.57%**  
**Total risk, 1 year weekly data.....2.27%**  
 Duration, 30 June 2017 (years) .....-0.96%  
 Interest-rate risk from 1% change in  
 interest rate.....0.70%

### TURNOVER/COSTS

Rate of turnover (times/year) ..... 3.43  
 Transaction costs (SEKm).....22.78  
 as percentage of securities traded..... 0.08  
 Management fee..... 1.00%  
 Management fee charged (fixed and variable) \*  
 Ongoing charges.....\*

\* *Costs for funds with performance fees  
 are provided in the annual report*

### TURNOVER OF FINANCIAL INSTRUMENTS THROUGH ASSOCIATED SECURITIES INSTITUTIONS

Percentage of total turnover .....0.00%

### TURNOVER OF FINANCIAL INSTRUMENTS MANAGED BY CATELLA FONDFÖRVALTNING

Percentage of total turnover .....0.00%

The fund is a special (non-UCITS) fund

Fund inception: 1 March 2004

Opening price: SEK 100

Dividends: The fund does not pay any dividend.

Management company: Catella Fondförvaltning AB

Corporate registration number of the fund: 515601-9720

PPM fund number: Catella Hedgefond is not available as a PPM fund.

## BALANCE SHEET AND INCOME STATEMENT

BALANCE SHEET. SEKk	30-Jun-17	31-Dec-16
<b>ASSETS</b>		
Transferable securities (Note 1)	8 366 509	8 525 558
Money market instruments (Notes 1)	609 861	0
OTC derivatives with positive market value (Note 1)	45 138	66 184
Other derivatives with positive market value (Note 1)	4 446	7 772
Fund units (Note 1)	167 628	165 768
<b>Total financial instruments with positive market value</b>	<b>9 193 582</b>	<b>8 765 282</b>
Bank balances and other cash and cash equivalents	847 148	704 055
Prepaid expenses and accrued income	54 457	88 107
Other assets	53 470	76 723
<b>TOTAL ASSETS</b>	<b>10 148 657</b>	<b>9 634 167</b>
<b>LIABILITIES</b>		
OTC derivatives with negative market value (Note 1)	2 812	1 415
Other derivatives with negative market value (Note 1)	1 125	0
Other financial instruments with negative market value (Note 1)	1 374 087	1 041 245
<b>Total financial instruments with negative market value</b>	<b>1 378 024</b>	<b>1 042 660</b>
Accrued expenses and prepaid income	25 592	8 258
Other liabilities	348 940	79 919
<b>TOTAL LIABILITIES</b>	<b>1 752 556</b>	<b>1 130 837</b>
<b>NET FUND ASSETS Note 2</b>	<b>8 396 101</b>	<b>8 503 330</b>
<b>MEMORANDUM ITEMS</b>		
Collateral pledged for borrowed financial instruments	1 504 260	1 342 014
Collateral pledged for OTC derivatives	32 190	133 744
Collateral pledged for other derivatives	146 186	159 528
<b>INCOME STATEMENT. SEKk</b>	<b>30-Jun-17</b>	<b>31-Dec-16</b>
<b>INCOME AND CHANGES IN VALUE</b>		
Change in value of transferable securities	151 778	-58 328
Change in value of money market instruments	355	0
Change in value of OTC derivatives	50 698	-68 623
Change in value of other derivatives	-71 356	-391 496
Change in value of fund units	1 860	15 519
Interest income	108 506	287 609
Dividends	74 106	180 547
Net foreign exchange gains and losses	8 001	-22 221
Other financial income	403	4 124
Other income	755	0
<b>TOTAL INCOME AND CHANGES IN VALUE</b>	<b>325 106</b>	<b>-52 869</b>
<b>EXPENSES</b>		
Management costs		
Payments to companies conducting fund operations	83 689	133 055
Payments to depositary	2 705	5 199
Other financial expenses	36 160	32 969
Other expenses	12 949	24 859
Research cost	4 162	9 027
<b>TOTAL EXPENSES</b>	<b>139 665</b>	<b>205 109</b>
<b>PROFIT FOR THE YEAR</b>	<b>185 441</b>	<b>-257 978</b>

**Note 2 TO BALANCE SHEET**

	30-Jun-17	31-Dec-16
<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	1 220 122	4 292 401
Unit redemptions	-1 512 792	-11 024 271
Profit for the year per income statement	185 441	-257 978
<b>NET FUND ASSETS AT END OF PERIOD</b>	<b>8 396 101</b>	<b>8 503 330</b>

<b>Aggregate information, borrowed securities</b>	<b>30-Jun-17</b>	<b>31-Dec-16</b>
Market value of borrowed securities, SEKk	1 513 267	1 033 317
Market value of borrowed securities, % of fund assets	18.02%	0.1215

**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	1 513 267	1 033 317

Counterparty in connection with securities borrowing  
SEB, Sweden

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

Cash	29 000	31 500
Fixed-income securities	1 475 260	1 062 044
Shares	0	248 470
<b>TOTAL PLEDGED COLLATERAL</b>	<b>1 504 260</b>	<b>1 342 014</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	4 527	4 219
Percent	0.05%	0.0003

<b>Aggregate information, lending securities</b>	<b>30-juni-17</b>	<b>31-dec-16</b>
Market value of lent securities, SEKk	305 437	0
Market value of lent securities, % of fund assets	3.64%	0
Market value of lent securities, % of fund assets defined as asset excluding liquid assets	4.05%	0

**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	305 437	0

Counterparty in connection with securities lending  
SEB, Sweden

Settlement and clearing are bilateral

Income of securities lending			
SEKk	403	0	
Percent	0.005%	0	

## FUND'S HOLDINGS OF FINANCIAL INSTRUMENTS

Note   Securities	QUANTITY	PRICE	(SEKk)	%
<b>MARKET-LISTED EQUITIES*</b>				
<b>ENERGY</b>				
Aker, Norway, NOK	541 171	274.00	149 334	1.78
Bwo Offshore, Norway, NOK	1 289 477	21.00	27 271	0.32
Bwo Offshore lent, Norway, NOK	558 000	21.00	11 801	0.14
Flex LNG, Great Britain, NOK	8 540 390	10.50	90 311	1.08
Frontline, Norway, NOK	654 771	47.10	31 059	0.37
Frontline lent, Norway, NOK	300 000	47.10	14 230	0.17
Höegh LNG Holdings, Norway, NOK	125 000	83.25	10 480	0.12
Statoilhydro, Norway, NOK	-185 973	138.40	-25 921	-0.31
Statoilhydro borrowed, Norway, NOK	185 973	138.40	0	0.00
Subsea 7 SA, Norway, NOK	450 000	112.30	50 894	0.61
			<b>359 459</b>	<b>4.28</b>
<b>MATERIALS</b>				
Christian Hansen, Denmark, DKK	-60 000	473.50	-36 760	-0.44
Christian Hansen borrowed, Denmark, DKK	60 000	473.50	0	0.00
Gränges	-675 934	77.50	-52 385	-0.62
Gränges borrowed	675 934	77.50	0	0.00
Hexpol B	-1 326 671	91.95	-121 987	-1.45
Hexpol B borrowed	1 326 671	91.95	0	0.00
Holmen B	10 000	365.70	3 657	0.04
Holmen B lent	40 000	365.70	14 628	0.17
Norsk Hydro, Norway, NOK	400 000	46.28	18 643	0.22
Outokumpu, Finland, EUR	576 483	6.99	38 767	0.46
SSAB A	815 000	38.45	31 337	0.37
SSAB A lent	285 000	38.45	10 958	0.13
Stora Enso R EUR, Finland, EUR	-150 000	11.31	-16 321	-0.19
Stora Enso R EUR borrowed, Finland, EUR	150 000	11.31	0	0.00
Yara, Norway, NOK	-104 160	313.60	-32 896	-0.39
Yara borrowed, Norway, NOK	104 160	313.60	0	0.00
			<b>-142 359</b>	<b>-1.70</b>
<b>INDUSTRIALS</b>				
A.P. Möller Maersk B, Denmark, DKK	-12 069	13 090.00	-204 416	-2.43
A.P. Möller Maersk B borrowed, Denmark, DKK	11 875	13 090.00	0	0.00
A.P. Möller Mears A, Denmark, DKK	3 199	12 430.00	51 450	0.61
Ahlsell	1 599 275	57.75	92 358	1.10
Alfa Laval	-550 378	172.40	-94 885	-1.13
Alfa Laval borrowed	550 378	172.40	0	0.00
Cramo, Finland, EUR	488 197	26.20	123 055	1.47
Cramo lent, Finland, EUR	4 298	26.20	1 083	0.01
Hapag-Lloyd, Germany, EUR	73 742	25.61	18 172	0.22
Instalco Intressenter	127 247	69.00	8 780	0.10
Metso, Finland, EUR	1 000	30.36	292	0.00
Metso lent, Finland, EUR	159 000	30.36	46 441	0.55
Munters group B	1 056 638	73.60	77 769	0.93
Munters group B lent	10 000	73.60	736	0.01
Nordic Waterproofing	243 727	97.25	23 702	0.28
Norwegian Air Shuttle, Norway, NOK	63 677	243.20	15 596	0.19
Outotec, Finland, EUR	101 865	6.02	5 900	0.07
Outotec lent, Finland, EUR	1 432 844	6.02	82 985	0.99

Saferoad Holding, Norway, NOK	2 434 230	29.80	73 055	0.87
Sandvik	603 757	132.50	79 998	0.95
SKF B	-280 798	170.70	-47 932	-0.57
SKF B borrowed	480 798	170.70	0	0.00
Tomra Systems, Norway, NOK	663 334	102.00	68 140	0.81
Trelleborg B	54 428	192.30	10 467	0.12
Wilh. Wilhelmsen ASA, Norway, NOK	1 976 121	49.10	97 716	1.16
Volvo B	575 990	143.60	82 712	0.99

**613 174 7.30**

#### CONSUMER DISCRETIONARY

Autoliv SDB, USA	47 900	924.00	44 260	0.53
Autoliv SDB lent, USA	36 600	924.00	33 818	0.40
Boozt	1 215 050	83.00	100 849	1.20
Boozt lent	3 700	83.00	307	0.00
Electrolux B	349 816	276.10	96 584	1.15
Husqvarna B	978 000	83.70	81 859	0.98
JM	-130 000	298.10	-38 753	-0.46
JM borrowed	130 000	298.10	0	0.00
Mips	256 250	80.00	20 500	0.24
Pandora, Denmark, DKK	286 485	607.50	225 192	2.68
Pandora lent, Denmark, DKK	63 515	607.50	49 926	0.59
Schibsted A, Norway, NOK	-34 811	201.60	-7 068	-0.08
Schibsted A borrowed, Norway, NOK	24 041	201.60	0	0.00
Schibsted B, N Norway, NOK	417 936	184.50	77 657	0.92

**685 131 8.16**

#### CONSUMER STAPLES

Arcus, Norway, NOK	373 675	46.80	17 612	0.21
Essity B	-225 000	230.50	-51 862	-0.62
Essity B borrowed	225 000	230.50	0	0.00
Ica Gruppen	-184 250	313.60	-57 781	-0.69
Ica Gruppen borrowed	190 500	313.60	0	0.00
Kesko B, Finland, EUR	-125 000	44.54	-53 563	-0.64
Kesko B borrowed, Finland, EUR	162 500	44.54	0	0.00
Leroy Seafood, Norway, NOK	476 209	45.35	21 749	0.26
Leroy Seafood lent, Norway, NOK	62 000	45.35	2 832	0.03
Marine Harvest, Norway, NOK	-371 884	142.90	-53 520	-0.64
Marine Harvest borrowed, Norway, NOK	371 884	142.90	0	0.00
NNIT, Denmark, DKK	-60 887	198.50	-15 638	-0.19
NNIT borrowed, Denmark, DKK	60 887	198.50	0	0.00
SCA B	700 000	63.75	44 625	0.53
Scandi Standard	374 209	61.00	22 827	0.27
Scandi Standard lent	56 000	61.00	3 416	0.04

**-119 303 -1.42**

#### HEALTHCARE

Actic	100 000	48.50	4 850	0.06
Alligator Bioscience	1 076 923	28.80	31 015	0.37
Ambea	999 565	96.00	95 958	1.14
Ambea lent	37 935	96.00	3 642	0.04
Capio	440 188	51.50	22 670	0.27
Capio lent	20 000	51.50	1 030	0.01
Coloplast B, Denmark, DKK	-90 000	544.00	-63 349	-0.75
Coloplast B borrowed, Denmark, DKK	90 000	544.00	0	0.00
Elekta B	-206 710	79.85	-16 506	-0.20
Elekta B borrowed	206 710	79.85	0	0.00
Getinge B	-25 000	164.90	-4 122	-0.05
Getinge B borrowed	25 000	164.90	0	0.00
GHP Specialty Care	600 000	10.95	6 570	0.08
GN Store Nord, Denmark, DKK	-129 221	190.10	-31 785	-0.38
GN Store Nord borrowed, Denmark, DKK	143 251	190.10	0	0.00
Humana	62 610	63.00	3 944	0.05

Humana lent	60 857	63.00	3 834	0.05
Novozymes B, Denmark, DKK	-130 000	284.90	-47 922	-0.57
Novozymes B borrowed, Denmark, DKK	130 000	284.90	0	0.00
			<b>9 829</b>	<b>0.12</b>
<b>FINANCIALS</b>				
Handelsbanken A	-893 175	120.60	-107 717	-1.28
Handelsbanken A borrowed	893 175	120.60	0	0.00
Investor B	-145 500	406.00	-59 073	-0.70
Investor B borrowed	145 500	406.00	0	0.00
Kinnevik B	-70 000	257.90	-18 053	-0.22
Kinnevik B borrowed	95 000	257.90	0	0.00
Storebrand, Norway, NOK	2 100 000	57.60	121 819	1.45
Swedbank A	449 136	205.30	92 208	1.10
			<b>29 184</b>	<b>0.35</b>
<b>INFORMATION TECHNOLOGY</b>				
CLX Communications	86 848	134.75	11 703	0.14
CLX Communications lent	11 150	134.75	1 502	0.02
Edgeware	658 687	42.60	28 060	0.33
Ericsson B	840 000	60.25	50 610	0.60
Evry, Norway, NOK	1 987 500	29.80	59 648	0.71
Mycronic Mydata	98 111	76.75	7 530	0.09
Mycronic Mydata lent	152 000	76.75	11 666	0.14
Nokia EUR, Finland, EUR	-1 121 590	5.36	-57 782	-0.69
Nokia EUR borrowed, Finland, EUR	1 189 240	5.36	0	0.00
			<b>112 937</b>	<b>1.35</b>
<b>TELECOMMUNICATION SERVICES</b>				
DNA, Finland, EUR	437 502	13.90	58 506	0.70
DNA lent, Finland, EUR	57 303	13.90	7 663	0.09
Elisa, Finland, EUR	-49 420	33.93	-16 132	-0.19
Elisa borrowed, Finland, EUR	79 420	33.93	0	0.00
Koninklijke KPN, the Netherlands, EUR	-460 833	2.80	-12 418	-0.15
Koninklijke KPN borrowed, the Netherlands, EUR	1 260 833	2.80	0	0.00
Tele 2 B	237 812	88.20	20 975	0.25
			<b>58 594</b>	<b>0.70</b>
<b>REAL ESTATE</b>				
Balder B	-135 000	204.00	-27 540	-0.33
Balder B borrowed	135 000	204.00	0	0.00
Castellum	150 000	123.70	18 555	0.22
Corem Property Group Pref	1 530 696	146.50	224 247	2.67
Fast Partner Pref	440 648	336.50	148 278	1.77
Kungsleden	392 573	51.60	20 257	0.24
Kungsleden lent	40 767	51.60	2 104	0.03
NP3 Fastigheter	436 670	46.90	20 480	0.24
NP3 Fastigheter lent	27 876	46.90	1 307	0.02
			<b>407 688</b>	<b>4.86</b>
<b>TOTAL MARKET-LISTED EQUITIES</b>			<b>2 014 334</b>	<b>23.99</b>
<b>NOT MARKET-LISTED EQUITIES**</b>				
<b>INDUSTRIALS</b>				
Sdiptech	720 000	54.75	39 420	0.47
			<b>39 420</b>	<b>0.47</b>
<b>TOTAL NOT MARKET-LISTED EQUITIES</b>			<b>39 420</b>	<b>0.47</b>
<b>MARKET-LISTED BONDS*</b>				
<b>GOVERNMENT</b>				
Statsobligation loan 1054 220601	200 000 000	117.24	234 488	2.79
			<b>234 488</b>	<b>2.79</b>



**OTHER**

AINMT Scandinavia Holdings FRN 220407, Norway, NOK	20 000 000	101.17	20 377	0.24
ALM FRN 210519	11 000 000	100.21	11 023	0.13
Arise Windpower FRN 190425	38 925 000	96.79	37 675	0.45
B2 FRN 211004, Norway, EUR	6 000 000	107.96	62 318	0.74
Bayport 11% 190924, Mauritius	7 000 000	101.42	7 099	0.08
Bayport 191117	50 000 000	98.96	49 480	0.59
Cabot Financial 7,5% 231001, Luxembourg, GBP	2 500 000	108.11	29 602	0.35
Care Bidco FRN 210324, Norway, NOK	15 000 000	102.75	15 522	0.18
Catena Media FRN 190916, Malta, EUR	3 800 000	102.62	37 518	0.45
Color Group FRN 171218, Norway, NOK	10 500 000	101.23	10 705	0.13
Crayon FRN 200606, Norway, NOK	7 000 000	101.38	7 147	0.09
Danske Bank 5,119% 490815, Denmark	39 000 000	100.57	39 221	0.47
DDM TREASURY 9% 200130, EUR	4 000 000	102.50	39 444	0.47
Exmar FRN 170707, the Netherlands, NOK	30 000 000	92.75	28 023	0.33
Gaming innovation Group, USA	23 000 000	102.50	23 575	0.28
Genova Property FRN 210407	30 000 000	100.62	30 188	0.36
Golar LNG Partners FRN 171012, Bermuda, NOK	40 000 000	101.04	40 702	0.48
Golar LNG Partners FRN 210515, Marshall Islands, USD	3 000 000	99.82	25 265	0.30
Golden Heights FRN 190618	25 000 000	100.00	25 000	0.30
Hemfosa FRN 200901	102 000 000	101.39	103 420	1.23
Hexagon FRN 191126	75 000 000	101.18	75 888	0.90
Hoist FRN 210629	20 000 000	100.50	20 100	0.24
IB Bostad FRN 181021, NOK	18 000 000	104.21	18 892	0.23
Ikano Bank FRN 200415	45 000 000	100.21	45 095	0.54
Ikano Bostad FRN 190325	72 000 000	101.42	73 022	0.87
Ixat Intressenter FRN 200612	150 000 000	100.25	150 375	1.79
Jefast FRN 210327	20 000 000	100.50	20 100	0.24
JSM Financial Group FRN 200420	35 000 000	100.46	35 160	0.42
Kommuninvest i Sverige 0,75 % 200216	200 000 000	102.35	204 694	2.44
Lifco 1,11% 180403	100 000 000	100.69	100 686	1.20
Millicom 6,625% 211015, Luxembourg, USD	1 700 000	104.03	14 921	0.18
Moberg Pharma FRN 210129	41 000 000	106.38	43 614	0.52
MTG FRN 180319	16 000 000	100.72	16 115	0.19
Nackahusen Holding FRN 200813	50 000 000	101.25	50 625	0.60
Nibe FRN 200528	44 000 000	101.25	44 550	0.53
Norcell Sweden Holding 3 3,625% 210623	40 000 000	103.71	41 486	0.49
Nordea Hypotek 2,25% 5530 190619	200 000 000	104.88	209 765	2.50
Nordea Hypotek 3,25% 5521 200617	100 000 000	109.49	109 494	1.30
Norlandia FRN 211220, Norway	80 000 000	103.50	82 800	0.99
Norwegian Air Shuttle FRN 170703, Norway, NOK	40 000 000	100.01	40 289	0.48
Nova Austral 8,25% 210526, Chile, USD	7 500 000	101.25	64 068	0.76
NP3 FRN 210413	30 000 000	100.50	30 150	0.36
Polygon FRN 190416, EUR	8 900 000	101.69	87 068	1.04
Protector Forsikring FRN 470331, Norway, NOK	40 000 000	101.87	41 036	0.49
Sagax FRN 200909, EUR	6 900 000	103.90	68 971	0.82
Samhällsbyggnadsbolag	50 000 000	100.71	50 354	0.60
Sampo FRN 180529, Finland	60 000 000	100.91	60 546	0.72
SEB 200617	300 000 000	104.33	312 981	3.73
Silk Bidco 220201, Norway, EUR	15 000 000	107.06	154 494	1.84
Stadshypotek 1582 2,5% 190918	200 000 000	105.92	211 843	2.52
Stadshypotek 1583 4,25% 200617	200 000 000	112.44	224 890	2.68
Storebrand FRN 180529, Norway, NOK	36 000 000	101.16	36 677	0.44
Strömma Tursim & Sjöfart FRN 210521	15 000 000	106.12	15 919	0.19
Swedbank Hypotek 180 5,7% 200512	200 000 000	116.28	232 563	2.77
Swedbank Hypotek 189 201216	200 000 000	102.77	205 543	2.45
TDC 3,5% 210226, Denmark, EUR	6 500 000	102.82	64 298	0.77
Telia Company FRN 771004	14 000 000	101.20	14 168	0.17
Vattenfall 3,125% 220319	113 000 000	100.79	113 896	1.36
Velcora FRN 210715	20 000 000	106.25	21 250	0.25
Veritas 7% 190401, Norway, USD	2 200 000	97.88	18 167	0.22

Volvo Treasury FRN 180226	60 000 000	100.68	60 410	0.72
Volvo Treasury FRN 180613	70 000 000	100.16	70 112	0.84
Volvofinans Bank FRN 171204	52 000 000	100.25	52 131	0.62
Vostok New Ventures 5,5% 200622, Bermuda	25 000 000	100.75	25 188	0.30
Vostok New Ventures 6,5% 190609, Bermuda	19 000 000	105.25	19 998	0.24
VV Holding FRN 190710, Norway, NOK	20 000 000	99.22	19 985	0.24
			<b>4 317 681</b>	<b>51.43</b>
<b>TOTAL MARKET-LISTED BONDS</b>			<b>4 552 169</b>	<b>54.22</b>
<b>NOT LISTED BONDS**</b>				
Color Group FRN 190918, Norway, NOK	10 000 000	105.62	10 637	0.13
Corral Petroleum 12,25% 210515	61 000 000	108.86	66 402	0.79
Garfunkelux 11% 231101, Luxembourg, GBP	3 000 000	111.07	36 495	0.43
Host Property FRN 191208, Norway	12 000 000	103.50	12 420	0.15
OPR Vakuuus 8% 220518, Finland, EUR	4 000 000	102.12	39 300	0.47
Perstorp Holding 7,625% 210630, EUR	9 100 000	108.24	94 759	1.13
RSA Insurance Group FRN PERP, Great Britain	75 000 000	103.71	77 782	0.93
Unilab 5,75% 250515, EUR	5 000 000	101.25	48 704	0.58
			<b>386 499</b>	<b>4.60</b>
<b>TOTAL NOT LISTED BONDS</b>			<b>386 499</b>	<b>4.60</b>
<b>TOTAL TRANSFERABLE SECURITIES</b>			<b>6 992 422</b>	<b>83.28</b>
TRANSFERABLE SECURITIES WITH POSITIVE MARKET VALUE			8 366 509	
TRANSFERABLE SECURITIES WITH NEGATIVE MARKET VALUE			-1 374 087	
<b>COMMERCIAL PAPER*</b>				
Bergvik cert 170818	20 000 000	100.00	20 000	0.24
Bergvik cert 170918	20 000 000	99.98	19 996	0.24
Bergvik cert 171018	20 000 000	99.98	19 997	0.24
Bergvik cert 171120	20 000 000	99.96	19 992	0.24
Bergvik cert 171218	50 000 000	99.95	49 974	0.60
Boliden cert 170904	150 000 000	100.00	150 001	1.79
Getinge cert 171220	50 000 000	99.89	49 947	0.59
Hexagon cert 170821	80 000 000	100.00	79 998	0.95
Loomis cert 170913	50 000 000	99.99	49 993	0.60
MTG cert 170703	50 000 000	100.00	49 999	0.60
MTG cert 171026	50 000 000	99.97	49 984	0.60
ÅF cert 171201	50 000 000	99.96	49 980	0.60
			<b>609 861</b>	<b>7.26</b>
<b>TOTAL COMMERCIAL PAPER</b>			<b>609 861</b>	<b>7.26</b>
<b>FUND UNITS</b>				
Catella Credit Opportunity	435 271	110.55	48 119	0.57
Catella Nordic Long/Short Equity IC, Luxembourg	669 565	147.27	98 607	1.17
Catella Nordic Long/Short Equity RC, Luxembourg	140 000	149.30	20 902	0.25
			<b>167 628</b>	<b>2.00</b>
<b>TOTAL FUND UNITS</b>			<b>167 628</b>	<b>2.00</b>
<b>EXCHANGE TRADED DERIVATIVES</b>				
<b>Index option</b>				
Essity B 17 K 265 Sep	2 200	0.32	70	0.00
			<b>70</b>	<b>0.00</b>
<b>Indexfuture</b>				
OMX FUTURE 170120	-5 435	1 602.75	0	0.00
			<b>0</b>	<b>0.00</b>

**Bond Future**

Swe Gov. Bond Future 10Y	-1 000	0.93	0	0.00
			<b>0</b>	<b>0.00</b>

<b>TOTAL EXCHANGE TRADED DERIVATIVES</b>			<b>3 321</b>	<b>0.04</b>
Exchange traded Derivatives with positive market value			<b>4 446</b>	<b>0.05</b>
Exchange traded Derivatives with negative market value			<b>-1 125</b>	<b>-0.01</b>

**OTC DERIVATIVES**
**FX Forwards**

FXFWD DKKSEK 170921 1.310222, Denmark, DKK	114 000 000	1.29	-1 945	-0.02
FXFWD EURSEK 170914 9.736568, Europe, EUR	-5 100 000	9.62	609	0.01
FXFWD EURSEK 170914 9.738865, Europe, EUR	-100 000 000	9.62	12 178	0.15
FXFWD EURSEK 170921 9.737662, Europe, EUR	-20 000 000	9.62	2 417	0.03
FXFWD GBPSEK 170914 11.036876, Great Britain, GBP	-6 000 000	10.94	610	0.01
FXFWD NOKSEK 170914 1.027249, Norway, NOK	-292 000 000	1.00	6 652	0.08
FXFWD NOKSEK 170914 1.027287, Norway, NOK	38 000 000	1.00	-867	-0.01
FXFWD NOKSEK 170921 1.0242, Norway, NOK	-90 000 000	1.00	1 805	0.02
FXFWD NOKSEK 170921 1.027228, Norway, NOK	-812 000 000	1.00	18 712	0.22
FXFWD USDSEK 170914 8.474598, USA, USD	-7 400 000	8.41	502	0.01
FXFWD USDSEK 170914 8.642735, USA, USD	-7 000 000	8.41	1 653	0.02
			<b>42 326</b>	<b>0.50</b>

<b>TOTAL OTC-DERIVATIVES</b>			<b>42 326</b>	<b>0.50</b>
OTC Derivatives with positive market value			45 138	0.54
OTC Derivatives with negative market value			-2 812	-0.03

<b>TOTAL HOLDINGS OF FINANCIAL INSTRUMENTS</b>			<b>7 815 558</b>	<b>93.09</b>
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<b>OTHER ASSETS AND LIABILITIES</b>			<b>580 543</b>	<b>6.91</b>
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<b>TOTAL</b>			<b>8 396 101</b>	<b>100.00</b>
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\* 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	14.32
Hexagon AB	1.86
Catella Nordic Long/Short Equity	1.42
MTG AB	1.38
Shibsted ASA	0.84
Norwegian Air Shuttle AS	0.67
NP3 Fastigheter AB	0.62
Getinge AB	0.55
OMXS30	0.04
Essity AB	-0.62
A.P. Møller-Maersk A/S	-1.82

\* 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:

Vostok New Ventures 5,5% 200622  
 Nackahusen FRN 200813  
 Ixat Intressenter FRN 200612  
 SBB FRN 200406  
 Hoist Group FRN 210629  
 Golar LNG Partners FRN 210515  
 Care Bidco FRN 210324  
 AINMT Scandinavian Holding FRN 220407  
 IB Bostad FRN 181021  
 Crayon Group FRN 200606  
 Nova Austral 8,5% 210526

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**COUNTERPARTIES FINANCIAL DERIVATIVE TRANSACTIONS**


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COUNTERPART	Collateral received
SEB	0
Nordea	0
CitiGroup	0
Danske Bank	0

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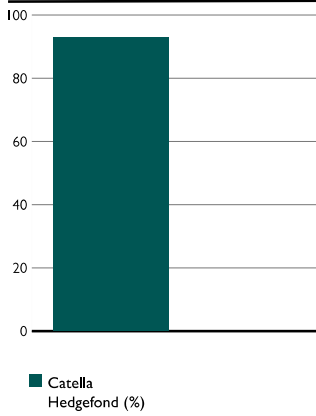
**HISTORICAL FUND ASSET, NET ASSET VALUE. NUMBER OF UNITS AND DIVIDENDS**


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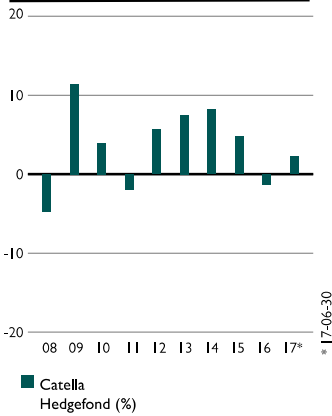
	Dividend	Unit Value	No of	Net fund assets
Date	SEK/unit	SEK	units	SEKk
081231	2.74	128.13	34 366 768	4 403 545
091231	6.40	136.06	37 678 675	5 126 429
101231	0.86	140.57	32 831 919	4 615 325
111231	0.79	137.12	24 878 484	3 411 382
121231	4.78	139.93	25 259 078	3 534 419
131231	0.00	150.43	29 125 169	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
170630	0.00	172.11	48 783 174	8 396 126

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YIELD SINCE INCEPTION



YIELD SINCE INCEPTION



**TRADE IN DERIVATIVES**

In accordance with its fund rules, the fund may trade in derivatives as part of its investment strategy. During the period the fund has not exercised its right to lend securities, but has exercised its right to borrow securities.

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

Highest leverage	Lowest leverage	Average leverage
82.43%	40.02%	57.19%

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 Juni 30, 2017	Highest	Lowest	Average
0.21%	0.48%	0.16%	0.20%

### 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 on 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), the fund has the option to guarantee securities issues. During the first half of 2017 the Catella Hedgefond has 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. The Catella Hedgefond fund is a special fund under the Swedish Alternative Investment Fund Managers Act (SFS 2013:561) (AIFM). For more details, complete prospectuses, key investor information, and annual and half-yearly reports, please refer to our website at [catella.se/fonder](http://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.