

Annual Report for Catella Hedgefond

**1 January 2018 – 31 December 2018**

## CEO's message

Jack Bogle of Vanguard once said, "Half the time, I wonder why I have so much in stocks, and other times I wonder why I have so little." The quotation rather neatly sums up the past year, but also investment decisions in general.

Managing money is not easy. We are putting a year behind us in which we cannot be satisfied. As we have seen so many times before, the year was tinged with uncertainty. As it began, the markets were extremely shaky and volatility hit the roof. This was followed by a period of gradual recovery and the index hit the peak for the year by summer's end, in spite of both macroeconomic and political unrest in several places in the world. As the autumn storms rolled in, things happened very fast. Even though neither business nor the real economy showed any signs of weakness, the market outlook went from optimistic to pessimistic, resulting in a relatively massive dip in which cyclical and energy companies in particular took a beating.

We, who had for quite some time been advocating the "modern portfolio" with a larger element of more market-neutral strategies, were hoist with our own petard when we did not manage to deliver a positive return during the most difficult months. A taxing period of brief dips that had started by spring and summer and attracted new buyers every time, also made the market difficult for a group of fund managers inclined to scepticism. The cost of staying outside turned out to be too high, and several were pulled along with the prevailing trend. "Buy the dips..." There are many lessons to be learnt, and we will use this experience to enter 2019 stronger.

In this context, it is a real comfort that our flagship product, Catella Hedgefond, had already undergone several changes in recent years. The product is managed in a more diversified manner than it used to be and the correlation against the equity market has gone down significantly. Likewise, the total risk was low, which mitigated the product's loss in spite of several investments that did not turn out as expected. The fund is composed of several different strategies, where the more successful were able to compensate for the poorer performers to a certain extent. We are definitely not satisfied with the outcome, even though it was not statistically unreasonable for a bad year, considering the risk level of the product.

As I write this, the market remains turbulent and even though we are still reeling a bit, our absolute faith in the asset class is unshaken. We are in a market where the stock exchanges have delivered growth during one of the longest periods in memory, interest rates seem to have hit bottom after decades of downturns and the riskless alternatives are offering zero return. Like Bogle implied in the quotation above, you can lose sleep over having too much in stocks one day and over having too little in stocks the next. In this kind of environment, an absolute return strategy is supposed to help you sleep better through lower volatility than the equities in the portfolio while offering higher return than the interest rates that have been pushed so low. I am convinced that we are headed for a brighter 2019, and we look forward to continuing to work with you.

We thank you for your trust.

*Erik Kjellgren*  
CEO Catella fondförvaltning AB

## Market trends 2018

# A challenging 2018

After several years of stable growth, global financial markets once again demonstrated their idiosyncrasy, and one word sums up 2018: Challenging.

The year began in the same style as last year ended, with rising stock markets, rising interest rates and a general sense of good times. But by the end of January this feeling had changed entirely. The market had been lulled by an overly secure world in 2017, and the pattern of each slight dip being bought was flipped. A large downturn led many participants to switch behaviour after a shock awakening. The VIX index, which is a measure of market pricing of future volatility, rose steeply and stock exchanges fell. The rise in interest rates that had begun in the United States and then spread globally, and which suggested that the world was emerging from the tough years following the financial crisis, came to nought. The year has been challenging for active managers, who in most cases tend to buy “cheap” shares and sell “expensive” ones. This is a strategy that works over time, but which has been difficult in 2018 since cheap companies have become even cheaper and expensive ones have become even more expensive.

Even after the market turmoil had calmed slightly, there was an obvious difference compared to 2017. Donald Trump began to tweet about a trade war, cyclical companies turned gains into losses, and cyclical industrial metals fell. There was a common message from many directions in the market – we are headed for weaker times. And in weaker times companies make less money, with the biggest impact on those most sensitive to the state of the economy. In periods of weaker growth, the performance of emerging market stocks is inhibited since they are most sensitive to the economic trends. Commodities fall. Bonds with lower credit ratings are poor performers, and the only entirely secure assets are government bonds. The message from the market was clear. Even oil prices fell in the final months of the year, which can also be interpreted as a signal that global demand is weaker than expected. One positive effect of falling commodity prices is lower inflation, which means, all else being equal, less need for tighter monetary policy. Lower commodity prices also free up the ability of companies and households to consume, and can be compared to a tax cut. The losers from lower commodity prices are, of course, the companies and countries that produce them.

Investments in the United States have provided a decent return in 2018, thanks to the stronger dollar. Growth has stepped down a gear and there are now multiple problems with this. The greatest risk from weak growth right now is that large parts of the world have little ammunition in the form of monetary policy to parry a recession. Interest rates are already at record lows and, even in an environment of weaker growth, it is difficult to imagine that rates could fall much further. And in addition, fiscal policy is already expansionary, particularly in the United States. Overall, this means the world is more unequipped than ever to handle a recession, which is influencing the pricing of financial assets and leads me to believe that 2019 will be a major challenge for politicians, central bankers and portfolio managers alike.

## Unsatisfactory return

**Catella Hedgefond fell by 3.07 percent in 2018 (of which -0.43 percent in the first half and -2.64 percent in the second) as a result of negative returns on both fixed income and equities.**

2018 was a problematic year for active risk taking. Regardless of the wider environment, negative returns for an individual year are not acceptable in our management model. Our model is based on creating relative returns through a skilled selection of long and short exposures, which we managed well in 2017 but not in 2018. The negative alpha contribution is concentrated to a small number of unfavourable exposures, especially in more cyclical segments.

The objective of the fund is to maintain a risk level, measured as standard deviation, of about three percent over time. At year-end, the risk was 2.38 percent (measured as standard deviation 21 days annualised). The fund's return has continued to show low volatility despite increased market movements during the start and end of the year. The fund's gross exposure fell during the year, largely as a result of an unfavourable outcome in terms of return. With the volatility and re-pricing in the financial markets, we believe that there are good opportunities to take specific risks in 2019.

During the year, the fund's return was -3.07 percent, which is below its target return. The fund's result can be attributed to negative returns on the equity side and also a slightly negative return on the fixed income side. Index derivatives made a positive contribution on the equity side and a negative contribution on the fixed income side.

Long equity positions contributed slightly positively before currency hedges, while short positions made a negative contribution. Of the holdings at the previous year-end, we entirely exited Nokia, Aker ASA and Sandvik. The fund bought back large short positions in Alfa Laval, Hexpol and Handelsbanken, and established new long exposures in NCC, Boliden and Electrolux.

At company level, the largest positive contributions to the portfolio came from cyclical holdings such as Aker, Maersk and BW Offshore, and also from more defensive holdings such as Ambea, Elekta and Telia. On the negative side, the downside contributions were largest in cyclical holdings such as Outotec, Polarcus and Kvaerner, and also in jewellery manufacturer Pandora and the credit in MVNO operator Lebara.

All currency exposure in fixed income investments is hedged and, for a couple of years, all equity investments have also normally been hedged, with the effect on the results of currency hedging being significantly negative.

As of January 14, 2019, Martin Nilsson has handed his management mandate to others within the hedge team. Going forward, the fund will be managed by Thomas Elofsson, Stefan Wigstrand, Martin Jonsson and Anders Wennberg.

## Fund facts

Fund Unit class	Catella Hedgefond		
	A	E	F
Fund manager	Thomas Elofsson Martin Jonsson Anders Wennberg Stefan Wigstrand	See unit class A	See unit class A
Fund class inception	2004-03-01	2018-01-23	2018-04-12
Opening price	100	100	100
Fund type	Special fund	See unit class A	See unit class A
Corporate registration number of fund	515601-9720	See unit class A	See unit class A
PPM fund number	Catella Hedgefond is not a fund within PPM	N/A	N/A
Net fund assets (SEKk)	9 302 220	26 209	16 752
Unit value	170.76	96.55	97.84
No of units	54 473 951	271 464	171 228

### Yield

Benchmark index, alt. Reference rate	Reference rate: OMRX T-Bill	Reference rate: OMRX T-Bill	Reference rate: OMRX T-Bill
Fund, Yield past year (%)	-3.07	-3.45 *	-2.16 *
Benchmark index (alt. Reference rate), yield past year (%)	-0.81	-0.76 *	-0.6 *
Fund, Average annual yield past two years (%)	0.71	N/A	N/A
Benchmark (alt. Reference rate), Average annual yield past two years (%)	N/A	N/A	N/A
Fund, Average annual yield past five years (%)	2.57	N/A	N/A
Benchmark index (alt. Reference rate), Average annual yield past five years (%)	N/A	N/A	N/A
Fund, Yield since inception (%)	91.43	-3.45	-2.16
Benchmark index (alt. Reference rate), Yield since inception (%)	N/A	N/A	N/A

\* Since unit class inception

### Risk (24 months)

Duration, 31 December 2018 (years)	1.42	See unit class A	See unit class A
Interest-rate risk from 1%-point change in interest rate	-1.21	See unit class A	See unit class A
Total risk fund (%)	2.23	N/A	N/A
Total risk benchmark (%)	N/A	N/A	N/A
Active risk (%)	N/A	N/A	N/A
Active share (%) 31 December 2018	N/A	N/A	N/A

### Turnover/costs

Rate of turnover (times/year)	2.57	See unit class A	See unit class A
TTC, Transaction costs (SEKm)	29.57	See unit class A	See unit class A
percentage of securities traded	0.06	See unit class A	See unit class A
Management fee %	1.00	0.50	0.40
Management fee charged (fixed and variable)	1.26	0.54	0.44
Ongoing charges %*	1.13	0.62	0.53

\*See Accounting policies on page 21

### Cost of type saving

Lump-sum deposit SEK 10.000			
Management cost (SEK)	126.84	52.98	32.94
Monthly saving SEK 100			
Management cost (SEK)	6.79	3.46	1.55



**Turnover through associated securities institutions**

Percentage of total turnover	0.00	0.00	0.00
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**Turnover of financial instruments managed by Catella Fondförvaltning AB**

Percentage of total turnover	Catella Sicav. 0.20 Catella Credit Opportunity A. 0.09	See unit class A	See unit class A
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**Exchange rates**

Closing rates at 31 December 2018

EUR	10.1385	See unit class A	See unit class A
GBP	11.3019	See unit class A	See unit class A
NOK	1.0235	See unit class A	See unit class A
USD	8.8670	See unit class A	See unit class A

# Balance sheet and income statement

<b>BALANCE SHEET. SEKk</b>	<b>31-Dec-18</b>	<b>31-Dec-17</b>
<b>ASSETS</b>		
Transferable securities (Note 1)	9 342 782	8 672 549
Money market instruments (Note 1)	254 909	1 071 638
OTC derivatives with positive market value (Note 1)	48 903	27 146
Other derivatives with positive market value (Note 1)	7 400	869
Fund units (Note 1)	19 232	172 236
<b>Total financial instruments with positive market value</b>	<b>9 673 226</b>	<b>9 944 438</b>
Bank balances and other cash and cash equivalents	588 850	610 244
Prepaid expenses and accrued income	78 850	64 324
Other assets	21 927	125 644
<b>TOTAL ASSETS</b>	<b>10 362 853</b>	<b>10 744 650</b>
<b>LIABILITIES</b>		
OTC derivatives with negative market value (Note 1)	3 660	1 845
Other derivatives with negative market value (Note 1)	4 500	0
Other financial instruments with negative market value (Note 1)	949 789	1 286 527
<b>Total financial instruments with negative market value</b>	<b>957 949</b>	<b>1 288 372</b>
Accrued expenses and prepaid income	10 880	26 165
Other liabilities	48 843	23 568
<b>TOTAL LIABILITIES</b>	<b>1 017 672</b>	<b>1 338 105</b>
<b>NET FUND ASSETS Note 2</b>	<b>9 345 181</b>	<b>9 406 545</b>
<b>MEMORANDUM ITEMS</b>		
Collateral pledged net for borrowed/lending financial instruments	790 513	1 401 266
Collateral pledged for OTC derivatives	13 500	60 184
Collateral pledged for other derivatives	60 629	106 409
Lent financial instruments	465 297	293 743
Borrowed financial instruments	959 240	1 204 661
<b>INCOME STATEMENT. SEKk</b>		
<b>INCOME AND CHANGES IN VALUE</b>		
Change in value of transferable securities	-319 254	330 211
Change in value of money market instruments	1 542	807
Change in value of OTC derivatives	-102 767	33 799
Change in value of other derivatives	-21 635	-30 225
Change in value of fund units	4 800	6 769
Interest income	244 281	220 361
Dividends	77 766	88 105
Net foreign exchange gains and losses	2 070	8 983
Other financial income	282	2 325
Other income	3 350	0
<b>TOTAL INCOME AND CHANGES IN VALUE</b>	<b>-109 565</b>	<b>661 135</b>
<b>EXPENSES</b>		
Management costs		
Payments to companies conducting fund operations	128 597	189 086
Payments to depositary	6 550	5 459
Other financial expenses	38 031	41 922
Other expenses	27 356	23 595
Research cost	6 947	7 719
<b>TOTAL EXPENSES</b>	<b>207 481</b>	<b>267 781</b>
<b>PROFIT FOR THE YEAR</b>	<b>-317 046</b>	<b>393 354</b>

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<b>Note 2 TO BALANCE SHEET</b>		
<b>CHANGE IN NET FUND ASSETS</b>	31-Dec-18	31-Dec-17
<b>NET FUND ASSETS AT BEGINNING OF YEAR</b>	<b>9 406 545</b>	<b>8 503 330</b>
Unit sales class A	3 722 336	2 866 941
Unit sales class E	89 874	0
Unit sales class F	19 721	0
Unit redemptions class A	-3 512 063	-2 357 080
Unit redemptions class E	-61 680	0
Unit redemptions class F	-2 506	0
Profit for the year per income statement	-317 046	393 354
<b>NET FUND ASSETS AT END OF PERIOD</b>	<b>9 345 181</b>	<b>9 406 545</b>

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## Fund's holdings of financial instruments

Note   Securities	QUANTITY	PRICE	MARKET VALUE (SEKk)	FUND WEIGHT %
<b>MARKET-LISTED EQUITIES*</b>				
<b>ENERGY</b>				
Archer. Bermuda. NOK	4 570 074	4.34	20 324	0.22
Equinor ASA. Norway. NOK	-630 000	183.75	-118 483	-1.27
Equinor ASA borrowed. Norway. NOK	630 000	183.75	0	0.00
Flex LNG. Great Britain. NOK	4 012 500	12.35	50 719	0.54
Odfjell Drilling. Bermuda. NOK	215 652	20.70	4 569	0.05
Odfjell Drilling lent. Bermuda. NOK	208 466	20.70	4 417	0.05
Polarcus. United Arab Emirates. NOK	28 780 867	1.01	29 634	0.32
Prosafe. Norway. NOK	1 264 347	13.46	17 418	0.19
Torm A. Great Britain. DKK	151 049	43.85	8 997	0.10
Torm A lent. Great Britain. DKK	80 586	43.85	4 800	0.05
			<b>22 395</b>	<b>0.24</b>
<b>MATERIALS</b>				
Boliden	209 541	191.98	40 228	0.43
Boliden lent	40 000	191.98	7 679	0.08
Christian Hansen. Denmark. DKK	-15 000	576.60	-11 749	-0.13
Christian Hansen borrowed. Denmark. DKK	10 000	576.60	0	0.00
SSAB A	78 836	30.49	2 404	0.03
SSAB A lent	376 000	30.49	11 464	0.12
SSAB B	66 324	24.92	1 653	0.02
SSAB B lent	1 160 000	24.92	28 907	0.31
			<b>80 586</b>	<b>0.86</b>
<b>INDUSTRIALS</b>				
A.P. Möller Maersk B. Denmark. DKK	-3 673	8 184.00	-40 833	-0.44
A.P. Möller Maersk B borrowed. Denmark. DKK	3 622	8 184.00	0	0.00
A.P. Möller Maersk A. Denmark. DKK	6 559	7 700.00	68 605	0.73
Alfa Laval	-130 914	189.65	-24 828	-0.27
Alfa Laval borrowed	130 914	189.65	0	0.00
Assa Abloy B	-475 000	158.15	-75 121	-0.80
Assa Abloy B borrowed	475 000	158.15	0	0.00
Cavotec BTA 18. Switzerland	109 331	12.65	1 383	0.01
Cavotec. Switzerland	546 656	13.25	7 243	0.08
Epiroc A	120 000	83.84	10 061	0.11
Kone. Finland. EUR	-50 000	41.64	-21 108	-0.23
Kone borrowed. Finland. EUR	50 000	41.64	0	0.00
Kvaerner ASA. Norway. NOK	5 794 016	12.06	71 518	0.77
Kvaerner ASA lent. Norway. NOK	9 286	12.06	115	0.00
Munters group B	280 987	34.00	9 554	0.10
Munters group B lent	352 792	34.00	11 995	0.13
NCC B	28 517	137.80	3 930	0.04
NCC B lent	436 288	137.80	60 120	0.64
Norwegian Air Shuttle. Norway. NOK	-82 341	173.45	-14 618	-0.16
Norwegian Air Shuttle borrowed. Norway. NOK	72 341	173.45	0	0.00
NRC Group. Norway. NOK	286 208	71.00	20 798	0.22
Outotec. Finland. EUR	1 117 365	3.07	34 824	0.37
Outotec lent. Finland. EUR	7 519	3.07	234	0.00
Sandvik	-200 000	126.35	-25 270	-0.27
Sandvik borrowed	200 000	126.35	0	0.00
Sdipitech	751 358	41.50	31 181	0.33
Securitas	48 259	142.25	6 865	0.07
Securitas lent	335 000	142.25	47 654	0.51
Skanska B	12 500	141.00	1 763	0.02
Skanska B lent	237 500	141.00	33 488	0.36
SKF B	25 000.00	134.45	3 361	0.04
SKF B lent	400 000	134.45	53 780	0.58

Tomra Systems. Norway. NOK	35 103	194.80	6 999	0.07
Tomra Systems lent. Norway. NOK	37 525	194.80	7 482	0.08
Wallenius Wilhelmsen Logistics. Norway. NOK	1 097 504	29.70	33 362	0.36
Wallenius Wilhelmsen Logistics lent. Norway. NOK	1 464 368	29.70	44 514	0.48
Vestas Wind. Denmark. DKK	-52 247	492.10	-34 925	-0.37
Vestas Wind borrowed. Denmark. DKK	52 247	492.10	0	0.00
Volvo B	130 977	115.95	15 187	0.16
Volvo B lent	225 000	115.95	26 089	0.28
			<b>375 402</b>	<b>4.45</b>

#### CONSUMER DISCRETIONARY

Bilia A	-109 204	82.85	-9 048	-0.10
Bilia A borrowed	109 204	82.85	0	0.00
Boozt	1 409 251	45.25	63 769	0.68
Electrolux B	139 919	187.10	26 179	0.28
Electrolux B lent	165 000	187.10	30 872	0.33
Hennes & Mauritz B	38 000	126.02	4 789	0.05
Hennes & Mauritz B lent	12 000	126.02	1 512	0.02
Merlin Entertainment. Great Britain. GBP	593 723	3.17	21 305	0.23
Merlin Entertainment lent. Great Britain. GBP	69 669	3.17	2 500	0.03
Pandora. Denmark. DKK	282 695	265.30	101 879	1.09
Pandora lent. Denmark. DKK	54 805	265.30	19 751	0.21
Schibsted A. Norway. NOK	-281 768	290.00	-83 634	-0.89
Schibsted A borrowed. Norway. NOK	269 268	290.00	0	0.00
Schibsted B. Norway. NOK	136 045	262.50	36 551	0.39
Schibsted B lent. Norway. NOK	63 955	262.50	17 183	0.18
			<b>233 608</b>	<b>2.50</b>

#### CONSUMER STAPLES

AarhusKarlshamn	-60 670	122.70	-7 444	-0.08
AarhusKarlshamn borrowed	60 670	122.70	0	0.00
Axfood	-557 731	151.70	-84 608	-0.91
Axfood borrowed	557 731	151.70	0	0.00
Kesko B. Finland. EUR	-17 269	47.10	-8 246	-0.09
Kesko B borrowed. Finland. EUR	17 269	47.10	0	0.00
MOWI ASA. Norway. NOK	-105 000	182.70	-19 634	-0.21
MOWI ASA borrowed. Norway. NOK	95 000	182.70	0	0.00
Orkla. Norway. NOK	-721 259	68.04	-50 228	-0.54
Orkla borrowed. Norway. NOK	821 259	68.04	0	0.00
Royal Unibrew. Denmark. DKK	-13 488	449.00	-8 227	-0.09
Royal Unibrew borrowed. Denmark. DKK	13 488	449.00	0	0.00
Salmar. Norway. NOK	-54 330	428.00	-23 800	-0.25
Salmar borrowed. Norway. NOK	54 330	428.00	0	0.00
			<b>-202 187</b>	<b>-2.16</b>

#### HEALTH CARE

Alligator Bioscience	1 331 239	22.00	29 287	0.31
Alligator Bioscience lent	68 517	22.00	1 507	0.02
Ambea	1 932 445	86.90	167 929	1.80
Ambu B. Denmark. DKK	205	156.60	44	0.00
Ambu B lent. Denmark. DKK	58 041	156.60	12 347	0.13
Calliditas Therapeutics B	350 000	44.00	15 400	0.16
Elekta B	-100 000	105.35	-10 535	-0.11
Elekta B borrowed	100 000	105.35	0	0.00
Getinge B	-30 000	79.90	-2 397	-0.03
Getinge B borrowed	30 000	79.90	0	0.00
Humana	1 064 273	60.00	63 856	0.68
Q-Linea	397 058	60.50	24 022	0.26
			<b>301 460</b>	<b>3.23</b>

#### FINANCIALS

Avanza Bank Holding	-1 782	423.60	-755	-0.01
Avanza Bank Holding borrowed	1 782	423.60	0	0.00
Handelsbanken A	6 968	98.30	685	0.01

Handelsbanken A lent	25 000	98.30	2 458	0.03
Investor B	-500	375.60	-188	0.00
Investor B borrowed	500	375.60	0	0.00
Sampo. Finland. EUR	91 323	38.41	35 563	0.38
SpareBank 1 Östlandet. Norway. NOK	332 387	83.00	28 236	0.30
Storebrand. Norway. NOK	634 495	61.64	40 029	0.43
Swedbank A	163 547	197.75	32 341	0.35
Swedbank A lent	107 388	197.75	21 236	0.23
			<b>159 605</b>	<b>1.71</b>

#### INFORMATION TECHNOLOGY

CLX Communications	125 826	87.00	10 947	0.12
CLX Communications lent	12 458	87.00	1 084	0.01
Edgware	914 868	12.20	11 161	0.12
Edgware lent	219	12.20	3	0.00
Evry. Norway. NOK	216 402	31.45	6 966	0.07
Evry lent. Norway. NOK	4 600	31.45	148	0.00
			<b>30 309</b>	<b>0.32</b>

#### TELECOMMUNICATION SERVICES

BT Group. Great Britain. GBP	1 265 439	2.38	34 053	0.36
Deutsche Telekom. Germany. EUR	34 514	14.82	5 186	0.06
Deutsche Telekom lent. Germany. EUR	72 948	14.82	10 961	0.12
Elisa borrowed. Finland. EUR	30 000	36.08	0	0.00
Millicom Int. Cellular SDB. Luxembourg	-131 721	561.50	-73 961	-0.79
Millicom Int. Cellular SDB borrowed. Luxembourg	131 721	561.50	0	0.00
Ovzon	425 000	74.04	31 467	0.34
Tele 2 B	337 961	112.95	38 173	0.41
Telia Company	-1 150 000	41.98	-48 277	-0.52
Telia Company borrowed	1 150 000	41.98	0	0.00
			<b>-2 398</b>	<b>-0.03</b>

#### REAL ESTATE

Castellum	-362 500	163.35	-59 214	-0.63
Castellum borrowed	362 500	163.35	0	0.00
Corem Property Group Pref	472 162	294.00	138 816	1.49
Fabege	-570 908	118.16	-67 458	-0.72
Fabege borrowed	570 908	118.16	0	0.00
Fast Partner Pref	1 321 944	118.50	156 650	1.68
Fastighets Balder B	-100 000	252.00	-25 200	-0.27
Fastighets Balder B borrowed	100 000	252.00	0	0.00
Kojamo. Finland. EUR	550 155	8.11	45 208	0.48
Kungsleden	214 312	62.90	13 480	0.14
Sagax D	1 819 607	31.70	57 682	0.62
			<b>259 964</b>	<b>2.78</b>

#### TOTAL MARKET-LISTED EQUITIES

**1 258 744**      **13.91**

#### MARKET – LISTED BONDS\*

##### GOVERNMENT

Statsobligation loan 1052 190312	100 000 000	100.93	100 926	1.08
Statsobligation loan 1054 220601	50 000 000	112.71	56 353	0.60
			<b>157 279</b>	<b>1.68</b>

##### OTHER

4finance 11.75% 190814. Luxembourg. USD	10 765 000	102.95	98 266	1.05
Allgon FRN 220607	20 000 000	97.50	19 500	0.21
ALM FRN 210519	11 000 000	89.00	9 790	0.10
Axactor FRN 210623. Norway. EUR	1 500 000	99.25	15 094	0.16
B2 FRN 211004. Norway. EUR	11 750 000	103.56	123 367	1.32
Bayport 11% 190924. Mauritius	8 000 000	102.94	8 235	0.09
Borr Drilling 230523. Bermuda. USD	2 400 000	80.55	17 141	0.18
Brado FRN 230307	60 000 000	91.00	54 600	0.58

Care Bidco FRN 210324. Norway. NOK	15 000 000	97.86	15 023	0.16
Castellum 0.85% 210906	26 000 000	98.41	25 587	0.27
Cibus FRN 210526. EUR	3 800 000	102.00	39 297	0.42
Cidron Humber 9.25% 230614. Jersey	108 000 000	100.00	108 000	1.16
Color Group FRN 220923. Norway. NOK	60 000 000	99.00	60 796	0.65
Containerships FRN 211122. Finland. EUR	4 780 000	102.00	49 431	0.53
Corral Petroleum 12.25% 210515	17 000 000	105.27	17 896	0.19
Danske Bank FRN 230125. Denmark	160 000 000	96.51	154 411	1.65
DDM Treasury 9.5% 200130. EUR	5 000 000	100.50	50 946	0.55
Four Finance 10.75% 220501. Luxembourg. USD	5 000 000	97.69	43 312	0.46
Garfunkelux 11% 231101. Luxembourg. GBP	3 000 000	75.45	25 580	0.27
Garfunkelux 8.5% 221101. Luxembourg. GBP	2 700 000	84.63	25 825	0.28
Garfunkelux FRN 230901. Luxembourg	50 000 000	85.25	42 625	0.46
Garfunkelux FRN 230901. Luxembourg. EUR	2 000 000	82.74	16 778	0.18
Garfunkelux Holdco S FRN 230901. Luxembourg. EUR	1 000 000	83.13	8 428	0.09
Genova Property FRN 210407	35 000 000	98.75	34 562	0.37
Georg Jensen FRN 230515. Denmark. EUR	3 000 000	100.50	30 568	0.33
Getinge FRN 210521	124 000 000	97.99	121 506	1.30
Havilafjord FRN 230619. Norway. NOK	55 000 000	100.50	56 574	0.61
Heimstaden FRN 201207	60 000 000	100.18	60 106	0.64
Hemfosa FRN 200901	67 000 000	100.63	67 424	0.72
Hexagon FRN 191126	75 000 000	100.41	75 308	0.81
Hoist Finance 8% 230901. EUR	4 000 000	99.00	40 148	0.43
Hoist FRN 210629	16 000 000	98.88	15 820	0.17
Hospitality Invest FRN 221031. Norway. NOK	30 000 000	97.25	29 861	0.32
Host Property FRN 191208. Norway	14 000 000	100.50	14 070	0.15
Huvudstaden 1.31% 230628	50 000 000	100.05	50 024	0.54
Ice Group FRN 211012. Norway. NOK	50 000 000	98.00	50 152	0.54
Idavang FRN 211211. Denmark. EUR	5 000 000	95.83	48 580	0.52
Ikano Bostad FRN 190325	72 000 000	100.16	72 116	0.77
Intrum Justitia FRN 190515	13 000 000	100.01	13 002	0.14
Ixat Intressenter FRN 200612	147 000 000	101.25	148 838	1.59
Jacob Holm & Sonner FRN 220331. Denmark. EUR	2 800 000	97.50	27 678	0.30
Jefast FRN 210327	30 000 000	99.50	29 850	0.32
Jotul Holdings FRN 220131. USA. NOK	25 000 000	97.50	24 948	0.27
Klövern FRN 220404	10 000 000	98.63	9 863	0.11
Kommuninvest i Sverige 0.75 % 200216	200 000 000	101.01	202 012	2.16
Kommuninvest i Sverige 1% 231113	200 000 000	101.82	203 629	2.18
Kungsleden FRN 210928	26 000 000	98.38	25 578	0.27
Lebara FRN 220907. Europe. EUR	6 000 000	67.50	41 061	0.44
Lendify FRN 200129	17 000 000	100.12	17 021	0.18
Lendify FRN 200530	22 000 000	100.62	22 138	0.24
Lifco 0.405 % 200403	14 000 000	99.80	13 971	0.15
Logistri Portfolio 4% 210520	27 000 000	98.50	26 595	0.28
Länsförsäkringar Hypotek 220921	100 000 000	106.63	106 632	1.14
Magnolia FRN 211013	26 000 000	97.25	25 285	0.27
Magnolia FRN 221003	10 000 000	99.00	9 900	0.11
Marginalen Bank FRN 281030	20 000 000	99.50	19 900	0.21
Moberg Pharma FRN 210129	41 000 000	102.00	41 820	0.45
Nackahusen Holding FRN 200813	50 000 000	98.00	49 000	0.52
Nibe FRN 200528	44 000 000	100.78	44 341	0.47
Nordea Bank 490923. USD	4 000 000	98.46	34 921	0.37
Nordea FRN 280608. Denmark	100 000 000	98.63	98 632	1.06
Nordea Hypotek 2.25% 5530 190619	208 000 000	101.18	210 461	2.25
Nordea Hypotek 220408	200 000 000	102.17	204 332	2.19
Nordea Hypotek 3.25% 5521 200617	100 000 000	104.88	104 880	1.12
Norlandia FRN 211220. Norway	75 000 000	93.00	69 750	0.75
Nova Austral 8.25% 210526. Chile. USD	4 800 000	91.89	39 110	0.42
Olav Thon Eiendomsselskap 0.395% 190906. Norway	52 000 000	99.84	51 919	0.56
Perstorp Holding FRN 220915. EUR	3 000 000	99.32	30 210	0.32
Quant FRN 230215. EUR	5 050 000	98.00	50 175	0.54

Recipharm 2.75% 211006	26 000 000	95.93	24 941	0.27
Sagax 2% 240117. EUR	3 000 000	100.44	30 550	0.33
Sagax FRN 200909. EUR	6 900 000	102.55	71 740	0.77
Samhällsbyggnadsbolag 2.9% 191220	15 000 000	100.25	15 038	0.16
Samhällsbyggnadsbolag FRN 491229	16 000 000	100.78	16 125	0.17
Sampo FRN 220523. Finland	73 000 000	100.22	73 164	0.78
SCBC 2% 200617	200 000 000	103.06	206 118	2.21
SEB 1.5% 200617	300 000 000	102.33	306 990	3.29
SEB 1.5% 221221	200 000 000	103.87	207 734	2.22
SEB 490513. USD	5 000 000	97.70	43 317	0.46
SHH Bostad FRN 210607	20 000 000	96.75	19 350	0.21
Sirius International FRN 470922. Bermuda	70 000 000	100.60	70 420	0.75
SL Bidco FRN 230206. The Netherlands. EUR	6 000 000	96.00	58 398	0.62
Sollentuna FRN 200629	30 000 000	98.50	29 550	0.32
Stadshypotek 1.5% 210317	200 000 000	103.13	206 254	2.21
Stadshypotek 1583 4.25% 200617	200 000 000	106.34	212 676	2.28
Stillfront Group FRN 221122	20 000 000	100.08	20 016	0.21
Stolt Nielsen 6.375% 220921. Bermuda. USD	4 000 000	94.15	33 394	0.36
Storebrand FRN 480327. Norway	40 000 000	97.90	39 158	0.42
Strömma Tursim & Sjöfart FRN 210521	27 000 000	102.88	27 776	0.30
Sunborn Finance FRN 230209. Finland. EUR	2 500 000	98.75	25 029	0.27
Swedbank Hypotek 180 5.7% 200512	200 000 000	107.92	215 837	2.31
Swedbank Hypotek 188 3.75% 190619	63 000 000	101.88	64 183	0.69
Swedbank Hypotek 189 201216	200 000 000	101.91	203 818	2.18
Svensk FastighetsFinansiering 0.53% 200907	50 000 000	99.16	49 579	0.53
Transcom 6.5% 230322. EUR	10 400 000	89.50	94 369	1.01
Tresu Investment FRN 220929. Denmark. EUR	863 500	65.00	5 690	0.06
Unilab 5.75% 250515. EUR	7 000 000	90.82	64 452	0.69
Vacse FRN 230912	24 000 000	98.37	23 608	0.25
Verisure 5.75% 231201. EUR	1 000 000	96.73	9 807	0.10
Verisure FRN 231201	48 000 000	101.04	48 500	0.52
Vodafone 3.1% 790103. Great Britain. EUR	12 000 000	93.86	114 193	1.22
Vostok New Ventures 5.5% 200622. Bermuda	47 000 000	102.00	47 940	0.51
VV Holding FRN 190710. Norway. NOK	16 302 358	99.80	16 652	0.18
Wallenius Wilhelmsen Logistics FRN 221012. Norway. NOK	80 000 000	98.25	80 447	0.86
Wittur Intl. Hldg. 8.5% 230215. Germany. EUR	2 000 000	99.08	20 090	0.22
ÅF FRN 230620	44 000 000	98.57	43 370	0.46
			<b>6 634 472</b>	<b>70.99</b>

**TOTAL MARKET-LISTED BONDS**
**6 791 751 72.68**
**NOT LISTED BONDS\*\***

Kjell Midco 11% 230111	6 871 639	98.00	6 734	0.07
Laeringsverkstedet FRN 220601. Norway. NOK	33 000 000	98.88	33 396	0.36
OPR Vakuuus 10.75% 210217. Finland. EUR	2 460 000	99.33	24 774	0.27
OPR Vakuuus 8% 220518. Finland. EUR	3 000 000	100.25	30 492	0.33
Perstorp Holding 10% 221215. Luxembourg. EUR	7 000 000	99.70	70 754	0.76
Perstorp Holding 210930. USD	7 000 000	106.42	66 052	0.71
RSA Insurance Group FRN PERP. Great Britain	66 000 000	102.50	67 650	0.72
Wallenius Wilhelmsen Logistics 6% 221231. Norway. USD	5 000 000	96.19	42 646	0.46
			<b>342 498</b>	<b>3.67</b>

**TOTAL NOT LISTED BONDS**
**342 498 3.67**
**TOTAL TRANSFERABLE SECURITIES**
**8 392 993 90.25**

Transferable securities with positive market value

**9 342 782 0.99**

Transferable securities with negative market value

**-949 789 -0.10**

### COMMERCIAL PAPER\*

Hexagon cert 190305	60 000 000	99.95	59 973	0.64
Hexagon cert 190326	20 000 000	99.93	19 986	0.21
MTG cert 190228	50 000 000	99.97	49 983	0.53
MTG cert 190307	50 000 000	99.96	49 981	0.53
Wallenstam cert 190205	75 000 000	99.98	74 986	0.80
			<b>254 909</b>	<b>2.73</b>

### TOTAL COMMERCIAL PAPER

**254 909 2.73**

### FUND UNITS

Catella Nordic Long/Short Equity IC H (EUR). Luxembourg, EUR	212 665.4060	8.92	19 232	0.21
			<b>19 232</b>	<b>0.21</b>

### TOTAL FUND UNITS

**19 232 0.21**

### EXCHANGE TRADED DERIVATIVES

#### Equity option

Volvo B 19 K 135 March	7 000	1.03	721	0.01
Volvo B 19 S 120 March	-5 000	9.00	-4 500	-0.05
			-3 779	-0.04

#### Index option

OMX 19 S 1300 January	9 000	4.20	3 780	0.04
OMX 19 S 1500 February	125	103.00	1 288	0.01
OMX 19 S 1530 February	125	128.88	1 611	0.02
			6 679	0.07

#### Index Future

OMX Future 190118	-2 283	1 408.25	0	0.00
			0	0.00

#### Bond Future

Swe Gov. Bond Future 5Y March 19	1 392	0.01	0	0.00
Swe Stadshypotek 5Y March 19	-1 460	0.87	0	0.00
			0	0.00

### TOTAL EXCHANGE TRADED DERIVATIVES

**2 900 0.03**

Exchange traded Derivatives with positive market value

**7 400 0.08**

Exchange traded Derivatives with negative market value

**-4 500 -0.05**

### OTC DERIVATIVES

#### FX Forwards

FXFWD DKKSEK 190306 1.3720, Denmark, DKK	-8 000 000	1.36	107	0.00
FXFWD DKKSEK 190306 1.3747, Denmark, DKK	-10 000 000	1.36	161	0.00
FXFWD DKKSEK 190306 1.3754, Denmark, DKK	-50 000 000	1.36	840	0.01
FXFWD DKKSEK 190306 1.3764, Denmark, DKK	-15 000 000	1.36	266	0.00
FXFWD DKKSEK 190306 1.3769, Denmark, DKK	-1 000 000	1.36	18	0.00
FXFWD DKKSEK 190306 1.3796, Denmark, DKK	-10 000 000	1.36	210	0.00
FXFWD EURSEK 190220 10.284, Europe, EUR	-136 000 000	10.14	19 723	0.21
FXFWD EURSEK 190220 10.300, Europe, EUR	-1 200 000	10.14	193	0.00
FXFWD EURSEK 190318 10.263, Europe, EUR	30 000 000	10.14	-3 660	-0.04
FXFWD GBPSEK 190220 11.586, Great Britain, GBP	-5 000 000	11.29	1 502	0.02
FXFWD GBPSEK 190306 11.432, Great Britain, GBP	-5 600 000	11.28	842	0.01
FXFWD NOKSEK 190220 1.0536, Norway, NOK	-370 000 000	1.02	11 851	0.13
FXFWD USDSEK 190220 8.9808, USA, USD	-39 000 000	8.83	5 731	0.06
FXFWD USDSEK 190220 9.031337, USA, USD	-8 000 000	8.83	1 580	0.02
NOKSEK 190306 1.0529, Norway, NOK	-185 000 000	1.02	5 879	0.06
			<b>45 243</b>	<b>0.48</b>

<b>TOTAL OTC DERIVATIVES</b>	45 243	0.48
OTC Derivatives with positive market value	48 903	0.52
OTC Derivatives with negative market value	-3 660	-0.04
<b>TOTAL HOLDINGS OF FINANCIAL INSTRUMENTS</b>	8 715 277	93.26
<b>OTHER ASSETS AND LIABILITIES</b>	629 904	6.74
<b>TOTAL NET ASSETS</b>	9 345 181	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	19.51
Stadshypotek AB	4.48
Walenius Wilhelmsen Logistics ASA	2.15
Hexagon AB	1.86
Sagax AB	1.71
Svenska Staten	1.68
Hexagon AB	1.66
Getinge AB	1.27
Perstorp Holding AB	1.03
Garfunkel Holdco 3 S.A	1.00
Verisure Midholding AB	0.62
SSAB AB	0.48
Kungsleden AB	0.42
Volvo AB	0.40
Samhällsbyggnadsbolaget i Norden AB	0.33
A.P. Møller Maersk A/S	0.30
Cavotec AB	0.09
OMXS30	0.07
Schibsted ASA	-0.32
Castellum AB	-0.36

\* 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:

Borr Drilling 3.875% 230523  
 Georg Jensen FRN 230515  
 Havilafjord FRN 230619  
 Jotul Holding FRN 220131  
 Klöver FRN 220404  
 Marginalen Bank FRN 281030  
 Quant FRN 230215  
 Sunborn Finance FRN 230209  
 Svensk Fastighetsfinansiering 0.53% 200907  
 Vacse FRN 230912

#### COUNTERPARTIES FINANCIAL DERIVATIVE TRANSACTIONS

COUNTERPARTY	Collateral received
SEB	0.00
Nordea	0.00
Danske Bank	0.00

**AGGREGATE INFORMATION, BORROWED SECURITIES**

31-Dec-18

**Market value**

Market value of borrowed securities. SEKk	959 240
Market value of borrowed securities. % of fund assets	10.26
defined as asset excluding liquid assets	10.93

**Maturity profile for borrowed securities. distributed among the following maturity ranges**

< one day	0
1-7 days	0
7 days-1 month	0
1-3 months	0
3 months-1 year	0
> 1 year	0
Indefinite maturity SEKk	959 240

**Counterparty in connection with securities borrowing**

SEB, Sweden

**Pledges**

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

**Pledged Collateral**

Cash SEKk	0
Fixed-income securities SEKk	790 513
Shares SEKk	0
Total pledged collateral SEKk	790 513

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**

Settlement and clearing are bilateral

**Custody**

Custody of collateral pledged by the fund is segregated from the fund's assets

**Costs of securities borrowing**

SEKk	7 036
Percent	0.08

**AGGREGATE INFORMATION, LENDING SECURITIES**

31-dec-18

**Market value**

Market value of lent securities. SEKk	465 298
Market value of lent securities. % of fund assets	4.98
Market value of lent securities. % of fund assets defined as asset excluding liquid assets	5.36

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

< one day	0
1-7 days	0
7 days-1 month	0
1-3 months	0
3 months- 1 year	0
> 1 year	0
Indefinite maturity	465 298



**Counterparty in connection with securities lending**

SEB, Sweden

**Settlement**

Settlement and clearing are bilateral

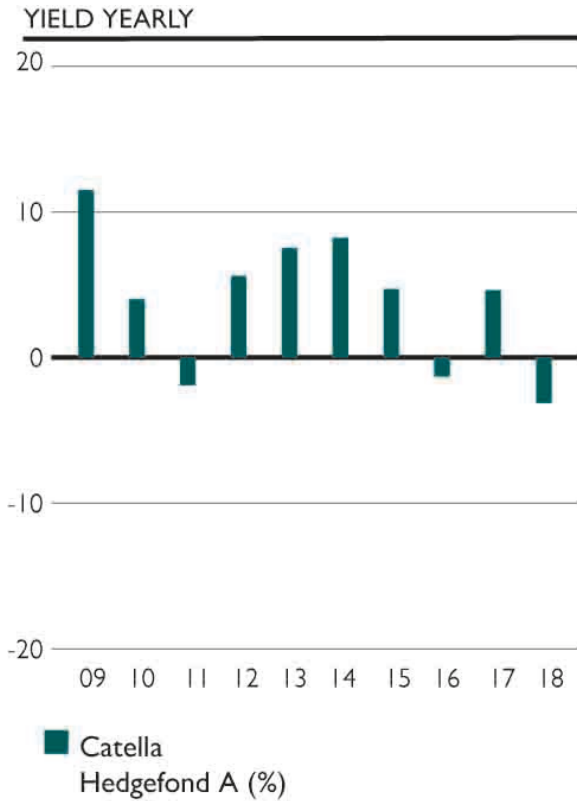
**Income of securities lending**

SEKk	2 327
Percent	0.02

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

Date	Dividend SEK/unit	Unit Value SEK	No of Units	Net fund assets SEKk
<b>Unit class A</b>				
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
181231	0.00	170.76	54 473 951	9 302 220
<b>Unit class E</b>				
181231	0.00	96.55	271 464	26 209
<b>Unit class F</b>				
181231	0.00	97.84	171 228	16 752



**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 exercised its right to lend securities, as well as 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
84.06%	16.71%	35.28%

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. 2018	Highest	Lowest	Average
0.25%	0.28%	0.15%	0.21%

# Catella Fonder's Sustainability Reporting 2018

## Overall about sustainability work at Catella Fonder

Sustainability work has been harmonised and deepened during the year on a number of points. However, the funds' inherent differences in terms of asset classes, sustainability focus and fund category mean that the implementation of the above differs.

- Greater emphasis has been placed on the UN Global Sustainable Development Goals for actively managed equity-related funds. Based on this work, we have identified a number of companies that we have chosen to invest in/short sell.
- Clear exclusion criteria have been implemented in the funds.

The fund management company/AIF manager has intensified the work on ownership issues. We use an external sustainability advisor, Sustainalytics, for verification of international conventions according to the UN Global Compact and corporate performance in sustainability. The fund's managers receive detailed reports on the companies that are part of the fund's investment universe. A reported weakness for any of the fund's holdings is followed up by the fund's manager. If deficiencies are serious, or if it is not possible to establish a dialogue with the company, the fund chooses to dispose of the holding. Sustainability-related ownership dialogues are documented on an ongoing basis. The portfolio management organisation holds quarterly meetings with a focus on sustainability issues and the progress of ongoing company dialogues. It is the responsibility of the lead manager to engage in dialogue with the company on both financial and sustainability issues. Each lead manager also has a number of dialogues on his or her score card as part of the annual evaluation.

### CATELLA HEDGEFOND

#### **Overall comments on sustainability work**

The fund's sustainability work has deepened during the year and a number of exclusion criteria have been implemented. The fund can no longer invest in companies active in coal, the manufacture of weapons, tobacco, alcohol, pornography or gaming for money. However, the fund is able to short securities issued by companies in these sectors.

During the year, the fund has placed greater emphasis on the UN Global Sustainable Development Goals, which have been integrated into our investment process. Based on the goals, we have identified a number of themes within which we believe that companies with the right product and business model will benefit financially by contributing to global transition.

#### **The fund has included**

The fund chooses equity investments based on different expectations, which in turn are driven by perceptions of how profit forecasts, valuation multiples and other factors important for the share will develop. The companies' business models are an important factor in this work, and the fund tries to actively include companies that are perceived as sustainable and exclude or short unsustainable companies. This is done from thematic work based on the UN's sustainability goals, as described in brief above.

Sectors that are perceived as sustainable and particularly important for people's well-being are health and social care, pharmaceuticals and medical technology. Some shares owned by the fund in these sectors are Ambea, Alligator, Attendo, Capiro, Elekta, Humana and Novo Nordisk. The fund has owned some of these shares throughout the year and others for shorter periods. On average, they have accounted for just over eight percent of the net asset value of the long portfolio and have contributed approximately 0.7-0.8 percentage points to the fund's total return.

Cleaner air and recycling are other sustainability themes. Natural gas burns more cleanly than most other energy sources, mainly by creating less soot and other toxic by-products than the combustion of other hydrocarbons. This aligns well with the wider assessment of shipping company Flex LNG, which the fund owns. Furthermore, we see the expansion of train traffic as a sustainable theme and the fund has investments in Norwegian company NRC, active in the railway sector. The fund also owns shares in Tomra, which manufactures and sells recycling and sorting machines that contribute to reducing resource waste. These three companies have accounted for 3.5 percent of the fund's long positions and jointly contributed 0.2 percentage points to the fund's total return.

Storebrand is well advanced of integrating sustainability into its asset management. The fund has held Storebrand shares, which during the year averaged 3.7 percent of the fund's long positions. However, the contribution to the fund's total return from the Storebrand position has been just under 0.1 percentage points.

In total, the above positions have contributed just under one percentage point to the fund's total return.

#### **The fund has excluded**

The fund has chosen to exclude investments in coal power, tobacco, alcohol, pornography, gaming for money and weapons. The fund completely refrains from investing in companies that violate the UN Global Compact.

Since the fund is an absolute return fund and has no benchmark, it is difficult to measure how the return has been affected by avoiding investing in these sectors. However, we can short sell shares in these sectors and the contribution to the outcome from this can be measured.

The fund has shorted breweries Royal Unibrew and Carlsberg, as well as Swedish Match and XXL, which also sells weapons. During the year, these four together averaged 5 percent of the fund's short book and affected the fund's return by -0.1 percentage point.

#### **The AIF manager has advocated**

The AIF manager has established the following criteria for initiating ESG dialogues with companies: ESG Score (Sustainalytics), level of controversy, substandard environmental policies and processes, corruption, verification of subcontractors and other important areas. The engagement includes questions related to corporate governance where there have been risks with large option programmes or similar remuneration. Once a quarter, we review the portfolio's holdings based on sustainability criteria. At that time there is also a prioritisation given to new dialogues and a follow-up of the dialogues we conducted during the period.

The fund has held 20 documented meetings or conference calls with companies where the main purpose or an important part of the meeting was dialogue about ESG issues. We believe that we have been successful in some of our corporate dialogues. One example is Ambea, where we believe the company benefits positively from thematic sustainability factors and has a relatively low inherent sustainability risk. However, it did not have all the infrastructure and documentation in place, which we pointed out to the management. It has now dealt with this, as also noted by our external provider Sustainalytics, and the company's rating had improved considerably since the last meeting. The AIF manager is also a member of Ambea's nomination committee. Other examples are Boozt, with which we had a dialogue about its option programme, and Flex LNG, with which we discussed shortcomings in its policies regarding certain ESG issues.

We have also divested companies that had low ESG scores when we either did not receive satisfactory answers or failed to establish a dialogue, such as MPC Container Ships.

The advocacy work is more limited for the fund's investments in interest-bearing instruments, such as government bonds, mortgage bonds and corporate bonds. During the year, the fund has posed questions by letter to almost 50 companies with securities that it has invested in but that are not covered by Sustainalytics. This is to ensure that these companies also live up to the UN norms and conventions according to the Global Compact and that they are not active in our excluded sectors. The response rate amounts to just over 30%, with 10 companies stating that they plan to discuss the issue or that they comply with the Global Compact.

The AIF manager is or was a member of 3 nomination committees during the year and attended one general meeting.

## Accounting policies

### Your share of the fund's costs

In the account statements you receive from us in January 2019 we reported your share of the fund's costs for 2018.

- "Management costs" are your share of the fund's expenses in 2018 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 31 December 2018. 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.

### Taxation of unit holders

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).

#### *Taxation of capital gains*

Natural persons 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 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.

#### 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, Middle Office and Sales, as well as the heads of Compliance and Business Support 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 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

See pages 27 for information about remuneration paid in 2018 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 2018. 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 fund rules and the Swedish Investment Funds Act (2004:46) and the Alternative Investment Fund Managers Act (2013:561), the fund have the option to guarantee securities issues. Catella Hedgefond took advantage of this opportunity in 2018.

#### Related-party transactions

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

#### Charges

Double charges do not occur. If the Fund invests in any of the fund management company’s other funds. The fee is discounted and the fixed charge and, where relevant. The performance fee is reversed in the underlying 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

Helena Nordman-Knutson  
Executive director, partner, Hallvarsson & Halvarsson

Thomas Raber  
MD Alvine Capital Management Ltd

# 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 given the fund's risk level. 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 unitholders may at any time withdraw their money from the funds. It is therefore essential that Catella Fonder is able to sell the funds' 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 portfolio 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, or on specific matters, either independently or jointly with other shareholders, if in the judgement of Catella Fonder it is possible thereby to create financial added value for unitholders. Catella Fonder also engages with portfolio companies based on sustainability criteria, which are described in more detail in 6.2 below. As a shareholder, Catella Fonder can influence companies through active engagement in board recruitment processes, voting at general meetings and engaging in dialogue with company management. The potential to create added value varies among portfolio companies and depends upon factors including the size of the funds' holdings, what opportunities exist for improving governance of the portfolio company and the ownership structure of the portfolio company in other respects. Catella Fonder's actions are always based on an assessment of the conditions for achieving an outcome that benefits our unitholders. Our opportunities to exert influence depend upon the type of asset involved. As regards Swedish listed companies in which we are large shareholders, we have well-established forms of shareholder engagement. As for other investments, such as in foreign companies and companies in which we are an indirect owner, the conditions for shareholder engagement are more limited and coordination with other investors thus becomes even more important. Fund managers are responsible for the ongoing dialogue with the companies concerning both financial and ownership issues.

### 2.1 Attendance at general meetings

Catella Fonder shall normally attend general meetings of the portfolio companies in which the funds are major shareholders as well as the general meetings of other portfolio 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.

### 2.2 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 portfolio companies. In exceptional cases, Catella Fonder may also appoint representatives to the boards of directors of portfolio companies. In participating in nominating committees, Catella Fonder works actively to achieve balance as regards representation and gender equality. 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.

### 2.3 Sustainability in corporate governance of portfolio companies

As a shareholder, Catella Fonder strives to ensure that the portfolio companies in which the funds invest take account of ethics and sustainability in the areas of environmental, social and governance (ESG) in their activities. Catella Fonder also works towards increased transparency and reporting of ESG in the companies we invest in. In their ongoing contact with portfolio companies, the portfolio managers should engage in dialogue about the risks associated with ESG, at both company level and supplier level, and should encourage the portfolio companies to be transparent in this area. Fund managers draw attention to shortcomings in sustainability work and promote improvements in portfolio companies with low sustainability scores. It should

be natural for the portfolio managers to approach sustainability managers when gathering information about ethics at portfolio companies. The responsible fund managers implement, document and follow up the dialogues.

## 2.4 Exercising voting rights and monitoring corporate actions

### 2.4.1 Management of conflicts of interest within the Catella Group

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 unitholders, irrespective of any interests Catella may otherwise have in the portfolio company concerned. 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 unitholders and, if so, how such conflicts should be managed. The responsibility of the fund manager for ensuring that each fund votes at general meetings in accordance with the investment policy ensures that conflicts of interest are managed.

### 2.4.2 Exercising voting rights

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.

### 2.4.3 Internal accountability

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 portfolio 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, who is currently the CEO of Catella Fonder, in turn reports to the Board of Directors of Catella Fonder.

### 2.4.4 Coordinated action with other external owners

Coordinated action between Catella Fonder and another Catella company or, for that matter, an external owner, may be taken concerning specific matters. Catella Fonder may, if deemed appropriate, issue a proxy to a third party to represent Catella Fonder at a general meeting. 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.

### 2.4.5 Reporting of positions

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

## 3. Principles for sustainability and responsible investment

Sustainability is business critical and can offer both opportunities and risks, with increased global awareness of world-wide challenges and greater client insight in this area. Catella Fonder became a signatory to the UN Principles for Responsible Investment (PRI) in September 2009 as part of its efforts to be a responsible investor and shareholder. These ten principles form the foundation of Catella Fonder's sustainability efforts, and we believe that increased focus on sustainability contributes to the value development of the funds by highlighting the risks and opportunities in the portfolio companies. 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 all of Catella Fonder's managed equity funds. As fund characteristics and asset classes vary, we take various approaches to ensuring compliance with guidelines and the Sustainability and Ownership Policy via external service providers or our own work. For more information, please refer to Catella Fonder's Guidelines for Working with Sustainability and Ownership.

### 3.1 Review and screening of companies and portfolio companies with shares listed on a regulated market

Catella Fonder's portfolio managers incorporate ethical considerations into their company analysis and investment decisions. The Company has appointed a sustainability manager to guide the ongoing portfolio management. The holdings and investment universe are screened twice annually by an external supplier, based on two aspects;

- The portfolio company's adherence to global norms and conventions in accordance with UN Global Compact that identify portfolio companies involved in violations of international norms relating to the environment, human rights, corruption and working conditions.
- The portfolio company's activity within sectors that are controversial and products where the portfolio company is screened based on the sustainability policy of each fund.



### 3.2 Monitoring and documentation

The Risk Function is responsible for monitoring compliance with Catella Fonder's policies for sustainability and responsible investment in the management of its funds. Documentation of Catella Fonder's work with sustainability and ownership is quality-assured and monitored by Compliance and the sustainability manager. More information about Catella Fonder's sustainability work is provided on our website.

### 4. Management of insider information in shareholder engagement

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 the 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 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.

# 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 68 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, FRNs 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.

## *Active share*

Active share is another measure of how "closely" the fund's investments follow their 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 the reported 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).

# 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 November 2018, 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 2018 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	6	4	12	0	18	41
Remuneration:	Amount (SEK)	Amount (SEK)	Amount (SEK)	Amount (SEK)	Amount (SEK)	Amount (SEK)	Amount (SEK)
Total remuneration paid	5 204 311	11 872 557	4 028 998	30 790 840	0	12 484 173	64 380 879
Total fixed pay disbursed in 2018	2 142 311	7 642 557	4 028 998	18 458 840	0	3 940 173	36 212 879
Total variable pay disbursed in 2017 and preceding years	3 062 000	4 230 000	0	12 332 000	0	8 544 000	28 168 000

The amounts of fixed and variable pay reported above do include social insurance expenses, etc.

Catella Hedgefond, corporate registration number 515601-9720

Catella Fondförvaltning AB  
Stockholm, 5 March 2019

Knut Pedersen  
Chairman

Erik Kjellgren  
CEO

Lars H. Bruzelius

Peter Friberg

Johan Nordenfalk

Helena Nordman Knutsson

Thomas Raber

Our auditor's report was submitted 7 March 2019.

PricewaterhouseCoopers AB

Daniel Algotsson  
Auditor in charge  
Authorised Public Accountant

Hanna Wesslén  
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 2018 apart from sustainability information on pages 19-20 and 23-24 ("sustainability information").

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 manager of 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. Our opinions does not include the sustainability information on pages 19-20 and 23-24.

### *Basis for Opinions*

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 manager of 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 mistake.

### *Auditor's Responsibilities for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or mistake, 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 mistake 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 mistake, 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 mistake, 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 eventual significant deficiencies in internal control that we identify during our audit.

*The auditor's opinion on the statutory sustainability information*

It is The Alternative Investment Fund Manager that is responsible for the sustainability information on pages 19-20 and 23-24 and because it has been prepared in accordance the Alternative Investment Fund Managers Act of Sweden.

Our review of the sustainability information for the fund has been conducted with guidance where applicable by FAR's statement RevR 12 The auditor's opinion on the statutory sustainability report. This means that our review of the sustainability information has a different focus and a considerably smaller scope compared to the focus and scope of an audit according to International Standards on Auditing and good auditing standards in Sweden. We believe that this review provides us with a sufficient basis for our opinion.

Sustainability information has been provided in the annual report.

Stockholm, 7 March 2019  
PricewaterhouseCoopers AB

*Daniel Algotsson*  
*Auditor in charge*  
*Authorised Public Accountant*

*Hanna Wesslén*  
*Authorised Public Accountant*