

Half Year Report for Catella Hedgefond

I January 2018 – 30 June 2018

Weak start to the year

Catella Hedgefond fell 0.43 percent after fees in the first half of the year, as a result of positive returns from equities and on the credit side, but a negative contribution from interest rate investments.

The following factors are key to the overall design of the portfolio when managing Catella Hedgefond: Low correlation with the stock market, limited concentration to individual equity positions and individual sectors – primarily in relation to corporate bonds – and finally a variety of individual short equity positions. The composition of the portfolio allows for greater gross exposure to equities, with the managers' selection of individual exposures critical to fund 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 2.21 percent (measured as 21-day annualised standard deviation). The fund's return has shown continued low volatility despite increased market movements during the period February to April. Work to increase the company-specific risk is still ongoing.

In the first half of the year, the return on the fund was -0.43 percent, which is below the fund's target return. The fund's results are traced to positive returns on equities and the credit side, while positioning for higher interest rates contributed negatively. Index derivatives gave a neutral contribution on the equity side and a negative contribution on the fixed income side.

Long equity positions contributed positively, while short positions gave a negative contribution. Of the holdings at the start of the year, we have entirely exited Nokia, ABB and Sandvik. The fund has established large new positions in Swedbank, Securitas, Volvo and Getinge.

At company level, the biggest positive contributions to the portfolio came from energy, with Aker, PGS and BW Offshore, as well as more defensive holdings like Elekta and Telia. On the negative side, the largest downside contributions came from jewellery manufacturer Pandora, the credit in MVNO operator Lebara, as well as Gränges and medtech company AMBU. 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 manager: Thomas Elofsson, Martin Jonsson, Martin Nilsson, Sven Thorén, Anders Wennberg, Stefan Wigstrand

Unit value share class A.....	174.42
Unit value share class E.....	98.85
Unit value share class F.....	100.15
Number of unit holders.....	583
Net fund assets (SEKm).....	10 870

YIELD PAST HALF YEAR

Catella Hedgefond A	-0.43%
Catella Hedgefond E*	-1.15%
Catella Hedgefond A*	0.15%
Reference rate OMRX TBill	-0.38%

AVERAGE ANNUAL YIELD

Past two years

Catella Hedgefond A	3.27%
Since start	
Catella Hedgefond E*	NA%
Catella Hedgefond F*	NA%

Past five years

Catella Hedgefond A	4.27%
Catella Hedgefond E*	NA%
Catella Hedgefond F*	NA%

RISK

Total risk, 2 years monthly data.....	2.07%
Total risk, 1 year weekly data.....	2.25%
Duration, 30 June 2018 (years)	1.19
Interest-rate risk from 1% change in interest rate. %.....	-0.96%
Active Share (Relevant benchmark not Available).....	NA

TURNOVER/COSTS

Rate of turnover (times/year).....	3.28
Transaction costs (SEKm).....	18.15
Percentage of securities traded.....	0.06
Catella Hedgefond A	
Management fee.....	1.00%
Management fee charged (fixed and variable)	***
Ongoing charges**	***
Catella Hedgefond E	
Management fee.....	0.50%
Management fee charged (fixed and variable)	***
Ongoing charges**	***
Catella Hedgefond F	
Management fee.....	0.40%
Management fee charged (fixed and variable)	***
Ongoing charges**	***

** See accounting policies

*** for funds with performance fee, the expenses will be presented in the annual report

TURNOVER THROUGH ASSOCIATED SECURITIES INSTITUTIONS

Percentage of total turnover	0.00%
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TURNOVER OF FINANCIAL INSTRUMENTS MANAGED BY CATELLA FONDFÖRVALTNING

Percentage of total turnover	
Catella Sicav.....	0.40%
Catella Credit Opportunity	0.18%

The Fund is an investment fund

Share class A inception: 1 March 2004

*Share class E inception: 23 January 2018

*Share class F inception: 12 April 2018

Opening price: SEK 100

Dividends: The fund does not pay any dividend.

Management company: Catella Fondförvaltning AB

Corporate registration number of fund: 515601-9720

PPM fund number: Catella Hedgefond is not a fund within PPM

BALANCE SHEET AND INCOME STATEMENT

BALANCE SHEET. SEKk	30-June-18	31-Dec-17
ASSETS		
Transferable securities (Note 1)	10 152 898	8 672 549
Money market instruments (Note 1)	1 246 759	1 071 638
OTC derivatives with positive market value (Note 1)	6 074	27 146
Other derivatives with positive market value (Note 1)	1 149	869
Fund units (Note 1)	24 062	172 236
Total financial instruments with positive market value	11 430 942	9 944 438
Bank balances and other cash and cash equivalents	799 180	610 244
Prepaid expenses and accrued income	46 513	64 324
Other assets	116 412	125 644
TOTAL ASSETS	12 393 047	10 744 650
LIABILITIES		
OTC derivatives with negative market value (Note 1)	61 890	1 845
Other financial instruments with negative market value (Note 1)	1 240 926	1 286 527
Total financial instruments with negative market value	1 302 816	1 288 372
Accrued expenses and prepaid income	15 709	26 165
Other liabilities	204 995	23 568
TOTAL LIABILITIES	1 523 520	1 338 105
NET FUND ASSETS Note 2	10 869 527	9 406 545
MEMORANDUM ITEMS		
Collateral pledged net for borrowed/lending financial instruments	1 278 128	1 401 266
Collateral pledged for OTC derivatives	136 115	60 184
Collateral pledged for other derivatives	125 434	106 409
Lent financial instruments	306 701	293 743
Borrowed financial instruments	1 225 667	1 204 661

Note 2 TO BALANCE SHEET

	30-June-18	31-Dec-17
CHANGE IN NET FUND ASSETS		
NET FUND ASSETS AT BEGINNING OF YEAR	9 406 545	8 503 330
Unit sales share class A	2 899 632	2 866 941
Unit sales share class E	75 912	0
Unit sales share class F	16 404	0
Unit redemptions share class A	-1 480 467	-2 357 080
Unit redemptions share class E	-638	0
Unit redemptions share class F	0	0
Profit for the year per income statement	-47 861	393 354
NET FUND ASSETS AT END OF PERIOD	10 869 527	9 406 545

Aggregate information, borrowed securities	30-June-18
Market value of borrowed securities, SEKk	1 225 667
Market value of borrowed securities, % of fund assets	11.28
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 SEKk	1 225 667
Counterparty in connection with securities borrowing SEB, Sweden	
The fund pledges cash, fixed-income securities and shares as collateral	
Cash SEKk	
Fixed-income securities SEKk	1 278 128
Shares SEKk	
Total pledged collateral SEKk	1 278 128
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	3 923
Percent	0.04
Aggregate information, lending securities	30-June-18
Market value of lent securities, SEKk	306 701
Market value of lent securities, % of fund assets	2.82
Market value of lent securities, % of fund assets defined as asset excluding liquid assets	3.05
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	306 701
Counterparty in connection with securities lending SEB, Sweden	
Settlement and clearing are bilateral	
Income of securities lending	1 506
SEKk	0.01
Percent	

FUND'S HOLDINGS OF FINANCIAL INSTRUMENTS

Note 1 Securities	QUANTITY	PRICE	(SEKk)	%
MARKET-LISTED EQUITIES*				
ENERGY				
Aker, Norway, NOK	167 906	623.00	114 836	1.06
Aker lent, Norway, NOK	8 128	623.00	5 559	0.05
Archer, Bermuda, NOK	2 489 939	10.70	29 248	0.27
Borr Drilling, Bermuda, NOK	820 310	39.00	35 121	0.32
Borr Drilling lent, Bermuda, NOK	594 054	39.00	25 434	0.23
Bwo Offshore, Norway, NOK	2 179 605	41.70	99 779	0.92
Equinor ASA, Norway, NOK	-400 000	216.40	-95 026	-0.87
Equinor ASA borrowed, Norway, NOK	500 000	216.40	0	0.00
Flex LNG, Great Britain, NOK	4 775 000	12.35	64 739	0.60
Polarcus United Arab Emirates, NOK	19 557 922	2.46	52 818	0.49
Spectrum, Norway, NOK	359 996	62.00	24 503	0.23
Torm A, Great Britain, DKK	292 503	50.30	20 630	0.19
Torm A lent, Great Britain, DKK	89 747	50.30	6 330	0.06
			383 971	3.53
MATERIALS				
Billerud Korsnäs	122 562	126.75	15 535	0.14
Billerud Korsnäs lent	440 000	126.75	55 770	0.51
Hexpol B	-165 335	93.20	-15 409	-0.14
Hexpol B borrowed	165 335	93.20	0	0.00
			55 896	0.51
INDUSTRIALS				
A.P. Möller Maersk B, Denmark, DKK	6 319	7 948.00	70 423	0.65
A.P. Möller Mearsk A, Denmark, DKK	3 245	7 575.00	34 467	0.32
A.P. Möller Mearsk A lent, Denmark, DKK	556	7 575.00	5 906	0.05
Ahlsell	-450 000	52.85	-23 782	-0.22
Ahlsell borrowed	450 000	52.85	0	0.00
Alfa Laval	-89 593	212.60	-19 047	-0.18
Alfa Laval borrowed	89 593	212.60	0	0.00
American Shipping Company, Norway, NOK	89 486	29.45	2 893	0.03
American Shipping Company lent, Norway, NOK	1 300	29.45	42	0.00
Assa Abloy B	-200 000	190.90	-38 180	-0.35
Assa Abloy B borrowed	200 000	190.90	0	0.00
Cavotec, Swizerland	422 170	23.60	9 963	0.09
Kvaerner ASA, Norway, NOK	8 915 093	17.18	168 140	1.55
MPC Container Ships, Norway, NOK	175 000	54.50	10 470	0.10
Munters group B	223 923	45.45	10 177	0.09
Munters group B lent	224 190	45.45	10 189	0.09
NCC B	186 540	148.95	27 785	0.26
NCC B lent	125 000	148.95	18 619	0.17
Outotec, Finland, EUR	1 670 755	6.82	119 042	1.10
Saferoad Holding, Norway, NOK	2 442 560	30.10	80 711	0.74
Sandvik	-200 000	159.00	-31 800	-0.29
Sandvik borrowed	200 000	159.00	0	0.00
Sdiptech	770 000	38.00	29 260	0.27
Securitas	683 259	147.45	100 747	0.93
Tallina Sadam, Estonia, EUR	250 000	1.95	5 093	0.05
Tomra Systems, Norway, NOK	80 000	171.00	15 018	0.14
Wallenius Wilhelmsen Logistics, Norway, NOK	2 006 902	38.00	83 721	0.77
Wallenius Wilhelmsen Logistics lent, Norway, NOK	91 116	38.00	3 801	0.04
Volvo B	402 425	143.20	57 627	0.53
			751 285	6.91
CONSUMER DISCRETIONARY				
Amer Sports, Finland, EUR	-50 206	27.02	-14 172	-0.13
Amer Sports borrowed, Finland, EUR	70 780	27.02	0	0.00
Boozt	915 065	72.80	66 617	0.61
Boozt lent	397 435	72.80	28 933	0.27

Clas Ohlson	-262 624	71.30	-18 725	-0.17
Clas Ohlson borrowed	262 624	71.30	0	0.00
Hennes & Mauritz B	-593 499	133.50	-79 232	-0.73
Hennes & Mauritz B borrowed	437 500	133.50	0	0.00
Merlin Entertainment, Great Britain, GBP	250 000	3.87	11 422	0.11
Pandora, Denmark, DKK	315 186	445.80	197 023	1.81
Pandora lent, Denmark, DKK	115 750	445.80	72 355	0.67
Scandic Hotels Group	180 947	77.25	13 978	0.13
Schibsted A, Norway, NOK	-100 000	247.60	-27 182	-0.25
Schibsted A borrowed, Norway, NOK	100 000	247.60	0	0.00
			251 017	2.31
CONSUMER STAPLES				
Axfood	-630 000	172.30	-108 549	-1.00
Axfood borrowed	595 000	172.30	0	0.00
Carlsberg B, Denmark, DKK	-34 584	751.60	-36 448	-0.34
Carlsberg B borrowed, Denmark, DKK	34 584	751.60	0	0.00
Ica Gruppen	-140 500	274.70	-38 595	-0.36
Ica Gruppen borrowed	140 500	274.70	0	0.00
Kesko B, Finland, EUR	-131 250	52.40	-7 1851	-0.66
Kesko B borrowed, Finland, EUR	131 250	52.40	0	0.00
NNIT, Denmark, DKK	-11 441	158.80	-2 548	-0.02
NNIT borrowed, Denmark, DKK	14 087	158.80	0	0.00
Orkla, Norway, NOK	-1 131 216	71.40	-88 668	-0.82
Orkla borrowed, Norway, NOK	1 075 180	71.40	0	0.00
Royal Unibrew, Denmark, DKK	-156 250	508.50	-111 411	-1.03
Royal Unibrew borrowed, Denmark, DKK	157 940	508.50	0	0.00
			-458 070	-4.21
HEALTH CARE				
Actic	15 000	43.40	651	0.01
Actic lent	55 000	43.40	2 387	0.02
Alligator Bioscience	1 042 595	32.50	33 884	0.31
Alligator Bioscience lent	34 328	32.50	1 116	0.01
Ambea	1 600 000	72.00	115 200	1.06
Calliditas Therapeutics B	350 000	46.99	16 448	0.15
Capio	707 147	42.90	30 337	0.28
Getinge B	633 794	81.50	51 654	0.48
Getinge B lent	676 000	81.50	55 094	0.51
GN Store Nord, Denmark, DKK	-129 221	290.80	-52 691	-0.48
GN Store Nord borrowed, Denmark, DKK	129 221	290.80	0	0.00
Handicare Group	49 675	42.50	2 111	0.02
Humana	1 122 382	60.70	68 129	0.63
Novo Nordisk, Denmark, DKK	1 69 494	296.00	70 349	0.65
			394 669	3.63
FINANCIALS				
Danske Bank, Denmark, DKK	228 444	199.75	63 985	0.59
Handelsbanken A	327 433	99.56	32 599	0.30
Investor B	-130 500	364.90	-47 619	-0.44
Investor B borrowed	130 500	364.90	0	0.00
Kinnevik B	-43 750	306.90	-13 427	-0.12
Kinnevik B borrowed	37 500	306.90	0	0.00
SEB A	400 000	85.16	34 064	0.31
Storebrand, Norway, NOK	1 986 028	65.74	143 330	1.32
Swedbank A	785 340	191.80	150 628	1.39
			363 560	3.34
INFORMATION TECHNOLOGY				
CLX Communications	183 946	76.40	14 053	0.13
CLX Communications lent	51 556	76.40	3 939	0.04
Edgewise	595 087	15.68	9 331	0.09
Ericsson B	-929 171	69.26	-64 354	-0.59

Ericsson B borrowed	929 171	69.26	0	0.00
Evry, Norway, NOK	607 334	29.50	19 669	0.18
Evry lent, Norway, NOK	57 268	29.50	1 855	0.02
Nokia EUR, Finland, EUR	-2 000 000	4.93	-103 010	-0.95
Nokia EUR borrowed, Finland, EUR	2 000 000	4.93	0	0.00
			-118 517	-1.09
TELECOMMUNICATION SERVICES				
BT Group, Great Britain, GBP	3 165 439	2.18	81 454	0.75
Deutsche Telekom, Germany, EUR	316 054	13.27	43 816	0.40
Elisa, Finland, EUR	-70 000	39.67	-29 011	-0.27
Elisa borrowed, Finland, EUR	70 000	39.67	0	0.00
Millicom Int. Cellular SDB, Luxembourg	-23 710	529.00	-12 543	-0.12
Millicom Int. Cellular SDB borrowed, Luxembourg	25 000	529.00	0	0.00
Ovzon	425 000	81.49	34 633	0.32
Telenor, Norway, NOK	-61 847	167.15	-11 349	-0.10
Telenor borrowed, Norway, NOK	61 847	167.15	0	0.00
Telia Company	489 014	40.96	20 030	0.18
			127 030	1.17
UTILITIES				
Fjordkraft Holding, Norway, NOK	412 500	33.00	14 944	0.14
			14 944	0.14
REAL ESTATE				
Castellum	-300 000	145.15	-43 545	-0.40
Castellum borrowed	300 000	145.15	0	0.00
Corem Property Group Pref	472 162	327.90	154 822	1.42
Fabege	-400 000	106.88	-42 752	-0.39
Fabege borrowed	400 000	106.88	0	0.00
Fast Partner Pref	1 321 944	118.82	157 073	1.45
Hufvudstaden A	72 537	128.30	9 306	0.09
Hufvudstaden A lent	67 500	128.30	8 660	0.08
Kojamo, Finland, EUR	600 000	9.15	57 356	0.53
Kungsleden	158 725	61.80	9 809	0.09
Kungsleden lent	55 587	61.80	3 435	0.03
Sagax D	1 100 000	32.60	35 860	0.33
			350 024	3.22
TOTAL MARKET-LISTED EQUITIES			2 115 809	19.47
MARKET – LISTED BONDS*				
GOVERNMENT				
Statsobligation Loan 1052 190312	100 000 000	103.52	103 524	0.95
Statsobligation Loan 1054 220601	50 000 000	115.00	57 500	0.53
			161 024	1.48
OTHER				
Akelius 3.875% 781005, EUR	1 500 000	97.79	15 324	0.14
Allgon FRN 220607	20 000 000	100.50	20 100	0.18
ALM FRN 210519	11 000 000	96.09	10 570	0.10
Axactor FRN 210623, Norway, EUR	1 500 000	100.62	15 769	0.15
B2 FRN 211004, Norway, EUR	11 750 000	106.33	130 531	1.20
B2 FRN 230523, Norway, EUR	1 000 000	99.14	10 357	0.10
Borr Drilling 230523, Bermuda, USD	2 400 000	100.04	21 486	0.20
Brado FRN 230307	60 000 000	96.50	57 900	0.53
Care Bidco FRN 210324, Norway, NOK	15 000 000	98.75	16 261	0.15
Cibus FRN 210526, EUR	3 500 000	101.00	36 931	0.34
Cidron Humber 9.25% 230614, Jersey	108 000 000	100.00	108 000	0.99
Coastal FRN 201116, Norway, NOK	7 000 000	101.58	7 806	0.07
Color Group FRN 220923, Norway, NOK	60 000 000	100.33	66 082	0.61
Compactor Fastigheter FRN 201030	50 000 000	100.50	50 250	0.46
Containerships FRN 211122, Finland, EUR	1 300 000	101.50	13 785	0.13

Corral Petroleum 11.75% 210515, EUR	2 000 000	105.31	22 004	0.20
Corral Petroleum 12.25% 210515	17 000 000	107.72	18 312	0.17
Danske Bank FRN 230125, Denmark	175 000 000	99.64	174 372	1.60
DDM Treasury 9% 200130, EUR	5 000 000	103.50	54 065	0.50
Garfunkelux 11% 231101, Luxembourg, GBP	1 000 000	96.54	11 406	0.10
Garfunkelux FRN 230901, Luxembourg	50 000 000	91.75	45 877	0.42
Garfunkelux FRN 230901, Luxembourg, EUR	3 000 000	88.79	27 830	0.26
Genova Property FRN 210407	30 000 000	98.75	29 625	0.27
Georg Jensen FRN 230515, Denmark, EUR	3 000 000	100.50	31 499	0.29
Getinge FRN 210521	124 000 000	100.04	124 053	1.14
Havilafjord FRN 230619, Norway, NOK	55 000 000	100.50	60 681	0.56
Hemfosa FRN 200901	97 000 000	101.10	98 068	0.90
Hexagon FRN 191126	75 000 000	100.91	75 684	0.70
Hoist Finance 8% 230901, EUR	3 000 000	100.25	31 420	0.29
Hospitality Invest FRN 221031, Norway, NOK	30 000 000	97.25	32 028	0.29
Host Property FRN 191208, Norway	14 000 000	101.50	14 210	0.13
Ice Group FRN 211012, Norway, NOK	50 000 000	97.50	53 518	0.49
Idavang FRN 211211, Denmark, EUR	5 000 000	99.00	51 714	0.48
Ikano Bank FRN 200415	45 000 000	100.73	45 327	0.42
Ikano Bostad FRN 190325	72 000 000	100.70	72 506	0.67
Intrum Justitia FRN 190515	13 000 000	100.22	13 028	0.12
Ixat Intressenter FRN 200612	150 000 000	101.09	151 635	1.40
Jacob Holm & Sonner FRN 220331, Denmark, EUR	3 000 000	100.81	31 597	0.29
Jefast FRN 210327	30 000 000	99.75	29 925	0.28
Jotul Holdings FRN 220131, USA, NOK	25 000 000	97.75	26 827	0.25
Klövern FRN 220404	40 000 000	100.25	40 101	0.37
Kommuninvest i Sverige 0.75 % 200216	200 000 000	101.79	203 586	1.87
Kommuninvest i Sverige 1% 231113	200 000 000	102.31	204 611	1.88
Kungsleden FRN 190623	25 000 000	101.67	25 418	0.23
Kungsleden FRN 220321	58 000 000	101.02	58 590	0.54
Lebara FRN 220907, Europe, EUR	8 200 000	76.50	65 536	0.60
Lendify FRN 200129	17 000 000	100.50	17 085	0.16
Lendify FRN 200530	22 000 000	101.12	22 248	0.20
Lifco 0.405 % 200403	14 000 000	100.13	14 018	0.13
Logistri Portfolio 4% 210520	27 000 000	97.50	26 325	0.24
Magnolia FRN 211013	36 000 000	96.67	34 800	0.32
Moberg Pharma FRN 210129	41 000 000	99.58	40 829	0.38
Nackahusen Holding FRN 200813	50 000 000	99.00	49 500	0.46
Nibe FRN 200528	44 000 000	101.34	44 588	0.41
Norcell Sweden Holding 3 3.625% 210623	150 000 000	101.99	152 986	1.41
Nordea FRN 280608, Denmark	100 000 000	100.32	100 318	0.92
Nordea Hypotek 220408	200 000 000	102.70	205 400	1.89
Nordea Hypotek 3.25% 5521 200617	100 000 000	106.94	106 938	0.98
Norlandia FRN 211220, Norway	75 000 000	96.67	72 500	0.67
Nova Austral 8.25% 210526, Chile, USD	4 800 000	95.35	40 959	0.38
NP3 FRN 210413	7 000 000	100.02	7 001	0.06
Offentliga Hus i Norden FRN 210615	14 000 000	102.40	14 336	0.13
Orexo FRN 211113	12 000 000	101.25	12 150	0.11
Perstorp Holding 7.625% 210630, EUR	2 800 000	105.47	30 852	0.28
Perstorp Holding FRN 220915, EUR	3 000 000	98.67	30 924	0.28
Quant FRN 230215, EUR	4 400 000	99.75	45 853	0.42
Recipharm 2.75% 211006	30 000 000	99.11	29 734	0.27
RopoHold FRN 201201, Finland, EUR	2 900 000	102.50	31 055	0.29
Sagax FRN 200909, EUR	6 900 000	103.15	74 357	0.68
Samhällsbyggnadsbolag 2,9% 191220	15 000 000	100.40	15 059	0.14
Samhällsbyggnadsbolag FRN 200406	81 000 000	105.78	85 681	0.79
Samhällsbyggnadsbolag FRN 210129	33 000 000	101.17	33 387	0.31
Sampo FRN 220523, Finland	73 000 000	100.67	73 486	0.68
SCBC 2% 200617	200 000 000	104.48	208 966	1.92
SEB 1.5% 200617	300 000 000	103.50	310 506	2.86
SEB 1.5% 221221	200 000 000	104.46	208 921	1.92

SHH Bostad FRN 210607	20 000 000	97.25	19 450	0.18
Sirius International FRN 470922, Bermuda	77 000 000	101.78	78 374	0.72
SI Bidco FRN 230206, The Netherlands, EUR	6 500 000	100.75	68 417	0.63
Sollentuna FRN 200629	20 000 000	98.25	19 650	0.18
Stadshypotek 1.5% 210317	200 000 000	104.21	208 418	1.92
Stadshypotek 1583 4.25% 200617	200 000 000	108.90	217 803	2.00
Stillfront Group FRN 200523	40 000 000	102.26	40 904	0.38
Stolt Nielsen 6.375% 220921, Bermuda, USD	4 000 000	96.83	34 662	0.32
Storebrand FRN 480327, Norway	40 000 000	99.52	39 807	0.37
Strömma Tursim & Sjöfart FRN 210521	27 000 000	105.25	28 418	0.26
Sunborn Finance FRN 230209, Finland, EUR	2 500 000	99.50	25 988	0.24
Swedbank Hypotek 180 5.,7% 200512	200 000 000	111.22	222 432	2.05
Swedbank Hypotek 189 201216	200 000 000	102.75	205 509	1.89
Transcom 6.5% 230322, EUR	6 000 000	96.50	60 490	0.56
Tresu Investment FRN 220929, Denmark, EUR	863 500	92.50	8 345	0.08
Unilab 5.75% 250515, EUR	7 000 000	95.63	69 933	0.64
Wallenius FRN 221012, Norway, NOK	80 000 000	99.92	87 755	0.81
Verisure FRN 231201	86 000 000	101.29	87 113	0.80
Vostok New Ventures 5.5% 200622, Bermuda	47 000 000	103.25	48 528	0.45
VV Holding FRN 190710, Norway, NOK	25 000 000	101.12	27 754	0.26
ÅF FRN 230620	44 000 000	100.15	44 066	0.41

6 290 783 57.88

TOTAL MARKET-LISTED BONDS

6 451 807 59.36

NOT LISTED BONDS**

DKT Finance 7% 230617, Denmark, EUR	2 200 000	101.32	23 288	0.21
Hoist FRN 210629	16 000 000	99.75	15 960	0.15
IB Bostad FRN 181021, NOK	18 000 000	101.62	20 082	0.18
Kjell Midco 11% 230111	6 508 737	99.75	6 492	0.06
Laeringsverkstedet FRN 220601, Norway, NOK	33 000 000	100.75	36 499	0.34
OPR Vakuuus 10.75% 210217, Finland, EUR	2 340 000	97.50	23 836	0.22
OPR Vakuuus 8% 220518, Finland, EUR	3 000 000	101.00	31 655	0.29
Perstorp Holding 10% 221215, Luxembourg, EUR	7 000 000	98.43	71 986	0.66
Perstorp Holding 210930, USD	7 000 000	107.00	67 027	0.62
RSA Insurance Group FRN Perp, Great Britain	45 000 000	105.62	47 531	0.44

344 356 3.17

TOTAL NOT LISTED BONDS

344 356 3.17

TOTAL TRANSFERABLE SECURITIES

8 911 972 68.77

Transferable Securities with positive market value

10 152 898 79.48

Transferable Securities with negative market value

-1 240 926 -10.71

COMMERCIAL PAPER*

Ahlsell cert 181005	30 000 000	99.97	29 992	0.28
Ahlsell cert 180905	40 000 000	99.98	39 993	0.37
Ambea cert 180905	50 000 000	99.97	49 983	0.46
Ambea cert 180917	40 000 000	99.96	39 983	0.37
Arjo cert 180808	100 000 000	99.99	99 990	0.92
Arjo cert 180910	75 000 000	99.96	74 973	0.69
Bergvik cert 180820	150 000 000	100.00	150 004	1.38
Bonnier cert 180911	50 000 000	99.98	49 988	0.46
Bravida Holding cert 180928	40 000 000	99.97	39 986	0.37
Capio cert 181029	25 000 000	99.95	24 988	0.23
Com Hem cert 180903	60 000 000	99.98	59 988	0.55
Getinge cert 181005	30 000 000	99.96	29 989	0.28
Gränges cert 180820	35 000 000	100.00	34 999	0.32
Hemfosa cert 180925	75 000 000	99.96	74 969	0.69

Hexagon cert 180926	20 000 000	99.99	19 997	0.18
Hexagon cert 181005	60 000 000	99.98	59 986	0.55
Klövern cert 180918	50 000 000	99.94	49 969	0.46
Loomis cert 180913	75 000 000	99.99	74 996	0.69
MTG cert 180913	75 000 000	99.99	74 996	0.69
Peab Finans cert 180702	40 000 000	100.00	40 000	0.37
Scandic Hotels Group cert 180914	25 000 000	99.96	24 990	0.23
Wallenstam cert 180705	52 000 000	100.00	52 000	0.48
ÅF cert 180724	50 000 000	100.00	50 000	0.46
			1 246 759	11.47

TOTAL COMMERCIAL PAPER *
1 246 759 11.47
FUND UNITS

Catella Nordic Long/Short Equity IC EUR, Luxembourg, EUR	212.665	10.83	24 062	0.22
			24 062	0.22

TOTAL FUND UNITS
24 062 0.22
EXCHANGE TRADED DERIVATIVES
Index option

OMX 18 S 1550 August	375	30.63	1 149	0.01
			1 149	0.01

Indexfuture

OMX Future 180720	-3 041	1 561.00	0	0.00
Euro Stoxx 50 180921, Germany, EUR	-900	3 391.00	0	0.00
			0	0.00

Bond Future

Euro-Bund 10Y 180906, Germany, EUR	795	162.55	0	0.00
Swe Gov. Bond Future 10Y Sep18	-910	0.52	0	0.00
			0	0.00

TOTAL EXCHANGE TRADED DERIVATIVES
1 149 0.01

Exchange traded Derivatives with positive market value

1 149 0.01

Exchange traded Derivatives with negative market value

0 0.00
OTC DERIVATIVES
FX Forwards

FXFWD DKKSEK 180905 1.3778, Denmark, DKK	-106 000 000	1.40	-2 557	-0.02
FXFWD DKKSEK 180711 1.361148, Denmark, DKK	30 000 000	1.40	1 231	0.01
FXFWD DKKSEK 180905 1.3626, Denmark, DKK	-10 000 000	1.40	-394	0.00
FXFWD DKKSEK 180905 1.3803, Denmark, DKK	-45 000 000	1.40	-974	-0.01
FXFWD DKKSEK 180905 1.3875, Denmark, DKK	-30 000 000	1.40	-433	0.00
FXFWD DKKSEK 180905 1.3970, Denmark, DKK	-29 000 000	1.40	-143	0.00
FXFWD DKKSEK 180905 1.4023, Denmark, DKK	-30 000 000	1.40	11	0.00
FXFWD DKKSEK180711 1.381439, Denmark, DKK	-80 000 000	1.40	-1 659	-0.02
FXFWD DKKSEK180711 1.381844, Denmark, DKK	-80 000 000	1.40	-1 626	-0.02
FXFWD EURSEK 180817 10.288, Europe, EUR	-30 000 000	10.45	-4 718	-0.04
FXFWD EURSEK 180830 10.262, Europe, EUR	-7 200 000	10.45	-1 322	-0.01
FXFWD EURSEK 180830 10.306, Europe, EUR	-94 000 000	10.45	-13 121	-0.12
FXFWD EURSEK 180830 10.343, Europe, EUR	-3 000 000	10.45	-308	0.00
FXFWD EURSEK 180905 10.150, Europe, EUR	-7 000 000	10.45	-2 071	-0.02
FXFWD EURSEK 180905 10.155, Europe, EUR	-1 000 000	10.45	-291	0.00
FXFWD EURSEK 180905 10.204, Europe, EUR	20 000 000	10.45	4 832	0.04
FXFWD EURSEK 180905 10.243, Europe, EUR	-6 000 000	10.45	-1 213	-0.01
FXFWD EURSEK 180905 10.260, Europe, EUR	-10 000 000	10.45	-1 854	-0.02

FXFWD GBPSEK 180830 11.730, Great Britain, GBP	-1 100 000	11.80	-72	0.00
FXFWD GBPSEK 180905 11.609, Great Britain, GBP	-9 000 000	11.79	-1 655	-0.02
FXFWD NOKSEK 180830 1.073694, Norway, NOK	-90 000 000	1.10	-1 971	-0.02
FXFWD NOKSEK 180830 1.076531, Norway, NOK	-275 000 000	1.10	-5 243	-0.05
FXFWD NOKSEK 180905 1.070337, Norway, NOK	-25 000 000	1.10	-626	-0.01
FXFWD NOKSEK 180905 1.0734, Norway, NOK	-770 000 000	1.10	-16 886	-0.16
FXFWD USDSEK 180830 8.7667, USA, USD	-19 000 000	8.91	-2 753	-0.03
			-55 816	-0.51

TOTAL OTC DERIVATIVES			-55 816	-0.51
OTC Derivatives with positive market value			6 074	0.06
OTC Derivatives with negative market value			-61 890	-0.57

TOTAL HOLDINGS OF FINANCIAL INSTRUMENTS		10 128 126		93.18
OTHER ASSETS AND LIABILITIES		741 401		6.82
TOTAL NET ASSETS		10 869 527		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	11.93
Getinge AB	2.40
Danske Bank A/S	2.19
Ambea AB	1.89
Wallenius Wilhelmsen Logistics ASA	1.61
Hemfosa AB	1.59
Svenska Staten	1.48
Hexagon AB	1.43
Samhällsbyggnad i Norden AB	1.23
Perstorp Holding AB	1.18
A.P. Möller-Maersk A/S	1.02
Sagax AB	1.01
Kungsleden AB	0.89
Klövern AB	0.83
Borr Drilling Ltd	0.75
Capio AB	0.51
Ahlsell AB	0.46
Scandic Hotels Group AB	0.36
OMXS30	0.01

* The table shows the total percentage share of the net fund assets per issuer in those cases the fund holds more than one type of security issued by the same issuer.

ADDITIONAL DISCLOSURES, FINANCIAL INSTRUMENTS

Financial instruments expected to be admitted to trading on a regulated market within one year of issue are:

Allgon FRN 220607
 B2 Holding FRN 230523
 Brado FRN 230307
 Coastal Holdings FRN 201116
 Georg Jensen FRN 230515
 Havilafjord FRN 230619
 Jotul Holding FRN 220131

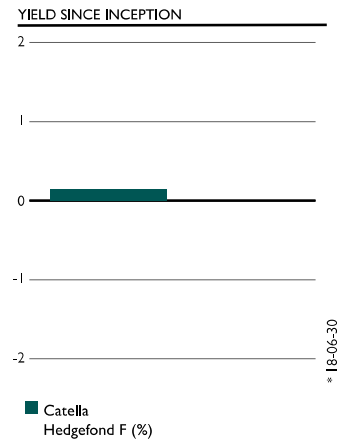
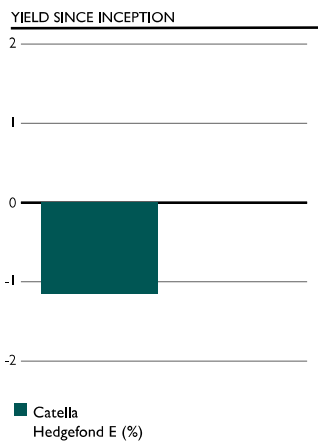
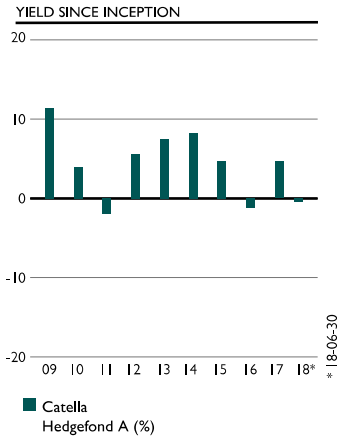
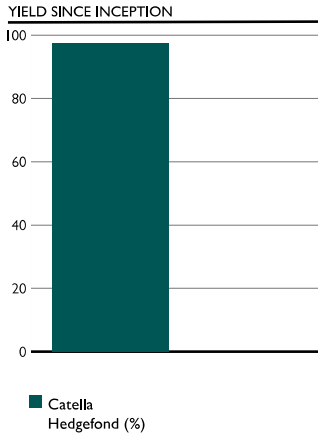
Klöver FRN 220404
 Nova Austral 8.25% 210526
 Nova Austral 8.5% 210526
 Quant FRN 230215
 Ropohold FRN 201201
 Stolt Nielsen 6.375% 220921
 Sunborn Finance FRN 230209
 Transcom Holding 6.5% 230322
 Tresu Investment Holding FRN 220929

COUNTERPARTIES FINANCIAL DERIVATIVE TRANSACTIONS

COUNTERPART	Collateral received
Danske	0
SEB	0
Nordea	0

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

Date	Dividend	Unit Value	No of units	Net fund assets
	SEK/unit	SEK	units	SEKk
Share Class A				
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
180630	0.00	175.42	61 442 699	10 778 367
Share Class E				
180630	0.00	98.85	757 004	74 833
Share Class F				
180630	0.00	100.15	163 024	16 327



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 and 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
34.31%	20.06%	28.36%

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 June 30, 2018	Highest 2018	Lowest 2018	Average 2018
0.21%	0.28%	0.17%	0.22%

Your share of the fund's costs

In the account statements you receive from us in January 2019 we report 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

Alternative investment funds apply the Alternative Investment Fund managers Act (2013:561) and Finansinspektionen's regulations (FFFS 2013:10) regarding alternative investment fund managers, applicable reporting issued by the Swedish Investment Fund Association and the ESMA guidelines.

Fund holdings have been recognised in the balance sheet at market value on 29 June 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.

Exchange rates are the closing rates at 29 June 2018.

DKK	1.4022
EUR	10.4473
GBP	11.8147
NOK	1.0978
USD	8.9488

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.

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 2018 for Catella Fondförvaltning AB is provided in the funds' annual reports and annual accounts for 2018.

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 took advantage of this opportunity in 2018.

Related-party transactions

Trading with related companies has taken place in certain funds 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.

OUR OWNERSHIP POLICY

1. Introduction

Chapter 15, Section 9 of Swedish Financial Supervisory Authority (Finansinspektionen) Regulations regarding investment funds and Article 37 of the EU Commission Delegated Regulation, require the board of directors of a fund management company and an alternative investment fund manager to adopt internal rules specifying the strategies the company shall apply to determine when and how voting rights linked to the financial instruments included in each fund are to be exercised.

The purpose of this document is to present how Catella Fondförvaltning AB ("Catella Fonder") exercises its shareholder influence, including how and in what situations the voting rights linked to investments made within the context of the company's business shall be exercised. The fundamental precept in all situations is that Catella Fonder shall act solely in the joint interests of fund unit holders and that voting rights shall be exercised to the exclusive benefit of each fund. The objective is that the funds should generate the highest possible return 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 unit holders 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 unit holders. The potential to create added value varies among portfolio companies and depends upon factors including the size of the funds' holdings, 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 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.

4. Participation in nominating committees, etc.

If it is possible in Catella Fonder's judgement to create added value for unit holders, Catella Fonder may exercise shareholder influence by having representatives on the nominating committees of portfolio companies. In exceptional cases, Catella Fonder may also appoint representatives to the boards of directors of portfolio companies. Decisions to nominate representatives to the nominating committee or board of directors of a portfolio company are at the discretion of the CEO of Catella Fonder.

5. Exercising voting rights and monitoring corporate actions

1. There are several companies within the Catella group ("Catella") that invest on their own behalf or on behalf of clients. Operations within Catella Fonder are clearly separated from these other operations, and Catella Fonder shall therefore in exercising its voting rights consider only the best interests of unit holders, irrespective of any interests Catella may otherwise have in the portfolio company concerned. However, this does not preclude that coordinated action between Catella Fonder and another Catella company (or, for that matter, an external owner) concerning specific matters may be deemed to the benefit of unit holders. When Catella Fonder exercises its voting rights, it does so in accordance with the investment objectives and policy of each fund as set forth in the fund rules for each respective fund. When Catella Fonder exercises its voting rights, an assessment is made in every instance as to whether any conflict of interest may arise for the fund or fund unit holders and, if so, how such conflicts should be managed.
2. The fund manager is ultimately responsible for monitoring corporate actions and for ensuring that the fund votes at general meetings in accordance with the investment objectives and policy. However, Catella Fonder applies the fundamental precept that all funds must be in consensus concerning important matters affecting the 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.
3. 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.
4. 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.

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

6. Information policy 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's Principles for Responsible Investment (PRI) in September 2009 as part of its efforts to be a responsible investor and shareholder. These six 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 actively managed equity funds, including Catella Hedgefond (Catella Sverige Index is excluded from this part), and their Nordic equity holdings.

- 1) Review and screening of holdings: 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 of each fund (based on the SIXRX and VINX indexes) is screened twice annually by Sustainalytics, based on
 - a) Global norms and conventions that identify portfolio companies involved in violations of international norms relating to the environment, human rights, corruption and working conditions.
 - b) Sectors and products that are controversial based on the sustainability policy of Catella Sverige Aktiv Hållbarhet.

The results of the screening are monitored internally within Catella Fonder by the portfolio managers and the Risk function. Portfolio companies that violate international norms are divested if information is received that a portfolio company is in breach of the above principles. Portfolio companies involved in controversial sectors and products are managed according to the sustainability criteria set for each fund, which are contained in the prospectus.

- 2) Sustainability of governance in portfolio companies: 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 companies to be transparent in this area. It should be natural for the portfolio managers to approach sustainability managers when gathering information about ethics at 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.

- 3) 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. Furthermore, the sustainability work is documented through the following documents.
 - a. Annually in a Sustainability Review in accordance with the guidelines of the Swedish Investment Fund Association, which can be found on our website.
 - b. Swesif's Sustainability Declaration, which is currently prepared for the actively managed funds – including Catella Hedgefond (Catella Sverige Index is excluded from this part).
 - c. PRI survey that reports on the work of Catella Fonder.
 - d. The Annual Reports for our funds, which from 2018 contain accounts of the Sustainability Profile of each fund and any nonconformities and consequent action.

You can find out more about Catella Fonder's sustainability work on our website under "Sustainability Review Catella Fondförvaltning"

7. Management of insider information in the exercise of shareholder influence

Catella Fonder's mandate in connection with the management of investment funds and alternative investment funds is to act exclusively in the joint interests of unit holders. Accordingly, Catella shall as far as possible avoid restrictions to 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.

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.

Board of directors of Catella Fondförvaltning AB

Knut Pedersen
Chairman
CEO Catella AB (publ)

Lars H. Bruzelius
Senior partner BSI & Partners

Peter Friberg
LL.M, licensed psychologist, consultant

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

Thomas Raber
MD Alvine Capital Management Ltd

Risk

Total risk

The traditional way to measure the price volatility of a fund, or the risk of losing money, is to measure how much the fund's returns have varied. If a fund has a high total risk (for example, an equity fund), the returns have varied more than for a fund with low total risk (for example, a fixed income fund with short term to maturity on interest-bearing assets). However, risk and return are linked, and a higher risk may yield a higher return. The value of total risk indicates the range within which the annual return should end up (with 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.

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).

Half-time rest and summer holidays

Summer holidays and the football World Cup. The fantastic start to the Swedish summer takes me back to the summers of early childhood when sunburn was as expected as sweet interludes with an ice-cream lolly or a Cornetto. For my generation, the football World Cup will always bring back 1994, when we sat up at night, crossing our fingers that the impossible was finally going to happen. Summer and the holidays also give us a bit of time for much-needed reflection about our lives. After all, the financial markets are a bit like life itself, full of dreams, challenges, hopes and disappointments. In the best case, joy and good fortune.

Like always, the year was tinged with various anxieties. Geopolitical events related to the US and North Korea, constant concerns about the freedom of world trade and a bit of renewed worry about the state of the Italian banks. Worry about rising short-term rates in an attempt to normalise the abnormal was sometimes displaced by worry that the economy will sag before that happens.

Immersed in this melting pot of impressions, our managers seek to make decisions on a daily basis to optimally perform their mission, to manage our clients' money, your money, as wisely as possible. First and foremost, it is about preserving capital. Not exposing themselves to unnecessary risks. To the greatest possible extent, diversifying themselves away from isolated events that could put the whole at risk, yet still daring to take the risks required outperform the norm. This is a constant balancing act that takes both wisdom and courage, along with the constant knowledge that, in the short term, randomness can cast a pall over both the outcomes of and confidence in the investment decisions. Capital and wealth have been managed throughout the history of modern humankind. As far back as Biblical times, strategies about "gathering into barns" were discussed, when it was foreseen that good years could be followed by leaner years. In those days, capital was expressed as the things most essential to life, like grain or other necessities. The concept is now, and has been for a long time, expressed in more neutral measurements of value, such as the domestic currency or gold.

Sometimes, it is good for us to rewind a little and think about the actual purpose of what we are doing. Caught up in the chase for short-term gains and quarterly capitalism. Our purpose is to preserve capital and take purchasing power forward into the future. To manage forces that can destroy the value of the investment and to seek to achieve real return while we are at it. After a long period of powerfully stimulated financial markets, stock market upturns seem as safe as houses and the preservation of capital is almost never brought to mind. The sole aim was to obtain the greatest possible exposure to the upside. In real estate, equities or credits. We have stopped talking about inflation. Purchasing power is taken for granted, or inflation remains so low that it hardly needs to be part of the equation.

As I write this, a storm suddenly rushes in from the sea to scatter the peace of summer. Sunbathing tourists flee in panic and open umbrellas quickly fall victim to the thunderstorm's implacable gusts. Just as the favourites going in, expected to win the football World Cup, do not always live up to expectations, nor can we trust that everything will turn out as we planned. A sudden financial storm hits and the hunt for returns becomes less important. All at once, holding on to what you have feels like a very attractive alternative.

We at Catella Fonder try to always keep this in mind when we invest our clients' capital. In some situations, avarice in the market can become too great and returns are chased without regard to financial security. That is not how we want things to be. Our mission is to manage. To ensure that the preservation of capital is always central and that the risks taken are carefully considered and balanced based on the mandates we have. It is then that we can create the peace of mind that we want you, our clients, to feel when you entrust us with your money. Even if the financial markets should be hit by a storm.

We thank you for your trust.

Erik Kjellgren
CO Catella fondförvaltning AB

Market Outlook H1 2018 – Mark Twain and the future

When we summed up 2017, the verdict was that it was an unusually stable year, economically and market-wise. The first half of 2018 has brought more movement in the market and, in pace with less expansive monetary policy, the risks of a backlash in the world economy and the finance market are rising. For the market, the single-most important question is when will the next recession arrive.

Economic cycles have always existed and it is a safe bet this will also be the case in the future. Explanations of economic cycles are myriad and the truth is that every cycle is different. As writer – and market speculator - Mark Twain put it: "History doesn't repeat itself, but it often rhymes."

The starting position is different today, in the wake of the deepest recession since the Great Depression of the 1930s. In addition, monetary policy has never before been as expansive as in recent years. One consequence of pursuing overly expansive monetary policy, for a long time, is that debt ultimately becomes unsustainably high. Lower costs of financing encourage governments, companies and – especially – individuals to borrow for both investments and consumption. The likelihood of a financial crisis rises swiftly if returns on the investments and/or increases in disposable income are too low and borrowers cannot repay their debts.

It is worth remembering that history rhymes. Of the last 15 global recessions, 13 were preceded by austere monetary policy. Today, nine years after the last economic cycle bottomed out, only the US Federal Reserve has tightened its monetary policy. Even though most pundits believe this will change in the second half of 2018, we still believe a recession is several years away.

Key factors that could change our assessment are inflation, where slightly higher inflation is to be desired, but not so high that central banks are forced to institute tougher austerity measures and a recession becomes more likely. A full-scale trade war will reduce world trade, leaving a smaller pie to share. This will impact more export-dependent countries, and Sweden is one of the most export-dependent in the world. Even though we are many years into a recovery, the US is pursuing an expansive fiscal policy, which is cause for concern. Doubts about the capacity of the US government to repay its loans will have unimagined consequences for interest rates and exchange rates alike.

When assessing the financial market, it is only natural to focus on the risks and what can go wrong. Nevertheless, it is important to remember that the most likely outcome is that growth will continue, unemployment will fall and corporate profits will rise. Although there are a few dark clouds in the sky, our judgement is that the economic climate and the investment climate are a safe distance away from a cold and bitter winter. But then again, as Mark Twain is reputed to have said, "Climate is what we expect, weather is what we get."