

Half-Year Report for Catella Hedgefond

I January 2019 – 30 June 2019

CEO's message

Placing a value on time

After spending a few days cleaning up my old childhood home, I was intensely reminded of how things change over time. We really did have a manual typewriter when I grew up. I also reflected on how the era of a standalone caller ID beside the phone was short-lived, and that the once-essential bank passbooks now feel like a memory from a terribly distant age. Bill Gates once said, "We always overestimate the change that will occur in the next two years and underestimate the change that will occur in the next ten. Don't let yourself be lulled into inaction."

But placing a value on time is, of course, about much more than just that. We are sometimes reminded very suddenly of the transient nature of life, and the only conclusion I manage to draw is that we have to prioritise our time for things that really matter. It always feels a little more meaningful if we can feel that we have achieved something constructive with our time, whether that might be building something, changing something or experiencing something new. When nothing changes or nothing develops, the time feels lost in my view.

When you read financial theory, you learn that time is money. Compound interest tends to multiply in a fascinating way over long periods of time. Even money saved in a bank passbook increased historically through an extra payment at the end of each year; the interest on the capital. You also learn to make present value calculations in which large initial investments are justified by positive future cash flows discounted to a present value. In every textbook example, the cost of capital was a measure of the investor's required return; the reasonable payback that the investor could accept in order to exchange purchasing power in the present time for purchasing power in the future. Of course, the investor expects the investment to also generate some kind of surplus, especially in comparison with money placed in a bank account or some other risk-free alternative.

Over time, these concepts should somehow coincide. The real economy develops through rising productivity and through innovations that improve the standard of living and increase the efficiency of society. The interest for an investor should, over the same period, not only compensate for inflation but also provide some form of real remuneration.

If we are to believe that these trends remain intact over the long term, today's pricing of fixed income securities feels very unrealistic, given what we believe about inflation and real growth over time. A Swedish 10-year bond yield of around zero and inflation of 2 percent per year means that the market has now priced in over 20 percent weaker purchasing power in ten years' time. What will break first? Will development suddenly halt? Or will inflation turn into biting deflation?

It may be that what looks reasonable in a two-year perspective becomes unreasonable in a ten-year perspective. I think that the market in this case is underestimating the value of time in the longer term.

Time is one of the most valuable things we have. Cherish it, right now.

I wish you a really pleasant summer!

Erik Kjellgren
CEO Catella Fondförvaltning AB

Market trends 2019

War and peace

'In war, whichever side may call itself the victor, there are no winners, but all are losers.'
Neville Chamberlain

Before the start of 2019, we saw ahead of us a challenging year for the financial markets. In particular, we were worried about the first half of the year, when our assessment was that growth expectations would continue to be adjusted downwards and that this would, in turn, lead to downward adjustments in corporate profit expectations. We were more constructive about the second part of the year, when we expected that conditions for monetary policy stimulus would be good. Looking back, the US Federal Reserve signalled a swing in monetary policy in the final days of last year, which raised the mood in the global asset markets. The importance of central banks has again proved to be the most crucial parameter for the development of asset markets, even more so than war. The war I refer to is the trade war being waged by US President Trump on multiple fronts. There are alarming historical parallels, with trade wars having been the early sign of sabre rattling, something we have so far thankfully avoided. The reasoning behind the trade war should be considered in the light of next year's presidential election, as a part of Trump's campaign to be re-elected. The key factors for re-election are a strong economy and low unemployment, which suggests that a peace agreement will be signed in good time before voting begins. Peace would be a dream scenario for the market, but only after monetary policy stimulus. The range of potential outcomes is wide, and remember Neville Chamberlain's comment that, 'In war, whichever side may call itself the victor, there are no winners, but all are losers'.

The market is quick to factor in the future, and bond yields have continued to fall in the first half of the year. Based on the appearance of the yield curve, the probability of a recession is significantly higher than in a normal year. That said, the stock market and the credit market are pricing in a slowdown of growth, but hardly a recession. The different asset markets usually trade in reasonable synchronisation, but this is not the case right now, which offers an interesting position for the second half. In very broad terms, there are two possible outcomes: Either there will be significant monetary policy stimulus in the coming months, which would support the stock markets and turn falling bond yields into rising interest rates, or the central banks will judge that the economy can manage well without more stimulus, which would very likely result in falling stock prices and wider credit spreads. Whatever the outcome, we will find out over the summer, and my assessment at the moment is that central banks will accommodate the market by signalling and providing more stimulus. This will then create a continued good environment for equities and credits, and facilitate a pacification of the trade war, which brings to mind the elegant words sometimes attributed to Abraham Lincoln, 'There is nothing good in war. Except its ending'.

I wish you a very good summer!

Thomas Elofsson
Head of Portfolio management and Fund manager, Catella Fondförvaltning AB

Good start to the year

Catella Hedgefond rose 1.74 percent in the first half of the year, with credits making the greatest contribution.

The following characteristics are important in managing the overall portfolio structure for Catella Hedgefond: Low correlation with the stock market, limited concentration to individual equity positions and individual sectors, and a variety of individual short equity positions. The composition of the portfolio allows for greater gross exposure on the equity side, where the managers' selection of individual exposures is decisive for the fund's return.

The fund's objective over time is to have a risk, measured as standard deviation, of about three percent. The fund's return has shown continued low volatility despite increased market movements during May. Work on increasing the company-specific risk is still ongoing.

During the spring, we gradually reduced the net as the stock market developed well during the first four months of the year, at the same time as we continued to receive worrying signals about both global demand and world trade. During the first half, the return on the fund was 1.74 percent. The fund's performance can mainly be attributed to a positive return on the credit side and long equity positions, while short equity positions had a negative impact. The fund's interest-bearing investments benefitted from narrowing credit spreads while interest rates fell during the period.

The long positions that contributed most to the return were Ovzon, Ericsson, Corem Pref, Hexagon and Elekta. Short positions that contributed include A. P. Møller-Mærsk B, Norwegian Air Shuttle, Nokia, Kesko, Veoneer and Ericsson. The fund has taken profits on several of these positions and they have now been removed from the fund. For example, the long positions in Ericsson and the short positions in A. P. Møller-Mærsk, Norwegian Air Shuttle, Nokia and Kesko are now closed or heavily reduced. The justifications for positions in several of these stocks have now played out well and are factored into the share prices. For example, the Ericsson share has benefitted from Trump's attack on Huawei, Norwegian Air Shuttle has been squeezed by weak finances, and the rights issue in Mærsk has been pressured by worse cost development than expected and the trade war. Kesko delivered a weak Q1 report due to the seasonal effect around Easter.

Positions that have developed poorly include the short positions in Carlsberg, Fabege and Axfood, and the long position in Ambea. Common to the three short positions is that they are defensive or benefit from lower interest rates, meaning that the losses have arisen due to falling interest rates and macro factors rather than for company-specific reasons. Ambea was squeezed partly by its rights issue in the spring.

All currency exposures in fixed income investments are hedged, and all equity investments are now normally hedged, so the impact of currency movements on performance was insignificant during the period.

Fund facts

Fund	Catella Hedgefond		
	A	E	F
Unit class			
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)	8 077 167	26 736	21 268
Unit value	173.73	98.49	99.91
No of units	46 493 588	271 464	212 875

Yield

Benchmark index, alt. Reference rate	Reference rate: OMRX T-Bill	Reference rate: OMRX T-Bill	Reference rate: OMRX T-Bill
Fund, Yield current year (%)	1.74	2.01	2.12
Benchmark index (alt. Reference rate), yield current year (%)	-0.26	-0.26	-0.26
Fund, Average annual yield past two years (%)	0.47	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 (%)	1.56	-1.12*	-0.08*
Benchmark index (alt. Reference rate), Average annual yield past five years (%)	N/A	N/A	N/A
Fund, Yield since inception (%)	94.75	-1.51	-0.09
Benchmark index (alt. Reference rate), Yield since inception (%)	N/A	N/A	N/A

* Since unit class inception

Risk (24 months)

Duration, 30 June 2019 (years)	4.44	See unit class A	See unit class A
Interest-rate risk from 1%-point change in interest rate	-3.92	See unit class A	See unit class A
Total risk fund (%)	2.28	N/A	N/A
Total risk benchmark (%)	N/A	N/A	N/A
Active risk (%)	N/A	N/A	N/A
Active share (%) 30 June 2019	N/A	N/A	N/A

Turnover/costs

Rate of turnover (times/year)	1.29	See unit class A	See unit class A
TTC, Transaction costs (SEKm)	12.71	See unit class A	See unit class A
percentage of securities traded	0.05	See unit class A	See unit class A
Management fee %	1.00	0.50	0.40
Management fee charged (fixed and variable)*	N/A	N/A	N/A
Ongoing charges %**	1.13	0.63	0.54

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

**See Accounting policies on page 20



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	0.00	See unit class A	See unit class A
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Exchange rates

Closing rates at 30 June 2019

DKK	1.4153	See unit class A	See unit class A
EUR	10.5631	See unit class A	See unit class A
GBP	11.8072	See unit class A	See unit class A
NOK	1.0878	See unit class A	See unit class A
USD	9.2769	See unit class A	See unit class A

Balance sheet

BALANCE SHEET. SEKk	30 June -19	31-Dec-18
ASSETS		
Transferable securities (Note 1)	9 321 289	9 342 782
Money market instruments (Note 1)	0	254 909
OTC derivatives with positive market value (Note 1)	47 533	48 903
Other derivatives with positive market value (Note 1)	4 503	7 400
Fund units (Note 1)	19 364	19 232
Total financial instruments with positive market value	9 392 689	9 673 226
Bank balances and other cash and cash equivalents	484 944	588 850
Prepaid expenses and accrued income	49 823	78 850
Other assets	167 704	21 927
TOTAL ASSETS	10 095 160	10 362 853
LIABILITIES		
OTC derivatives with negative market value (Note 1)	11 187	3 660
Other derivatives with negative market value (Note 1)	146	4 500
Other financial instruments with negative market value (Note 1)	1 721 367	949 789
Total financial instruments with negative market value	1 732 700	957 949
Accrued expenses and prepaid income	9 295	10 880
Other liabilities	227 995	48 843
TOTAL LIABILITIES	1 969 990	1 017 672
NET FUND ASSETS Note 2	8 125 170	9 345 181
MEMORANDUM ITEMS		
Collateral pledged net for borrowed/lending financial instruments	2 031 321	790 513
Collateral pledged for OTC derivatives	0	13 500
Collateral pledged for other derivatives	171 493	60 629
Lent financial instruments	389 529	465 297
Borrowed financial instruments	1 700 924	959 240
Note 2 TO BALANCE SHEET		
CHANGE IN NET FUND ASSETS	30 June -19	31-Dec-18
NET FUND ASSETS AT BEGINNING OF YEAR	9 345 181	9 406 545
Unit sales class A	567 306	3 722 336
Unit sales class E	0	89 874
Unit sales class F	8 031	19 721
Unit redemptions class A	-1 949 465	-3 512 063
Unit redemptions class E	0	-61 680
Unit redemptions class F	-3 882	-2 506
Profit for the year per income statement	157 999	-317 046
NET FUND ASSETS AT END OF PERIOD	8 125 170	9 345 181

Fund's holdings of financial instruments

NOTE SECURITIES	QUANTITY	PRICE	MARKET VALUE (SEKk)	FUND WEIGHT %	
MARKET-LISTED EQUITIES*					
ENERGY					
Flex LNG. Great Britain. NOK	645 000	100.60	70 584	0.87	
Hunter Group. Norway. NOK	463 087	3.59	1 808	0.02	
Hunter Group lent. Norway. NOK	223 423	3.59	873	0.01	
Subsea 7 SA. Norway. NOK	-	150 000	-16 749	-0.21	
Subsea 7 SA borrowed. Norway. NOK	150 000	102.65	0	0.00	
Torm A. Great Britain. DKK	123 654	57.00	9 975	0.12	
VIEO B.V Coupon. The Netherlands. EUR	103 500	1.00	1 093	0.01	
			67 584	0.83	
MATERIALS					
Norsk Hydro. Norway. NOK	407 312	30.50	13 514	0.17	
Norsk Hydro lent. Norway. NOK	1 629 246	30.50	54 055	0.66	
SSAB A	246 371	32.37	7 975	0.10	
SSAB A lent	208 465	32.37	6 748	0.08	
SSAB B	2 546 324	28.26	71 959	0.88	
SSAB B lent	80 000	28.26	2 261	0.03	
Stora Enso R. EUR. Finland. EUR	194 841	10.34	21 271	0.26	
Stora Enso R. EUR lent. Finland. EUR	855 159	10.34	93 357	1.15	
			271 140	3.33	
INDUSTRIALS					
A.P. Möller Maersk B. Denmark. DKK	-	5 000	8 142.00	-57 617	-0.71
A.P. Möller Maersk B borrowed. Denmark. DKK	3 691	8 142.00	0	0.00	
A.P. Möller Mearsk A. Denmark. DKK	2 828	7 620.00	30 499	0.37	
Alfa Laval	-	308 960	202.60	-62 595	-0.77
Alfa Laval borrowed	308 960	202.60	0	0.00	
American Shipping Company. Norway. NOK	55 431	35.15	2 119	0.03	
Assa Abloy B	-	233 470	209.90	-49 005	-0.60
Assa Abloy B borrowed	233 470	209.90	0	0.00	
Atlas Copco A	-	484 654	296.80	-143 845	-1.77
Atlas Copco A borrowed	484 654	296.80	0	0.00	
Atlas Copco B	-	42 801	266.40	-11 402	-0.14
Atlas Copco B borrowed	42 801	266.40	0	0.00	
Drilling Co of 1972. Denmark. DKK	14 139	510.00	10 205	-0.10	
DSV. Denmark. DKK	-	50 000	644.60	-45 615	-0.56
DSV borrowed. Denmark. DKK	50 000	644.60	0	0.00	
Indutrade	-	14 116	296.80	-4 190	-0.05
Indutrade borrowed	14 116	296.80	0	0.00	
Inwido	126 396	64.35	8 134	0.10	
Kone. Finland. EUR	-	72 000	51.90	-39 472	-0.49
Kone borrowed. Finland. EUR	72 000	51.90	0	0.00	
Munters group B	169 807	43.56	7 397	0.09	
Munters group B lent	90 193	43.56	3 929	0.05	
NCC B	565 370	160.95	90 996	1.12	
Nibe Industrier B	-	388 169	135.95	-52 772	-0.65
Nibe Industrier B borrowed	388 169	135.95	0	0.00	
NRC Group. Norway. NOK	329 296	64.00	22 925	0.28	
Sandvik	309 863	170.60	52 863	0.65	
Sdiptech	926 709	44.10	40 868	0.50	
Sdiptech lent	1 534	44.10	68	0.00	
Securitas	71 606	162.90	11 665	0.14	
Securitas lent	300 584	162.90	48 965	0.60	
Skanska B	235 294	167.70	39 459	0.49	
Skanska B lent	51 628	167.70	8 658	0.11	
Tomra Systems. Norway. NOK	-	25 000	280.40	-7 625	-0.09
Tomra Systems borrowed. Norway. NOK	25 000	280.40	0	0.00	
Traton SE. Germany	183 333	278.55	51 067	0.63	

Wallenius Wilhelmsen Logistics. Norway. NOK		2 716 573	25.28	74 705	0.92
Vestas Wind. Denmark. DKK	-	100 247	567.00	-80 446	-0.99
Vestas Wind borrowed. Denmark. DKK		100 247	567.00	0	0.00
Volvo B		223 731	147.35	32 967	0.41
				-17 095	-0.43
CONSUMER DISCRETIONARY					
Boozt		917 552	51.00	46 795	0.58
Boozt lent		523 141	51.00	26 680	0.33
Hennes & Mauritz B	-	200 000	165.36	-33 072	-0.41
JM	-	107 303	213.50	-22 909	-0.28
JM borrowed		107 303	213.50	0	0.00
Pandora. Denmark. DKK		12 725	233.50	4 205	0.05
Thule	-	100 392	229.40	-23 030	-0.28
Thule borrowed		100 392	229.40	0	0.00
Veoneer SDB	-	66 122	160.05	-10 583	-0.13
Veoneer SDB borrowed		66 122	160.05	0	0.00
				-11 914	-0.15
CONSUMER STAPLES					
Axfood	-	578 802	183.75	-106 355	-1.31
Axfood borrowed		578 802	183.75	0	0.00
Carlsberg B. Denmark. DKK	-	98 128	870.20	-120 854	-1.49
Carlsberg B borrowed. Denmark. DKK		120 976	870.20	0	0.00
Essity B		221 250	285.40	63 145	0.78
Ica Gruppen	-	154 996	399.20	-61 874	-0.76
Ica Gruppen borrowed		154 996	399.20	0	0.00
Kesko B. Finland. EUR	-	41 683	48.92	-21 540	-0.26
Kesko B borrowed. Finland. EUR		41 683	48.92	0	0.00
Mowi. Norway. NOK	-	56 250	199.45	-12 204	-0.15
Mowi borrowed. Norway. NOK		93 750	199.45	0	0.00
Oriflame Holding Accepterat erbjudande. Switzerland		40 364	226.90	9 159	0.11
Oriflame Holding Accepterat erbjudande lent. Switzerland		34 303	226.90	7 783	0.10
Salmar. Norway. NOK		29 952	370.90	12 085	0.15
				-230 655	-2.84
HEALTH CARE					
Alligator Bioscience		1 263 461	24.95	31 523	0.39
Alligator Bioscience lent		36 295	24.95	906	0.01
Ambea		2 706 272	62.50	169 142	2.08
Ambu B. Denmark. DKK	-	500 000	106.35	-75 259	-0.93
Ambu B borrowed. Denmark. DKK		500 000	106.35	0	0.00
Attendo		163 958	40.26	6 601	0.08
Attendo lent		286 042	40.26	11 516	0.14
Calliditas Therapeutics B		249 099	65.00	16 191	0.20
Coloplast B. Denmark. DKK	-	30 000	741.80	-31 496	-0.39
Coloplast B borrowed. Denmark. DKK		30 000	741.80	0	0.00
Elekta B		288 841	134.70	38 907	0.48
Getinge B	-	109 011	146.30	-15 948	-0.20
Getinge B borrowed		109 011	146.30	0	0.00
Humana		1 020 417	56.10	57 245	0.70
Novo Nordisk. Denmark. DKK		13 000	334.50	6 154	0.08
Novo Nordisk lent. Denmark. DKK		49 000	334.50	23 197	0.29
Novozymes B. Denmark. DKK	-	150 000	306.10	-64 983	-0.80
Novozymes B borrowed. Denmark. DKK		150 000	306.10	0	0.00
Oncoceptides		100 000	145.00	14 500	0.18
Q-Linea		249 982	65.50	16 374	0.20
				204 570	2.51
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
Genova Property Group Pref		210 000	130.00	27 300	0.34

Nordea Bank. Finland		100 000	67.42	6 742	0.08
Nordea Bank lent. Finland		200 000	67.42	13 484	0.17
Sampo. Finland. EUR		140 251	41.50	61 482	0.76
SEB A		750 000	85.92	64 440	0.79
SpareBank I Östlandet. Norway. NOK		257 324	85.00	23 793	0.29
Storebrand. Norway. NOK		608 268	62.68	41 474	0.51
Swedbank A		821 334	139.45	114 535	1.41
Swedbank A lent		244 000	139.45	34 026	0.42
				387 276	4.76
INFORMATION TECHNOLOGY					
Edgeware		915 087	7.60	6 955	0.09
Ericsson B	-	345 268	88.10	-30 418	-0.37
Ericsson B borrowed		345 268	88.10	0	0.00
Hexagon B		151 077	515.60	77 895	0.96
Nokia EUR. Finland. EUR	-	220 000	4.37	-10 146	-0.12
Nokia EUR borrowed. Finland. EUR		220 000	4.37	0	0.00
				44 286	0.54
TELECOMMUNICATION SERVICES					
Adevinta A. Norway. NOK	-	397 612	94.80	-41 003	-0.50
Adevinta A borrowed. Norway. NOK		397 656	94.80	0	0.00
Adevinta B. Norway. NOK		3 899	94.00	399	0.00
Adevinta B lent. Norway. NOK		8 530	94.00	872	0.01
BT Group. Great Britain. GBP		3 000 000	1.96	69 589	0.86
Elisa. Finland. EUR	-	213 460	42.91	-96 753	-1.19
Elisa borrowed. Finland. EUR		213 460	42.91	0	0.00
Millicom Int. Cellular SDB. Luxembourg		122 676	522.50	64 098	0.79
Ovzon		1 550 919	57.40	89 023	1.09
Schibsted A. Norway. NOK	-	158 645	235.30	-40 607	-0.50
Schibsted A borrowed. Norway. NOK		121 145	235.30	0	0.00
Schibsted B. Norway. NOK		35 673	222.40	8 630	0.11
Schibsted B lent. Norway. NOK		111 269	222.40	26 919	0.33
Stillfront Group		51 853	240.00	12 445	0.15
Stillfront Group lent		13 147	240.00	3 155	0.04
Tele 2 B	-	300 000	135.50	-40 650	-0.50
Tele 2 B borrowed		300 000	135.50	0	0.00
Telia Company	-	2 638 646	41.24	-108 818	-1.34
Telia Company borrowed		2 638 646	41.24	0	0.00
				-52 701	-0.65
REAL ESTATE					
Atrium Ljungberg		230 816	167.80	38 731	0.48
Castellum	-	497 639	177.55	-88 356	-1.09
Castellum borrowed		497 639	177.55	0	0.00
Corem Property Group Pref		322 162	338.00	108 891	1.34
Entra Asa. Norway. NOK		235 000	131.00	33 488	0.41
Fabege	-	522 251	139.75	-72 985	-0.90
Fabege borrowed		597 251	139.75	0	0.00
Fast Partner Pref		1 321 944	125.00	165 243	2.03
K2A Knaust & Andersson B		32 500	87.00	2 828	0.03
K2A Knaust & Andersson B lent		7 500	87.00	652	0.01
K2A Knaust & Andersson Pref		63 003	330.00	20 791	0.26
Kojamo. Finland. EUR		185 994	13.12	25 777	0.32
Kungsleden		214 312	76.60	16 416	0.20
NP3 Fastigheter Pref		370 442	34.30	12 706	0.16
NP3 Fastigheter Pref lent		79 000	34.30	2 710	0.03
Sagax D		702 518	36.00	25 291	0.31
Samhällsbyggnadsbolaget i Norden B		647 880	12.66	8 202	0.10
Samhällsbyggnadsbolaget i Norden D		1 697 873	32.70	55 520	0.68
Wihlborgs Fastigheter	-	150 000	134.60	-20 190	-0.25
Wihlborgs Fastigheter borrowed		150 000	134.60	0	0.00
				335 715	4.13

TOTAL MARKET-LISTED EQUITIES

998 206 12.05

MARKET – LISTED BONDS*

4finance 11.75% 190814. Luxembourg. USD	5 765 000	101.03	54 032	0.66
AAK FRN 240322	40 000 000	100.61	40 245	0.49
Allgon FRN 220607	18 000 000	103.50	18 630	0.23
B2 FRN 211004. Norway. EUR	6 750 000	105.71	75 374	0.93
Bayport 11% 190924. Mauritius	8 000 000	100.12	8 010	0.10
Bayport 11.5% 220614. Mauritius. USD	2 000 000	102.95	19 102	0.23
Bayport 191117	24 000 000	101.86	24 446	0.30
Benchmark Holding FRN 230621. Great Britain. NOK	20 000 000	100.31	21 824	0.27
Borr Drilling 3.875% 230523. Bermuda. USD	2 400 000	78.81	17 547	0.22
Brado FRN 230307	55 000 000	86.00	47 300	0.58
Castellum 0.85% 210906	26 000 000	100.37	26 096	0.32
Castellum FRN 230317	25 000 000	102.46	25 614	0.31
CentralNic Group FRN 230703. Great Britain. EUR	1 500 000	100.50	15 924	0.20
Cidron Humber 9.25% 230614. Jersey	108 000 000	100.00	108 000	1.33
Color Group FRN 220923. Norway. NOK	60 000 000	102.00	66 573	0.82
DDM FRN 220408. EUR	2 000 000	101.04	21 346	0.26
Dilasso FRN 230807	15 000 000	101.25	15 188	0.19
Four Finance 10.75% 220501. Luxembourg. USD	5 000 000	91.95	42 649	0.52
Garfunkelux 11% 231101. Luxembourg. GBP	3 000 000	83.04	29 414	0.36
Garfunkelux 8.5% 221101. Luxembourg. GBP	2 700 000	90.51	28 855	0.35
Garfunkelux FRN 230901. Luxembourg	40 000 000	83.00	33 200	0.41
Garfunkelux FRN 230901. Luxembourg. EUR	2 000 000	81.76	17 274	0.21
Garfunkelux Holdco 3 220801. Luxembourg. EUR	5 500 000	91.91	53 395	0.66
Garfunkelux Holdco S FRN 230901. Luxembourg. EUR	1 000 000	84.76	8 953	0.11
Genova Property FRN 210407	28 000 000	100.42	28 119	0.35
Georg Jensen FRN 230515. Denmark. EUR	3 000 000	99.75	31 610	0.39
Getinge FRN 210521	124 000 000	99.83	123 794	1.52
Golden Heights FRN 220308	15 000 000	100.38	15 056	0.19
Heimstaden FRN 201207	60 000 000	100.81	60 483	0.74
Heimstaden FRN 241011	30 000 000	102.08	30 625	0.38
Hemfosa FRN 200901	67 000 000	100.79	67 531	0.83
Hemfosa FRN 220516	3 750 000	100.51	3 769	0.05
Hexagon FRN 191126	75 000 000	100.27	75 200	0.92
Hoist Finance 8% 230901. EUR	4 000 000	97.88	41 355	0.51
Hoist FRN 210629	16 000 000	100.50	16 080	0.20
Hospitality Invest FRN 221031. Norway. NOK	30 000 000	95.97	31 319	0.38
Host Property FRN 191208. Norway	14 000 000	100.50	14 070	0.17
Huvudstaden 1.31% 230628	50 000 000	102.53	51 266	0.63
Huvudstaden 1.33% 220221	38 000 000	102.43	38 924	0.48
Ice Group FRN 211012. Norway. NOK	40 000 000	99.69	43 376	0.53
Idavang FRN 211211. Denmark. EUR	4 000 000	96.33	40 703	0.50
Intrum Justitia FRN 230703	50 000 000	100.39	50 194	0.62
Ixat Intressenter FRN 200612	131 000 000	101.00	132 310	1.63
Jacob Holm & Sonner FRN 220331. Denmark. EUR	2 800 000	97.08	28 714	0.35
Jefast FRN 210327	25 000 000	99.38	24 844	0.31
Jotul Holdings FRN 220131. USA. NOK	27 000 000	97.75	28 710	0.35
Kommuninvest i Sverige 0.25% 220601	550 000 000	101.07	555 899	6.83
Kommuninvest i Sverige 0.375% 240327	100 000 000	101.46	101 461	1.25
Kommuninvest i Sverige 0.375% 240327	110 000 000	101.41	111 553	1.37
Kommuninvest i Sverige 0.75% 23022	200 000 000	102.99	205 980	2.53
Kommuninvest i Sverige 1% 210915	200 000 000	102.59	205 188	2.52
Kommuninvest i Sverige 1% 231113	708 000 000	104.29	738 377	9.08
Kommuninvest i Sverige 1% 241002	570 000 000	104.59	596 169	7.33
Kungsleden FRN 210928	26 000 000	100.79	26 206	0.32
Kvalitena FRN 220512	24 000 000	100.50	24 120	0.30
Lebara FRN 220907-D. The Netherlands. EUR	6 000 000	46.00	29 154	0.36
Lifco 0.405 % 200403	14 000 000	100.06	14 009	0.17

Magnolia FRN 211013	26 000 000	96.50	25 090	0.31
Magnolia FRN 221003	10 000 000	93.00	9 300	0.11
Marginalen Bank FRN 281030	20 000 000	99.74	19 947	0.25
Nackahusen Holding FRN 200813	50 000 000	96.00	48 000	0.59
Nibe FRN 200528	44 000 000	100.78	44 343	0.55
Nibe FRN 240603	26 000 000	100.21	26 054	0.32
Nivika fastigheter FRN 211127	10 000 000	100.34	10 034	0.12
Nordax FRN 220607	20 000 000	100.14	20 029	0.25
Nordea FRN 280608. Denmark	100 000 000	99.64	99 641	1.22
Nordic Entertainment Group FRN 220523	46 000 000	100.21	46 097	0.57
Norlandia FRN 211220. Norway	75 000 000	90.00	67 500	0.83
Norsk Hydro 1% 221107. Norway	55 000 000	100.42	55 231	0.68
Olav Thon Eiendomsselskap 0.395% 190906. Norway	52 000 000	100.01	52 007	0.64
Qred FRN 220617. EUR	1 000 000	100.50	10 616	0.13
Quant FRN 230215. EUR	5 050 000	88.50	47 209	0.58
Recipharm 2.75% 211006	46 000 000	98.20	45 173	0.56
Sagax 2% 240117. EUR	3 000 000	103.94	32 939	0.40
Sagax 2.25% 250313. EUR	2 800 000	104.21	30 822	0.38
Sagax FRN 200909. EUR	6 900 000	101.78	74 179	0.91
Sampo FRN 220523. Finland	73 000 000	100.74	73 537	0.90
SBAB FRN 240620	50 000 000	100.29	50 146	0.62
SHH Bostad FRN 210607	20 000 000	97.00	19 400	0.24
Sirius International FRN 470922. Bermuda	61 000 000	100.38	61 229	0.75
SL Bidco FRN 230206. The Netherlands. EUR	6 000 000	104.91	66 492	0.82
Slättö Fastpartner FRN 230401	25 000 000	100.25	25 062	0.31
Sollentuna FRN 200629	30 000 000	96.75	29 025	0.36
Stillfront Group FRN 240630	15 000 000	100.28	15 042	0.18
Stolt Nielsen 6.375% 220921. Bermuda. USD	4 000 000	99.71	37 001	0.45
Stora Enso FRN 210820. Finland	35 000 000	100.52	35 181	0.43
Storebrand FRN 480327. Norway	28 000 000	98.79	27 660	0.34
Strömman Tursim & Sjöfart FRN 210521	27 000 000	102.88	27 776	0.34
Svea Ekonomi FRN 290620	17 500 000	100.50	17 588	0.22
Svensk FastighetsFinansiering 0.53% 200907	50 000 000	99.93	49 965	0.61
Telenor FRN 240319. Norway	75 000 000	100.50	75 373	0.93
Telia 3.25% 771004 PERP	31 000 000	102.52	31 782	0.39
Transcom 6.5% 230322. EUR	10 400 000	94.96	104 315	1.28
Unilab 5.75% 250515. EUR	4 600 000	102.20	49 657	0.61
Wallenius Wilhelmsen Logistics 6% 221231. Norway. USD	5 150 000	97.50	46 582	0.57
Wallenius Wilhelmsen Holding FRN 190710. Norway. NOK	16 302 358	100.10	17 751	0.22
Vattenfall 3.125% 220319	35 000 000	102.73	35 956	0.44
Velcora FRN 210715	31 000 000	102.50	31 775	0.39
Veoneer 4% 240601. USD	3 000 000	103.71	28 864	0.35
Verisure 5.75% 231201. EUR	6 550 000	103.82	71 833	0.88
Wihlborgs FRN 201228	30 000 000	100.35	30 105	0.37
Vodafone 3.1% 790103. Great Britain. EUR	10 000 000	103.00	108 796	1.34
Volvo Cars FRN 230227	60 000 000	100.73	60 441	0.74
ÅF FRN 230620	44 000 000	98.53	43 351	0.53
			6 441 055	79.17
TOTAL MARKET-LISTED BONDS			6 791 751	72.68
NOT LISTED BONDS**				
Kjell Midco 11% 230111	7 060 609	99.50	7 025	0.09
Laeringsverkstedet FRN 220601. Norway. NOK	33 000 000	100.50	36 077	0.44
OPR Vakuum 8% 220518. Finland. EUR	3 000 000	97.25	30 818	0.38
Wallenius Wilhelmsen Logistics FRN 221012. Norway. NOK	80 000 000	99.67	86 741	1.07
			160 661	1.97
TOTAL NOT LISTED BONDS			160 661	1.97

TOTAL TRANSFERABLE SECURITIES			7 599 922	93.41
Transferable securities with positive market value			9 321 289	114.67
Transferable securities with negative market value			-1 721 367	-21.25

FUND UNITS

Catella Nordic Long/Short Equity IC H (EUR). Luxembourg, EUR	212 665.4060	8.62	19 364	0.24
			19 364	0.24

TOTAL FUND UNITS			19 364	0.24
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EXCHANGE TRADED DERIVATIVES

Index option					
OMX 19 S 1440 Juli	-	2 000	0.73	-146	0.00
OMX 19 S 1450 Aug		3 000	3.60	1 080	0.01
OMX 19 S 1540 Juli		2 000	4.10	820	0.01
OMX 19 S 1590 Juli		250	11.50	288	0.00
OMX 19 S 1610 Juli		625	18.00	1 125	0.01
OMX 19 S 1640 Juli		375	31.75	1 191	0.01
				4 357	0.05

Index Future

OMX Future 190719	-3 425	1 620.75	0	0.00
			0	0.00

Bond Future

Euro-Bund 10Y 190906, Germany, EUR	642	172.74	0	0.00
Swe Gov. Bond Future 5Y September 19	703	-0.37	0	0.00
			0	0.00

TOTAL EXCHANGE TRADED

DERIVATIVES			4 357	0.05
Exchange traded Derivatives with positive market value			4 503	0.05
Exchange traded Derivatives with negative market value			-146	0.00

OTC DERIVATIVES

FX Forwards					
FXFWD DKKSEK 190823 1.4121, Denmark, DKK		91 000 000	1.42	342	0.00
FXFWD DKKSEK 190823 1.427159, Denmark, DKK	-	20 000 000	1.42	225	0.00
FXFWD DKKSEK 190823 1.4278, Denmark, DKK	-	15 000 000	1.42	179	0.00
FXFWD DKKSEK 190823 1.4341, Denmark, DKK		65 000 000	1.42	-1 186	-0.01
FXFWD DKKSEK 190823 1.4374, Denmark, DKK		150 000 000	1.42	-3 228	-0.04
FXFWD EURSEK 190808 10.767, Europe, EUR	-	1 000 000	10.57	202	0.00
FXFWD EURSEK 190808 10.789, Europe, EUR	-	95 000 000	10.57	21 274	0.26
FXFWD EURSEK 190823 10.538, Europe, EUR		4 000 000	10.57	114	0.00
FXFWD EURSEK 190823 10.704, Europe, EUR	-	1 500 000	10.57	206	0.00
FXFWD EURSEK 190823 10.730, Europe, EUR	-	6 800 000	10.57	1 114	0.01
FXFWD EURSEK 190903 10.612, Europe, EUR		30 000 000	10.57	-1 331	-0.02
FXFWD EURSEK 190903 10.649, Europe, EUR		30 000 000	10.57	-2 443	-0.03
FXFWD EURSEK 190903 10.665, Europe, EUR		30 000 000	10.57	-2 925	-0.04
FXFWD EURSEK 190903 10.706, Europe, EUR	-	30 000 000	10.57	4 133	0.05
FXFWD GBPSEK 190808 12.278, Great Britain, GBP	-	5 000 000	11.80	2 411	0.03
FXFWD GBPSEK 190823 11.758, Great Britain, GBP		3 400 000	11.79	115	0.00
FXFWD GBPSEK 190823 12.119, Great Britain, GBP	-	9 250 000	11.79	3 027	0.04
FXFWD NOKSEK 190808 1.0899, Norway, NOK	-	20 000 000	1.09	76	0.00
FXFWD NOKSEK 190808 1.0969, Norway, NOK	-	330 000 000	1.09	3 587	0.04
FXFWD NOKSEK 190823 1.0832, Norway, NOK	-	35 000 000	1.09	-74	0.00
FXFWD NOKSEK 190823 1.0883, Norway, NOK	-	10 000 000	1.09	30	0.00
FXFWD NOKSEK 190823 1.0950, Norway, NOK	-	188 000 000	1.09	1 819	0.02

FXFWD USDSEK I 90808 9.4539. USA. USD	-	2 000 000	9.25	402	0.00
FXFWD USDSEK I 90808 9.6015. USA. USD	-	21 500 000	9.25	7 496	0.09
FXFWD USDSEK I 90823 9.5044. USA. USD	-	3 000 000	9.24	781	0.01
				36 346	0.45
TOTAL OTC DERIVATIVES				36 346	0.45
OTC Derivatives with positive market value				47 533	0.58
OTC Derivatives with negative market value				-11 187	-0.14
TOTAL HOLDINGS OF FINANCIAL INSTRUMENTS				7 659 989	94.15
OTHER ASSETS AND LIABILITIES				465 181	5.85
TOTAL NET ASSETS				8 125 170	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	26,15
Sagax AB	2,01
Hexagon AB	1,88
Garfunkel Holdco 3 S.A	1,74
Walenius Wilhelmsen Logistics ASA	1,71
Sampo OYJ	1,66
Norsk Hydro ASA	1,51
Getinge AB	1,33
SSAB AB	1,09
Samhällsbyggnadsbolaget i Norden AB	0,78
Genova Property AB	0,68
Kungsleden AB	0,52
Stillfront Group AB	0,38
K2A Knaust & Andersson Fastigheter AB	0,30
Nibe Industrier AB	0,22
Veoneer Inc	0,22
OMXS30	0,05
Schibsted ASA	- 0,06
A.P. Møller Maersk A/S	- 0,33
Adevinta AB	- 0,49
Telia Company AB	- 0,95
Atlas Copco AB	- 1,91

* 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:

Bayport 11,5% 220614
 Benchmark Holding FRN 230621
 Qred FRN 220617
 Kvalitena FRN 220512
 Stillfront Group FRN 240630
 Veoneer 4% 240601
 CentralNic Group FRN 230703
 Dilasso FRN 230807
 Intrum Justitia FRN 230703

COUNTERPARTIES FINANCIAL DERIVATIVE TRANSACTIONS

COUNTERPARTY	Collateral received
SEB	0.00
Nordea	0.00
Danske Bank	0.00

AGGREGATE INFORMATION, BORROWED SECURITIES

30 June -19

Market value

Market value of borrowed securities, SEKk	1 700 924
Market value of borrowed securities, % of fund assets	20.93
defined as asset excluding liquid assets	22.26

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	1 700 924

Counterparty in connection with securities borrowing

SEB, Sweden

Pledges

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

Cash SEKk	0
Fixed-income securities SEKk	2 031 321
Shares SEKk	0
Total pledged collateral SEKk	2 031 321

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	3 565
Percent	0.04

AGGREGATE INFORMATION, LENDING SECURITIES

30 June -19

Market value

Market value of lent securities, SEKk	389 529
Market value of lent securities, % of fund assets	4.80
Market value of lent securities, % of fund assets defined as asset excluding liquid assets	5.10

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	389 529

Counterparty in connection with securities lending

SEB, Sweden

Settlement

Settlement and clearing are bilateral

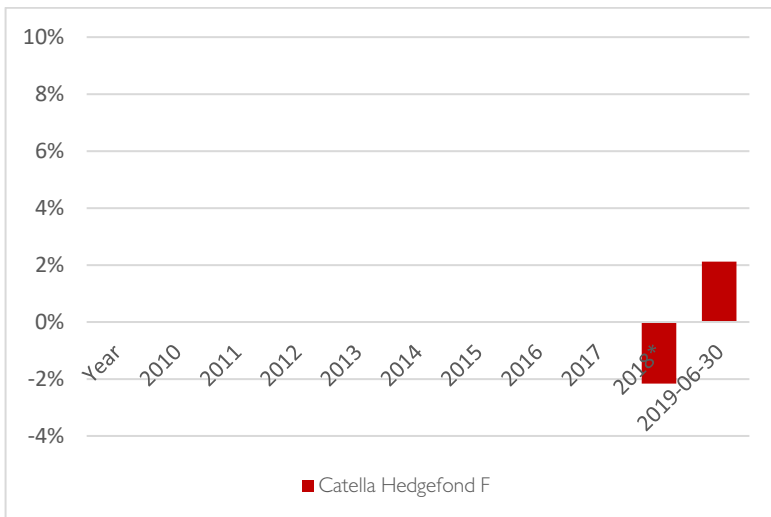
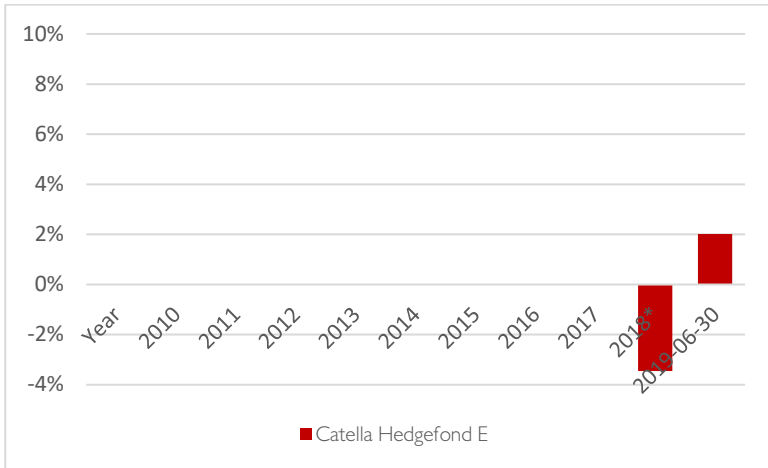
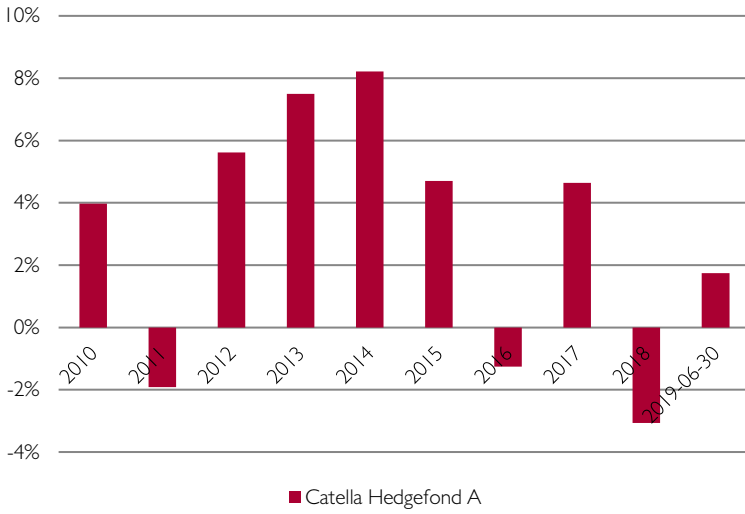
Income of securities lending

SEKk	570
Percent	0.01

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
Unit class A				
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
190630	0.00	173.73	46 493 586	8 077 167
Unit class E				
181231	0.00	96.55	271 464	26 209
190630	0.00	98.49	271 464	26 736
Unit class F				
181231	0.00	97.84	171 228	16 752
190630	0.00	99.91	212 875	21 268

YIELD YEARLY



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
108.65%	51.70%	78.61%

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 2019	Highest	Lowest	Average
0.20%	0.27%	0.13%	0.19%

Accounting policies

Your share of the fund's costs

In the account statements you receive in January 2020 we reported your share of the fund's costs for 2019.

- "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 booked in the balance sheet at market value on 28 June, 2019. 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 booked 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

Information about remuneration paid in 2019 by Catella Fondförvaltning AB. Information will be provided on the website (www.catella.se/fonder) and in the Company's annual report for 2019. 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 2019.

Related-party transactions

Trading with related companies has taken place during the period, as detailed under "Fund facts".

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

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 necessarily 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).