Fund update as at 30 November 2015
Fund: Pareto Global
AUM: NOK 5.8 billion
Inception date: 12 August 2005
Benchmark: MSCI World, dividend adjusted

Category: equity fund
Legal structure: UCITS IV
Domicile: Norway
Dealing day: any business day
Account number: 7050 06 35116

IBAN: NO06 7050 0635 116
SWIFT: DNBANOKK

Unit class B
NAV as at 30 November 2015: 1 903.1725

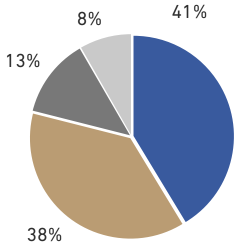
NAV currency: NOK
Inception date: 1 November 2012
Minimum investment: NOK 500
Bloomberg ticker: PAAKTGB NO
ISIN: NO0010660434

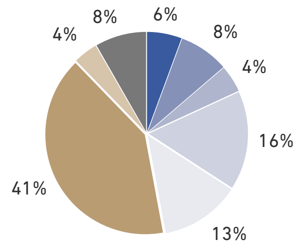
20–30 well-run businesses which operate within high barriers to entry and maintain strong positions internationally

Investment criteria
- high returns on equity
- strong balance sheets
- stable earnings power

Top ten holdings, industry and geographical allocation

Daimler	6.9%
Nestle S.A.	5.8%
IBM	5.5%
SAP	5.4%
Oracle	5.1%
Microsoft	4.9%
Shire	4.8%
Cummins Inc	4.8%
Wells Fargo & Co	4.7%
Goldman Sachs	4.7%





Key figures since 1 January 2008*

	Fund	Index
Accumulated return	119.7%	102.5%
Annualised return	10.5%	9.3%
Best month	15.4%	8.8%
Weakest month	-13.6%	-10.1%
Turnover ratio 2014	0.54	n.a.
Turnover ratio excl. in-/outflow	0.34	

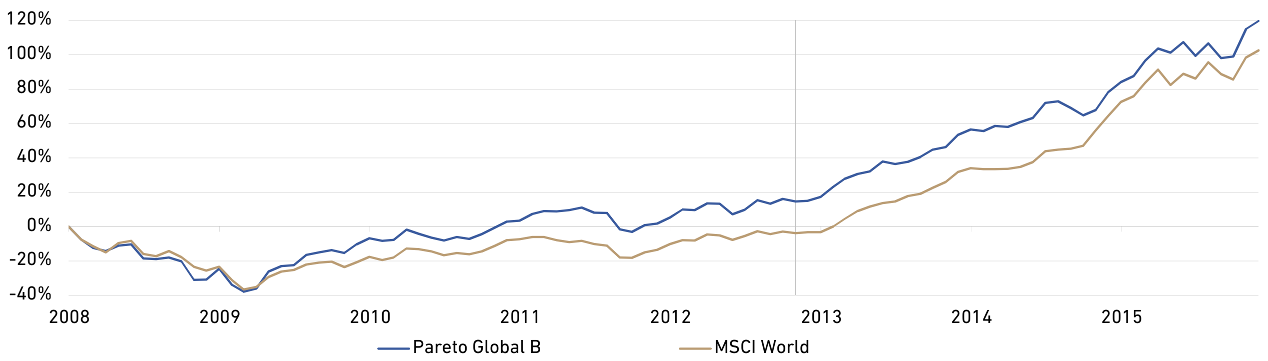
Risk figures since 1 January 2008*

	Fund	Index
Standard deviation (annualised)	14.6%	12.4%
Tracking error (annualised)	6.6%	n.a.
Information ratio	0.3	n.a.
Sharpe ratio (Euro LIBOR)	0.51	0.51
Alpha	0.8%	n.a.
Beta	1.1	n.a.

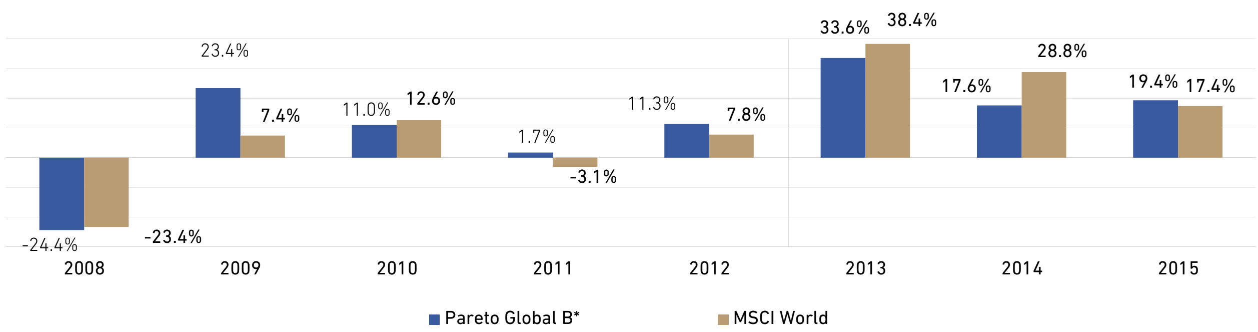
Performance by periods*

	Fund	Index
Last month	2.2%	2.1%
Year to date	19.4%	17.4%
One year	23.2%	23.2%
Three years	91.1%	109.3%
Five years	113.5%	119.9%
Since 1 January 2008	119.7%	102.5%

Time-weighted return*



Annual performance*



**Simulated returns from 1 January 2008 to 1 November 2012 are based on the historical performance of Pareto Global D (inception date 22 November 2006) adjusted for the management fee of unit class B. Simulated performance information and risk measures are given for illustrative purposes only.* All figures are based on internationally recognised standards for publishing performance data. Historical returns are no guarantee for future returns. Future returns will depend, inter alia, on market developments, the portfolio manager's skill, the fund's risk profile, as well as fees for subscription, management and redemption. Returns may become negative as a result of negative price developments. The performance data do not take account of the fees incurred on subscription and redemption of units/shares. Pareto Asset Management seeks to the best of its ability to ensure that all information given in this report is correct, however, makes reservations regarding possible errors and omissions. Statements in the report may reflect the portfolio managers' viewpoint at a given time, and this viewpoint may be changed without notice. The distribution of this information may be restricted by law in certain jurisdictions and this information is not intended for distribution to any person or entity in such jurisdiction. The report should not be perceived as an offer or recommendation to buy or sell financial instruments. Pareto Asset Management does not assume responsibility for direct or indirect loss or expenses incurred through use or understanding of the report. Fund prospectus, KIID, annual and semi-annual reports are available at www.paretoam.com/en/fund-reports. Other information is available at www.paretoam.com/en/client-information.

Portfolio Manager's report

By Johnar Håland

The portfolio continued its positive trend in November. After a strong upturn in share prices, we chose to reduce our holding in the seed and crop protection company Syngenta and the aggregate holdings in the automakers Hyundai and Kia, in both cases by more than two percentage points. Furthermore, our position in the tyre manufacturer Nokian Tyres was reduced by one percentage point. The company has been the best contributor to the fund's performance so far this year. The majority of the proceeds were used to increase our holdings in Nestlé, Shire, Keysight Technologies and Oracle.

In our selection of companies we consider many different factors. Two absolute requirements are that the companies we own have **strong balance sheets** and have achieved a persistent **high return on equity**.

A **strong balance sheet** is important for several reasons. First and foremost, this limits the downside in an investment. In most cases a higher level of debt makes an investment in equity more risky. A strong balance sheet ensures that the company can continue to pay dividends, which in turn can help to keep the stock price more stable in uncertain markets. It also enables the company to make potentially accretive acquisitions and to focus on operations rather than negotiating with creditors and shareholders to secure further funding.

At the end of November, our portfolio consisted of 22 companies that are among the world's most solid businesses. With regards to balance sheets, we categorise our companies into four groups. The first group consists of nine companies with a net cash position. An example is Microsoft, where net cash accounts for about 14 per cent of the market value.

The second group consists of three companies that have substantial net cash positions in their industrial activities and also operate a financing arm. This applies to Daimler, BMW and Hyundai Motor. We consider this a positive aspect of their business models, as it helps to generate increased sales and earnings that would otherwise go to external financing partners.

The third group contains our two banks: Wells Fargo and Goldman Sachs. These banks are strongly capitalised and both are well within the capital adequacy requirements based on Basel III. The last group comprises eight companies with a low level of debt and very favourable funding costs. One example is Nestlé, which secured debt financing at negative interest rates earlier this year.

Although a strong balance sheet is important, it is not necessarily the companies with the strongest balance sheets that provide the best risk-adjusted returns. To ensure good value appreciation over time, we also focus on the second absolute requirement for our investments: **a high return on equity**. The average return on equity for Pareto Global over the past five years is 24 per cent annually, compared with the MSCI World of 12 per cent. There are three sources of a high return on equity: net margin, capital efficiency and financial gearing. For Pareto Global it is the high capital efficiency and strong margins that drive the high return on equity.

Financial gearing is evidently not a major factor for our portfolio holdings. On average our portfolio has an equity ratio of 41 per cent versus the MSCI World of 17 per cent. Furthermore, our portfolio has a net debt to EBITDA multiple of -0,6 compared with the MSCI World of 3. All our companies with a credit rating are rated "investment grade".

To summarize, we try to minimize the balance sheet risk in Pareto Global, and it is the strong margins and high capital efficiency of our companies that drive the equity returns and value creation in our holdings.