NORRON
STOCKHOLM | OSLO

MONTHLY REPORT – TARGET

Dec 2018

Historical return (%)

	jan	feb	mar	apr	maj	jun	jul	aug	sep	okt	nov	dec	year
2018	0,7	-0,2	-1,2	2,2	0,9	-0,1	0,0	-0,0	1,2	-3,4	-0,8	-2,4	**-3,1**
2017	0,2	0,4	-0,2	1,2	-0,2	-0,9	0,6	-1,3	2,5	1,1	-1,7	1,1	2,8
2016	-3,2	0,2	0,4	1,3	1,1	-1,1	2,3	0,5	2,6	0,3	0,4	0,6	5,5
2015	1,2	0,9	0,4	1,1	-0,2	-1,3	0,5	-1,7	-1,8	1,2	2,3	-0,7	1,8
2014	0,5	2,2	0,3	0,7	1,6	0,9	-0,4	-0,5	-1,4	-0,9	0,5	-0,2	3,2
2013	1,3	0,6	-0,3	0,9	1,7	-0,8	2,2	0,3	1,1	2,4	1,2	1,2	12,5
2012	1,5	1,5	-0,1	0,2	-1,4	-0,8	1,0	1,0	0,9	0,2	0,7	0,7	5,5

Key Figures Dec

	Dec	YTD	Inception
Total Return (%)	-2,4%	-3,1%	30,4%
5YR CAGR (compounded annual growth rate)	N/A	N/A	2,0%
3YR CAGR (compounded annual growth rate)			1,6%
Correlation vs MSCI Nordic	0,6	0,5	0,6
Avg. 90D Volatility	4,8%	4,0%	3,4%
Avg. Fixed Income Cash Yield (by NAV)*	2,0%	2,0%	3,0%
Avg. Credit Rating Fixed Income Portfolio*	BBB+	BBB	BBB
Sharpe Ratio	N/A	N/A	1,0

Theoretical Sensitivity

Equities +10%	3%
Equities -10%	-2%
Volatility +50%	1%
Volatility -50%	-2%
Credits -150bps	1%
Credits +150bps	-1%

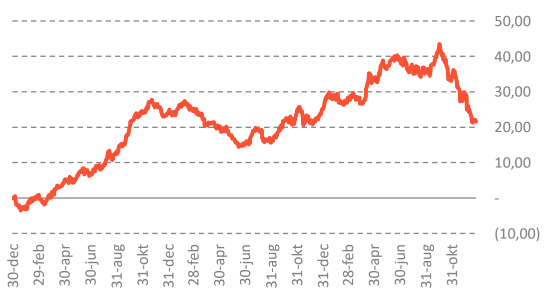
Positive Contributions

1	Yara International	0,2
2	IAR Systems	0,1
3	Mycronic	0,1
4	BioArctic	0,1
5	Valmet	0,0

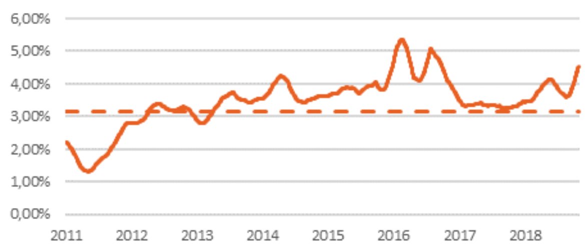
Negative Contributions

1	Nordic Semiconductor	-0,4
2	Ocean Yield	-0,3
3	Veoneer	-0,3
4	Norwegian Air Shuttle	-0,2
5	Kambi	-0,2

Equity Alpha since 2016 (%)



Volatility (90 day)



If you have any queries or require additional information, please contact ir@norron.com

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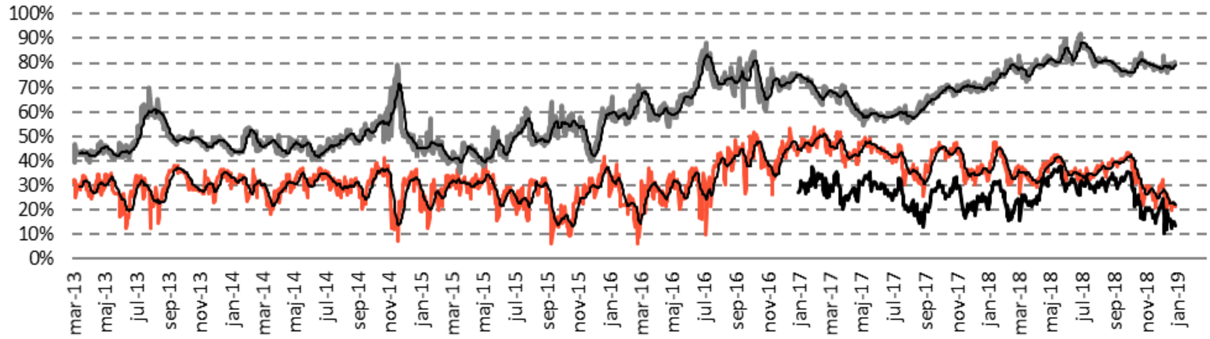
Equity Net & Gross Exposure (non-beta adj & beta adj.)



Fund Manager's comment:

December saw yet another chaotic month in financial markets all over the world. The magnitude of the correction this month was even worse in the US, than what we experienced in our part of the world. The themes behind the continued correction are the same as they have been for a while now; fear of a weaker economic outlook, escalation of trade tensions between US and China and the risk of a policy mistake from the FED if they continue to hike interest rates according to their plan at this stage of the economic cycle.

2018 turned out to be a negative year for financial assets across the line and across the world. In fact, it was only treasury bonds in developed markets that posted small positive returns in local currencies. The share of assets showing positive returns was the worst in twenty years.
Also, if we extract q4 2018 and put the quarter in a longer term perspective for comparison, it is clear that the turbulence we witnessed was fully comparable to the worst quarters during historical periods of crisis. The OMX index (-15,3% q4 return 2018) has witnessed six quarters in twenty years with returns worse than 15%, and just one quarter with volatility spikes exceeding the q4 reading of 119% higher volatility than in the previous quarter. The big question is obviously: Where do we go from here? In 2018 we have witnessed a substantial contraction in multiples, the Swedish market is 17 percent cheaper on 12 months forward earning today than it was going into 2018. Obviously corporate earnings are crucial at this point. If global growth can be maintained in the 3,0-3,5% interval, we might have more confidence in estimates going into 2019, and we might be at, or around, a good entry point for equities. If, however, politicians fail to step up, and central bankers don't adjust, we might have talked ourselves into a recession too early than necessary.

The fund remains in its position of low net equity exposure and has proceeded with an ambition to control equity gross at lower levels than previously. Short term returns are a residual of equity alpha to a larger extent than market direction. Directional hedges consist of index derivatives and futures with different strikes and maturities during the first half of 2019.