

Arctic Nordic Equities Monthly Report April 2019



FUND COMMENTS

Fund NAV (Class B) increased by 1.6% in April. Since inception in July 2012, the fund has returned 198%, compared to 164% for the VINX Nordic benchmark.

The largest contributors to fund performance in April were Elkem, International Petroleum Corporation (IPC) and A.P. Møller-Mærsk. Despite declining product prices in most segments, Elkem reported a reasonably strong Q1-19. Lower costs and specialization efforts partly compensated for lower market prices, while the company reiterated the target of NOK 500 mill. profitability improvement with full effect already in 2019. IPC is benefitting from higher crude prices. In early April, Western Canadian Select surged above USD 56, a level close to its four year high from May 2018, while the weak price development for natural gas delivered at the Empress hub partially reversed towards month end. Maersk spun off its entire ownership in Maersk Drilling to its shareholders, and the latter entity had its first day of trading April 4. Furthermore, container rates edged up towards month end, while renewed optimism regarding Chinese growth provided a sentiment boost.

The most negative contributions to fund performance last month came from Novo Nordisk, Schibsted and LeoVegas. Novo Nordisk, the top fund contributor in March, fell in line with global pharma indices. Hearings in the US congress again highlighted the costs of the inefficient US health care system raising uncertainty over US drug pricing prospects. Novo's main competitor on GLP-1, Eli Lilly, reported 30% sales growth in Q1-19 for Trulicity in the USA. However, volume growth was higher raising concerns this was due to declining prices. Schibsted partly spun off ownership in its non-Nordic marketplaces into Adevinta. Schibsted's shareholders got one Adevinta share for each Schibsted share, while Schibsted placed 5.7% of Adevinta in the market. Schibsted is retaining 59.3% ownership of the new company. We believe some investors have swapped from the diversified Schibsted to the pure play Adevinta. The LeoVegas share was hit by weak sentiment for companies with exposure to the newly regulated Swedish market, which represents approximately 25% of the company's revenues. The competition in Sweden was particularly intense in the first weeks after the new regulation came into force on January 1, but has since shown some signs of easing.

Year to date, IPC, Elkem and Valmet have been the largest positive contributors to fund performance, while Leo Vegas, Nokia and Hagar have been the largest detractors.

The Drilling Company of 1972 (Maersk Drilling) and Adevinta entered the fund. The companies were spun of Maersk and Schibsted, respectively. In Maersk Drilling we added shares in the market following the listing, while we subscribed for additional Adevinta shares in the offering. We reduced our positions in Maersk and Elkem during the month.

At the end of the month, the portfolio was valued at 13.6 times earnings (12 m fwd) and 1.9 times book equity. Corresponding figures for the Nordic market were 16.0 and 2.3, respectively.

Oslo, May 2019

Sindre Sørbye
Portfolio Manager

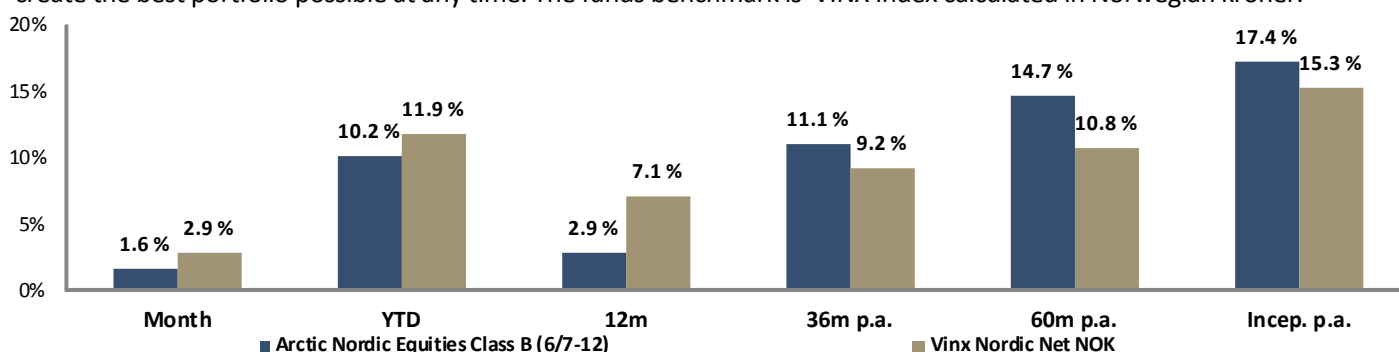
Ole E. Dahl
Portfolio Manager

Tore Mengshoel
Portfolio Manager

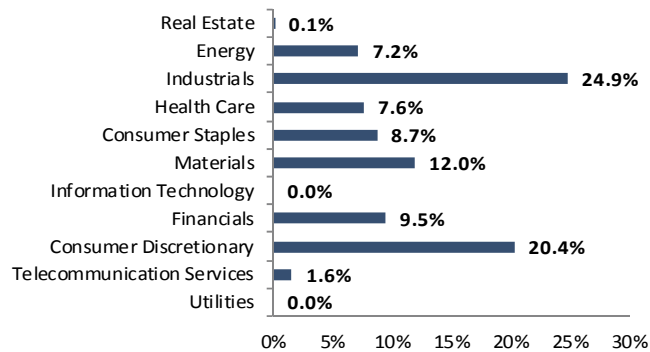
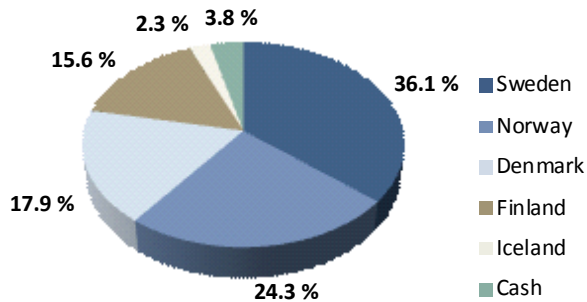
Thomas Rasmussen
Analyst

ABOUT THE FUND

Arctic Nordic Equities is research driven and truly index-independent UCITS fund. The investment process focus on identifying companies which are considered to be value-creating over time at a reasonable price. The portfolio is constructed by bottom up stock picking. There are no constraints regarding country or industry in the Nordic region, and the goal is to create the best portfolio possible at any time. The funds benchmark is VINX Index calculated in Norwegian kroner.



FUND COMPOSITION END OF MONTH



10 largest positions

Novo Nordisk A/S	4.9%	Elkem ASA	3.2%
Investor AB	4.6%	Carlsberg AS	3.0%
Stora Enso OYJ	4.4%	ABB Ltd.	2.9%
International Petroleum	4.1%	Huhtamaki OYJ	2.9%
Kongsberg Gruppen AS/	3.5%	Bravida Holding AB	2.9%

FUND PERFORMANCE AND RISK FIGURES — CLASS B NOK (FORMER CLASS A)

	Month	3 months	6 months	YTD	1 year	3 years	5 years	Since launch
Fund	1.6%	7.8%	6.6%	10.2%	2.9%	37.0%	98.6%	198.1%
Benchmark	2.9%	8.4%	9.8%	11.9%	7.1%	30.1%	67.2%	163.7%
Difference	-1.2%	-0.6%	-3.2%	-1.7%	-4.2%	6.9%	31.4%	34.3%
Norway OSEBX, NOK	2.1%	5.5%	-1.0%	10.2%	2.4%	45.3%	52.3%	116.8%
Euro Stoxx 600, EUR	3.8%	10.3%	9.8%	17.3%	4.5%	24.6%	32.9%	85.2%
S&P 500 TR, USD	4.0%	9.5%	9.8%	18.2%	13.5%	51.6%	73.3%	150.6%
MSCI AC World, LC	3.6%	8.5%	9.4%	16.3%	7.5%	41.3%	53.0%	112.0%

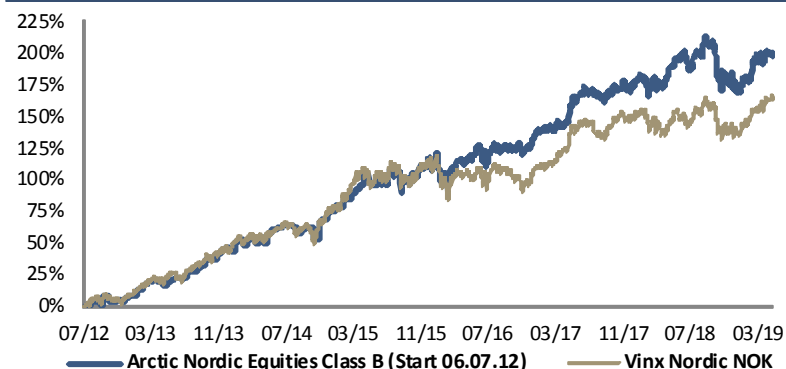
5 top contribution year to date	Fund weight	Fund return	Contribution
International Petrol	3.6%	59.4%	1.8%
Elkem Asa	3.1%	60.4%	1.6%
Valmet Oyj	2.9%	37.3%	1.0%
Bravida Holding Ab	2.8%	29.4%	0.8%
Huhtamaki Oyj	2.7%	25.9%	0.7%

5 bottom contribution year to date	Fund weight	Fund return	Contribution
Leovegas Ab	1.8%	-39.4%	-0.9%
Nokia Oyj	1.1%	-13.2%	-0.3%
Hagar Hf	1.9%	-9.4%	-0.2%
Danske Bank A/S	2.9%	-4.4%	-0.1%
Leroy Seafood Group	2.0%	-5.5%	-0.1%

Portfolio characteristics	Standard Deviation	Sharpe Ratio	Tracking Error	Information Ratio	Active Share
Arctic Nordic Equities	10.6%	1.0	5.6%	0.3	77.9
Benchmark	10.4%	0.8			

*) Based on 36 months rolling performance

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2019	2.15%	6.12%	-0.02%	1.65%									10.17%
2018	-2.53%	1.66%	-0.25%	4.41%	2.30%	-2.03%	3.74%	3.57%	-1.64%	-8.83%	0.85%	-4.10%	-3.62%
2017	0.23%	-0.25%	1.17%	6.76%	3.42%	0.01%	-0.05%	-0.67%	2.69%	0.94%	0.32%	1.91%	17.52%
2016	-6.72%	2.22%	2.15%	1.28%	4.22%	-4.21%	4.90%	-1.00%	-0.83%	0.75%	0.76%	5.21%	8.31%
2015	3.24%	2.41%	3.63%	0.79%	1.19%	-2.31%	4.78%	-1.79%	-0.47%	2.83%	4.07%	2.73%	22.91%
2014	5.95%	0.62%	-2.31%	0.37%	6.69%	2.58%	0.29%	-2.48%	0.62%	3.06%	4.26%	3.28%	24.94%
2013	6.30%	3.56%	-0.93%	-1.80%	4.37%	-0.62%	4.62%	2.87%	4.82%	0.57%	5.22%	-0.68%	31.69%
2012							3.03%	-1.79%	2.82%	0.55%	2.22%	1.98%	9.05%



Disclaimer: Historical returns are no guarantee for future returns. Future returns will depend, inter alia, on market developments, the fund manager's skill, the fund's risk profile and subscription and management fees. The return may become negative as a result of negative price developments. Arctic Fund Management AS 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 reflect the portfolio managers' viewpoint at a given time, and this viewpoint may be changed without notice. The report should not be perceived as an offer or recommendation to buy or sell financial instruments. Arctic Fund Management AS does not assume responsibility for direct or indirect loss or expenses incurred through use or understanding of the report. Employees of Arctic Fund Management AS may be owners of securities issued by companies that are either referred to in this rapport or are part of the fund's portfolio.