MONTHLY REPORT – TARGET
February 2018

Historical return (%)

	jan	feb	mar	apr	maj	jun	jul	aug	sep	okt	nov	dec	year
2018	0,7	-0,2										1,1	**0,6**
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 Feb

	Feb	YTD	Inception
Total Return (%)	-0,2%	0,6%	35,54%
5YR CAGR (compounded annual growth rate)	N/A	N/A	4,8%
3YR CAGR (compounded annual growth rate)			2,8%
Correlation vs MSCI Nordic	0,5	0,5	0,7
Avg. 90D Volatility	3,0%	3,2%	3,1%
Avg. Fixed Income Cash Yield (by NAV)*	1,7%	1,7%	3,0%
Avg. Credit Rating Fixed Income Portfolio*	BBB+	BBB	BBB
Sharpe Ratio	N/A	N/A	1,6

Theoretical Sensitivity

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

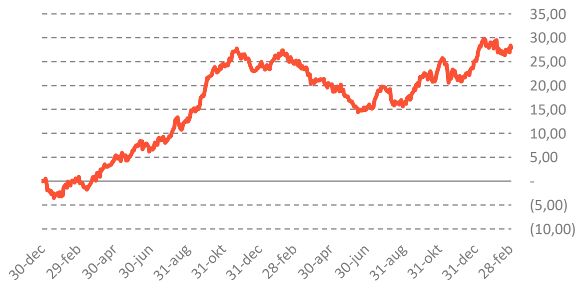
Positive Contributions

1	Salmar ASA	0,30
2	Ocean Yield ASA	0,19
3	Marine Harvest	0,16
4	Mycronic AB	0,15
5	Akastor ASA	0,06

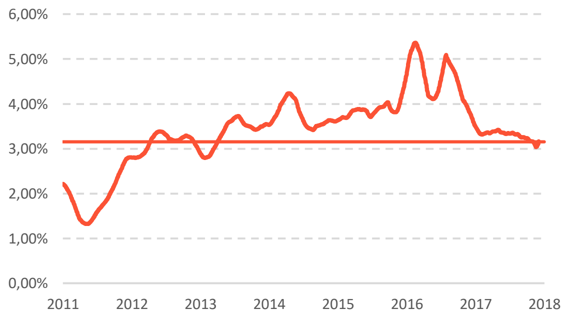
Negative Contributions

1	Schibsted ASA	-0,18
2	Norwegian Air Shuttle	-0,16
3	YARA ASA	-0,08
4	Medicover AB	-0,07
5	Cxense ASA	-0,06

Equity Alpha since 2016 (%)

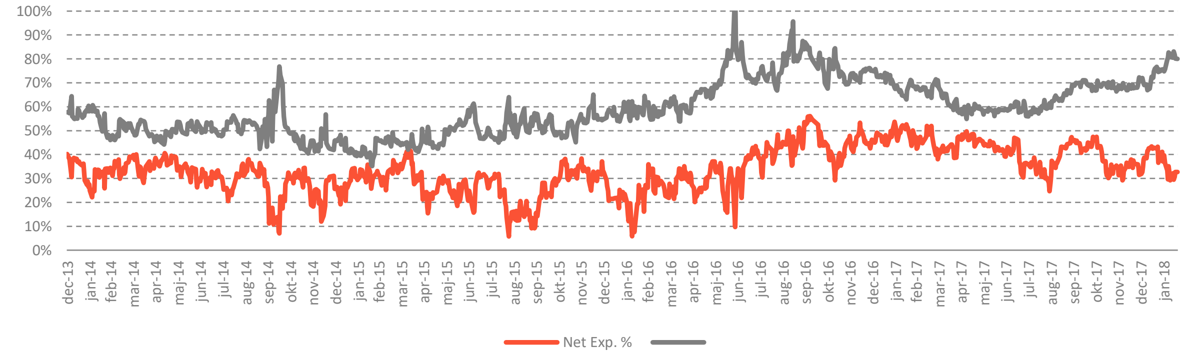


Volatility (90 day)



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

Equity Net & Gross Exposure (non beta adj)



Fund Manager's comment

When we closed the month of February, the outcome in global equity markets looked as if it was yet another calm month. The truth, however, was quite the opposite. During the first week of February we witnessed a huge relative spike in long dated (6 months) volatility, not observed since the financial crisis. Admittedly from extremely low levels, but even so, the ripple effect of a >100 percent move in volatility created a dramatic sell off across most risky assets. These violent price movements don´t normally occur in time series of longer dated volatility but are more common in spot prices. Historically it has been a sign of deterioration of risk appetite and a prolonged period of complicated markets. That is why we felt we had to extend the maturity of parts of our derivative short book, in retrospect at (too) high levels of realized volatility.

The actual outcome of the fund´s performance matched the forecast derived from our stress test, which is very reassuring to us. Financial markets calmed down during the second part of the month, and volatility almost returned to pre-shock levels. Our short book now consists of a mix of futures, swaps and derivatives, which gives us greater flexibility to handle expected higher volatility during 2018. Strategy-wise we are continuing the de-risking path we have been on since q4 2017. Focus areas for us are; to gradually shorten both interest rate and credit duration and to reallocate capital from fixed income strategies into market neutral equity positions, with higher equity gross exposure as a logical consequence. Our equity alpha is still in a good upward trend compared to both the SBX and the MSCI Nordic index. For now, it will be a waiting game to see which force will win - the more favourable late cycle, capex driven global growth path with a gradual increase in interest rates or a period of deterioration of global growth, created by naive political interference in free trade. It is too early to conclude, so therefore we continue to be very well hedged. If evidence occurs that markets shake of worries connected to trade wars, we will again increase our net exposure towards equities.