

Pinemont Securities Ltd

Selective Opportunities – Pinemont Investment Grade

Key figures:

- NAV up **13.03%** to **1278.27/share**
- Securities portfolio increased to NOK **595m** (579m)
- Bond portfolio Yield adjusted to **4.93%** (5.15%)

Summary of performance

2019 has seen the fund’s highest return on invested fund capital, in spite of the investment committee’s strict risk minimization. At +13.03% after fees the target return has been exceeded by a factor of 3.

Moves by the Fed signaling a backtrack towards a more dovish stance created a renewed sense of optimism amongst market participants at the start of the year. ‘Risk on’ - The 5yr Treasury yield is down 36% YTD. The result has been a sustained boost in bond prices across the board, especially for the US Fix-to-Float CoCos that comprise over half of the fund’s portfolio.

The investment committee opted to chase yield in this category in previous years which held back the portfolio somewhat as the Fed signaled monetary tightening and prices fell. We have always maintained that only holding debt from the soundest issuers protected against any default risk while offering a large upside as policy makers caught up with slowing global growth. The strategy came off this year and the fund’s investors have strongly benefitted.

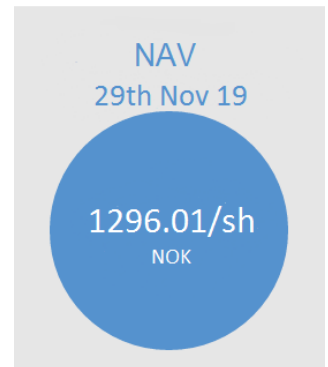
Part of the success is attributed to the conviction from the committee that the dollar would outperform this year, especially against the fund’s ref currency. A portfolio weighed appropriately took advantage of the 5.90% increase in USD:NOK to Nov, before parring back to 1.67% for the year.

Conversely to the monetary situation in the US, Norway has seen a sustained lift in interest rates since March. The 3m NIBOR rate increased +44.8% this year. Anticipating the trend to develop early on, a decision was made to hold Floating rate notes only, in the fund’s backbone portfolio of Norwegian Savings

Banks debt securities. These banks consistently issued new notes throughout the year which allowed us to recycle the portfolio with competitive rates. The sheer demand pull for these bonds pushed prices up well above par with yields often exceeding 5%. While seen as a quieter and even docile market, savings banks debt has in fact kept up with its US counterparts and outperformed over the period.

In an attempt to maintain a low risk approach even under favourable conditions, the fund’s leverage was cut entirely in August, resulting in zero borrowing since. Global growth concerns persist and central banks may have less tools to respond to further shocks going forwards. It is our view that deleveraging is in the interest of fund shareholders and this is unlikely to change anytime soon.

As of end of December the fund’s portfolio had a Weighted Average Risk Score of 5.12 which puts it well in the Investment Grade bracket (see Ratings Scale on p2). Considering the low default risk this entails we are very pleased with this year’s returns and are in a strong position going into 2020.



Share Class	A - Accumulating
Fund Launch Date	30/10/15
Reference currency	NOK
Minimum subscription	1,000,000
Minimum subsequent subscription	1,000,000
Management fee	0.5% p.a.
Performance fees	yes
Redemption fee	No*
NAV calculation	monthly
Bloomberg Ticker	PINEMNT LX
Morningstar Direct	LU1297396738

*Terms apply

Selection of bonds traded:

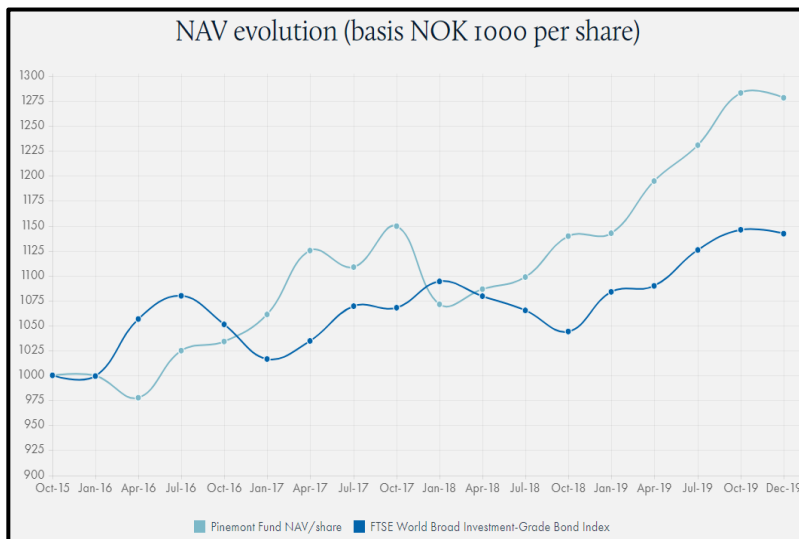
SPAREBANKEN VEST 5.45 10OCT50

BANK OF NOVA SCOTIA 4.65 12OCT22

SPAREBANK 1 SMN 5.0700 15OCT24

SHB AB 5.25 25FEB50

JPMORGAN CHASE&CO 4.6250 01NOV22

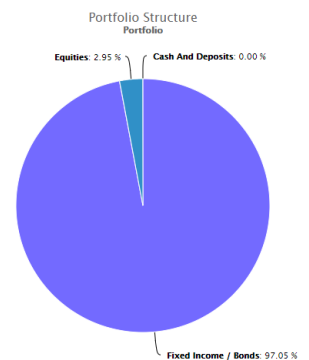


Equities

World equity markets faced the music in 2018 with the dramatic fall in stocks attributed to the end of the multiyear bull rally. With the fund’s bond portfolio outperforming and equities on a riskier footing, profit was crystalized on the bigger stock holdings and equities reduced as a proportion of the fund.

One notable success was the sale of cyber security firm Sophos shares following its acquisition by private equity firm Thoma Bravo for \$3.8bn.

Shares held in the pharmaceuticals sector are also delivering impressive returns. We will continue to consider high conviction stocks without increasing exposure to levels that threaten the low risk nature of the fund.



Fund performance vs Equity Indexes and Benchmark

FY 2018

	FUND	Oslo Stock Exchange	S&P 500	WBIG Benchmark
Dec-17	1145.12	742.80	2673.61	223.46
Dec-18	1130.89	739.42	2506.85	220.52
	-1.24%	-0.46%	-6.24%	-1.32%
FUND outperforms		NO	YES	YES

FY 2019

	FUND	Oslo Stock Exchange	S&P 500	WBIG Benchmark
Dec-18	1130.89	739.42	2485.74	220.51
Dec-19	1278.27	843.35	3230.78	235.68
	+13.03%	+14.05%	+29.97%	+6.60%
FUND outperforms		NO	NO	YES

The investment advisory team at Pinemont



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Key	Pinemont score
Rating	
AAA	1
AA+	1
AA	1
AA-	1
A+	1
A	2
A-	3
BBB+	4
BBB	5
BBB-	6
BB+	7
BB	8
BB-	9
B+	10
B	11
B-	12
CCC	13
D	14

If you would like any further information or are interested in investing please email William Salbaing: ws@pinemont.com or visit our website www.pinemontfund.com

