

**Simplicity.**

**ANNUAL REPORT 2018**

SIMPLICITY NORDEN





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# SIMPLICITY NORDEN

Reg. no.	504400-8877
Launch date	2002.09.23
Benchmark index	STOXX Nordic Total Market Net Total Return Index
Quotation/Trading	Daily
Entry charge	0%
Exit charge	0%
Management fee	Max 1,7% (Of which compensation to the fund company 1,6%)
Minimum first investment	100 kr
Monthly savings	100 kr
Minimum investment	100 kr
Custodian	SEB
Bankgiro	5457-2839
Swedish Pensions Agency no	484980



# Management report Simplicity Norden

## The fund's performance

Simplicity Norden generated a return of -4.3% after deduction of fees in 2018, which is in line with the fund's benchmark STOXX Nordic Total Return Index which also returned -4.3% during the year. The fund's holdings in Denmark and Sweden had the strongest return. Especially Swedish holdings in the real estate management sector generated positive returns due to overall economic expansion, increased rental incomes and low interest rates. Fabege AB is one example of a company within the real estate management sector which contributed the most to the overall return in the fund, closely followed by its sector peer Castellum AB. Danish TRYG A/S also contributed positively to the overall return of the fund after the company's investments in digitalization to increase its margins was well received by the market. The stock rose despite falling Nordic markets.



Fund development since inception 2002.09.23

## The equity and foreign exchange markets

The strong economic development prevailed in the Nordic region and most parts of the world and the companies' reports were generally strong and showed continued high growth. All four Nordic markets reached new record highs during the year. However, after the summer, pessimism and concerns increased regarding the trade conflict between China and the US. The conflict stems from a US trade deficit, primarily with China, which is perceived to create unjust conditions for American companies because of high tariffs on goods and lacking protection of American intellectual property. Both countries chose to impose tariffs aimed at each other in the escalating conflict. As the discussions between the two super powers sway back and forth during the year the market volatility increased as investors tried to keep up with the latest news on the matter. Consequently, the overall market risk rose, and the world's stock markets declined. In the meantime, the American central bank, The Fed, continued their rate hike, which further increased the market's concerns regarding if the companies were to reach their high growth targets. In the Nordic region lower oil prices had negative effects on the Norwegian market. Despite decreasing optimism in the markets, both the Norwegian central bank along with the Swedish Riksbank increased their key rates during the second half of the year. Despite high inflation, expectations regarding the Riksbank's decision could not reach a market consensus. Both central banks ultimately decided to push through with increasing their key rates but choose to flatten their respective rate curves to avoid any significant market reactions. The weakened Swedish Krona generated a positive foreign exchange effect as holdings in the Danish Krona and the Euro increased in value.

## Risk management and key figures

The fund had a standard deviation of 10,6% during the previous two years, which is in line with the funds benchmark STOXX Nordic Total Return Index of 10,5%. The fund has countered market-, sector-, country- and regional risks by investing in a multitude of stocks with high liquidity in different sectors, countries and regions. The fund has not hedged to counter currency risks. The currency risk is equivalent to the investments made in each respective country.

## Holdings

Simplicity Norden held a relatively high portion of its portfolio in Swedish stocks, in the interval of between 55% and 60%, during most of the year. By fall, the Swedish stock exposure had been gradually lowered and amounted to 47% by the end of the year. Most of the change stems from redistributions in the portfolio, where cyclical industrial companies such as Alfa Laval AB, Atlas Copco AB and Trelleborg AB received less weight. This redistribution in the portfolio also caused the category Industrials to go from 27% at the beginning of the year to 14% at the end of the year. The fund has increased its holdings in sectors less sensitive to changing cycles, namely Consumer Staples and Health Care. These sectors weight increased by three and five percent, to 16% and 6%. Finance & Real Estate, which was the funds largest sector during the period, was downweighed by mid-year but was at the end of the year at approximately the same weight as by the beginning of the period. Within this sector, investments in real estate increased primarily due to further investments in Castellum AB and Fastighets AB Balder, whilst investments in investment trust companies decreased when the fund divested its holdings in Industrivärden AB and Kinnevik AB. The fund's biggest holdings at the end of the period were Swedbank AB, Investor AB and Castellum AB.

## Development of fund assets

During the year, the fund had a net inflow of 739 million SEK and at 31 December assets under management amounted to 1 341 million SEK. Assets under management increased by 742 million SEK during the year.

## Derivatives and securities lending

The fund has utilized its option to lend securities, which has contributed 205 thousand SEK to the fund's income. The fund may trade in options and forward contracts in order to improve efficiency and protect the fund's assets against exchange rate and volatility risks. The fund has not utilized this option.

## Significant events

During the year, Simplicity Indien, Simplicity Europa and Simplicity Afrika were merged into Simplicity Norden. The mergers were completed according to plan on the 12th of October 2018 and the unit owners of the funds covered by the merger received new units in Simplicity Norden.

## Sustainability

Simplicity is a signatory of the UNPRI, UN's directive for responsible investments. Simplicity has also joined SWESIF (Sweden's Sustainable Investment Forum) and their sustainability profile. SWESIF is an independent network forum

for sustainable investment organizations in Sweden. In our work with responsible investments we collaborate with consultant group GES International (GES). GES conducts quarterly screenings of all the funds holdings, indicating if any of our holdings have breached any sustainability criteria. Whenever we receive indications that there is a risk of breaches of the UN Global Compact principles, we act. The first step whenever there are indications of a breach, we initiate a dialogue with the company, trying to steer them in a more sustainable direction. All of Simplicity's funds have in addition to this adopted exclusion policies for certain industries. Simplicity Norden has chosen to exclude companies where the revenue from sales of tobacco is in excess of 5% and has a zero tolerance for companies that are involved in the production or development of cluster munition, anti-personnel mines, nuclear weapons as well as chemical and biological weapons.

#### Sustainability Information

- Sustainability aspects are taken into account in the management of the fund.
- Sustainability aspects are not taken into account in the management of the fund.

#### Sustainability aspects taken into account in the management of the fund

- Environmental aspects (e.g. the companies' environmental and climate impact).
- Social aspects (e.g. human rights, employee rights and equal opportunity).
- Corporate governance aspects (e.g. shareholders' rights, issues relating to remuneration for senior executives, and anti-corruption work).
- Other sustainability aspects.

#### Methods used for the sustainability work

##### The Fund includes

- Sustainability aspects are critical in the manager's choice of companies.

The fund has specific and explicit criteria for positive selection of companies, based on environmental, social and business ethics issues. An analysis of the companies' sustainability work is critical to the selection of the companies in the fund.

- The manager of the fund takes sustainability issues into account.

Sustainability issues are taken into account in the context of corporate economic analyses and investment decisions and play a part, but not necessarily a crucial one, in determining which companies are selected for inclusion in the fund.

Other

- Other method of positive screening used by the fund.

##### The Fund excludes

The fund does not invest in companies that are involved in the following products and services. A maximum of 5% of the turnover in the company in which the investment is made may entail operations attributable to the specified product or service.

##### Products and services

- Cluster bombs, land mines
- Chemical and biological weapons
- Nuclear weapons
- Tobacco

##### International norms

The fund avoids investing in companies involved in violations of international norms and conventions (at least the UN Global Compact and OECD guidelines for multinational companies) in relation to the environment, human rights, labour practices, and business ethics.

- Companies where the fund detects no willingness to change or where, in the opinion of the fund, the companies will fail to get to grips with the problems within an acceptable timeframe are excluded for investment purposes. tillräta med problemen under en acceptabel tidshorisont underkänns för investering.

##### The fund management company engages

The fund management company exercises its investor influence to influence companies on sustainability issues.

- The fund management company engages with companies with a view to influencing them to adopt a more sustainable approach.

- In-house investor influence

##### Follow-up of sustainability work

During 2018, the sustainability consultants GES International screened the fund's portfolio for breaches of environmental, social and governance aspects at four occasions. GES reported three cases where companies in the fund's portfolio were involved. The cases involved money laundering, suspected corruption as well as business conducted in occupied area. In all cases Simplicity had previously been in contact with the companies involved and received satisfactory feedback. During the year, companies involved with cluster munition, anti-personnel mines, chemical and biological weapons, nuclear weapons and tobacco have been fully excluded for investments. According to Simplicity, two companies have been excluded as a result of these exclusion criteria.

## Performance

	2018.12.31	2017.12.31	2016.12.31	2015.12.31	2014.12.31	2013.12.31	2012.12.31	2011.12.31	2010.12.31	2009.12.31
Nett assets. SEK thousands	1,341,183	598,384	575,121	556,546	443,370	362,456	262,076	267,549	469,085	573,461
Share class										
NAV. SEK	551.78	576.33	524.87	485.98	415.86	343.83	261.13	242.32	306.60	274.61
Trading NAV*. SEK	551.86	576.38	524.90	485.82	416.29	343.96	261.00	240.61	306.60	274.61
Number of outstanding units	2,447,771	1,039,940	1,093,871	1,145,200	1,066,141	1,054,185	1,003,640	1,104,111	1,529,958	2,088,294
Dividend. SEK per unit	-	-	-	-	-	-	13.08	10.00	11.68	16.22
Annual return. %	-4.3%	9.8%	8.0%	16.7%	21.0%	31.8%	14.1%	-18.8%	16.1%	32.0%
Annual return benchmark. %	-4.3%	12.4%	6.1%	12.5%	15.4%	25.6%	17.0%	-16.7%	18.6%	39.4%

\*NAV for the last trading day of the period 2018.12.30.

## Key ratios

	<b>2018.12.31</b>
Average net assets, SEK thousands	804,547
Total return since inception	621.7%
Average annual return last 2 years	2.5%
Average annual return last 5 years	9.9%
Turnover ratio	2.5
<b>Benchmark</b>	STOXX Nordic Total Market Net Total Return Index
Benchmarks return since the fund's inception	367.4%
Average annual return last 2 years benchmark	3.7%
Average annual return last 5 years benchmark	8.2%
<b>Risk</b>	
Tracking error	3.3%
Standard deviation	10.6%
Standard deviation benchmark	10.5%
<b>Costs</b>	
Fund company, %	1.6%
Fund company, SEK thousands	12,970
Depository, SEK thousands	164
Financial Supervisory Authority, SEK thousands	12
Audit, SEK thousands	53
<b>Transaction costs</b>	
Transaction costs, SEK thousands	1393
% of total turnover	0.03%
<b>Research costs</b>	
Research costs, SEK thousands	13
<b>Total costs</b>	
Total cost, SEK thousands	14,605
Total cost of average net assets	1.82%
<b>Ongoing Charges</b>	1.64%
<b>PURCHASES AND SALES OF FINANCIAL INSTRUMENTS INVOLVING RELATED PARTIES</b>	
Trading with companies within the same group, %	0%
Trading involving funds managed by Simplicity, %	0%

\*STOXX Nordic Total Market Net Total Return Index is calculated in SEK and is a total return index that takes into account dividends.

\*The key ratios are calculated using the last 24 months data, in accordance with the Swedish Investment Fund Associations guidelines.

## Total and management costs

The following table shows costs, expressed in SEK, for a single purchase of SEK 10,000 at the beginning of the year and for monthly payments of SEK 100/month. The monthly payment is calculated as per the first day of each month.

	Total cost	Including cost of fund management	Value as of 2018.12.31
Single purchase SEK 10 000	190	167	9,574
Monthly payments SEK 100	12	2	1,093

## Change in net assets

	<b>2018.12.31</b>
Net assets in the beginning of the year, SEK thousands	598,384
Unit issue, SEK thousands	150,151
Unit redemption, SEK thousands	-209,046
Merger	912,359
<b>Net result according to income statement, SEK thousands</b>	<b>-110,665</b>
Dividend SEK per unit	
<b>Net assets, SEK thousands</b>	<b>1,341,183</b>

## Income statement

	Not	2018	2017
<b>INCOME AND CHANGE IN VALUE</b>		tkr	tkr
Change in value of transferable securities	1	-119,650	42,835
<b>Total change in value</b>		<b>-119,650</b>	<b>42,835</b>
Interest income		661	224
Dividends		21,857	19,303
Exchange rate gains and losses net		225	40
<b>Total income and change in value</b>		<b>-96,907</b>	<b>62,402</b>
<b>COSTS</b>			
<b>Management costs</b>			
Compensation to the fund management company		-12,970	-9,775
Compensation to the depository		-164	-61
Compensation to the Financial Supervisory Authority		-12	-5
Compensation to the auditor		-53	-53
<b>Total management costs</b>		<b>-13,199</b>	<b>-9,894</b>
Interest costs		-456	-136
Other costs		-103	-40
<b>Total costs</b>		<b>-13,758</b>	<b>-10,070</b>
<b>Net result</b>		<b>-110,665</b>	<b>52,332</b>

## Balance sheet

	Not	2018.12.31	2017.12.31
<b>ASSETS</b>		tkr	tkr
Transferable securities		1,289,606	596,435
<b>Total financial instruments with a positive market value</b>		<b>1,289,606</b>	<b>596,435</b>
<b>Total investments with a positive market value</b>		<b>1,289,606</b>	<b>596,435</b>
Cash and cash equivalents		53,388	1,963
Prepayments and accrued income	2	898	821
Other income		0	27
Other assets		6	3
<b>Total assets</b>		<b>1,343,898</b>	<b>599,249</b>
<b>Liabilities</b>			
Accrued expenses and prepaid income	3	1,868	818
Other liabilities		847	47
<b>Total liabilities</b>		<b>2,715</b>	<b>865</b>
<b>NET ASSET</b>		<b>1,341,183</b>	<b>598,384</b>
<b>Memorandum</b>			
Lent financial instruments	4	180,715	88,469
Collateral received for lent financial instruments	5	180,725	88,474

### Note 1 Change in value

<b>Change in value of transferable securities</b>			
Capital gains		92,460	55,607
Capital losses		-79,096	-23,893
Unrealized gains/losses		-133,014	11,121
<b>Total</b>		<b>-119,650</b>	<b>42,835</b>
<b>Change in value of other derivatives</b>			
Capital gains			
Capital losses			
Unrealized gains/losses			
<b>Total</b>			
<b>Change in value of OTC-derivatives</b>			
Unrealized gains/losses			
<b>Total</b>			
<b>Total change in value</b>			

**Note 2 Prepayments and accrued income**

Accrued interests	61	6
Accrued dividends	837	815
<b>Total</b>	<b>898</b>	<b>821</b>

**Note 3 Accrued expenses and prepaid income**

Accrued management fee	1,865	818
Accrued interest	3	0
<b>Total</b>	<b>1,868</b>	<b>818</b>

**Note 4 Securities lending**

Exposure	180,715	88,469
% of loanable assets	14.0%	14.8%
Counterparty	SEB	SEB

**Note 5 Collateral received for lent financial instrument****Collateral received for lent financial instrument 2018.12.31.**

	Quantity	Market value	Value	Type	Issuer
SGB 4 1/4 03/12/19 #1052	21,590,000	22,532	SEK	Treasury bill	Sweden Government
SGBI 0 1/8 06/01/19 #3110	6,910,000	7,331	SEK	Treasury bill	Sweden Government
SGBI 1 06/01/25	63,545,000	79,668	SEK	Treasury bill	Sweden Government
SGBI 4 12/01/20	15,695,000	23,889	SEK	Treasury bill	Sweden Government
SWED 0 1/8 04/24/23	1,630,000	16,992	SEK	Treasury bill	Sweden Government
SWTB 0 03/20/19	30,275,000	30,313	SEK	Treasury bill	Sweden Government
<b>Total</b>		<b>180,725</b>			

**Collateral received for lent financial instrument 2017.12.31**

	Quantity	Market value	Value	Type	Issuer
SGB 4 1/4 03/12/19 #1052	22,370,000	24,495	SEK	Treasury bill	Sweden Government
SGBI 0 1/4 06/01/22	22,865,000	26,325	SEK	Treasury bill	Sweden Government
SGBI 0 1/8 06/01/19 #3110	2,690,000	2,885	SEK	Treasury bill	Sweden Government
SWED 0.05 02/12/20	484,000	4,816	EUR	Treasury bill	Sweden Government
SWTB 0 01/17/18	21,295,000	21,303	SEK	Treasury bill	Sweden Government
SWTB 0 03/21/18	8,635,000	8,650	SEK	Treasury bill	Sweden Government
<b>Total</b>		<b>88,474</b>			

**Accounting and valuation principles**

This annual report has been prepared in accordance with the Swedish Investment Funds Act (2004:46), the Swedish Financial Supervisory Authority's regulations FFFS 2013:9 and the Swedish Investment Fund Associations guidelines.

**Financial instruments**

Realized earnings consist of the difference between the sales value and the original acquisition value. When calculating realized earnings, the average method has been used. Transaction costs are included in the acquisition value and are deducted from the sales value. Financial instruments have been valued at market value corresponding to the current closing price on the closing date.

**Holdings as 2018.12.31****FINANCIAL INSTRUMENTS**

Transferable securities admitted to Trading on a regulated market

	Quantity	Market value	% of net asset
<b>ENERGY</b>			
Equinor Asa (NO)	217000	40.855	3.0%
Ocean Yield Asa (NO) <sup>1</sup>	105.534	6.401	0.5%
<b>Total Energy</b>		<b>47.256</b>	<b>3.5%</b>
<b>MATERIALS</b>			
Holmen Ab-B Shares (SE)	18400	3.219	0.2%
Kemira Oyj (FI)	16.000	1.600	0.1%

Svenska Cellulosa Ab Sca-B (SE)	326.800	22.458	1.7%
Upm-Kymmene Oyj (FI)	176.000	39.579	3.0%
<b>Total Materials</b>		<b>66.855</b>	<b>5.0%</b>

**INDUSTRIALS**

Alfa Laval Ab (SE)	47.000	8.914	0.7%
Assa Abloy Ab-B (SE)	242.000	38.272	2.9%
Bravida Holding Ab (SE)	64.000	3.923	0.3%
Dsv A/S (DK)	50.000	29.183	2.2%
Kone Oyj-B (FI)	26.100	11.034	0.8%
Nibe Industrier Ab-B Shs (SE)	242.000	22.003	1.6%

Nrc Group Asa (NO)	11.000	800	0.1%
Per Aarsleff Holding A/S (DK)	3.000	812	0.1%
Securitas Ab-B Shs (SE)	265.000	37.696	2.8%
Valmet Oyj (FI)	100.000	18.224	14%
Volvo Ab-B Shs (SE)	120.000	13.914	10%
Af Ab-B Shs (SE)	27.000	4.331	0.3%
<b>Total Industrials</b>	<b>189.106</b>	<b>14.1%</b>	
<b>CONSUMER DISCRETIONARY</b>			
Betsson Ab (SE)	80.000	5.840	0.4%
Pandox Ab (SE)	12.000	1.759	0.1%
Tokmanni Group Corp (FI)	82.000	5.977	0.4%
<b>Total Consumer discretionary</b>	<b>13.577</b>	<b>1.0%</b>	
<b>CONSUMER STAPLES</b>			
Aak Ab (SE)	299.000	36.687	2.7%
Axfood Ab (SE)	143.000	21.693	1.6%
Carlsberg As-B (DK)	40.100	37.769	2.8%
Ica Gruppen Ab (SE)	26.500	8.395	0.6%
Kesko Oyj-B Shs (FI)	23.000	10.998	0.8%
Leroy Seafood Group Asa (NO)	200.000	13.512	1.0%
Mowi Asa (NO)	219.000	40.996	3.1%
Royal Unibrew (DK)	50.000	30.530	2.3%
Salmar Asa (NO)	19.000	8.332	0.6%
<b>Total Consumer staples</b>	<b>208.912</b>	<b>15.6%</b>	
<b>HEALTH CARE</b>			
Arjo Ab - B Shares (SE)	72.500	2.055	0.2%
Astrazeneca Plc (SE)	59.500	40.085	3.0%
Coloplast-B (DK)	44.500	36.612	2.7%
Lifco Ab-B Shs (SE)	6.000	1.965	0.1%
Medicover Ab - B Share (SE)	2.600	191	0.0%
<b>Total Health care</b>	<b>80.908</b>	<b>6.0%</b>	
<b>FINANCIALS AND REAL ESTATE</b>			
Aker Asa-A Shares (NO) <sup>1</sup>	10.500	4.970	0.4%
Aktia Bank Oyj (FI)	36.500	3.335	0.2%
Atrium Ljungberg Ab-B Shs (SE)	9.000	1.368	0.1%
Fastighets Ab Balder-B Shrs (SE)	63.000	15.876	1.2%
Castellum Ab (SE)	279.786	45.703	3.4%
Dios Fastigheter Ab (SE)	111.000	6.255	0.5%
Dnb Asa (NO)	270.000	38.218	2.8%
Entra Asa (NO)	143.200	16.902	1.3%
Fabege Ab (SE)	186.600	22.049	1.6%
Hembla Ab (SE)	14.000	2.072	0.2%
Hemfosa Fastigheter Ab (SE)	103.800	7.256	0.5%
Hufvudstaden Ab-A Shs (SE)	69.000	9.446	0.7%
Investor Ab-B Shs (SE)	124.500	46.762	3.5%
Kungsleden Ab (SE)	132.000	8.303	0.6%
Nordea Bank Abp (FI)	230.000	17.153	1.3%
Nyfosa Ab (SE)	103.800	4.438	0.3%
Resurs Holding Ab (SE)	121.000	6.619	0.5%
Ringkjoebing Landbobank A/S (DK)	18.050	8.346	0.6%
Sagax Ab-D (SE)	25.000	793	0.1%
Sampo Oyj-A Shs (FI)	95.000	37.046	2.8%
Skandinaviska Enskilda Ban-A (SE)	446.000	38.401	2.9%
Svenska Handelsbanken-A Shs (SE)	250.000	24.575	1.8%
Sparebank 1 Sr Bank Asa (NO)	221.000	20.198	1.5%
Sparebank 1 Nord-Norge (NO)	97.000	6.241	0.5%
Sparebank 1 Smn (NO)	139.000	11.992	0.9%
Storebrand Asa (NO)	654.000	41.304	3.1%
Swedbank Ab - A Shares (SE)	241.000	47.658	3.6%
Topdanmark A/S (DK)	23.000	9.477	0.7%
Tryg A/S (DK)	195.000	43.463	3.2%
Wallenstam Ab-B Shs (SE)	42.000	3.452	0.3%
Wihlborgs Fastigheter Ab (SE)	84.900	8.694	0.6%
<b>Total Financials and Real Estate</b>	<b>558.365</b>	<b>41.6%</b>	
<b>INFORMATION TECHNOLOGY</b>			
Atea Asa (NO)	12.000	1.365	0.1%
Ericsson Lm-B Shs (SE)	205.000	15.974	1.2%
Hexagon Ab-B Shs (SE)	15.000	6.120	0.5%
Mycronic Ab (SE)	24.000	2.834	0.2%
<b>Total Information Technology</b>	<b>26.293</b>	<b>2.0%</b>	
<b>TELECOMMUNICATIONS</b>			
Telia Co Ab (SE)	906.000	38.034	2.8%
<b>Total Telecommunications</b>	<b>38.034</b>	<b>2.8%</b>	
<b>UTILITY</b>			
Fortum Oyj (FI)	145.000	28.117	2.1%
Orsted A/S (DK)	45.000	26.663	2.0%
Scatec Solar Asa (NO)	73.000	5.520	0.4%
<b>Total Utility</b>	<b>60.300</b>	<b>4.5%</b>	
<b>Total transferable securities admitted to trading on a regulated market</b>	<b>1.289.606</b>	<b>96.2%</b>	
<b>TOTAL FINANCIAL INSTRUMENTS</b>	<b>1.289.606</b>	<b>96.2%</b>	
<b>OTHER ASSETS AND LIABILITIES. NET</b>	<b>51.578</b>	<b>3.8%</b>	
<b>TOTAL NET ASSET</b>	<b>1.341.183</b>	<b>100.0%</b>	

(DK) Denmark. (FI) Finland. (NO) Norway. (SE) Sweden

<sup>1</sup> Included in the group Resource Group TRG AS/The and constitutes 0.8%

# Statement of remuneration in Simplicity AB 2018

The Board of Simplicity AB has adopted a remuneration policy based on the Swedish Financial Supervisory Authority's regulations (FFFS 2013:9), which is consistent with and promotes sound and efficient risk management. The remuneration policy is designed to counteract a risk taking that is not compatible with the funds' risk profiles. The remuneration policy shall counteract excessive risk takings and encourage employees to pursue long-term sustainability, as well as sound and efficient risk management for unit-holders, the company and the funds managed by Simplicity.

## Basis for design

Salary and other terms of employment should be established such that Simplicity can attract and retain qualified employees.

Supervisory employees should always receive such compensation that enables the Company to hire qualified and experienced personnel for the supervisory functions.

Employees shall be informed of both the criteria governing their remuneration and how their results are assessed.

In addition, the Company must comply with any collective agreements and prevailing employment legislation in determining employee benefits.

In the case the Company's Board of Directors intends to grant and pay variable remuneration, the Company shall consider how these may affect long-term results. When the Company determines the basis for remuneration, it should note that the result subsequently may be affected by current and future risks. In its performance measurements, the company shall consider the actual costs of holding the capital and liquidity arising from the activity that the profit measurements relate to.

The company shall base a performance-based remuneration on employee performance as well as the overall profit and loss of the affected unit and company. When the Company determines the remuneration of an individual employee, qualitative criteria shall be considered such that the employee complies with internal rules and procedures and respects the rules of conduct against clients and investors.

For specially regulated staff and other staff, the variable compensation may not exceed the fixed salary. Exceptions from this relationship shall in each case be approved by the Company's Board.

Variable compensation for employees in supervisory functions shall be based on criteria independent of the results in the areas that the employee supervises. Considerations must be taken of qualitative criteria such as the employee's contribution to the development of the business, compliance with applicable regulations, fulfillment of set goals and management of tasks and cooperation.

## Risk takers

The chief executive officer, assistant managing directors and fund managers have been assessed to have a material impact on the risk profiles of the Company and Funds and are thus considered risk takers.

## Executive Management

The executive management is defined as:

The chief executive officer and assistant managing directors.

Specially regulated staff

Specially regulated staff is defined as:

- Chief executive officer
- Assistant managing directors
- All fund managers
- Risk manager

## Remuneration structure

In case the Company's Board of Directors intends to grant and pay variable remuneration, the Board shall ensure that the compensation level is not set such that it limits the Company's ability to meet statutory requirements for the Company's capital. Also, the compensation should not be such that it jeopardizes the Company's ability to report overall positive results over a business cycle. In determining the amounts, the Board shall also ensure that the compensation does not conflict with the Company's long-term interests.

If the remuneration of an employee includes a variable part, the Company shall ensure that there is an appropriate balance between the fixed and variable parts. The fixed parts shall account for a proportion of the total compensation large enough to set the variable parts to zero. A guaranteed variable part shall exist in exceptional cases, only for newly hired and limited to the first year of employment.

When the Company decides how much of the total remuneration will be variable, the Company shall always consider;

- the size and cost of the extra capital required to cover the risks affecting the profit for the period,
- the size and cost of the liquidity risk, and
- the possibility that expectations of future revenue will not be realized

For specially regulated staff, at least 60% of the variable compensation shall be postponed for at least three years. The same applies to the date of the final acquisition of shares, stock options or other equity-related instruments, if included in the variable remuneration.

The company may also partially or fully revoke variable remuneration that has been postponed if it subsequently appears that the employee, unit or Company did not meet the performance criteria. This can also occur if the Company is no longer expected to continue its business.

If an employee, according to the Company's board of directors' assessment, seriously violates internal regulations, acts negligently and harmfully to the company, exposes the company to financial crime or intentionally harms the company and its reputation, no variable compensation is paid. The company may also decide not to pay variable compensation to persons who have requested termination of their service. This includes determined but not distributed variable compensation that has been deferred.

## Governance and control

A designated board member is responsible for preparing compensation decisions for specially regulated personnel. The appointed member shall have sufficient knowledge of and experience in matters of remuneration and risk management. The member may not be included in the Company's executive management. When preparing the Board's decision, considerations shall be taken of the long-term interests that apply to unit holders and other stakeholders and to the public interest. The appointed board member decides on measures to control the application of this remuneration policy.

The company's compliance function shall, when appropriate and at least annually, independently review whether the Company's remuneration complies with the remuneration policy. The results of the audit shall be reported to the Board.

## Amount of remuneration

The management cost includes remuneration to the fund company's staff. The total amount of compensation disbursed to all 22 employees of Simplicity AB in 2018 amounts to SEK 12,335,665 kr. The total amount consists of fixed compensation of SEK 11,378,348 kr and variable compensation of 957,317 kr.

Total remuneration paid to specially regulated staff (6 persons) amounted to SEK 5,757,935. This amount consisted of SEK 5,595,618 fixed compensation and SEK 162,317 variable compensation.

Further information about the fund company's remuneration system can be obtained from the company and is attached to the fund company's annual report.

## Auditor's report

To the unitholders of the Investment Fund Simplicity Norden, org.nr 504400-8877.

### Report on the audit of the annual accounts

#### Opinion

We have as appointed auditor in the fund management company Simplicity AB, org no 556611-4723, audited the annual accounts of the fund Simplicity Norden for 2018, except for the sustainability information on page 4–5 (“the sustainability information”).

In our opinion, the annual accounts have been prepared in accordance with the Swedish Investment Funds Act (2004:46) and the Swedish Financial Supervisory Authority's regulation on Investment Funds and present fairly, in all material respects, the financial position of the investment fund Simplicity Företagsobligationer as at 31 December 2017 and of its financial performance for the year then ending according to the Swedish Investment Funds Act and the Swedish Financial Supervisory Authority's regulation on Investment Funds. Our statement does not include the sustainability information on page 4–5.

#### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities according to these standards are described in more detail in the section Auditor's responsibilities below. We are independent in relation to the fund management company according to generally accepted auditing standards in Sweden and have fulfilled, in general, within the meaning of professional ethical requirements according to these standards. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### Other information than the annual accounts

Simplicity AB is responsible for the other information.

The other information comprises the pages 1–3. Our statement regarding the annual report does not cover this information and we make no statement with assurance regarding this other information.

In connection with our audit of the annual report, our responsibility to read the information identified above and consider whether the information is materially inconsistent with the annual accounts. In this procedure we also consider our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

We have nothing to report in that regard

#### Responsibility of the fund management company

The fund management company is responsible for the preparation of the annual report and that the report provides a true and fair view in accordance with laws regarding Investment Funds and the Swedish Financial Supervisory Authority's regulations regarding Investment Funds. The fund management company is also responsible for such internal controls as it deems necessary in order to prepare an annual report that does not contain any material misstatement, whether due to irregularities or error.

#### Auditor's responsibility

Our goal is to achieve a reasonable degree of certainty as to whether the annual report as a whole is free from material misstatements, whether due to irregularities or error, and to submit

a report containing our audit statement. Reasonable security is a high degree of security, but is no guarantee that an audit performed in accordance with ISA and generally accepted auditing standards in Sweden will always detect a material misstatement if one exists. Inaccuracies may occur due to irregularities or errors, and is considered to be material if they individually or collectively can reasonably be expected to influence any economic decisions taken based on the annual report.

As part of an audit in accordance with ISA, we use professional judgment and have a professional skeptical perspective throughout the audit. Furthermore:

- We identify and assess risks of material misstatement in the annual report, whether due to irregularities or error, develop and carrying out audit procedures, including on the basis of these risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from irregularities is higher than that of a material misstatement due to error, because the irregularities may include actions in collusion, forgery, deliberate omissions, misinformation or failure of internal controls.
- We acquire an understanding of that part of the fund management company's internal controls that are important for our audit in order to develop audit procedures that are appropriate in the circumstances, but not to express an opinion on the effectiveness of internal control.
- We evaluate the suitability of accounting policies used and the reasonableness of the fund management company's accounting estimates and related disclosures.
- We evaluate the overall presentation, structure and content of the annual report, including disclosures, and whether the annual report reflects the underlying transactions and events in a way that gives a true and fair view.

We must inform the fund management company of, among other things, the planned scope, direction and timing of the audit. We must also provide information about any significant findings during the audit, including any significant deficiencies in internal control that we identified.

#### The auditor's opinion on the statutory sustainability information

It is the fund company that is responsible for the sustainability information on pages 4–5 and that it is prepared in accordance with the law on mutual funds.

Our review of the sustainability information for the fund has been conducted with guidance where applicable by FAR's statement RevR 12. The auditor's opinion on the statutory sustainability report. This means that our review of the sustainability information has a different focus and a considerably smaller scope compared to the focus and scope of an audit according to International Standards on Auditing and good auditing standards in Sweden. We believe that this review provides us with a sufficient basis for our opinion.

Sustainability information has been provided in the annual report.

Varberg March 22, 2019  
Öhrlings PricewaterhouseCoopers AB

Peter Nilsson  
Authorised Public Accountant

# Simplicity.

**Simplicity AB** Södra Hamnvägen 12, 432 44 Varberg, Sweden | Tel: +46 340-21 95 00 | [kundservice@simplicity.se](mailto:kundservice@simplicity.se) | [simplicity.se](http://simplicity.se)