

Investment Report

2020

We are CARN Capital

CARN Capital is a closely-knit team of dedicated analysts with shared values. We are driven by a passion to contribute to a sustainable future and to provide strong returns on our investors' capital.

Our name is based on the old Gaelic word for cairn. For thousands of years cairns have marked the landscape and helped travellers navigate the terrain. For us, a cairn is a symbol of sustainability and responsibility. A mark that shows us that we are on the right path into the future.

About this report

This is CARN's first annual investment report. We have chosen to produce a fully integrated report covering both financial and sustainability characteristics of our investments.

At CARN we want to excel at two things – fundamental equity analysis and sustainability. These two pillars are at the core of our investment strategy and portfolio management activities.

Table of Contents

1	Introduction	04
	About CARN	05
	Our business principals	08
2	Key Figures for our investments	09
	Financial performance	10
	Sustainability	11
3	How we invest	12
	Investment strategy	13
	Investment universe	14
	Investment process	16
	CARN's approach to sustainable investment	18
4	Our funds in 2020	22
	Navigation in turbulent times	23
	CARN Latitude	26
	CARN Longitude	30
	Funds sustainability metrics	31



Introduction

About CARN

CARN Capital was established in 2015. The founding vision was to combine truly active management with fundamental analysis while supporting sustainability targets and ambitions.

Since its inception, CARN has been steadfast in its commitment to four key characteristics: We are sustainable, active, independent and focused. These traits are reflected in our strategy as a high-conviction, long-term investor focusing on mid-cap Nordic equities. We seek to invest in quality assets at a reasonable price, and we have a clear focus on sustainable business models and positive selection.

Our funds

CARN is a single strategy manager with two funds: Latitude and Longitude.

Our long-short strategy was started in November 2015 and has sought to beat the market over a cycle with lower risk, protect capital in falling markets and invest for a more sustainable future. That strategy is now managed through our fund Latitude.

After five years in operation, we took another step on our journey by launching a long-only fund in November 2020. This fund is called Longitude and is a carve-out of the long book of our long-short fund. This structure allows us to keep our focus on a single strategy while offering two different fund vehicles, providing investors with more flexibility in terms of finding what fits them best.



2020 Reflections

2020 has been a difficult year due to the direct and indirect effects of the COVID-19 pandemic. We are grateful that our team and partners have stayed healthy and that our business has been able to develop and thrive during this challenging period.

The pandemic had a significant impact on equity markets in 2020 and resulted in dramatic market volatility. Still, the MSCI World Index in local currency rose 13.5% over the course of the year, in large part driven by the US and technology companies. The equity market in the Nordics, as measured by MSCI Nordic in local currency, was up 14.6%. Company earnings worldwide have been weak due to the pandemic's myriad impacts on the economy, but better than feared. Governments have been quick to act in most cases and massive stimulus packages have been deployed. With company sales and earnings down globally, however, multiple expansion has been the main driver of the market returns to investors, as was also the case in 2019. Over the long term this needs to balance.

2020 was a challenging year to manage a portfolio, and a year where risk management was of utmost importance. At CARN, we were able to protect the downside relatively well in the first quarter and managed to catch up well when the market corrected. Overall, we are satisfied with the return for the year.

Of the more positive changes brought about in 2020 is increased focus on sustainability. We believe this is the end of the beginning of a new megatrend, rather than short-term hype.

At CARN, we have worked to be a leader in sustainability and will continue to do so.

It is inspiring for us to see that the financial markets have really woken up when it comes to sustainability. This entails a significant change in how capital is allocated globally due to the implications that sustainability has for drivers of risk and return at the company and market level. At CARN, we have worked to be a leader in this field and will continue to do so moving forward.

As an organization, we have experienced several exciting developments in 2020. In addition to launching a long-only version of our investment strategy, we have expanded our team, received an award for our flagship fund, eco-labeled both our funds and grown our assets under management. We have also accomplished a major upgrade of our internal systems and infrastructure and are now fully integrated front-to-back. CARN today is stronger than what it was a year ago, and we remain as upbeat as ever on our portfolio positions and the funds' ability to generate attractive returns to our investors in 2021 and beyond.



The first Nordic hedge fund to receive the Nordic Swan Ecolabel.

Expansion of the team

CARN's journey since being founded in 2015 has been a story of continuous development. As we have attracted more capital, we have also gradually expanded our team and organization. 2020 was no exception to this, and we made two significant hires by adding a Head of Sustainability and Head of Investor Relations to make the business stronger and more robust.

Nordic Swan Ecolabel

Following an extensive certification process in Spring 2020, CARN Capital became the first Nordic hedge fund to receive the Nordic Swan Ecolabel. Both our funds, Latitude and Longitude, are now eco-labeled by Nordic Swan.

Awards and recognition

CARN was awarded 'Best hedge fund sub \$100m' in European Performance Awards 2020. The award is arranged by Hedge Funds Review. Our Latitude fund was also ranked best Norwegian Hedge Fund in 2020.

Our business principles



TRANSPARENCY

Investors want to be able to monitor their investments closely, and therefore value transparency. We offer full transparency to our investors and communicate with them in detail about the development of the investments and the business in our monthly performance updates.



ALIGNED INTERESTS

For an investment management organization to have the highest probability of delivering strong returns, we believe it is crucial that the managers have aligned interests with the investors. CARN's ownership, the fee model for our funds and our remuneration policy are structured to reinforce this.



LONG-TERM

We have a long-term focus in everything we do. This goes both for our investments and our business decisions. We look for clients who share our long-term perspective, we invest in quality systems and infrastructure, and we hire people with a long-term perspective.



FOCUSED

To achieve the highest level of performance in any field, we believe it is extremely important to be focused. This is particularly the case within asset management. Therefore, we have only one business philosophy and only one investment strategy.



INDEPENDENT

We believe it is of utmost importance for an investment organization to be fully independent from other business lines and organizations. Independence ensures that other business interests do not interfere with the investment management activities. CARN Capital is fully independent.

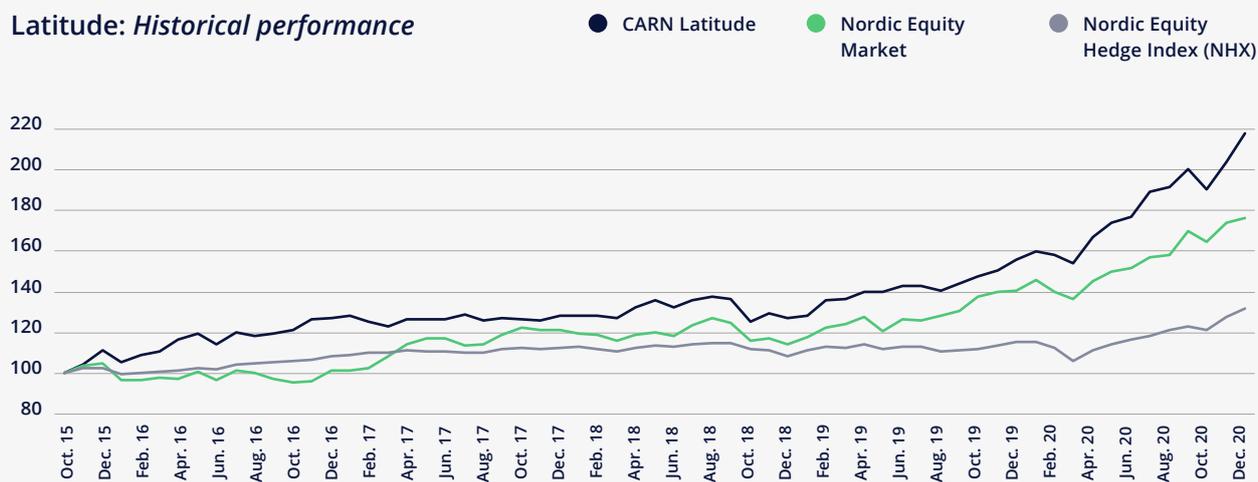


2

Key Figures for our investments

Financial performance

Latitude: *Historical performance*



Since launch	118.6 %	Annualized alpha	8.3 %
Return per year	16.3 %	Positive months	69 %
Sharpe	1.32	Correlation Nordic equity market	0.6

The track record is a combination of the equity strategy of CARN from November 2015 to November 2016 and the CARN Long Short Fund (OPA3) established November 2016. During the first period the strategy was run in a Limited Liability Company (AS). In November 2016 the capital was consolidated into a UCITS fund. Past performance is not necessarily indicative of future results and you may not retrieve your original investment. Nordic equity market as measured by VINX Nordic NOK.

Latitude: *Monthly Performance 2020*

Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year
2.6 %	-1.0 %	-2.7 %	8.2 %	4.4 %	1.7 %	6.8 %	1.3 %	4.6 %	-5.0 %	7.0 %	7.0 %	39.7 %

Past performance is not necessarily indicative of future results and you may not retrieve your original investment.

Longitude: *Monthly Performance 2020*

Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year
-	-	-	-	-	-	-	-	-	-	2.3 %	7.2 %	9.7 %

Past performance is not necessarily indicative of future results and you may not retrieve your original investment.

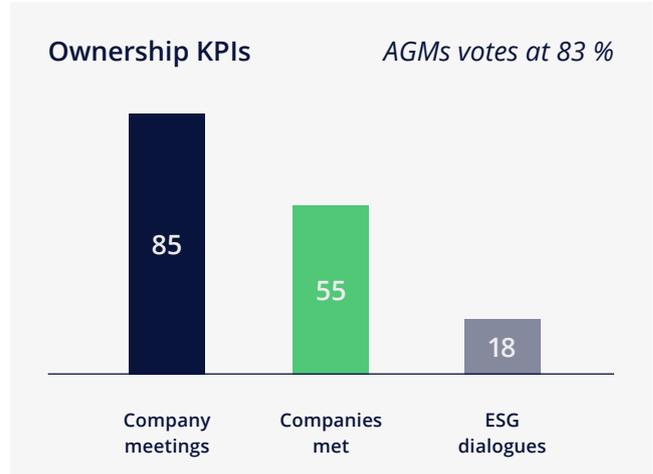
Sustainability

Aggregate portfolio sustainability scores

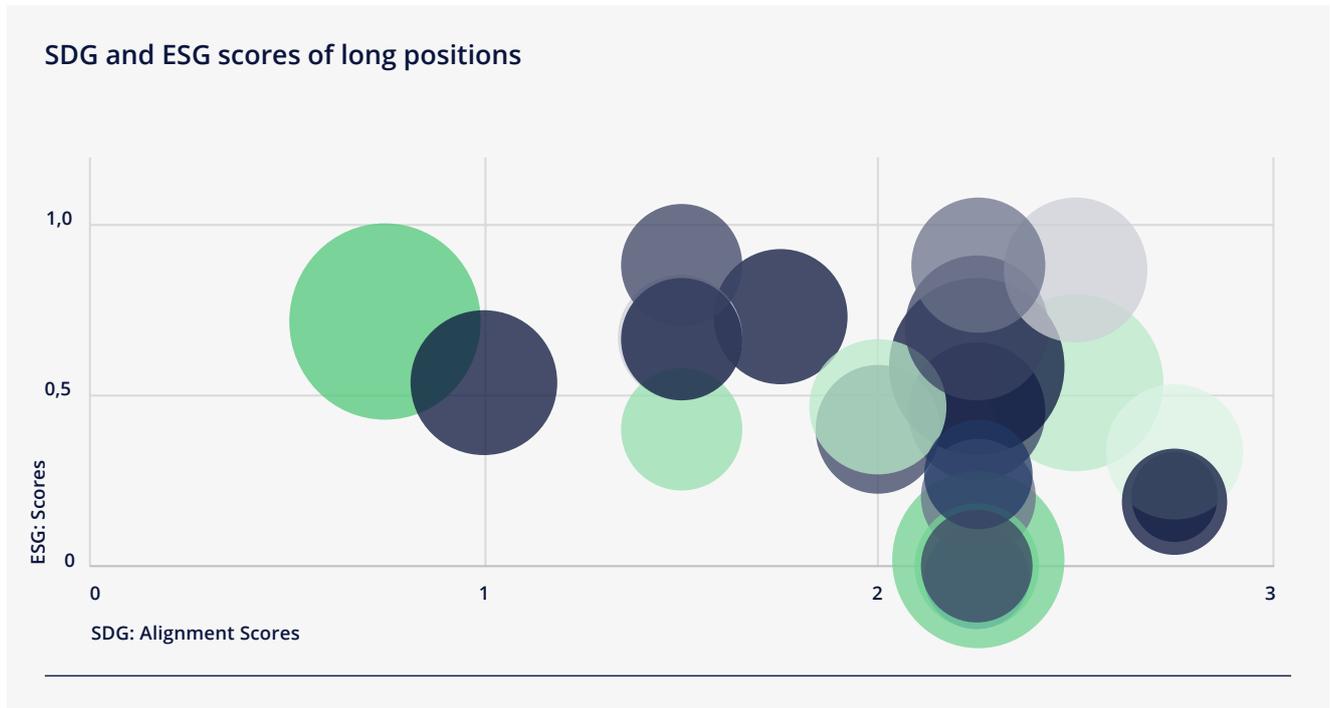
All scores range from -3 to +3

	ESG score	SDG score	Combined Sustainability score
CARN long positions weighted average scores	0.4	1.9	1.5

CARN long positions as represented by the long book of Latitude fund as of 31.12.2020. All scores based on Internal scoring framework. Methodology described on page 31.



SDG and ESG scores of long positions



Scores of long positions in Latitude fund as of 31.12.2020. Internal scoring framework - methodology described on page 31. SDG score is absolute and ESG score is relative to industry, with 0 being average.

3

How we
invest

Investment strategy



SUSTAINABLE INVESTMENTS

Business and finance have a critical role to play in the transition to a more sustainable economic system and we want to be part of the solution. We are committed to allocating capital to companies that are both profitable and sustainable. This is both the right thing to do and makes good business sense.



VALUE INVESTING AND FUNDAMENTAL RESEARCH

For CARN, value investing means investing with a disciplined focus on how the investments are valued in relation to underlying earnings, cash flows and assets. In practice, this investment philosophy implies a strong focus on fundamental analysis and valuation to avoid overpaying for assets.



QUALITY COMPANIES

Empirical evidence has shown that quality companies outperform the market over time. Therefore, we tend to focus our search for quality companies with strong balance sheets, a track record of delivering returns to shareholders, good future prospects and operations in industries with high barriers to entry.



UNDER-RESEARCHED COMPANIES

While CARN has an all-cap strategy, we favor mid-sized companies because we see the highest probability for finding good investments in this segment. Our size and flexible strategy allows us to harvest the opportunities we see among smaller and mid-sized companies.



TRUE ACTIVE MANAGEMENT

We believe that if a fund is marketed as an active fund, it should be truly active and not too close to the index. We have an absolute return approach with the goal of delivering the highest possible risk-adjusted return to our investors over time and therefore do not focus on how a given index performs.

Investment universe

CARN is a European manager with a Nordic focus. We believe that specialization pays off and have chosen to focus on a smaller universe close to where we are based. This makes it easier for us to know the companies and industries in the universe, thus improving our chances of identifying investment opportunities as well as potential mispricing. Moreover, the Nordic countries and equity markets have several characteristics, quantitative and qualitative alike, that make them a particularly attractive place to invest.

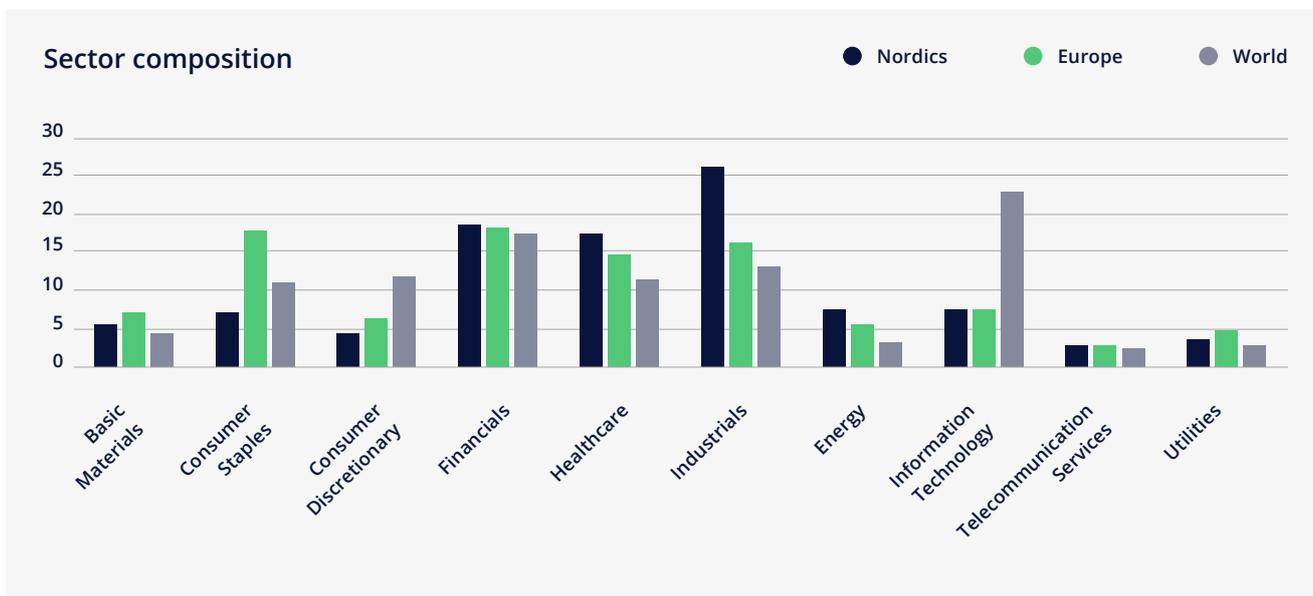
Nordics in numbers

The Nordics comprise Sweden, Norway, Denmark, Finland and Iceland. Sweden accounts for approximately

46% of the market, as measured by representation in the MSCI Nordic Countries IMI Index, while Denmark accounts for around 28%, Finland around 14% and Norway around 10%. Iceland is not included in the aforementioned index and represents a tiny part of the Nordic equity market.

Over the past 20 years, the Nordic markets have outperformed the European markets by approximately 3.5% annually. The return on equity, return on assets and operating margins are currently higher in the Nordic countries than in the rest of the world, and have also historically been higher than in the rest of the world and European markets.





Another attractive aspect of the Nordics is the industry diversification. When the combined sector composition of the Nordics is aggregated and compared with the world equity market, it becomes clear that we do not need to go far from home to access a well-diversified range of sectors and companies.

To gain insight into more qualitative factors associated with the Nordic countries and markets, we look at a range of recognized indices assessing competitiveness, innovation, gender equality, corruption and human development. Although these factors are not directly visible in stock market returns, they may help explain the quality of the Nordic companies and are important sustainability considerations.

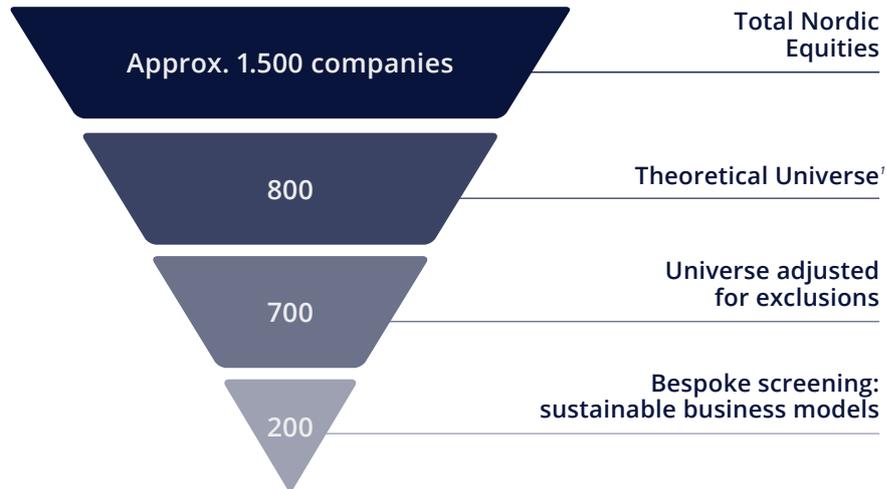
Country	Competitiveness	Innovation	Gender gap	Corruption perception	Human development
Denmark	10	6	14	1	11
Finland	11	7	3	3	12
Norway	17	20	2	3	1
Sweden	8	2	4	7	8

Shows country ranking out of all countries included in various indices produced by: World Economic Forum, World Intellectual Property Association, Transparency International, United Nations Development Programme

Investment process

We believe that a robust and repeatable investment process is what creates the discipline necessary for making good investment decisions. From idea generation through to research, portfolio construction and monitoring, our team is working to create the best outcomes for our investors.





From investment universe to CARN's portfolio

The starting point for our investment process is the entire universe of Nordic equities. Initial screens on size and liquidity and the removal of companies that meet our criteria for exclusion narrow the universe considerably.

We then do high-level assessments of companies' business models to check, among other things, alignment with our sustainability framework. Increasingly granular financial, sustainability and risk assessments are then undertaken prior to an investment decision.

CARN’s approach to sustainable investment

UN Sustainable Development Goals (SDGs)



Sustainable Investment is an umbrella term covering a range of approaches with varying goals and outcomes. Emerging regulation in the EU and elsewhere will contribute to a common definition of what constitutes a sustainable investment. In the meantime, we want to be transparent about how we define sustainability in the investment context and how we use various strategies to help ensure that our investments are sustainable.

We view the UN Sustainable Development Goals (SDGs) as the most recognized and coherent global framework for evaluating sustainability with regards to environmental, social, and economic development. We feel strongly that one must consider contributions to sustainable social and economic development in addition to environmental sustainability when evaluating potential investments. We have therefore

chosen to assess the alignment of companies’ business models with the full range of the UN SDGs and the transition to a more sustainable economy. As a long-term investor, our starting point is that we want to allocate capital to companies whose business models are positively aligned with the achievement of the SDGs and exclude or avoid those that are not.

Our activities

The most common approaches to integrating sustainability considerations into equity investments are exclusion, positive selection, ESG integration and active ownership. It is CARN’s view that, on their own, these individual approaches can often fall short of delivering both sustainability and profitability. So instead of choosing one, we have gone for “all of the above”.



Exclusion

We do not provide capital to companies or industries that we consider in breach of international norms or that otherwise undermine sustainable development. CARN is therefore committed to excluding companies involved in the following activities from our funds:

- Tobacco
- Alcohol
- Weapons
- Fossil fuels
- GMO's
- Gambling
- Breaches of fundamental ethical norms including corruption, tax evasion, human rights and environmental damage.

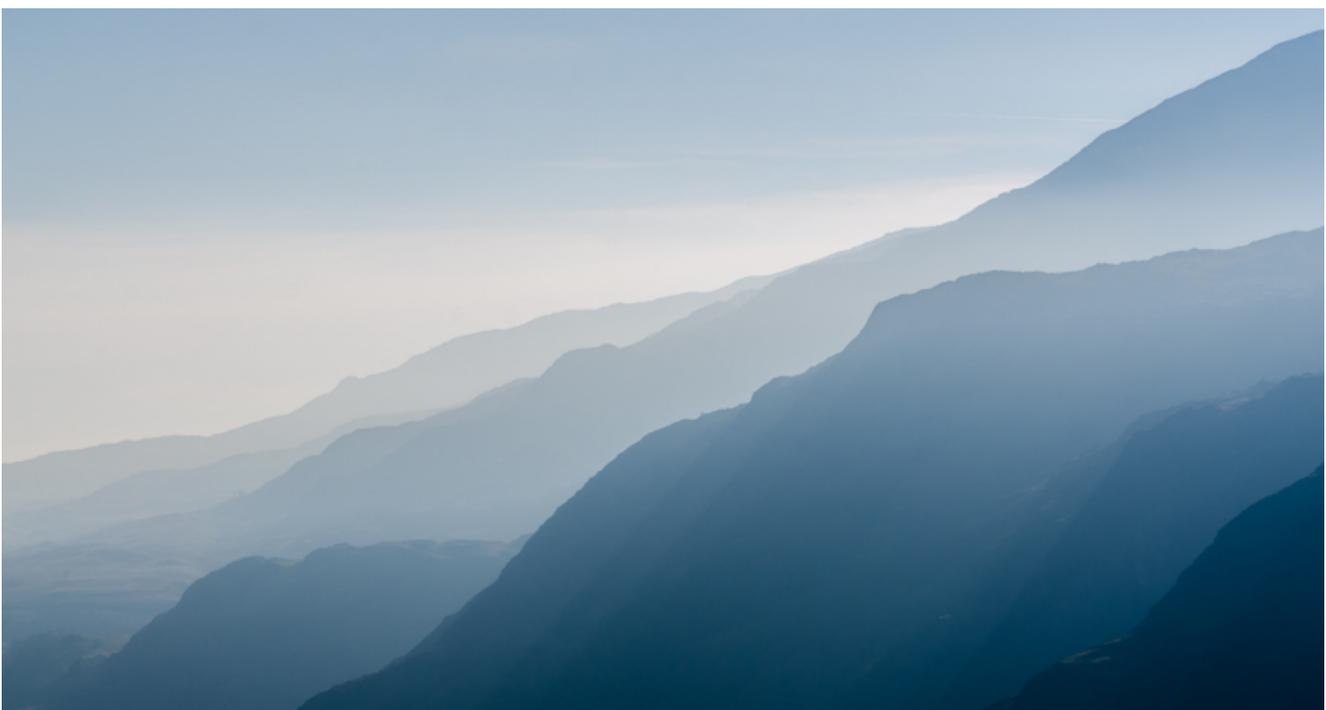
In addition to the above, we will typically refrain from investing in companies whose business models rely heavily on "fast fashion" or "fast retail", as well as those in consumer finance associated with what we would consider unfair or predatory lending practices.

Positive Selection

As stock-pickers, positive selection is at the core of our investment strategy. To us this means actively seeking out quality companies with strong financial and sustainability characteristics. We will invest in companies where we assess the business model as well positioned in relation to the transition to a more sustainable economy in alignment with the SDGs. We do this because we believe such companies will provide better value creation for shareholders and other stakeholders over time.

Assessing alignment with the SDGs is not a box-ticking exercise for us, but rather an important part of our investment process. We have developed an in-house framework for evaluating companies' business models and scoring the extent to which they contribute to, or detract from, the 169 associated targets of the SDGs. Our methodology for assessing SDG alignment is presented in more detail in the chapter Our Investments.

Once assessed, sustainability characteristics of investee companies' business models are balanced with price, risk and governance considerations in portfolio construction.



ESG integration

ESG refers to environmental, social and governance issues that companies encounter in their business activities. ESG relates primarily to processes in a company, rather than the products or services it provides. We expect companies we invest in to have good ESG practices embedded in their processes, including how they treat their employees, manage natural resources and work on behalf of shareholders and other stakeholders.

We assess companies' handling of material ESG risks and opportunities and score their performance across a range of ESG metrics in relation to global industry peers. We do not rely on scores from external data providers, but rather collect and score company metrics ourselves. These in-house ESG scores and underlying metrics are incorporated in our investment and ownership activities.

ESG metrics we assess

Pillar	ESG Category
 <p>Environmental</p>	<p>GHG CO2 Emissions Intensity per Sales Water Intensity per Sales Waste Generated per Sales SOx Emissions per Sales NOx Emissions per Sales</p>
 <p>Social</p>	<p>Female % of executives Female % of employees Staff turnover (%) Sick Leave (%) TRIF (total recordable injury frequency)</p>
 <p>Governance</p>	<p>Independent directors (%) Female Board members (%) Director average age Director meetings attended (%) Board size</p>

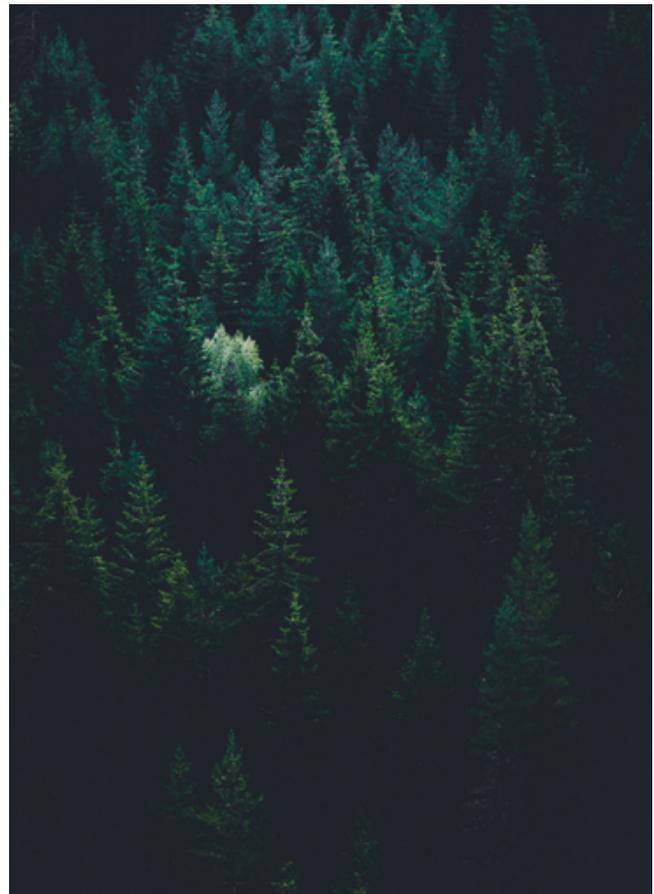
Active Ownership

In addition to being an active investor, CARN is an active owner. As such, we aim to vote at all shareholders meetings at companies in which we are a shareholder at the time of the meeting. This is an important right to be exercised by shareholders.

While the opportunity to vote may only happen once a year, ownership can be exercised at any point, and often continuously, throughout the year through dialogue with portfolio companies. We make good use of our contact and meetings with management to better understand the companies and their strategies, risk management and growth prospects. It also gives us the opportunity to bring up issues that we as an owner think are important, from capital structure and strategy to accounting practices, sustainability topics and corporate governance.

Affiliations and Memberships

Sustainable investment is a rapidly developing field and CARN wants to contribute to, and learn from, emerging best practices in the industry. We have therefore chosen to participate in a selection of initiatives that we see as leading in the area of sustainability.



Organisation	Description	CARN status
Norsif www.norsif.org	Norsif (Norwegian forum for responsible and sustainable investments) is an independent association of asset owners and asset managers, service providers and industry associations with interest in, and activities related to, responsible and sustainable investments.	Member
Nordic Swan Ecolabel www.svanen.se/en/funds	The Nordic Swan Ecolabel (Svanemerket) is the official ecolabel of the Nordic countries. Investment Funds and Investment Products is one of 60 product groups covered by the Ecolabel.	License holder (both funds)
CDP www.cdp.net/en	CDP is a not-for-profit charity that runs the global disclosure system for investors, companies, cities, states and regions to manage their environmental impacts.	Signatory



4

Our funds
in 2020

Navigating in turbulent times

2020 was a challenging yet rewarding year for an active fund manager like CARN. The extreme market turbulence caused by the Covid-19 pandemic – not seen since the Financial Crisis – was a reminder of the inherent risk of volatility and fear that periodically grip equity markets.

If we think back to the latter part of Q1 2020, we remember a roller-coaster ride in the markets riddled by unprecedented volatility and psychological swings ranging from the deepest of fears to (misguided) hopes of an early recovery by Easter. From February 19th to March 23rd, the S&P experienced the fastest drop in history, falling 34% and then gaining 18% over three days. The Nordic Equity market measured by MSCI Nordic Icl fell 30%, then gaining 15% over the same period. This provided a steep learning curve for even the most seasoned equity investors.

As in any crisis, it offers valuable insights into how a portfolio behaves in times of stress, and perhaps more importantly how the investment team adapts to new information and rotates the portfolio accordingly.

Positioning

During sharp corrections, share price correlations tend to rise and both good and bad companies fall indiscriminately. However, there are usually differences based on sectors and company-specific factors, which is why stock picking is paramount. Coming into this crisis, our portfolio composition was on the defensive side, i.e. we held more resilient businesses in the long book versus the short book in our hedge fund Latitude. This positioning was intentional and one we have held for quite some time as markets have become increasingly expensive. The strategy paid off during the market correction, and our long positions fell considerably less than our short positions, contributing positively to our overall performance.



In periods of turbulence, we find the need to be even more agile and proactive.

Stock picking

In periods of turbulence, we find the need to be even more agile and proactive in seeking out and acting on new information. We moved quickly during the early days of the pandemic to understand and adjust our fund's exposure accordingly. We spent a considerable amount of time simulating different financial scenarios for the portfolio companies in an attempt to understand and quantify the operational risks involved with the pandemic.

Some direct exposures to Covid-19 were obvious, like for instance in the case of **Scandic Hotels**. With sales highly dependent on corporate travel and tourism and a sticky cost base of rental commitments and full-time employees, it was clear that Scandic had everything to lose if the pandemic worsened. As a result, we sold about 80% of our holding in the final week of February. The decision to significantly reduce our holding was based on a downside scenario that if materialized would put the company under such extreme operational stress that additional financing would be needed. This was not a risk we were willing to take.

Our worst-case scenario became reality: travel restrictions turned to full lockdowns and occupancy rates at hotels dropped to unprecedented levels of

10-15%. As for Scandic, it will most likely incur heavy losses in 2020 with a need for additional financing. That said, we do expect Scandic to get through this crisis, with the strong support from local Nordic governments with large stimuli packages and a virus-risk that we hope will recede over time.

The exposure and risks related to Covid-19 have not been as clear-cut for all of our portfolio companies. **Coor Service Management** for instance, a leader in integrated facility management services, has 80% of its revenues on a recurring subscription model with blue-chip companies in addition to strong cash flow generation. It is also in challenging times historically that Coor has won many of its contracts as companies seek to cut costs and outsource even more. In hindsight, we should have been more humble as to how the markets, fueled by fear, would punish Coor's share price for its exposure to canteens and variable contract components.

While we did reduce our exposure in mid-February, this was clearly not enough. At current price levels, however, we believe Coor offers an ever more attractive risk/reward profile, and we have increased our position and we closed out the year with Coor as our largest holding.



The market turbulence also offered several attractive entry points into high quality, sustainable companies that have long been on our watchlist, but that we have deemed too expensive in the past. **Sweco** is one such example; a Nordic powerhouse within technical engineering consultancy which is paving the way for a greener and more sustainable infrastructure build-out in Europe. Sweco's near 40% share price drop from peak to trough was an overreaction in our view, and we took advantage of the drop to buy shares in the company.

Aside from the more fundamental portfolio adjustments touched upon above, we also took some smaller, opportunistic positions in companies that were well positioned to benefit from Covid-19. One such position was **Baticguard**; a Nordic leader in specialty coated catheters that help prevent urinary tract infections.

The company has also developed a highly effective antibac solution called Hydrocyn, which studies have shown to be effective in killing previous corona virus strains.

As the pandemic epicenter moved from Europe to the US, we tried to account for this risk in our portfolio composition. We even managed to find opportunities in companies that stood to benefit from the combination of Covid-19 and a high US exposure. One such company is **Kahoot!**; a global market leader of online game-based learning applications. With a highly scalable and asset light business model, and with nearly 50% of sales from North America, the company remains well positioned to benefit from the increasing demand for digitalization and distance-learning. Both trends are structural in nature and have been propelled further by Covid-19.

CARN Latitude



Performance	2020	
	YTD	Since Inception (annualized)
CARN LATITUDE	39.7 %	16.3 %
Nordic Equity Hedge Index (NHX Equities)	14.5 %	5.5 %
VINX Nordic NOK	25.3 %	11.6 %
MSCI Nordic (Local Currency) Net Index	14.6 %	8.4 %

Performance

During 2020, the fund was up 39.7% with an average net exposure of 70%. Over the same period, the Nordic Equity Hedge Fund Index is up 14.5% and the MSCI Nordic equity market (local currency) is up 14.6%.

Top positive contributors in 2020 were Zaptec, Kahoot!, AcadeMedia, Sweco and Quantafuel. Top negative contributors were NRC Group, Webstep and three short positions within Consumer Discretionary, Financials and Health Care.

Case studies

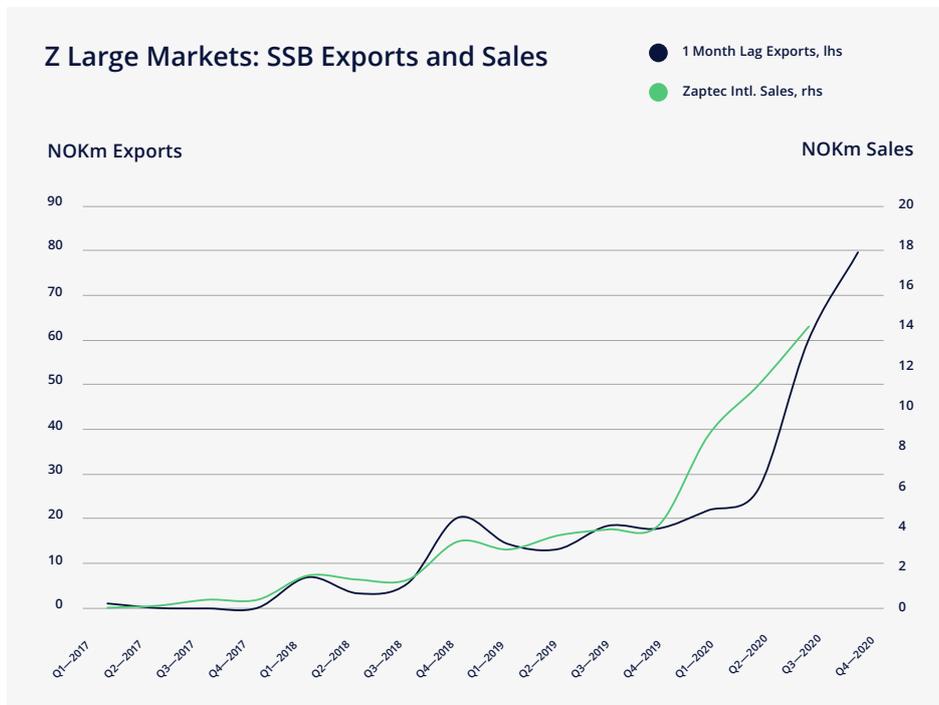
Zaptec - a provider of electric vehicle (EV) smart chargers - was added to the portfolio in October 2020 during its listing and exited during January 2021. The three most important earnings drivers for Zaptec are (1) electric vehicle adoption, (2) smart charging penetration, and (3) Zaptec's market share. Our research suggests that as a result of increased penetration, the growth in the market for smart chargers will experience a whiplash effect relative to the growth in the market for electric vehicles. This could enable significant revenue growth for Zaptec in the coming years.

When evaluating Zaptec’s short-to-medium-term momentum, we found certain statistics to be particularly useful and forward-looking. Currently, approx. 70% of sales are in Norway and hence both registration and import statistics of electric vehicles are leading in nature. International sales, on the other hand (ca. 30% of sales) is the key growth driver, and for this we have analyzed export statistics as the chargers are locally produced in Norway. Looking at aggregate export numbers was, however, not very useful, and we therefore spent multiple sessions with Zaptec’s management to understand and develop a relevant weighting per country.

Operational momentum remained strong for Zaptec post-listing, and in December, the company yet again raised its guidance for 2020 sales growth (twice in less than a month); from between 25-30% to 35%. This implied a fourth quarter growth of 54% which we found

impressive. On the other hand, we were not all that surprised of Zaptec’s increased guidance. As illustrated in the chart below, Norwegian export statistics of EV chargers to key Zaptec markets remained strong through November, and both import statistics of EVs and newly registered EVs in Norway have also been satisfactory.

In sum, our leading indicators were all supportive of a stellar fourth quarter. That said, after a significant share price appreciation (up over 300% since IPO in early October), we found it increasingly difficult to justify Zaptec’s valuation, both from a traditional discounted cash flow basis and on income statement multiples. We were also wary of the risk of increased competition within the EV charger space and potential negative effects on Zaptec’s longer-term margins. We therefore took profit and reduced our position through December before exited in January 2021.

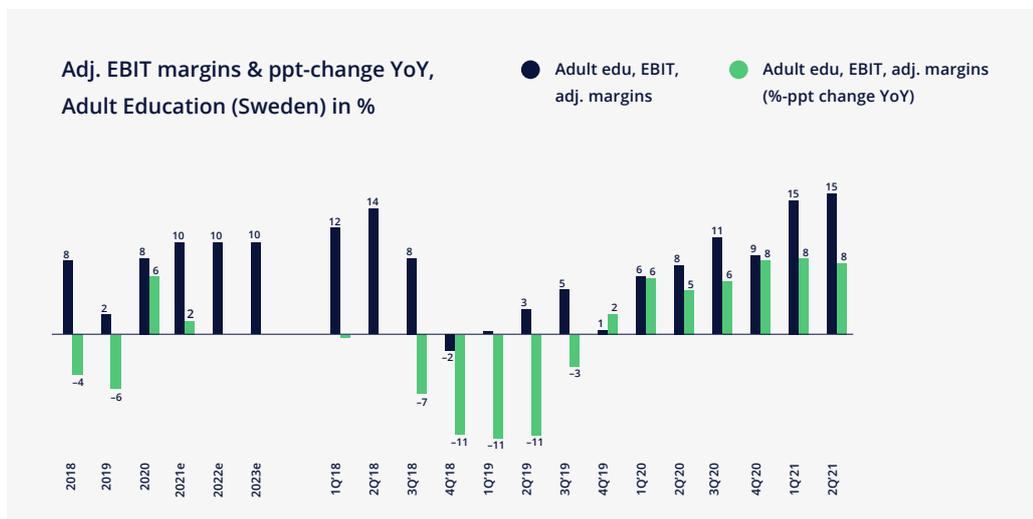
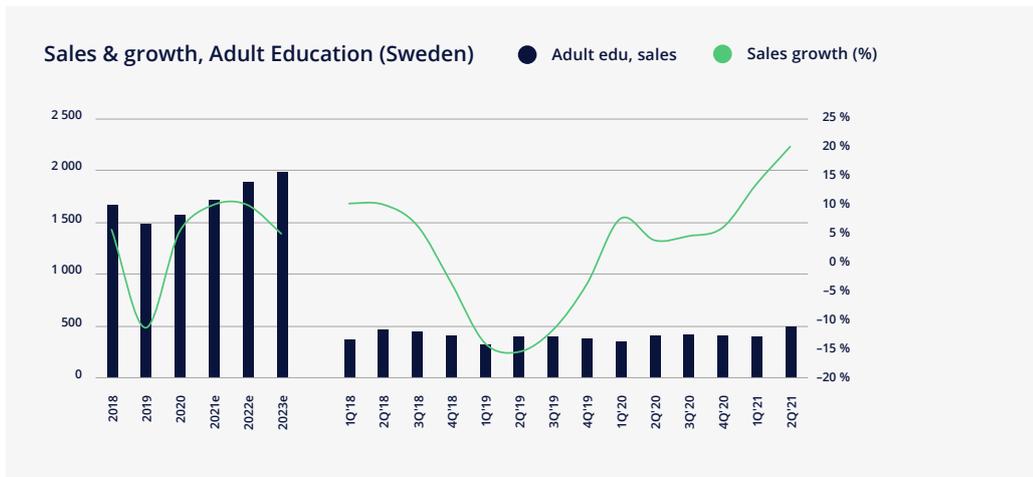


Acede Media our leading independent education provider in the Nordics – has had strong operating momentum through 2020, especially post the pandemic outbreak in its Adult Education segment given the somber backdrop of high unemployment rates in Sweden (See illustrations next page).

Its quarterly results have outperformed market expectations for six consecutive quarters. For example, AcadeMedia’s latest earnings release showed a strong organic growth was a strong 7.3%. Adj. EBIT margins continued its expansion by 1.9-percentage points to 6.5%, almost 30% above market expectations, with the Adult Education segment driving the improvement. The result was an adj. EPS of 1.58 kroners per share, up 60% year-over-year and forward price-earnings multiples of between 13-14 times.

On top of this, free cash flow remained strong given a solid net working capital position and low maintenance capex (only 1.8% of sales). The company’s financial position hence improved with NIBD/adj. EBITDA reaching a new low of 1.4-times (versus max level of 3-times). This allows for ample leg-room for M&A-expansion. All management financial targets have now been reached, and it is perhaps time that they are lifted further.

Looking forward, we believe in strong operating momentum into the next quarter(s) on both sales (organic and potential M&A) and margins. At high single-digit price-earnings multiples, we view AcadeMedia as attractively priced.



CARN Latitude key fund metrics

Top 5 Long Positions (% of NAV), per 31.12.2020

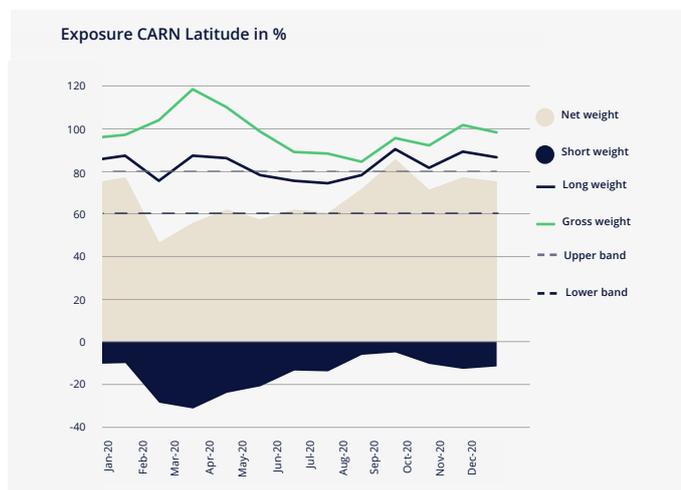
Company	Sector	Size
Coor Service Management Holding AB	Industrials	7.0
Borregaard ASA	Materials	5.8
AcadeMedia AB	Consumer Discretionary	5.7
Essity AB (publ)	Consumer Staples	5.6
Greater Than AB	Information Technology	4.3
Total		28.4

Top 5 Positive Contributors (% of NAV)

Company	Contribution to Portfolio Return	Average Portfolio Weight
Zaptec	5.1	2.2
Kahoot!	3.8	1.6
Academedia	3.4	5.4
Sweco	2.9	3.3
Quantafuel	2.8	1.9

Top 5 Negative Contributors (% of NAV)

Company	Contribution to Portfolio Return	Average Portfolio Weight
NRC Group	-2.1	2.7
Consumer Discretionary	-1.3	-1.3
Webstep	-1.0	2.0
Financials	-0.8	-0.7
Health Care	-0.7	-1.2



CARN Longitude

On November 10th, we were proud to launch our new fund called **Longitude**. Longitude is a long-only fund that invests in the long-book of our flagship long-short fund **Latitude**. It differs from Latitude in that it is without short positions and aims to be fully invested in sustainable Nordic companies. Below, we provide a summary of key performance and fund metrics.

Performance

Since launch 10th of November 2020, CARN Longitude is up 9.7%. The Nordic Equity market (as measured by VINX Nordic Cap Net in NOK) is up 2.5% during the same period.

Top 5 Positions (% of NAV)

Company	Sector	Size
Coor Service	Industrials	7.7
AcadeMedia	Consumer Discretionary	6.6
Borregaard	Materials	6.4
Essity AB	Consumer Staples	6.0
Vestas Wind Systems	Industrials	4.2
Total		31.0

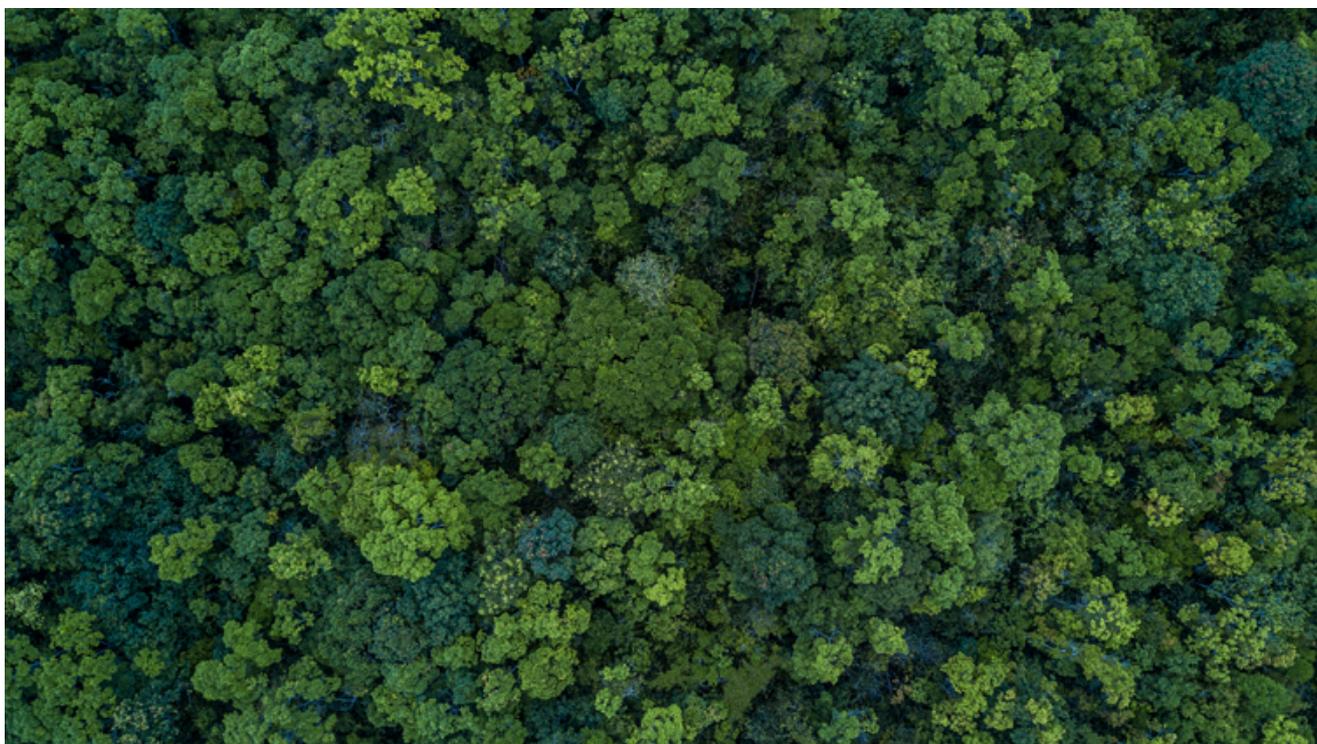
Top 5 Positive Contributions (% of NAV)

Company	Contr	Size
Zaptec	2.2	2.1
Nordic Entertainment Group	1.9	4.6
Nanoform	1.4	2.0
Kahoot!	1.1	2.1
NRC Group	0.9	1.9

	2020
	YTD
CARN LONGITUDE	
Inception 10 November 2020	9.2%
VINX Nordic NOK	
Inception 10 November 2020	2.5%

Since launch 10th of November 2020, CARN Longitude is up 9.7%. The Nordic Equity market (as measured by VINX Nordic Cap Net in NOK) is up 2.5% during the same period.

Fund sustainability metrics



SDG and ESG assessments

Each company where CARN has a long position is subject to a sustainability analysis using our internally developed and multifaceted framework. This includes an assessment and scoring of each company in terms of alignment with the UN SDGs as well as in relation to more operational ESG metrics.

In the SDG analysis, we aim to measure the alignment of a company’s business activities with the 169 associated targets of the SDGs. In our ESG analysis we assess a company’s performance on relevant ESG metrics against sector references and create individual E, S and G scores as well as an aggregate ESG score per company. Where relevant, ESG metrics are weighted based on their materiality for companies in each sector.

Finally, we combine the SDG alignment score with the ESG score to create an overall Sustainability score per company. The final, combined score is a weighted average of the SDG and ESG scores, based on an internal weighting scheme.

ESG Score	Sector percentile	CARN Assessment	Impact	SDG Score
3	>80 %		High	3
2	70-80 %	Positive	Medium	2
1	60-70 %		Low	1
0	40-60 %	Neutral		0
-1	30-40 %		Low	-1
-2	20-30 %	Negative	Medium	-2
-3	<20 %		High	-3

Our portfolio

Aggregate portfolio sustainability scores

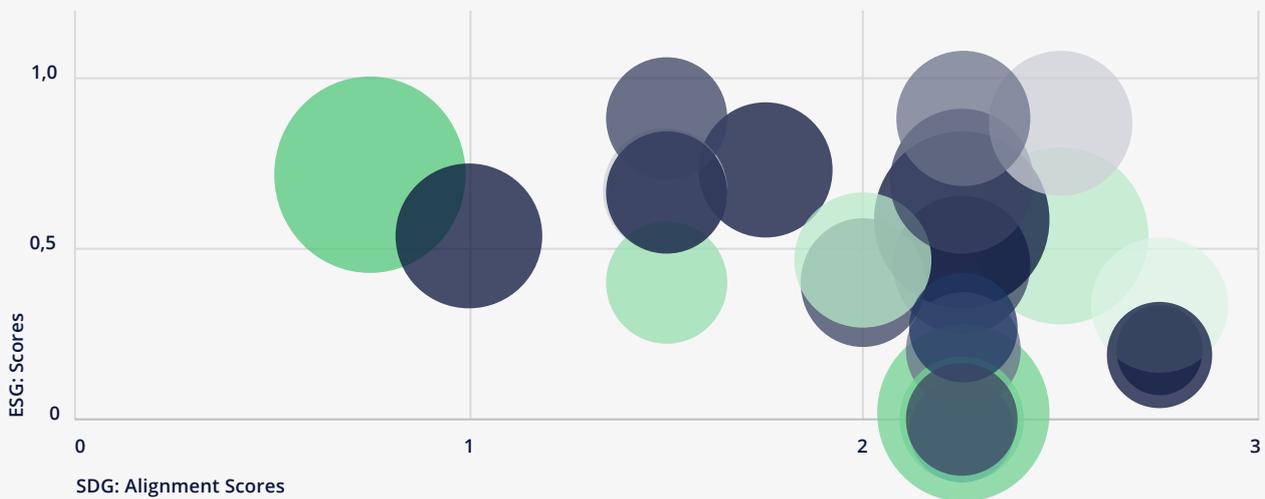
All scores range from -3 to +3

	ESG score	SDG score	Combined Sustainability score
CARN long positions weighted average scores	0.4	1.9	1.5

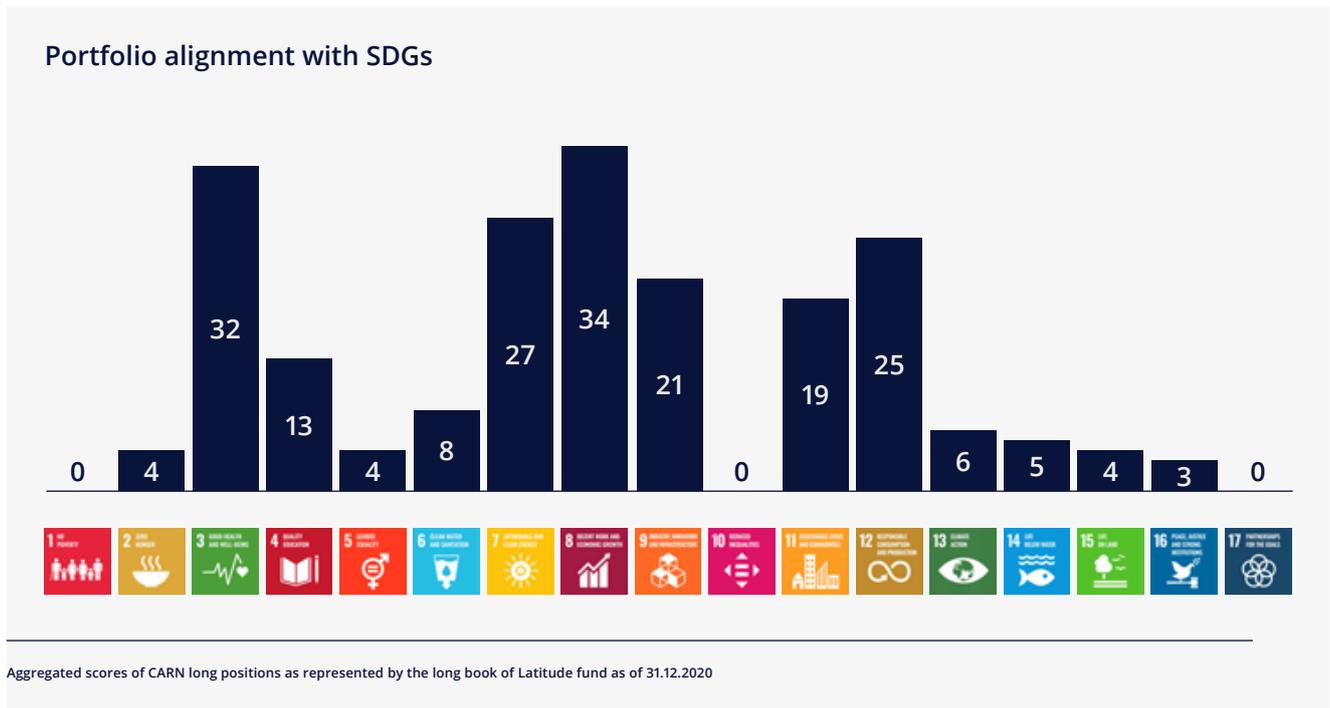


CARN long positions as represented by the long book of Latitude fund as of 31.12.2020.
All scores based on Internal scoring framework.

SDG and ESG scores of long positions



Scores of long positions in Latitude fund as of 31.12.2020. SDG score is absolute while ESG score is relative to industry with 0 being average.

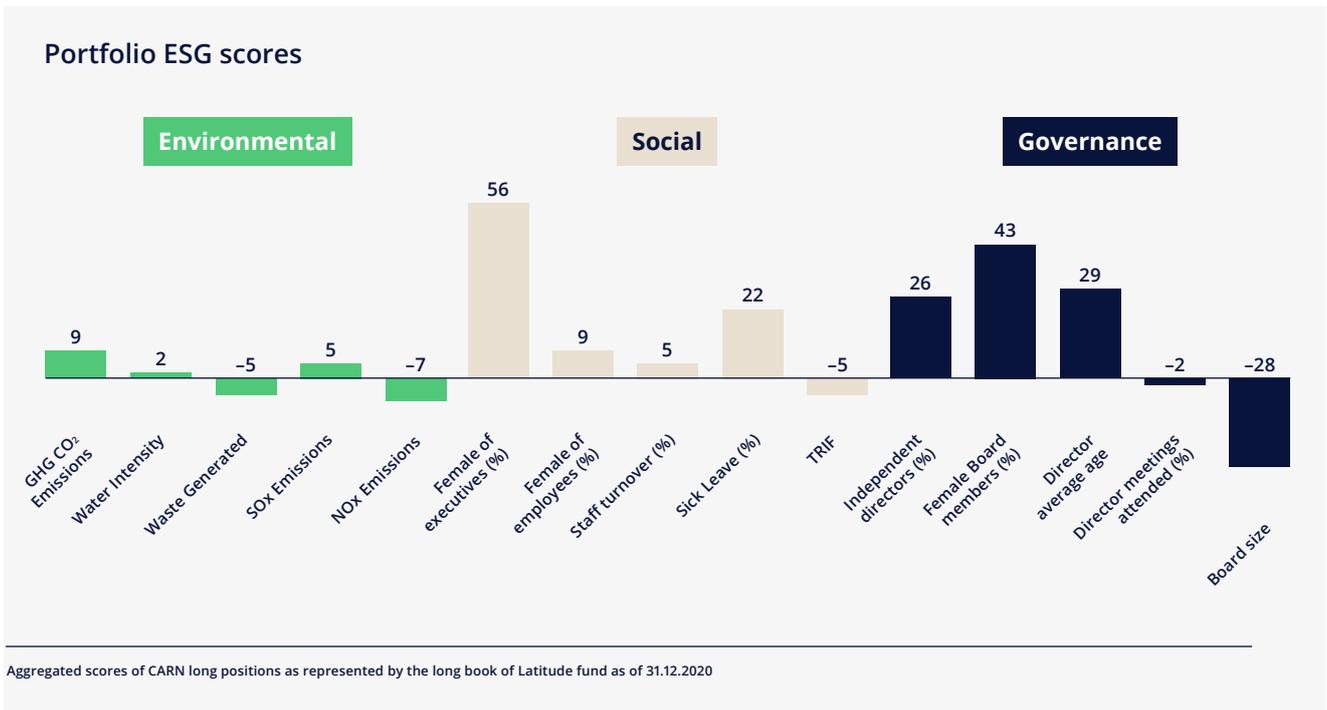


Portfolio alignment with SDGs

CARN does not target alignment with specific SDGs in our search for quality companies to invest in. We do, however, assess the extent to which companies we invest in have business models aligned with, or in support of, any of the SDGs and their associated targets.

At an aggregate level, companies in our portfolio provide exposure to almost all of the SDGs. Overall, our portfolio has the strongest alignment with SDGs 3, 7, 8 and 12.





Portfolio ESG scores

Overall, our portfolio scores well on most ESG metrics in relation to global industry peers, though there is room for improvement on certain metrics. One area where we see companies scoring particularly poorly is in terms of board size. However, this is because we have a number of smaller companies in our portfolio and they will often have smaller boards than larger international peers.

We consider each company's scores on an individual basis, and where we see below average performance on metrics deemed material for a certain company, this will be a topic we address in dialogue with company management.



Sustainability profile: top 10 long positions

Company	CARN Sustainability score	Analysis
Coor Service Management www.coor.com	0.7	Coor supports clients in reducing environmental impact and improving resource utilization, including in relation to energy management and reducing food waste. The company also scores well on gender diversity and several governance indicators relative to industry peers.
Borregaard www.borregaard.com	1.8	Borregaard uses natural and renewable raw materials as key inputs in the production of advanced biochemicals. Its end-products also substitute oil-based alternatives. The company scores high in terms of both SDG alignment and good ESG practices.
AcadeMedia www.academedias.se	1.9	AcadeMedia is the leading independent education provider in Northern Europe and contributes to the education of both children and adults. The company scores extremely well on gender diversity and above industry average on a range of social and governance KPIs.
Essity www.essity.com	1.6	Essity manufactures and sells products that positively impact people's health and well-being globally and the company is strongly SDG-aligned in our view. Essity's strong focus on resource efficiency and sustainability have also resulted in a positive ESG score.
Greater Than www.greaterthan.eu	1.4	Greater Than has developed advanced AI technology for use in the auto insurance industry that contributes to more efficient insurance pricing and safer and more environmentally friendly driving, resulting in a reduction in both car accidents and CO ₂ emissions.
Vestas Wind Systems www.vestas.com	2.0	Vestas is driving the technological development and implementation of wind power worldwide and plays an important role in increasing renewable energy capacity globally. The company is also a strong performer on operational ESG metrics in relation to peers.
Nordic Entertainment Group www.nentgroup.com	0.9	Nordic Entertainment Group promotes local content, diversity and culture through its strong in-house production division and sports division and online distribution platform. The company has strong performance on social indicators including gender diversity.
Schibsted www.schibsted.com	1.8	Schibsted is a major player in online marketplaces and media in Scandinavia and plays an important role in second-hand trade and the reuse of goods—both critical to a circular economy. The company also scores above industry average on several metrics related to social and governance issues.
Kalera www.kalera.com	2.0	Kalera uses advanced technology in vertical farming to produce lettuces and herbs with a dramatically reduced environmental footprint when compared with traditional farming. In addition to using less water, energy and chemicals in its own production, the company also helps reduce food waste and greenhouse gas emissions associated with long distance transportation.
Inwido www.inwido.com	1.7	Inwido, a leading window manufacturer in Europe, has a business model well aligned with the SDGs since replacing older windows in existing building stock can contribute significantly to energy savings and reduce greenhouse gas emissions. Strong recycling and raw material sourcing practices also contribute to the company's positive sustainability score in our framework.

Top long positions in Latitude as of 31.12.2020. Longitude is a carve-out of the long book in Latitude and holdings will therefore be similar, correcting for the shorts in Latitude in addition to practical considerations such as trading and liquidity constraints. The CARN Sustainability score is a weighted average of our in-house SDG and ESG scores, ranging from -3 to +3.

Active ownership

Our ownership activities include both voting our shares at shareholders meetings and pursuing a dialogue with portfolio companies on relevant financial, strategic, sustainability and governance topics.

Voting

In 2020, CARN voted at 83% of the annual general meetings (AGMs) of portfolio companies where we were a shareholder at the time of said meeting. All resolutions were evaluated by CARN in-house and voting was carried out directly (in person) or via our custodian. For the 17% of the AGMs where we did not vote, this was due to reasons including lack of proxy access for CARN, voting being prohibitively expensive and COVID-related complications.

Dialogue

Dialogue with the management of current and prospective investment gives us an opportunity to better understand the companies and for the companies to understand our priorities and expectations as an owner. In 2020 we had a total of 85 company meetings with 55 different companies. ESG issues were a main topic of discussion at 18 company meetings.



	Number*	%
AGMs voted at	19	83 %
Did not vote at	4	17 %
Total	23	100 %

*Companies where CARN was a shareholder on the date of the 2020 AGM.

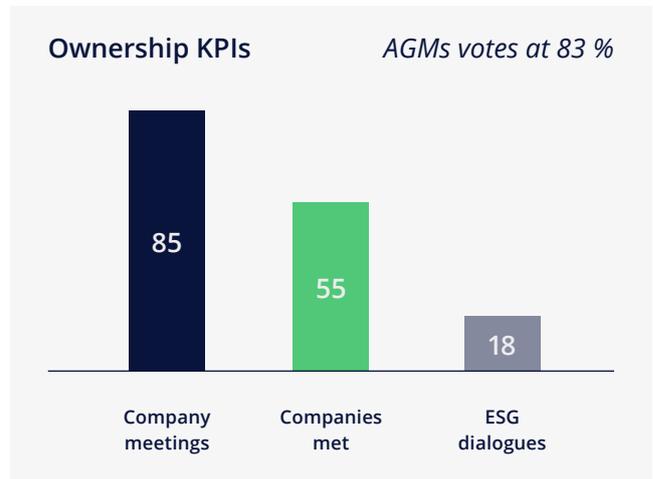


Sustainability disclosure dialogue

Sustainability disclosure was a recurring topic in our dialogue with portfolio companies. High quality disclosures on sustainability strategies, material ESG metrics and targets and exposure to green or SDG-aligned activities are all integral to our understanding of portfolio companies. We actively encourage companies to disclose this information to the market. We also support the work of CDP in their efforts to improve the quantity and quality of environmental data disclosed by corporations.

Exclusion

We continuously monitor our portfolio and universe for companies and activities that may qualify for exclusion. CARN did not exclude any new companies from our funds in 2020.



CARN CAPITAL

carncapital.com

linkedin.com/carn-capital