ENTROPICS
Asset Management AB

Monthly Report
July 2017

SEF Entropics Cat Bond Fund – Class A

Performance[1]

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2015	0.00%	-0.07%	0.05%	0.08%	-0.06%	-0.14%	0.20%	1.20%	1.13%	-5.84%	0.06%	0.10%	-3.42%
2016	-0.11%	3.22%	0.24%	0.31%	0.18%	0.41%	0.36%	0.91%	0.76%	0.07%	0.05%	-0.04%	6.50%
2017	0.05%	-0.09%	0.00%	0.03%	-0.09%	0.18%	0.40%						0.49%

Manager's Notes

The fund's performance in July is a result of tightening spreads and coupons. July showed relatively high activity in the secondary market. According to FINRA's Trade Reporting and Compliance Engine (TRACE), approximately 40 bond classes have been traded and these include the majority of risks in the market.

In July the fund settled one new position in the secondary market. The bond is sponsored by the US insurer Allstate and covers U.S. named storms and earthquakes, including fires following. It was originally issued in 2014 and has approximately one year remaining to maturity. One position in the portfolio expired that covered U.S. and Puerto Rico named storms, and U.S. earthquakes.

In the primary market we saw two larger deals priced. One of these was the first catastrophe bond by the World Bank's Pandemic Emergency Financing Facility (PEF) and covers pandemics. The bond was issued in two tranches paying 6.9% and 11.5% respectively above the risk free rate. The size of the bond was 325 million USD. The funds current mandate covers catastrophic events caused by natural disasters (e.g. earthquakes and windstorms) but we are continuously evaluating new perils such as pandemics. The second issuance is covering AmTrust Financial Services and its subsidiaries against claims concerning U.S. named storms, U.S. earthquake, and Canada earthquake. The bond priced at 3.75% above risk free rate and the bonds value was 100 million USD.

In addition Mexico returned to the cat bond market with a bond issued by the International Bank for Reconstruction and Development (IBRD). The bond was issued in three tranches covering earthquake, Atlantic named storms, and Pacific named storms respectively. The tranches pays 4.5%, 9.3% and 5.9% respectively. The fund subscribed for positions in all three tranches. The volume was in total 360 million USD.

The fund's total number of positions amounts to 56 (53) and the YTM is 5.54%.

Portfolio Summary[2]

Yield to Maturity	5.54%
NAV	103.36
YTD	0.49%
Last 3 months	0.50%
Last 12 months	2.26%
Since Inception 2/16/15	3.36%
Volatility	–
Active Share	57.5%
AUM (SEK M)	225
Cash Allocation	4.0%
Number of Cat Bond positions	56
Solvency Capital Requirement (SCR)	11.55%

Maturity Profile

1) 0Mo - 6Mo Maturity	7%
2) 6Mo - 1.0Yr Maturity	15.5%
3) 1.0Yr - 2.0Yr Maturity	15.4%
4) 2.0Yr - 3.0Yr Maturity	43.3%
5) > 3.0Yr Maturity	18.8%

Annualized Risk Characteristics

Portfolio Expected Loss	1.96%
VaR (90%)	4.73%
VaR (95%)	11.43%
VaR (99%)	33.43%
TVaR (99%)	38.67%
Probability of 0% PL	67.44%

Historical Event Loss Analysis–

Most severe impact on the portfolio[4]

1906 San Francisco CA	27.7%
1926 Great Miami	19.8%
1812 New Madrid MO	15%
1700 Cascadia Subduction Zone Offshore of BC	12.5%
1994 Northridge CA	10%

Asset Class Financial Indicators[5]

	Annualized Volatility	Sharpe Ratio
Swiss Re Cat Bond Total Return Index	2.47%	3.05
Barclays BA US High Yield TR index value unhedged	8.51%	0.96
S&P 500	18.40%	0.50

Portfolio Risk Profile[3]

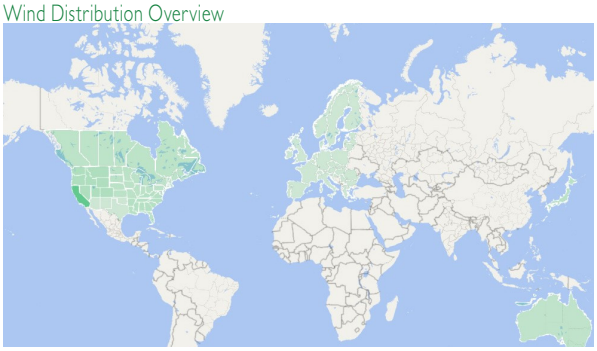
Wind Exposure

Australia	1.47%
Canada	0.00%
Europe	3.10%
Japan	1.74%
US Midwest	0.38%
US Northeast	14.94%
Florida	26.31%
Other US Southeast	13.32%
US Southwest	8.46%
US West	3.24%
Other	0.51%
Total	*73.48%*

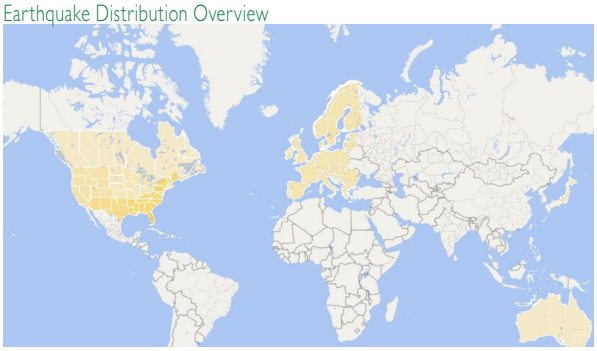
Earthquake Exposure

Australia	0.24%
Canada	0.64%
Europe	0.00%
Japan	1.08%
US Midwest	0.76%
US Northeast	0.44%
US Southeast	1.76%
US Southwest	0.00%
California	17.84%
Other US West	2.95%
Other	0.81%
Total	*26.52%*

Wind Distribution Overview



Earthquake Distribution Overview



Responsible investment key indicators[6]

Purpose	% of positions
General property	65.7
Insurer of last resort	19.2
Public services	4.0
Mutual Insurance	3.1
Disaster relief	3.0
Problematic purposes	0.0

Problematic Entities	% of positions
Sponsor	0.0
SPV domicile	0.0
Collateral currency	0.0
Collateral instrument	0.0

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SEF Entropics Cat Bond Fund

SEF Entropics Cat Bond Fund is an actively managed fund that invests in global reinsurance risks covering natural catastrophes (Cat Bonds). The Fund aims for a good risk adjusted return with very low correlation to other asset classes and good diversification among the underlying insurance risks.

The web site en.entropics.se provides additional information on the SEF Entropics Cat Bond Fund, including the Key Investor Information Document (KIID) and the Fund's prospectus.

Historical return is not a guarantee for future returns. The money you invest in the Fund can increase as well as decrease and you cannot be certain to have the full investment returned.

Share Class	A
Currency Class	SEK
Base Currency	SEK
Inception	2/16/15
Performance Target	4-6%
Fund Domicile	Luxembourg
Fund Structure	SICAV
Fund Regulation	UCITS
Liquidity	Fortnightly
Minimum Initial Investment	SEK 90 000
Minimum Subsequent Investment	SEK 1 000
Current Entry Charge	0%
Performance fee	10%
Hurdle Rate	SSVX90, High Watermark
Management Fee	1.00%
ISIN Number	LU1138350522

Entropics Asset Management

Entropics Asset Management AB is the first Scandinavian asset manager specialised in Cat Bond investments.

The team has broad experience from asset management, underwriting, meteorology, underwriting, cat claims settlements and financial mathematics.

Entropics is licensed by and under the supervision of *Finansinspektionen*, the Swedish Financial Supervisory Authority.

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Information on Risk Metrics

The risk measure for Cat Bonds and thus for Cat Bond portfolios is closely linked to reinsurance terminology. The following terms describe, briefly, the central portfolio risk metrics used by Entropics.

Principal (Π_0): The Principal of a Cat Bond is the amount deposited as collateral for the bond's reinsurance commitment. A portfolio's total principal (Π_0) is the total amount exposed to damage events and, thus, generating returns.

Loss (L) and Loss Ratio ($x=L/\Pi_0$): The total loss (L) is a monetary value, and to the Loss Ratio $x= L/\Pi_0$ is a relative measure of the loss size, with a range of 0–100%.

Probability of Attachment (P_{ATT}): P_{att} describes the probability that a portfolio will sustain any damage at all. This probability generally increases with the number of (uncorrelated) bonds in the portfolio.

Probability of 0% Loss (P_0): P_0 is simply the probability of no loss at all and its relation to P_{att} is thus $P_0=1-P_{att}$.

Probability of Exhaustion (P_{EXH}): Indicates the probability that the portfolio sustains a damage equal to the entire principal Π_0. P_{exh} is only notable for portfolios with few bonds. For portfolios with many (uncorrelated) bonds, it is all but infinitesimal.

Expected Loss (EL): The mean loss of a Cat Bond or a portfolio of Cat Bonds. Actual losses will often be 0% (as described by P_{att}), but losses, when occurring, will often be considerably larger than EL. The loss thus in general shows considerable variation around the mean loss EL.

Standard Deviation (σ): To express the volatility of loss around the mean EL, the standard deviation of the loss, σ,is used.

Variation Coefficient ($\mu= \sigma/EL$): The variation coefficient describes the volatility in relation to the mean loss, EL. The coefficient increases with the volatility of the portfolio.

Exceedance Probability (EP): Though the EL generally is low and the probability of no loss is high, actual losses have a wide spread. EP(x) is the probability that a loss is equal to or bigger than the loss ratio x. EP is usually on a yearly basis and is presented as a function of the loss ratio x.

Loss Distribution (Q(x)): Q(x) is the probability distribution of the loss and is calculated as Q(x)=-EP'(x).

Value at Risk (VaR): VaR(Y) is the loss that with the probability Y is not exceeded on a yearly basis.

Tail Value at Risk (TVaR): TVaR(Y) is the mean of all losses exceeding VaR(Y). Mathematically, this means that $TVaR(Y)=\frac{\int_{VaR(Y)^+}^{\infty} x\cdot Q(x)dx}{\int_{VaR(Y)^+}^{\infty} Q(x)dx}$

Footnotes

1. Performance is reported by Swedbank AB and reflects the Fund's Net Asset Value after fees
2. Yield to Maturity is calculated before applicable fees. In accordance with the Solvency 2 directive, a cat bond investment is considered as an insurance risk on the asset side. The Solvency Capital Requirement, SCR (as a monetary amount) for this specific risk is calculated as a percentage of the Assets Under Management (AUM).
3. Risk distribution and profile are calculated by portfolio modelling in AIR CATRADER, being the industry standard tool used by asset managers and re-insurers worldwide to model and analyse catastrophe bonds and other insurance linked securities.
4. The historical event loss analysis describes the loss as a percentage of the portfolio if these events were to occur today.
5. Financial key figures are based on ten years weekly data from Bloomberg.
6. A description of the RI indicators can be found at Entropics' blog: http://en.entropics.se/blog/how-to-interpret-entropics-indicators-for-responsible-investments/