

SEF Entropics Cat Bond Fund – Class I

Performance¹

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2017				0.05%	-0.06%	0.20%	0.43%	0.56%	-5.53%	1.35%	-0.44%	0.04%	-3.52%
2018	0.90%	-1.28%	-0.47%	0.30%	-0.04%	0.35%	0.17%						-0.08%

Manager's Notes

In July, the return was 0.17% for the institutional class (I), hedged to the Swedish Krona (SEK). Coupons and slightly increasing market prices contributed positively to the return. As the fund's assets are mostly nominated in USD, the difference between the US and the Swedish interest rates has given a negative contribution to share classes hedged to SEK of 170 forward points for the month of July.

In July, the total issuance volume amounted to \$1.1 billion from three bonds. The outstanding volume now amounts to the record level \$35.8 billion, compared to \$31 billion at the end of 2017. The fund has assumed two positions on the primary market. One of these was settled in July, while the other is settled in August. During this period, the fund has decreased the size of one position and another position has matured.

On the secondary market, seventy bonds have been traded, covering most perils, according to FINRA's Trade Reporting and Compliance Engine (TRACE). The North Atlantic Hurricane Season started officially on June 1 and is expected to contribute positively to returns in the coming months.

The indicators for responsible investments have been adjusted to be relative to invested amount rather than to the total assets. The share of mutual insurance has been adjusted upwards following the reclassification of assets that have previously erroneously been classified as "general property". Concerning "problematic purposes", we refer to the monthly report for June 2018.

Portfolio Summary²

Yield to Maturity	8.03%
NAV	96.40
YTD	-0.08%
Last 3 months	0.48%
Last 12 months	-4.19%
Since Inception 2/16/15	-3.60%
Volatility	—
Active Share	55.8%
AUM (SEK M)	223
Cash Allocation	7.3%
Number of Cat Bond positions	71
Solvency Capital Requirement (SCR)	11.86%

Maturity Profile

1) 0Mo - 6Mo Maturity	11.7%
2) 6Mo - 1.0Yr Maturity	4.3%
3) 1.0Yr - 2.0Yr Maturity	39.5%
4) 2.0Yr - 3.0Yr Maturity	29%
5) > 3.0Yr Maturity	15.6%

Annualized Risk Characteristics

Portfolio Expected Loss	2.05%
YaR (90%)	4.39%
YaR (95%)	11.14%
YaR (99%)	37.65%
TVaR (99%)	42.68%
Probability of 0% PL	59.92%

Historical Event Loss Analysis—

Most severe impact on the portfolio ⁴	
1906 San Francisco CA	30.1%
1926 Great Miami	21.5%
1812 New Madrid MO	17.8%
1700 Cascadia Subduction Zone Offshore of BC	15.1%
1994 Northridge CA	9.2%

Asset Class Financial Indicators⁵

	Annualized Volatility	Sharpe Ratio
Swiss Re Cat Bond Total Return Index	6.74%	1.03
Barclays BA US High Yield	8.38%	1.01
TR index value unhedged		
S&P 500	17.99%	0.68

Portfolio Risk Profile³

Wind Exposure		Earthquake Exposure	
Australia	0.00%	Australia	0.40%
Canada	0.00%	Canada	1.27%
Europe	3.46%	Europe	0.81%
Japan	1.98%	Japan	1.80%
US Midwest	0.24%	US Midwest	0.38%
US Northeast	13.44%	US Northeast	0.29%
Florida	26.85%	US Southeast	0.76%
Other US Southeast	10.16%	US Southwest	0.02%
US Southwest	8.89%	California	19.08%
US West	2.48%	Other US West	1.59%
Mexico	4.53%	Mexico	0.00%
Total	72.03%	Total	26.42%

Other perils 1.55%

Wind Distribution Overview



Earthquake Distribution Overview



Responsible investment key indicators⁶

Purpose	% of positions	Problematic Entities	% of positions
Disaster relief	3.3	Sponsor	0.0
General property	66.1	SPV domicile	0.0
Insurer of last resort	15.4	Collateral currency	0.0
Public services	4.4	Collateral instrument	0.0
Mutual Insurance	10.9		
Problematic purposes	2.2		

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	I
Currency Class	SEK
Base Currency	SEK
Inception	4/10/17
Performance Target	4-6%
Fund Domicile	Luxembourg
Fund Structure	SICAV
Fund Regulation	UCITS
Liquidity	Fortnightly
Minimum Initial Investment	SEK 20 000 000
Minimum Subsequent Investment	SEK 5 000 000
Current Entry Charge	0%
Performance fee	10%
Hurdle Rate	SSVX90, High Watermark
Management Fee	0.70%
ISIN Number	LU1138351504

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 occur-

ring, 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. "Other perils" includes perils other than wind and earthquake, e.g. wildfires and flooding. The portfolio can also include unmodelled risks, such as volcano eruptions and meteorite impacts, with extremely low and uncalculable frequency..

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/>