

**Performance (SEK)**

	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%	0.26%	-0.04%	-0.58%	-1.84%	-1.04%	-3.30%

**SEF Entropics Cat Bond Fund**

SEF Entropics Cat Bond Fund aims for good risk adjusted returns uncorrelated with traditional assets such as stocks and bonds. The fund invests in a globally diversified portfolio of reinsurance risks covering natural catastrophes with focus on hurricanes and earthquakes. The fund has a responsible and sustainable investment style.

*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. This report is not a recommendation to invest in the fund. Prior to an investment, you should consult the fund's key investor documentation available at [en.entropics.se](http://en.entropics.se) and other relevant documentation.*

**Manager's Note**

After two consecutive years with record insurance losses on the cat bond market, premiums continued to increase in December. For the fund, the risk premium (coupon before risk-free interest rate and excluding distressed bonds) increased by 16% compared to a year ago. The interest rate difference between Sweden and the US has contributed negatively by slightly more than 250 forward points. For the full year 2018, currency hedging affected the fund with slightly more than -2.50%.

No new liquid bonds have been presented on the primary market during the month. In addition we have seen a number of illiquid emissions beyond the investment mandate of the fund.

Activity has been relatively high on the secondary market and the increasing demands for returns have pressed prices. According to FINRA's Trade Reporting and Compliance Engine (TRACE), more than one hundred individual positions have been traded, several on multiple occasions. The fund has used the market situation and has assumed three positions. During the month, two positions have matured.

After the extreme natural catastrophes in 2017, Entropics has improved key performance indicators for the portfolio and increased its diversification. The number of positions has increased by 18 to 79 compared to a year ago.

**Contribution to Expected Loss**

Wind Exposure	
Europe	3.41%
Japan	2.54%
Mexico	4.73%
Florida	29.27%
US Southeast (excl. Florida)	10.19%
US Midwest	0.22%
US Northeast	13.36%
US Southwest	8.99%
US West	2.60%
Other	1.00%
<b>Total</b>	<b>76.31%</b>

**Earthquake Exposure**

Australia	0.41%
Canada	1.16%
Europe	0.78%
Japan	2.30%
California	14.74%
US West (excl. California)	1.77%
US Other	2.04%
Other	0.03%
<b>Total</b>	<b>23.23%</b>

**Other Perils**

California Wildfire	0.35%
Europe Inland Flood	0.11%
<b>Total</b>	<b>0.46%</b>

**Historical Event Loss Analysis**

1906 San Francisco CA	22.41%
1926 Great Miami	18.93%
1732 Montreal Region QC-Scenario...	16.25%
1700 Cascadia Subduction Zone...	11.33%
1812 New Madrid Seismic...	8.85%

**Annualized Risk Characteristics**

Portfolio Expected Loss	1.87%
VaR (90%)	3.81%
VaR (95%)	8.60%
VaR (99%)	31.20%
TVaR (99%)	35.80%

**Portfolio Summary**

Yield to Maturity	10.12%
NAV	93.30
YTD	-3.30%
Last 3 months	-3.43%
Last 12 months	-3.30%
Since Inception	-6.70%
Volatility	
AUM (MSEK)	241
Cash Allocation	8.96%
Number of Cat Bond Positions	79
Solvency Capital Requirement	11.80%

**Responsible Investment Key Indicators**
**Purposes (% of Cat Bond Exposure)**

General Property	65.9%
Mutual Insurance	12.3%
Insurer of Last Resort	14.5%
Public Services	3.1%
Disaster Relief	3.1%

**of which problematic purposes**

2.1%

**Problematic Entities (% of Cat Bond Exposure)**

Sponsor	0.0%
SPV Domicile	0.0%
Collateral Currency	0.0%
Collateral Instrument	0.0%

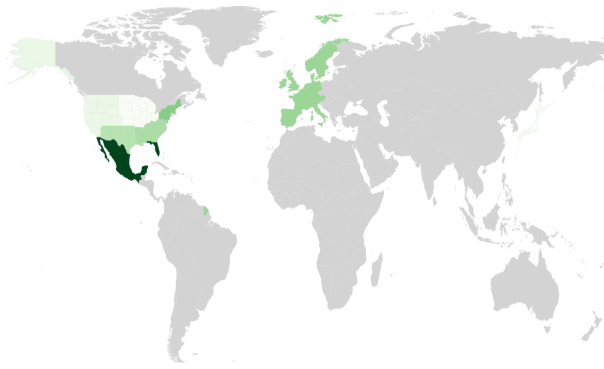
**Maturity Profile**

<= 6 Months	10.95%
6 Months – 1 Year	10.22%
1 – 2 Years	42.55%
2 – 3 Years	28.14%
> 3 Years	8.14%

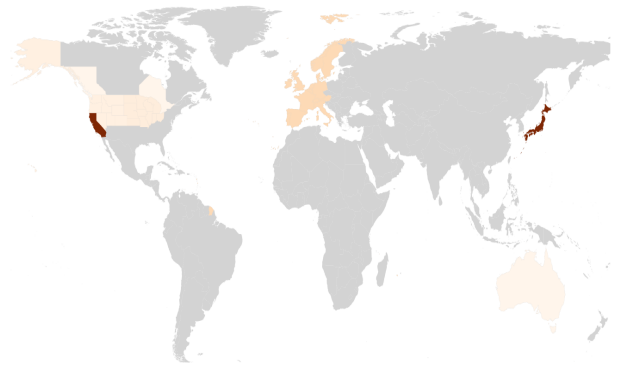
**Share Class Information**

Share Class	I
Currency Class	SEK
Base Currency	SEK
Inception	4/10/17
Fund Domicile	Luxembourg
Fund Structure	SICAV
Fund Regulation	UCITS
Liquidity	Fortnightly
Minimum Initial Investment	SEK 10,000,000
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

### Wind Risk Distribution Map



### Earthquake Risk Distribution Map



### Notes

**Strategy and investment focus** The investment strategy aims to deliver good risk-adjusted returns by investing responsibly in a globally diversified portfolio of cat bonds covering insurance losses from natural catastrophe risk.

The strategy is based on an underwriting analysis and is balanced, aiming both at minimizing the risk of large single event losses and avoiding to remote risks with small returns.

The investment focus is on wind and earthquake risks in developed regions, such as the United States, Japan and Europe, which are complemented by other natural catastrophe risks. The Fund does not invest in non-natural catastrophe risks, such as life insurance or man-made risks (e.g. terrorism). The only exception from this policy is when there is a small contribution from these perils to the Expected Loss of a multi-peril cat bond, where the main objective is to provide natural catastrophe insurance.

**Performance** is reported by Swedbank AB and reflects the Fund's Net Asset Value after fees.

**Contribution to expected loss** is 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.

**Historical event loss** describes the loss as a percentage of the portfolio if these events were to occur today.

**Yield to Maturity** is calculated before applicable fees in the currencies of respective asset.

**Solvency Capital Requirement, SCR** (as a monetary amount) for this specific risk is calculated as a percentage of the Assets Under Management (AUM). In accordance with the Solvency 2 directive, a cat bond investment is considered as an insurance risk on the asset side.

A description of the **RI indicators** can be found at Entropics' web site:  
<http://en.entropics.se/responsible-investments/description-of-key-indicators/>

**Further information:** The web site [en.entropics.se](http://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.

### 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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