Europe Outlook

The Marshall Plan 2.0 – Welcome back Europe

FOR EUROPEAN RECOVERY
SUPPLIED BY THE
UNITED STATES OF AMERICA

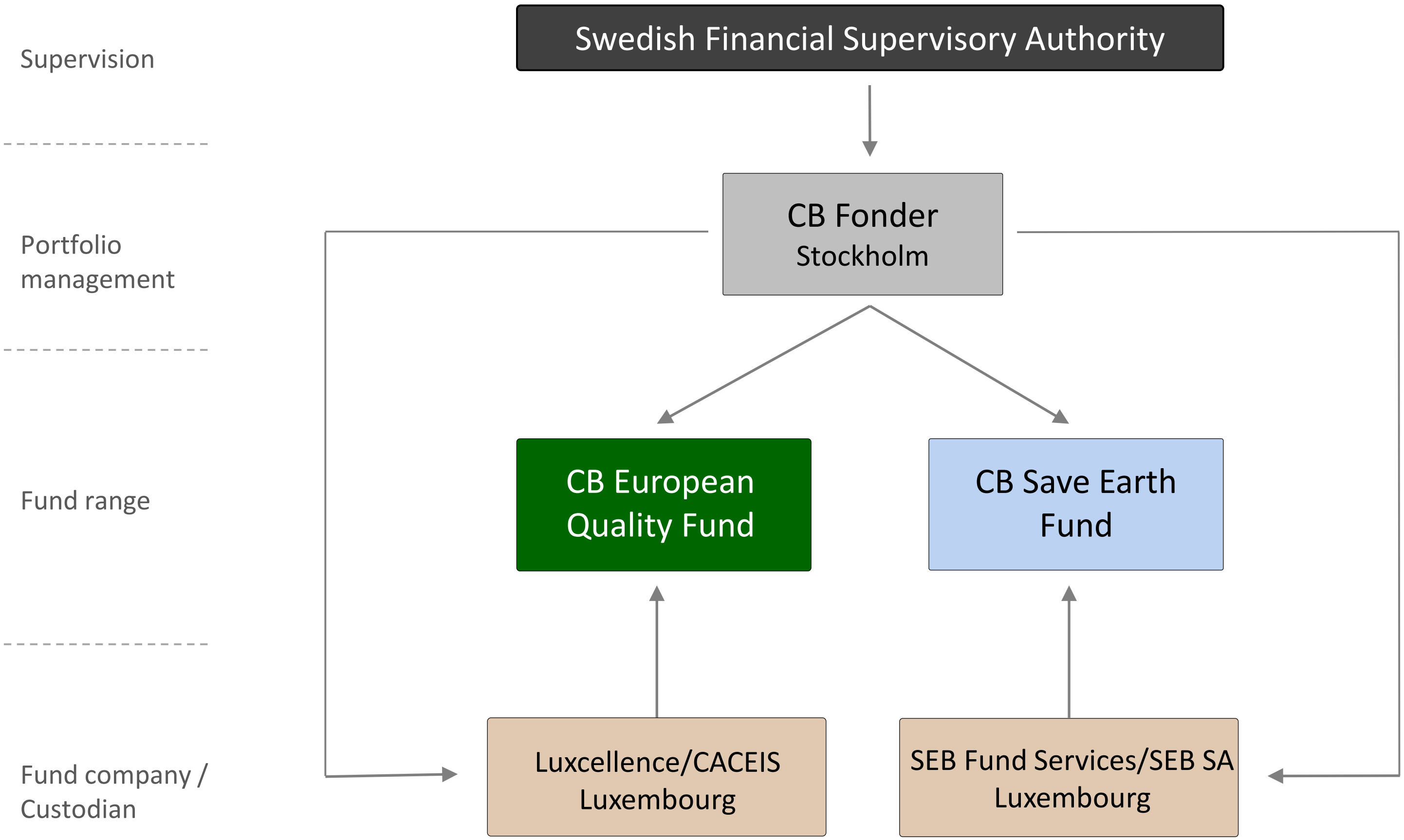
2015-03-31

CB FONDER
Active | Ethical | Long-term

Agenda

- **CB Fonder**
- Europe Outlook
  - The surging stock market: Too late to buy?
  - Europe relative to the U.S. and the rest of the world
  - EUR/USD
  - The impact of a lower oil price
  - ECB and interest rates
- CB European Quality Fund
  - The Strategy
  - The Portfolio
  - Risk Profile
  - Why CB European Quality Fund?

Organisation



	**Carl Bernadotte** Owner Portfolio Management Born 1955	Founded CB Asset Management AB in 1994 ABB Investment Management, portfolio manager ABB Aros Securities, head broker Edu: Master of Science in Business and Economics, Stockholm University	25+ years of experience Owns shares in CB European Quality Fund and CB Save Earth Fund
	**Marcus Grimfors** Portfolio Management Born 1981	Edu: Bachelor of Science in Business and Economics, Stockholm University; Master of Science in Engineering Physics, Royal Institute of Technology, Stockholm	6 years of experience Joined CB in August 2008 Owns shares in CB European Quality Fund and CB Save Earth Fund
	**Alexander Jansson** Managing Director Portfolio Management Born 1983	Acacia Partners (Alder), analyst Edu: Master of Science in Business Administration and Bachelor of Science in Economics, Uppsala University	6 years of experience Joined CB in October 2009 Owns shares in CB European Quality Fund and CB Save Earth Fund
	**Erik Allenius Somnell** Business Development Born 1984	Edu: Master of Science in Industrial Engineering and Management, Royal Institute of Technology, Stockholm	2 years of experience Joined CB in January 2013 Owns shares in CB European Quality Fund and CB Save Earth Fund

Board of Directors

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	**Jan Malmgren** Chairman Born 1948	Consultant Former managing director at Öhman Fondkommission and SBC Arbitech (now referred to as UBS Stockholm).	Since inception
	**Nils Bildt** Member Born 1952	Founder, co-owner and chairman of Teleopti AB, a niche-oriented, multinational software-optimising company, maintaining communication networks and contact centres around the world.	Joined the board in 2008
	**Per-Otto Hyland** Member Born 1954	Senior advisor within investment banking at Credit Suisse. Close to 30 years experience with international banks. Also chairman of the board of BlueStep Finans AB.	Joined the board in 2008
	**Christoffer Saidac** Member Born 1959	Lawyer and partner at Hannes Snellman Attorneys Ltd. Previously at Vinges Corporate Finance och Capital Markets departments. Chairman of the board of Sivers Urban Fonder AB and board member of the publicly traded media entertainment companies Paradox Entertainment AB and Starbreeze AB.	Since inception
	Carl Bernadotte Member Born 1955	Founder and owner, CB Asset Management AB.	Since inception

Our philosophy

- Private and institutional investors alike seek return on assets. This is the foundation for all investments.
- Our philosophy and goal, therefore, is to generate an absolute return and at the same time to be competitive in relation to a relevant index.
- Active, Ethical and Long-term perspective are our guidelines.

Ethical guidelines

- No investments in companies active in
  - Production of tobacco or alcohol
  - Weapons manufacturing
  - Gambling
  - Pornography

- Became a signatory of the “The United Nations-backed Principles for Responsible Investment Initiative” (PRI) in February 2011.

- **CB European Quality Fund** have been awarded the environmental-ethical ME-labeling from the Swedish Pensions Agency.

Signatory of:

PRI Principles for Responsible Investment

Disclaimer

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This document is neither an offer to sell nor a solicitation to invest. Such offers or solicitations must be preceded or accompanied by a current offering document of the funds. This document is submitted to you confidentially solely in connection with your consideration of an investment in the funds. The preceding/upcoming pages constitute a summary only. No assurance can be given that the investment objective will be achieved, and investment results may vary substantially over any given time period. Past performance is not indicative of future results. The funds involves a degree of risk. An investor in the funds could lose all or a substantial amount of his or her investment. The funds has fees that will reduce returns. The funds performance may be volatile. Key investor information documents, fund prospectus, semi-annual and annual reports are available on our webpage, www.cbfonder.se.

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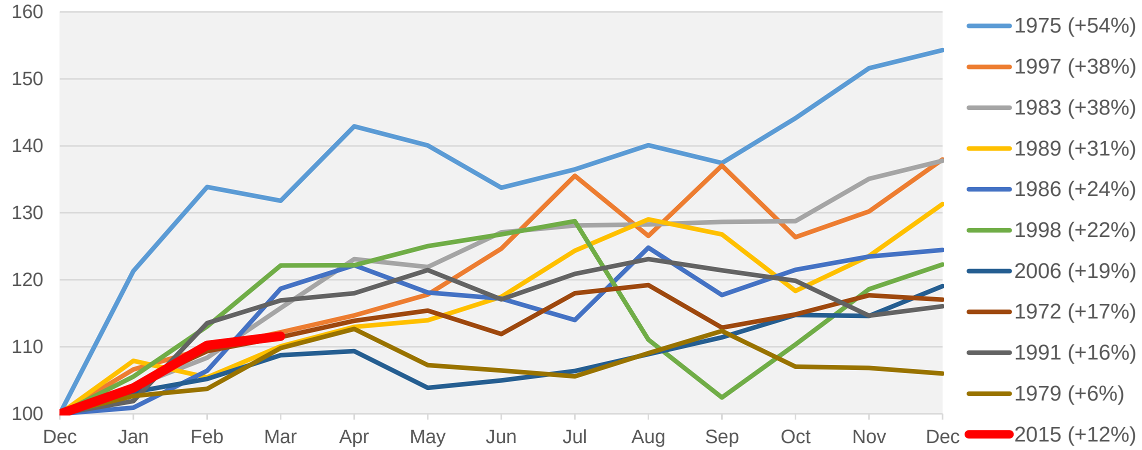
Has the stock market risen too much – in the short-term?

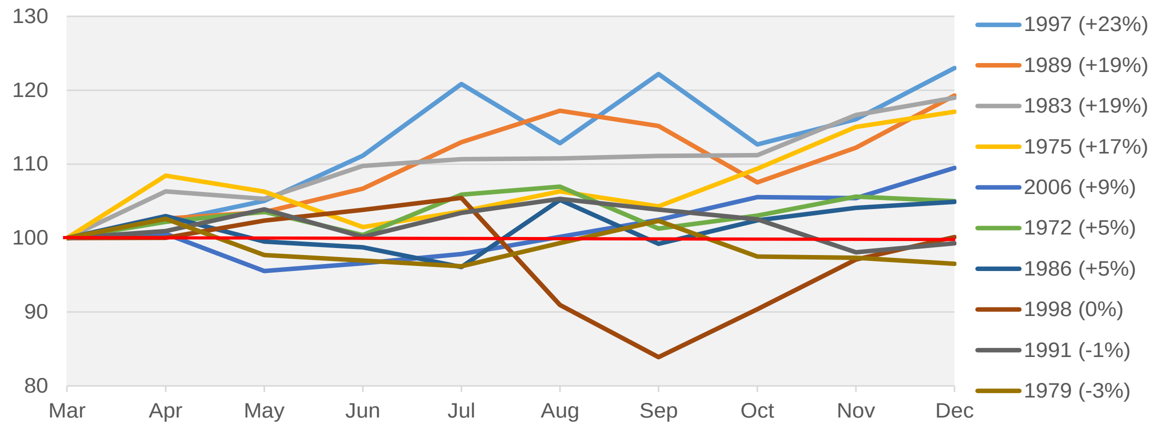
- YTD 2015 we have seen the 7th best start of the year since 1970 (as of March 31).
- A good start of the year has not in any case ended badly; the stock market has not in any year posted negative returns for the full year.

Figure 1. MSCI Europe Net in local currency, the 10 best starts and performance rest of the year (Jan-Dec)



- To invest following a good start, as of March 31, has in most cases been profitable; money has only been lost in two years and then only marginally (-1% 1991 and -3% 1979).
- The average return – for the 10 best starts since 1970 – for the period April-December is +9%.
- Let the trend be your friend…

Figure 2. MSCI Europe Net in local currency, the 10 best starts and performance rest of the year (Apr-Dec)



Source: MSCI, CB Fonder

Has the stock market risen too much – in the long-term?

- Index has broken out upwards from the earlier high in 2007 – new highs is something positive and signals that the market has not stagnated.
- For USD investors the picture is different – they are still waiting for an upwards break-out.

Figure 3. MSCI Europe Net, local currency

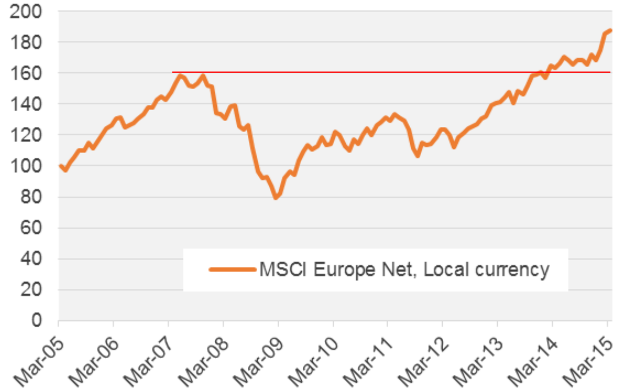
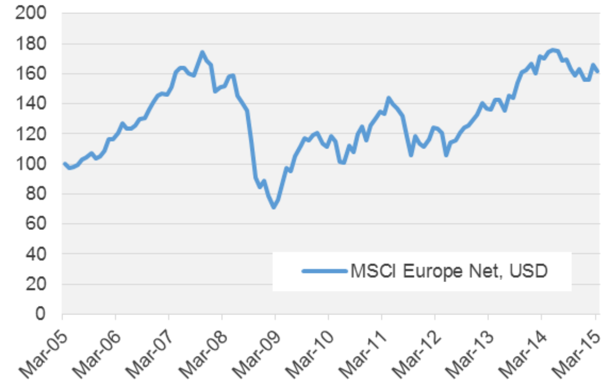


Figure 4. MSCI Europe Net, USD



- MSCI Europe Net has for the past three, five and ten years returned 15, 9 and 7 percent respectively p a (as of March 31).
- Since 1970, these values have on average been 10, 10 and 11 percent p a on three, five and ten years respectively.
- Thus, in the short-term the returns are higher than the historical average but in the medium- and long-term lower than the historical average.

Figure 5. Rolling returns p.a. for MSCI Europe Net, local currency

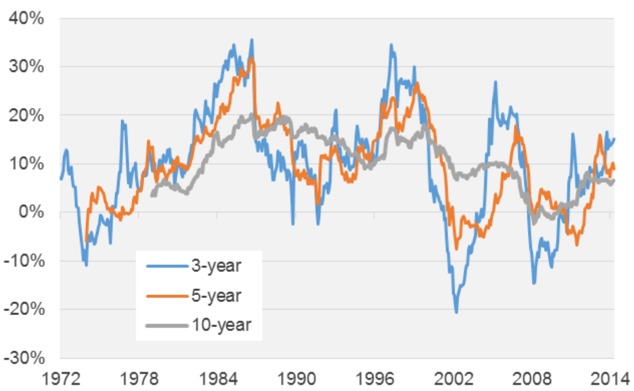
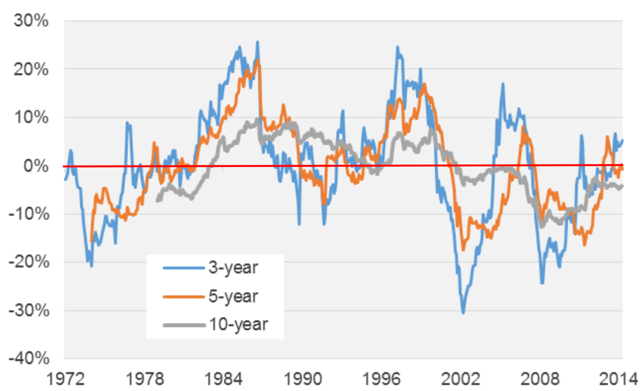


Figure 6. Rolling returns p.a. relative to average for MSCI Europe Net, local currency



Source: MSCI, CB Fonder

Has the stock market risen too much – in what currency?

- In local currency terms the U.S. market has been the brightest shining star in the past five years, with a rise of almost 100% – but it is worth noticing that Japan – in local currency terms – has made a strong recovery after the BoJ's QE.
- Europe and emerging markets have lagged behind, but Europe shows signs of recovery after the ECB's QE.

Figure 7. Index performance in local currency, 5 years

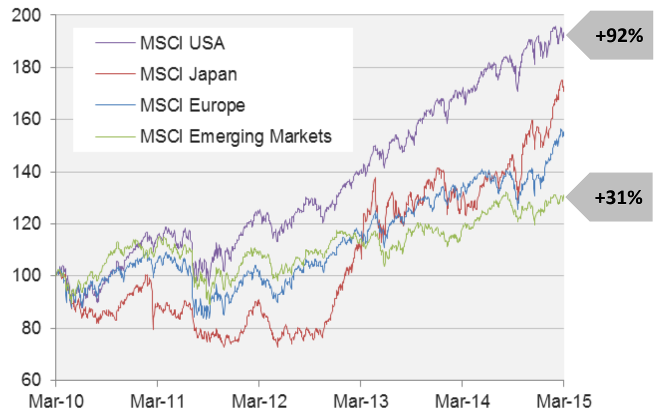
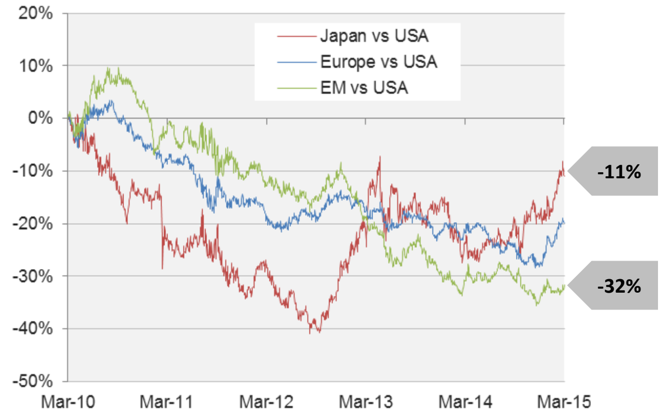


Figure 8. Index performance relative to the U.S., in local currency, 5 years



- For USD investors – the largest investor category – the performance in both Europe and Japan has left much to be desired – and investments in emerging markets has barely generated any returns at all over the last five years.
- However, USD investors seem to – at least initially – gain more on the strong market performance in Europe and Japan as a result of QE than they lose on the currency depreciation that follows QE, see Japan 2012 and Europe 2015.

Figure 9. Index performance in USD, 5 years

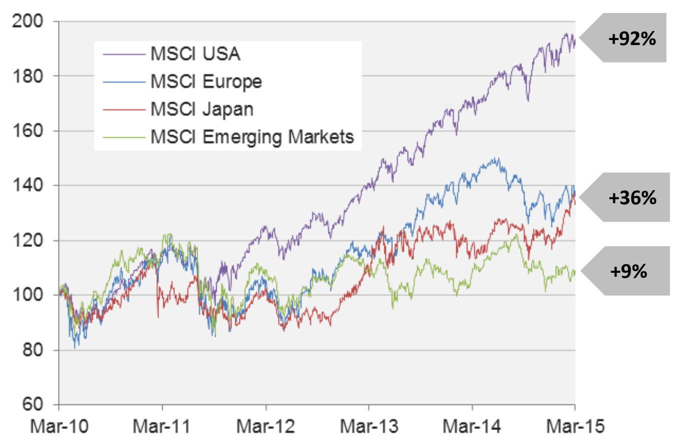
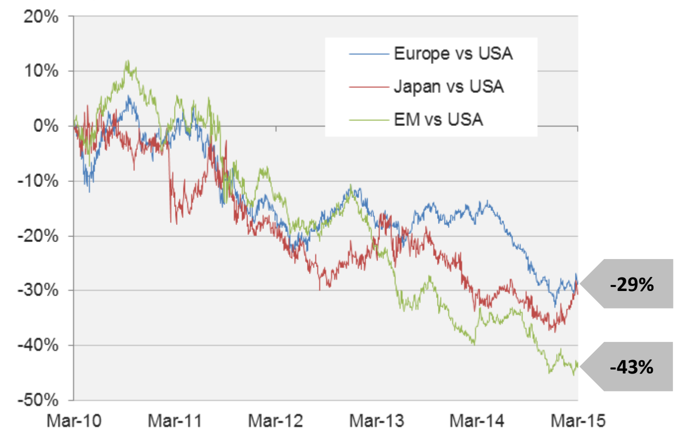


Figure 10. Index performance relative to the U.S., in USD, 5 years



Source: MSCI, CB Fonder

Europe versus the world – technically speaking

- MSCI Europe Net seems to be forming a bottom pattern against MSCI Emerging Markets Net – and the formation is very similar to the bottom for MSCI Europe Net against MSCI Japan Net during the late 1980s/early 1990s.
- Europe has shown a clear positive trend against Japan since the beginning of the 1990s.

Figure 11. MSCI Europe relative to MSCI Emerging Markets, in USD

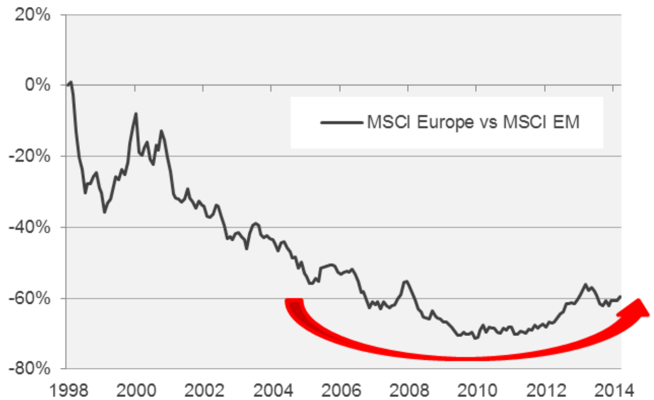
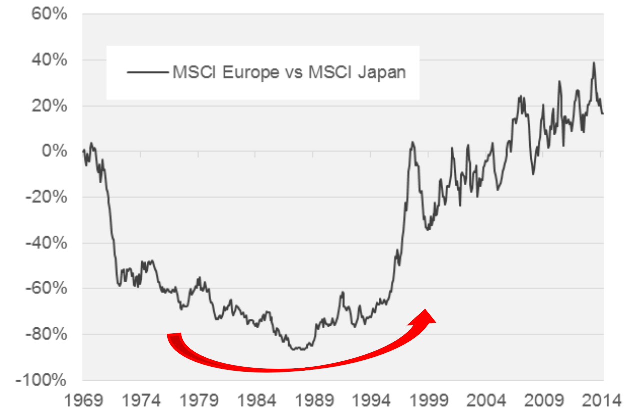


Figure 12. MSCI Europe relative to MSCI Japan, in USD

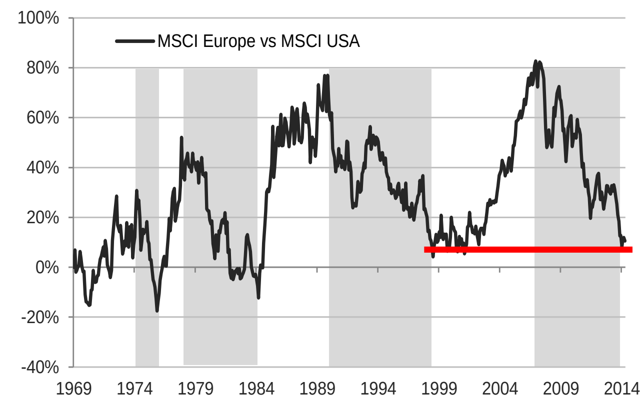


- MSCI Europe Net has performed better than MSCI USA Net, with data going back to 1969.
- Europe has four pronounced periods of underperformance against the U.S., all of which have bottomed when the accumulated underperformance has reached 40% - at the level we are today.
- We argue that a new period of outperformance has started for Europe – and so far you have missed almost nothing (+2% since the trough at year-end 2014/2015).

Table 1. MSCI Europe relative to MSCI USA. Periods of out-/underperformance

Time period		Absolute return, USD		
From	To	MSCI Europe	MSCI USA	Relative return
1975-02-28	1976-10-29	-18%	30%	-37%
1976-10-29	1978-10-31	76%	-4%	84%
1978-10-31	1985-02-28	34%	132%	-42%
1985-02-28	1990-10-31	283%	90%	102%
1990-10-31	1999-06-30	224%	451%	-41%
1999-06-30	2007-11-30	102%	15%	75%
2007-11-30	2014-12-31	-8%	56%	-41%
2014-12-31	2015-03-31	3%	1%	2%

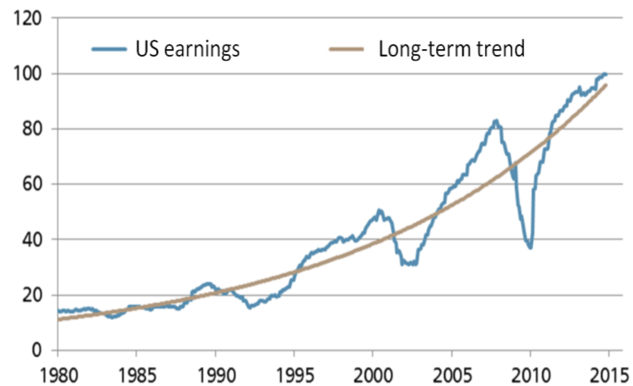
Figure 13. MSCI Europe relative to MSCI USA, in USD



Source: MSCI, CB Fonder

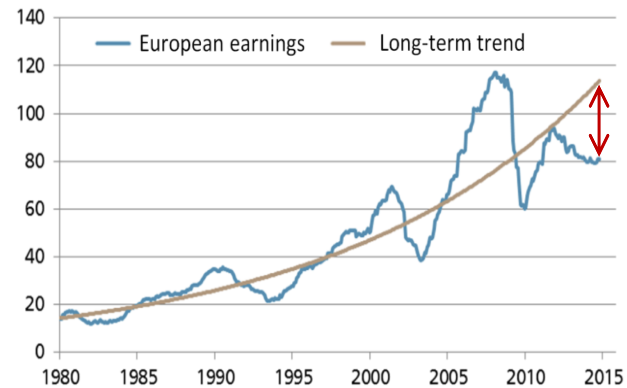
- The long-term profit trend tends to be a reasonable variable for estimating long-term profits.
- However, in the short-term profits tend to fluctuate around the long-term profit trend; the U.S. has returned to the long-term profit trend whereas we in Europe need a 46% rise in profits in order to return to the long-term trend.

Figure 14. Profits in the U.S. compared to the long-term trend



Source: UBS Investment Research

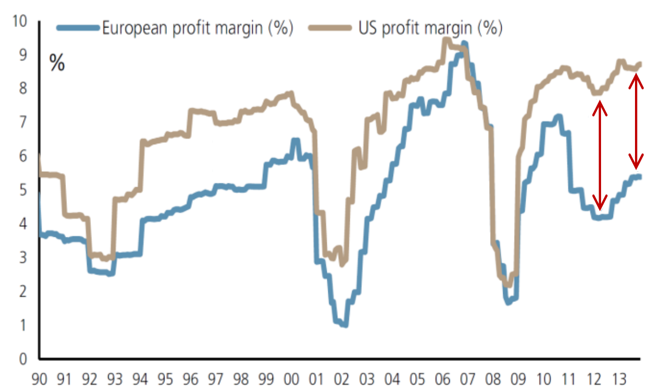
Figure 15. Profits in Europe compared to the long-term trend



Source: UBS Investment Research

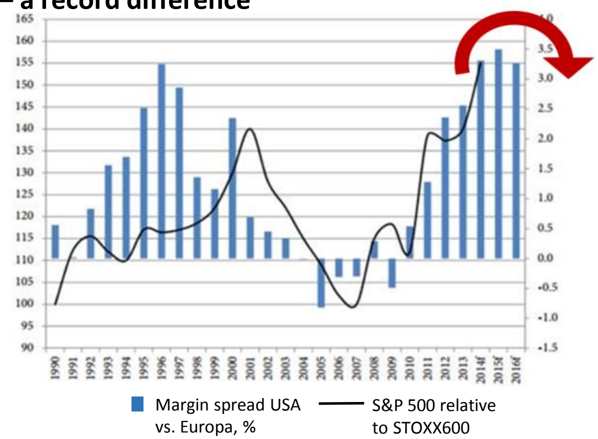
- Profit margins in the U.S. and Europe have followed each other since 1990; big differences have been erased over time.
- Profit margins in the U.S. is currently close to record high levels while ditto in Europe is at relatively low levels – the difference in profit margins between Europe and the U.S. is extreme.
- There is a strong relation between the margin spread and the relative performance between Europe and the U.S. – that relation is now advantageous for Europe.

Figure 16. Profit margins in Europe and the U.S. – a record difference



Source: UBS Investment Research

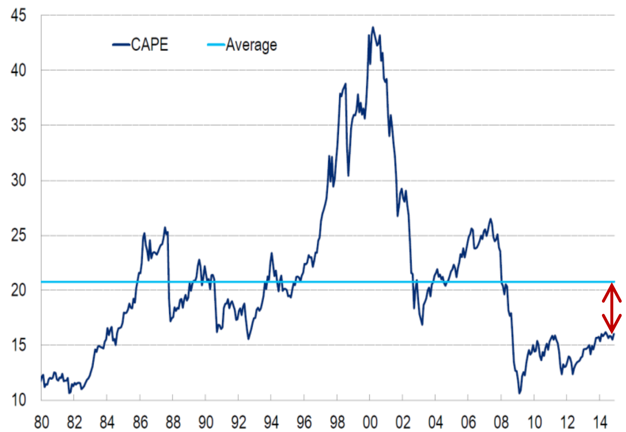
Figure 17. Profit margins in Europe and the U.S. – a record difference



Source: Redburn

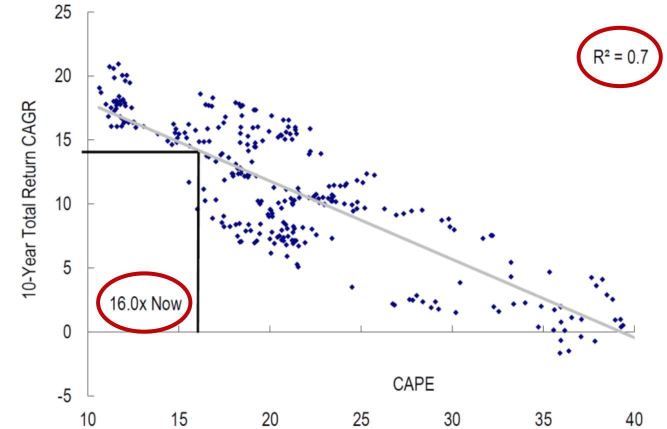
- CAPE=today's price divided by the average profit for the past 10 years.
- CAPE for Europe is at historically low levels (approx. 16x, compared to the historical average of above 20x).
- If you buy European equities today you could – given the historical correlation between CAPE and future returns – expect an annual return of almost 15% p a over the next 10 years or approximately 300% in total.

Figure 18. CAPE for MSCI Europe is at historically low levels



Source: Citi Research

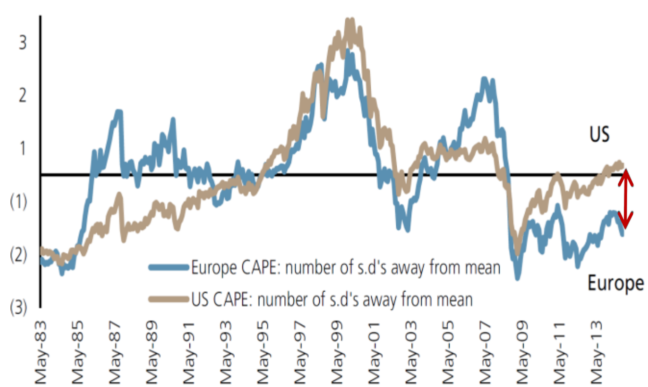
Figure 19. Strong correlation between CAPE and future returns



Source: Citi Research

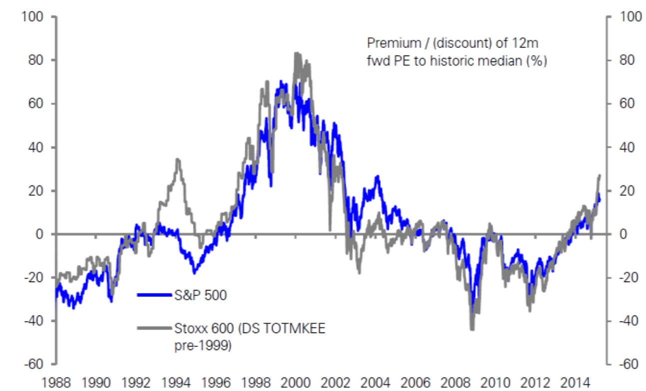
- U.S. stocks are historically expensive relative to European stocks, or conversely: European stocks have never been cheaper relative to U.S. stocks.
- Looking at 12m fwd P/E, both Europe and the U.S. are trading at a premium to the historical median; the market is ahead and we expect a <u>recovery in European profits</u>. The historically low interest rates also affects the valuation to the upside.

Figure 20. The difference in CAPE between Europe and the U.S. is at a 30-year high



Source: UBS Investment Research

Figure 21. 12m fwd P/E for Europe and the U.S. compared to the historical median

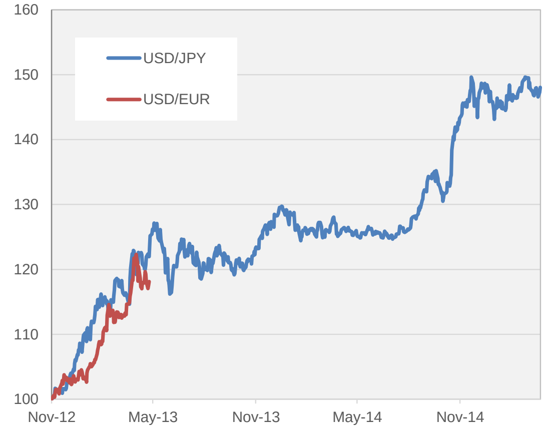


Source: Deutsche Bank Research

EUR/USD – a Japanese scenario

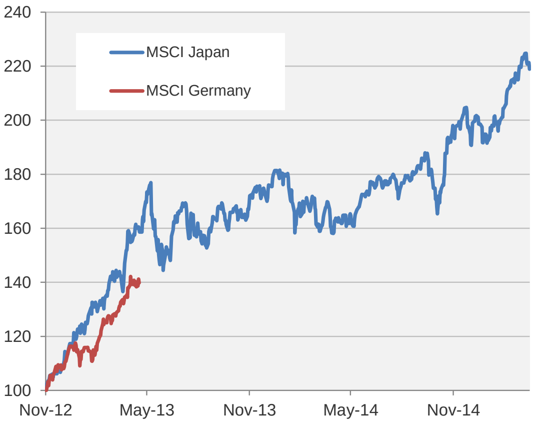
- The development of the USD/EUR since October 2014 is very similar to the development of the USD/JPY since November 2012 – the common denominator being QE.
- There is a striking similarity between the performance of MSCI Japan and MSCI Germany, in local currency, calculated since 2012 and 2014 respectively – the common denominator being a weaker currency i.e. QE.

Figure 22. The weakening of the yen since Nov 2012 and the weakening of the euro since Oct 2014



Source: Kepler Cheuvreux, Bloomberg, CB Fonder

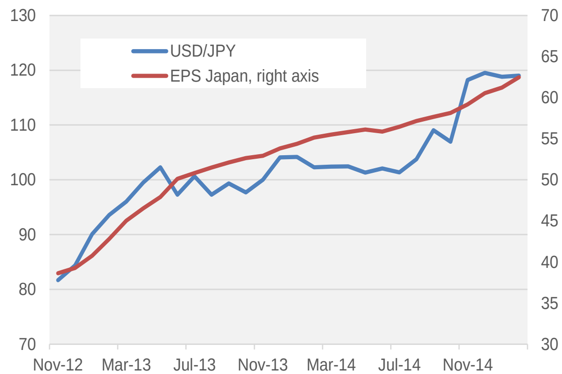
Figure 23. MSCI Japan since Nov 2012 in relation to MSCI Germany since Oct 2014



Source: Kepler Cheuvreux, MSCI, CB Fonder

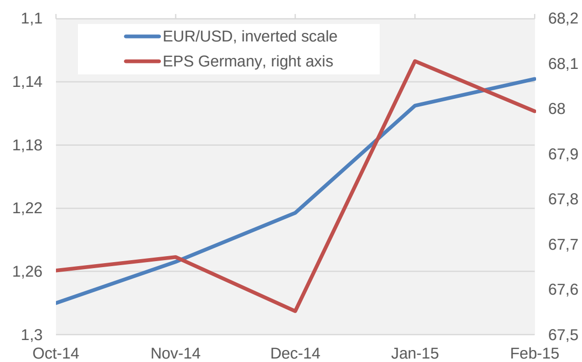
- The depreciation of the Yen has since 2012 given rise to a sharp earnings increase in Japan.
- The same mechanism has not yet been seen in Europe, but Germany has shown some tendencies to accelerating earnings growth as it is the most export-oriented economy and thus should benefit the most from a weak euro.

Figure 24. USD/JPY in relation to EPS development in Japan



Source: Kepler Cheuvreux, Deutsche Bank Research, CB Fonder

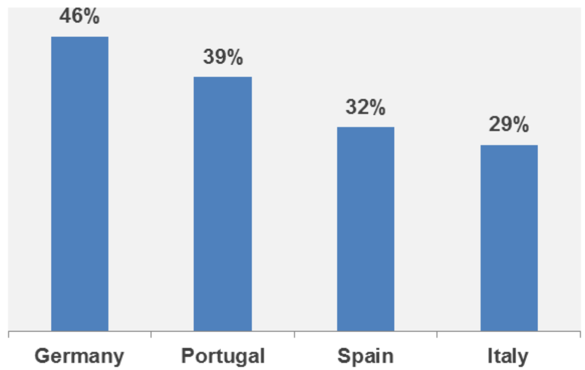
Figure 25. EUR/USD in relation to EPS development in Germany



Source: Kepler Cheuvreux, Deutsche Bank Research, CB Fonder

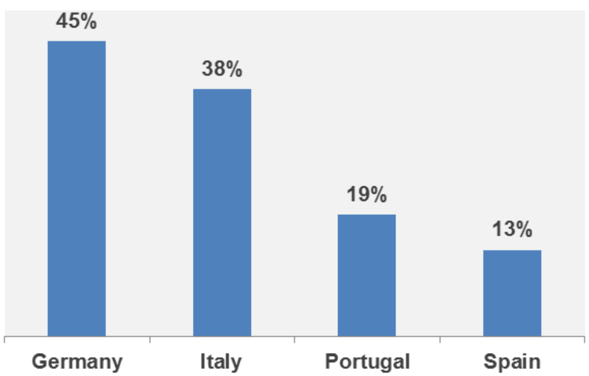
- The beneficiaries of a weak euro are the countries whose economies are the most export-oriented and whose exports are sold to non-euro countries.
- Germany meets both these criteria: the economy is export-oriented and a relatively large proportion of the export goes to non-euro countries.
- Portugal, on the other hand, has a relatively large export sector, but only a small percentage of it goes to non-euro countries.

Figure 26. Exports, percentage of GDP



Source: The World Factbook, CB Fonder

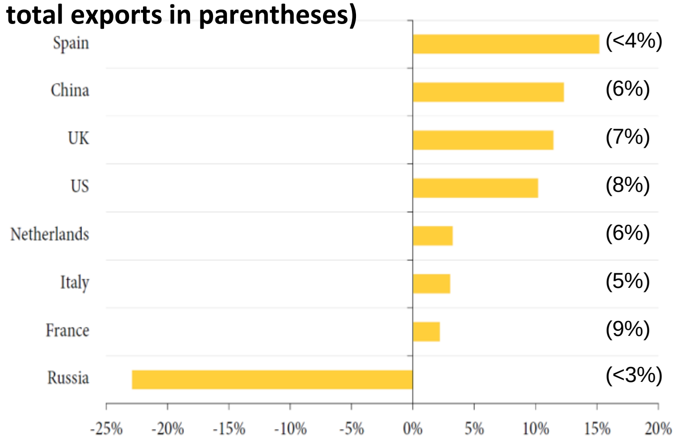
Figure 27. Percentage of exports to non-euro countries



Source: The World Factbook, CB Fonder

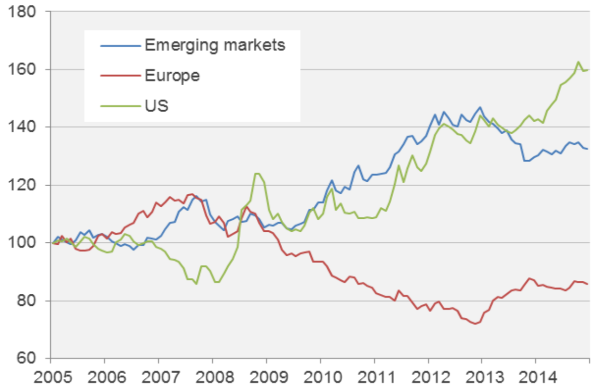
- During the last 12 months, German exports to Spain has been the fastest growing(!), but thereafter follows non-euro countries (China, UK, and the U.S.). German exports to Russia are decreasing sharply but they only constitutes approx. 3% of total German exports.
- Companies that derive a large part of their revenues from the U.S. (green line) have been the big winners for the past few years – the opposite holds true for companies who sell a lot to Europe (red line).

Figure 28. Annual growth in German exports per trading partner, last 12 months (percentage of total exports in parentheses)



Source: Redburn, The World Factbook, CB Fonder

Figure 29. Relative performance against STOXX600 for the 50 companies (in STOXX600) with the highest revenue exposure to the respective region.

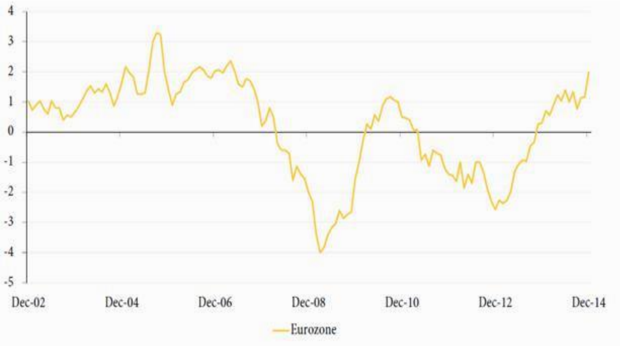


Source: Redburn, CB Fonder

The oil price – a tax cut

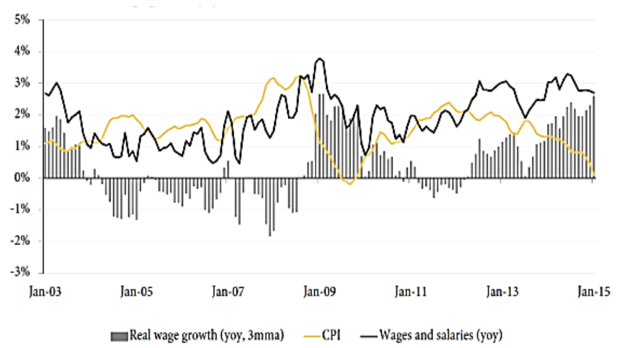
- We are starting to see the first signs of a lower oil price in actual data: retail sales in the Eurozone is growing at 2% p a, in line with the boom 2004-2006.
- In addition to the low oil price – similar to a tax cut – we see 2-3% growth in real wages in Germany, which is historically high and suggests a continued strong tailwind for the consumer. The strong countries becomes even stronger…

Figure 30. European personal consumption, rolling 12 months



Source: Redburn

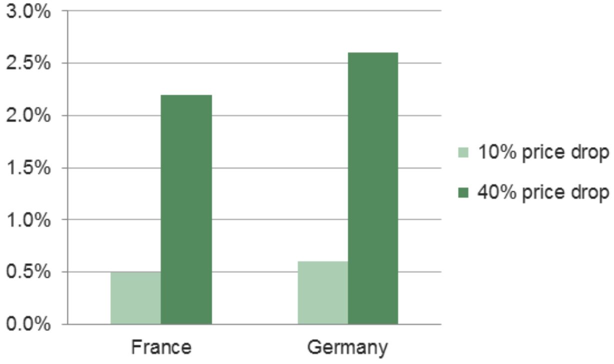
Figure 31. German growth in real wages, rolling 12 months



Source: Redburn

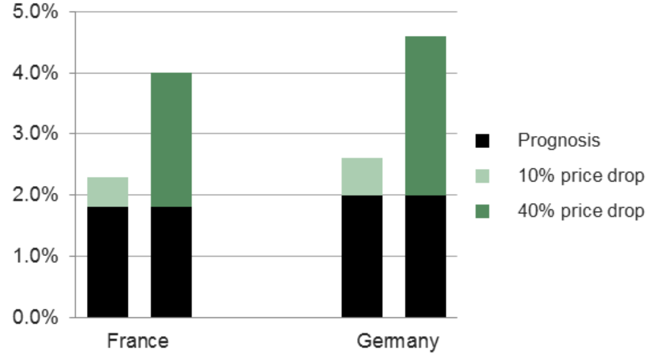
- Lower energy prices can have substantial positive effects on the GDP growth, exemplified here with France and Germany and with the GDP predictions for 2016 from IMF as of November 2014.
- In a cautious scenario (10% lower energy prices) the upward revisions for GDP can amount to 0.5-0.6% and in an aggressive scenario amount to 2.2-2.6%.
- Please observe that the upward revisions of GDP can be as big as current forecast for GDP and that <u>the oil price has fallen approx. 45%, in EUR, since the summer of 2014</u>.

Figure 32. The impact of a falling oil price on the GDP forecast



Source: Redburn, IMF, CB Fonder

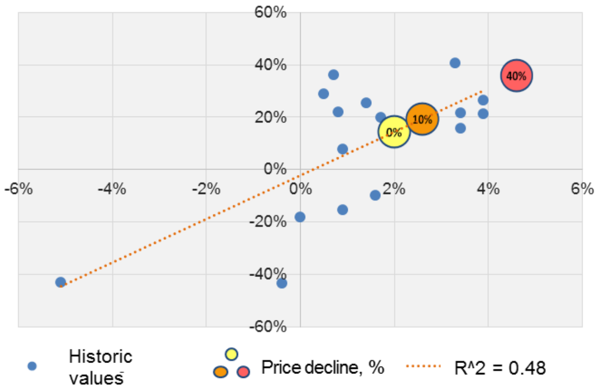
Figure 33. Current GDP forecasts revised for the falling oil price



Source: Redburn, IMF, CB Fonder

- There is a rather strong correlation between GDP growth next year and stock market performance this year (the market is forward-looking).
- Given this correlation for Germany – which historically has explained 48% of the stock market returns (R^2=0.48) – we can expect a 14.3% rise for MSCI Germany in a scenario where current GDP forecast (+2 %) remains unchanged and a 35.9% rise in a scenario where the 40% lower energy prices has full impact on GDP.

Figure 34. German GDP vs. MSCI Germany



Source: IMF, MSCI, CB Fonder

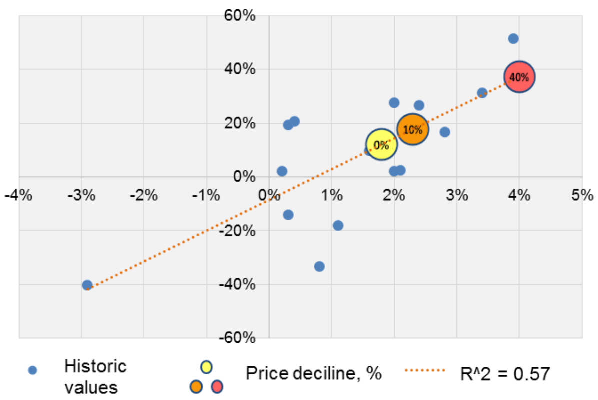
Table 2. The estimated energy price impact on stock market performance

Energy price decline	Expected return, MSCI Germany	Impact from energy price decline
Unchanged	14.3%	--
10%	19.3%	5.0%
40%	35.9%	21.6%

Source: Redburn, CB Fonder

- Given this correlation for France – which historically has explained 57% of the stock market rise (R^2=0.57) – we can expect a 12.2% rise for MSCI France in a scenario where the current GDP forecast remains unchanged and a 37.3% rise in a scenario where the 40% lower energy prices has full impact on GDP.

Figure 35. France GDP vs. MSCI France



Source: IMF, MSCI, CB Fonder

Table 3. The estimated energy price impact on stock market performance

Energy price decline	Expected return, MSCI France	Impact from energy price decline
Unchanged	12.1%	--
10%	17.9%	5.7%
40%	37.4%	25.2%

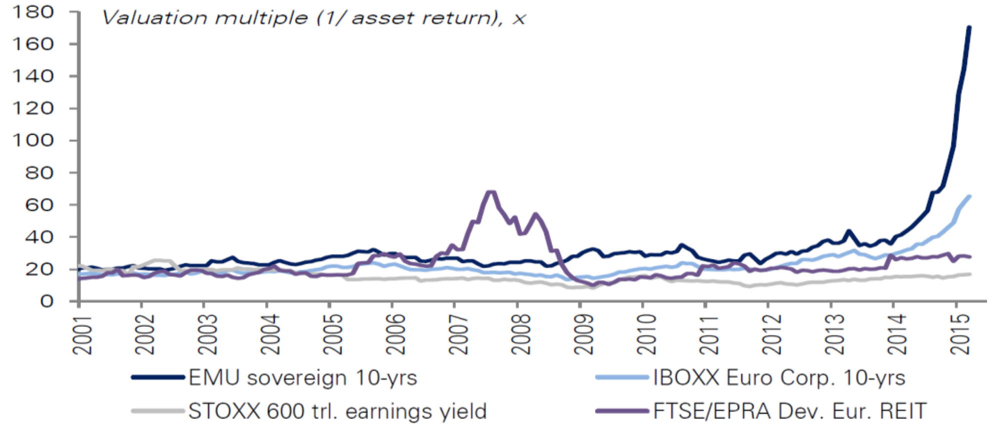
Source: Redburn, CB Fonder

Source: Bloomberg, IMF, Redburn, CB Fonder

If you think stocks are expensive – ask bond investors how they feel

- The graph shows how much an investor pays for the yield they receive from the respective asset class (government and corporate bonds, stocks and real estate).
- The valuation multiple of bonds will approach infinity as the yield approach zero.
- The comparison is not completely fair since the different asset classes carry different levels of risk, but the extreme difference between stocks and bonds is worth noting.

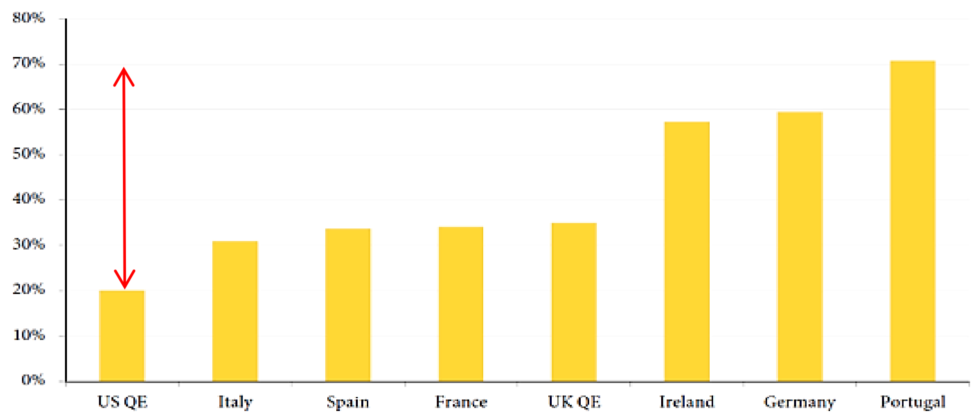
Figure 36. Price/yield in Europe for different asset classes



Source: Deutsche Bank Research

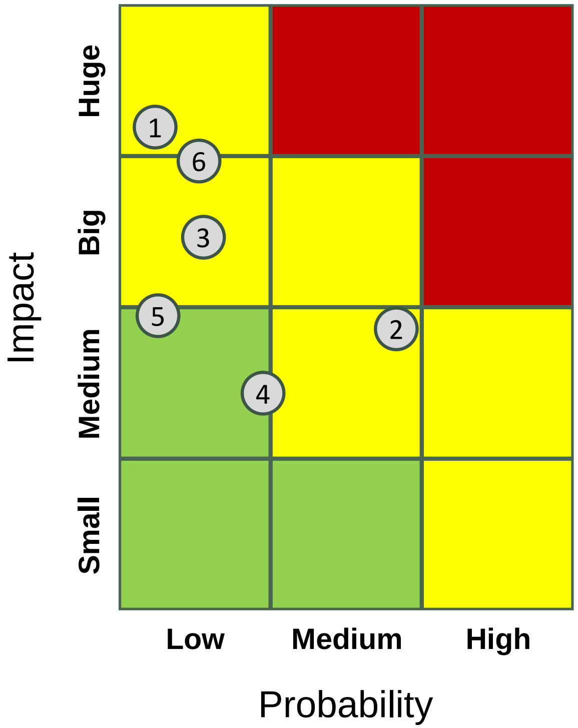
- It is clear that the extremely low interest rates are the culprit – and there are indications that the situation may persist in Europe.
- ECB will, during the QE that runs between March 2015 and September 2016, buy a substantial portion of the government bonds issued in Ireland, Portugal and Germany; in all of the analyzed countries ECB will buy a larger portion of the issued government bonds than the FED did during QE1-3.

Figure 37. Percentage of newly issued bonds which has been bought/will be bought by the FED, BoE and ECB



Source: Redburn, CB Fonder

What can go wrong? A lot, as always…



Downside risks

1. Unknown unknowns (black swans etc.)
2. The expectations in the market cannot be met; low oil price, a weak euro and expansionary fiscal and monetary policy is not enough – what then?
3. Hard landing in China
4. Brexit / Grexit
5. A strong USD and/or prematurely interest rate hikes (compare 1937) suppresses the U.S economy.
6. Geopolitics: Russia, Japan/China, North Korea, IS etc.

Source: CB Fonder

Summary

- The European stock market is off to a very good start in 2015. History tells us that a good start is usually followed by good performance the rest of the year.
- We believe that the underperformance of Europe compared to the U.S. has come to an end. A weak euro (in US dollar terms) is beneficial to Europe, but also the valuation and the technical picture speaks for Europe.
- The fall in the oil price is equivalent to a tax cut. The implication is higher consumption which feeds through to higher GDP growth, company profits and stock market values.
- A weak(er) euro is beneficial for *Euro*pean export companies that becomes more competitive on markets outside of the euro area. Germany is the largest beneficiary.
- Bonds are very expensive and the stock market valuation looks attractive when compared to bonds.

Agenda

- CB Fonder
- Europe Outlook
  - The surging stock market: Too late to buy?
  - Europe relative to the U.S. and the rest of the world
  - EUR/USD
  - The impact of a lower oil price
  - ECB and interest rates
- **CB European Quality Fund**
  - The Strategy
  - The Portfolio
  - Risk Profile
  - Why CB European Quality Fund?

CB European Quality Fund

MORNINGSTAR®

3-year	5-year	10-year
★★	★★★	★★★★★

Morningstar Sweden and Dagens Industri: **Best portfolio manager** in the European equity category 2012

Fund performance* and AUM

	EUR	SEK
YTD 2015	+17.1%	+14.9%
Year 2014	-1.5%	+5.1%
Fund inception 1995 (annualised)	+8.2%	+8.2%
AUM (million)	59.2	548.6

NAV per 2015-03-31 (EUR)

Sicav A	102.29
Sicav D	100.00
Sicav I	131.95
BVI Acc.	240.82
BVI Distr.	101.33

*Sicav A

Strategy: Investment criteria

Large/mid caps
- Min. market cap EUR 1 bn -

Primary

Mature industries
- Proven management -

Resilient profit growth
- In any econ. environment -

Secondary

Stable dividend yield
- Not necessarily high -

Conservative valuation
- History & peers -

Internal recruiting
- Subject to tradition -

Strategy: Structural growth is more value creating than cyclical growth

- And less dependent of the economic cycle

Structural vs. cyclical growth

Structural growth component

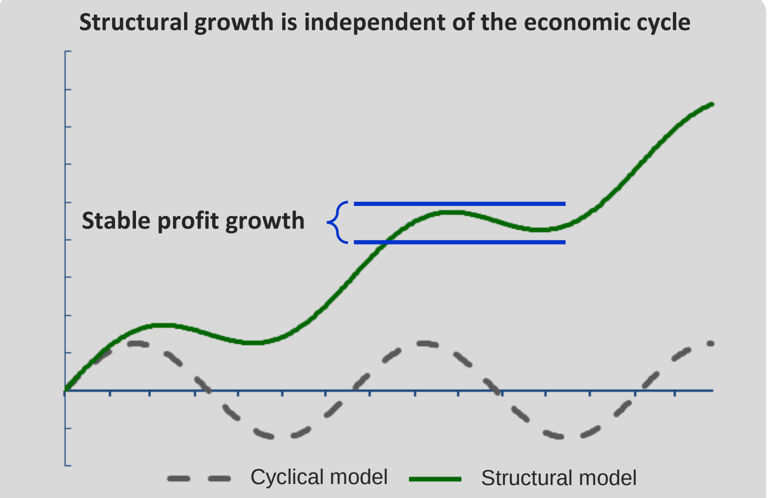
Drivers:
- Secular trends
- Leading business model
- Technical leadership

Strong multiple expansion relative to the market

Cyclical growth component

Purely driven by macro factors

Limited multiple expansion relative to the market



Strategy: High barriers to entry ➡ protected growth

Competetiveness: *Porter's 5 forces*-model

Negotiating power versus suppliers

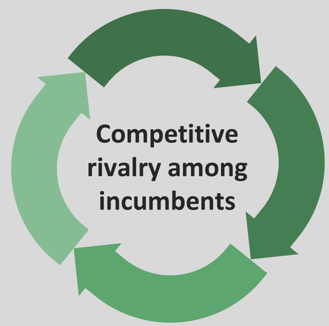
- Fragmentation of suppliers
  - monopoly to perfect competion
- Degree of specialisation

Threat of new entrants

Barriers to entry

- Cost, time, knowledge
- Economies of scale
- Technologies, patents etc.

Bargaining power of suppliers



Bargaining power of customers (buyers)

Barriers to substitution

- Brand recognition
- Product complexity, patents etc.

Threat of substitute products or services

Customer/client relationship

- Degree of customer loyalty
- Switching costs
- Pricing power

Source: Competitive Strategy: Techniques for Analyzing Industries and Competitors, Michael E. Porter, 1980. Design: CB Fonder

The strategy: Stock selection according to a *bottom-up-* strategy

Fundamental analysis

- Structural growth and barriers to entry/moat – see p. 26 and 27.
- Management – have they historically delivered what they promised?
- Business idea – robust enough to deliver stable profit growth over an entire economic cycle?

Quantitative analysis

- Internally developed models for screening and ranking based on quantitative variables.
- Valuation: in comparison to *peers* and the company's own history and growth rate.
- Main multiples: P/E, P/B and PEG.

Technical analysis

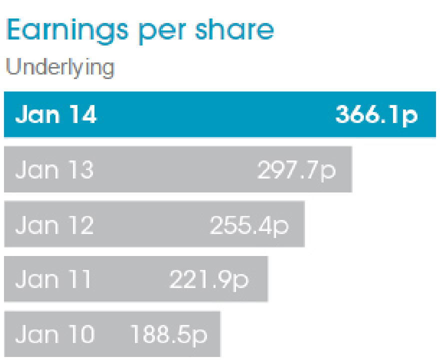
- Momentum factors – is the short-term trend supportive of the sector/style?
- No target prices: *"let the trend be your friend"*.
- Timing for entry and exit levels; increasing and reducing portfolio positions.

The fundamental and quantitative analysis forms the investment universe.
The technical analysis plays a crucial role for the weighting of the portfolio.

Example of portfolio holding: Next

”H&M in the UK”

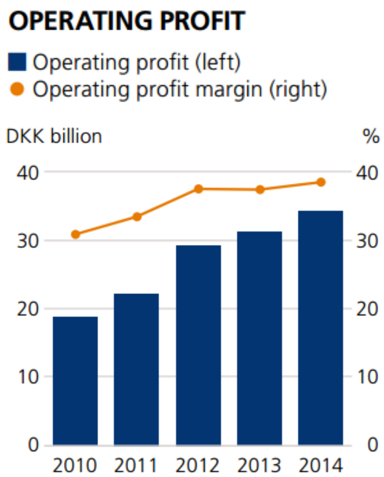
next plc



- British clothing retailer founded in 1982. Offers clothing for women, men and children as well as a Home collection.
- >500 stores in UK and Ireland and almost 200 stores in more than 40 countries worldwide.
- 80% of the Home segment is sold online; has been offering next day delivery for online customers since 2001.
- 7.4% EPS CAGR and 7.9% DPS CAGR over the last 10 years.

Source: Next plc

A world leader in insulin and diabetes care



- The largest company in the Nordics as well as a world leader in diabetes care: 27% of the global market measured in revenues.
- Strong position in the U.S., where 44% of the company's revenues are generated.
- Broad portfolio of pharmaceuticals; introducing *Saxenda* for obesity in 2015. Global market for corresponding pharmaceuticals is currently small (approx. 5 billion SEK) and is believed to have great potential going forward.
- Also global leader for treatment of hemophilia and growth disorders.

Source: Novo Nordisk

Example of portfolio holding: Fresenius

Germany's leading private operator of hospitals amongst other things

FRESENIUS

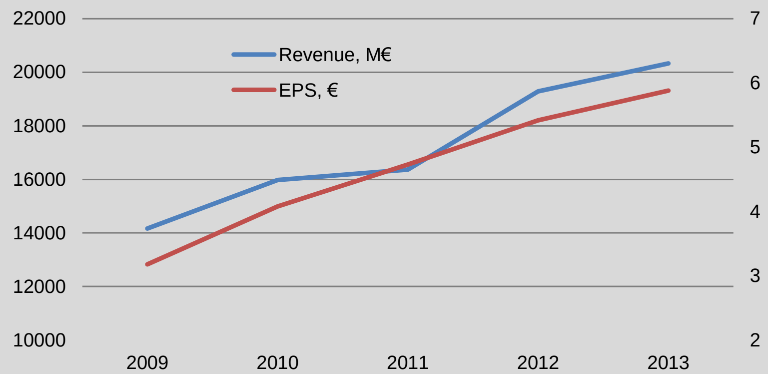
FRESENIUS MEDICAL CARE

FRESENIUS KABI

FRESENIUS HELIOS

FRESENIUS VAMED

- A global health care group with operations in dialysis, intravenous therapy, operating hospitals, service and maintenance of hospitals and biotech.
- Global market leader and operations of non-cyclical character – the company generates stable, predictable and sustainable cash flows.
- 21 consecutive years with increased dividend!



Source: Fresenius

The portfolio: Holdings

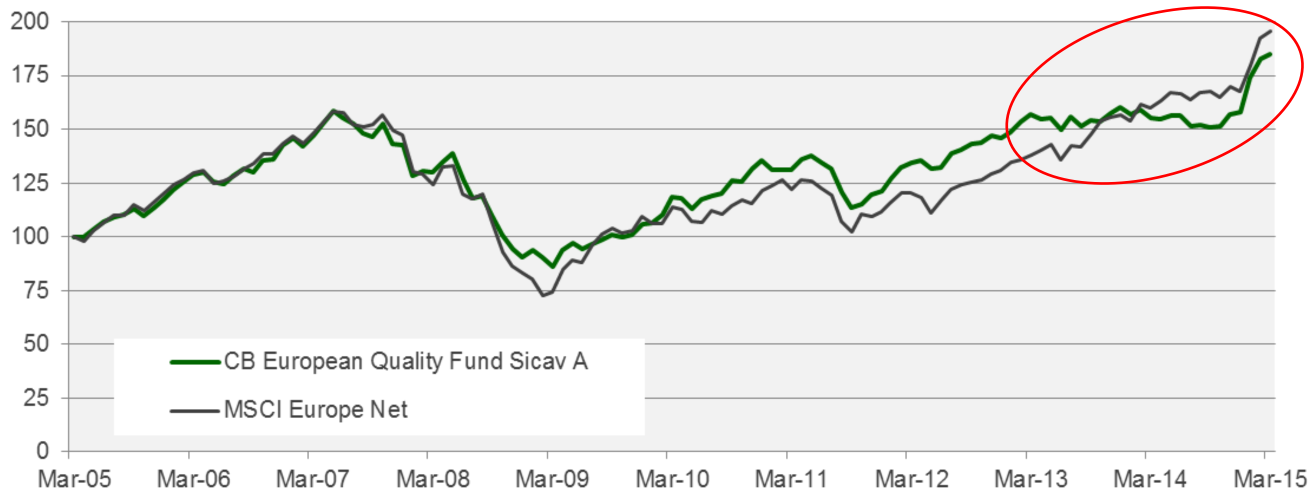
The 10 largest holdings, as of 31 March 2015

Company	Country	Sector	Market cap € bn	Share of AUM	Share of MSCI Europe	EPS growth 2015E	EPS growth 2016E	PEG 2015	PEG 2016
Fresenius AG	Germany	Healthcare	31.2	5.4%	0.21%	18%	17%	1.4	1.2
Next	UK	Consumer Discr.	14.9	4.7%	0.19%	5%	5%	3.4	3.3
Novo Nordisk	Denmark	Healthcare	131.9	4.7%	1.28%	18%	25%	1.8	1.0
Shire	UK	Healthcare	46.2	4.4%	0.55%	10%	17%	2.2	1.1
Assa Abloy	Sweden	Industrials	21.7	4.4%	0.23%	23%	11%	1.1	2.1
Hugo Boss	Germany	Consumer Discr.	8.3	4.3%	0.10%	16%	10%	1.3	2.0
Sodexo	France	Consumer Discr.	14.3	4.3%	0.11%	20%	13%	1.2	1.6
AAK	Sweden	Consumer Staples	2.3	4.2%	0.00%	7%	14%	3.0	1.4
Henkel	Germany	Consumer Staples	45.9	4.1%	0.39%	11%	8%	1.9	2.5
Arcadis	Holland	Industrials	2.6	4.0%	0.00%	26%	14%	0.6	1.0
Total/Average			**31.9**	**44.6%**	**3.1%**	**15%**	**13%**	**1.8**	**1.7**

- We invest in large companies with a market cap of at least €1 billion, which we on average are far above: €32 billion for the 10 largest holdings.
- Large deviation from index; Active Share for the fund: 91%.
- Stable profit growth is one of our investment criteria, attractive valuation (compared to profit growth) is another.

Performance: The fund and index

The fund (EQF) and the benchmark index, 10 years (EUR)



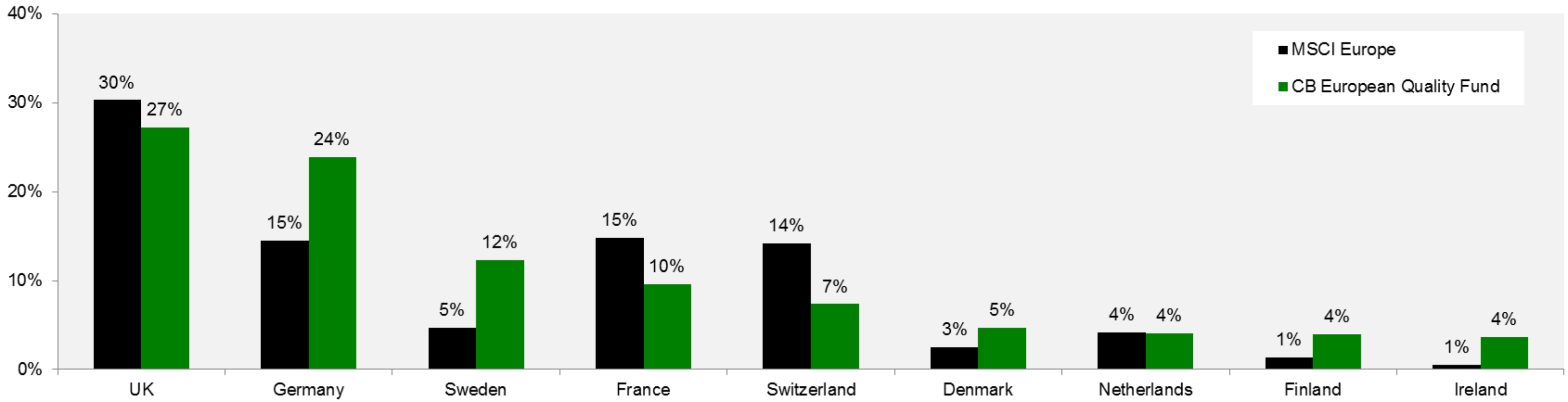
Kay ratios (10 years)	EQF	Index
Standard deviation, %	12.49	14.73
Sharpe (0%)	+0.51	+0.47
Max drawdown, %	-45.78	-54.10
Beta against MSCI Europe	+0.69	
Alpha against MSCI Europe, % p.a.	+1.59	
Consistency with MSCI Europe, %	49.17	
Tracking error, %	8.67	
Information ratio	-0.06	

Thanks to the its low risk (beta:0.69) the fund has a positive alpha. The fund's risk-adjusted return, Sharpe, is higher than that for the index.

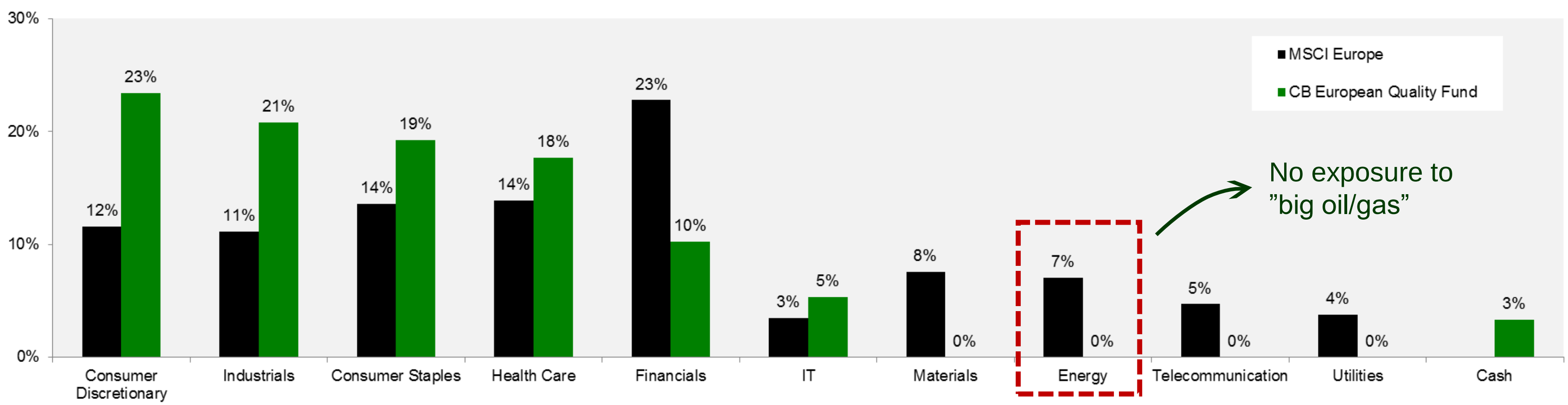
Source: MSCI, CB Fonder

The portfolio: Exposure, share of AUM

Geographical exposure

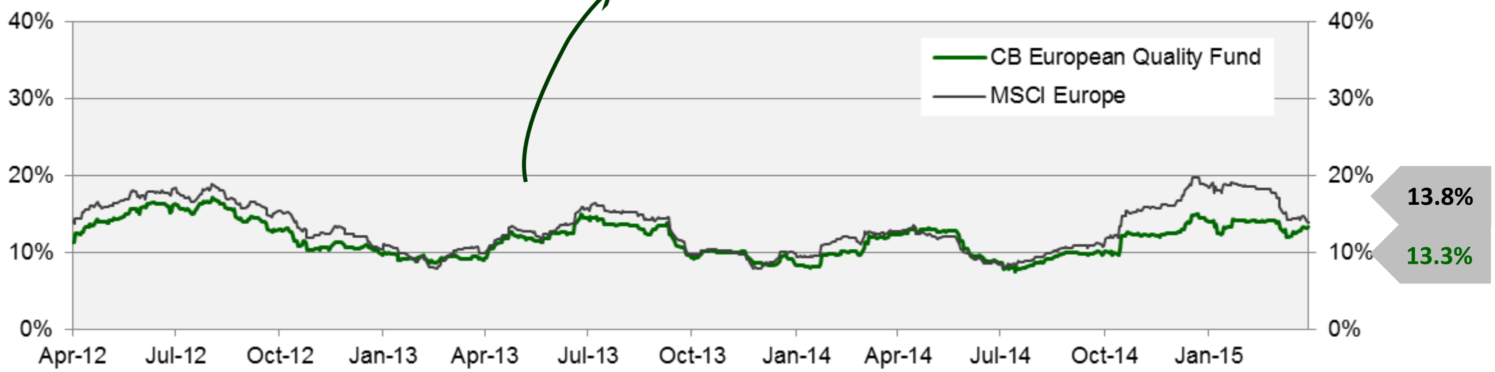


Sector exposure



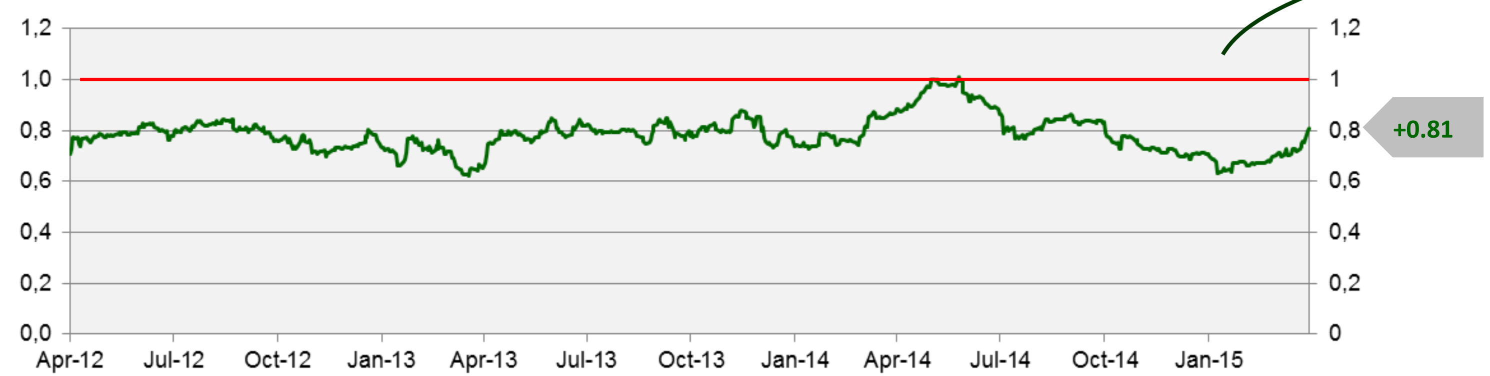
The fund's standard deviation is consistently lower/in line with that of the benchmark, MSCI Europe. This becomes particularly evident when the risk in the market is rising, as has happened during the last quarter.

Standard deviation*



The fund's beta is consistently below 1

Beta against MSCI Europe*

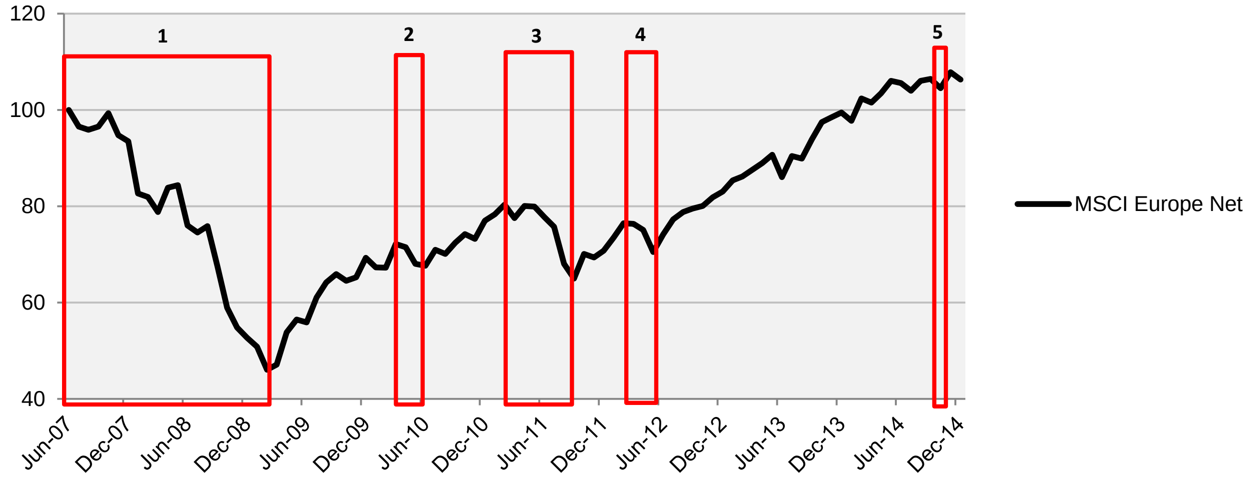


*36 months data on a 60-day rolling basis (EUR)

The fund has consistently outperformed the index during drawdowns

The fund compared to MSCI Europe during the largest drawdowns

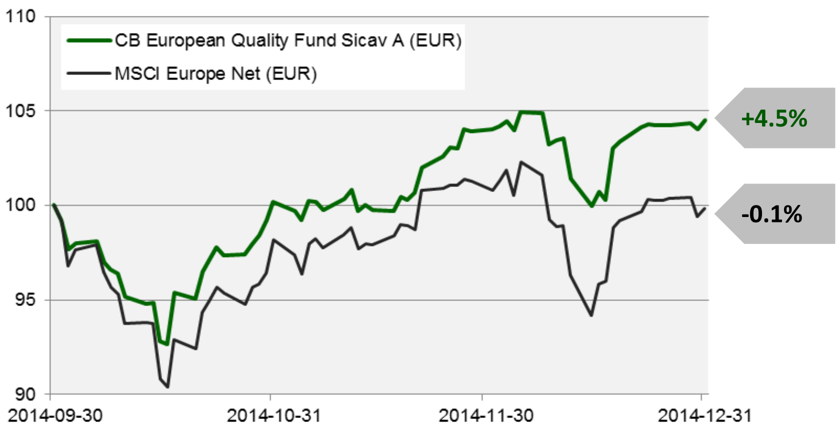
	Drawdown (EUR)		
Period	Index	Fund	Outperformance
1. 2007-07-16 - 2009-03-09	-58.5%	-45.3%	13.2%
2. 2010-04-15 - 2010-05-25	-13.7%	-10.8%	2.9%
3. 2011-02-17 - 2011-09-22	-24.3%	-14.1%	10.2%
4. 2012-03-16 - 2012-06-04	-24.3%	-14.1%	6.1%
5. 2014-09-04 - 2014-10-16	-11.1%	-8.9%	2.2%

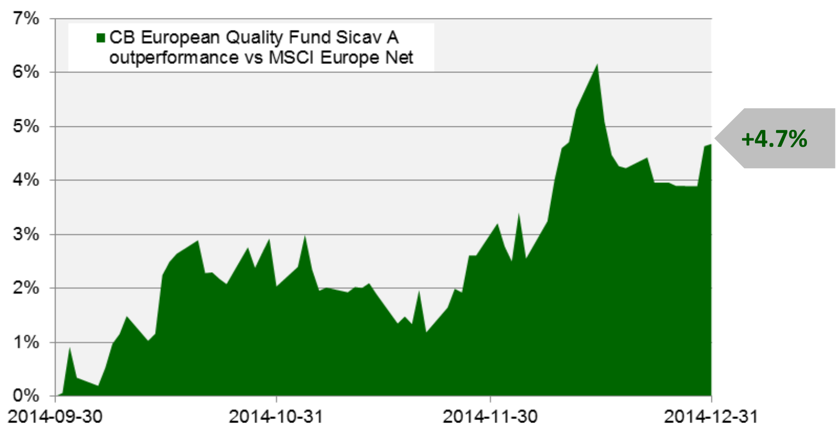


Source: MSCI, CB Fonder

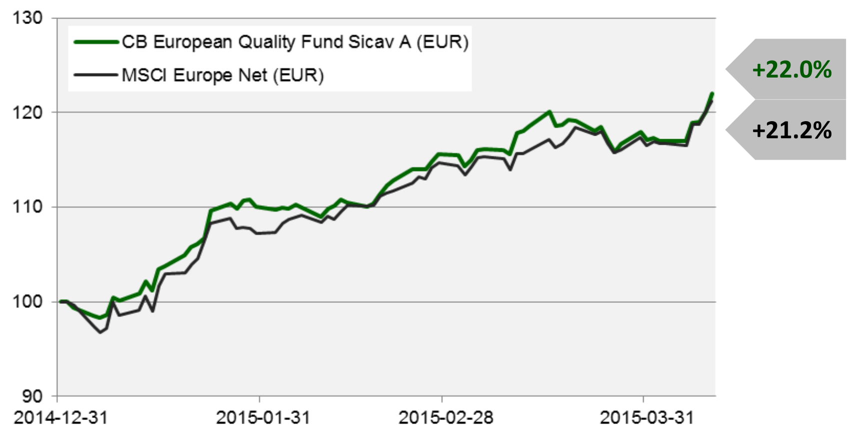
Why CB European Quality Fund now?

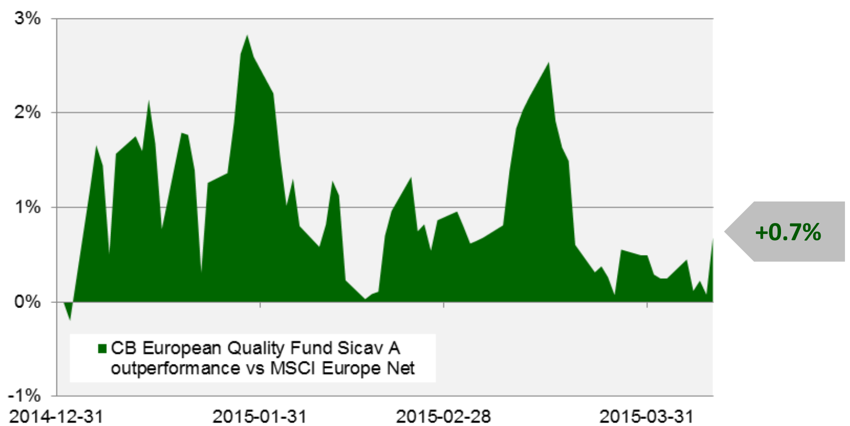
The fund and the benchmark index, Q4 2014, EUR





The fund and the benchmark index YTD 2015, as of April 10, EUR





Share classes

CB European Quality Fund, SICAV A

- Management Fee: 1.5%
- Performance Fee: No
- Dividend: No
- ISIN: LU0112589485

CB European Quality Fund, SICAV I

- Management Fee: 0.5%
- Performance Fee: 20% of outperformance vs. MSCI Europe Net, with collective, eternal and relative High-Water Mark; the share class is >20% below HWM as of 31 December 2014
- Dividend: No
- ISIN: LU0806934948

European Quality Fund, SICAV D

- Management Fee: 1.5%
- Performance Fee: No
- Dividend: Yes, **6% of NAV as of 31 October each year**
- ISIN: LU1179404386

CB FONDER

Active | Ethical | Long-term