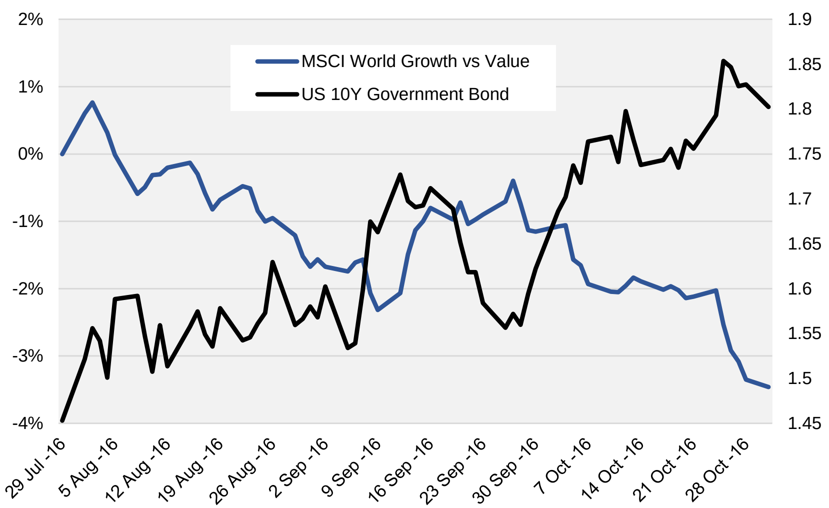
Status report

CB Save Earth Fund

Trend reversal: interest rates up, growth stocks down



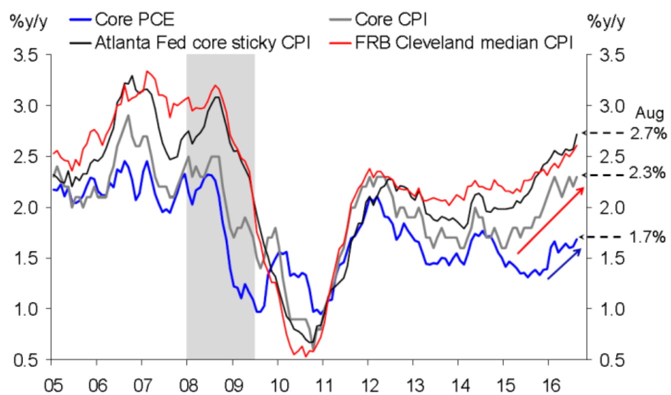
8 November 2016

CB FONDER

Active | Ethical | Long-term

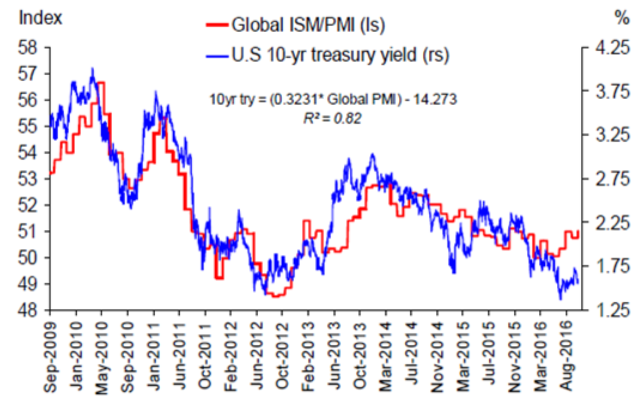
- **The broad measures of inflation in the US are all on the rise**, and three out of four are at the same level as before the financial crisis.
- Global economic activity, measured as ISM/PMI, signals that the 10-year treasury yield in the US should be higher given the historical relationship.
- Is Fed behind the curve?

Inflation on the rise in the US



Source: Deutsche Bank Research

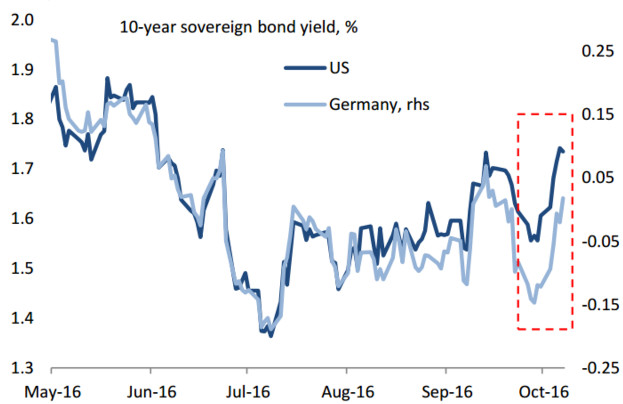
Global ISM/PMI suggests US 10-year treasury yield should be 2.2%



Source: Deutsche Bank Research

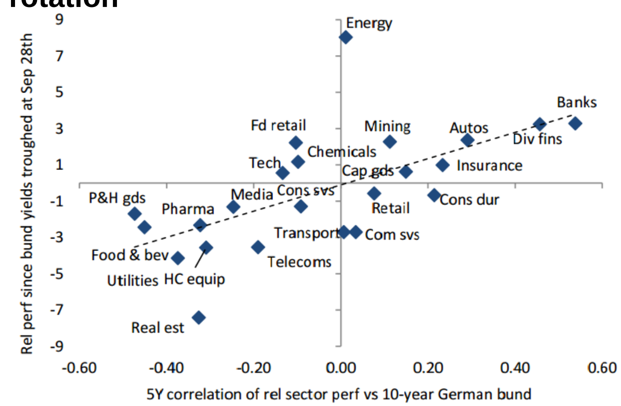
- Since Brexit, the 10-year yield in both the US and Germany have risen and the latter is again in positive territory.
- **Rising interest rates have triggered a sector rotation** in the market: sectors that are characterized by so-called "bond proxies" have suffered while sectors benefitting relatively more from stronger economic conditions and somewhat higher interest rates have benefited. The former includes among other real estate, utilities and consumer staples and the latter financials, industrials and consumer discretionary.

Both the US and German 10 year bond yield has risen since Brexit



Source: Deutsche Bank Research

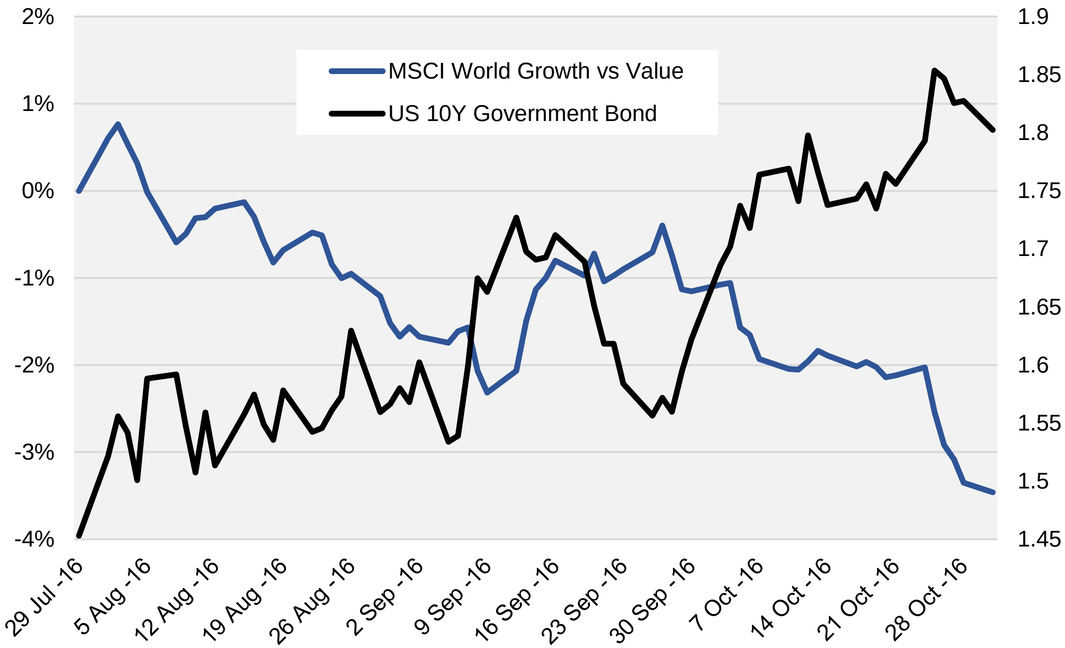
Rising interest rates has triggered a sector rotation



Source Deutsche Bank Research

- **Since July 2016 there has been a strong trend reversal in the market**: the long term interest rate has started to rise (from historically low levels) making growth stocks relatively less attractive compared to more cyclical value stocks.
- The graph highlights this inverted relationship: **when the US 10Y bond yield rises, growth stocks underperform relative to value stocks.** The US 10Y bond yield has risen from 1.45% to 1.8% since July, at the same time growth stocks have underperformed 4% relative to value stocks.

The US 10Y bond yield (right axis) and growth stocks relative to value stocks (left axis)

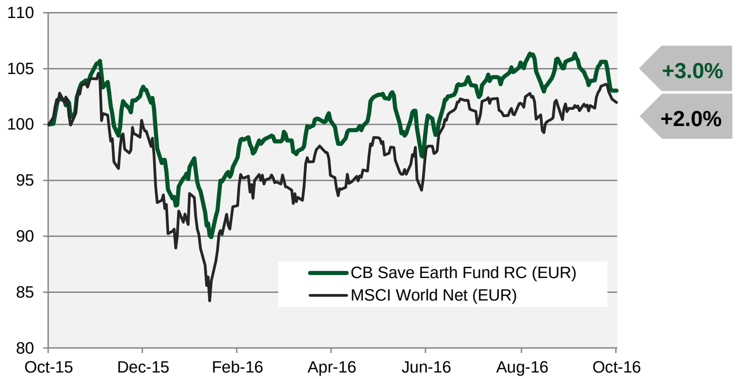


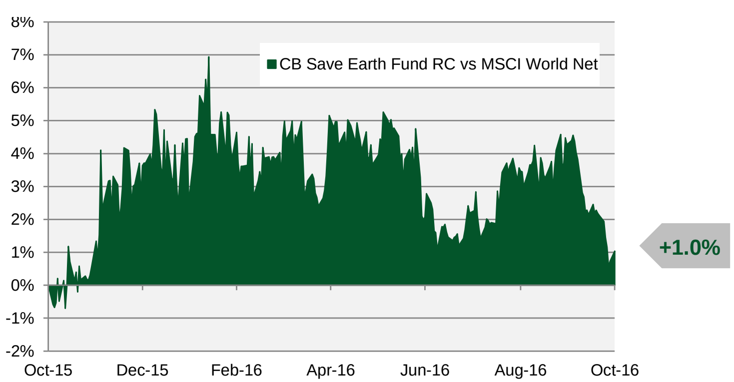
Source: MSCI, Bloomberg, CB Fonder

CB Save Earth Fund: Performance

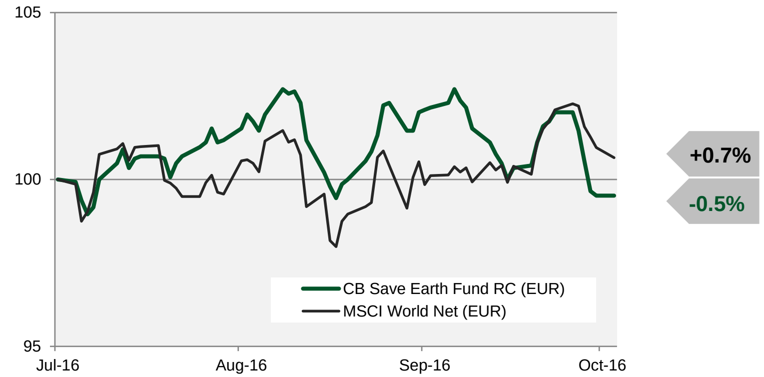
- **The fund has returned +3% during the last 12 months**, which is 1 pp better than the benchmark.
- **The last three months the fund has returned -0.5%**, which is 1 pp worse than the benchmark.

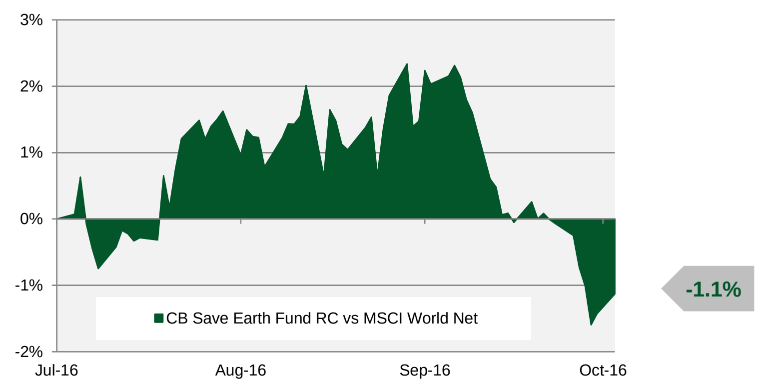
The fund and the benchmark index, 1 year (EUR)





The fund and the benchmark index, 3 months (EUR)



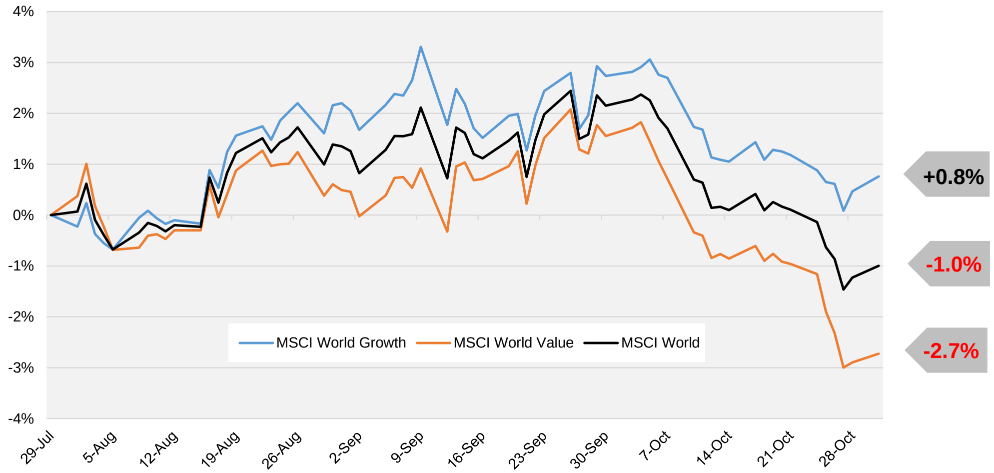


Source: MSCI, CB Fonder
Data as of 2016-10-31

CB Save Earth Fund: Performance

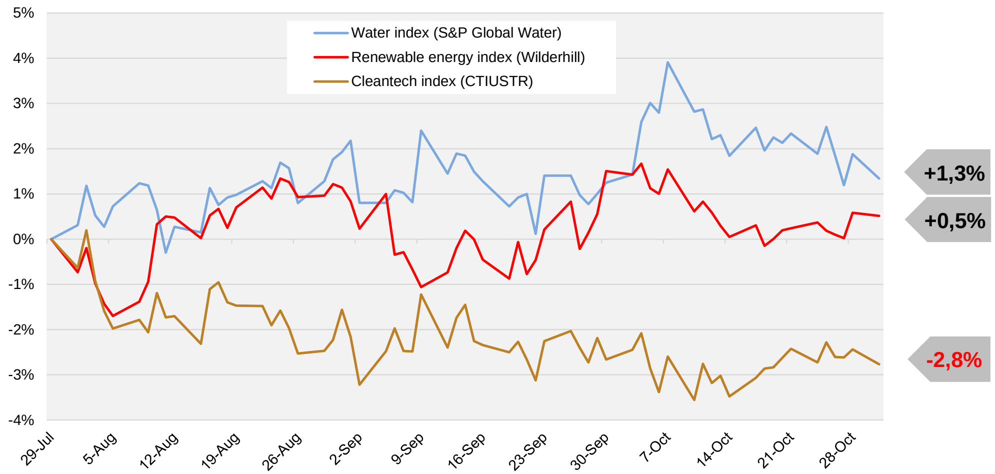
- The fund has since the trend reversal in July, **performed better than growth stocks but worse than value stocks.**
- The fund is mainly exposed to growth companies through the water sector and value companies through cleantech (and renewable energy).

The fund relative to different investment styles, since 31 July



- The fund has, since the trend reversal in July, **performed better than the water sector and renewable energy but worse than cleantech.**
- Cleantech has historically outperformed the water sector when value stocks have outperformed growth stocks (page 17).

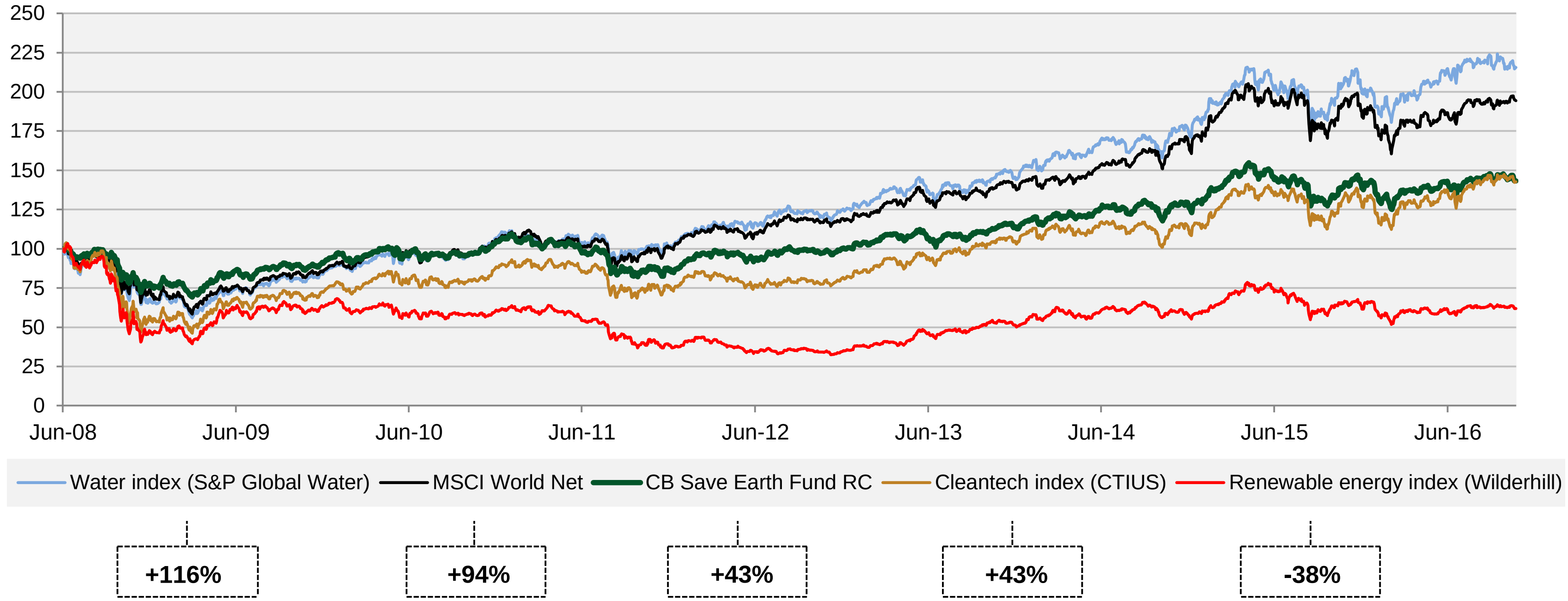
The fund relative to sector indices, since 31 July



Source: MSCI, CB Fonder

CB Save Earth Fund: Performance

The fund and benchmark indices, since fund inception in June 2008 (EUR)

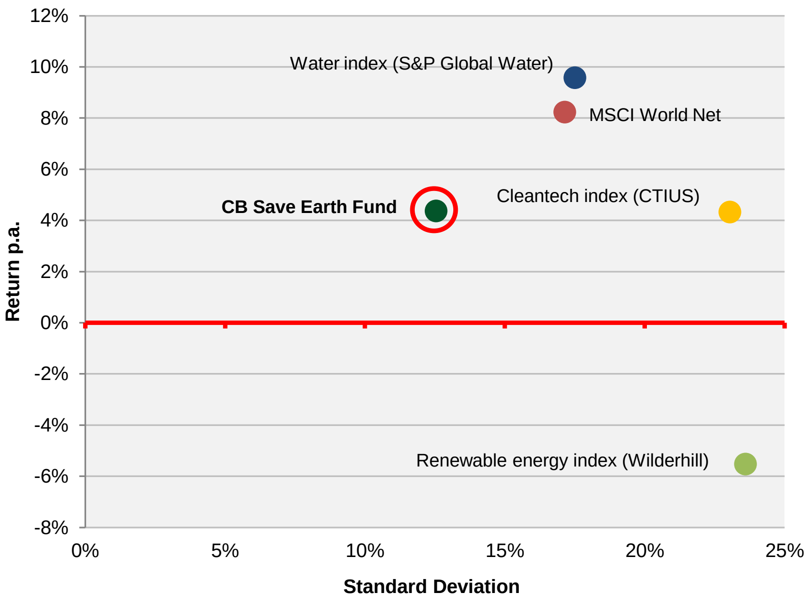


- Renewable energy index (including dividends): WilderHill New Energy Global Innovation Index
- Water index (including dividends): S&P Global Water Index
- Cleantech index (including dividends): The Cleantech Index
- World index (including dividends after tax): MSCI World

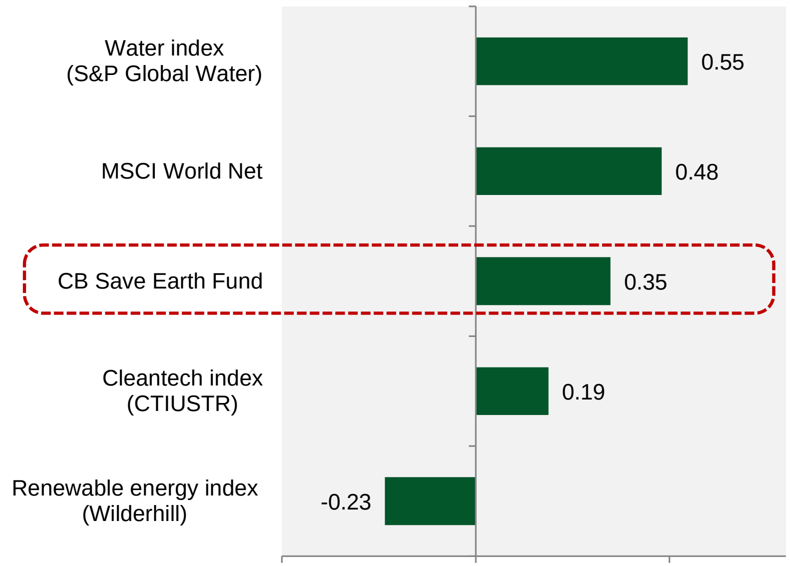
Source: MSCI, S&P, CB Fonder, Reuters, Bloomberg
Daily data for the period 9 June 2008 – 31 October 2016 (EUR)

- CB Save Earth Fund has returned +4.4% p.a. since inception in 2008; **the fund's return has been higher than for two of the three sectors it invests in** (Water index +9.6% p.a.; Cleantech index +4.3% p.a.; Renewable energy index -5.5% p.a.).
- The risk in the fund is significantly lower than in each of the three sectors in which it invests, and also lower than the risk in MSCI World. The fund's Sharpe ratio – the risk-adjusted return – is 0.35, which is **higher than for two of the three sectors the fund invests in**.

Risk and return, since fund inception (EUR)



Sharpe, since fund inception (EUR)

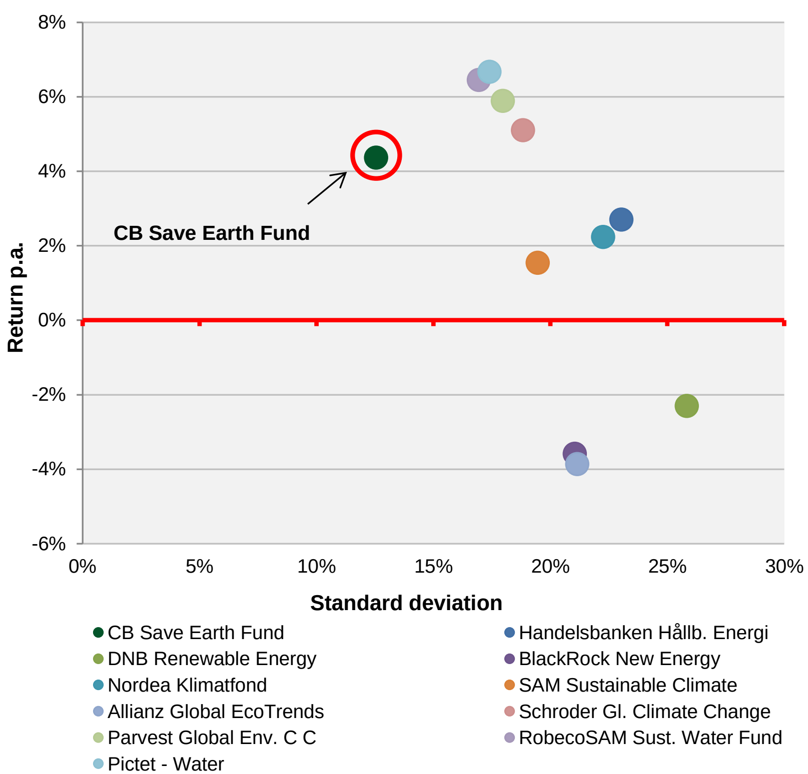


Source: MSCI, S&P, CB Fonder, Reuters, Bloomberg
Daily data for the period 9 June 2008 – 31 October 2016 (EUR)

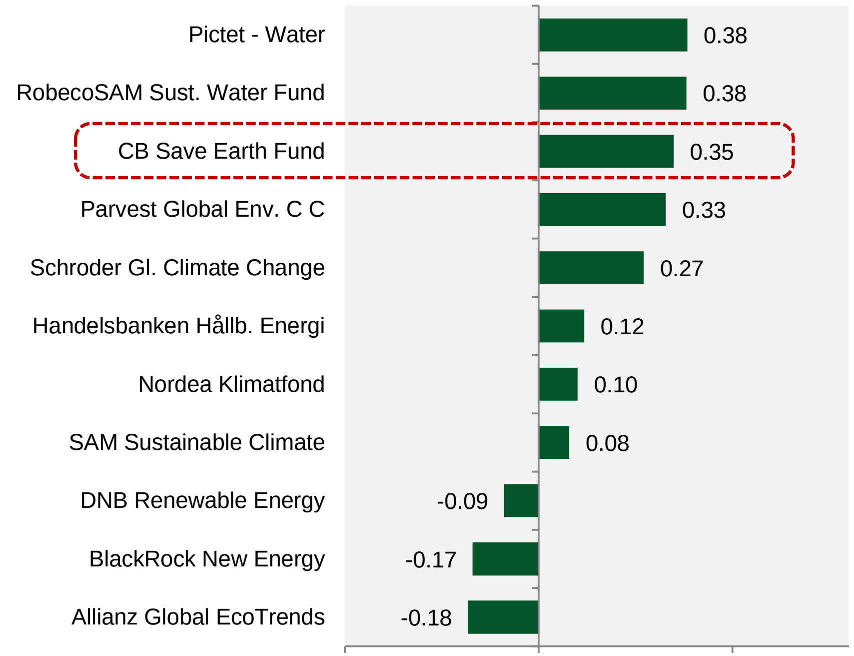
CB Save Earth Fund: Performance

- CB Save Earth Fund's objective is to offer investors **a low risk alternative within a segment characterised by high risk**. The fund has, since inception in 2008, had a significantly lower risk than peers while delivering a highly competitive return; a combination that results in a high Sharpe ratio.
- The water sector has by far been the best performer among the three environmental sectors. Nevertheless, the fund has a competitive Sharpe ratio also compared to the water funds.

Risk and return, since fund inception (EUR)



Sharpe, since fund inception (EUR)



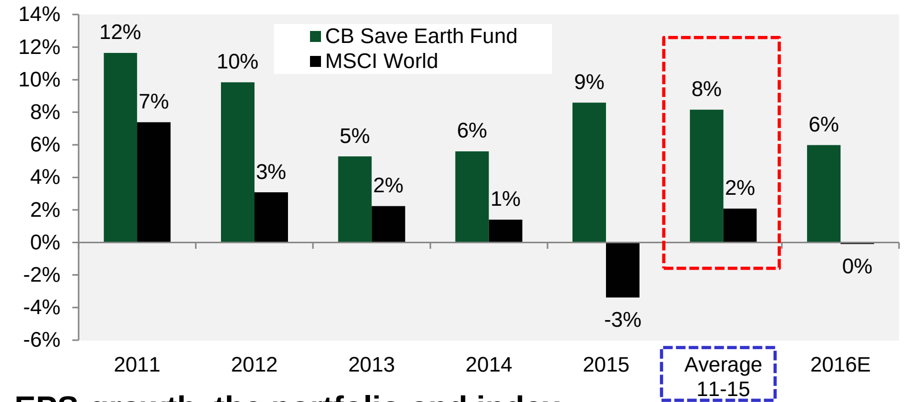
Source: Bloomberg, CB Fonder
Daily data for the period 9 June 2008 – 31 October 2016 (EUR).

CB Save Earth Fund: Portfolio

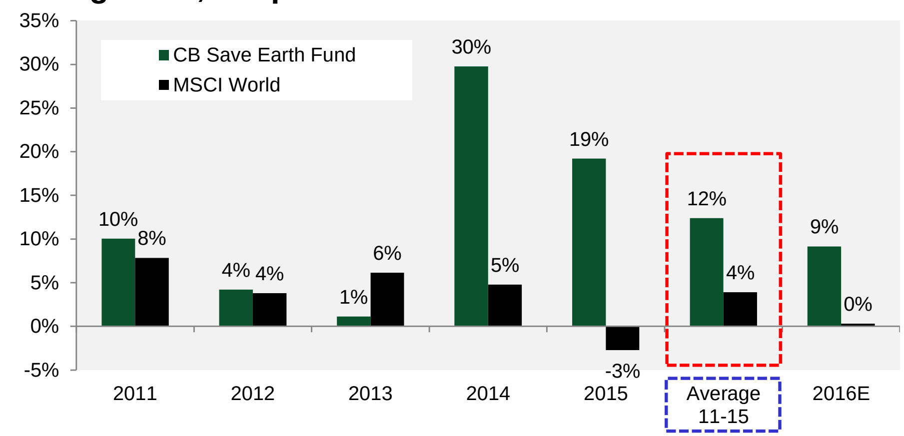
The 20 largest company exposures, as of 31 October 2016

Company	Country	Sector	Market cap € bn	Share of AUM
Geberit	Switzerland	Water	13.9	5.1%
Vestas Wind	Denmark	Renewable Energy	15.0	3.9%
Andritz	Austria	Renewable Energy	4.8	3.5%
Xylem	USA	Water	7.6	3.1%
Valeo	France	Cleantech	12.2	3.0%
Danaher Corp	USA	Water	48.3	2.8%
Idex Corp	USA	Water	5.9	2.8%
Aalberts	Netherlands	Water	3.1	2.7%
Legrand	France	Cleantech	13.6	2.6%
Pentair	Ireland	Water	8.9	2.3%
Infineon Technologies	Germany	Cleantech	17.6	2.1%
Ansys	USA	Cleantech	6.7	2.0%
ABB	Switzerland	Cleantech	41.1	1.9%
Nibe	Sweden	Renewable Energy	3.3	1.5%
Autodesk	USA	Cleantech	13.8	1.5%
Roper Technologies	USA	Water	15.6	1.4%
Kingspan Group	Ireland	Cleantech	4.0	1.4%
Tomra Systems	Norway	Cleantech	1.5	1.4%
Suez Environment Co	France	Water	7.7	1.2%
Veolia Environment	France	Water	10.3	1.2%
Median/Total			**9.6**	**47.4%**

Revenue growth, the portfolio and index



EPS-growth, the portfolio and index



- Exposure to large companies with a long and proven track record.
- Concentrated portfolio: the 20 largest holdings make up 47% of AUM.

Structural growth – consistently higher growth than index.

Source: Bloomberg, Deutsche Bank, CB Fonder

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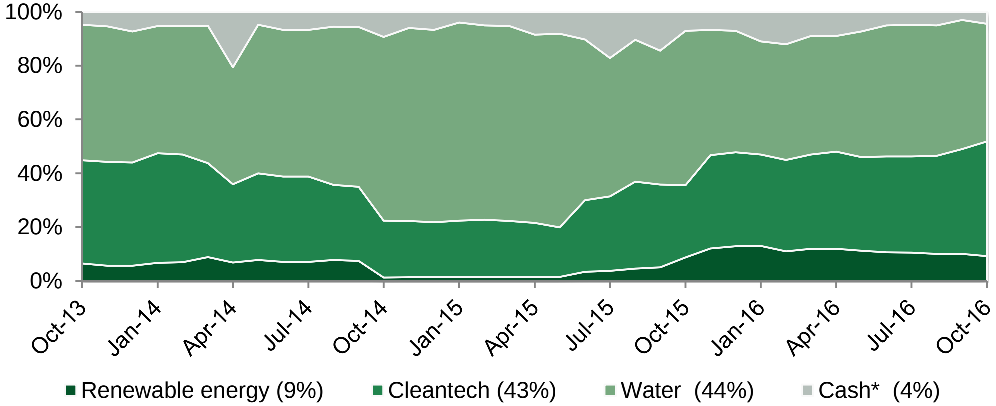
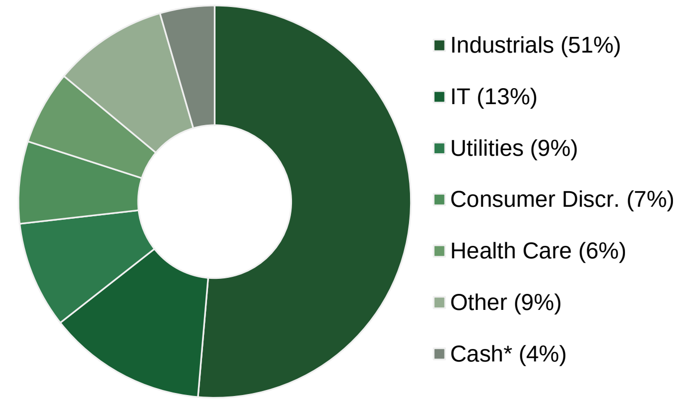
CB Save Earth Fund: Portfolio

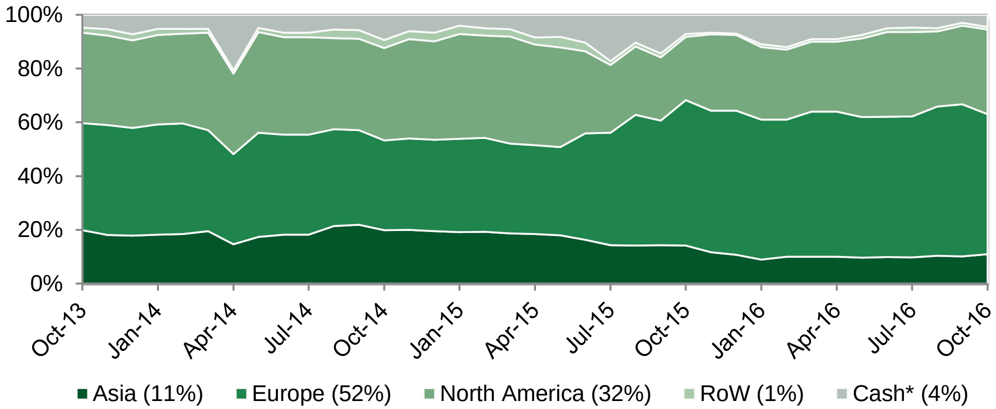
Sector allocation, 36 months

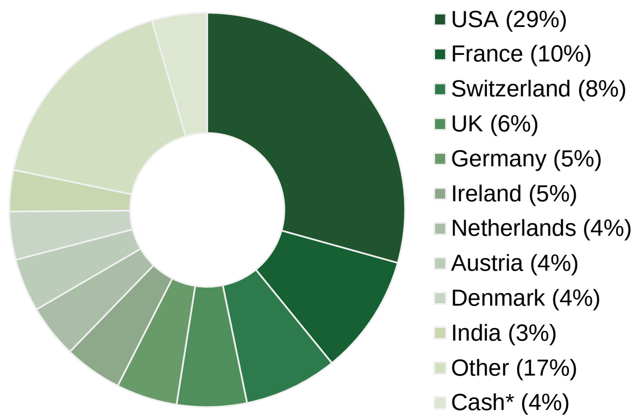




As of 31 October 2016

Geographic allocation, 36 months





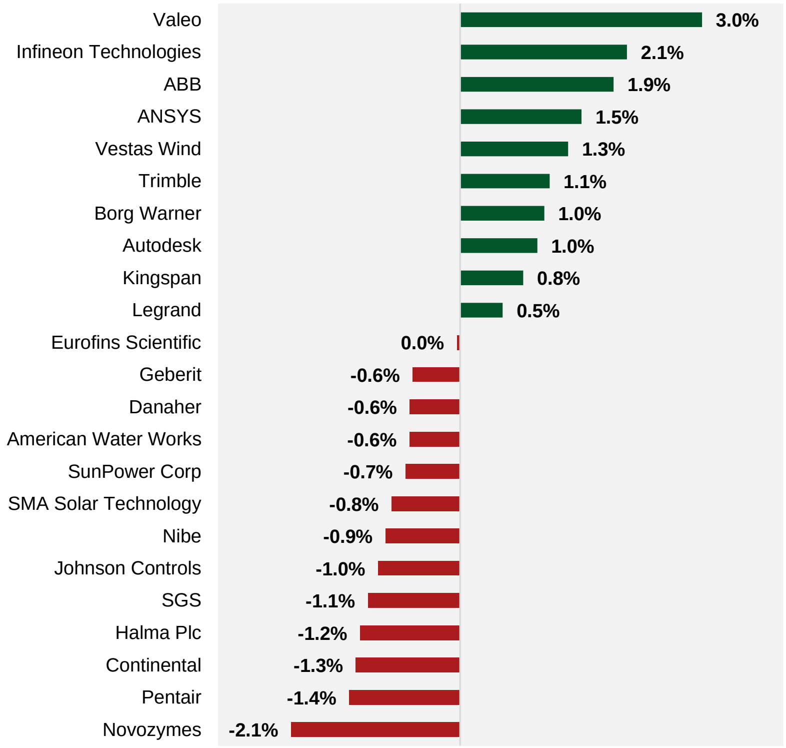
As of 31 October 2016

Source: Bloomberg, CB Fonder
*Including cash in underlying funds

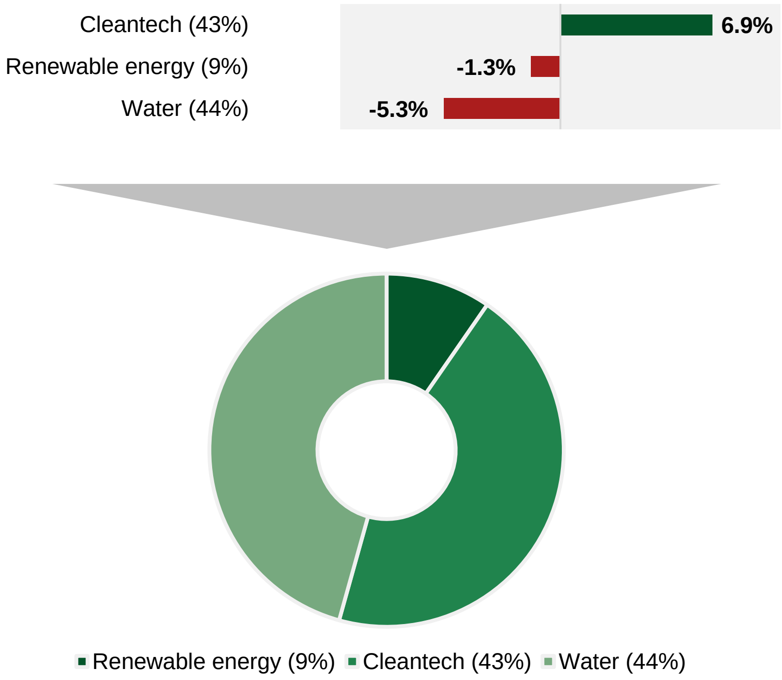
CB Save Earth Fund: Portfolio

- **We have increased our exposure towards companies we believe will benefit relatively more from rising interest rates and a positive trend for value stocks**. Generally, this is a relatively good environment for cleantech and a relatively bad environment for the water sector.
- In this climate, we are more sensitive than usual to company specific issues.

Changes in holdings, 31 July – 31 October



Changes in sector exposure, 31 July – 31 October



Source: CB Fonder

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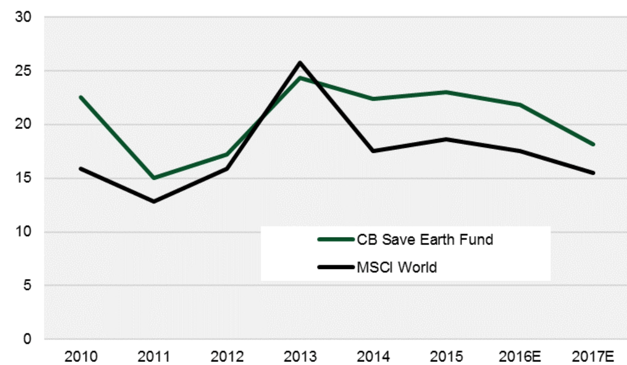
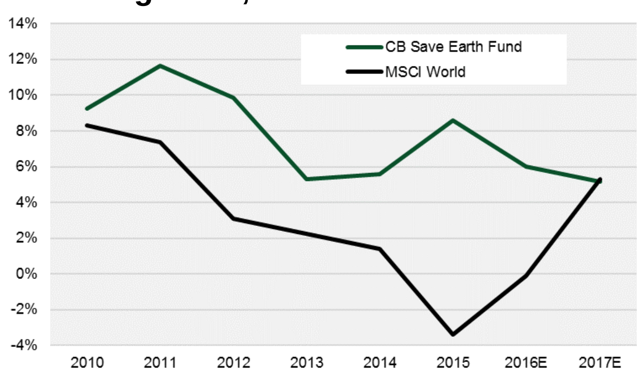
CB Save Earth Fund: Portfolio

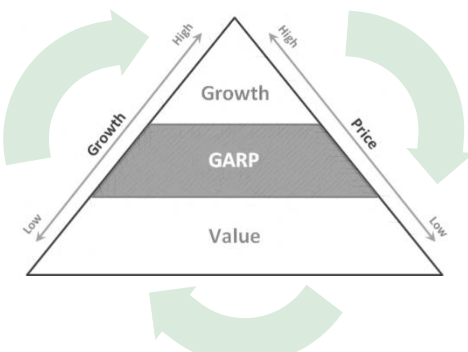
- In a market where value stocks outperform, it is of extra importance that we pay a ”fair” price for our holdings: **focus on GARP** (Growth At A Reasonable Price).
- **The fund's EPS and revenue growth is 8 and 5 percent for 2017** respectively. Since 2010 the average for these numbers are 13 and 8 percent respectively. The P/E ratio for 2017 is 18x.
- The index has an expected EPS and revenue growth of 13 and 5 percent for 2017 respectively. These numbers have since 2011 always been estimated to be around these levels for the next year; the actual outcomes have since 2011 always been much lower. The P/E ratio for 2017 is 16x.

P/E ratio, 2010-2017E

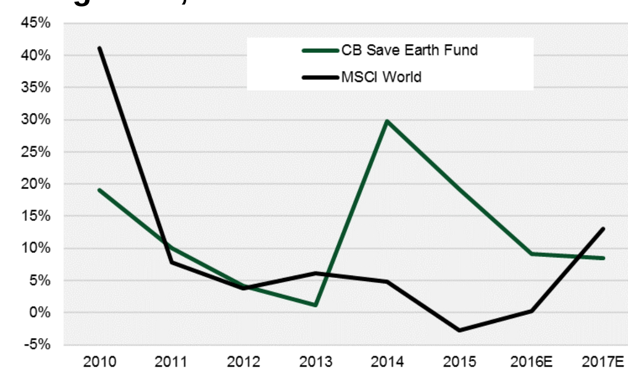


Revenue growth, 2010-2017E





EPS-growth, 2010-2017E

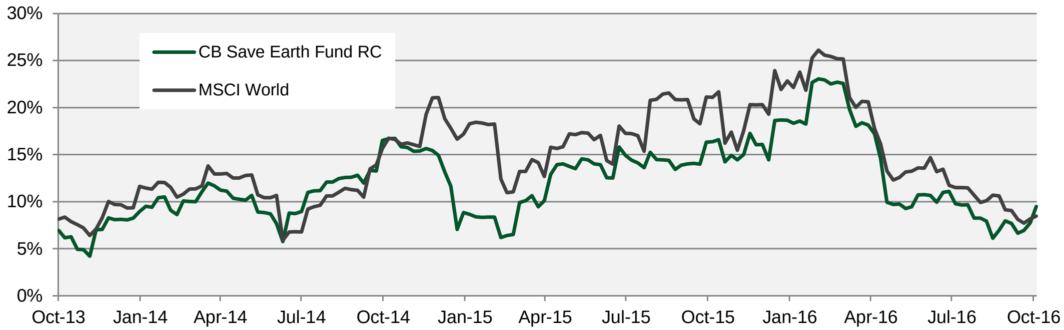


Source: Bloomberg, Investopedia, CB Fonder

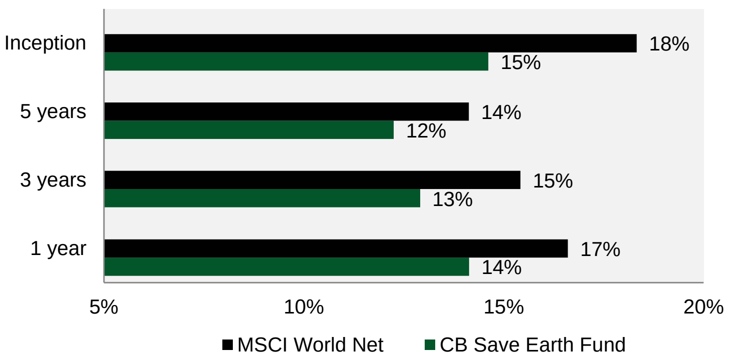
CB Save Earth Fund: Risk profile

Standard deviation – consistently lower than index*

Standard deviation on a 12-week rolling basis, 3 years

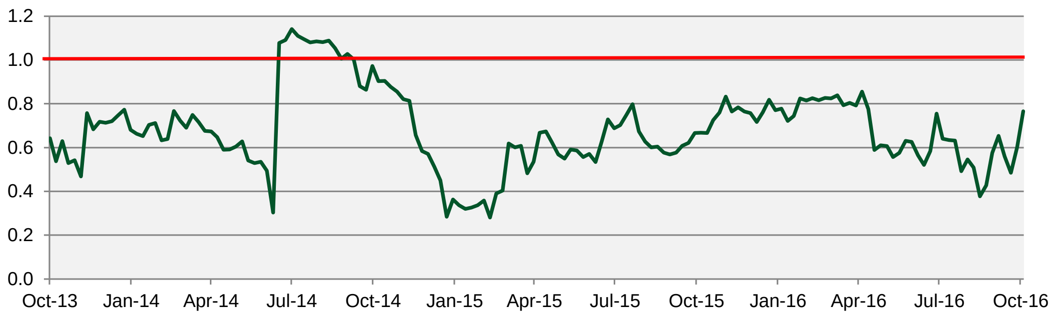


Standard deviation, 1-8 years

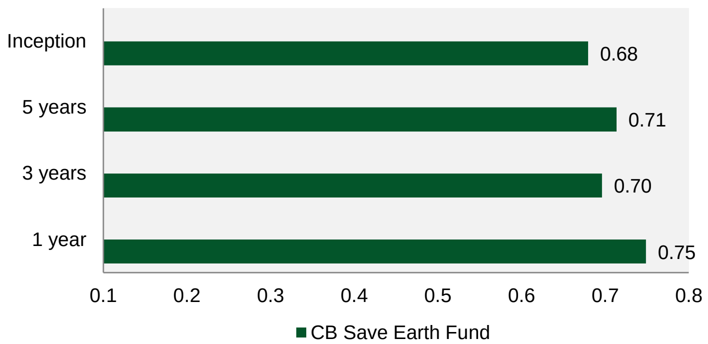


Beta against MSCI World Net – consistently <1*

Beta on a 12-week rolling basis, 3 years



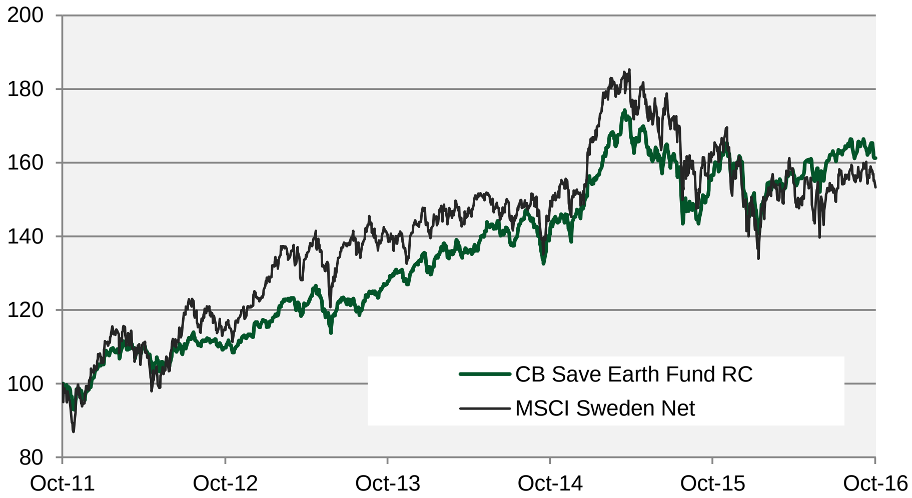
Beta, 1-8 years



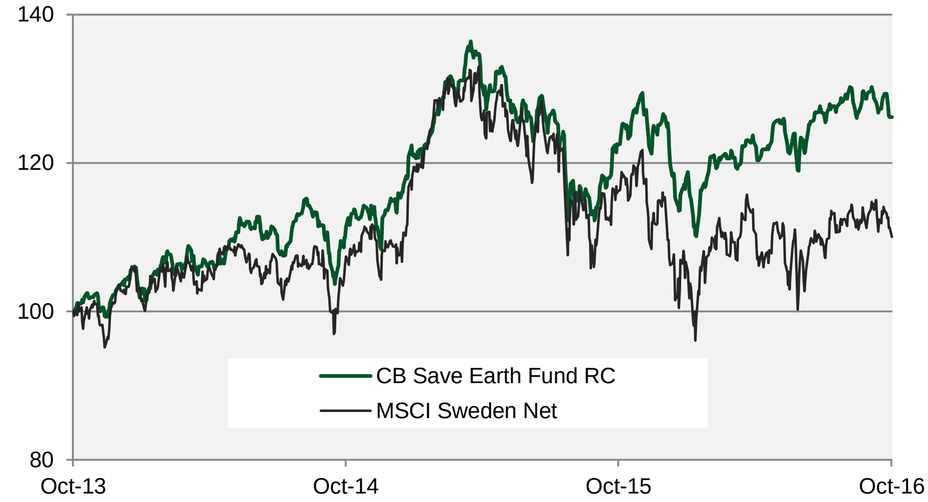
Source: MSCI, CB Fonder
*Weekly data (EUR)

Allocation: The fund vs Sweden

SEF and MSCI Sweden Net, 5 years in EUR



SEF and MSCI Sweden Net, 3 years in EUR



Key figures (5 yrs)*	SEF	Sweden
Performance, %	+61.3	+53.3
Standard deviation, %	10.5	20.4
Sharpe (0%)	+0.96	+0.44
Maximum drawdown, %	-19.3	-27.8
Beta against MSCI Sweden	+0.16	
Alfa against MSCI Sweden, % p.a.	+8.60	

Key figures (3 yrs)*	SEF	Sweden
Performance, %	+26.2	+10.0
Standard deviation, %	11.0	20.5
Sharpe (0%)	+0.75	+0.16
Maximum drawdown, %	-19.3	-27.8
Beta against MSCI Sweden	+0.23	
Alfa against MSCI Sweden, % p.a.	+7.30	

Source: MSCI, CB Fonder
*Data as of 2016-10-31

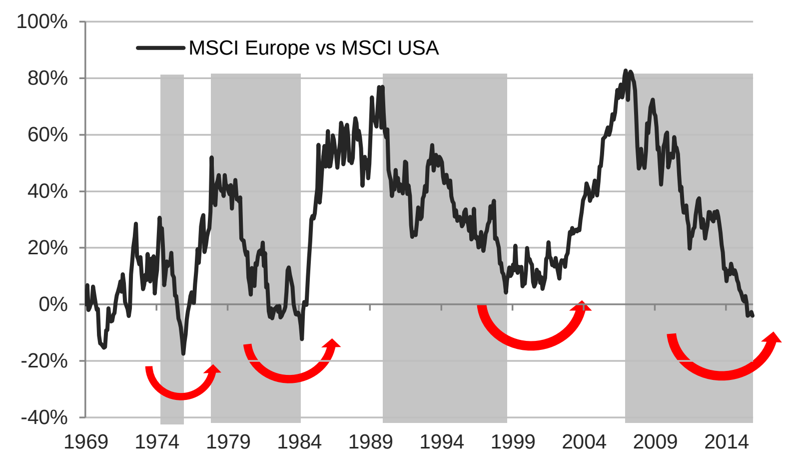
Allocation: Europe vs the U.S.

- Europe has four explicit periods of underperformance against the U.S., all of which bottomed out when the accumulated underperformance reached ~40%. **This time Europe has underperformed by 47%!**
- **Does a new period of outperformance stand before Europe?** Never before (with data going back to 1969) has Europe underperformed more than today's 47% and never before has the underperformance lasted as long as today's 107 months.
- We are overweight Europe (52%) relative to North America (32%).

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

Time period		Absolute return (USD)			
From	To	MSCI Europe	MSCI USA	Relative return	Duration Months
1975-02-28	1976-10-29	-18%	30%	-37%	20
1976-10-29	1978-10-31	76%	-4%	84%	24
1978-10-31	1985-02-28	34%	132%	-42%	76
1985-02-28	1990-10-31	283%	90%	102%	68
1990-10-31	1999-06-30	224%	451%	-41%	104
1999-06-30	2007-11-30	102%	15%	75%	101
2007-11-30	2016-10-31	-13%	65%	-47%	107

MSCI Europe relative to MSCI USA, same currency



Source: MSCI, CB Fonder

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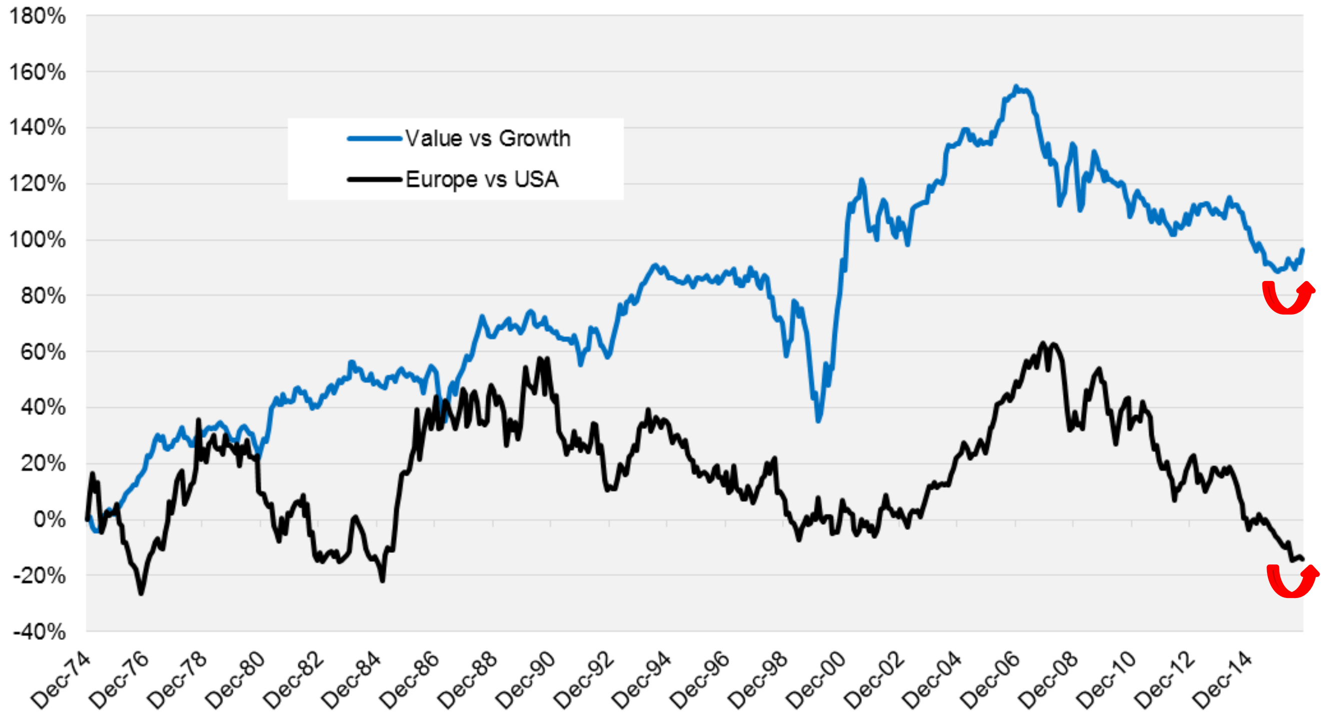
Allocation: Europe vs the U.S.

- **A trend reversal for value stocks relative to growth stocks has historically been positive for outperformance by Europe relative to the US**. This relationship has been especially strong since 2000.
- US stocks have a higher valuation than European stocks and the US index consists mainly of growth stocks, especially in IT (Amazon, Facebook, Alphabet among others), while the European index is more tilted towards value stocks, mainly in finance.

MSCI World Value vs MSCI World Growth and MSCI Europe vs MSCI USA

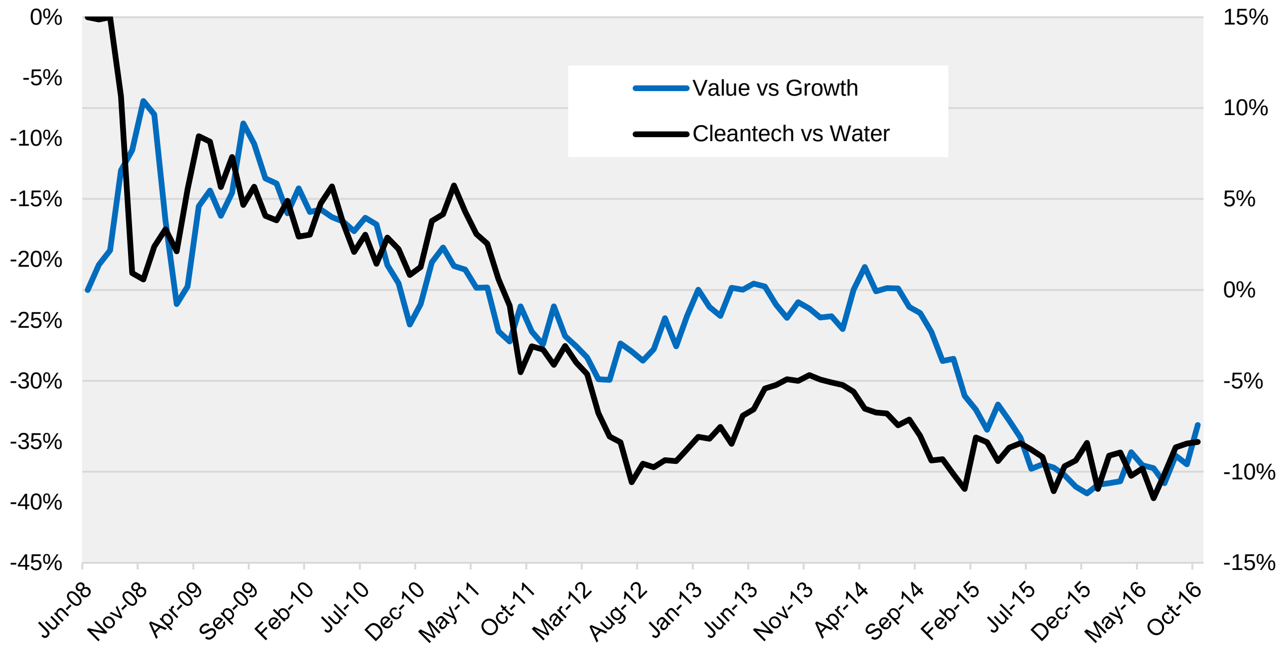


Source: MSCI, CB Fonder

Allocation: Cleantech vs Water

- Since fund inception in June 2008 **cleantech has outperformed relative to water when value companies have outperformed relative to growth companies.**
- Water companies offer in general a more stable growth while cleantech companies are more cyclical. Thus, the former tend to have a higher valuation than the latter.
- We are equally weighted between cleantech (43%) and water (44%), where the former is more volatile and the latter provides a solid base in our portfolio.

MSCI World Value vs MSCI World Growth and Cleantech vs Water



Source: Bloomberg, MSCI, CB Fonder

Disclaimer

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Potential investors in the Fund should inform themselves of the applicable laws and regulations of the countries of their citizenship, residence or domicile and which might be relevant to the subscription, purchase, holding, conversion and redemption of shares in the Funds.

Should you wish to obtain further information on the Fund, please consult our website, where the Prospectus, the latest available annual and semi-annual reports, and the Key Investor Information Document (KIID) of the Fund are provided.

CB FONDER

Active | Ethical | Long-term