

**Named portfolio manager(s):**

Hans-Olov Bornemann (since launch)

**Peer group:** absolute returns EUR

**Location:** Stockholm

**Launch date:** October 2006

**Fund size (May 2011):** €1.3bn

**Contact group:** +49 69 27299 1000 or

[www.sebassetmanagement.de](http://www.sebassetmanagement.de)

Further information on S&P's fund coverage can be found at [www.FundsInsights.com](http://www.FundsInsights.com)



Report date July 2011

### Investment style

BOND	
Investment grade	✓
High yield	
Emerging debt	
EQUITY	
Large-cap	✓
Mid-cap	✓
Small-cap	

### Performance statistics

	Three years
Fund	22.0%
Index**	5.7%
Correlation vs Index	0.3
Information ratio vs Index	-0.1

Note: returns are cumulative

### Three year risk characteristics

Maximum Monthly Drawdown (%)	-3.8
Ann Weekly Downside Deviation	8.8
Correlation vs Citi WGBI	0.4
Beta vs Citi WGBI	6.1
Correlation vs S&P 1200	0.5
Beta vs S&P 1200	0.4

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### Standard & Poor's opinion (June 2011)

This is a GTAA fund using quantitative techniques that aims to return cash +5% net annualised with 10% volatility. It is the medium-risk fund in a range of three.

It was launched in late 2006 and made a good start, returning over 9% in 2007 and 24.5% in 2008 when long positions in government bonds and the dollar against shorts in equities and commodities worked extremely well. However, the lack of clear bond market trends in 2009 meant the models, which have a strong trend-following component, generally struggled.

The team is aware that bubbles can collapse rapidly and had been working on a systematic risk reduction mechanism to control for this since December 2008. They implemented it in February 2010. This meant that the model's raw long positions in bonds were constrained in Q2 and Q3 2010, and that some good opportunities were missed. Instead of making 11% on bonds in 2010, the fund only made 6.5%, resulting in a disappointing, but still positive, return for the year. The team cancelled the newly introduced mechanism in January 2011 and reverted to its previous risk management system.

We accept that this fund is likely to struggle in a trendless market and we always encourage managers to explore ways to improve their processes, but we regret the opportunity cost of the risk reduction mechanism. However, the net annualised return since inception is still achieving its target with volatility very slightly over 10%. We have retained the S&P AA/N8 rating.

### Fund manager & team

SEB's global quant team comprises five members, including team head Hans-Olov Bornemann, one other portfolio manager, two quant analysts and a systems analyst. They have been together since 2003 and manage €1.4bn in this strategy.

Hans-Olov Bornemann - fund manager - MBA (Stockholm School of Economics), joined SEB in 2003, following six years spent at Deutsche Bank as head of Nordic equity research. He is senior portfolio manager and head of the global quant team.

Jan Hillerström - BSc economics (Uppsala University), joined SEB in 1990 as a portfolio manager/analyst. He held various other roles at SEB, including chief financial analyst and investment strategist, before moving to the global quant team in 2003.

Adam Ahlström - BSc economics (Stockholm University), joined SEB in 1997 as an assistant portfolio manager in the North American equities team. He began covering global equities in the following year, before joining the global quant team in 2003.

Mikael Däckfors - BSc economics (Stockholm University), has been with SEB since 2002, following three years spent as a quantitative risk analyst. He joined the global quant team in 2003 as a systems/quantitative analyst.

Matthias Eriksson - MBA (Stockholm School of Economics), joined the company in 2005 as a systems analyst but is now a full-time quant analyst.

### Management style

The fund's objective is to return the risk-free rate +5% annualised over a rolling three to five years, with 10% volatility. The team uses a dynamic asset allocation approach across four liquid asset classes: equities, fixed income, currencies and commodities. Performance is driven by active derivative strategies that overlay a base portfolio of money market instruments. The cash portfolio aims to earn the risk free rate, while keeping a high level of security and liquidity in the instruments held. Individual security selection will not feature in the portfolio.

Throughout the market cycle, equities, fixed income and currencies are expected to consume roughly equal proportions (30% each) of the risk budget, with the remainder allocated to commodities.

The team's quant model generates signals using a combination of valuation, growth, momentum and behavioural finance indicators. Most emphasis is placed on momentum factors because of the typical one- to three-month time horizon of trades.

The fund can take exposures through futures, swap or CFD positions but cannot short securities outright. Also, the portfolio may not invest in single commodity futures, only indices.

# SEB FUND 1 - SEB ASSET SELECTION FUND

Sub-fund of Luxembourg domiciled FCP - Part 1, Ucits III

SEB Asset Management SA

# STANDARD & POOR'S



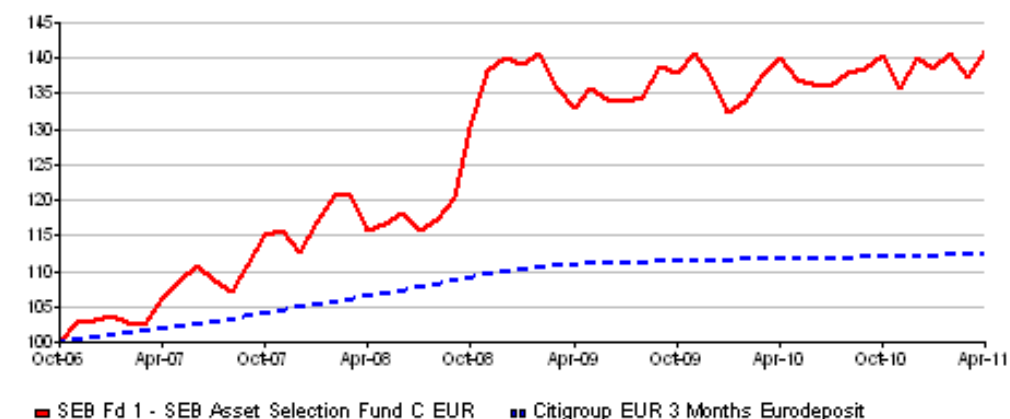
## Portfolio & performance analysis (May 2011)

This GTAA fund, unlike others of its kind, uses quant models to take positions in equities, government bonds, currencies and commodities. These have a strong trend-following component and therefore the fund cut its long exposure to equities in mid-2007 before going short in 2008. Conversely, it was long bonds and the dollar in 2008 and these positions generated exceptional performance in the final part of the year.

The bond model struggled in 2009 as markets traded in a range and the fund was down for the year. The bond model was also disappointing in 2010, but for a different reason. The team had built a systematic risk-reduction overlay that was designed to identify potential bubbles and dampen the model's tendency to buy into them. Unfortunately, it dampened risk too early and the bond model failed to take full advantage of the rally, generating an opportunity cost of 4-5%. However, the fund still achieved a positive result for the year, thanks to the bond model, as equities, commodities and currency all cost money.

The risk-reduction overlay was removed in January 2011. Since then, currencies and commodities have added value but the equity model continues to suffer as markets trade sideways. Fixed income has also cost money in 2011 to date as the model has been short euro bond futures and long US bond futures.

## Cumulative performance



Created with mpj Stylus (Data: Lipper)

## Discrete performance (calendar years)

	2007		2008		2009		2010		YTD	
	%	Rank	%	Rank	%	Rank	%	Rank	%	Rank
Fund	9.1		24.5		-1.8		2.0		0.5	
Index**	4.2		4.9		1.5		0.5		0.3	

\*\* Citi EUR 3m Eurodeposit LC  
Fund Benchmark: Risk-free rate +5%  
Share class screened: LU0256624742 (C (EUR))

## Asset allocation (1 May 2011)

	Long	Short	Net
Governments/supranational	3.07	-1.82	1.25
Cash	0.09	0.00	0.09

## Total equity beta (%) (1 May 2011)

	Long	Short	Net
North America	16.0	0.0	16.0
Developed Europe	11.2	-3.5	7.7
UK	2.0	0.0	2.0
Japan	0.0	-4.1	-4.1
Pacific ex Japan	1.7	-1.1	0.7
Emerging	0.0	0.0	0.0

## Regional breakdown (1 May 2011)

	Long	Short	Net	Curr %
Not applicable				

## Credit rating breakdown (1 May 2011)

	Long	Short	Net
Not applicable			

\* Credit rating exposures are expressed in spread duration terms. All others expressed in interest rate duration years.

# STANDARD & POOR'S

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## Symbols and definitions

### Long-only fund ratings

**AAA** The fund demonstrates the highest standards of quality in its sector based on its investment process and management's consistency of performance as compared to funds with similar objectives.

**AA** The fund demonstrates very high standards of quality in its sector based on its investment process and management's consistency of performance as compared to funds with similar objectives.

**A** The fund demonstrates high standards of quality in its sector based on its investment process and management's consistency of performance as compared to funds with similar objectives.

### Fund-of-hedge-funds ratings

#### Absolute return fund ratings

#### Specialist fund ratings

**AAA** The fund demonstrates the highest standards of quality based on its investment process, risk awareness and consistency of performance relative to its own objectives.

**AA** The fund demonstrates very high standards of quality based on its investment process, risk awareness and consistency of performance relative to its own objectives.

**A** The fund demonstrates high standards of quality based on its investment process, risk awareness and consistency of performance relative to its own objectives.

### Ucits III flexible beta fund ratings

**AAA** The fund demonstrates the highest standards of quality based on its investment process, risk awareness and consistency relative to its own objectives and relative to comparable flexible beta funds.

**AA** The fund demonstrates very high standards of quality based on its investment process, risk awareness and consistency relative to its own objectives and relative to comparable flexible beta funds.

**A** The fund demonstrates high standards of quality based on its investment process, risk awareness and consistency relative to its own objectives and relative to comparable flexible beta funds.

### All fund ratings

**Not Rated (NR)** Funds designated as Not Rated currently do not meet the requisite performance standards and/or the minimum qualitative criteria to achieve a fund rating.

**Under Review (UR)** Ratings are placed Under Review when significant management changes occur at the fund manager or fund management team level and Standard & Poor's Fund Services has not had the opportunity yet to evaluate their impact on the qualitative appraisal.

**(New)** Signifies where a major event has occurred for which there is no fund-specific track record available. This includes: funds recently launched, the implementation of a new investment process or mandate and may include structural changes within a fund team.

**Tenure Review (TR)** The fund manager/team involved in the management of the fund does not currently have the minimum 12 months' relevant investment management experience required to be eligible to be considered for a rating.

**Long-term fund management rating LTFMR** The fund has been rated in the A/AA/AAA fund rating band for five consecutive years or more, and continues to hold a rating.

### Bond fund volatility ratings

The bond fund volatility rating is our current opinion of a fund's sensitivity to changing market conditions. Volatility ratings evaluate the fund's sensitivity to interest rate movement, credit risk, investment diversification or concentration, liquidity, leverage and other factors. For V1-V4 categories, risk is considered relative to a portfolio composed of government securities and denominated in the base currency of the fund.

**V1** Bond funds that possess low sensitivity to changing market conditions. These funds possess an aggregate level of risk that is less than or equal to that of a portfolio comprising government securities maturing within one to three years, and denominated in the base currency of the fund. These funds possess an aggregate level of risk that is less than or equal to that of a portfolio comprising the highest quality fixed income instruments with an average maturity of 12 months or less. Within this category, certain funds are designated with a plus sign (+), indicating extremely low sensitivity to changing market conditions.

**V2** Bond funds that possess low to moderate sensitivity to changing market conditions. These funds possess an aggregate level of risk that is less than or equal to that of a portfolio comprising government securities maturing within three to seven years, and denominated in the base currency of the fund.

**V3** Bond funds that possess moderate sensitivity to changing market conditions. These funds possess an aggregate level of risk that is less than or equal to that of a portfolio comprising government securities maturing within seven to 10 years, and denominated in the base currency of the fund.

**V4** Bond funds that possess moderate to high sensitivity to changing market conditions. These funds possess an aggregate level of risk that is less than or equal to that of a portfolio comprising government securities maturing beyond 10 years and denominated in the base currency of the fund.

**V5** Bond funds that possess high sensitivity to changing market conditions. These funds may be exposed to a variety of significant risks including high concentration risks, high leverage, and investments in complex structured and/or less liquid securities.

**V6** Bond funds that possess the highest sensitivity to changing market conditions. These funds include those with highly speculative investment strategies with multiple forms of significant risks, with little or no diversification benefits.

### Absolute return fund N ratings

The N rating is Standard & Poor's indication of a fund's potential capital stability in normal markets. It is a qualitative rating but is based on annualised weekly downside deviation. N1 is the most stable and N9 the least.