

1 JANUARY–31 MARCH 2020

RETURN AND KEY FIGURES

Return (after management and performance fees) <sup>1)</sup>	Carve 1nl (SEK) <sup>1)</sup>	HFR Fund of Funds (USD) <sup>2)</sup>	Credit Corp. Investment Grade US (USD) <sup>3)</sup>	Credit Corp. Investment Grade EU (EUR) <sup>4)</sup>	MSCI World NDTR Index (local currency) <sup>2)</sup>	JP Morgan Global Gov't Bond Index (local currency)	GSGT3M (SEK) <sup>5)</sup>
1 January–31 March 2020, %	-14.91	-6.01	-4.18	-6.03	-20.02	4.40	-0.08
Year to date (1 January–31 March 2020), %	-14.91	-6.01	-4.18	-6.03	-20.02	4.40	-0.08
Last 12 months, %	-5.52	-2.60	4.38	-3.21	-9.65	8.20	-0.40
Since inception (9 November 2012–31 March 2020), %	8.98	20.40	26.95	18.12	84.52	27.50	-1.10
Average annual return since inception, %	1.17	2.54	3.28	2.28	8.64	3.34	-0.15
<b>Hard-to-Value Assets<sup>6)</sup></b>							
Gross market value/NAV <sup>7)</sup> , %	-						

RISK EXPOSURE<sup>8)14)</sup> PER COUNTRY (AT 31 MARCH 2020), %

	Equity net exposure	Equity gross exposure	Bond and credit net exposure	Bond and credit gross exposure	Total net exposure	Total gross exposure
USA	-0,19	0,30	0,26	0,63	0,06	0,94
Sweden	-0,01	0,14	0,40	0,40	0,39	0,54
Germany	0,20	0,22	-0,01	0,17	0,19	0,39
Netherlands	0,02	0,02	-0,18	0,20	-0,16	0,22
France	0,10	0,10	-0,08	0,08	0,02	0,18
United Kingdom	-0,01	0,10	0,02	0,04	0,02	0,14
Ireland	0,02	0,02	-0,10	0,10	-0,09	0,12
Finland	-0,02	0,02	-0,07	0,07	-0,09	0,09
Denmark	0,00	0,00	0,07	0,07	0,07	0,07
Italy	-0,01	0,01	0,03	0,03	0,03	0,04
Curacao	0,00	0,00	0,04	0,04	0,04	0,04
Spain	-0,04	0,04	0,00	0,00	-0,04	0,04
Switzerland	-0,04	0,04	0,00	0,00	-0,04	0,04
China	-0,01	0,01	0,01	0,01	0,00	0,03
Japan	0,00	0,00	0,02	0,02	0,01	0,02
Austria	0,00	0,00	0,01	0,01	0,01	0,01
Israel	-0,01	0,01	0,00	0,00	-0,01	0,01
Jersey	0,00	0,00	0,01	0,01	0,01	0,01
Total	-0,01	1,04	0,43	1,88	0,42	2,92

MONTHLY RETURN (SINCE INCEPTION AFTER MANAGEMENT AND PERFORMANCE FEES), %

Year	Return full year, %	NAV <sup>7)</sup> SEK m	% Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2012	0.46	3,241	-	-	-	-	-	-	-	-	-	-	0.43	0.03
2013	14.66	4,642	1.55	1.21	1.22	1.49	0.84	-0.24	2.60	-0.22	1.39	1.23	0.97	1.75
2014	11.23	5,165	-0.45	2.59	0.07	2.08	1.04	-0.10	1.02	0.67	-0.66	2.06	0.74	1.72
2015	5.18	6,991	-1.07	3.13	0.06	1.01	1.17	-1.63	1.29	-1.39	-3.36	2.70	2.19	1.17
2016	-5.87	6,521	-3.92	-2.32	0.96	2.72	0.76	-1.64	-0.52	0.94	-2.29	0.75	-2.82	1.55
2017	6.59	6,886	0.66	2.87	0.82	0.72	3.50	-1.00	0.54	-0.59	-0.26	1.17	-2.53	0.64
2018	-11.91	4,571	-1.59	-2.02	-3.34	1.69	-1.80	-0.58	0.90	1.02	-0.43	-1.09	-2.42	-2.81
2019	7.53	1,326	0.21	-0.46	-2.91	5.32	0.54	-0.41	2.98	-2.76	2.23	1.31	-0.57	2.12
2020/03/31	-14.91	579	1.07	-1.54	-14.49									

VALUE-AT-RISK, %

Parametric VaR (18 months)	Latest	Mean	High	Low
Current portfolio <sup>9)</sup>	2.11	-	-	-
Last month	-	1.42	2.13	0.66
Since inception	-	0.57	2.13	0.04
<b>Historic VaR (18 months)</b>				
Current portfolio <sup>9)</sup>	0.69	-	-	-
Last month	-	0.64	0.71	0.55
Since inception	-	0.62	1.23	0.07

STRESS TESTS<sup>14)</sup> (AT 31 MARCH 2020), %

Interest rates <sup>10)</sup> -20bp	0,49
Interest rates <sup>10)</sup> +20bp	-0,48
Credit Spreads <sup>11)</sup> -10%	2,58
Credit Spreads <sup>11)</sup> +10%	-2,40
Equity <sup>12)</sup> -10%	0,03
Equity <sup>12)</sup> +10%	-0,05
Volatility <sup>13)</sup> -10pp	-0,06
Volatility <sup>13)</sup> +10pp	0,07

<sup>9)</sup> These stress tests reflect an isolated move in each respective risk factor. Total impact of a combination of stress tests can be obtained by aggregating the corresponding stress test results.

1) Refers to unit-holder with investments in the fund since inception. 2) HFR, www.hedgefundresearch. ©2020 Hedge Fund Research Inc. and MSCI, www.msci.com ©2020 MSCI Inc. All rights reserved. 3) Total return Credit index, BOFA Merrill Lynch US Corporate. 4) Total return Credit index, BOFA Merrill Lynch Euro Corporate. 5) Based on quarterly data. 6) Securities for which no market pricing information is available, e.g. some unlisted/private equity, or model priced instruments for which no industry standard software models are available, e.g. complex, structured, one-off contracts. 7) Net Asset Value. 8) All ratios are expressed as a percentage of the Master fund's NAV. When calculating "equity and commodity exposure" and "bond and credit exposure", positions with the same issuer only contribute to the gross exposure with their net exposure. Equities / commodities contribute to exposure with their market values and derivatives with their delta adjusted market exposure. Bonds contribute with their market values and CDSs contribute with their nominal adjusted market values, i.e. nominal of the CDS +/- the market value of the CDS (long / short position), and derivatives with their delta adjusted exposures. For total exposure the exposures in the two categories are summed. 9) The VaR refers to the portfolio at the end of the month. 10) Net change in a scenario where all interest rates shifts +/-20 basis points. 11) Net change in a scenario where all credit default swap spreads shifts +/-10%. 12) Net change in a scenario where all equities and equities indices shifts +/-10%. 13) Net change in a scenario where all underlying volatilities in equity derivatives shifts +/-10 percentage points. For definitions of other terms see www.brunner.se. 14) Refers to the Master fund.

**IMPORTANT INFORMATION**

Carve 1 is a special fund as defined in the Swedish Act (2013:561) on managers of alternative investment funds.

This material should not be regarded as a recommendation to subscribe for units in the fund or as investment advice. An investor planning to invest in the fund should first read the key investor information document, subscription documentation and information memorandum, including the fund rules, carefully. These documents are available on the fund's website [www.brummer.se](http://www.brummer.se).

Investments in funds are subject to risk. Past performance is no guarantee of future returns. The value of the capital invested in the fund may increase or decrease and investors cannot be certain of recovering all of their invested capital.

Returns shown in this report are not adjusted for inflation.

The units have not been registered in the United States, Canada, Japan Australia or New Zealand or elsewhere and may not be offered or sold in these countries or in countries where such offer or sale would be contrary to local law or regulation. Foreign law may prohibit an investment to be made by investors outside of Sweden. The investment manager has no responsibility whatsoever for determining that an investment from a country outside Sweden is being made in accordance with the laws of such country.

**EXECUTIVE SUMMARY**

Strategy	Absolute return
Goal	Generate positive absolute returns in all markets
Targets	10–12 per cent average annual return
	Risk (standard deviation): 8–12 per cent
	Correlation: n/a
Management team	4 portfolio managers
Owner	Brummer & Partners (47%), Carve Intressenter AB (53%)
CIO	Michael Falken

**ASSET MANAGEMENT CONCEPT**

The Fund is a special fund which means it can have a more flexible investment mandate.

The Fund's target is to be fully invested in the special master fund Carve Master. The Fund invests at least 90 per cent of the value of the Fund in the special master fund Carve Master. The Fund and the special master fund have an absolute return target, which means that the funds aim to earn a profit in the long term, regardless of market fluctuations.

Assets of the Fund may be invested in transferable securities, money market instruments, units in collective investment undertakings, as well as deposits with credit institutions.

The special master fund invests primarily in equities, equity-related financial instruments and corporate bonds. The primary geographic focus is the Nordics/Europe followed by the United States.

The asset management activities of the special master fund Carve Master is based on an active research process, where business intelligence is an important part. The special master fund's research resources are concentrated mainly to companies and industries where the portfolio managers have long experience and to areas and situations where the portfolio managers believe that interesting valuations have arisen.

**RISK MANAGEMENT**

The fund management company seeks to ensure that the fund's average risk level, as measured by the annual standard deviation over a rolling twelve-month period, is kept at around 10–15 per cent. The fund aims at exploring possibilities to raise risks in periods of stress. At these occasions risk might be higher than the above mentioned range.

The board of the fund management company sets limits for the risks that the portfolio managers are allowed to take in their asset management activities. Analysis and control of market risks, using for example different Value-at-Risk models (VaR) are important parts of the portfolio manager's work.

**WHY INVEST IN CARVE?**

- Highly experienced, successful hedge fund management since 1996
- Solid track record and proven ability to overcome drawdowns
- Large team with broad sector coverage
- Strong external and internal information network
- Solid administration setup through Brummer & Partners
- Unique investment approach across all asset classes

**PORTFOLIO MANAGERS**

*Per Josefsson* – After graduating from the Stockholm School of Economics, Per Josefsson joined Investment AB Skrinet and Consensus Fondkommission. At the end of 1986, Per Josefsson joined Alfred Berg Fondkommission as an institutional broker. He was appointed head of the institutional brokerage unit in Stockholm in 1990, and in addition head of Alfred Berg's management group in 1991. Two years later, he was appointed head of all the group's equity trading, with responsibility for units in Stockholm, Oslo, Copenhagen, Helsinki, London and New York. Per Josefsson left Alfred Berg in April 1995 to set up Brummer & Partners. During his time with Brummer & Partners, Per has been Managing Director in Zenit Asset Management AB and Chief Investment Officer for the Zenit fund since 2005. Per left the management of Zenit in February 2012 to set up Carve Capital AB.

*Bo Börtemark* – After graduating from the Institute of Technology at Linköping University, Bo Börtemark started working as a financial analyst at Delphi Economics in 1990. In 1996 he was appointed managing director of Delphi Investment Advisory Services. Two years later he left Delphi to join Nordiska Fondkommission as an equity analyst. In 1999 he was appointed head of research and in October 2000 he left Nordiska Fondkommission to start working at Zenit Asset Management AB. At Zenit Bo has worked as head of research, as a portfolio manager and as an analyst. In February 2012 Bo left Zenit to set up Carve Capital AB.

*Michael Falken* – In 1995, after completing his degree at the University of Colorado in Denver, Michael Falken was recruited by NatWest Markets in London as a credit analyst. In 1997 he moved to Chase Manhattan in London. In 1998 he left Chase Manhattan to work with Smith Management in New York and then at a Smith Management subsidiary, Orris Capital in London, as Senior Credit Analyst. In 2005 Michael Falken moved to Amaranth Advisors, where he was Director and Head of Credit Research. In 2006 he and two colleagues from Amaranth Advisors founded the Novator Credit Opportunities Fund in London. In 2009 Michael Falken moved back to Sweden, where he started working for Öhman Fonder as a fund manager and then as head of the fixed income team. From 1 November 2012 Michael Falken has been an employee of Carve Capital AB.

*William Wilson* – In 2000, after graduating from the University of Nottingham, William Wilson joined Goldman Sachs as an analyst at Credit Risk Management & Advisory, where he in 2004 became Associate at Fundamental Strategies Group. In 2007 Wilson was appointed Executive Director at the Fundamental Strategies Group. In 2018, he left Goldman Sachs to join Carve Capital AB.

**PRODUCT STRUCTURE**

ISIN	SE0004871598
Management fee	0.5 % p.a.
Performance fee	20 % over hurdle rate (high watermark)
Minimum investment	10 MSEK
Lock-up	1 year lock-in
Depository	Citibank
Auditor	KPMG AB
Inception date	12 November 2012

**TYPICAL PORTFOLIO STRUCTURE**

Number of individual positions	50–60
Position size, % NAV	5–10 %
Gross exposure, % NAV	400 %
Net exposure, % NAV	+50 % / –20 %

**CARVE CAPITAL AB**

Address	Box 7030, SE-103 86 Stockholm, Sweden
Visiting address	Norrmalmsgården 14
Phone	+46 8 566 214 80
Website	<a href="http://www.brummer.se">www.brummer.se</a>
E-mail	<a href="mailto:info@brummer.se">info@brummer.se</a>
Contact	Client Desk

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Note that the indexes referred to do not constitute a reference to how the management of each fund is structured. For information on the investment strategy and asset management objectives of each fund, please refer to the current information memorandum with related fund rules and the key investor information.

## FUND RULES AMENDMENTS FOR CARVE MASTER, CARVE 1 AND CARVE 2

Carve Capital AB ("the Manager") has, following Finansinspektionen's approval, made amendments to Carve Master's, Carve 1's and Carve 2's fund rules (altogether "the Funds").

### What are the amendments?

The Manager has made an adjustment of Carve Master's targeted risk level. The targeted risk level, as measured by the annual standard deviation over a rolling twelve-month period, hereafter amounts to between 8 and 12 per cent. This is small adjustment of the previous interval of between 10 and 15 per cent.

Furthermore, the Manager has adjusted the definition of the hurdle in relation to which the, when applicable, performance based fee is calculated for Carve 1 and Carve 2. Prior to the adjustment, the Swedish Riksbanken's fixing of three months Swedish treasury bills was used for the calculation of the performance based fee hurdle. As the Swedish Riksbanken has announced that it no longer will publish such a fixing, the Manager has decided that Carve 1's and Carve 2's hurdle hereafter shall be based on three months Swedish treasury bills. In practice, this adjustment will have no impact on the level of the performance based fee.

Lastly, the Manager has made amendments to Carve 1's fund rules which enable cost-free redemption on a yearly basis, as opposed to the previously applicable three-year basis. The amendments also enable investors to, free of charge, exchange fund units between Carve 1 and Carve 2, without having to adhere to the provisions regarding quarterly redemption. With these amendments follow that Carve 1's performance based fee, when applicable, will be paid to the Manager with the corresponding periodicity: in arrears based on the value on the last day of December or, if units in the Fund are redeemed at another date, at the date of redemption.

### What measures do I have to take following the amendments?

You do not have to do anything as a result of the amendments. The amendments do not influence the Funds' investment strategy. Neither do they amount to any fees for you as an investor to pay.

For more information regarding Carve Master, Carve 1, Carve 2, please see the Funds' respective information memorandum and KIID, that are available via <https://www.brummer.se/sv/Vara-fonder/Carve/Fondfakta/>