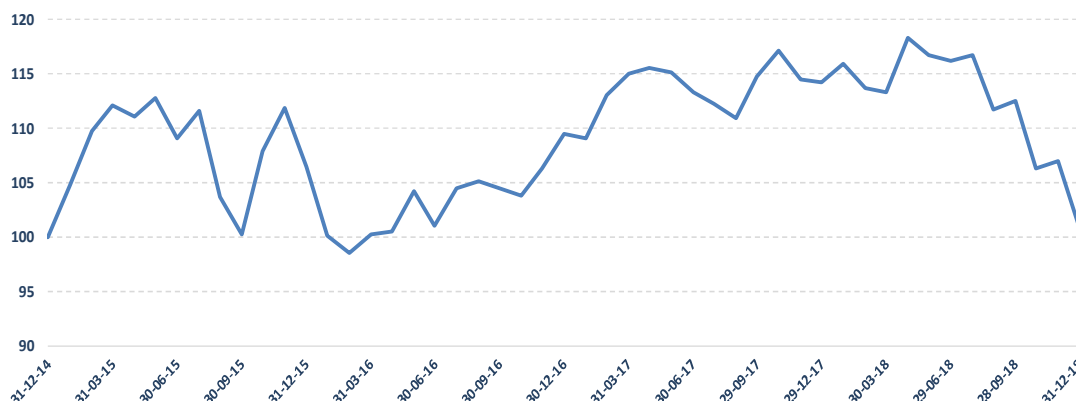


# LSF – EEE Enhanced Equity Exposure

Data as of 31 December 2018

## Fund performance and risk analysis

### Monthly NAV



### Historical monthly returns

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
<b>2015</b>	4.75%	4.78%	2.14%	-0.96%	1.58%	-3.28%	2.27%	-7.01%	-3.35%	7.68%	3.63%	-4.88%	<b>6.42%</b>
<b>2016</b>	-5.96%	-1.59%	1.83%	0.29%	3.58%	-3.02%	3.46%	0.64%	-0.67%	-0.67%	2.46%	2.92%	<b>2.84%</b>
<b>2017</b>	-0.33%	3.60%	1.76%	0.52%	-0.42%	-1.63%	-0.91%	-1.13%	3.39%	2.07%	-2.24%	-0.20%	<b>4.38%</b>
<b>2018</b>	1.46%	-1.93%	-0.32%	4.43%	-1.39%	-0.38%	0.47%	-4.35%	0.70%	-5.42%	0.50%	-5.85%	<b>-11.88%</b>

## Fund description

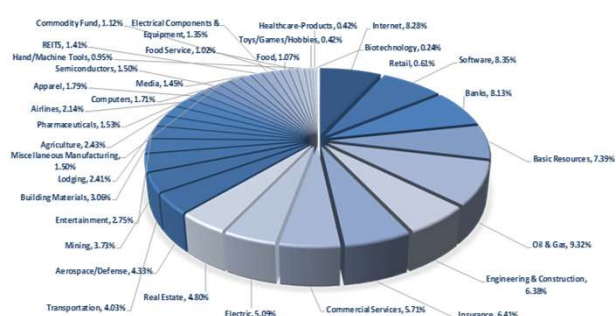
*Enhanced Equity Exposure (EEE)* is a Long Only UCITS open-end fund incorporated in Luxembourg.

The Fund mainly invests in and gains exposure to the developed markets of Europe and North America.

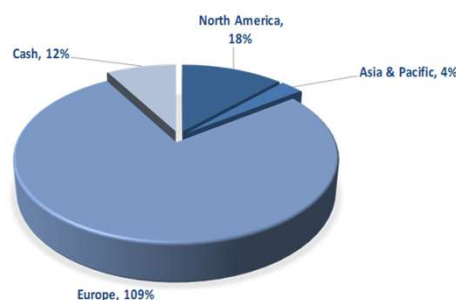
The fund's investment process is driven by stock specific fundamental analysis. Hedging strategies are implemented to reduce volatility.

## Asset allocation

### Sector breakdown



### Geographic breakdown



## Fund facts

Nav as of 31 December 2018:  
€100.66  
AUM as of 31 December 2018:  
€29.1 mln  
Currency class: EUR, CHF  
Base currency: EUR

Inception date: 31 December 2014

Management Fee: 1.5%

Performance Fee: 15% of the positive performance between the sub-fund performance and the High Watermark

Liquidity: Daily

Fund type: UCITS IV  
Investment Manager: Heron Asset Management SA

ISIN: LU1136664395  
Valoren: 25986742  
Bloomberg: LSFEEA1 LX

## Manager commentary

Global markets were hit by a massive sell-off in December, with the US stock markets posting their worst December performances since 1931, SP500 -9.2%, Dow Jones -8.7%, Nasdaq -9.5% leading the SP500 to close the year down 6.3%, its biggest and only annual decline since the 2008 great financial crisis. In Europe the Eurostoxx closed down 5.4% MoM and 14.3% YoY, the Dax down 6.20% MoM and 18.2% YoY, the Ftsemib down 4.52% MoM and 16.15% YoY. As far as sectors are concerned, the Eurostoxx bank down 10% MoM and 33% YoY, the Eurostoxx auto down 7.2% MoM and 28% YoY (both sector the worst YoY) and Eurostoxx basic materials down 7.8% MoM and 16% YoY. The Fed raised interest rates once again, current Fed fund target rate 2.25-2.50%, revising down growth and inflation forecasts for the next years and decreasing the expected number of interest rate hikes in 2019 to a total of two rises (median Dots Plot). Less hawkish market expectation, combined with growth and debt concerns, US-China trade war, US government looming shutdown, oil prices in free-fall, negative investor sentiment, poor positioning and weak liquidity are the main reasons for this epic pre-Christmas sell-off. Interestingly, the SP500 rebounded circa 9.5% from the 24th of December buoyed by oversold conditions on a short-term basis, rebounding oil prices, strong holiday sales (Amazon, Mastercard etc.), pension funds rebalancing, decent buyback activity, US small caps outperformance, an unexpected accommodative Fed chairman's Powell posture along with strong US data (Non-Farm Payrolls, 7th Jan), China Central Bank cutting its reserve requirement ratio by 100bps (loosening measure) and some important improvements in the US-China trade war saga (US delegation in China seeing "very good chance" of settlement to trade dispute). As far as US rates are concerned, we had a flight-to-quality rotation in December, with the 10-year treasury yield moving from 291 bps to a minimum of 254 bps and US 2-year (2.37%) and 5-year (2.35%) treasury yields being lower than the Fed fund rate (2.4%) as some portions of the curve inverted. Incredibly, Fed funds futures now predict an 80% chance of a rate cut by end of next year. The sentiment remains negative with no new single bond issued on the US high-yield market in December for the first time in a decade.

Enhanced Equity Exposure, -5.85% MoM, suffered in performance during the first part of the month, whilst catching the post-Christmas market rebound with a weight of 120/130% via derivatives. PM allocated 4% of the portfolio in precious metals such as gold and silver, to sell almost the whole positions on its strength. EEE is still mainly invested in defensive sectors such as Transportation & Logistics, Real Estate and Utilities.

## DISCLAIMER

This document has been prepared by Heron Asset Management SA, authorized and regulated by the Swiss Financial Market Supervisory Authority, FINMA. This document has been provided for informative purpose only and must not be used or considered as an offer or solicitation to sell or buy the securities listed herein. Any investor decision to buy or sell shares of the Luxembourg Selection Fund – EEE must only rely on information and conditions listed in the prospectus of the Luxembourg Selection Fund – EEE. Performance data, provided by UBS Fund Services (Luxembourg) S.A. acting as administrator, will not necessarily be repeated in the future and do not constitute a guarantee nor a projection of future results. The opinions expressed herein, subject to modifications without notice, are purely indicative and do not constitute an investment suggestion nor a legal or a tax advice. The prospectus (edition for Switzerland), the Key Investor Information Documents, the Articles, the annual and semi-annual reports in French and further information can be obtained free of charge from the representative in Switzerland: Carnegie Fund Services S.A., 11, rue du Général-Dufour, CH-1204 Geneva, Switzerland, tel.: +41 22 7051177, fax: +41 22 7051179, web: www.carnegie-fund-services.ch. The Swiss paying agent is UBS Switzerland AG, Bahnhofstrasse 45, 8001 Zurich, Switzerland. The last unit prices can be found on [www.swissfunddata.ch](http://www.swissfunddata.ch).

Contact details  
HERON Asset Management  
Via Clemente Maraini 39  
6903 Lugano  
Switzerland  
T: +41-91-9101790  
F: +41-91-9101791  
E: info@heron.ch