



SYSTEMATICA  
Mutual Fund

Annual Report, including Audited Financial Statements  
as at 31/12/18

RCS Luxembourg K1123

# SYSTEMATICA Mutual Fund

## Table of Contents

	Page
Organisation and Administration	3
Board of Directors of the Management Company	3
Directors' Report of the Management Company	4
Independent auditor's report	9
SYSTEMATICA - GLOBAL TREND	12
Notes to the financial statements - Schedule of derivative instruments	16
Other notes to the financial statements	18
Supplementary information (unaudited)	22

No subscription can be received on the basis of these audited financial statements. Subscriptions may only be accepted on the basis of the current prospectus accompanied by an application form, the latest available audited financial statements or unaudited semi-annual report of the Fund if published thereafter. The Figures stated in the report are historical and not necessarily indicative of future performance.

# SYSTEMATICA Mutual Fund

## Organisation and Administration

<u>MANAGEMENT COMPANY</u>	Ersel Gestion Internationale S.A. 17, rue Jean l'Aveugle L - 1148 Luxembourg, Grand Duchy of Luxembourg
<u>ADMINISTRATIVE AGENT</u>	CACEIS Bank, Luxembourg Branch 5, Allée Scheffer L - 2520 Luxembourg, Grand Duchy of Luxembourg
<u>CUSTODIAN AGENT</u>	CACEIS Bank, Luxembourg Branch 5, Allée Scheffer L - 2520 Luxembourg, Grand Duchy of Luxembourg
<u>INDEPENDENT AUDITOR</u>	Ernst & Young S.A. 35E, avenue John F. Kennedy L-1855 Luxembourg, Grand Duchy of Luxembourg
<u>DELEGATED INVESTMENT MANAGER</u>	4Timing SIM SPA 1, Piazza Lagrange I - 10123 Torino, Italy
<u>LEGAL ADVISOR</u>	Bonn Steichen & Partners 2, rue Petermelchen L - 2370 Howald, Grand Duchy of Luxembourg

## Board of Directors of the Management Company

<u>CHAIRMAN</u>	Mr. Umberto Giraudo, Chief Administration and Finance Officer, Ersel Sim S.p.A. & General Manager of Ersel Investimenti S.p.A. Piazza Solferina, 11 I-10121 Torino Italy
<u>DIRECTORS</u>	Mr. Antoine Gilson de Rouvieux, Independent Director  Mr. Max Meyer, Independent Director  Mr. Alberto Pettiti, Co-General Manager, Ersel Asset Management SGR S.p.A. Piazza Solferino, 11 I-10121 Torino Italy  Mr. Edoardo Tubia, Independent Director

# SYSTEMATICA Mutual Fund

## Directors' Report of the Management Company

### MARKET COMMENTS

#### GLOBAL OVERVIEW

The global economy continued to expand in 2018, with a GDP growth of 3.7%, in line with the previous year. A difference with the previous year was the lack of synchronisation across the different regions, both in terms of forecast data and in real indicators. This new feature was due mainly to tensions related to the trade war between the USA and China, with a reduction in the volumes of international trade following the increase in duties imposed to each other by the two countries.

Central bank policies at global level are less expensive than in the recent past, with global liquidity shrinking.

#### United States

The U.S. economy accelerated its growth rate in 2018 from 2.2% to 2.9% as a result of the tax cuts promised by President Trump during his election campaign. Growth drivers included private domestic consumption and private investment, followed by public spending.

Domestic consumption was further sustained by a strong labour market, with a further drop in the unemployment rate to 3.9%. Some estimates suggest that it may have already fallen below the NAIRU (Non-Accelerating Inflation Rate of Unemployment) and the steady increase in wages seems to confirm this assumption.

The core component of the rate of inflation rate, net of the most volatile goods such as food and energy, rose from 1.8% to 2.2%, while the overall index initially rose to 3%, then fell to 1.9% in the last quarter, due to the effect of the fall in oil prices.

With the economy at full capacity, a labour market close to full employment and stable inflation (with wages up 3% year-on-year), the Federal Reserve raised its benchmark interest rate four times during the year, from 1.5% to 2.5% and has also continued its QT policy (quantitative tightening, which consists of selling securities previously purchased during the QE, quantitative easing, period), increasing sales to USD 50 billion a month.

In the light of the global slowdown and strong correction of world markets at the end of the year, the Federal Reserve lowered its estimates of increases expected for next year and expressed more concern about the development of future economic data, which are referred to when making monetary policy decisions.

#### Europe

The European economy growth rate slowed, with GDP (according to the latest available estimates) growing by 1.9% against 2.4% in 2017.

This slowdown affected every country in the Eurozone, due to the trade war between the USA and China. Italy slowed down more than the rest of the area partly due to the impact of the general election on confidence and the new government's more assertive attitude towards the country's European partners.

The countries that had the fastest growth rate included Ireland and Spain, with GDP growth of 6% and 2.5% respectively. The lowest levels of growth were observed in Germany (1.5%) and Italy (0.9%), the Eurozone countries more open on international trade.

On aggregate, the unemployment rate continued to fall, from 9.1% to 8.2%, with wages rising by more than 2%. The reduction in unemployment was widespread, but the rate continued to differ throughout the Eurozone.

Inflation rose from 1.5% to 1.6% in 2017, peaking at over 2% during the year. This significant variability was induced by the energy component, particularly the oil price. Disregarding the most volatile prices such as oil and food, core inflation was stable at 1%.

Given the acceptable economic growth and confident that it would reach an inflation level close to its 2% target, the European Central Bank stopped purchasing securities in December, while continuing to reinvest maturing bonds. Reference rates remain unchanged.

On the political front, Italian elections voted in a Lega - M5S government. Eurosceptic rhetoric increased the spread of government bonds compared to other countries in the area. Populism also took root in France, where President Macron, whose consensus has been falling sharply, is under pressure from "yellow vest" protesters. On the other hand, "Brexit" negotiations went on between the United Kingdom and the European Union but the year ended with a situation of total uncertainty, due particularly to strong contrasts between British politicians, with the Prime Minister Theresa May increasingly in difficulty.

# SYSTEMATICA Mutual Fund

## Directors' Report of the Management Company (cont'd)

### Emerging Countries

The global economic slowdown has had an impact on emerging countries too, where growth for 2018 was revised downwards during the year, with the latest estimates indicating a growth in GDP of 5% against 5.3% in 2017. The Chinese slowdown had a significant impact, with growth down to 6.6% from 6.8% in 2017. The tightening of regulations led China downwards even before the entry into force of US tariffs and the monetary tightening of the US Federal Reserve.

Unemployment fell from 6.2% to 5.5% and there was no rise in inflation, which went from 3.4% to 3.1%, leaving room for central banks to be more accommodating than the depreciation of local currencies might have implied, avoiding further unwanted harshening of domestic financial conditions.

### BOND MARKETS

2018 was characterised by a succession of events that affected the bond market: increased volatility in February, tensions on the LIBOR-OIS in March, fears in April of US 10-year Treasury Bonds interest rate going over 3%, the formation of the Lega-M5S coalition in Italy in May, with tensions in emerging markets, and the escalation of the trade war between President Trump and the rest of the world in June. Then, in the second half of the year, there were fears of a marked global slowdown in the absence of adequate ammunition to counteract it, given the already high levels of public debt.

The ongoing slowdown, together with the various tensions, prevented rates from rising in Europe, where the German 10-year Bund interest rate closed the year just above 0.20%. Eurozone spreads were affected by the Italian and European political situation, increasing in every country: the Italian spread never fell below 2% after the tensions in May and closed the year at 250 basis points; the differential between Spain and Germany went from 70 bps in May to a spread of 120; France was affected by President Macron's drop in popularity, culminating in protests by the "yellow vests", with the 10-year spread rising from 20 basis points to 46 from May to the end of December.

As mentioned above, in the United States, there were four increases in policy rates by the Federal Reserve, which reiterated throughout the year that it will continue its policy of normalising rates. From November onwards, however, the market gradually began to question the appropriateness of these increases in relation to the fear of a global slowdown and, towards the end of the year, even the Federal Reserve itself had to admit the possibility of a break during 2019. In this scenario, US 10-year Treasury Bonds went through basically two distinct phases. From the beginning of the year until September, the yield continued to rise, reaching 3.25%, then, from October onwards, it headed backwards, closing the year at around 2.70%. The US curve reached a substantially flat level, with a differential between the 2 and 10-year bonds of up to 10-15 bps.

Credit spreads in Europe and the United States increased slowly but surely during the year, with the exception of the US high yield bonds (encouraged by favourable technical factors and a rise in the price of oil). The trend began accelerating in November, sparing no one this time, in conjunction with fears of a global slowdown. The most pronounced widening spreads were observed on the European high yield bonds (from 290 bps to 510 bps) and on the US high yield (from 340 bps to 530 bps).

2018 was a bad year for emerging equity and bond markets: emerging equities lost about 17% in hard currency (USD), while hard currency bonds (USD) left about 1% on the ground and the GBI EM (local currency) depreciated by about 4%. Inflows into emerging fund were negatively affected by these trends, with annual inflows of only USD 19 billion, compared to USD 116 billion in 2017, and retail inflows falling by around USD 10 billion (source: JP Morgan). Two elements have severely damaged the asset class already since the summer. The strong (trade-weighted) dollar, which historically has always had a negative impact on the performance of bonds in local currency, and the trend in rates, driven upwards by the Federal Reserve. After remarkable growth figures in the first quarter of 2018, the momentum of this asset class gradually dissipated, mainly due to the reduction in the growth differential between developed and emerging countries, which has always been the main macro driver. In addition to this factor, individual countries were faced for most of the year with rising inflation rates and devaluation of local currencies which forced central banks to raise rates. Turkey and Argentina were particularly affected and have seen a deterioration in their fundamental macroeconomic conditions due to the dramatic increase in financing costs on the market.

# SYSTEMATICA Mutual Fund

## Directors' Report of the Management Company (cont'd)

### ITALIAN EQUITY MARKET

2018 was a difficult year for the Italian stock market. After a very good January, with Italy ahead of all industrialised countries in terms of performance, anticipation of the March elections turned the spotlight on the Italian political situation once again and exacerbated the fears of foreign investors. Initially, the victory of M5S was not seen as a problem, mainly because no one thought that they would actually succeed in creating a government, but the agreement with the Lega party wreaked havoc on the market, which subsequently underperformed the rest of Europe. The publication of the government program in mid-May, with its strong populist and anti-European implications, suddenly widened the BTP-Bund spread and caused a strong correction of the banking sector. These tensions continued throughout the year until the presentation of the government's Decree for Economy and Finance which proposed to introduce a basic revenue for all Italians and to make the reform of the Fornero law, which took deficit forecasts for 2019 to over 2%.

In addition to these elements of domestic uncertainty, tensions arose from the import duties imposed by the USA on China, which gave valid reason for a general correction of the US indices too.

In the second half of the year, fears that international trade tensions and the Federal Reserve's monetary policy might increase the likelihood of a recession began to spread and a sharp correction in cyclical stocks and then in oil occurred. These fears worsened gradually over the year, leading global equity markets, including Italy, to close at an absolute low.

M.&A. activity continued during the year, with proposals for the delisting of Yoox, Vittoria Assicurazioni, Ansaldo and Recordati, as well as the merger between Luxottica and Essilor and that between Beni Stabili and the French company Foncière de Régions. Important acquisitions were completed by Prysmian, which bought General Cable, and by Fila, which bought Pacon.

The year ended with the Ftse Mib and the Ftse Midcap down 16.15% and 19.55% respectively. The best sectors were defence and utilities, in particular with Terna and A2A, as well as Moncler in luxury goods, while the worst performances were recorded by financial stocks such as Unicredit and Azimut and industrial stocks like Prysmian, Buzzi and TM.

### 2019 OUTLOOK

The central 2019 scenario for the financial markets is based on the assumption of:

positive macroeconomic dynamics of world growth and moderately rising inflation; gradually normalising but generally expansive monetary policies; fiscal policies that are pro-cyclical in the United States and neutral in other geographical areas; a geopolitical picture that is still highly unstable.

These dynamics also differ depending on the geographical areas, as follows:

the United States should continue along a growth path that is slowing down compared to the recent acceleration induced by monetary policies and, more recently, also fiscal and expansionary policies. At the end of 2015, the Federal Reserve began the process of monetary "normalization", albeit at an extremely modest pace, given the fragility of global growth, the financial boundary conditions and weak inflation. Only at the end of 2016 was it able to make the second increase in interest rates and, in 2017, the pace grew to three increases. At the beginning of 2018, President Trump administration launched a reduction in corporate taxes (to the detriment of a further widening of the federal deficit) and the Federal Reserve stepped up interest rate increases to four and indicated its intention to continue in 2019.

Japan pursued an ultra-loose monetary and fiscal policy, the main effect of which has been a significant depreciation of the yen and an improvement in company earnings. It is believed that only if such policies are accompanied by credible structural reforms and favourable international trends will they succeed in Japan extricating itself from the low growth and deflation trap that has ensnared the country for many years.

# SYSTEMATICA Mutual Fund

## Directors' Report of the Management Company (cont'd)

In Europe, the risk of deflation triggered by insufficient pro-cyclical fiscal and monetary policies at a time of necessary structural reform in many Eurozone countries, was painstakingly avoided by the actions of the European Central Bank alone (aided by the positive effect on consumption of falling commodity prices). However, this seems insufficient to trigger sustainable growth and reduce the EU's high levels of unemployment and fragmentation of the area. Furthermore, the EU's economic policy has proved to be lacking in light of the growing rift between the various Member States, culminating in the exit of the United Kingdom from the European Union. The conclusion of the 2017-2018 electoral cycle in France, Germany and Italy does not seem to offer constructive prospects for those who hoped for a real change of pace in the construction of greater integration at least among Eurozone members.

Growth forecasts for emerging countries are less uncertain in light of the adjustments made in recent years and encouraging financial conditions. However, with the change in pace of US interest rates, the strengthening of the USD and President Trump administration's approach to international trade, unresolved imbalances in some countries have returned to the forefront. Examples are China, still involved in the complex process of rebalancing growth against domestic consumption, Mexico due to its close relationship with the USA, and Brazil, which is struggling to emerge from a recession triggered by the fall in commodity prices and poorly balanced fiscal policies. In Turkey, like Brazil, various questions have arisen in relation to the political situation, along with financial instabilities, which make the country extremely fragile.

In view of the above and given the excessively low level of prevailing interest rates, particularly in Europe and Japan, we believe that equity investment should be maintained with a weight consistent with the overall risk profile. In the United States, the level of multiples is in line with long-term historical averages, as long as expected profit growth is maintained and there is no acceleration in interest rates or spreads. There seems to be more room for reassessment in Europe but judgement is suspended in the light of extremely complex political and geo-political dynamics. The outcome of the Italian elections further increased the level of uncertainty, making the area even less attractive to investors.

Among bond investments, the overall rates and spreads of corporate issues are low or insufficient to offset the associated risk, so the approach should be flexible and extremely selective.

We believe that both equity and bond investments (in local currency) are still supported with regard to the so-called Emerging countries.

In a context like that described above, asset allocation must allow alternative and/or flexible and dynamic investment approaches and, with a view to both returns on and protection of portfolios, a share of investment in US rates with low credit risk.

### COMMENTS ON THE SUB-FUND

#### Systematica Global Trend

2018 was characterized by extensive volatility across all markets, worsened by the trade war between the US and China, political unrest in the Middle East and Europe, and the increase in interest rates in the wake of the central banks' expansion policy.

Unlike 2017, in 2018 all the major financial markets performed negatively. Liquidity management also presented a certain amount of difficulty due to a very aggressive policy by the central banks and avoidance of high-risk assets. This is the reason why returns on bonds with a high rating continue to be negative. Italy has a positive two-year return due to the country's increased risk premium. According to the rating agency S&P, Italy's current rating is BBB, just two steps from non-investment grade, and the outlook is negative. Passage to the next level would result in severe difficulty in obtaining new funding and a liquidity crisis for Italian banks, which are strongly conditioned by their possession of a large number of Italian bonds.

Also with regard to the bond market, considerable attention must be paid to the offer of bonds by banks due to the "bail-in" clause, i.e. the power of devaluation, with the possible zeroing of the par value, as well as the conversion of the bonds into equity securities. With the application of the "bail-in", investors would be exposed to the risk of having their investment permanently devalued, zeroed or converted into equity securities, even in the absence of a formal declaration of insolvency of the Issuer.

# SYSTEMATICA Mutual Fund

## **Directors' Report of the Management Company (cont'd)**

In 2018, the fund changed its allocation to reflect market trends and went from a maximum asset allocation in equities and bonds at the end of January (a month characterised by the end of the 2017 rise in which the fund participated with an increase of 8.77%), to a sharp reduction in the following month, with its portfolio consisting almost exclusively of US equities and corporate bonds.

Systematica ended 2018 with a negative performance of -6.25%, explained by the markets and the model that aims to identify trends. The year began with a maximum allocation in the wake of a 2017 characterised by considerable investments in the fund which allowed participation in the rise of 2017. Unfortunately, the downturn in the markets eroded much of 2017's positive performance. The model recognised the negative trend that began in January 2018, reducing the assets at risk, in order to limit potential losses and avoid exposure to further risks of market crisis. During the most volatile phases (the trade war between China and the US, and the Italian spread), the portfolio was, and still is, allocated to low risk instruments.

### **MAIN FACTS ABOUT SYSTEMATICA IN 2018**

There has been no substantial change affecting Systematica in 2018.

## Independent auditor's report

To the Unitholders of SYSTEMATICA  
5, Allée Scheffer  
L - 2520 Luxembourg

### Opinion

We have audited the financial statements of SYSTEMATICA (the “Fund”), which comprise the statement of net assets and the securities portfolio as at 31 December 2018, and the statement of operations and changes in net assets for the year then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Fund as at 31 December 2018, and of the results of its operations and changes in its net assets for the year then ended in accordance with Luxembourg legal and regulatory requirements relating to the preparation and presentation of the financial statements.

### Basis for opinion

We conducted our audit in accordance with the Law of 23 July 2016 on the audit profession (the “Law of 23 July 2016”) and with International Standards on Auditing (“ISAs”) as adopted for Luxembourg by the “Commission de Surveillance du Secteur Financier” (“CSSF”). Our responsibilities under the Law of 23 July 2016 and ISAs are further described in the « responsibilities of the “réviseur d’entreprises agréé” for the audit of the financial statements » section of our report. We are also independent of the Fund in accordance with the International Ethics Standards Board for Accountants’ Code of Ethics for Professional Accountants (“IESBA Code”) as adopted for Luxembourg by the CSSF together with the ethical requirements that are relevant to our audit of the financial statements, and have fulfilled our other ethical responsibilities under those ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Other information

The Board of Directors of the Management Company is responsible for the other information. The other information comprises the information included in the annual report but does not include the financial statements and our report of the “réviseur d’entreprises agréé” thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

## **Independent auditor’s report (continued)**

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report this fact. We have nothing to report in this regard.

### **Responsibilities of the Board of Directors of the Management Company and those charged with governance for the financial statements**

The Board of Directors of the Management Company is responsible for the preparation and fair presentation of these financial statements in accordance with Luxembourg legal and regulatory requirements relating to the preparation and presentation of the financial statements, and for such internal control as the Board of Directors of the Management Company determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors of the Management Company is responsible for assessing the Fund’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors of the Management Company either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

### **Responsibilities of the “réviseur d’entreprises agréé” for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a report of the “réviseur d’entreprises agréé” that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Law of 23 July 2016 and with the ISAs as adopted for Luxembourg by the CSSF will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

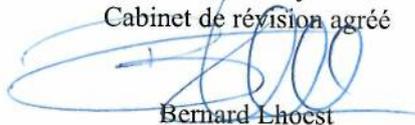
## Independent auditor's report (continued)

As part of an audit in accordance with the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors of the Management Company.
- Conclude on the appropriateness of Board of Directors of the Management Company use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report of the "réviseur d'entreprises agréé" to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our report of the "réviseur d'entreprises agréé". However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Ernst & Young  
Société anonyme  
Cabinet de révision agréé



Bernard Lhoest

Luxembourg, 29 April 2019

*SYSTEMATICA*  
**- GLOBAL TREND**

SYSTEMATICA - GLOBAL TREND  
**Financial Statements as at 31/12/18**

Statement of net assets as at 31/12/18

*Expressed in EUR*

Assets		<b>32,857,708.11</b>
Securities portfolio at market value		26,359,170.60
<i>Cost price</i>		26,195,358.74
<i>Unrealised profit on the securities portfolio</i>		163,811.86
Cash at bank		6,465,985.73
Dividends receivable		2,536.03
Unrealised net appreciation on financial futures	Note 2.4	30,015.75
Liabilities		<b>150,161.05</b>
Taxe d'abonnement payable	Note 4	2,085.96
Redemptions payable		10,380.00
Accrued management fees	Note 5	123,407.85
Accrued professional fees		10,280.61
Other liabilities		4,006.63
Net assets		<b>32,707,547.06</b>

Changes in number of units outstanding from 01/01/18 to 31/12/18

	Units outstanding as at 01/01/18	Units issued	Units redeemed	Units outstanding as at 31/12/18
Class A	320,718.041	6,892.075	12,356.928	315,253.188

Key figures

	<i>Year ended as at:</i>	<b>31/12/18</b>	<b>31/12/17</b>	<b>31/12/16</b>
Net Assets	EUR	32,707,547.06	35,493,069.03	34,265,106.68
<b>Class A</b>				
Number of units		315,253.188	320,718.041	336,745.445
Net asset value per unit	EUR	103.75	110.67	101.75

# SYSTEMATICA - GLOBAL TREND

## Securities portfolio as at 31/12/18

Expressed in EUR

Quantity	Denomination	Quotation currency	Market value	% of net assets
Transferable securities admitted to an official stock exchange listing and/or dealt in on another regulated market			1,332,634.12	4.07
<b>Shares</b>			<b>1,332,634.12</b>	<b>4.07</b>
<i>United States of America</i>			<i>1,332,634.12</i>	<i>4.07</i>
321	BROADCOM - REGISTERED SHS	USD	71,402.60	0.22
4,065	COCA-COLA CO	USD	168,374.89	0.51
1,159	MCDONALD'S CORP	USD	180,032.04	0.55
3,376	MERCK AND CO	USD	225,657.32	0.69
5,165	PFIZER INC	USD	197,220.18	0.60
2,359	PROCTER AND GAMBLE CO	USD	189,685.76	0.58
2,085	STARBUCKS CORP	USD	117,459.65	0.36
3,717	VERIZON COMMUNICATIONS INC	USD	182,801.68	0.56
Shares/Units of UCITS/UCIS			25,026,536.48	76.52
<b>Shares/Units in investment funds</b>			<b>25,026,536.48</b>	<b>76.52</b>
<i>France</i>			<i>9,003,769.03</i>	<i>27.53</i>
2	AMUNDI 3 M I (C)	EUR	2,108,804.23	6.45
106	CPR CASH -P- CAP	EUR	2,373,222.34	7.25
21	LA FRANCAISE TRESORERIE-I FCP	EUR	2,268,767.34	6.94
22	OSTRUM CASH EURIBOR SICAV -I- CAP	EUR	2,252,975.12	6.89
<i>Luxembourg</i>			<i>16,022,767.45</i>	<i>48.99</i>
2,744	ABERDEEN LIQUIDITY FD EURO -I2- CAP	EUR	3,315,029.97	10.14
23,970	BNPP INSTICASH SICAV EUR GOV -INS- CAP	EUR	2,421,525.49	7.40
285	DI MONEY PLUS ICC SHS -IC- CAP	EUR	3,973,737.90	12.15
168,185	NORDEA EURO COVERED BOND IST-BI-BASE CC	EUR	2,356,271.85	7.20
18,552	SCHRODER INT SEL EURO LIQUIDITY -C- CAP	EUR	2,317,411.95	7.09
15,747	UBS LUX MONEY MARKET FUND FCP EUR -Q-CAP	EUR	1,638,790.29	5.01
<b>Total securities portfolio</b>			<b>26,359,170.60</b>	<b>80.59</b>

# SYSTEMATICA - GLOBAL TREND

## Statement of Operations and Changes in Net Assets from 01/01/18 to 31/12/18

*Expressed in EUR*

Income		<b>98,462.45</b>
Net dividends		63,731.47
Bank interest on cash accounts		33,569.74
Other financial income		1,161.24
Expenses		<b>725,276.16</b>
Management fees	Note 5	511,520.95
Custodian fees	Note 6	6,374.83
Taxe d'abonnement	Note 4	9,670.88
Administrative fees	Note 6	4,431.65
Performance fees	Note 5	83,306.96
Domiciliation fees		1,022.69
Professional fees		15,882.55
Bank interest on overdrafts		11,527.50
Legal fees		11,605.10
Transaction fees	Note 9	18,474.18
Other expenses		51,458.87
Net loss from investments		<b>-626,813.71</b>
Net realised profit / loss on:		
- sales of securities portfolio		952,490.96
- financial futures		-561,831.41
- foreign exchange		-201,535.03
Net realised loss		<b>-437,689.19</b>
Movement in net unrealised appreciation / depreciation on:		
- securities portfolio		-1,603,002.04
- financial futures		-141,648.97
Decrease in net assets as a result of operations		<b>-2,182,340.20</b>
Subscription capitalisation units		733,287.00
Redemption capitalisation units		-1,336,468.77
Decrease in net assets		<b>-2,785,521.97</b>
Net assets at the beginning of the year		<b>35,493,069.03</b>
Net assets at the end of the year		<b>32,707,547.06</b>

# *SYSTEMATICA*

## **Notes to the financial statements - Schedule of derivative instruments**

# SYSTEMATICA

## FUTURES

As at 31/12/18, the following future contract was outstanding :

### SYSTEMATICA - GLOBAL TREND

<b>Quantity (purchase/(sale))</b>	<b>Denomination</b>	<b>Currency</b>	<b>Commitment (in EUR)</b>	<b>Unrealised (in EUR)</b>	<b>Broker</b>
<b>Futures on currency</b>					
30	EUR/USD (CME) 03/19	USD	3,779,851.73	30,015.75	UBS London
				<b>30,015.75</b>	

# *SYSTEMATICA*

## **Other notes to the financial statements**

# SYSTEMATICA Mutual Fund

## Other notes to the Financial Statements as at 31 December 2018

### 1. General information

SYSTEMATICA (the “Fund”) is a Mutual Fund investing in Transferable Securities. The Fund is governed by Luxembourg Law, and was set up on 15 October 2013, in accordance with Part I of the amended Law of 17 December 2010 relating to undertakings for collective investment.

As a Mutual Fund, SYSTEMATICA has no legal status. The Fund is an undivided collection of assets, jointly owned by the unitholders, and representing net assets that are separate from those of the Management Company, Ersel Gestion Internationale S.A. (the “Management Company”), which manages the Fund according to management rules. The Management Company’s registered office is in Luxembourg, at 17, rue Jean l’Aveugle. It is registered under number B30350 with the Register of Companies of the District of Luxembourg.

As at 31 December 2018, only one sub-fund, denominated in Euro (EUR), was open for subscriptions and redemptions:

<u>Sub-fund</u>	<u>Launch date</u>
SYSTEMATICA - GLOBAL TREND	02/12/13

### 2. Main accounting policies and valuation rules

The financial statements of SYSTEMATICA - GLOBAL TREND are expressed in EUR, the reference currency.

The financial statements are presented in accordance with Luxembourg legal and regulatory requirements relating to investment funds. The following accounting policies and valuation rules have been used:

#### **1. Valuation of the securities portfolio**

Securities listed on an official stock exchange or on another organised market are valued at the last known price.

Securities that are not traded on an organised market, or securities traded on such a market for which the last price is not deemed to be representative of their fair value are valued by the Management Company at their probable realisable value, estimated with caution and in good faith, and in compliance with generally accepted valuation accounting principles, under the responsibility of the Management Company’s Board of Directors.

Units or shares issued by open-ended investment funds are valued at their last available Net Asset Value.

A Valuation Committee assists the Management Company in monitoring the valuation of the securities portfolio.

The Committee:

- identifies the securities portfolio that require specific monitoring in terms of their valuation;
- gathers the necessary data for their valuation;
- suggests valuations for the Management Company’s Board of Directors approval.

#### **2. Profit and loss realised on the sales of investments in securities**

Investments in securities are accounted for on a trade date basis. Profit and loss realised on the sales of securities are determined according to the weighted average acquisition cost basis.

#### **3. Foreign exchange conversion**

The market value of securities portfolio and of other assets and liabilities expressed in currencies other than the reference currency are converted into that currency at the exchange rates prevailing at year-end. The acquisition cost of securities portfolio, and transactions expressed in currencies other than the reference currency are converted into that currency at the exchange rate prevailing at the respective acquisition or transaction date. Foreign exchange profits and losses are recorded in the statement of operations and changes in net assets.

#### **4. Financial future contracts and forward foreign exchange contracts**

Forward foreign exchange contracts open are valued at the forward exchange rate applicable at each valuation date, or at the financial year-end.

Financial future contracts open are valued at the last known available price at each valuation date or at the financial year-end.

Movement in net unrealised appreciation and depreciation on financial future and forward foreign exchange contracts are recorded in the statement of operations and changes in net assets.

SYSTEMATICA  
Mutual Fund

**Other notes to the Financial Statements as at 31 December 2018 (cont'd)**

**2. Main accounting policies and valuation rules (cont'd)**

**4. Financial future contracts and forward foreign exchange contracts (cont'd)**

Realised profit and loss on financial future contracts and forward foreign exchange contracts are recorded in the statement of operations and changes in net assets.

For the details of outstanding future contracts, please refer to section "Notes to the financial statements - Schedule of derivative instruments".

No forward foreign exchange contracts were traded over the year ended 31 December 2018.

**5. Income from securities portfolio**

Dividends are recognised as soon as they are declared. Interests are recognised on a pro rata basis, at each Net Asset Value calculation date. Dividends and interests are recorded net of any potential withholding taxes that are not recoverable, in the statement of operations and changes in net assets.

**6. Formation expenses**

Formation expenses are amortised over five years and have been fully amortised as of 31 December 2018.

**7. Options**

Options are valued at their last known price on each valuation date or financial year-end.

**Options purchased**

When the Fund purchases an option, the premium paid is recorded as an asset in the statement of net assets, and therefore considered at its market value. In the event that a purchased option reaches maturity without being exercised, the loss realised will be equivalent to the premium paid.

If a purchased put option is exercised, a profit or loss will be realised on the sale of the underlying, and the original premium paid will be deducted from the sale proceeds. If a purchased call option is exercised, the original premium paid will be added to the market value of the underlying purchased.

**Options sold**

When the Fund sells an option, the premium received is recorded as a liability in the statement of net assets and therefore considered at its market value. In the event that a sold option reaches maturity without being exercised, the profit realised will be recorded in an amount equivalent to the premium received.

If a sold put option is exercised, the original premium received will be deducted from the profit or loss corresponding to the difference between the strike price and the market value of the underlying. If a sold call option is exercised, the original premium received will be deducted from the difference between the market value of the underlying sold and the acquisition cost of that underlying.

Movements in net unrealised appreciation and depreciation on option contracts are recorded in the statement of operations and changes in net assets.

Realised profit and loss on option contracts are recorded in the statement of operations and changes in net assets.

No options were traded over the year ended 31 December 2018.

**3. Exchange rates**

The exchange rates used as at 31 December 2018 for the calculation of the Net Asset Value and the financial statements are as follows:

1 EUR =	1.12690	CHF
1 EUR =	1.14315	USD

**4. Taxes and duties**

According to the tax laws currently in force, no Luxembourg tax is payable by the Fund on income or capital gains. However, the Fund is subject to an annual subscription tax of 0.05%, calculated on the total net assets of the sub-fund SYSTEMATICA - GLOBAL TREND at the end of every quarter, and payable in quarterly instalments. The portion of assets in other UCIs/UCITS, in which that sub-fund may invest, organised under Luxembourg law is totally exempt from subscription tax if it is already subject to this tax.

# SYSTEMATICA Mutual Fund

## Other notes to the Financial Statements as at 31 December 2018 (cont'd)

### 5. Management fees and performance fees

#### Management fee:

The Management Company receives a management fee as payment for its services. This fee is paid to the Management Company in quarterly instalments, and is calculated based on the average net assets of SYSTEMATICA - GLOBAL TREND during the relevant quarter. For this sub-fund, the maximum annual rate of management fee is 1.50%.

The maximum management fee charged in the target funds is 3%. No fee is charged for the portion of the assets invested in the target funds of the same promoter.

#### Performance fee:

For the sub-fund SYSTEMATICA - GLOBAL TREND, the Management Company may apply a performance fee at a maximum rate of 15% increase in the unit's net value, calculated monthly (the "Performance Period"). This fee is calculated only if the net value of the unit exceeds the highest end-of-month value attained prior to the calculation date. This Performance fee is payable in quarterly instalments and recorded in the statement of operations and changes in net assets of the sub-fund.

In addition of these fees above described, the Management Company applies a distribution fee for the Class B of that sub-fund. However the Class B was not active during the year.

### 6. Administrative fees and custodian fees

CACEIS Bank, Luxembourg Branch charges an annual commission as payment for its services, payable in monthly instalments and calculated on the basis of the SYSTEMATICA - GLOBAL TREND sub-fund's average net assets, in accordance with the usual practices in Luxembourg.

### 7. Changes in the composition of the securities portfolio

The details of the changes in the composition of the securities portfolio of the SYSTEMATICA - GLOBAL TREND sub-fund are available free of charge from its Management Company's registered office, on request.

### 8. Transactions with related parties

If the sub-fund SYSTEMATICA - GLOBAL TREND invests its entire or part of its assets in other mutual funds from the same group, no fee is charged for the portion of the assets invested in these funds, as mentioned in Note 5.

As at 31 December 2018, there was no investment in related parties.

### 9. Transaction fees

Transaction fees include mainly brokerage fees and custodian fees linked to transactions (purchase and sale) on securities portfolio, on options and other derivative instruments. The transaction fees included in bond spreads are directly included in the acquisition costs of those bonds and are therefore not included in the account "Transaction fees" in the statement of operations and changes in net assets.

No bonds were traded over year under review.

# SYSTEMATICA Mutual Fund

## Supplementary information (unaudited)

### 1. GLOBAL EXPOSURE CALCULATION METHOD

#### **The commitment approach**

The sub-fund SYSTEMATICA - GLOBAL TREND uses the commitment approach in order to monitor and measure the global exposure.

### 2. SECURITIES FINANCING TRANSACTIONS AND REUSE REGULATION (“SFTR”)

The fund does not use any instruments falling into the scope of “SFTR”.

### 3. REMUNERATION OF STAFF OF MANAGEMENT COMPANY AND DELEGATED INVESTMENT MANAGER

Ersel Gestion Internationale S.A., the management company of SYSTEMATICA (the “ManCo”), has communicated to SYSTEMATICA that it has a Remuneration Policy that complies both with EU Directive 2014/91/EU (UCITS V) EU Directive 2011/61/EU (AIFMD) as well as with regulatory requirements in Luxembourg and UK.

This policy defines, among other things, the Identified Staff in respect to the management of UCITS and AIFs and set rules regarding the variable part of the remuneration.

The Policy is available on the Company website, [www.Ersel.it](http://www.Ersel.it) or on first written demand addressed to the Management Company of SYSTEMATICA.

The split of salaries at ManCo level into fixed and variable remuneration and the number of staff was as follows in 2018:

Number of staff as of the 31.12.2018	Total fixed salaries (gross) in EUR	Total variable portion (gross) in EUR	Total gross in EUR
16	1,315,739	206,135	1,521,874

Break down between Identified Staff and other staff was as follows:

	Number – head count	Total gross in EUR
Identified Staff	10	1,139,016
Other staff	6	382,858

**Note:**

The tables above refer strictly to gross salaries and does not include other personnel costs such as the social security charges for the employer.

#### **4TIMING SIM SPA**

##### **Delegated Investment Manager**

4Timing SIM SpA remuneration was as follows in 2018:

Number of staff as of the 31.12.2018	Total fixed salaries (gross) in EUR	Total variable portion (gross) in EUR	Total gross in EUR
10	1,053,094.	0	1,053,094.