

## Tungsten SHY Synthetic High Yield UI

Tungsten SHY Synthetic High Yield UI aims to produce a stable return through a synthetic replication of a high yield portfolio. Over the long run, the fund's objective is to beat its benchmark, the Iboxx High Yield Index, composed of high yield corporate bonds.

The approach of the Tungsten SHY Synthetic High Yield UI is based on Robert Merton's Nobel prize awarded idea to replicate high yield corporate bonds via exchange-listed derivatives on indices and single securities. Through the use of derivatives, the synthetically replicated portfolio behaves less prone to crisis compared to a traditional high yield portfolio using bonds. Additionally, the Tungsten SHY Synthetic High Yield UI approach helps to diversify a high yield investor's portfolio.

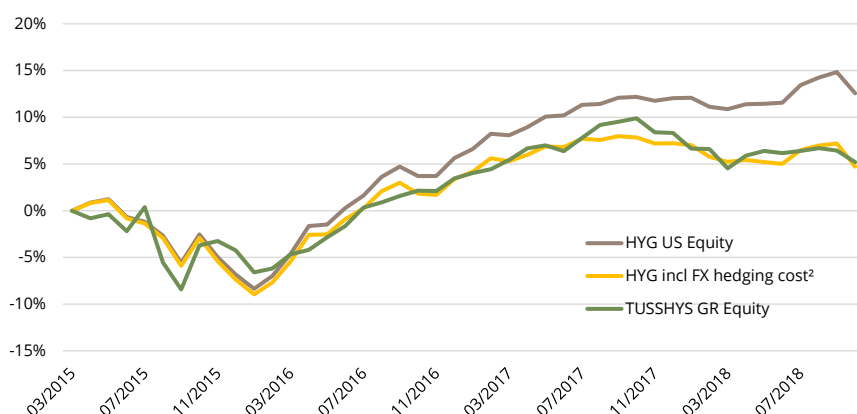
### Fund details

Subscription / redemption price	104.86
Fund domicile / currency	DE / EUR
ISIN / WKN	DE000A12BTA8 / A12BTA
Bloomberg	TUSSHYS
Total assets	EUR 10 mn.
Dividend policy	distributing
Management fee	0.00%
Administrator fee	0.21%
Performance fee	15%, HWM, Euribor (1m)

### Historical statistics

Accumulated return	5.21%
Return p.a.	1.42%
Volatility	6.43%
Sharpe Ratio <sup>1)</sup>	0.26
Best month	5.17%
Worst month	-5.90%
Monthly average return	0.13%
% positive months	63%
Average gain	1.04%
Average loss	-1.39%
Max. drawdown (monthly)	-8.77%
Current drawdown (monthly)	-4.26%

### Historical return



### Monthly performance in % (net of fees)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2018	-1.54%	-0.05%	-1.95%	1.31%	0.47%	-0.21%	0.21%	0.28%	-0.24%	-1.15%			-2.87%
2017	0.56%	0.39%	0.96%	1.16%	0.30%	-0.57%	1.34%	1.28%	0.32%	0.34%	-1.38%	-0.06%	4.71%
2016	-2.46%	0.46%	1.61%	0.50%	1.38%	1.27%	1.99%	0.56%	0.66%	0.58%	-0.05%	1.31%	8.04%
2015				-0.82%	0.44%	-1.82%	2.62%	-5.90%	-3.05%	5.17%	0.47%	-1.03%	-4.25%

1) Risk-free rate: Euribor (3m) 2) Hedging cost assumption: Rolling 3M USD Forwards (Bloomberg: EUR3M Index) annualised on monthly basis

### Contact details

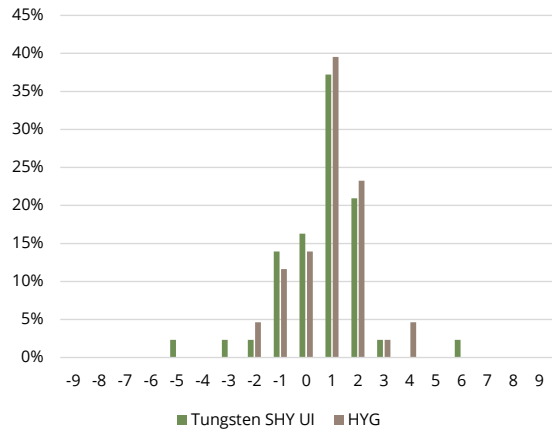
Fund management: Tungsten Capital Management GmbH, Hochstraße 35, 60313 Frankfurt, [www.tungsten-funds.com](http://www.tungsten-funds.com)

Sales: Tel.: +49 69 710 426 777, [info@tungsten-funds.com](mailto:info@tungsten-funds.com)

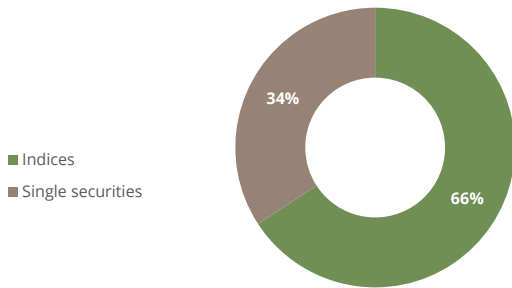
**Manager report**

October was a difficult month for the credit markets. A cocktail of climbing real interest rates, rising debt and worsening coverage ratios pushed down the price of credit bonds. The HYG High Yield ETF lost almost 2%, more than in December 2015, and CCC bond yields rose to over 10% in the US. Although high yield synthetic replication was impacted by a sharp fall in equities, individual stock price volatility did not increase as much. Thus, the SHY fund was able to produce a significant outperformance of around 1% against cash bonds in this rather difficult month. The portfolio was adversely affected by various positions in the Nasdaq, but there were also some bright spots, such as Tesla or Twitter, where high spread positions could be closed at a profit.

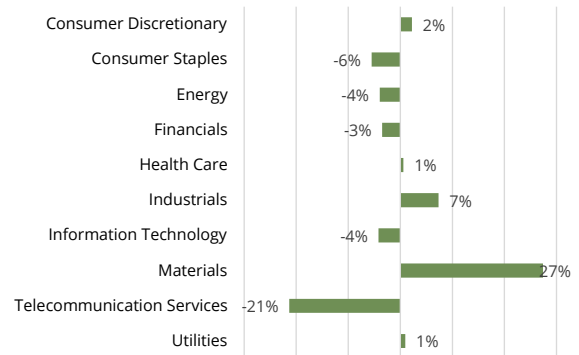
**Frequency distribution of MoM returns**



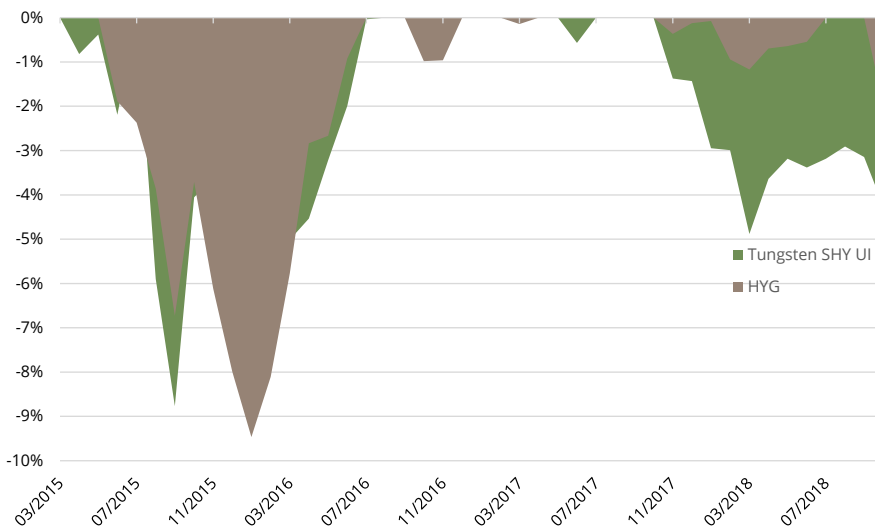
**Strategic exposure**



**Active GICS weights compared with HYG**



**Drawdown analysis**



Replicated yield to worst	13.67%
Average duration	2.5

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