TUNGSTEN
Investment Funds

Factsheet – Share Class S, June 2019

Tungsten SYNERGON L3 UI

Tungsten SYNERGON L3 is a global diversified Multi-Asset / Multi-Strategy fund under a daily liquid UCITS-Structure.

The strategy is constructured with three revenue generated sources (Risk Premiums, Tactic and Alpha), which is the reason of L3 in the fund name. With an equal-weighted sources of income and the adoption of the various independent strategy components (internal and external), there is a pronounced diversification effect compared with the classic balanced portfolios like Multi-Asset approaches. The expected high Sharpe ratio and an outperformance in the negative risk premium senario are the key aims in this strategy. The fund would normally lie in a 4-5% volatility environment and persuing an expected return of 4-6% above the Euribor (1M).

Fund details

Subscription / redemption price	99.31
Fund domicile / currency	DE / EUR
ISIN / WKN	DE000A2H5XS8 / A1W895
Bloomberg	UITSL3S Equity
Total assets	EUR 55 mn.
Dividend policy	distributing
Management fee	0.65%
Administrator fee	0.19%
Performance fee	10%, HWM, 2% Hurdle

Strategic Components and ideal Weighting Scheme

Level 1 Beta / Factor — 33%

Global Risk Premuim
Risk Parity Construction

Level 2 Variables Beta — 33%

QuantMatrix
Systematic
Trading

CAA
Cross Asset
Discretionary, Opportunist

Level 3 Idiosyncratic Income — 33%

Hybrid
Title Specified Income Predominantly from Stock Selection

Historical statistics

Accumulated return	-0.69%
Return p.a.	-0.49%
Volatility	2.59%
Sharpe Ratio	-0.06
Best month	1.57%
Worst month	-1.50%
Monthly average return	-0.04%
% positive months	41.18%
Average gain	0.63%
Average loss	-0.50%
Max. drawdown (monthly)	-3.65%
Current drawdown (monthly)	-1.41%

Monthly Performance in % (net of fees)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2019	1.57%	-0.58%	0.56%	0.07%	-0.41%	1.11%							2.33%
2018		-0.26%	-0.05%	-0.04%	0.31%	0.33%	0.44%	-0.20%	-0.27%	-1.50%	-0.28%	-1.45%	-2.95%

Contact details

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Level 1

Global Risk Premium

The money and bond markets are driving central banks not the other way around. Apparently relentlessly, global interest rates continue to fall. After the FED hit a more dovish tone in its June meeting, it is no longer a question of whether the FED lowers interest rates in July, but how much. The buzz on the interest markets also helped stocks in June, as lower discount rates lead to higher valuations. So June was again a Goldilock month for BETA of all kinds and a positive month for Level 1 in our Fund. Let's look again at the bonds: It is quite impressive how long convexity Bonds are bought vehemently in the low interest rate environment when the consensus view swings back towards "Lower for Longer". This process has now taken almost 10 years, so maybe it's time to go against the consensus? Our favorite 10-year Spanish bonds are now experiencing rising prices for 8 consecutive months. A return of 0.4% for bono's was virtually unthinkable in 2012. These are the consequences of "Whatever it takes". The economy alone does not react positively, and yet everyone is counting on the FED. In the end for sure it will all be fine, but before that it can get really uncomfortable again.

Contribution (Gross)[1)]

+107 bps

Level 2

Systematc Discretionary Trading

The strategy was able to benefit from the friendly equity market environment, profiting mainly via long positions in the sector in June. Especially in the CAC-40 and the Russell-2000, the portfolio gained from rising prices, while in the Hang Seng Index, the strategy managed to be profitable with a combination of long and short positions. The contribution from bonds was also positive, led by gains from trading in 10-year German and Italian bond futures. By contrast, the portfolio incurred losses in most traded currency pairs, especially at the beginning of the month. The worst single result in the sector came from the Dollar Index, the best contributor was the Russian ruble.

+35 bps

Discretionary Asymmetric Trading

June 2019 was the best June since 1955. With equities up 6.9%, this was very challenging for a long volatility strategy, especially coming out of May on elevated volatility levels. Our convexity book can be thought of as a chariot pulled by two horses, gamma and vega. Convexity can be dynamic to the downside because both horses pull in the same direction. On the upside, they tend to offset as long gamma wins, but particularly in a violent rally this is more than offset by declines in volatility. This was the case in June for the protection component of Synergon. All major assets we track were up on the month, and currently 64% of the total pool of European bonds is negative yielding - a new record high of 5 trillion euros. Long volatility is the one crisis asset claas that will profit, when all this turns back. So we remain loaded with convexity.

-33 bps

Contribution (Gross)[1)]

+2 bps

Level 3

Title Specified Income - Basket from L/S Equity Strategies

In aggregate, level three appeared dull in June. Nevertheless, the individual strategies showed quite some dispersion with performances ranging from -5% to +6%. The overriding theme though, remains the same: the value spread between cheap and expensive stocks, is heading towards a new historical maximum. Since the start of the year, low volatility / quality growth is once more the dominating topic against value as the underperforming style. Put differently: everything that correlates positively with decreasing interest rates, determined market direction and pushed the S&P500 to new highs, while an equally weighted index would still be miles away. The lack of market breadth wouldn't be an early warning signal for the first time around. Our impression is that, with a market correction, level three within Synergon, would act as an adequate shock absorber.

Contribution (Gross)[1)]

+2 bps