Factsheet – Share Class S, September 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	100.22
Fund domicile / currency	DE / EUR
ISIN / WKN	DE000A2H5XS8 / A2H5XS
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	0.22%
Return p.a.	0.13%
Volatility	2.95%
Sharpe Ratio	0.16
Best month	1.57%
Worst month	-1.50%
Monthly average return	0.01%
% positive months	45.00%
Average gain	0.63%
Average loss	-0.49%
Max. drawdown (monthly)	-3.65%
Current drawdown (monthly)	-0.51%

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%	0.64%	0.62%	-0.35%				3.27%
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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TUNGSTEN
Investment Funds

Level **1**

Global Risk Premium

We talked last month about the fact that the FED and the ECB will probably have to "pump up" further in order to reassure market participants. And they did. The Fed lowered the Fed Funds Rate by 25BP and the ECB decided to shoot another QE Bazooka. The latter probably for lack of alternatives, where is the interest rate to be lowered in Europe? Nevertheless, both bodies seem to disagree on where to go for further central bank measures. While the other permanent issues of Brexit and trade war can be dismissed as political back and forth, and the pendulum swings in one direction and the other, it looks as if the air for meaningful central bank policy is now very thin. On the other hand, low interest rates certainly play a large part in the high valuations. The suspicion suggests itself that there is a threat of major corrections here as soon as the supply of cheap central bank money could stop. The first cracks in the beams appear in the performance of equity factor betas and in the implied volatility, which has increased for about three months now. For the time being, however, there is no sign of a stall on the classic beta side and so the beta component recorded another positive month.

Contribution (Gross)[1)]

+59 bps

Level **2**

Systematc Discretionary Trading

The strategy's non-trend-following models were able to extract gains from equity markets in September. The best contributions came from the AEX, while moderately negative results were recorded from US indices. The portfolio incurred losses in the bond markets, which corrected sharply in the first half of the month. The weakest results came from German government bonds. In currencies, the portfolio benefited in particular from the weakness of the EUR and the JPY against the USD, as well as the depreciation of the AUD against the EUR. The strength of the GBP at the beginning of the month, on the other hand, led to moderate losses. The strategy gained from the decline in equity market volatility from the elevated levels in the previous month.

-10 bps

Discretionary Asymmetric Trading

Our gamma and income books are generally challenged in months with market rallies, so these books roughly gave back their winnings from August. The vol book, primarily consisting of VIX, was also challenged with a sideways movement of slightly elevated VIX levels. The net effect is that our convexity does not pay off yet, but we have enough reasons maintain it. The challenge is to still own the convexity by the time when it is needed.

-18 bps

Contribution (Gross)[1)]

-28 bps

Level **3**

Title Specified Income - Basket from L/S Equity Strategies

In an unexpectedly strong performing equity market in September, the L/S portfolio was not able to compensate for the idiosyncratic losses of two of its managers. The rough factor reversal and sector rotation, especially in the first half of the month, yielded equity long short managers the worst week in 4 years. Momentum and value factors reversed their trends substantially. This was accompanied by reversal among sectors favoring financials at the expense of tech stocks. Low beta, low vol stocks that had been favored as defensive bond proxies, suffered from the surprising weakness in bond markets. It remains to be seen, if the remarkable reversal of the value factor will resume into a sustainable trend after years of underperformance. Within markets bearing increased risk, but lacking the corresponding risk premia, the portfolio on Level 3 should be well positioned to smooth the overall portfolio's performance with its uncorrelated characteristics.

Contribution (Gross)[1)]

-66 bps