

## 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 constructed 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 scenario 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	97.74
Fund domicile / currency	DE / EUR
ISIN / WKN	DE000A2H5XS8 / A2H5XS
Bloomberg	UITSL3S Equity
Total assets	EUR 64 mn.
Dividend policy	distributing
Management fee	0.65%
Administrator fee	0.19%
Performance fee	10%, HWM, 2% Hurdle

### Strategic Components and ideal Weighting Scheme

<b>Level 1</b>	Beta / Factor	33%
	Global Risk Premium Risk Parity Construction	
<b>Level 2</b>	Variables Beta	33%
	QuantMatrix Systematic Trading	CAA Cross Asset Discretionary, Opportunist
<b>Level 3</b>	Idiosyncratic Income	33%
	Hybrid Title Specified Income Predominantly from Stock Selection	

### Historical statistics

Accumulated return	-2.21%
Return p.a.	-1.07%
Volatility	3.25%
Sharpe Ratio	-0.22
Best month	1.57%
Worst month	-2.71%
Monthly average return	-0.09%
% positive months	48.00%
Average gain	0.54%
Average loss	-0.67%
Max. drawdown (monthly)	-3.65%
Current drawdown (monthly)	-2.92%

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

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2020	0.08%	-2.71%											-2.63%
2019	1.57%	-0.58%	0.56%	0.07%	-0.41%	1.11%	0.64%	0.62%	-0.35%	-0.56%	0.70%	0.07%	3.48%
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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<p>Level</p> <p><b>1</b></p>	<p><b>Global Risk Premium</b></p> <p>In February, international bonds rose again by more than 1.5%, and are now trading about 3.5% ytd higher, depending on the benchmark you look at. Bond earnings in an interest-free world. With the recent rise in bond prices, we can hardly or in some cases no longer identify any risk premiums for bonds. However, risk premia strategies are inherently based on the collection of risk premiums. So, it is only logical that we have started to reduce bond allocations. This creates new challenges in portfolio construction and risk balancing. Not least with the commencing sell-off in the global equity market (MSCI World in EUR -7.64%) and the increased volatility, we see attractive risk premiums in equities and synthetic credits. Without the usual extent of diversification benefits from bonds, however, it is more difficult to collect them and a slightly higher volatility will probably have to be accepted for this. At the same time, the good news is that the portfolio is less vulnerable for correlation shocks and increases in risk premia, such as the current one, form the basis for future excess returns. This has been the case in the past and will not be any different now, as it reflects the nature and strength of the approach.</p>	<p>Contribution (Gross)<sup>1)</sup></p> <p><b>-218 bps</b></p>
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<p>Level</p> <p><b>2</b></p>	<p><b>Systematic Discretionary Trading</b></p> <p>Despite the turbulences surrounding Covid-19, the strategy produced moderate gains. It recorded mixed results from equity indices: gains from short exposures, e.g. in the S&amp;P 500 and EuroStoxx50, were outweighed by losses in other indices such as the CAC-40 and Hang Seng Index, which on balance meant a negative contribution from the sector. This was offset by significant gains from bonds. The positive result there was driven particularly by long positions of different maturities in US bonds and 10-year German bonds. Amidst large swings in currencies, the strategy recorded a moderately positive contribution there, with losses incurred especially in the JPY, while the strategy was profitable e.g. in the Dollar Index.</p>	<p><b>Discretionary Asymmetric Trading</b></p> <p>February 2020 initiated in a lower vol environment market rally, which largely faded by month end. The earlier half of the month was favorable for the gamma component which was monetized. The latter half of the month favored the vol component. The income component consisting of long VIX put structures while defined risk was challenged by the month end decline. While the fund was net positive for the month, the VIX puts dampened the monthly result. Given the defined risk characteristics of the income book, and the time horizon of the chosen instruments, a conscious decision was made to add to these positions systematically at increasingly favorable limits up to a preset risk level as markets declined. As of writing, given subsequent market activity, this has not paid off. Zenturio reduces pricy convexity and starts to hunt for value in risen volatility.</p>	<p>Contribution (Gross)<sup>1)</sup></p> <p><b>+28 bps</b></p>
	+27 bps	+1 bps	

<p>Level</p> <p><b>3</b></p>	<p><b>Title Specified Income - Basket from L/S Equity Strategies</b></p> <p>Many managers were quick to reduce directional equity exposure towards month end. The ever widening value spread, remained the main challenge though. After already reaching new highs in 2019, the value spread continued to lag and value stocks underperformed their peers on the growth side by 15%. Some of the managers in the portfolio now face a "Heads I win, Tails I don't lose" situation for the remainder of the year. Expected fiscal and monetary policy in the second half of the year, could be faced with emptied inventories, which could lead to an inflation shock and propel value stocks. Should we head into a global recession, growth stocks wouldn't be able to keep their high valuation levels and would therefore decline faster than value stocks. This asymmetry is getting more and more attractive, but requires tenacity until its unwind.</p>	<p>Contribution (Gross)<sup>1)</sup></p> <p><b>-81 bps</b></p>
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